


# Group

Raisio Group is an international expert in plant-based nutrition. Our main products include foods and functional food ingredients as well as feeds and malts. Our key market areas are Finland, Great Britain, Sweden, Russia, Ukraine, Poland and the Baltic countries. Our strategic target is to grow organically and through acquisitions.

**Natural Growth - Introduction to Raisio**


http://www.youtube.com/watch?v=7ksPGDmgAkc

# Raisio Group in brief

Raisio Group is an international expert in plant-based nutrition. Our main products include foods and functional food ingredients as well as feeds and malts. Our key market areas are Finland, Great Britain, Sweden, Russia, Ukraine, Poland and the Baltic countries. Our strategic target is to grow organically and through acquisitions.

## Raisio is known for its brands


Benecol operates globally with its partners. Benecol products are sold in 30 countries on five continents. Benecol® is Raisio′s trademark and plant stanol ester the company′s widely patented ingredient in Benecol products. Benecol is the original expert in cholesterol-lowering and plant stanol ester of Benecol products has been chosen one of the world′s most significant nutritional innovations. Furthermore, plant stanol ester of Benecol products was among the first to obtain the EU Commission′s approval to use the disease-reduction claim.

Raisio′s well-known food brands in their own market areas are Elovena, Honey Monster, Sunnuntai, Carlshamn, Nordic and The Dormen. In 2010, Elovena was the second-most valued food brand in Finland. With its nearly 40% market share, Raisio is a significant partner of Finnish livestock producers providing them with cost-effective and environmentally friendly feeds and feeding concepts. Raisio is a market leader in the Finnish malt market.

## Innovative development

Raisio′s activities are based on tasty, ecological, healthy and safe products that meet the customer need. In all our operations, the emphasis is placed on sustainable development and continuous improvement. We actively participate in the development of the Finnish grain chain and provide our customers with tools to improve their own operations including environmental aspects. We also develop new innovative solutions to produce bioenergy from the field biomass, which we process almost a milliard kilos annually as the biggest Finnish company. Moreover, the surplus oil from feed and food use is an important raw material for renewable diesel of the leading Finnish company.


The importance of ecological, environmentally friendly products and solutions as part of the company′s responsible operations continues to increase. Consumers want more and more information on the origin, safety, production methods and environmental impacts of raw materials and products. In addition to the carbon footprint, the total water consumption will become a significant issue globally in the near future. Raisio was the first company in the world to label its products with carbon footprint and total water consumption information. We are continuing our activities that the change in consumer buying behaviour has proved right.


# Raisio Group in brief

## Raisio is a successful company listed in Finland

Raisio plc is a Finnish company founded in 1939 and listed on NASDAQ OMX Helsinki Ltd. The company has over 36,000 shareholders. Raisio employs some 1,500 persons in March 2011 and operates in 12 countries. During its growth phase, Raisio has completed acquisitions that have made Great Britain the largest market area of Raisio's branded products, and more than half of Raisio's personnel works in the UK.

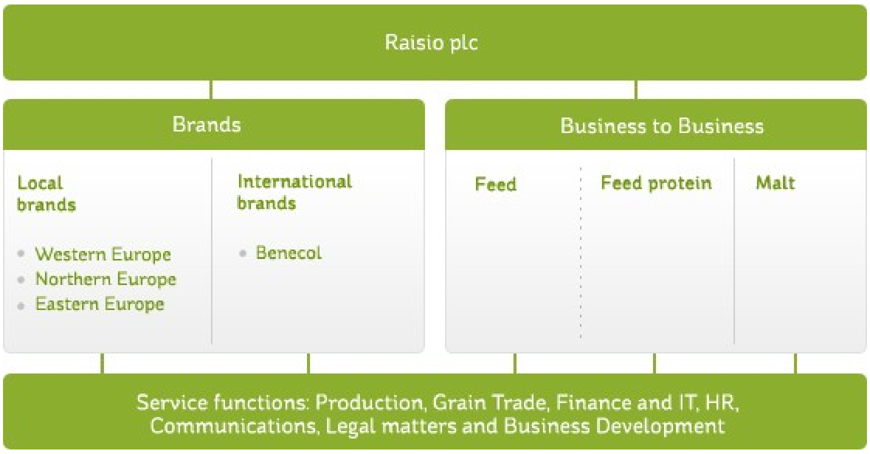
**KEY FIGURES**

| | 2010 | 2009 | 2008 |
|---|---|---|---|
| Net sales, M€ | 443.0 | 375.9 | 463.2 |
| EBIT, M€ | 19.4 | 19.5 | 24.4 |
| EBIT, excluding one-off items, M€ | 19.4 | 20.5 | 20.2 |
| % of net sales | 4.4 | 5.5 | 4.4 |
| Return on investment, % | 5.1 | 6.1 | 8.4 |
| Net gearing, % | -22.5 | -46.6 | -20.8 |
| Equity ratio, % | 67.6 | 73.4 | 77.9 |
| Equity per share, € | 2.06 | 2.06 | 1.79 |
| Earnings per share, € | 0.08 | 0.09 | 0.12 |
| Earnings per share, excluding one-off items, € | 0.08 | 0.09 | 0.10 |
| Dividend, € | 0.10* | 0.09 | 0.07 |

* Board of Directors' proposal to the Annual General Meeting




# Group structure






# Review of 2010


## June 2010

- Raisio added colour-coded carbon footprint labels to its products
- Clear additional benefits for consumers through higher than currently recommended plant stanol ester doses
- Raisio's management invests in the company shares as part of the management's incentive scheme


## August 2010

- Interim Report: Strong growth at Raisio

## September 2010

- Raisio and Neste Oil agreed on the use of domestic rapeseed oil surplus as raw material for renewable diesel

## October 2010

- Feed carbon footprint calculation enables Raisio to develop its operations and the whole food chain more environmentally friendly


## November 2010

- Benecol products 15 years in the markets

## February 2011

- Acquisition of Big Bear Group strengthens profitable growth

An image of Review of 2010

# Key figures 2008-2010

| KEY FIGURES, RESULT EXCLUDING ONE-OFF ITEMS | 2010 | 2009 | 2008 |
|---|---|---|---|
| **NET SALES** | | | |
| Brands, M€ | 236.4 | 177.6 | 195.4 |
| Business to Business, M€ | 208.3 | 205.6 | 282.7 |
| Other operations, M€ | 0.9 | 0.9 | 1.0 |
| Interdivisional net sales, M€ | -2.5 | -8.1 | -16.0 |
| Total net sales, M€ | 443.0 | 375.9 | 463.2 |
| **EBIT** | | | |
| Brands, M€ | 20.0 | 20.5 | 11.5 |
| Business to Business, M€ | 2.1 | 3.0 | 12.3 |
| Other operations, M€ | -2.8 | -3.3 | -3.4 |
| Eliminations, M€ | 0.0 | 0.3 | -0.2 |
| Total EBIT, M€ | 19.4 | 20.5 | 20.2 |
| % of net sales | 4.4 | 5.5 | 4.4 |
| Financial income and expenses, net, M€ | -1.9 | -0.5 | -0.4 |
| Share of result of associated companies, M€ | 0.0 | 0.1 | 0.1 |
| Result before taxes, M€ | 17.6 | 20.1 | 19.8 |
| Income taxes, M€ | -5.1 | -5.9 | -4.5 |
| Result for the reporting period, M€ | 12.4 | 14.2 | 15.2 |
| Earnings per share, € | 0.08 | 0.09 | 0.10 |


# Key figures 2008-2010

| KEY FIGURES, BALANCE SHEET | 31.12.2010 | 31.12.2009 | 31.12.2008 |
|---|---|---|---|
| Return on equity, % | 3.9 | 4.5 | 7.0 |
| Return on investment (ROI), % | 5.1 | 6.1 | 8.4 |
| Interest-bearing liabilities at the end of the period, M€ | 67.2 | 62.8 | 19.7 |
| Equity ratio, % | 67.6 | 73.4 | 77.9 |
| Net gearing, % | -22.5 | -46.6 | -20.8 |
| Equity per share, € | 2.06 | 2.06 | 1.79 |

# Key figures 2010

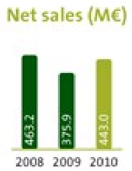
| KEY FIGURES, RESULT EXCLUDING ONE-OFF ITEMS | Q4/2010 | Q3/2010 | Q2/2010 | Q1/2010 | 2010 |
|---|---|---|---|---|---|
| **NET SALES** | | | | | |
| Brands, M€ | 65.5 | 63.0 | 64.5 | 43.4 | 236.4 |
| Business to Business, M€ | 53.0 | 56.3 | 55.6 | 43.3 | 208.3 |
| Other operations, M€ | 0.2 | 0.2 | 0.2 | 0.2 | 0.9 |
| Interdivisional net sales, M€ | -0.8 | -0.7 | -0.4 | -0.5 | -2.5 |
| Total net sales, M€ | 117.8 | 118.9 | 120.0 | 86.4 | 443.0 |
| **EBIT** | | | | | |
| Brands, M€ | 2.9 | 6.5 | 5.8 | 4.8 | 20.0 |
| Business to Business, M€ | 0.7 | 0.0 | 1.3 | 0.1 | 2.1 |
| Other operations, M€ | -0.7 | -0.4 | -1.1 | -0.6 | -2.8 |
| Eliminations, M€ | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total EBIT, M€ | 3.0 | 6.1 | 6.0 | 4.3 | 19.4 |
| % of net sales | 2.6 | 5.1 | 5.0 | 5.0 | 4.4 |
| Financial income and expenses, net, M€ | 0.3 | 0.8 | -2.9 | -0.1 | -1.9 |
| Share of result of associated companies, M€ | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Result before taxes, M€ | 3.3 | 6.8 | 3.1 | 4.3 | 17.6 |
| Income taxes, M€ | -1.1 | -1.9 | -0.8 | -1.3 | -5.1 |
| Result for the reporting period, M€ | 2.2 | 4.9 | 2.3 | 3.0 | 12.4 |
| Earnings per share, € | 0.01 | 0.03 | 0.01 | 0.02 | 0.08 |

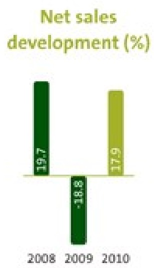
# Key figures 2010

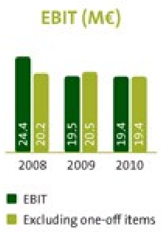
| KEY FIGURES, BALANCE SHEET | 31.12.2010 | 30.9.2010 | 30.6.2010 | 31.3.2010 |
|---|---|---|---|---|
| Return on equity (ROE), % | 3.9 | 4.3 | 3.3 | 3.8 |
| Return on investment (ROI), % | 5.1 | 5.4 | 4.4 | 5.1 |
| Interest-bearing liabilities at the end of the period, M€ | 67.2 | 73.5 | 74.1 | 63.0 |
| Equity ratio, % | 67.6 | 69.0 | 68.6 | 70.5 |
| Net gearing, % | -22.5 | -18.3 | -10.8 | -40.2 |
| Equity per share, € | 2.06 | 2.04 | 2.02 | 2.00 |

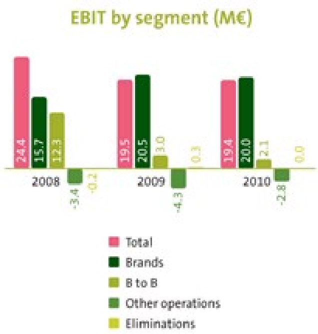


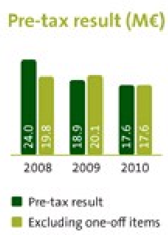

# Key figures, graphs

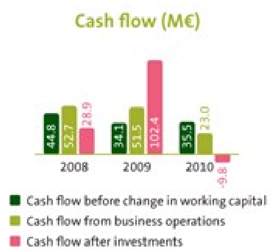


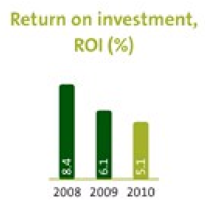



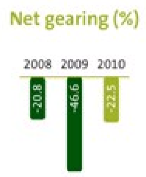



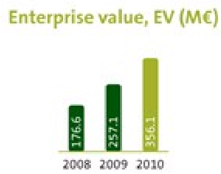


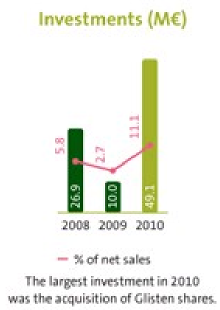

# Key figures, graphs

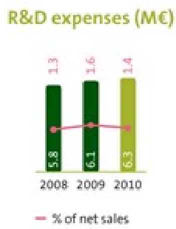






## Sites


RAISIO STAEST U.S.
PRODUCTION PLANT
SALES OFFICE
RAISIO FEED
RAISIO FEED
RAISIO FEED
RAISIO FEED
RAISIO FEED
RAISIO NUTRITION
RAISIO
RAISIO FEED
RAISIO NUTRITION
RAISIO NUTRITION
RAISIO ESTONIA
RAISIO LATVIJA
RAISIO SWEDEN
RAISIO RUSSIA
RAISIO LIETUVA
RAISIO UK
RAISIO POLAND
RAISIO UKRAINE

# Chief Executive’s review

After the successful phases of turnaround and profitability, Raisio moved to a growth phase that we estimate to last until the end of 2011. The key targets of the growth phase are net sales increase and internationalisation. Raisio is growing organically and through acquisitions in the current market areas and is entering new market areas and new product categories.

In the Business to Business Division, we proceed by combining feed, feed components and bioenergy. We continue our efforts in cooperation with the leading Finnish companies to find ways to use field biomass as bioenergy, traffic fuels as well as in steam and electricity generation. I believe that this cooperation will spawn innovations and investments that benefit all parties.

Raisio is growing by combining ecology, health and snacks suitable for mobile lifestyle into a whole that meets the needs of consumers and customers in all our market areas. Our target is to become the leading provider of healthy and ecological snacks in Europe.

## Raisio’s growth continues

We actively work to carry out acquisitions that fit our strategy. In 2010, we had dozens of growth projects under way. During the growth period, Raisio has completed two acquisitions in Great Britain. Glisten became part of Raisio in April 2010 and Big Bear Group in February 2011. According to outside estimates, the companies Raisio acquired were affordable in relation to their profit level since the EBITDA multiples were at the level seven. With these acquisitions, we have gained a solid foothold in the British breakfast, snack and confectionery market.

We will continue to be active in the acquisition front and to grow as planned. Carefully considered acquisitions secure profitable growth and achievement of our targets in the long run. Through acquisitions, we will also create shareholder value. The Group’s strong balance sheet and cash flow provide a good foundation for acquisitions as far as there are suitable companies available fitting our strategy and meeting our preset criteria.

## Year of discontinuity 2010

The year 2010 is characterised by discontinuity. The Group’s priority changed as the branded share of operations grew and Great Britain became the largest single branded market. This change was preceded by a divestment of our margarine production so that we were able grow elsewhere.

Raisio was among the first to anticipate, already in 2007, high price volatility and a permanent change in the entire system. Our vision is still topical since the grain raw material prices have been and will continue to be volatile. In terms of the Group profitability, risk management of raw material prices will be essential also in the future, regarding both value and volume. As the company’s priority changed, our raw material procurement with new raw materials such as nuts, cacao and sugar will be more diverse.

It is also essential to note that weather used to cause problems in primary production. Now the weather also affects logistics, processing and customers’ business as the snowstorms in Europe well showed at the end of the year. Especially in Finland, prices of commodities and raw materials critical to Raisio, such as palladium and lysine, rose. We will also increase direct purchasing of raw materials and direct sale of feeds as well as develop indicators for contract farming.

The year 2010 was a good example of Raisio's capability to adapt quickly to a changing operating environment by developing new economically viable solutions that support the bioeconomy. When the global food chain changes in the future, we will be able to provide sustainable solutions.

# Chief Executive's review

## Towards a bioeconomy

**Raisio is growing profitably on the threshold of a bioeconomic era.**

Two global challenges we are facing, climate change and food security, are linked to each other. Guide to a bioeconomy is Raisio's way to tackle these challenges. In the bioeconomy, renewable natural resources are used sustainably. In terms of nutrition, the bioeconomy means that our mobile lifestyle includes healthier and more ecological food, that we are able to reliably measure the eco-efficiency of production and to manage the process through facts.

Business to Business is also strongly involved in the development of the bioeconomy. Ecology is the key to profitable future of the whole Finnish agricultural chain, and particularly water provides a key competitive advantage for Finland. Raisio has designed tools EcoPlus, CarbonPlus and WaterPlus to enhance ecological activities of contract farmers and to increase transparency and traceability of the chain.

*Matti Rihko*

# Business strategy

## Raisio aims to operate responsibly and, consequently, we are renewing the food market by combining ecology, health and food suited to mobile lifestyle into a whole that ensures the company's profitability, growth and continuity.

**HEM-strategy**

| RAISIO'S HEM STRATEGY IS BASED ON | |
|---|---|
| H | Health |
| E | Ecology |
| M | Mobile food - a mobile lifestyle |

**Meeting the consumer needs as a starting point**

Raisio grows by combining ecology and health into a whole that meets the consumer needs. Consumers perceive ecology as an increasingly important choice criterion and the change in buying behaviour is strongly reflected in Raisio's operations. Thus, ecology as well as ethically responsible operations are a more and more important part of Raisio's strategy and way to operate. Often, this way of operating is also economically profitable.

Working responsibly in close cooperation with its Finnish contract farmers, Raisio can actively participate in the development of the Finnish grain chain to ensure the continuity of cultivation. Close cooperation with primary producers gives Raisio the security of a competitively priced high-quality raw material supply. Large raw material base and the possibility to optimize raw materials between our businesses strengthen Raisio's ability to quickly react to changes in the grain market. They also constitute a significant competitive advantage for the company.

Ecology and economy are emphasised not only in the consumer products and grain chain but also in Raisio's feed business where our goal is to reduce the environmental impacts of livestock production by means of more effective feeds and feeding solutions. Raisio aims to reduce environmental impacts of feeds by innovating ecological products and feeding concepts in cooperation with livestock producers and processing industry. For the profitability of livestock production, ecological factors will grow in importance in the future.


# Business strategy

## Vision and values

Raisio's vision is to be a forerunner and a specialist in ecological, plant-based nutrition with leading brands. The company's strategy is based on this vision. In the Brands Division, to be a pioneer means that Raisio continuously aims to innovate ecological and healthy snacks meeting the consumer needs. In the Business to Business Division, to be a pioneer means that the company aims to increase the profitability of the food chain and, at the same time, to reduce its ecological footprint with ethically sustainable solutions.

> **At Raisio, we are: competent, responsible and cooperative.**

Competence, responsibility and open cooperation are Raisio's key values. The values support the company's strategy and help achieve strategic objectives. Over the past years, Raisio has strongly invested in the development and competence of the personnel and emphasised the responsibility in its operations. Our open cooperation has resulted in continuous enhancement and development of operations. As the food chain is changing radically, strong competence of the personnel together with the company's ability to quickly adapt to market changes are critical success factors. In Raisio's turnaround, the focus has been on the personnel's competence.




# Strategic phases

## Development of Raisio’s business may be divided into three strategic phases. After the turnaround phase in 2007 and the phase focusing on profitability improvement in 2008 and 2009, Raisio moved on to a growth phase in 2010.


### Turnaround

During the turnaround phase in 2007, Raisio implemented measures that enhanced the operations to meet the changed market situation. At the same time, the organisation was streamlined. Furthermore, Raisio divested its unprofitable potato and diagnostics businesses and sold the company manufacturing special feeds as well as its share in the Polish dairy company.

When Raisio got back the rights related to the Benecol brand and plant stanol ester from its long-term partner McNeil, the company had an opportunity to focus on the development of its operations and product applications. The company started flexible pricing with retail trade and introduced a fixed-price for grain.

### Profitability

During the profitability phase in 2008 and 2009, Raisio strongly focused on improving the profitability as the company's basic structure was in order due to the measures implemented in 2007. Measures taken to improve the profitability included renewal of product range to meet consumer needs, enhancement of business processes and development of logistics chain. Additionally, Raisio increased marketing investments, launched new products in its domestic market area and prepared its entering into new market areas and product categories. The company also rationalised the Russian activities in order to improve the profitability.

Raisio saw that the growth potential of margarine business was limited as the industry was operated by large international companies. Consequently, Raisio decided to divest its margarine business. With this divestment, Raisio strategically focused more clearly on grain-based products and gained additional resources for the development of its other businesses. At the end of the profitability phase, Raisio had become the most profitable listed food company in Finland.

### Growth

In 2010, Raisio started its third strategic phase that will last at least until the end of 2011. During this phase, the company is strongly focusing on growth. As the trade and its distribution channels are globalising, the food industry also needs to become more global. Even though Raisio places a strong emphasis on the growth during the phase, the company aims to maintain the profitability at the earlier level.

**Raisio is growing organically and through acquisitions**

During the three strategic phases Raisio has faced different challenges. However, all phases have had common factors contributing to the company’s success: the ability to detect opportunities and to benefit from them efficiently with the competent organisation and partnerships.

# Strategic objectives

In 2011, Raisio's main strategic objective is to achieve profitable growth. The company seeks to grow its net sales both through organic growth in the domestic market as well as through acquisitions. In the short run, acquisitions may affect negatively Raisio's EBIT level since costs of acquisitions impact the Group's profit. In the long run, however, growth of net sales will also be seen as improved profitability.

The Brands Division's ambition is to reach a net sales level of EUR 500 million and an EBIT level of 10% by the end of 2011. To reach this goal, acquisitions are required in addition to organic growth. Business to Business Division's goal is net sales of EUR 200 million and a 5% EBIT level in the corresponding period.

## Outlook 2011

Raisio continues the implementation of the growth phase according to plan. We expect net sales increase for 2011, especially for the Brands Division. In terms of net sales, it is still essential to pay attention to the impact of raw material price volatility. Activity in growth projects brings extensive costs compared to the company size and thus, undermines profitability in the short term. Group's target is to maintain the earlier 4-5% profitability level also during the growth phase.




# Growth strategy

## In 2010-2011, Raisio aims at growth through both organic growth in the company's domestic market areas and through acquisitions. The company's strong balance sheet and cash flow provide a good base to operate actively in the structurally changing food industry.

Globalising of trade and its distribution channels also requires the food industry to become more international, which will increase structural arrangements within the industry. Strong balance sheet and cash flow together with our fast decision-making provide Raisio with good opportunities to actively operate in the structural change of the food industry. Raisio is interested in companies that comply with its strategy and represent small and growing product segments. The acquisition of British Glisten plc in the spring 2010 was a logical step in the implementation of growth strategy.

### Ability to make acquisitions

Raisio's ability to make acquisitions and to operate actively in the structurally changing food industry are based on our flexibility and ability to make fast decisions, due to the company's small size, as well as on the strong balance sheet and cash flow. Raisio's balance sheet is strong due to the divestments completed in 2007-2009. In 2007, Raisio divested its potato and diagnostics businesses and, in 2009, the company sold its margarine business to Bunge for the purchase price of EUR 80 million. These divestments provided Raisio with strategic possibilities to focus more clearly on grain-based products and also gave additional resources for the growth of the company's other businesses.


Raisio has shown its ability to make acquisitions. The acquisition of British Glisten plc in April 2010 was the first concrete example of the implementation of Raisio's growth strategy and a major step in Raisio's globalisation. Glisten plc is a growing company manufacturing consumer-oriented, innovative and healthy snack products whose brands are, e.g., Fruitus and The Dormen. With Glisten acquisition, Raisio gained a significant foothold in the British snack product market.

The acquisition of Big Bear Group in February 2011 was a natural extension of our growth strategy. With the acquisition, Raisio will gain a stronger branded foothold in the snack and breakfast markets in Great-Britain and Western Europe. The transaction will also strengthen the company's position in the confectionery market. Big Bear complements extremely well the earlier acquisition of Glisten and brings the necessary critical mass for the future.


**Raisio's growth continues according to plans**

We will continue to be active in the acquisitions front. The Group's strong balance sheet and cash flow provide a good foundation for acquisition activities as far as there are suitable companies available fitting our strategy and meeting our preset criteria. During the growth phase, Raisio aims to maintain the earlier 4-5% level of profitability.


## Growth strategy

### *Acquisition criteria*

Raisio has defined strict criteria that potential acquisition targets need to meet. These four criteria are product application, consumer brand, customer contacts and purchase price. Raisio uses ABCP model in the definition of acquisition targets:

**Strict acquisition criteria**

A Applications

B Customers

C Brands

E Euro

Raisio aims to enter small and growing product segments. Product applications that interest us are, e.g., ecological and healthy snacks. Another criterion is the acquisition target's strong and well-known consumer brand in its market area. Raisio also seeks a ready customer base and effective distribution channels. Purchase price is also an important factor. Even if all other acquisition criteria were met, Raisio will not make the acquisition if the purchase price is not at the right level. All four criteria were met in the Glisten and Big Bear Group acquisitions.

### Organic growth

An external factor supporting Raisio's organic growth is the radically changing food market through the emphasis of three global trends, i.e. ecology, ethics and economy. Population growth and climate change are changing consumers' buying behaviour so that ecology is considered an increasingly more important choice criterion. Consumers will pay more attention to the labels on food packages indicating the carbon footprint and overall water consumption. Consumers' food consumption is also changing. More and more of the daily energy needs will be satisfied with snacks, and urbanisation will only be reinforcing this trend.

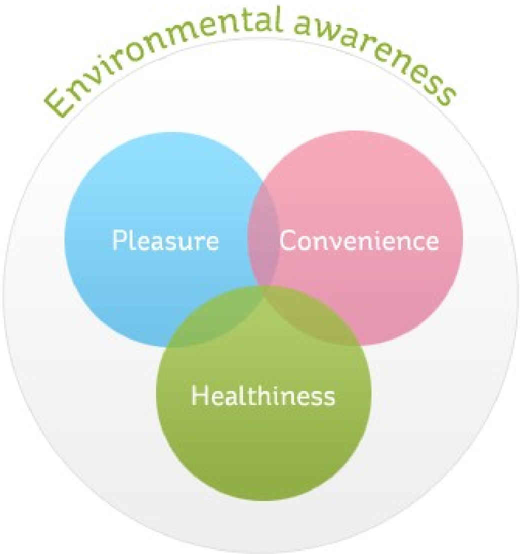
One of the main internal factors supporting Raisio's organic growth is the company's ability to innovate ecological and healthy snacks to meet changing consumer needs. Clinical studies showing the efficacy of Raisio's cholesterol-lowering Benecol products enable easier launches of new products into new market areas and support the company's organic growth.

In 2010, we were investigating dozens of growth projects. In 11 cases, we proceeded through a non-disclosure agreement to the due diligence process. Raisio analysed thoroughly five potential acquisition targets two of which resulted in the acquisition. The acquisition of Big Bear Group took place in February 2001 after the review period. Carefully considered acquisitions secure profitable growth and achievement of our targets in the long run. Through acquisitions, we can also create shareholder value.

## Growth strategy

### *Influence of global megatrends*

Global megatrends, the ability to innovate ecological and healthy snacks meeting changing consumer needs and the growth potential provided by Benecol products all support Raisio's organic growth.




Population growth and climate change are estimated to have a major impact on the food industry in the future. As the world population is increasing from some 3.0 billion in 1960 towards 9.2 billion by 2050, the amount of arable land per person will decrease from 4,300 m2 to 1,600 m2.This trend emphasises the significance of ecology, ethics and economy. As a forerunner of plant-based and ecological food and as one of the most innovative grain companies in Europe, Raisio can successfully meet global challenges of the food chain. In Finland, large surface area and sufficient water resources provide good conditions to produce a wide variety of foods.

Ecology, responsibility and consumer orientation create a foundation for Raisio's operations. A growing number of consumers are ready to influence through sustainable choices. Raisio has responded to the climate challenge and to consumers' changing buying behaviour by, for instance, developing labels indicating the carbon footprint and overall water consumption.

Consumers' environmental awareness has increased and, additionally, interest in health, convenience and easy-to-use solutions also guide their buying behaviour. For example, the role of healthiness has doubled in Great Britain over the past 15 years. Raisio operates at the intersection of three global megatrends, ecology, health and mobile lifestyle. The company is able to strategically benefit from the potential provided by these trends in its operations.

### *Benecol*

Raisio owns the Benecol brand and licences it to food companies worldwide. Benecol products are sold in over 30 countries on five continents through a wide net of partners. The global recession has not affected the overall demand for Benecol products. As a forerunner and a global brand, Benecol has the necessary credibility also in completely new markets. At Raisio, we see the potential for Benecol's expansion, especially in the growing markets in Asia and South-America. In Asian countries, Benecol products were first launched in Thailand, Indonesia and India. In South-America, Benecol products were first launched in Columbia.

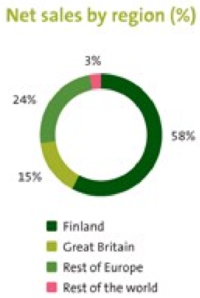


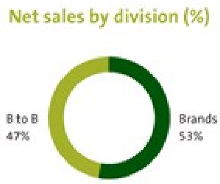

# Operating environment


In the Brands Division’s operations, good sales development in Raisio’s main brands continued, and we were able to increase our market shares in several product categories. Sales in the Benecol products increased, particularly in the new market areas in Asia and South-America. In the fast changing markets and tough competition situation, Business to Business Division reached a profitable EBIT for each quarter of the year, which can be considered as a good achievement.

Raisio was among the first to anticipate, already in 2007, high price volatility and a permanent upturn after the long-term fall of grain real price. Our vision is still topical since grain raw material prices have been and will continue to be volatile. As the company’s priority changed, our raw material procurement with new raw materials such as nuts, cacao and sugar will be more diverse. In terms of the Group profitability, risk management of raw material prices will be essential also in the future, regarding both value and volume.

Raisio is growing by combining ecology, health and snacks suitable for mobile lifestyle into a whole that meets the needs of consumers and customers in all our market areas.

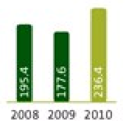


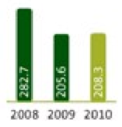



# Key figures, graphs

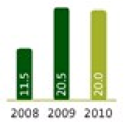
Net sales, Brands Division (M€)




Net sales, Business to Business Division (M€)

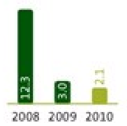



EBIT, Brands Division (M€)

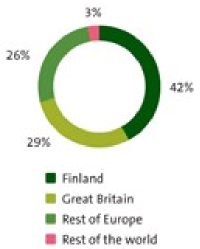



Excluding one-off items

EBIT, Business to Business Division (M€)




Net sales by region, Brands Division (%)




Net sales by region, Business to Business Division (%)




# International brands - Benecol

## In 2010, the market of cholesterol-lowering functional foods grew significantly in Asia but remained stable in other market areas. In the future, the biggest growth potential for Benecol® products is in Asia and South America.


Cholesterol-lowering Benecol products containing plant stanol ester are sold in 30 countries worldwide. Benecol's growth strategy includes sales increase in existing markets and entering new markets.

Raisio sees Asia and South America, especially the so called BRIC countries (Brazil, Russia, India and China), as the most interesting areas related to long term growth strategy. Raisio already has presence in India and is interested in entering the markets in Brazil, Russia and China. In these countries, developing middle class, improving purchasing power and increasing incidence of elevated blood cholesterol levels create real opportunities for cholesterol-lowering food products.

### Growth in Asia, stable market development elsewhere in 2010

Benecol sales development was stable in 2010 and the market position remained nearly unchanged in the main markets. However, there were significant differences between geographical areas. Many countries where Benecol is sold have experienced a very difficult economic situation. Nevertheless, Benecol products managed to achieve sales growth in some of these countries such as the UK, Spain, Greece and Ireland. Major part of Benecol sales comes from Europe.


Several countries, such as Poland and Portugal, Benecol products phased more challenging sales developments. In the countries where the Benecol brand has been recently launched, such as Thailand, Indonesia and Colombia, experienced a double-digit sales growth. Benecol was introduced in Romania in 2010 and it has created a new segment with the launch of Benecol bread.

### Consumers trust Benecol brand


The global market remained heavily focused on three brands, one of which was Benecol. Private label products were growing but they still have a small share of the category. Consumers appreciate the credibility linked to the most well-known brands.

A key development during past years has been the approval of the disease risk reduction health claim granted to plant stanol ester in Benecol products by EFSA and the European Commission. Benecol was among the first and very few to receive such an approval. Plant stanol ester has also received sales approvals in China, Australia and Canada during the past years.

Furthermore, Raisio's R&D activities have resulted in very interesting developments. New clinical studies showed that added cholesterol-lowering benefit can be achieved from higher than currently recommended daily intake of plant stanol ester. This is a feature that differentiates plant stanol ester - the ingredient of Benecol products - from the competing ingredient.


# International brands - Benecol

## Cooperation through strong partnerships

Benecol's development model is based on strong partnerships with local leading food companies. Raisio′s solution is based on three pillars:


- Benecol brand
  - Raisio owns the brand and licenses it to its partners worldwide.
  - As a pioneer in the category, the brand offers the needed credibility to attract consumers in the functional food category.
- Unique ingredient, plant stanol ester
  - A widely patented ingredient and one of the world′s top 10 nutritional innovations.
- Expertise in the cholesterol-lowering category acquired in 15 years in 30 countries
  - Support to partners covers production, regulatory approval management, clinical research design as well as development of products and new product concepts
  - Support in consumer and health care professional marketing strategies
  - Opportunity to share best practices in Benecol partners′ community

# Local brands, Northern Europe

In the Northern European operations, sales volumes in Raisio's main brands increased in Finland and Sweden. Raisio continued to strengthen its position in several product segments. Despite the rising grain raw material prices, Raisio performed well in the second half of the year thanks to its strong brands and rapid response capability. Price increases resulted in a change in consumer buying behaviour and sales growth of inexpensive products.

Excellent sales development in Elovena products continued in 2010 after the very successful year 2009. Sales rise was seen particularly in healthy snacks, such as Elovena snack drinks and biscuits. Elovena bread and spoonable snacks were launched as novelties. Elovena’s target to be the number one brand of healthy snacks in Finland was achieved already in 2010. Furthermore, Elovena was rated as the second-most valued Finnish food brand in the research conducted by Markkinointi & Mainonta magazine.


Elovena celebrated its 85th anniversary in 2010 and the brand was strongly visible to consumers in various occasions. Elovena has cooperated with Finnish Athletics Federation already for four years, and arranged Elovena Power Days together with more than 100 schools with over 100,000 school children. The objective of cooperation is to promote children’s healthier lifestyle by means of exercise and healthy snacks.

In 2010, Elovena packages were further developed to better meet consumer needs. In addition, we expanded the use of carbon meter, and it can now be found in dozens of Raisio’s products to inform consumers about carbon footprints.

We continued close cooperation with our customers to develop products to suit Finnish consumers. Active cooperation with our customers already in the R&D and design stage prepares the way for better product launch success.

Moreover, we have actively extended the distribution channels to include impulse sector. Product availability, wastage and other key figures of supply chain are at a very good level. The development of supply chain continues in Sweden, and in the Baltic countries the target level shall reach that of Finland.

In Sweden, sales of non-dairy products sold under Carlshamn brand more than doubled from the comparison year. At the same time, Raisio’s share of the Swedish market for non-dairy products rose to 10%. Raisio’s position as the market second strengthened in soyghurts, i.e. non-dairy spoonable snacks. In two years, Raisio has managed to reach a 40% share in the soyghurt market. Swedish consumers have warmly welcomed the novelties of the Carlshamn brand.

# Local brands, Western Europe

In the Western European operations, the market conditions in Great Britain were challenging due to the promotion-driven market. A large part of branded products are sold through promotional campaigns in the UK market. Raisio's development in Great Britain was stable and profitability improved from the previous year. Demand for snack products continued strong and growth occurred in all Raisio's product categories.

Weather conditions at the end of 2010 have been very difficult, particularly in Great Britain. Because of snow storms, deliveries to shops were interrupted and motorways and factories had to be closed. December was extremely difficult for retail trade and grocery industry in the UK but Raisio UK managed well, only one factory had to be closed for 30 hours.

## Active brand development


Despite the challenging market conditions, sales in Raisio's Western European operations were nearly at the level of the comparison year. On the one hand, Raisio focused on launching of new products, and on the other, the increase in input costs was controlled in a market of rising raw material prices by introducing a central procurement function and by focusing marketing activities closely.

In Western Europe, Raisio operates in the market of healthy and organic foods as well as fair-trade market with the brands like Fruitus, Weight Watchers and Traidcraft. The overall market has been stable but with declines in organic food demand countered by continuing increases in fair-trade. In 2010, sales in Nimbus Foods products to industrial customers increased. Sales in the diet and well-being categories represented some 30% of all sales in Western European operations.

Snacks sold under The Dormen brand were relaunched in October. The Dormen is the leading brand in premium nuts in the UK, and this relaunch was the first in three years. The Dormen brand also grew in the travel sector, and The Dormen nuts are available, for example, on many of the world's leading airlines. New snacks introduced for the Christmas market were extremely well received, which provides us with a good platform to extend the brand into new snacking markets in 2011.

In 2011, the Western European operations will focus more strongly on the development of Raisio's other branded positions in Great Britain.


http://www.youtube.com/watch?v=m4RixOXS5Qg&tracker=False




# Local brands, Eastern Europe

In the Eastern European operations, sales and volumes in the Nordic products developed well in spite of the Russian government ban to adjust product prices to meet dramatically increased raw material costs. Despite the challenging market situation, Raisio's EBIT was positive in Russia and Ukraine. In Poland, sales in Benecol drinks developed well, and the Elovena product range was expanded.

In Eastern Europe, Raisio operates in the Russian, Ukrainian and Polish markets. In Poland, Elovena is Raisio's most significant brand whereas in Russia and Ukraine it is Nordic. Most of the products sold in Eastern European markets are made in Finland. The products are also manufactured through local outsourcing.

## Year of challenge in Russia and Ukraine


In Russia and Ukraine, rather stable market conditions in the first half of 2010 were followed by dramatic increase in grain raw material prices during the second half of the year. Russian government prevented all pricing reactions though. However, Raisio managed to reach profitable EBIT. The company also developed its distribution chain. Number of distributors was increased in Ukraine to develop the product distribution.
Snack biscuits launched under the Nordic brand were well received in Russia and Ukraine. Raisio is planning to extend its product range with the products sold in other market areas.

## Focus on growth in Poland

After divesting its margarine business to Bunge, Raisio founded a new company in Poland. It focuses on healthy snacks and Benecol products. In 2010, the priority of operations was in increasing of sales in Benecol, Elovena and Provena brands. Raisio's key target is to grow both organically and through acquisitions.


In Poland, Raisio is firmly focused on strengthening the Benecol brand. As a Benecol partner, Bunge manufactures and sells Benecol margarines in Poland. Raisio is responsible for sales of other Benecol products. Marketing efforts targeted to healthcare professionals supported well the sales development.

In 2010, the gluten-free Provena products were launched in Poland. The products were very well received.

Group > Operating environment > Business to Business

# Business to Business

Despite the exceptionally difficult year, Raisio maintained its position in the Finnish market of farm and fish feeds and increased exports of farm feeds to Russia. The malt market is changing dramatically because of the volatility in beer demand. Rapeseed oil is generated as a by-product in Raisio's feed protein production and a natural market for it appeared as Neste Oil started using it as a raw material for its renewable diesel. 2010 was characterised by strong volatility in raw material prices.

## Self-sufficiency in balance in Finnish livestock production

The number of livestock farms will continue to decline over the next five years from the current 17,000 farms to less than 13,000 farms. In 1995, there were still 50,000 livestock farms in Finland. However, changes in overall production will be restricted by farm size growth and productivity improvement, also in the long term. Self-sufficiency in Finnish livestock production is very well balanced in all production sectors. Changes in the EU's agricultural support systems as well as global changes in food consumption and production will influence the food production.

Weather disturbances brought about by climate change have raised consumer and producer awareness of their own possibilities to positively influence the environment. Environmental perspective and ethics in production will be emphasised in the agricultural policy-making and in the solutions of food chain operators.

## Raisio maintained its position in the feed market

Overall market of industrial feeds has been declining slightly in Finland since 2007. In 2010, the overall market increased slightly.

Raw material prices were stable and at a quite low level at the beginning of 2010 but began a sharp rise as the crop year changed. Price development in livestock products has not completely been able to follow the cost increases, which was reflected in farm profitability.

Development in exports of farm feeds was positive. Due to a new player, we lost market share in poultry feeds and slightly in cattle feeds but otherwise, Raisio maintained its position in the market. In feeds, there are two significant national and a few smaller local operators in Finland. The share of all smaller ones accounts for some 20% of the total feed market.

## Exceptional year in fish farming

2010 was an extremely exceptional year in fish farming because of the long heat period both in Finland and Russia. Fish production volumes were down by a quarter as fish stopped eating during the heat wave, and hot weather also caused mortality of young fish. Nevertheless, Raisio could maintain its market leadership in its key market areas in Finland and North-West Russia.

In 2009, Raisio launched Hercules LP in the fish feed market. The product is low in phosphorus and its nitrogen content is significantly lower than in competing feeds. In 2010, over 80% of Raisio's feed was Hercules LP feed.

Raisio achieved its targets on the new environmental feed Hercules LP. The target was to raise the share of environmentally friendly feed in the market and to reach market leadership. Hercules LP is a good example of a new era in feeds thanks to its advanced plant protein content. At the same time, the use of fish origin raw materials can be reduced. Reduction of fish origin raw materials in the salmon farming is globally one of the most important priorities. Raisio is a forerunner, also globally, in environmentally friendly fish feeds. Raisio's fish feed sales account for some 50% of the Finnish fish feed sales.

# Business to Business

## Protein self-sufficiency still low

Protein self-sufficiency in the Finnish livestock chain is very low and dependence on imported meals remains very high. Meal protein is an important raw material in livestock feeds. Raisio produces meal protein in its own production plant.

In 2010, Raisio invested heavily in efforts to increase the cultivated area of oil plants and the company achieved good results. Cultivated area under oil plants was doubled in Finland and the total yields were some 60% higher compared to the previous year. However, the exceptional summer undermined the yield and a third of the Finnish oil plant seeds needed in the processing industry must still be imported. In Finland, there are two significant oil mills producing raw materials for the food and feed chain.

## Raisio′s rapeseed oil in renewable diesel

In autumn 2010, Raisio and Neste Oil agreed on long-term cooperation regarding the utilisation of Raisio′s rapeseed oil surplus as Neste Oil′s renewable diesel raw material. According to the agreement Neste Oil will use, from the beginning of 2011, all rapeseed oil generated as a by-product in Raisio′s feed protein production that has no market in the food chain. With this agreement, rapeseed oil produced in Finland will become a remarkable raw material source in the renewable diesel production of Neste Oil′s Porvoo refinery.

The agreement is also extremely important from the perspective of the Finnish food chain. For its part, it enables the development of Finnish feed protein production and the strengthening of protein self-sufficiency. More extensive oil plant cultivation opportunities will bring a significant addition to the diversity of field cultivation and strengthen the security of supply in Finland.

## Changing malt market

Beer consumption in Finland continued to decrease slightly. Within the EU, the consumption declined by about 2%. The most significant drop in consumption took place in Russia where beer was consumed 5% less than in the previous year. Globally, the beer consumption grew by 3% though. Growth occurred in Asia, Africa and South America.

Weak crops in Russia and Ukraine boosted the price of malting barley to a drastic increase at the beginning of the new harvest season. Availability of good quality malt barley decreased also in Finland. Strong price volatility in raw materials is a challenge for the whole beer chain. As prices are increasing, breweries start looking for savings also by replacing malt with extract sources. Increases in energy, water and other commodity prices also form a challenge for the malt industry.

Raisio′s position in the Finnish malt market strengthened and currently, some 2/3 of all pilsner malt used in Finland is from Raisio. Malting industry is facing radical changes since the field is getting more and more centralised, for both breweries and maltsters.

# Risks and risk management

## Risk management is an activity that aims to identify and assess significant external and internal uncertainties that may threat strategy implementation and target achievement. Raisio's risk management policy defines the targets, principles and responsibilities of risk management.


Raisio's risks fall into strategic, operational, damage and financial risks. Damages caused by products with inadequate safety and liability risks related to them are a key issue in the risk management of the Group producing foods and feeds. Identified risks are eliminated, reduced or transferred to the extent possible.

Risk management is part of the Group's day-to-day operations. Special emphasis is placed on preventive action and its development. Each division is responsible for conducting its own practical risk management in compliance with the risk management policy and Group guidelines. Operative responsibility is held by the management of each division and function. The divisions survey and identify risks, e.g., in connection with annual planning. The Group is prepared for operations in crises and for crisis communication.

External advisors are also used to develop risk management activities. Risk management function is responsible for Group-wide insurance schemes. Their scope is assessed, e.g., in conjunction with risk surveys carried out at individual sites.

The Group's Director of Finance and Treasury, reporting to the CFO, coordinates, develops and monitors risk management. Similarly, the business controller functions report to the CFO in matters related to risk management. Divisions and service functions, including financing, report on their main risks to the Management Team. Internal control findings and business risks are reported to the Board of Directors as part of monthly financial reporting.

Business risks have been described in the Annual Report under Business reviews and, e.g., financial risks in the financial statements.

# Businesses

Raisio Group is an international expert in plant-based nutrition. Our main products include foods and functional food ingredients as well as feeds and malts. Our key market areas are Finland, Great Britain, Sweden, Russia, Ukraine, Poland and the Baltic countries. Our strategic target is to grow organically and through acquisitions.

| Division | Business areas | Brands | Product groups | Key market areas |
|---|---|---|---|---|
| Brands | International brands | Benecol | Snacks<br>Margarines<br>Non-dairy products<br>Dairy products<br>Bread | Global markets, 30 countries |
| | Local brands | Elovena | Snacks<br>Breakfast products | Finland, Poland |
| | | Sunnuntai | Baking products | Finland |
| | | Carlshamn | Non-dairy products<br>Breakfast and baking products | Sweden |
| | | Nordic | Flakes<br>Snacks | Russia, Ukraine and the Baltic Countries |
| | | The Dormen | Nuts | Great Britain, Finland |
| | | Torino | Pasta and barley products | Finland, Estonia |
| Business to Business | Feeds | Herkku-rehut, Maituri, Melli | Cattle, pig and poultry feeds | Finland, Russia and the Baltic Countries |
| | | Hercules LP | Fish feeds | Finland, Russia |
| | Malts | Raisio Malt | Malt | Finland and other Nordic Countries, Russia, the Baltic Countries and Far East |
| | Feed protein | Lubria technical bio oils | Feed protein, vegetable oils, technical bio oils | Finland and other Northern Countries |

Businesses > Grain chain

# Grain chain

In 2010, the prices of grain raw material and oil plants rose almost to the level of 2008. Intervention, traditional grain exporters' uncertainty over the grain crops and speculative money heated up the grain market. Finnish grain crop was clearly lower than on average, but thanks to sufficient stocks, domestic grain met the consumption.

## Raisio is the biggest processor of cultivated products in Finland

Of the 500 million kilos of grain that Raisio used in 2010, over a third was processed into food. Two thirds were used as raw material for feed and in malt production. Over 95% of the grain Raisio uses is of Finnish origin. Raisio imported rye and special wheat varieties that Finland could not provide sufficiently.

Raisio acquires most of the grain it uses in Finland from its over 2,500 contract farmers. In the spring, Raisio organised an extensive national campaign to increase the rapeseed production. The campaign was a success since the cultivated area of rapeseed doubled from 80,000 hectares to 160,000 hectares and many Finnish farmers started to cultivate rapeseed.

Raisio's feed protein plant pressed 160 million kilos of rapeseed, which is nearly 20% more than in the previous year. As earlier, feed protein is used as raw material for feeds. The growth in demand for plant based oils was globally very strong. In Finland, biodiesel industry started using Finnish rapeseed oil, which considerably reduced the need for rapeseed oil export. The rapeseed-growing area was large, but the yields per hectare were lower than the average because of the dry and hot summer. As a whole, self-sufficiency in rapeseed increased from the previous year's 50% to over 65%.

## Drastic price volatility in grain raw materials

In 2010, the grain market was very ambivalent. In the spring, the supply of protein and oil plants in the global and Finnish markets exceeded the market demand. After the food crisis of 2008, grain stocks had recovered to safe levels because of two good crop years. A lot of grain as well as protein and oil plants were cultivated. In the northern hemisphere, autumn grain overwintered well and spring sowing was completed in good conditions. Harvest prospects for the new harvest year 2010/11 were still good in the late summer.

In Finland, over 600,000 tonnes of grain were sold to the intervention in spring 2010. Mainly barley but also smaller amounts of wheat were sold. A total of 225,000 tonnes of old intervention store was left of the earlier harvest year. Part of the record intervention grain was transferred to Muuga, Estonia, since Finnish grain stocks were full. Among the EU countries, Finland had the second highest amount of intervention grain stored in the summer of 2010.

In July, a rapid price increase in wheat started when the world had news about the drought in Russia that would lead to crop losses. Grain dealers realised that Russia could not export as much as was expected. Over the previous years, the Black Sea region had practically become the biggest wheat exporter in the world markets. The drought also affected the grain crops in Ukraine and Kazakhstan. Grain from the Black Sea region is the first in the new crop export market before the EU and United States. Traditional customers of the Black Sea region in North Africa could not have enough grain and they turned to other markets. Suddenly there was a seller's market and the increase of prices accelerated. Price increases in raw materials continued throughout the autumn, and grain prices as well as protein and oil plant prices increased almost to the level of 2008.

As in connection with the food crisis in 2007, politics now came into the picture which further intensified the market. Russia imposed an export ban. Ukraine and Kazakhstan also began to restrict the exports. For national states, securing the food supply is the number one priority in all circumstances. Strong price volatility in grain exchanges, an unprecedented rise along with large daily and weekly price fluctuations, caught the attention of speculative investors.

# Grain chain

## Grain balance sheet in Finland met the country′s consumption

Grain crops were record low in Finland. Spring sowing was started later than normally in South Finland and the heat period in July reduced the yield per hectare. Farmers chose rapeseed instead of barley, which balanced the grain market and improved protein self-sufficiency. Local differences as well as differences between farms and parcels were considerable. Some fields just ran out of water and vegetation dried out. Crops from these parcels were weak in quantity and quality. However, main part of the grains was good in quality. Total crops of rapeseed were record high but the need to import was still almost a third of the industrial use.

The grain market′s attention is now on the new crop season, and the market is nervously following weather forecasts. Overwintering of autumn grains in the northern hemisphere is under strict monitoring as are the impacts of La Nina weather event on southern crops. In spring 2011, a record high intervention store of barley will enter the market in the tenders held every two weeks. This brings more volatility in the already volatile markets.

# Raisio is an active developer of grain chain

In 2010, Raisio offered many novelties to its contract farmers who are already over 2,500. The company wants to provide them with cost effective cultivation solutions for the production of good-quality crops. Raisio regards the traceability of raw materials as a competitive advantage. We already now know the origin of our grain raw material. We also provide our contract farmers with various tools to reduce the environmental impacts of cultivation.

Raisio expanded the range of fertilizers, seeds and plant protection products. Raisio was the first in Finland to launch a fertilizer specifically for rapeseed cultivation, ammonium sulphate, which is richer in sulphur. Sulphur improves the nitrogen uptake of rapeseed, which increases crops and reduces possible nitrogen emissions into water systems.

In 2010 Raisio started, in cooperation with a considerable international malt customer, contract farming of special malt barleys improving the beer storage properties. As the first company in Finland and one of the first in the EU, Raisio certificated its rapeseed acquisition process in accordance with the sustainability criteria set on the biofuel production. Raisio is a forerunner as a developer of the grain chain as these examples show.

## Emphasis on traceability

The importance of traceability as part of responsible operations is growing considerably. Raisio has an even internationally unique way to acquire grain through its contract farming, directly from farmers. Raisio knows the origin of its grain and is able to trace it to the individual fields of contract farmers.

## Tools to reduce environmental impacts

Environment index(*) developed and introduced by Raisio has proved to be an effective instrument for measuring the environmental impacts of cultivation. In addition to calculations on the energy efficiency of cultivation and nutrient use efficiency, last year Raisio started also the carbon footprint calculation for the contract farmers. The index provides extensive information on the impacts of cultivation on climate and water. What can be measured, can be improved. With these tools it is easier to find the factors that really help reduce environmental impacts.

A good crop is the best way to protect the environment. By producing a high-yield crop of good-quality, farmers can make the best possible use of inputs, such as nitrogenous fertilisers.

# New opportunities for bioenergy production

## Raisio is currently exploring several interesting opportunities to produce bioenergy by using the by-products of its own production. For instance, Raisio’s rapeseed oil production is sustainable and Neste Oil already uses it in the production of its renewable diesel.

As the first in Finland and one of the first in the EU, Raisio has certified its rapeseed oil production chain to comply with the EU directive. The chain includes cultivation, transportation and rapeseed processing. In its directive on renewable energy (RED 2009/28/RY), the Commission has defined sustainability criteria for the production of biofuels and bio-liquid fuels. The criteria relate to the whole production chain from raw material cultivation to distribution of end product. The EU’s climate and energy package was approved around two years ago. The package includes measures related to climate change and renewable energy. With these measures, the EU aims to reduce green house gas emissions by 20% and to increase the use of renewable energy by 20% by 2020. A directive related to the promotion of renewable energy was approved as part of climate and energy package.

The directive sets a national target for renewable energy share in the total energy consumption. The target for Finland is 38% and we should achieve this by 2020. Furthermore, the directive sets a target related to traffic fuels. By 2020, at least 10% of the final energy consumption in traffic shall be from renewable energy sources.

The directive was implemented to support renewable energy sources as their use contributes to the environmental protection and sustainable development. Moreover, the use of renewable energy creates new jobs and promotes the reliability of energy supply.

Raisio’s contract farming provides solid foundation to steer the cultivation in more environmentally friendly direction and this way to meet the statutory challenges and customer needs in the responsibly operating food and energy chain.

# International brands - Benecol

## Main events in 2010

- Benecol food products have now been reducing cholesterol effectively for 15 years as the globally first Benecol launch took place in Finland in 1995.
- Benecol pioneered the cholesterol lowering food market in Romania with Benecol bread launch.
- New scientific study findings showed that added cholesterol lowering benefit can be achieved from higher than recommended daily intake of plant stanol ester in Benecol® products.
- New Benecol brand identity was introduced.
- The sales of Benecol food products increased strongly in existing Asian market.

## Strategic targets

The strategic targets for Benecol are related to developing and expanding Benecol business worldwide, utilizing new research results and developing new ingredients in order to broaden the product portfolio.

Key points in securing future success in the Benecol business are the strengthening of the Benecol brand position in existing markets and increasing market penetration by expanding into new growing markets in Asia and South-America. In addition favourable development of the regulatory environment related to the Raisio's cholesterol lowering ingredient, plant stanol ester, and cholesterol lowering food category are important.

Strategic strength of the Benecol business is based on three pillars:

- strong consumer brand Benecol,
- unique plant stanol ester ingredient, which efficacy is proven in over 60 clinical studies and
- Raisio´s wide expertise in functional food category.

# Targets for 2011

## Globally aging population, growing cholesterol problem especially in Asia and South-America combined with larger health trend among consumers are factors which are expected to influence positively to the global consumer need for cholesterol lowering foods.

The Benecol brand offers the credibility required attracting and retaining consumers in the cholesterol lowering food market and thanks to strong brand equity and existing global awareness Benecol carries this credibility even in totally new markets. As global brand owner Raisio continues to develop solutions to strengthen the Benecol brand further and in close collaboration with the Benecol licensee companies global brand strategy is executed on the markets.

Raisio enter new markets by licensing Benecol brand to locally strong food companies and at the same time gives them access to Raisio's widely patented cholesterol lowering ingredient, plant stanol ester. Raisio collaborates closely with its Benecol licensees to commercialize Benecol food products on local markets. Raisio continues negotiations with several possible licensing companies around the world and with potential new licensing partners aim to expand especially into new emerging markets in Asia and South-America.

Raisio also continues collaboration with research institutes and universities in order to leverage from new research findings. Recent clinical evidence showing the dose dependency and enhanced cholesterol reduction efficacy with high daily intake of plant stanol ester offers new possibilities to develop the business further and gives health care professionals and consumers further confidence that plant stanol ester is an effective dietary tool to lower cholesterol.

# Priorities and sources of uncertainty in 2011

| Priorities | Sources of uncertainty |
|---|---|
| To ensure sales growth for cholesterol-lowering Benecol products in existing markets | A prolonged recession in Europe may affect consumer behaviour in some key markets |
| To continue supporting the success of Benecol partners with strong Benecol solution | Changes in legislation may have adverse effects and permit processes may draw out |
| To expand into new growing markets in Asia and/or? South-America | Sales growth may slow down if investments into consumer communications and education for other stakeholders decrease markedly |
| To utilize new research results to support business development | |




# Local brands, Northern Europe

## Main events in 2010


- Raisio's strength in Finnish market was emphasised. Growth was also achieved in other market areas.
- International operations expanded with the Glisten acquisition.
- The first Glisten product launched in Finland was The Dormen premium nuts.
- Strong volatility in raw material prices was under control thanks to flexible pricing.
- Elovena celebrated impressively its 85th anniversary.
- Sales growth of Elovena products continued after the record sales year 2009. Sales in healthy and delicious snacks continued to grow.
- Elovena expanded into new product categories in Finland. Elovena bread products as well as oat and soy based spoonable snacks were launched.
- Torino Täysjyväohra was chosen the Food of the Year and it was accompanied by a new Torino Ohrahelmi, an ecological alternative for rice.
- In Sweden, non-dairy products sold under Carlshamn brand were expanded by Carlshamn baking mixes.

## Strategic targets

The Group's vision is to give clear guidelines to the strategic targets of Northern European operations. The target is to increase the current snack market with plant-based, innovative and ecological products and through successful campaigns in Finland, Sweden and the Baltic countries. Furthermore, the company aims to further strengthen its leading position in the breakfast and baking categories with its strong brands.


The target of Northern European operations is to expand into new market areas. The company continues supporting strong local brands as well as expanding into new product categories. To succeed with novelty concepts, it is essential to know the consumer needs and to combine this knowledge with strong product development. Raisio continues the strengthening of strong local brands, such as Elovena and Sunnuntai, and reaching for new consumers even though already 70% of Finnish target consumers are familiar with Elovena and 50% with Sunnuntai. Additionally, the target is to create international branded concepts.

As one of the most innovative grain experts in Europe and as the biggest grain company in Finland, Raisio has good opportunities to achieve its strategic targets as the company can process grain and other plant-based raw materials into innovative, ecological and delicious snacks meeting the customer needs.

# Targets for 2011


In 2011, Northern European operations aim at profitable growth as well as to launch new, healthy and ecological snacks. The target is the same in all current and new markets. Volatility in raw material and product prices may impact consumer demand and thus, sales volumes and net sales.

In recent years, the supply chain has been developed in Finland by, e.g., improving processes, enhancing monitoring and analysing as well as deepening the customer cooperation. In 2011, the company's target is to develop the processes in Sweden and the Baltic countries to reach the good level of Finland, and this way ensure uniform and efficient operations.

Growth through acquisitions offers us interesting opportunities to build international brands and to expand into new product categories and new market areas.

# Priorities and sources of uncertainty in 2011

| Priorities | Uncertainties |
|---|---|
| Strong brands are further strengthened and new, healthy snacks launched | Impact of economic recovery on the volatility in raw material prices in the Group's market areas |
| Expanding into new market areas in Northern Europe | Economic situation and its impacts on consumer spending |
| Development of operations and strengths is continued | Sufficiency of Finnish raw material in the coming crop season |
| Growth of Elovena brand supported by new product launches | Changes in consumption behaviour |
| Benecol product family is renewing and Nalle brand is expanding into a new category | |
| Selection of gluten free Provena products and organic products expanding | |




# Case: 85-year-old Elovena

## Raisio's most trusted brand in Finland, Elovena, celebrated its 85th anniversary in 2010. Our Elovena girl is an iconic presentation of the brand. In 2010 consumers rated Elovena the second most valued food brand 2010 in Finland. Elovena oat flakes was the first product of the brand, and here is the story from the beginning.

It's 1925. Extra fine oat flake is a new pride and joy of Vyborg based Karjalan Mylly, former mill company Elo. But the product name is missing: "Elo stands for harvest time and life… Elo together with Avena Sativa, the scientific name of oat… Elovena… now there's an excellent name!"


Flakes are packed in a box that could do with a pretty picture. As a result of an advertising contest, the cartons have a picture of a harvesting girl standing on the oat field. The girl with brown hair is wearing a national costume from Karelia region. The original designer of Elovena girl is probably the son of the mill's master mechanic, Joel Viktor Räsänen.

As a consequence of the war, Elovena, as so many other Karelians, is evacuated and she found her way to the South-West coast under the care of Vaasan Höyrymylly company. The girl is already well-known, so her picture on the carton is renewed with loving hands. In the Elovena cartons of 1958, the girl has become fair-haired and she has a new national costume with features equally from different regions of Finland. Today, she's still wearing the same costume. Elovena girl has now travelled strong and fresh for 85 years. For nearly 20 years, she has been well taken care of by Raisio.


Elovena fosters the art of wise eating. The traditional Elovena oat flakes has been joined by new innovative and healthy products, such as portion-packed instant oat meals, high-fibre snack biscuits and delicious snack drinks. They all contain an abundance of pure strength of Finnish oat.

### **In its anniversary year, Elovena exercised with 80 000 school children**


Four years ago, Elovena started cooperation with the Finnish Athletics Federation to promote children's exercise and healthier snack eating. Elovena Power Days in Finnish primary schools have been a great success as sports facilities are often situated far from the school and sports equipment is inadequate. Power Day brings the sports field to the school yard. The purpose is to arrange an energising day for the children.

To celebrate Elovena's anniversary year, we expanded our cooperation with Finnish Athletics Federation. In addition to Power Days taking place at schools, we arranged Tour of Power Days. Instructors of Athletic Federation helped children try different sports. Children were also told about healthy snacks. In the autumn, our cooperation continued in the form of Elovena charity campaign. By buying Elovena products, people could donate safe and up-to-date equipment to schools. With the help of Elovena campaign, we were able to provide a total of 100 schools with new sports equipment.

In 2011, our cooperation with Athletics Federation continues and we are going to arrange Power Days around Finland. Furthermore, we will donate sports equipment kits to some schools.




# Local brands, Western Europe

## Main events in 2010

- Glisten became part of Raisio in April 2010. With the acquisition, Raisio gained a foothold in the UK breakfast and snack markets.
- Cooperation between Western and Northern European operations to product launches in new market areas was initiated.
- The Dormen nuts were first launched in Finland.
- The Dormen and Weight Watchers brands were successfully relaunched.
- All production facilities received or renewed their A grade in the quality system used by BRC, British Retail Consortium.


## Strategic targets


In Western Europe, Raisio aims to benefit from the growing trends related to health and mobile lifestyle as well as to provide consumers with healthy and innovative snacks.

Raisio wants to increase its visibility in Great Britain and other parts of Western Europe by expanding into new market areas and by serving simultaneously several target groups and customers like retail trade, catering, impulse sector and industrial customers.

Key elements in securing sales growth will be product development, an increasing emphasis on our new emerging brands, such as Fruitus, and extending our established brands, such as the Dormen, into new categories. We are going to increase our international operations by expanding into such new market areas where Raisio already has local expertise but capped market potential locally, and by focusing on the development of Western European operations.

## Targets for 2011

In 2011, we will focus more strongly on the development Raisio's branded positions in the UK. In December 2010, we introduced the new pro-points range of Weight Watchers and in spring 2011, we will re-launch Fruitus, our range of fruit and oat bars and snacks.


We work closely across the Raisio organisation to develop products and brands which we hope to begin selling into the UK food market.

# Priorities and sources of uncertainty in 2011

| Priorities | Uncertainties |
|---|---|
| Sales growth in existing markets and strict cost monitoring in UK because of continuing challenging market conditions | A prolonged recession in Europe may affect consumer behaviour in some key markets |
| Strong focus on innovation, brand development and new market penetration to support growth | Economic stabilisation measures in the UK may undermine consumer confidence and thus slow the growth of impulse sector |
| High focus on careful procurement and product development to control volatility in raw material and input costs | Sustained and significant increase in raw material costs would pressurise margins |
| Through targeted acquisitions, opportunities to further expand Raisio's presence in the Western European markets | |




# Local brands, Eastern Europe

## Main events in 2010


- Strong volatility in raw material prices brought major challenges for operations in Russia and Ukraine. Nevertheless, Raisio's profitability remained positive.
- Snack biscuits were launched in Russia under the Nordic brand.
- Number of distributors was increased in Western Ukraine.
- Sales of Benecol drinks developed well in Poland.
- Provena products were introduced in the Polish market and are available in all distribution channels.

## Strategic targets

In Eastern Europe, Raisio already has a stable position in the Russian, Ukrainian and Polish markets. The Group aims to gain a solid foothold in the Eastern European food markets where profitable growth is seen as the key target. Raisio is growing both organically and through acquisitions.

Strategic targets vary according to the country.

### *Russia and Ukraine*

Raisio's key target in Russia and Ukraine is organic growth through strengthening of the Nordic brand. This can be achieved by extending the product portfolio with new products and by expanding into new categories. Raisio also aims to improve the profitability.

### *Poland*

In Poland, Raisio's key target is growth. This will occur mainly through acquisitions but also organic growth is important. Raisio wants to be a forerunner and a strong expert in the categories of healthy snacks and cholesterol-lowering functional foods with its Benecol products.

# Targets for 2011

In Poland, Raisio aims to extend the range of Elovena and Provena products with new, healthy and ecological products. Raisio’s strong expertise in grain and plant based products supports the target. Marketing activities of Benecol and Provena products are targeted to healthcare professionals using Raisio’s experience in Finland.


In Russia and Ukraine, Raisio’s target is to improve profitability and to further develop distribution logistics.

# Priorities and sources of uncertainty in 2011

| Priorities | Uncertainties |
|---|---|
| Profitable growth through organic growth and acquisitions in the market areas of Poland, Russia and Ukraine | Volatility in raw material prices under control |
| Extension of Nordic product portfolio in Russia and Ukraine. Extension of Elovena product range in Poland | Economic situation and its impacts on consumer spending in the Eastern European market area |
| Expanding into new product categories | |
| Support for growth in Benecol products | |

# Business to Business

## Main events in 2010

- At Raisio, we calculated the carbon footprint of our feeds. The information is used for development of our operations as well as in feed concepts and R&D. Environmental perspective is an integral part of all our activities.
- The number of livestock farms continues to fall rapidly, but the farm size is growing. There have been no significant changes in the total production of milk and meat. Egg production picked up strongly.
- Raisio and HK Ruokatalo developed together a feeding concept that helps produce tasty pork. Our new feeding concept is also environmentally friendly since rapeseed-fed pigs are able to use nitrogen in feed 7% more efficiently.
- The overcapacity in the entire feed industry, particularly in Southwest Finland, lowered processing margins and undermined the profitability of activities.
- First environmentally friendly technical lubrication oils were launched. The products are used in several pilot projects.
- After years of pause, we delivered malt to South-America again.
- The malt market in Finland decreased slightly along with the drop in beer consumption.
- Effectiveness of self monitoring and the need for continuous, strict hygiene control are emphasised in domestic raw material chain, too.
- Poor grain crops both globally and in Finland led to a strong rise in raw material prices in August, and prices continued to rise throughout the winter. The ability of the food chain to react to raw material price changes and to ensure profitable operations of all operators in the chain will be a major challenge also in the future.

## Strategic targets

In terms of volume, Business to Business Division's operations are significant in processing of grains and oil plants. This lays a solid foundation for the development of contract farming and thus supports the raw material supply of the entire Group. Diversification also brings clear synergy benefits.

The aim of all our businesses is to increase the processing degree as well as profitable growth based on sustainable partnerships, strong product development and efficient processing and logistic management of large material flows. We also seek to be a forerunner in environmentally sustainable solutions.

In feed business, we are looking for growth both in Finland and through exports to Russia. In exports, our focus is on fish feeds but we are also placing more inputs into farm feeds than earlier. A considerable decline in the number of livestock farms in Finland and, at the same time, bigger farm sizes and increased productivity create new opportunities for industrial feeds. However, the situation also creates challenges for continuous skills development.

In malt business, strong position in the domestic market and surrounding regions constitutes the basis for operations, but we also use our export opportunities in the emerging markets. The strength of a smaller company is in its quality and flexibility.

In the processing of oil plants, we are looking for new environmentally friendly technical solutions through strong R&D to meet the needs of forest, sawmill and stone industries, among others.

# Targets for 2011

## No significant changes are expected in the Finnish livestock production. Milk production will remain at the current level while pork production is estimated to fall and poultry production to increase. Egg production will also grow.

The Finnish malt market is stable, but especially the malt market and export opportunities in Russia may considerably change as a result of poor crops last year. Price competition will remain intense due to overcapacity in the sector.

Our delivery agreement of rapeseed oil with Neste Oil brings certainty and stability in the cultivation and pressing of oil plants. Cultivation area of oil plants should remain at least at last year level (160,000 ha.) and crop level should improve so that the Finnish raw material base could be secured for the industry. However, protein self-sufficiency in protein meals will increase to some 20-30% only.

Interest in rapeseed oil based technical lubricants and other solutions is estimated to clearly grow and the production can be expanded from the pilot scale. To make more environmentally friendly products, clear guidelines from both consumers and policy-makers are needed. A good example is the oil waste duty, which is equal for vegetable oil based and mineral oil based products.
The target of Business to Business Division is to maintain its strong position in the Finnish market and to clearly improve profitability. The Division also aims to increase the input trade with feed customers. For malt and special feeds, our aim is to increase exports.

Apart from the rapeseed oil use as traffic fuel, we are studying various opportunities to use such biobased energy sources that are generated as part of primary production or grain processing chain.

# Priorities and sources of uncertainty in 2011

| Priorities | Uncertainties |
|---|---|
| Management of price volatility in raw materials | Impacts of rising energy prices |
| Investments in exports of malt and special feeds | Impact of the German dioxin scandal on the demand, price and total production of meat |
| Enhancement of feed raw material procurement, and use of scale advantages through partnerships | Impact of input price increase on livestock production profitability and preparing for credit risks |
| Focus on environmental aspects in all activities | Economic situation in the EU countries and globally |
| Strengthening of the Finnish raw material base | Impacts of malting barley price increase on malt demand |
| Strengthening of the position as a leading feeding expert in feed industry | |
| Investment in new technical solutions of rapeseed oil | |

# Case: Ylivieska

Raisio Feed's factory in Ylivieska started in spring 2008. The plant produces 125 million kilos of cattle feeds annually. Since the construction phase, the aim has been to create an effective and environmentally friendly factory and this way as low carbon footprint as possible. Excellent location of the factory and modern technology used there, among other things, support the achievement of this objective.

Carbon footprint indicates the amount of greenhouse gases caused by operations changed into carbon dioxide. One of the most important factors contributing to the carbon footprint reduction at Ylivieska feed plant is the location. It was carefully chosen to make transport distances significantly shorter. Logistically thinking, the factory was built in the best possible place, in the core of milk production region of Finland. The vast majority of customers are within a 150 km radius from the factory. Nearly half of the milk in Finland is produced in the delivery area of our plant and also a quarter of all industrially manufactured feed kilos are consumed here.

As the plant is situated in the region where most of the feed grain is cultivated, also the major cattle feed raw material, grain, is received from the vicinity of the plant. Imported raw materials, such as rapeseed meal and molasses, are conveniently transported through the Port of Kalajoki, some 60 km from the factory.

## Technology improving energy efficiency

At our Ylivieska plant, feeds are made using modern manufacturing technology. With the use of automation, the process can be adjusted as energy efficient as possible. The processes are also streamlined in order to have shorter manufacturing time. An adequate number of product bins were designed already in the construction phase, so that we could optimise the length of production series. In this way, we can save energy. The energy efficiency of our factory is 20% better than that of corresponding older factories.

Carbon footprint is also reduced by the chosen feed delivery method. All feeds are delivered to the farms in bulk by tank trucks. Similarly, all raw materials are brought to the factory in bulk tankers. This way, no packing material is needed.

We only use $CO_2$-free electricity in the plant. Besides main process, we have also thought about the reduction of carbon footprint in more detail.




# Feed manufacturing process

## Dosing
Accuracy, chemical quality

Raw materials are dosed using automatic scales

## Grinding
Fineness of flour

Grains and coarse raw materials are ground using hammer mill.

## Mixing
Homogenous mix

Raw materials are mixed in batches of 4-5 tonnes in the main mixer to reach uniform quality. At the same time, liquid ingredients are added.

## Conditioning
Liquid adding, heat treatment

Powdered mixture is heated with steam, and molasses together with other liquids are added. Retention time in the long-term conditioner is 15-20 minutes.

## Expansion
Hygiene, feed digestibility

Some feeds are treated momentarily in temperature over 100ºC using pressure screw, steam and pressure.


## Pelleting
Pellet shape and durability

In the pellet press feed mixture is forced by rollers trough die openings, into a form of pellets.

## Cooling
Pellet temperature

Hot and soft pellets are cooled by blowing out-door air through the pellet layer. The pellets become harder and they can be crumbled if necessary.

## Sieving
Dust and fines are removed

Dust and fines are sieved from the feed pellets using vibrating sieve.


## Bulk loading
Hygiene, delivery reliability

Bulk feed truck is loaded using automatic scales directly from product silos.

An image of the feed manufacturing process




# Research and Development

In 2010, two significant plant stanol ester studies were published. These studies showed that higher than currently recommended plant stanol ester doses enhance cholesterol-lowering effect. Only Benecol products contain plant stanol ester. Benecol business cooperates extensively with Finnish and international research institutes and universities.

Grain and non-dairy based healthy snacks are the top priorities in the product development of Raisio foods. Our aim is to ensure the future growth with new innovative products meeting consumer needs. In 2010, Raisio invested in a project management system that enables better R&D management and more efficient development of consumer-oriented products.

Product development in feeds aims to improve the profitability of livestock production, increase the animal well-being and reduce the environmental load of livestock production. Raisio Feed continuously makes inputs into the research projects studying nutritional needs of animals. Raisio provides its feed customers with ecological choices. Raisio’s R&D in malt is focused on customer-driven product development.






# Carbon label

**The number of environmentally aware consumers is increasing. Their buying decisions are greatly influenced by the environmental impacts of products. To better serve this growing consumer group, Raisio, as a forerunner in Europe, started using carbon footprint labels on its products already in 2008. The label indicates climate impacts of the products.**

Consumers gave us positive feedback on the label, which encouraged us to develop it even easier to understand. At the beginning of 2010, we renewed our carbon footprint label to respond to consumer feedback. At the beginning of 2011, we have some 30 food products labelled with a colour-coded carbon footprint label that tells consumers easily how the product is placed in terms of environmental impacts.


## Carbon footprint label is a sign of responsibility

> **Ecology is responsibility but strongly economics, too.**

In the carbon footprint calculation, a deep knowledge of the product lifecycle plays a key role. When carrying out the calculation, all company's own operations as well as the surrounding activity chain are examined in detail. Activity and supply chain must be thoroughly known in order to conduct carbon footprint calculation of a product. This way, the carbon footprint label on a package gives information not only about environmental impacts but also about traceability of a product and thus, about manufacturer's responsibility.

## Eco-efficiency from carbon footprints

Carbon footprint calculation provides plenty of information about the climate impacts generated during a product's lifecycle. Furthermore, it is a sign of operational efficiency. When carbon footprint is reduced, it almost invariably enhances operations and saves money. Carbon footprint is a new meter for continuous improvement of operations. It highlights areas for improvement that cannot be found using traditional meters.

Carbon footprint calculations together with life cycle assessment extend the efficiency measurement to cover the entire activity chain. This also results in direct or indirect savings for all operators in the chain. With carbon footprint calculation it is also possible to find out the phases of the chain where the biggest emissions are generated. The development measures can then be directed in the most useful way.




# Water label

## Raisio's Elovena oat flakes are the first product in the world equipped with a label indicating water and carbon footprints. Raisio is a global forerunner in the calculation and labelling of environmental impacts of products.


Water footprint of a product describes the amount of water used in its production including direct and indirect water consumption. Product lifecycle is taken into consideration in the water footprint calculation.

Water consumption is distributed in very different ways in different product groups. In the water footprint of foods, raw material production, such as grain growth period, is highlighted. With Elovena oat flakes, for example, over 99% of water is consumed during cultivation.

Although the water footprint cannot yet describe the environmental impacts of water consumption since it only indicates the amount of water, it nevertheless provides a completely new perspective to the use of global water resources. In terms of water footprint, the most sustainable food raw material is produced in the areas with plenty of water. From this perspective, Finland is a really potential food production area.

### Global forerunner in water labelling

Raisio's knowhow in water footprint has attracted a lot of interest in Finland and especially internationally. The whole concept of water footprint is new and particularly research institutions contact Raisio to have more information. Water footprints are largely under research. Since Raisio is the only company with experience in water footprint labelling on product packages, our vision is considered extremely important.

RAISIO




# Benecol

## Over 60 clinical studies show the health benefits of plant stanol ester, a Benecol® product ingredient. Plant stanol ester lowers blood cholesterol effectively by reducing the absorption of cholesterol from the digestive tract. This lowers both total and LDL cholesterol concentrations.

Benecol business cooperates extensively with Finnish and international research institutes and universities. The research focus is still on the studying of properties of plant stanol ester, the ingredient of Benecol products.

### Revolutionary new research data


During 2010 two significant studies on plant stanol ester were published. According to them, cholesterol-lowering effect can be enhanced with higher than currently recommended doses. The research finding is new. So far, scientists have thought that higher than 2 grams daily doses of plant stanol do not enhance cholesterol lowering.

The study published in American Journal of Clinical Nutrition (Mensink et al. 2010) confirms that increasing the daily intake of plant stanol from currently recommended 2 grams up to even 9 grams adds its cholesterol-lowering effect dose-dependently with no adverse effects. A study published in Clinical Nutrition (Gylling et al. 2010) shows that cholesterol-lowering effect of plant stanol in enhanced with higher daily plant stanol intake.

### Regulatory issues require time and competence


Use of plant stanol ester in foods requires almost invariably a separate market-specific approval. In addition, a potential health claim may require an approval from local food authorities. In 2010, Raisio initiated several regulatory processes regarding plant stanol ester in order to expand into new market areas.

Plant stanol ester of Benecol products was one of the first to obtain the EU Commission’s approval to use the disease-reduction health claim. The health claim has been introduced in Benecol products available in the EU markets. Plant stanol ester is still one of the few ingredients that has passed the strict scientific assessment of The European Food Safety Authority (EFSA).

### Benecol products as part of many treatment guidelines and recommendations

Cholesterol-lowering Benecol products have already been 15 years in the markets. Today Benecol is an internationally known and valued product family of cholesterol-lowering foods. Millions of people on five continents and in 30 countries use Benecol products daily to lower their cholesterol. As a proof of extremely strong research evidence, plant stanol ester has been approved as part of several international and national treatment guidelines and recommendations aiming to decrease cardiovascular risks. According to the Care Guideline of dyslipidaemias, plant stanol ester can also be used together with cholesterol-lowering statin therapy.

**Links**

The American Journal of Clinical Nutrition:
Mensink et al. Plant stanols dose-dependently decrease LDL-cholesterol concentrations, but not cholesterol-standardized fat-soluble antioxidant concentrations, at intakes up to 9 g/d1-3. Am J Clin Nutr 2010; 92:24-33

Sciencedirect.com:
Gylling et al. Very high plant stanol ester intake and serum lipids, sterols, liver function tests, carotenoids, and fat soluble vitamins. Clin Nutr 2010; 29:112-8.




# Foods

## Grain and non-dairy based healthy snacks are the top priorities in the product development of Raisio foods. Our R&D resources are allocated specifically to maintaining and developing of the technologies, nutritional and other knowhow related to these fields of expertise.

In our recent development projects, we have focused on grain and non-dairy products as well as on our special expertise in healthy snacks. Our aim is to ensure the future growth with new innovative products that meet consumer needs.

### Elovena grew and was visible in its anniversary year


The Elovena brand turned 85 years and the anniversary was strongly seen in many R&D projects. As a result of long development work, we launched healthy, plant-based, yoghurt-like Elovena snack products with oat and soya. They offer a stomach-friendly option for all consumers since they are high in fibre and protein, lactose-free and contain bifido bacteria. At the same time, they are a good choice for the new growing group of consumers that appreciate ecological values. The taste and texture of Elovena snack biscuits were further improved by an intensive product development project. During the project, we also created a new seasonal flavour, dark chocolate. It quickly became the most sold Elovena snack biscuit and confirmed its place as an integral part of the product family.

Raisio proceeded to bread category in Finland by developing Elovena bread (Luomu Paahtopalat). It is fibre-rich, preservative-free and also well-preservable thanks to our new packaging technology. Furthermore, our license partner launched another bread (Elovena Kaurapalat) last year.


With the development of our Sunnuntai baking products, we aimed at easier and readier consumer-led solutions and launched new baking mixes for sweet and salty bakery.

### Carlshamn brand expanded in Sweden

We invested heavily in the Swedish market by renewing and expanding the Carlshamn brand. Non-dairy products are a rapidly growing product group in Sweden, and we developed new delicious soya and oat based drinks into this category. During 2010, we also started the marketing of gluten-free products under the Carlshamn Bageri brand. The products are starched-based, gluten-free flour mixes and pure oat containing gluten-free products. The range of Carlshamn Bageri products includes flakes, baking mixes and frozen rolls.


### Versatile development

In 2010, Raisio invested in a new project management system that enables better R&D management and more efficient development of consumer-led products. The system also allows us to better allocate our resources to productive and the right kind of product development work.

Raisio has participated in a 2-year project called Futupack funded by TEKES. The goal was to develop more environmentally friendly packaging solutions and related measuring systems. The project ended in 2010 and, as a result, it seems that food waste generates bigger environmental impacts than packing material while taking optimal packaging solutions into account. The project gave Raisio good guidelines for future operations. We can better pay attention to the importance of packaging for the environment and to the reduction of its impacts.

Raisio is also involved in the project called Carbon neutral municipalities, which has examined the reduction of emissions at the municipality level. In this project, Raisio's strong expertise is especially used for the plant-based products suitable for ecologically-oriented catering sector.

# Foods

### Better product lifecycle management

Raisio is the first food company in Finland introducing Product Lifecycle Management (PLM), a system designed for managing the lifecycle of products. The system enables the management of all product-related data and design processes. PLM supports the networking of internal and external operators and collects all product data into a single information system. This way the data is readily accessible to the entire activity chain. Furthermore, PLM ensures the availability of product data in all product lifecycle activities, from product development to sales, as well as in the interfaces of activities, such as purchasing and marketing.

By means of this system, Raisio ensures not only effective launches of new products in the changing operational environment but also high-quality products through centralised product data management. During 2010, Raisio was building its PLM system and it became fully operational at the beginning of 2011.

# Business to Business

## Feeds

Research and development in feeds aims to improve the profitability of livestock production, increase the animal well-being and reduce the environmental load of livestock production. Our R&D is based on substantial research inputs and real practical experience.

R&D in feeds focuses on the development of new feed mixes and feeding concepts that:

- improve the effectiveness and profitability of livestock production,
- secure the health and well-being of animals,
- reduce the environmental load of livestock production,
- make feeding work easier and
- improve the nutritional quality of livestock products.

### *Ecological choices in product development of feeds*

The better we know the nutritional needs of animals, the better we can feed them and the smaller the amount of nutrient releases. This is why Raisio continuously makes inputs into the research projects studying nutritional needs of animals. Our main cooperation partners are MTT Agrifood Research Finland, the Department of Agricultural Sciences of the University of Helsinki and the Finnish Game and Fisheries Research Institute.

**Ecological solutions in feeds are also economically profitable.**

### *Enzymes enhance feed digestion*

Phytase is an enzyme that enhances plant-derived phosphorus digestibility in the pig and poultry feeding. Since 2009, it has also been used with rainbow trouts fed by Raisio's feed. With phytase, it has been possible to reduce the release of phosphorus in manure into the environment by some 20-30%.


Pig and poultry feeds also contain enzymes that help digest fibre-rich carbohydrates. This way, animals get more energy from the feed and the amount of nutrients released into the environment is smaller.

### *Protease reduces nitrogen emissions*

At the end of 2010, we entered a completely new field by introducing protease enzymes in broiler feeds. Protease is an enzyme improving the digestion of feed protein. With protease, a bigger part of feed protein than earlier ends up benefiting animals, which consequently leaves a smaller part to load the environment.

### *Raisio's cattle feeds renewed*

Protein is composed of amino acids. Pure amino acids have long been used as raw material in pig and poultry feeds. In the last few years, amino acid thinking has also entered dairy cattle feeding as the so called protected amino acids have entered the market. These acids are specifically designed for ruminant animals and they work efficiently in ruminant feeding.


At the beginning of September 2010, Raisio launched two new feed mixes for dairy cattle: PRO-Maituri 18 and PRO-Maituri 20. The amino acid composition has been optimised in both the mixes. After the renewal, Raisio's dairy cattle feeds are divided into three groups: PRO-Maituri, Opti-Maituri and Perus-Maituri. Milk producers make their own choices according to silage digestibility, protein content of silage and set milk production targets.

# Business to Business

*Rapeseed oil makes pork extra delicious*

In February 2010, we introduced the results of the joint study of Raisio Feed and HK Ruokatalo. The study showed that, by using rapeseed oil in feeding, pork fat can be changed so that it better corresponds to the nutritional recommendations.

The study on pig feeding was conducted together with MTT and Lihateollisuuden Tutkimuskeskus. The average fatty acid composition of pigs in the study met the nutritional recommendations set on the fat quality of meat. The pigs fed with feed containing rapeseed oil were growing as well as or better than the pigs in the control group. However, the test pigs consumed 10% less feed in kilos than the control group. Our new feeding concept is also environmentally friendly since the test pigs could utilise the nitrogen in feeds over 7% more effectively than the control pigs.

Rehuraisio and HK Ruokatalo have together developed this feeding concept also in practice in the farms, and HK launched rapeseed pork products in February 2011 in Finland.

*Carbon footprints of feeds have been calculated*

During 2010, we also defined the carbon footprints of our feed mixes. Calculation results will be used for the development of feeds and in the feed planning in the farms. The industry processing livestock products is also interested in the results that contribute to their own calculations.

**Raisio actively makes use of its carbon footprint information on feeds.**

*We continue our work for the environment and to improve the profitability of livestock production*

This year, we will develop the feed mixes of high-yielding dairy cows so that the requirements are met regarding yield, health and production profitability. We will continue our close cooperation with the livestock processing industry in all livestock production sectors since we believe that by working together, we can highlight the strengths of Finnish livestock production in the way that consumers increasingly want and appreciate. All measures taken will have to be environmentally sustainable and reduce environmental impacts of livestock production.

**Malt**

## Raisio’s R&D in malt focused on customer-driven product development.

Together with its malt customers, Raisio examined opportunities to reduce the environmental impacts of malting. Through raw material development and product modification, we ensured that the high level of product quality was maintained.

Test malting operations were an essential part of our development activities and quality assurance. In spring 2010, the carbon footprint ($CO_2e$) of malt was calculated by using the model developed by Raisio. In the malting process, water and energy savings were still our main objectives.

The research was conducted with Oy Panimolaboratorio Bryggerilaboratorium Ab in cooperation with all "From barley to beer" production chain operators. The key research areas in malting were raw material research, product safety and sustainable development. The IMPRO project studied new methods of molecular biology to better predict the processability, product quality and yield of barley. The environmental impact assessment of the production chain From barley to beer was updated in the project called MOKE. Testing and selection process of new malting barley varieties was continued by the Barley committee.




# Glossary

| | |
|---|---|
| Brand | The image of and sum of experiences that consumers have with a product or service. |
| Bioeconomy | Parties involved in producing, using, manufacturing, marketing or using products made from renewable natural resources. |
| Carbon footprint | Indicates the amount of greenhouse gases released into the environment as a result of our actions, converted into carbon dioxide. |
| CCC | Closed Circuit Cultivation is Raisio's concept for measuring how well the energy, such as nutrients, used for cultivation has been recovered. |
| Cholesterol | Cholesterol is a fat-soluble substance found in all human and animal tissues, especially in fat tissue, the nervous system, liver and kidneys. Cholesterol is produced by the liver, and smaller amounts are absorbed from the diet. Blood circulation, as such, cannot transport cholesterol to the different body parts. This is the task of lipoproteins (HDL and LDL). LDL, also known as "bad cholesterol", transports cholesterol to tissues and the walls of arteries, while HDL, or "good cholesterol", transports cholesterol away from them. High overall cholesterol levels, especially the LDL level, increase the accumulation of cholesterol in arteries and contribute to the hardening of blood vessels. |
| Climate change | The rise in the temperature of the environment caused by the increase in greenhouse gases, generated by the use of fossil fuels or other human activities. |
| $CO_2$, carbon dioxide | A chemical compound consisting of carbon and oxygen. It is also the main component of flue gases, generated when the carbon in fuels is oxidised. Carbon dioxide is a greenhouse gas that significantly contributes to global warming. |
| $CO_2e$, carbon dioxide equivalent | A unit of measurement that indicates the global warming potential (GWP) of greenhouse gases. Different greenhouse gases have different GWP values. |
| Ecology | A science that studies the relationship between living organisms and the environment. |
| Ethics | The study of morals |
| Foodchain | A project of MTT Agrifood Research Finland that studied the environmental impacts of foods and products based on the life-cycle approach. |
| Food chain | Starts from the field and ends on the consumer's plate. |
| Functional food | Food that not only has nutritional value but also a positive impact on health. |
| GMO | A plant or other living organism whose genetic makeup has been modified using other than traditional breeding methods; for example, by transferring individual genes from other living organisms. |
| Grain chain | Starts from grain cultivation at farms and continues through grain processing to ready products in stores. |
| HoReCa | The hotel, restaurant and catering business. |
| IFRS | International Financial Reporting Standards. |

| | |
|---|---|
| Life-cycle assessment | A method that systematically assesses the environmental impacts of a product or service throughout its life cycle from raw material acquisition to disposal. |
| Phytase | An enzyme that breaks down the phytic phosphorus in plants into a form which animals can digest. |
| Plant stanol ester | The ingredient in Benecol® products that reduces the absorption of cholesterol in the digestive tract. Foods that contain plant stanol ester are safe to consume, because plant stanols are basically non-absorbable and proceed through the body unchanged. Taken as a regular part of the daily diet, plant stanol ester lowers cholesterol. Only Benecol products include plant stanol ester. |
| Plant sterol | A group of fat-like compounds found in small amounts in plant cells, "cholesterol of the plant world". |
| Protease | Protease is an enzyme improving the digestion of feed protein. With protease, a bigger part of feed protein than earlier ends up benefiting animals. |
| Sustainable development | Development that satisfies the needs of the current population without endangering the future generations' opportunities to satisfy their needs. |
| Technical bio-oils | High-quality rapeseed oil-based lubricants and other oils for technical uses manufactured by Raisio. |
| Value-added | A product or service whose value to consumers or customers has been enhanced with a property, such as healthiness or convenience of use. |
| Virtual water | The overall amount of water consumed to make a product, including cultivation, production and processing, which depends on the product, but also on geography and production technologies. |
| Water footprint | The overall water use of goods consumed by countries and individuals, which also includes the virtual water used in production. |

# Case: You decide what you eat

## Knowing the consumer need is a key issue for us at Raisio. Pleasure and health have long been emphasised in consumption choices. Easy-to-eat snacks suit well today's mobile lifestyle. With growing environmental awareness, people also want to know the origin of food.

According to studies, a large proportion of Europeans prefer choices promoting health and well-being and pay attention to the environmental impacts of food. However, people are not ready to compromise delicious taste or convenience. Sometimes special diets also guide consumers in their daily choices.

At Raisio, we help consumers make choices that combine good taste, healthiness and ecology. Our products are plant-based and we have especially strong expertise in grain processing. A good example of Raisio's innovations is our oat-based Elovena snack drink, safe also for consumers with milk allergy or lactose intolerance.

### Where does my food come from?

Consumers want information about the origin of raw materials used in foods as well as transparency in the processing chain. People actively discuss and search for information on products using various internet forums.

Raisio's main raw material is grain. The grain we get from our Finnish contract farmers can be traced back to a farm level, even to individual field parcels. Raisio actively participates in the continuous development of the grain chain to ensure ecologically and ethically sustainable operations.

The environmental impacts of Raisio's plant-based foods are low. This is based on the accurate measurement of environmental information. We have opened the entire chain from the farmer to the store warehouse concerning, e.g., carbon footprints of products.

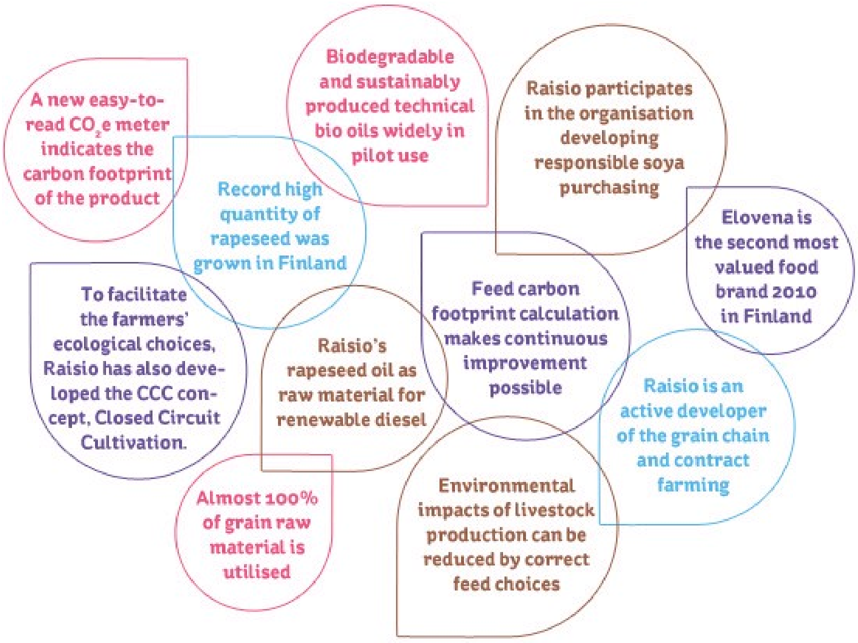
Raisio is a forerunner of healthy and ecological snacking. We bring interesting and good-tasting new products on the markets.

You as a consumer decide what you eat.

# Responsibility

Raisio is a forerunner in bioeconomy. We develop our operations and use renewable natural resources sustainably. We take responsibility for our operating environment, environmental matters and personnel.

We are entering a world, where doing good equals doing good business. Raisio is strong in this.






# Operating philosophy

## Raisio's core values - competence, responsibility and open co-operation - play an increasingly important role in efficient and profitable business operations.

### Raisio's core values


The company is committed to take responsibility for its operating environment, environmental matters and personnel. We follow local legislation in all our operations. In Finland Raisio is an active participant in developing the whole grain chain from field to fork.

### Raisio's key policies and principles include:

- quality, environmental, health and safety policy
- HR policy
- ethical principles
- GMO policy
- principles of animal testing

In addition to the Group's vision and strategy, Raisio's Board of Directors has approved the company's quality, environmental, health and safety policy, ethical principles and risk management policy. Furthermore, the Group's Management Team has defined the company's GMO, as well as HR policies and its principles concerning animal testing.

# Operating system

## In Finland, Raisio's operating systems are certified in accordance with the ISO 9001 and ISO 14001 quality and environmental standards. ISO 9001 certification is also used at our Raisio plant in the United States. A uniform operating system has provided us with common operating models and clear tools for sharing good practices.

The operating system is certified by Inspecta Sertifiointi Oy. Furthermore, Raisio has over 50 internal auditors who have a significant role in the harmonisation of practices and in the implementation of best practices between different business areas. Our training in internal auditing is open to all Raisio employees. This strengthens diverse opportunities for on-the-job learning. Comparison between different business areas is easy thanks to a functioning system and active Raisio employees.

### Factory-specific certifications

In our food production plants, we also use food safety standards in order to ensure continuous improvement in product safety as well as to maintain and improve customer satisfaction. The production plants of our Brands Division in Great Britain are certified in accordance with the Global Standard for Food Safety released by British Retail Consortium, BRC. At the moment, our nondairy plant in Turku as well as Nokia milling plant are already BRC certified.

Raisio has also adopted other sector or product-specific standards and certificates. Additionally, some of our plants are Kosher and Halal certified to meet customer needs.

### BRC certification ensuring food safety

Several international standards have been designed to ensure food safety. BRC Global Standard for Food Safety is a globally known and widely used standard in Europe introduced by the British Retail Consortium. Especially the biggest chains in the Nordic Countries and Europe are highly committed to this standard and require the certification in accordance with it from their suppliers.

Raisio has used the BRC Standard in the development of the HACCP system (Hazard Analysis and Critical Control Points). Detailed criteria of the BRC standard set a clear requirement level. Our Turku based non-dairy factory has been BRC certified since its start-up in 2006. In spring 2010, we decided to expand our certifications, and at the end of the year, we obtained the BRC Certificate for our Nokia mill. We aim to have the BRC Certificate for Raisio Mill as well in the autumn 2011. All our production units in Great Britain are BRC certified.

# Quality, environmental, occupational health and safety objectives

Raisio's responsible operations are guided and defined by objectives set for group-wide quality, environmental, occupational health and safety activities:

- to develop and produce safe, healthy, and environmentally friendly products using methods that preserve naturel resources,
- to prevent operational hazards, accident risks and their possible consequences,
- to ensure a safe work environment, with the target of zero accidents,
- to reduce the amount and harmfulness of emissions and waste and to increase waste recovery,
- to improve energy efficiency
- to ensure active development of operations and continuous learning.
- to promote open debate and interaction on safety, occupational health and environmental issues with customers, the procurement chain, authorities, stakeholders and the personnel,
- and to continually improve customer satisfaction.

# Scope of reporting

## Raisio reports on its corporate responsibility in compliance with the Global Reporting Initiative (GRI) guidelines on sustainable development.

GRI is an international organisation that develops guidelines on sustainability reporting, its objective being to promote the reporting of reliable, understandable and comparable information. GRI-compliant reporting is voluntary, but increasingly more companies have adopted the guidelines to report on financial, environmental and social topics related to their business.

### Scope of reporting and compliance with GRI guidelines

Raisio's corporate responsibility report is based on the GRI guidelines, where applicable, containing those GRI themes and indicators that are relevant to Raisio's operations. Annual reporting is expanded and enhanced to meet the requirements of the operating environment in parallel with the development of indicators and reporting systems. Reporting is mainly limited to responsibility aspects of Raisio's own operations.

Glisten, which Raisio acquired in spring 2010, is included in Raisio's corporate responsibility reporting only for the part of social responsibility. Information on other areas of corporate responsibility was not yet fully available.

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# Environmental responsibility

## Commitment to environmental work is part of Raisio’s responsible operations. Sustainable results are achieved through systematic work. Environmentally positive choices have to be made every day, and measurable environmental targets create a framework for Raisio's long-term environmental work.

Measurement, reporting and assessment of results show the development priorities. Raisio aims to reduce adverse environmental impacts and to keep the targets achieved.

### Scope of reporting

Raisio reports on its environmental responsibility in compliance with the international Global Report Initiative guidelines (GRI) on sustainable development. In terms of environmental indicators, environmental responsibility reporting includes the information of the Group companies of which Raisio plc held over 50% in the reporting year and which had production.

British Glisten plc, which Raisio acquired in spring 2010, is not included in the scope of environmental responsibility reporting. Reporting has mainly been limited to the responsibility considerations of Raisio’s own operations.

> Responsibility > Environmental responsibility > Environmental targets

# Environmental targets

## Raisio's business operations have set long-term numerical environmental targets for 2009-2011 and they are based on the Group's general objectives.

All production plants have their own set targets. Definition and monitoring of these targets are carried out as part of the Group's annual planning and reporting.

The targets cover the key environmental impacts, energy and water consumption as well as wastewater and waste generation. Monitoring and graphs have been revised to correspond to the present Group structure.

Numerical environmental targets concerning the use of energy and water were challenging due to record hot summer. The heat period increased cooling needs and thus also electricity and water consumption. The water use at Raisio was also increased by the surface renovation of the silos. Old surface was removed by water pressure and this clearly affected water consumption of the plant in question. For hygiene reasons, demand for heat in production processes partly increased, which impeded the achievement of targets.

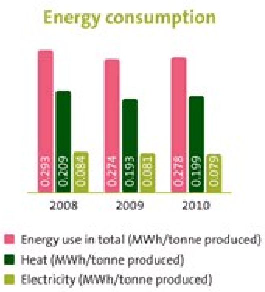
The Group implemented enhancement projects of energy recovery and cooling systems in order to reduce energy and water use. Activities with high water consumption are particularly studied for a comprehensive water reuse purposes. Employees are encouraged to the effective water consumption by using the production bonus system.

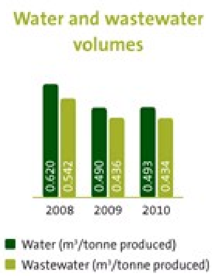
Environmental impacts are taken into consideration also in the design of new process building and process changes.

Waste sorting and waste recovery were effective. The target set on waste recovery was achieved magnificently. Although the annual targets were not quite reached, Raisio's operations and measures to reduce electricity and water consumption were however successful. We will continue the challenging and target-oriented environmental work.

Other environmental objectives at Raisio include, e.g., increasing the field area under the scope of cultivation advice, optimising transport routes and reducing noise emissions.

### Realised consumption of energy, water and wastewater in Finland 2008-2010




# Environmental impacts

## Raisio examines its environmental impacts throughout the operating chain.

Most of the raw material used at Raisio is Finnish grain. Plant-based grain raw material is effectively utilised in the production processes. Hygiene requirements are always in focus in food and feed industry and often examined together with prevention of waste generation and material efficiency. The demands of best available technology are taken into consideration when changing production processes and their environmental technology.

### Generation of environmental impacts

Farming inputs and transportation are the key sources of environmental impacts in the production chain of grain raw material. For contract farmers, Raisio has designed a Closed Circuit Cultivation CCC concept that enables the measuring of environmental impacts from cultivation and the identification of improvement targets. The concept provides farmers information on their own energy efficiency, carbon dioxide emissions and their development. Measurement is a prerequisite for the development of operations.

In addition to primary production and transportation, production processes themselves, production of food and ingredients, feeds and malts all cause their own specific environmental impacts. Energy use in processes, water consumption and wastewater generation play the key role. Raisio is looking for means to reduce these environmental impacts.

### Reduction of environmental impacts

R&D of foods and feeds also contribute to Raisio's environmental work. In food production, Raisio has invested in, e.g., packaging technology. In feed R&D, the focus is on animal well-being as well as on efficiency and profitability of livestock production but one of the key targets is also the reduction of environmental impacts. For the contract farmers, Raisio has designed a new feeding concept that enables the optimisation of feeding solutions at farm level including environmental aspects.

Raisio focuses on determining the environmental impacts of its products throughout their lifecycle as well as on the measurement and labelling of these impacts. Reliable calculation information shows the key environmental impacts generated during the product's lifecycle and enables the development of operations. Some of Raisio's food products are already equipped with a label indicating the product's carbon dioxide emissions. Raisio continues calculation and determination of the environmental impacts of its products.

#### *Feed carbon footprint calculation enables the food chain development*

In the autumn of the reporting year, Raisio introduced carbon footprint calculations on its feeds. For the study, Raisio chose the products so that all animal groups and production processes were represented. The target was to determine the environmental impacts of different stages in feed mix production and this way find improvement areas. This work also supports raw material choices and R&D/product development of Raisio's feed production.

Moreover, calculations benefit livestock processing industry when determining carbon footprints of its products. The study had a positive reception among feed customers, researchers and other interest groups.

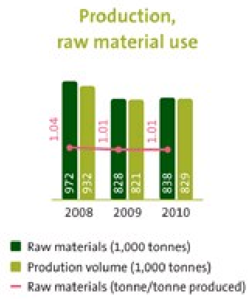
#### *Protease enzyme decreases the amount of nitrogen wasted along the manure*

Raisio was the first company in Finland to introduce protease enzyme. The enzyme was introduced in broiler feed mixes. It improves the utilisation of protein so that the amount of nitrogen in manure is reduced. Precision feeding and feed processing enhance the nutrient utilisation and thus reduce the environmental impacts of feeding. Protease enzyme applications in other animal groups are under examination.




# Raw material use and production quantities

Raisio mainly uses renewable resources as its raw material. The objective is economical and efficient use of raw materials. The company can use the acquired raw materials to the best-suited production purpose.



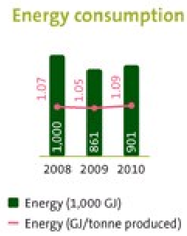

Prevention of waste generation is in a key role when striving for material efficiency. Responsible management of production processes is generally important. Material flows between production plants are considerable. These by-product transfers result in multiplication in the reported raw material volumes.

## Water

Water consumption is an important environmental factor also at Raisio. The need for clean water is emphasised particularly in food industry. Water is needed in processes, cooling stages and hygiene control. The Group's biggest water consumer is the malting plant in Raisio. Its share of water consumption at Raisio's industrial facilities is 41 %. Raisio's key target is to reduce water consumption. The company recovers and recycles all usable waters in order to enhance its operational efficiency.


## Energy

Raisio's processes use energy in the form of electricity and steam. The company's energy supply is mainly based on purchased energy. In Finland, Raisio has two power plants, one in Raisio and the other in Kouvola. Both the plants are within the scope of emissions trading.




Raisio's power plant operates as a reserve power station and uses heavy fuel oil. Raisio's own boiler plant produced over 2% of all steam needed in the company's industrial area. At the beginning of 2010, Raisio acquired the Kouvola steam heat plant from Vari Oy. The plant is fuelled by natural gas.

### *Energy efficiency*

In spring 2009, Raisio joined an energy efficiency agreement for the energy-intensive industry. The agreement helps Raisio to continue the reduction of energy consumption. Energy effiency system (EES) is included in Raisio's ISO 9001 and ISO 14001 certified operating system . Energy efficiency system (EES) covers Finnish operations of the Raisio Group.

Responsibilities in energy efficiency matters are divided between the units and to specifically designated persons. These persons monitor the measures taken and report the implementation of energy efficiency for their own units. The Group's guidelines have been specified so that energy efficiency has to be taken into account in all decisions related to investments, production development and purchases.




# Emissions, wastewater and waste

## Raisio recognises the environmental impacts of its operations. Prevention of these impacts is part of our everyday activities.

In addition to direct air emissions from energy production, there are emissions in the form of noise, dust and particles. The most significant sources of noise include, for instance, compressors, ventilation fans and their outlets as well as cooling tower fans. Planned preventive maintenance is very important in the prevention of dust and particle emissions of fans and dust filters.

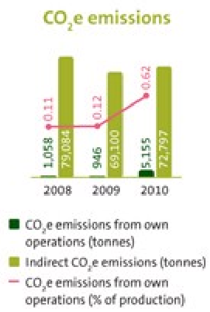
### Emissions from the production plants

Environmental emissions - noise and particle emissions - from the production plants are regularly monitored and measured in the surrounding area. For odour emissions, Raisio participates in arranged local panels as far as possible. Our personnel monitor the situation at the industrial areas and operational environment on a daily basis.

Emission measurement is carried out regularly in the production plants that generate volatile organic compounds (VOC). Continuous monitoring of these compound emissions is also performed through calculations. At the Raisio's industrial facilities, hexane emissions from the feed protein business increased from the previous year as at the end of the reporting year, there were malfunctions in the distillation columns of the production process. Nevertheless, Raisio managed to remain below the EU and discharge standards.

### Emissions of energy production

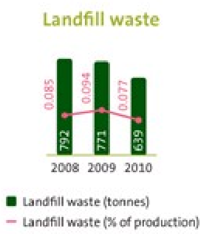
Raisio reports direct carbon dioxide emissions from its own energy production using CO2e values. Reporting also includes the CO2e emissions from Raisio's energy suppliers according to the quantities they have reported. The CO2e emissions describe the aggregate impact of different greenhouse gases on the atmosphere. The electricity acquired to the Finnish sites is eco-labelled and it constitutes a major proportion of the Group's overall electricity use. Its production does not generate carbon dioxide emissions advancing climate change.




### Wastewater

Water consumption also generates wastewater. Various reuse and recycling solutions have been introduced in order to enhance wastewater quantity and minimize load. Waste water is mainly conducted directly to the cleaning process of municipal treatment plants. Raisio uses its own pre-treatment plant and other separate cleaning solutions at the site.


### Waste




Although Raisio utilises nearly all its raw material, waste is considered to be an important environmental factor. Minimising the amount of waste is Raisio's key target. On the other hand, Raisio also seeks a high recovery rate of waste, which can only be achieved with correct waste sorting. Raisio mainly uses recovered waste either as material or an energy source. Reduced waste amounts can be achieved only with the help of all employees. Guidance and advisory work create a framework to the enhancement of operations.


## Emissions, wastewater and waste

Packaging materials form an important environmental factor as the company produces packaged consumer products. Our target is to reduce environmental impacts by developing the packages. Package development and material choices are important.

> **Hyvä pakkaus pienentää ruoan ympäristövaikutuksia**

The main purpose of the package is to protect the product and package minimising has its limits. If the material is reduced too much, it weakens protective qualities of a package and results in bigger product losses. This can be more harmful to the environment than the package production. Furthermore, it has to be possible to utilise the packaging material either recycled or as an energy source.

Raisio participated in the Futupack network. The project aimed to study the effects of different packaging solutions on the environmental impacts of a product. The project started in 2009 and was completed in January 2011. The final report was published in January 2011.

# Transports

## Transports of food and feed businesses are the key operations in Raisio's logistics. Both logistics units have conducted development projects aiming at further enhanced operations and minimised environmental harms. Transport services are mainly acquired from external providers.

### Food transports

At the beginning of 2010, Raisio's transports were studied. The study focused on the company's internal transports, which means transports between different sites and warehouses. The results showed that product transports can be combined and this way, the company was able to significantly reduce transport kilometres and emissions. The results have also been useful, e.g., when choosing storage sites.

In the autumn, the company launched a study examining volumes, routes and load sizes of bulk transports. Based on the results, bulk transports will be rearranged during 2011. By strengthening the cooperation between freight companies and by specifying delivery dates, the batch sizes leaving the sites and warehouses are increased. Moreover, the aim is to combine, to the extent possible, transports of products requiring different transport temperatures. With the transport reporting system still under development, it will be possible to follow, e.g., load sizes, kilometres and emissions of transports. The system is estimated to be ready for introduction at the end of 2011.

By clarifying the geographic division between bulk transports, the company has managed to remove overlapping, increase the fill rate and reduce the kilometres driven. Volatility of grain raw material prices has made long-term routing design difficult, but Raisio has been able to react to changes at short notice and thus to maintain environmentally friendly load sizes.

Furthermore, environmental issues have been taken into account in the drivers' audits. Environmentally friendly transport equipment and the active development of emission measurements are the company's key considerations. Closer logistics cooperation with other local operators when possible is also one of the company's future targets. Combined volumes make the reduction of environmental impacts possible.

### Transports of Raisio Feed

In Raisio Feed's transports, product safety and the hygiene of transports are always given the priority. Return transports are used when possible in raw material transports. Product deliveries to farms are only made by contract drivers whose transport equipment is monitored in compliance with the continuous hygiene programme.

The centralised operating model based on contract operators ensures the effective use of transport equipment. It enables reduced kilometres and planning of transports causing fewer emissions. During 2010, this trend further strengthened and almost 98% of the total volume is already within the centralised transport planning.

Our map-based route planning software makes more efficient and environmentally friendlier transports possible. The software has been used since 2007 and the experiences are very positive. We have developed the software to better meet our needs.

During 2011, Turku School of Economics will conduct a project aiming to find out the environmental performance level of Raisio Feed's transports.

# Travel

## The personnel are encouraged to use teleconferencing whenever possible instead of travelling. Video and web conferencing are other good alternatives.

Raisio's management and other personnel have, in an exemplary way, started using web conferencing. This is a flexible and cost efficient alternative compared to traditional travelling.

Raisio has monitored the air travels of the personnel for two years. In summary, the overall volume of flights booked in Finland has decreased by 3% compared to the previous year. On the other hand, Raisio's internationalisation has increased especially the volumes of foreign flights and also the length of flights. Carbon dioxide emissions caused by longer flights increased 9% compared to the previous year.

Web conferencing results in substantial savings when travelling can be avoided. Raisio uses web conferencing more and more. As our employees are geographically dispersed, it offers a convenient way to include everyone in the company's decision-making.




# Land use and biodiversity

## Raisio has production facilities in six locations in three countries. The administered land area in Finland totalled some 72 hectares. Production plants in Raisio and Kouvola Kaipiainen are located in sensitive areas in terms of nature conservation.

The production facilities in Raisio are located two kilometres from the Raisio bay area that is classified as nationally valuable bird water. The Raisio bay is included in the national conservation programme for bird wetlands.

The Kaipiainen feed plant is located in a Category I groundwater area. Feed factories, in general, have not been detected to have an impact on the quality of groundwater. Nevertheless, proximity of groundwater has been taken into consideration in the plant's technical solutions. The operations of other factories are not considered to have a direct impact on biodiversity, or they are not located in sensitive natural areas.

# Compliance with regulations

The monitoring plans accordance with regulations together with other documents were drawn up in the spring. Measurements of particle and noise emissions were conducted during the spring and summer at Raisio. Hexane emissions from the feed protein business were also included in the measurements. At Nokia factory, the particle emissions were measured. All results were below the authorised emission levels.

The Group has succeeded in its noise prevention efforts, and noise sources are below the guideline values of environmental noise.

Raisio has not received any fines or sanctions related to violation of environmental legislation.

## Accidents and their prevention

The worst environmental damages were avoided during the year. In our malting factory, there was a minor ammonia leak that was immediately blocked and the situation was quickly over. Rapid reaction to the accident prevented damages.

# Investments and operating costs

## Raisio’s activities focus on the operationally important environmental impacts and on the reduction of these impacts.

As in the previous year, the most financially significant environmental, health and safety investments focused on improving process safety. Energy efficiency and occupational safety matters were also emphasised. The Group allocated around EUR 3.0 million to environmental, health and safety investments.

Operating costs of the environmental side include costs from environmental conservation measures. These include costs from wastewater treatment, waste management and air pollution prevention as well as soil and water protection, covering equipment use and maintenance, monitoring of environmental protection and payments made to outside service providers. Operating expenses from environmental protection totalled some EUR 1.5 million, water protection and waste management costs being the most significant sources.

# Case: Finland is a water superpower

Only 1% of global water resources is fresh water. Water sufficiency is becoming an even bigger environmental topic than climate change. Water shortage will affect us all, one way or another.

With progressive climate change, global water resources will polarise. This means that water-rich areas will get more water with increasing rainfall while water-poor areas will become even dryer. Water sufficiency and availability will have a considerable impact on what can be produced in different parts of the world. Approximately 70% of the world's fresh water is consumed by agriculture.

Finland is globally one of the richest countries in water resources. In Finland, rainwater is enough for agricultural needs, so valuable drinking water is not needed for irrigation. This is rare on a global scale. In the future, the role of water-rich countries is going to be even more significant.

## Water expertise is needed

Raisio is aware of the limitedness of water resources. We cooperate with our interest groups to promote water expertise globally. The development of water footprint calculation is part of this work. Raisio is the first food company in the world to add a label indicating the water footprint of a product. We think it is important that our environmental calculation serves the entire industry and production chain.

The water label on our Elovena oat flakes indicates the overall water consumption of the production chain, from the field to the ready, packaged product. For a consumer, the water label is a sign of a responsible choice. The water footprint of the flakes is 101 litres per 100 grams. 99% of the water footprint is formed of the water that oats use during the growth period. In Finland, this water is rainwater and so a part of the natural water cycle. In the water footprint of Elovena, the share of Raisio's processing phase is around 1% which means less than 2 litres.

# Case: Carbon footprint calculation inspired to energy saving

Carbon footprint calculation of Elovena snack drink Aurinkoinen resulted in improvements in energy efficiency at Raisio's non-dairy factory. Carbon footprint of the oat based drink is small, only 130 grams $CO_2e$ emissions per 100 grams of product. The results were surprising: up to half of the Aurinkoinen's footprint was formed in its manufacturing stage. 80% of the carbon footprint of Elovena oat flakes, for instance, is formed in cultivation stage and only 6% at manufacturing stage.

**Carbon dioxide equivalent ($CO_2e$) describes the total climate warming effect of greenhouse gases**


## What can be measured, can be improved

Calculation of the snack drink's carbon footprint got Raisio to think if the share of manufacturing could be decreased. Measuring provides us information that helps us allocate development activities in order to maximise improvement efforts.

Elovena snack drinks are made at our non-dairy plant in Turku. We decided to improve energy efficiency in the manufacturing of our snack drinks and other products. Major energy-saving investments have been implemented at the factory to enhance heat recovery and cooling. Moreover, more accurate research by the factory showed that the temperature of automated washes in manufacturing equipment can be lowered. This alone resulted in energy savings of 200MWh per year. Development of circular washes continues with optimisation of rinse and detergent amounts.

## Elovena even more environmentally friendly

We estimate that we will save one month's consumption of energy at the non-dairy factory compared to earlier situation. Energy projects were completed at the end of 2010 and some of the projects are still ongoing. We will be able to calculate final energy savings and the impact on the carbon footprint of Elovena snack drink Aurinkoinen when we have non-dairy factory's energy use figures for the beginning of 2011.

Raisio aims to stay aware through research and this way to improve its production processes.

# Case: A good package reduces the environmental impacts of food

Packaging is needed to protect the product on its way from the processor to shops and finally to consumers. Environmentally thinking, it is important to minimise the amount of food thrown away. Raisio's packaging design combines ecology with user-friendliness.

Food preservation, transport and usability can be improved by packaging design solutions. In 2010, Raisio participated in FutupackEKO2010 project that provided new information on how packaging design can help reducing environmental impacts of food. Packaging is often associated with common views which, on closer look, can be seen in a new light.

**Most ecological packages generate the least food loss**

## Don't believe these packaging myths

*It is more environmentally friendly to buy big packages*

WRONG. Big packages need less packaging material per product kilo but unnecessary consumption caused by big packages or deteriorated food cause much worse environmental damage.

*Environmental impacts of packaging are significant*

WRONG. Packages generate environmental impacts of course but usually the impact of packed products themselves on the environment is greater. A good package protects products and reduces unnecessary production that would have much higher environmental impacts. Only about 10% of the product's environmental impacts result from the package.

*The most important thing is to minimise the amount of packaging material*

RIGHT AND WRONG Material minimising is important to the point where it does not result in higher product losses and the package still meets the set requirements.

## Wasted food causes worse environmental impacts than packages

According to the results of the Foodspill project by MTT Agrifood Research Finland, up to one fifth of food ends up in the garbage in Finnish households. Reducing food waste is an easy and efficient environmental action.

## Package serving consumers and environment

In 2010, Raisio renewed several of its packages. For instance, the amount of packaging material in Elovena flakes was reduced by 20% when the use of inner paper bag was finished. The new package is also easier to use. For Elovena spoonable snacks packaging, we chose a plastic cup. The Futupack project revealed, that food products packed in individual plastic cups generated significantly less products loss. Also the cups are durable and easy to use.

Elovena bread's oxygen-free and tight package keeps completely additive-free bread good for long. On packing, oxygen is removed from the package of the Elovena bread. This way, the amount of product loss is reduced both in stores and at home.

# Social responsibility

## For Raisio, social responsibility means being responsible for personnel and ensuring that human rights are realised at work. We are also accountable for our products and their impacts on people, animals and environment. Raisio is a responsible employer that accepts its responsibility in communities and society.

Social responsibility is becoming an increasingly important success factor for companies. Responsible operations also improve competitiveness as more and more people are aware of the consequences of their consumption behaviour. For Raisio, good management of social responsibility is a prerequisite for business development and the achievement of targets.

Motivated employees carrying out the company values in their own work are important for Raisio. In social responsibility, Raisio emphasises leadership and superior-subordinate relationships as well as personnel competence development, work well-being, safe working environment and good practices in cooperation networks.

The concept of social responsibility as well as the emphasis placed on its different areas are understood in different ways in different cultures. In some countries, paying salaries in time is considered responsibility whereas elsewhere the focus is on the ethical nature of business. Raisio operates according to the same principles and values at all of its sites irrespective of the country.

### Scope of reporting

Raisio reports on its social responsibility in compliance with the international Global Reporting Initiative guidelines (GRI) on sustainable development.

As a result of the company's growth and internationalisation, more than half of Raisio's personnel work outside Finland. Personnel of Glisten, which Raisio acquired in 2010, is included in the personnel figures of 2010 but not in the comparison figures of 2008 and 2009. Glisten will be part of Raisio's environmental responsibility reporting from 2011.

# HR strategy

## Skilled, active, entrepreneurial and committed personnel is a prerequisite for the target achievement of Raisio's vision and strategy.

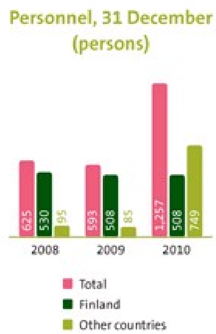
Raisio has drawn up Global HR policy and guidelines for the Group. The principles include common guidelines, among other things, for HR planning and reporting, recruiting, personnel development and rewarding. Raisio also has common rules for minimum wages and the termination of employment relationships that comply with local legistlation.

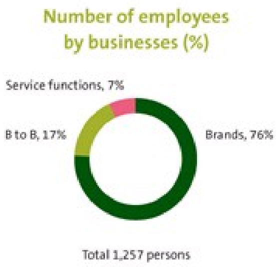
Regular team meetings are arranged between the employer and employees to discuss business conditions and other topical issues. In addition, each personnel group (workers, office staff and managerial employees) has elected its own representative to the Supervisory Board.

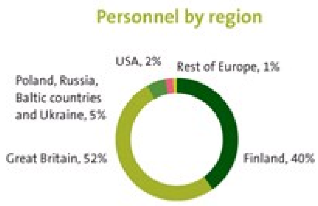



# Year 2010 review

- At the end of 2010, Raisio employed 1,257 persons 40 % of whom worked in Finland, 52 % in Great Britain and 8 % around the world. Raisio has personnel in twelve countries.
- With the Glisten acquisition, Raisio Group had 640 new employees all working in Great Britain. Comparison figures for the years before 2010 do not include Glisten personnel.
- After focusing on core competence and enhancing operations, the company has moved to a growth phase also covering the personnel.
- Raisio Academy, a business management training programme jointly conducted by the Group and the Turku School of Economics, was launched in early 2009 and completed in spring 2010. A total of 23 employees participated in the programme. Studies included a theoretical part and practical periods.
- We continued to strenghten the role of superiors and internal communication. Several training and informative events were arranged for superiors, and the focus was on Raisio's topical issues and responsible operations.



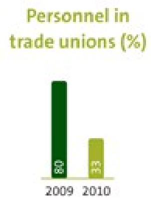






# Human rights and equality

## Raisio respects the UN declaration of human rights and the fundamental principles and rights at work as defined by the ILO.

These rights cover the freedom of association, the right to organise or not to organise, the right to collective bargaining, the elimination of forced and compulsory labour, as well as child labour, and the employees' right to equal treatment and opportunities. 33 % of Raisio's employees are organised into unions.




All employees are entitled to a safe work environment. Behaviour that is mentally or physically coercive, threatening, offensive or abusive is not permitted.

Raisio considers staff versatility a strength. Employees are selected for their duties based on their personal traits and skills. Continuous learning and self-development are made possible by internal and external training and on-the-job learning. Discrimination on the grounds of race, gender, sexual orientation, religion or political beliefs is prohibited.

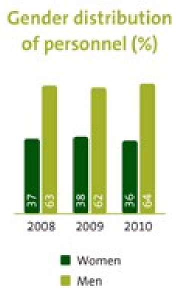
Raisio's Finnish units have, at their disposal, a specially drawn up equality plan, which is updated on an annual basis. The plan includes a description of equality in the workplace and the measures taken to promote equality between men and women. There are no gender-based differences in the average wages of men and women. The difference in average wages results from different demands of tasks.

**The goal is for Raisio's equality and well-being plans to cover the entire staff**

One of the targets of the equality plan is to increase the share of women in managerial posts and management teams. In 2010, Raisio's management team consisted of one woman and eight men.

Raisio mainly employs local staff at all of its sites.

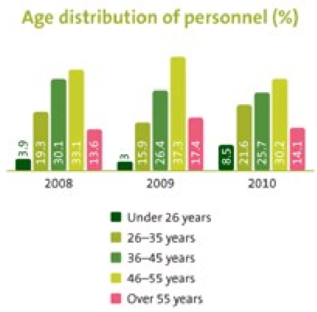
*Gender distribution*



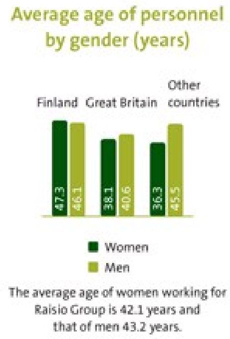


## Human rights and equality

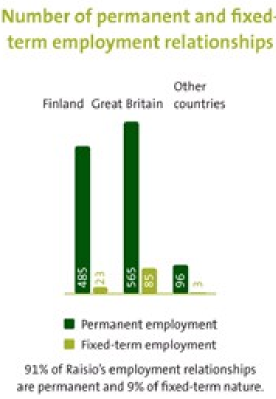
### *Age of personnel*

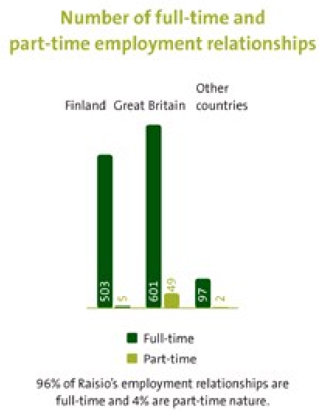







### *Employment relationships*



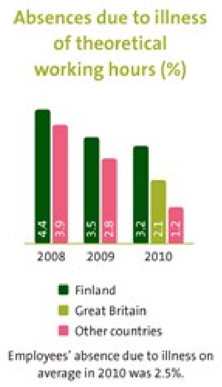

### Personnel survey

Improvement of the personnel's job satisfaction is a key indicator supporting the HR strategy. The personnel survey is conducted every other year at Raisio. The most recent survey was carried out at the beginning of 2011.

# Well-being at work

The development of well-being at work includes all activities related to the health, well-being, competence, work community, and work and working conditions of individual employees. Work well-being at Raisio means taking care of the basics.

Activities aiming to maintain well-being at work have long traditions in Raisio's Finnish units. Similar activities are arranged at Raisio's international sites. Long-term work aims to increase motivation, make systematic use of competence, decrease absences due to illness and prevent early retirement. As means to achieve this, the company uses, e.g., supporting management, good superior-subordinate relationships, training, supported recreational activities, health and rehabilitation services. Work well-being level is monitored through indicators such as absences due to illness**,** personnel turnover as well as regular personnel survey and performance appraisals.


## Occupational health and safety

Raisio purchases occupational health care services from the best providers in each country and area. This enables occupational health care services and competence to be continuously developed in co-operation with healthcare professionals. In 2010, the company continued systematic preventive healthcare work such as health and ergonomics examinations as well as preventive safety activities. Occupational safety has a strong role in Great Britain. In Finland, 60% of occupational health care is preventive and optimally, the share of preventive work is bigger than medical treatment.



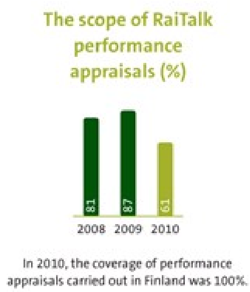

# Competence

## HR management focuses on leadership, competence, well-being at work and company policies.

Means to develop competence include, e.g., job rotation, recruiting, on-the-job learning, work induction, training and various development and cooperation projects. Individual objectives and methods used to develop competence are agreed on in RaiTalk performance appraisals between the superior and employee. The immediate superior conducts individual or group discussions with every employee at least once a year.

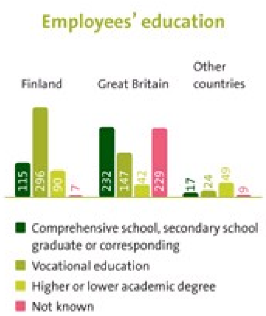
### Performance appraisals

In 2010, the scope of performance appraisals was 61%, the target being 100%. At Raisio's Finnish sites, the scope of performance appraisals rose to 100% for the first time. In British operations, RaiTalk performance appraisals are gradually introduced from 2011.




### Personnel training

Raisio trains its employees and encourages them to maintain their occupational skills. In 2010, competence development focused on occupational training and internal operations. Additionally, language, work safety, first aid and IT as well as quality and environmental related trainings were offered to the personnel.





In 2010, a considerable number of trainings were carried out for the introduction of the Product Lifecycle Management programme . The system supports food product data management during the product's entire lifecycle from the first idea to the end-product ready for sale. The system helps improve traceability and also facilitates timely information sharing to the appropriate parties. Moreover, it provides tools for project management and reporting.

In autumn 2010, Raisio started a social media training project in order to develop the company's corporate and customer communications skills. The project was completed at the beginning of 2011.

Development of superior-subordinate relations was continued. The focus was on the development of operating efficiency and internal communication. The sixth group started in the Leading Raisio management training at the beginning of 2010. The objective is, e.g., to implement the vision and strategy in practice, to enhance strategic business competence as well as to develop communication, managerial and cooperation skills. Future, influencing and communications are emphasised in the training.

The Group continued its heavy emphasis on occupational health and safety trainings. Top priority was given to occupational safety card trainings, superiors' work safety responsibilities and preliminary fire extinguishing skills. The company also continued hygiene training for its own personnel, customers and representatives of other interest groups.

## Competence

In 2010, Raisio invested EUR 270,000 (296,000) in personnel training. Internal trainings are not included in the figure.

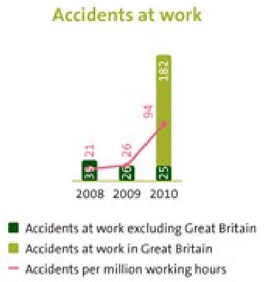
Employees are encouraged to take quality, environmental, health and safety aspects into consideration as best they can in their own work. Training in these matters is arranged to improve employees' competence and to ensure their skills are always up to date. Responsibility is one of Raisio's values, and the company continues to actively develop responsibility matters with its personnel.




# Occupational safety

## As a rule, Raisio's approach to safety is based on site-specific rescue plans and occupational safety guidelines. Raisio aims to keep its personnel free from injury and to ensure uninterrupted operations by good management of occupational safety.

The goal is to make Raisio a forerunner in terms of occupational safety in each country that it operates in. The annually updated action plan for occupational health and safety helps company management to steer the occupational safety operations of different units. The key long-term target is zero accidents.




Labour intensive production is one reason for the high occupational accident rates in Great Britain. To reduce the occurrence of occupational accidents in the UK, a two-year health and safety strategy was established, occupational safety training was increased and operations models enhancing work safety were introduced, among other things. Furthermore, accident reporting as well as health and safety auditing are being developed in 2011.

Employees receive regular training and instruction in occupational health and safety matters, also through practical training. Occupational safety card training encompasses both the Group's own personnel and the employees of partner companies. Raisio requires all of the service company employees working at its Finnish sites to hold a valid occupational safety card. Two informative DVDs focusing on occupational safety were produced to be used as training material.

# Rewarding

## Raisio’s policy is to provide its personnel compensation that is competitive in each country and business area.

Pesonnel rewarding is a comprehensive package with monetary reward, staff and fringe benefits, work and the way of working as well as development opportunities. Payroll and incentive schemes as well as social and other benefits are assessed regularly.

Raisio's goal is to maintain and develop schemes that are fair and motivating and reward good performance in each country and business area. The Group's reward systems help to achieve targets.

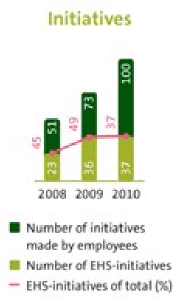
Raisio regurarly monitors salaries in the market in order to maintain its competitiveness. In 2008, based on the decision of its Board of Directors, Raisio set up a three-year, share-based incentive scheme as part of the incentive and reward system offered to the Group's key personnel. The scheme's third earnings period was the year 2010. In 2010, the wages and fees paid by Raisio totalled EUR 50,2 (41,7) million including other personnel expenses.

| REWARDING AT RAISIO | |
|---|---|
| **Work and meaningful way of working** | **Development** |
| • Meaningful work and job description<br>• Good working conditions<br>• Targets<br>• Performance appraisals<br>• Operating system<br>• Good leadership and superior-subordinate relations<br>• Internal communications | • On-the-job-learning<br>• Job rotation<br>• Internal and external training<br>• Networks |
| **Monetary rewarding** | **Staff and fringe benefits** |
| • Salary<br>• Allowances<br>• Incentives and bonuses<br>• Initiative fees<br>• Fees for employee inventions | • Sickness funds<br>• Occupational health care<br>• Staff canteen<br>• Staff shop<br>• Sports vouchers and other ways to support spare time activities<br>• Staff events and parties |

# Initiative scheme

## Raisio's initiative scheme aims to encourage employees to develop their own workplace and environment. Initiatives that are implemented ultimately benefit the proposer of the initiative, the company and the entire work community.

In 2010, the initiative committee continued its policy of recent years by meeting nine times and rewarding initiatives found beneficial. During the year, altogether 100 initiatives were made, some 40% of which were implemented entirely as or nearly as proposed. 37% of the initiatives concerned occupational safety and environmental issues. A total of EUR 5,600 was paid as initiative rewards. The action plan for 2010 drawn up by the initiative committee was carried out as planned. It included, among other things, an initiative competition organised in the autumn and the participation of the company management in the initiative committee meeting in October. In 2010 active initiative work took place only in Finland.



# Community involvement

## Continuous interaction with the authorities, civic organisations, scientific communities, schools, universities and healthcare professionals helps to increase contact with the surrounding society.

Listening to different interest groups and taking their needs into account is important to Raisio. The company encourages its divisions and staff to actively participate in the operations of local communities. Raisio manages interaction between its stakeholders in line with its ethical principles.

### Cooperation with WWF

In 2010, Raisio and WWF signed a cooperation agreement that made Raisio one of the WWF's main corporate partners in Finland. WWF is a global conservation organisation with operations in a hundred countries. The objective of the organisation is a world where people live in harmony with nature. Protection of biodiversity and reduction of people's ecological footprint constitute a cornerstone of WWF's operations. WWF and Raisio work together, e.g., to find possibilities to reduce the overall water consumption.

Raisio's rapeseed oil surplus is used, for example, as raw material for renewable diesel. WWF provides its expertise to Raisio's development work on bioenergy production and supports Raisio's efforts to create practices for sustainable bioenergy production. WWF also provides support in Raisio's development work of feed eco-efficiency.

### Cooperation with schools supports the future experts

Raisio cooperates with schools and universities on various fields such as product development, production, sales and marketing as well as purchasing and financial administration. Raisio wants to promote learning by providing job training period, practical training and thesis opportunities. This kind of cooperation also ensures the availability of future experts.

Furthermore, Raisio has joint projects with technical and commercial training schools and universities. Cooperation with schools has proved to be an excellent channel to hire good summer workers. Research cooperation with universities has a significant role in the product development work of Raisio's different businesses.

Tahvio School in Raisio is our partner representing comprehensive schools. Turun Klassikon lukio is an upper secondary school that focuses on wellbeing and is also one of Raisio's partners. In autumn 2010, Raisio donated sports equipment to a hundred schools through the Elovena fundraising campaign.

### Cooperation with the Finnish Athletics Association

Raisio cooperates with the Finnish Athletics Association to encourage children and young people to exercise more and to choose healthier snacks. In 2010, our cooperation was expanded to celebrate Elovena's 85th anniversary. In addition to our traditional Elovena Power Days, Raisio and The Finnish Athletics Association arranged Power Day Tour. During the year, Elovena exercised together with some 80,000 school children. Our cooperation will continue in 2011.

# Research cooperation

## Research cooperation with universities has a significant role in the product development work in Raisio's different businesses.

### Benecol

Benecol business carries out continuous research co-operation with Finnish and international research institutes and universities. In addition, Benecol unit continuously conducts clinical studies together with its partners all around the world. Thanks to this research it is possible to have new information about the properties and effects of plant stanol ester. Local clinical research also contribute to the marketing of the Benecol product.

### Northern European Food operations

Raisio's Northern European Food operations has participated in several Finnish public projects such as Futupack EKO2010, Climate Communication, Integrating Responsibility into Food Chain Management, all related to environment and ecology, as well as Fibreffects and Mangling Food/Gluten Intolerance dealing with grain research.

Northern European Food operations have collaborated with Technical Research Centre of Finland (VTT), MTT Agrifood Research Finland and the Universities of Helsinki, Kuopio and Turku also within the projects mentioned above. Raisio also participated in a five-year, extensive EU project Health Grain that came to an end during the year 2010. There were over 40 partners in the project, several research institutes all over Europe and many grain companies.

### Business to Business Division

The closest research partners of Raisio's feed business are the University of Helsinki, MTT Agrifood Research Finland and Finnish Game and Fisheries Research Institute. Specification of animals' nutrient needs form the key area of joint studies. The research data is used as source information in the development of more effective and environmentally friendly feeds.
A doctoral thesis on the methane formation of ruminants was initiated under the guidance of Professor Pekka Huhtanen in Umeå unit of Swedish University of Agricultural Sciences.

### Raisio plc Research Foundation

Raisio plc Research Foundation operates by nature for the public good. The results of all the research funded by the Foundation are public.

In recent years, the Foundation has allocated its grants to research aiming at doctoral theses. The objective has been to facilitate young researchers' qualification process at the beginning of their academic career. High-quality research also develops the knowledge capital of the entire food sector, which is in accordance with the objectives of recently completed Finnish food strategy work.

A total of EUR 221,700 was awarded as grants in 2010. The grants were awarded to 13 doctoral researchers who work at the Universities of Helsinki, Turku and Eastern Finland, MTT Agrifood research Finland, Åbo Akademi and Technical Research Centre of Finland (VTT).

At the end of the year, Research Foundation made a donation of EUR 100,000 to the University of Turku. The donation was considerable in relation to the Foundation's basic operations. The decision was based on the Government's promise to increase the universities' basic capitals 2.5-fold in proportion to the capitals raised by the universities themselves as donations.

# Memberships

## Raisio or its representatives belong to dozens of Finnish and international associations and organisations relevant for the business operations.

The EU is harmonising regulations concerning environmental protection and product safety, and developing guidelines and standards for different industries. Raisio participates in this authority cooperation through its several European industry organisations like Euromalt (Federation for European malting plants), FEFAC (European Feed Manufacturers' Federation), FEDIOIL (EU Oil and Proteinmeal Industry), CEEREAL (European Cereal Breakfast Association) and GAM (European Flour Milling Association). Raisio is the first Finnish company to join Round Table of Responsible Soy (RTRS), the organisation developing sustainable soy procurement. Raisio′s employees also have direct personal memberships in the EU′s decision-making and expert bodies.

The interaction between various collaborating parties constitutes an effective cooperation network that helps the company follow the legislative proposals and prepare to the future challenges caused by them. It is also important to utilise the companies′ competence in the EU's decision-making process.




# Product safety

## Raisio has a responsibility to ensure that its products are safe and in accordance with regulations and that consumers are provided with sufficient correct product information.

Already in the product development stage, products' conformity to law is ensured, needed information related to raw and packing materials is studied and all necessary tests are conducted. In the production stage, product safety and regulation conformity are secured through our self-monitoring process. Traceability is part of product safety. Clear product descriptions and labelling make sure that necessary information is delivered to customers and consumers.

For product recalls, Raisio has appropriate schemes that are tested regularly so that the system would work fast and efficiently in a possible product recall situation.

In June 2010, Raisio Feed's self-monitoring detected an occurrence of Salmonella Typhimurium in a malt sprout delivered by Raisio's malting plant. As a precautionary measure, the event resulted in recall of certain cattle feed batches from farms. The studies showed, however, that all farm feeds were clean. The analysis frequency of malt sprout and heating controls were increased.

### Ensuring food safety

> **BRC certification ensuring food safety**

In our food production plants, we also use food safety standards in order to ensure continuous improvement in product safety as well as to maintain and improve customer satisfaction. The production plants of our Brands Division in Great Britain are certified in accordance with the Global Standard for Food Safety released by British Retail Consortium, BRC. By now, our non-dairy plant in Turku and Nokia milling plant are BRC certified.

Raisio's employees work as experts, for example, during preparations for product safety-related legislation in Finland. This is also a good opportunity to give valuable, practical information about the applicability of statutes. It is necessary to constantly follow the development in order to ensure that the production processes are ready for new solutions.

In addition to its co-operation with the authorities, Raisio is active in co-operation organisations of its own fields, such as CEEREAL, the European Cereal Breakfast Association. Raisio Feed has a representation in the Sustainability working group of FEFAC (the European Feed Manufacturers' Federation). Social influence enables us to be at the leading edge of development and gives us access to the latest information. It also enables us to affect the legislation, composition, healthiness and purity of products at EU level, as well as to share our versatile know-how with others.

# Case: Working face-to-face and from a distance

Raisio's acquisition of British Glisten in spring 2010 combines the best expertise of two forerunner companies. We have a strong desire to work together and to learn from each other. Consumers can see the results of our teamwork in our snack novelties combining good taste, healthiness and ecology.

With the acquisition of Glisten, Raisio got 600 new members to its multicultural work community. Glisten's special expertise is in healthy snacks while Raisio is a forerunner in ecological and plant-based foods. Both are consumer-oriented and innovative developers. Our combined expertise opens up entirely new opportunities to meet consumer needs.

## Multiculturalism and teamwork

Multicultural working environment offers significant opportunities but also great challenges. Finding common practices takes time, so it pays off to invest in face-to-face working. Distance work by electronic means serves as support but cannot fully replace personal interaction.

We have already identified some challenges in our ways to get organised, make decisions and communicate. Finnish employees learn from their British colleagues how to better justify their thoughts and to efficiently express opinions. The British, for their part, are getting used to the low hierarchy in Finnish working life. People's responsibility areas are wide, regardless of the position. As decision-makers, Finns also want to dig into the background information, which is time consuming.

## Support from Human Resources

The role of HR specialists at growing Raisio is strongly both international and local. A significant part of HR management is always country- and person-specific, but throughout the company, we encourage our personnel and offer them equal development opportunities, also across the national borders. As tools in this work, Raisio uses, for instance, development discussions and incentive schemes. Training services and common management systems also support continuous development of our multicultural teams.

# Financial responsibility

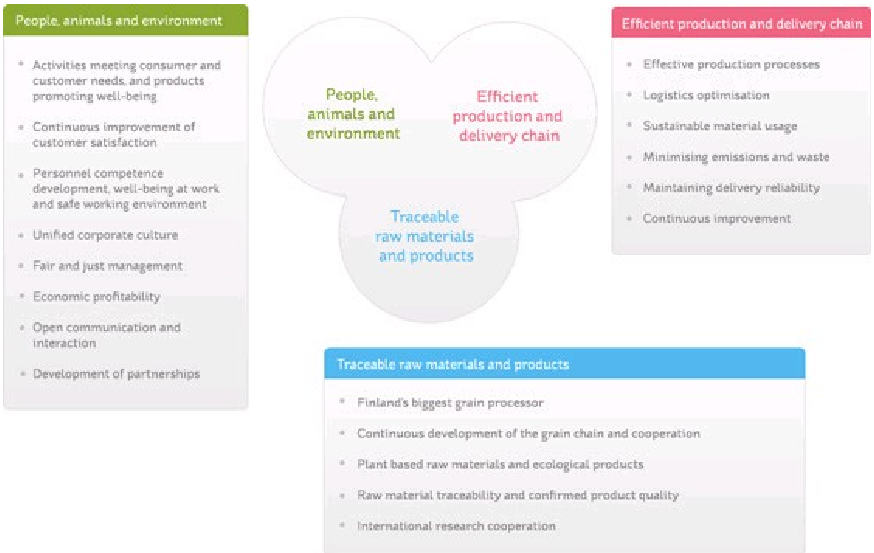
## Raisio's business operations generate added value and well-being for various stakeholders. With the growth phase started in 2010 Raisio's influence has increased.

The goal is for our operations to continue to lie on an ecologically, ethically and economically sound foundation and to meet the needs of consumers and customers. We aim to be a reliable and preferred partner for customers and other co-operation parties.

Raisio considers responsibility to also refer to the added value and well-being that the Group offers its stakeholders locally, nationally and internationally in the company's business areas. Raisio develops, produces and sells products to its customers, purchases raw materials, other materials and services from suppliers, pays wages, dividends and taxes, indirectly employs subcontractors and participates in social activities. These activities generate significant cash flows, which give an idea of the importance of Raisio's relations with its stakeholders.

In the long-term, ecological and sustainable operations is the only profitable way to operate. Consumers want more and more information on the environmental impacts of raw materials and products and will increasingly make their consumption choices based on environmental criteria. For Raisio, ecology provides a competitive edge. When the food chain changes in the future, we will be able to provide sustainable solutions.

### Raisio's operations and impacts



# Responsible management

## As a listed company, Raisio plc must take into consideration the interests of its stakeholders, comply with legislation and follow good business practices in its operations. Raisio, however, extends corporate responsability even further than its stakeholders and customers.

Raisio operates in such a way that it can take into consideration the interests of all stakeholders - without compromising on those of its owners. Our personnel, customers, service providers, goods suppliers and many others are important stakeholders in this work.

Responsible management guides our operations towards common targets. It also includes Raisio's key policies, principles, targets and guidelines. Responsible procedures and management are the starting point for Raisio's operations and form the foundation for continuous improvement, open co-operation and profitable business.

At Raisio, personnel, quality, occupational health and safety issues fall under the responsibility of Merja Lumme, Vice President, Human Resources, and a member of the Group's Management Team. The planning and practical implementation of corporate responsibility reporting are handled by the corporate responsibility working group, which includes people from main business areas and service functions. Communication about corporate responsibility matters is coordinated by Raisio's corporate communications.

The groups corporate governacnce principles are discussed in the Corporate Governance section of this annual report. The section also introduces the Board of Directors, Supervisory Board and Management Team, as well as describes the principles of operations and the shareholders' opportunities to influence matters.

# Sustainable food chain

## Population growth and climate change are estimated to have a major impact on the food industry in the future. We have the keys to solve the global food chain challenges – it is time to move into a bioeconomy. In the bioeconomy, renewable natural resources are used sustainably. In terms of nutrition, the bioeconomy means that we eat more ecologically and healthily and thus better.


As the world population is increasing from some 3.0 billion in 1960 towards 9.2 billion by 2050, the amount of arable land per person will decrease from 4,300 m2 to 1,600 m2. There will be a shortage of arable land and clean water. Approximately 70% of the world's fresh water is consumed by agriculture. Water sufficiency and availability will have a considerably impact on what can be produced in different parts of the world.

The grain chain is a basis for food security throughout the world. To have enough food for nine billion people in the future requires that the food production is doubled from the current. This cannot be achieved, however, by existing ways to produce food. Measuring the environmental impacts of cultivation has an important role in the identification of development targets.

**Raisio is growing on the threshold of a bioeconomic era**

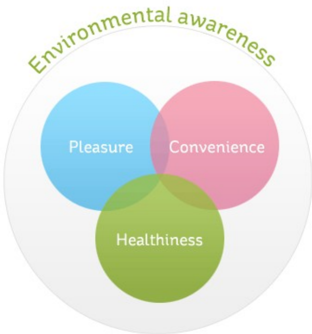
Raisio is a forerunner in the bioeconomy. We bring new solutions into the everyday life of our contract farmers, livestock producers, processing industry, trade and every consumer. Our work contributing to sustainable development is based on comprehensive data collection and environmental information measurement. What can be measured can be improved.




# Changing lifestyle

## Global food megatrends strongly guide the operations of Raisio and our customers.

Consumer choices are influenced by the megatrends pleasure, health and convenience in Europe and Asia as well as in South America. The strengthening of megatrends will continue. Population aging also underlines the importance of healthy eating.




Urbanisation and the mobile lifestyle will change our eating habits. Demand for healthy snacks is growing. For example, over 5 million people in Finland eat some 15 million snacks every day.

The fourth megatrend is environmental awareness. Food, housing and traffic constitute three largest sources of environmental impacts. More and more people want to know the origin of food and reduce their environmental footprint with consumption choices.

Lifestyle of a conscious consumer is called LOHAS, Lifestyle of Health and Sustainability. Principles of sustainable development and lifestyles contributing to health already now guide the consumption decisions of every fifth European, and the share is increasing.

**Raisio's tasty, healty and ecological products meet consumer needs**

Lohas key values are transparency, responsibility and participation. Communications has also become more transparent and involving. From a consumer perspective choices in everyday life are a way to influence. Responsibility has become the financial and business catalyst.*

*Source: Ethos kuluttaja research (Ethos Consumer), April 2010

# Solutions

## Raisio is developing the food chain in many different ways. Environmentally positive decisions can be made in all stages of the chain. We provide solutions to consumers, livestock producers, processing industry and farmers.

Raisio's main raw material is grain. The grain we get from our Finnish contract farmers can be traced back to a farm level, even to individual field parcels if necessary. Raisio has developed an indicator EcoPlus to meet the needs of contract farmers. It helps farmers to have information about the environmental impacts of their own operations and makes energy efficiency levels comparable. The indicators Raisio has developed make continuous improvement possible through reliable measurement data.


**More and more consumers interested in the origin of food**

To facilitate the farmers ecological choices, Raisio has also developed the CCC concept, Closed Circuit Cultivation. The system provides information on, e.g., how much the crop holds energy in proportion to the energy needed for its production. Furthermore, both carbon dioxide emissions and water economy of cultivation are measured.

Meat and dairy products are also forms of grain processing. Environmental impacts of livestock production are a significant part of the ecological food chain. Raisio Feed has calculated carbon footprints of its feeds. Feed carbon footprint calculation provides a reliable source information to the processing industry and finally to consumers. This benefits feed customers in the form of feed R&D and the development of feeding concepts.

With feed mixes, it is possible to efficiently reduce the emissions from livestock production. The studied animals' nutritional needs are a basis for feed development. As the first company in Finland, Raisio Feed introduced the protease use in broiler feed mixes. Protease enzymes improve the digestibility of feed protein. Additionally, Raisio Feed is the first in the world to use phytase enzyme in rainbow trout feed. This reduces the phosphorus load by more than a quarter from fish farming. Phytase is also used in pig and poultry feeds.

### Elinkaarimallintaminen

Lifecycle modelling is a tool for Raisio's continuous development. The modelling is used to assess, e.g., carbon footprints and several other environmental impacts of products. Lifecycle of each product starts already before the production and use, and it ends after the use - when recycled or turned into energy.

At Raisio, lifecycle modelling has been applied extensively to food, malt and feed products. With the model, it is possible to analyse the lifecycle stages of a product as well as material and energy flows and emissions generated during the lifecycle.

**Carbon footprint calculation resulted in improved energy efficiency**

Models designed at Raisio's non-dairy factory and the results of modelling can be used as support in process and product development. Modelling helps identify the most energy consuming processes which can then be further developed. In addition to the reduced environmental impacts, these activities also help achieve cost savings in different stages of product lifecycle.

# Case: Closed Circuit Cultivation CCC

## Food production is estimated to double over the next 40 years. It means that sufficiency of nutrients needed for grain production and their environmental impacts are becoming even more critical issues.

Fertiliser phosphorus is estimated to be sufficient for field cultivation needs only for a few decades. The most important single nutrient for crop formation is nitrogen and its emissions to air and water are harmful. Nitrogen emissions arise from cultivation and fertiliser production.

In the future, nutrients and other production inputs will have to be recovered more closely and efficiently along with the crops. To make a farmer's ecological choices easier, our experts have designed, as the first in the world, a concept that strives toward a closed circuit of nutrients - as closed as it can be in a biological process.

With the concept Closed Circuit Cultivation CCC, it is possible to measure how well the energy, such as nutrients, used for cultivation has been recovered. CCC includes three different measurement methods of which the first, EcoPlus, is familiar to the farmers by its earlier name Ympäristöindeksi, Environmental Index.

**With its CCC concept, Raisio is committed to the work promoting the state of the Baltic Sea**

- **EcoPlus** measures how much energy the crop holds in relation to the energy needed for its production.
- **CarbonPlus** measures the carbon dioxide emissions from cultivation.
- **WaterPlus** measures the nutrient amounts wasted with water, or in other words, how well the plant has used phosphor and nitrogen of fertilisers.

Our contract farmers have access to their own farm data gathered over several years time. Moreover, they can compare their own indexes with the other farmers' results. At Raisio, we use the measurement data in our advisory services for farmers. It is crucial to reflect, together with farmers, how environmental impacts could be reduced. We pay special attention to the efficiency of nitrogen use. In addition to its environmental impacts, nitrogen is a significant cost factor and its correct use has a major impact on crop quality.

Abundant and high quality crops together with as low environmental impacts as possible are ensured when the advice is based on the measured data provided by CCC. Close recovery of nutrients and energy keeps the cultivation also economically viable.

**A good crop is the best way to protect the environment**

# *CORPORATE GOVERNANCE STATEMENT 2010*

## OVERVIEW

This presentation is the corporate governance statement referred to in recommendation 54 of the Finnish Corporate Governance Code. It is issued separately and is thus not a part of the report of the Board of Directors for the 2010 financial period. The Board of Directors has reviewed the statement at its meeting on 20 January 2010. Raisio's audit firm, PricewaterhouseCoopers Oy, has checked that the statement has been issued and that the description of internal control and risk management systems related to the financial reporting process is consistent with the financial statements.

Finnish legislation and the Articles of Association form the framework for Raisio's corporate governance. Raisio complies with the Finnish Corporate Governance Code (2010) approved by the Securities Market Association. The Code is available on Securities Market Association's website at www.cgfinland.fi

The Board of Directors of Raisio has not set up an audit committee as defined in the Corporate Governance Code (recommendation 24) because the entire Board is well able to discuss financial reporting and control, 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 28) because the nomination group that the Supervisory Board appoints among its members prepares the appointment of members to the Board of Directors.

In view of the size of the Board of Directors, two members are considered to be sufficient for the remuneration committee (recommendations 22 and 31).

## Table of contents

## ANNUAL GENERAL MEETING

The Annual General Meeting is the company's highest decision-making body. It 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 auditors and the members of the Supervisory Board and Board of Directors, as well as determining the fees paid to them. Extraordinary shareholders' meetings may be held if necessary.

The notice of the General Meeting shall be published, at the earliest, three (3) months and at the latest, three (3) weeks before the General Meeting on the company's website and possibly in another manner determined by the Board of Directors. However, the notice of the General Meeting must be published no later than nine (9) days before the record date of the General Meeting.

**2010**

In 2010, Raisio's Annual General Meeting was held on 25 March in Turku. The meeting was attended by 2,807 shareholders or their representatives. This corresponded to 32.9 million shares, or 19.9 per cent of the overall share capital. The CEO, Chairman of the Board and three Board members also attended the meeting.

## BOARD OF DIRECTORS

The Board of Directors consists of a minimum of five and a maximum of eight members elected by the Annual General Meeting. Their term begins at the end of the Annual General Meeting at which the election takes place and lasts until the end of the following Annual General Meeting. A person who has turned 68 years before the beginning of the term cannot be elected as a member of the Board of Directors. The Board elects a Chairman and Deputy Chairman among its members for one term at a time.

The Board of Directors is in charge of corporate governance and the 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 more than 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 Group Management Team 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 at the following meeting by all the members who were present.

**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 Managing Director and, following the Managing Director's proposal, appoint and discharge the Managing Director's immediate subordinates, as well as approve the Managing Director's employment contract and other benefits,
- 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 key principles, ethical values and operating models.

**2010**
In 2010, the Board had five members, all of whom were independent of the company and its major shareholders.

The Board met 13 times in 2010 and held five telephone conferences as well as an organisation meeting immediately after the Annual General Meeting. Attendance at the meetings was 96.8 per cent.

The Annual General Meeting decides on the fees of the Chairman and members of the Board as well as on their reimbursement for expenses incurred by the attendance of the meetings. Nomination committee of the Supervisory Board prepares a presentation on the matter on which the Supervisory Board makes a proposal to the Annual General Meeting.

The Chairman of the Board is paid a monthly fee of EUR 5,000 and the four members are paid that of EUR 2,000 during the term commencing from the Annual General Meeting held in spring 2010. Approximately 20 per cent of the fee is paid with the company's own shares and approximately 80 per cent in cash. The fees are paid in two equal instalments during the term so that the first payment is made on 15 June and the second on the 15 December. Moreover, they receive a daily allowance for the meeting days and they are reimbursed for travel expenses according to the company's travelling rules. In June 2010, a total of 5,910 Raisio plc's free shares were assigned as a fee for the Board work and similarly, a total of 5,712 free shares in December 2010.

In the term beginning at the spring 2009 Annual General Meeting, the Chairman received a fee of EUR 17,500 and other Board members EUR 2,000 a month. Of these fees, 20 per cent was paid in the form of company shares and around 80 per cent in cash on a monthly basis. During the term 2009-2010, a total of 26,434 free shares were assigned as fees for the Board work. Moreover, daily allowance was paid for meetings, and travel expenses were reimbursed in compliance with the Group's travel compensation policy.

There are no stipulations or instructions related to the shares assigned as fees to the Chairman of the Board and Board members, regarding for example the holding period.

The Chairman of the Board and Board members are not covered by the company's share-based incentive system.

The Board of Directors conducted an assessment of its operations and working methods in autumn 2010.

The members of the Board of Directors are presented at the end of this document.

## BOARD COMMITTEES AND WORKGROUPS

The Board of Directors has established a remuneration committee to enhance the preparation of remuneration and nomination matters pertaining to the Board.

The duties of the remuneration committee include (1) the preparation of matters pertaining to the remuneration and other financial benefits of the managing director and deputy managing director (if any), (2) the preparation of matters pertaining to the appointment of the managing director, deputy managing director (if any) and other company executives, as well as the assessment of possible successors, (3) the preparation of matters pertaining to the incentive and remuneration schemes of management, key employees and staff, as well as (4) the preparation of significant organisational changes.

The committee has two members, elected by the Board of Directors among its members. The members elected in April 2010 are Simo Palokangas and Michael Ramm-Schmidt.

The remuneration committee is convened by the Chairman as often as required to deal with matters. It may use both the company's own experts and outside experts to the extent it considers necessary. The committee's secretary is the secretary of the Board or the Group's Vice President, Human Resources. In 2010, the remuneration committee convened five times, with all of the members present at the meetings.

The purpose of the grain workgroup appointed by the Board of Directors is to promote the conditions for those Raisio's businesses which use grain and oil plants. In addition, the target is 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 one member of the Board of Directors, the Chairman of the Supervisory Board, the Managing Director of Raisio plc, the Vice President of the Business to Business Division and the Vice President of the Grain Trade operations. The Board of Directors has appointed Erkki Haavisto as its representative to the workgroup.

**SUPERVISORY BOARD**

The Supervisory Board consists of a minimum of 15 and a maximum of 25 members, whose term begins at the shareholders' meeting at which the election took place and ends at the end of the third Annual General Meeting following the election. One-third of the members are replaced every year. The Annual General Meeting held in spring 2010 set the number of Supervisory Board members at 25. In addition to the members appointed by the Annual General Meeting, the Supervisory Board includes three members whom the personnel groups, formed by Raisio's employees in Finland, have elected as their representatives. 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 Deputy 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 the Managing Director and gives the Annual General Meeting a report on the financial statements and auditor's report. The Supervisory Board convened three times in 2010, with an attendance of 84.0%.

The Supervisory Board has been chaired by Michael Hornborg, MA (Agriculture & Forestry) and farmer since May 2009. He was born in 1966, and lives in Lohja, Finland. Deputy Chairman of the Supervisory Board is Holger Falck, agronomist and farmer, who has held the position since 2006. He was born in 1957 and lives in Sipoo, Finland.

The Annual General Meeting decides on the fees of the Chairman and members of the Supervisory Board as well as on their reimbursement for expenses incurred by the attendance of the meetings.

**2010**

The Annual General Meeting held in spring 2010 decided to pay the annual remuneration of EUR 12,000 to the Chairman of the Supervisory Board and that of EUR 300 to the members for each meeting, in addition to which their travel expenses are compensated and they receive a daily allowance for the meeting days according to the company's travelling rules. The Meeting also decided to pay the Chairman of the Supervisory Board a fee of EUR 300 for each attended Board Meeting.

Members of the Supervisory Board received a fee of EUR 260 per meeting in 2009. 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 2009.

Fees to the Chairman and members of the Supervisory Board have been paid and will only be paid in cash.

The Chairman and members of the Supervisory Board are not covered by the company's share-based incentive schemes.

**WORKGROUPS OF THE SUPERVISORY BOARD**

The Supervisory Board has set up a nomination group to prepare matters concerning the appointment of members to the Board of Directors. The group makes its proposal to the Supervisory Board, which, in turn, can present the Annual General Meeting with a proposal on members to be elected to the Board of Directors. The workgroup consists of Chairman Michael Hornborg and Deputy Chairman Holger Falck, based on their posts, as well as three Supervisory Board members elected by the Supervisory Board itself: Hans Langh, Paavo Myllymäki and Hannu Tarkkonen. The group met twice in during the reporting year.

The Supervisory Board elects four of its members to inspect the corporate administration run by the Board of Directors and Managing Director. In May 2010, it appointed Pentti Kalliala, Heikki Pohjala, Raine Rekikoski and Hannu Tarkkonen for this duty. The inspectors report on their observations to the Supervisory Board. In 2010, the inspectors carried out two inspections in the company.

**MANAGING DIRECTOR**

Raisio plc's Managing Director runs the company's day-to-day administration in accordance with the Board of Director's guidelines and regulations and in line with the targets set by the Board (general authority), as well as ensures that the company's accounting complies with legislation and that its asset management arrangements are reliable.

Matti Rihko has been the Managing Director of Raisio plc since November 2006. He was born in 1962, and he has Master's degree in both Economics and Psychology. He lives in Kaarina, Finland. His principal employment history is as follows: Raisio plc 2006–: Vice President, Ingredients Division; Altadis SA, Paris 2004–2006: Regional Director Europe; Altadis Finland Oy 1999–2004: Managing Director. Rihko holds 242,530 Raisio plc's V-shares (31 December 2010).

**2010**

In 2010, Rihko received a total of EUR 532,110.89 in salaries and fringe benefits for his services as the Managing Director as well as a merit pay EUR 227,166.00 (bonus from 2009).

The Managing Director is covered by the Group's share-based incentive scheme and based on the 2009 share-based incentive scheme (the second earnings period), the Managing Director received 66,667 Raisio plc free shares in May 2010. The value of the shares was EUR 183,625.98. He also received a cash payment of EUR 181,713.22. As recognition of and reward for the successfully completed divestment of the margarine business, in May 2010 the Managing Director was assigned 20,000 Raisio plc free shares, the value of which was EUR 55,087.52. He also received a cash payment of EUR 66,974.15. The cash payments are made to cover the taxes and fiscal fees arising from the share-based reward.

Based on the share-based incentive scheme of 2010 (the third earnings period), the Managing Director may be assigned not more than 66,667 Raisio plc free shares in December 2012. This reward will also be paid as a combination of the company's shares and cash, and the cash payment is made to cover the taxes and fiscal fees arising from the share-based reward.

Furthermore, the Managing Director is within the management's incentive scheme 2010 – 2013, in which the company named Reso Management Oy, owned by him and seven members of the Group's Management Team, owns a total of 4,482,740 Raisio plc free shares. - A detailed description of the scheme can be found below in this document.

There are no stipulations or instructions related to the shares assigned as a fee to the Managing Director regarding the holding period. Shares received or possibly received in future on the basis of share remuneration schemes are subject to disposal restrictions and/or return obligations. The disposal restrictions on the shares received from the share remuneration schemes of 2008 and 2009 were, however, dissolved when forming the management's incentive scheme 2010-2013 so that the persons mentioned above, incl. the Managing Director, were able to invest the shares in question in Reso Management Oy.

The Remuneration Committee of the Board prepares, e.g., matters concerning the salaries and other financial benefits of the Managing Director, and the Board decides on these matters. Share-based incentive and reward schemes may require an express decision from the General Meeting unless the Board has been authorised by the General Meeting to decide on them.

The contract stipulates that the Managing Director has the right and obligation to retire at the age of 62. The Managing Director's pension is determined according to the Finnish employment pension scheme TyEl (a contribution-based system), and the Managing Director is covered by the group pension insurance scheme of the Raisio Group's management. The amount corresponding to 10% of the Managing Director's basic annual salary (salary in money and taxation value of unlimited company car benefit) is paid annually as a group pension insurance payment.

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, in addition to the pay for the period of notice.

The company has not appointed a deputy to the Managing Director.

**MANAGEMENT TEAM**

The Group's Management Team is chaired by the Raisio plc's Managing Director. In addition, it consists of the Vice President, Food Division, Northern Europe; Vice President, Food Division, Western Europe; Vice President, Food Division, Eastern Europe; Vice President, Business Development and Benecol Division, Vice President, Business to Business Division; Vice President, Grain Trade Operations; Chief Financial Officer; and Vice President, Human Resources. The Group's Vice President, Legal

Affairs acts as the Secretary of the Management Team.

The Management Team coordinates the Group's operations and defines Group-level operating policies and processes. It formulates the corporate strategy, supervises its implementation and assists the Managing Director in preparing proposals subjected to the Board of Directors that concern the entire Group. The Group's Management Team holds a regular meeting every month and shorter meetings once a week. The main topics of the monthly meetings are usually the previous month's result and the monthly reviews of business areas and service functions.

The members of Raisio's Management Team are covered by a group pension insurance. A sum equivalent to 10% of the manager's basic annual salary is paid into the group pension insurance annually. Retirement age of managers is 62 years.

**INCENTIVE AND REWARD SCHEMES**

Raisio's policy is to provide its personnel compensation that is competitive in each individual country and business area. The company regularly reviews market salaries and the development of incentive schemes in order to maintain its competitiveness.

In 2010, Raisio had separate incentive schemes to management, middle management and other personnel. The incentive scheme of the Managing Director and other executives is based on the achievement of the EBIT target; criterion can be either the Group's EBIT only or the Group's EBIT together with the business unit's EBIT. In addition to this, the Managing Director has been assigned some personal targets. At an annual level, the maximum bonus payable to the Managing Director is a sum equivalent to the salary of six months and, correspondingly, the maximum amount payable to other executives is equivalent to the salary of four or five months.

The Remuneration Committee prepares matters concerning Raisio's incentive schemes and the salaries of the Managing Director and Group's management, and the Board of Directors decides on these matters.

**SHARE-BASED INCENTIVE SCHEMES**

**Management incentive scheme 2008-2010**

In May 2008, Raisio plc's Board of the Directors decided on the three-year share-based incentive scheme to be a part of the key personnel's incentive and commitment scheme at Raisio Group. The purpose of the scheme is to combine the objectives of owners and key employees in order to increase the capitalisation value of the company and to commit the key employees to the company by offering them a competitive reward system based on shareholding.

The scheme allows, during three years, to assign a maximum of 1,600,000 Raisio plc's free shares already held by the company due to the share repurchases carried out. The reward is paid as a combination of shares and cash. The cash payment is made to cover the taxes and fiscal fees arising from share-based rewards.

The first earnings period of the incentive scheme was the financial year 2008. The earnings criteria applied were net sales growth and earnings before one-off items and taxes. The number of free shares to be assigned was 400,000 at the most. As a reward from the first earnings period, a total of 334,500 free shares were assigned in August 2009 to 13 persons within the scheme. The value of the shares assigned was EUR 2.083 per share totalling EUR 696,763,50. The shares assigned as a reward are subject to a disposal restriction and return obligation that are valid until 31 September 2011 in case the employment or service contract of the person ends prior to the expiration of the disposal restriction.

In December 2008, the Board of Directors decided on the share-based incentive scheme for the second earnings period, which was the financial period 2009. The earnings criteria applied were return on restricted capital, result before one-off items and taxes as well as the sales process of the margarine business. The maximum number of free shares to be assigned is 600,000. In May 2010, a total of 553,056 free shares held by the company were assigned to 51 persons covered by the scheme as a reward for the second earnings period. The value of the shares assigned was EUR 2.711 per share totalling EUR 1,499,334.82. The shares assigned as a reward are subject to a disposal restriction and return obligation valid until 31 December 2011 in case the employment or service contract of the person in question ends prior to the expiration of the disposal restriction.

In June 2010, the Board of Directors decided to cancel the disposal restrictions, for the part of the Managing Director and members of the Group's Management Team, concerning the shares received from the share-based incentive schemes of 2008 and 2009 when forming the management's incentive scheme of 2010-2013 so that the persons mentioned above were able to invest the shares in question in Reso Management Oy.

In March 2010, the Board of Directors decided on the share-based incentive scheme for the third earnings period, which is the financial year 2010. The earnings criterion applied is EBIT in proportion to net sales, in addition to which a prerequisite for receipt of the reward is that a certain amount of net sales during the financial year 2010 will be reached. The maximum number of free shares to be assigned is 600,000. The amount of earned rewards will be determined on the grounds of reaching of set targets after the completion of financial statements in the spring 2011, and the potential reward will be paid to the persons within the scheme in December 2012. The shares assigned as a reward are subject to a disposal restriction and return obligation that are valid until 1 January 2014 in case the employment or job contract of the person in question will end prior to the expiration of the disposal restriction. When the third earnings periods started, there were 61 persons covered by the scheme.

**Management incentive scheme 2010-2013**

In June 2010, the Board of Directors of Raisio plc decided on a new incentive scheme for the members of Raisio Group's Management Team. The purpose of the scheme is to commit the members of the Management Team to the company by encouraging them to acquire and hold company shares, and this way to increase the company's shareholder value in the long run, as well as to support the achievement of the company's strategic objectives.

For the share ownership purposes, Raisio plc's Managing Director and seven members of the Group's Management Team acquired a company named Reso Management Oy (former Raisio Management Oy). At the beginning of July 2010, Reso Management Oy acquired for its part a total of 362,740 Raisio plc's free shares from the market or from the members of the Management Team at market price, as well as a total of 4,120,000 free shares from Raisio plc in a directed share issue. The acquisitions were financed by the capital investments in Reso Management Oy by the members of the Management Team, in the total amount of EUR 1,161,000, as well as by a loan of EUR 10,449,000 granted by Raisio plc. The members of the Management Team financed their investments in Reso Management Oy mainly by transferring Raisio plc's free shares they held to Reso Management Oy. After the implementation of the scheme, the members of the Raisio's Management Team now hold, through Reso Management Oy, a total of 4,482,740 free shares, which covers some 2.7% of all of the Raisio plc's shares and some 0.5% of all of the votes of the shares.

The scheme will be valid until the turn of the year 2013 – 2014, after which it is intended to be dissolved in a manner to be decided later. The scheme will be dissolved, primarily, by merging Reso Management Oy with Raisio plc and by paying the merger consideration as Raisio plc's shares, and secondarily, so that Reso Management Oy will sell free shares it holds to cover the repayment of the credit received from Raisio plc. After these measures, shareholders will dissolve the company and receive the free shares still held by Reso Management Oy as a consideration in the distribution. The scheme will be continued by one year at a time if the Raisio plc's share price in October – November 2013, 2014, 2015 or 2016 is below the average price that Reso Management Oy paid for the shares it holds.

The transfer of Raisio plc's free shares held by Reso Management Oy has been restricted for the period of the validity of the scheme. The ownership by the members of the Management Team in Reso Management Oy will mainly be valid until the dissolution of the scheme. In case the employment or service of a member of the Management Team ends before the dissolution of the scheme, due to reasons related to this member, his or her share in Reso Management Oy may be redeemed before the dissolution of the scheme without him or her gaining any financial benefit from the scheme.

As part of the scheme, Raisio plc granted to Reso Management Oy an interest-bearing loan for a total amount of EUR 10,449,000 to finance the acquisition of the company's free shares. The loan will be repaid 31 March 2014, at the latest. If the scheme is continued one year at a time in 2013, 2014, 2015 or 2016, the loan period will be extended respectively. Reso Management Oy is entitled to repay the loan prematurely at any time. Reso Management Oy is obligated to repay the loan prematurely by selling the Raisio plc's free shares it holds in case the market price of the free share exceeds, otherwise than temporarily, a certain level defined in the scheme.

**Subgroup Glisten's share-based incentive schemes 2010-2012**

In August 2010, the Board of Directors of Raisio plc decided on two synthetic share-based incentive and commitment schemes for the management of Raisio's British subgroup Glisten and key employees. The purpose of the schemes is to combine the objectives of owners, management and key employees in order to increase the company's capitalisation value, to commit the management and key employees to the company and to offer them a competitive reward system based on the value of a share.

On the basis of the first scheme, a cash reward will be paid by the end of May 2012. Total amount of the reward equals the value of 966,117 Raisio plc free shares. Value of a free share will be determined by its trade volume weighted average quotation on the NASDAQ OMX Helsinki Ltd in March 2012 subtracted by a dividend per share payable decided by the Annual General Meeting of 2012.

A prerequisite for receipt of the reward is that each person now appointed to the scheme will still be employed by Raisio Group on 8 April 2012. There are 36 persons within the scheme.

On the basis of the second scheme, a cash reward corresponding to a maximum total of 420,000 Raisio plc free shares will be paid. In case the subgroup Glisten's EBIT for the term ending 30 June 2011 exceeds the level defined in the scheme, a reward equivalent to the value of 210,000 Raisio plc free shares will be paid by the end of September 2011. Value of a free share will be determined by its trade volume weighted average quotation on the NASDAQ OMX Helsinki Ltd in August 2011. Furthermore, in case the subgroup Glisten's EBIT for the term ending on 30 June 2012 exceeds the level defined in the scheme, a reward equivalent to the value of 210,000 Raisio plc free shares will be paid by the end of September 2012. Value of a free share will be determined by its trade volume weighted average quotation on the NASDAQ OMX Helsinki Ltd in August 2012.
Glisten Ltd's CEO and Finance Director are within the second scheme.

**DESCRIPTION OF THE MAIN FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS**

## THE INTERNAL CONTROL AND RISK MANAGEMENT

### Objectives of internal control

To ensure profitable operations, Raisio monitors its operations continuously. The purpose of the internal control system is to ensure that the Group operates ethically and in compliance with laws and regulations, that its operations are efficient and profitable and that its financial reporting is reliable. However, internal control cannot guarantee full avoidance of risks.

At Raisio, internal control is understood as a process that involves the Board of Directors, management and other personnel. Raisio has defined principles, adopted Group-wide, for the areas it considers to be the most important. These principles form the foundation for internal control. Internal control is not a separate organisation, but a part of the Group's overall operations.

Raisio's internal control is based on the Group's values, which contribute to the achievement of targets laid out in the company's vision and strategy. Raisio's basic targets are profitability, customer satisfaction and well-being. Values supporting these targets include competence, responsibility and open co-operation. The values and basic targets influence the company's day-today interaction with customers, suppliers and investors. They also affect various internal policies, manuals and guidelines, as well as established practices.

### Financial supervision and control

The internal business control system is the responsibility of the management of Divisions and the business controller in compliance with the Group's principles and guidelines.

The Group is managed according to a system that emphasises Group and Division scorecards and related action plans, as well as an "annual clock". In order to achieve efficient and profitable operations, planning and goal-setting have been given a key role in the management system. Planning and follow-up are scheduled according to the calendar defined in the annual clock. Monthly management reporting and the operations analysis of actual business results in relation to the budgeted and monthly updated forecasts, which is carried out in connection with reporting, form a key supervision process aimed at securing efficient and purposeful operations.

The Group's financial administration and business controller support and coordinate the Group's financial management. Financial administration is in charge of maintaining and developing the financial reporting process and related supervisory systems. This provides business management at different organisational levels with reliable information about the achievement of the organisation's goals.

**Reliability of financial reporting**

Raisio does not have a separate audit committee or an internal audit organisation. The Board of Directors assesses the level and effectiveness of internal auditing and risk management. The Board of Directors is also responsible for ensuring that the internal audit of accounting and financial administration is properly arranged.

The Group has opted to include internal auditing tasks in the duties of the Group's financial administration and the business controller function, which report to the Group's CFO on matters related to risk management, internal control and audit. The observations of internal control, as well as business risks are reported to the Board of Directors as a part of monthly financial reporting.

Raisio's financial reporting is based on harmonised principles in all Group companies. International financial reporting standards (IFRS) are used in both internal and external reporting. For financial reporting to be reliable, accounting processes must be properly supervised.

The supervision of financial reporting is based on reporting principles and guidelines determined by the Group. The interpretation and application of financial reporting standards is centrally handled by the Group's financial administration, which also oversees compliance with standards and guidelines. Financial administration is also in charge of determining and centrally maintaining the reporting process and the budgeting and forecasting process. Raisio has adopted a consistent reporting system, and the same principles are applied throughout the Group.

Raisio has defined the processes of its main business operations, as well as the related control measures supported by the ERP system and other control measures related to the processes. Information systems play an important role in internal control, since many control measures are based on IT. Data transfers related to the financial process have been automated as much as possible, and automation is ongoing. External audits have been used to evaluate the Group's systems and data transfer processes.

**Other management systems**

*HR management*
Raisio's internal control systems also involve HR management processes and procedures, which are the responsibility of HR management and a part of Raisio's management system. They are developed to support internal control at the level of individual employees. The most important processes, in terms of internal control, are competence development, including recruiting, work induction, training and on-the-job learning, as well as rewarding, performance appraisals and personnel surveys.

*Quality*
Most of Raisio's operations come under the scope of ISO 9001 and ISO 14001 certification. To ensure the continual development of product safety and improve customer satisfaction, the company's food production facilities also follow food safety standards. Raisio values efficient quality management very highly. Compliance with quality systems is required in all operations and it is monitored effectively.

*Sustainable development*
Raisio observes all local, national and international laws and regulations applicable to its operations. Moreover, the Group has adopted the principles of sustainable development laid out by the International Chamber of Commerce (ICC). By working safely and emphasising the promotion of safety, the company can support the quality and economic efficiency of operations.

*Risk management*
Risk identification and assessment are important to the success of internal control. In order to control the efficiency and profitability of operations, the Group must be able to manage its risks. Raisio's internal control is expected to give

the management assurance that the defined risk management policy is followed.

Raisio's risk management policy defines the targets, principles and responsibilities of risk management. According to its definition, risk management aims to identify and assess significant external and internal uncertainty factors that may threaten the implementation of strategy and the achievement of targets. Identified risks are eliminated, reduced or transferred to the extent possible. Raisio's risks fall into strategic, operational, damage and financial risks. Special emphasis is put on preventive action and its development. Risk management is a part of the Group's day-to-day operations. Damages caused by products with inadequate safety and the liability risks related to them are key topics in the risk management of food producers.

The Group's Director of Finance and Treasury, who reports to the CFO, coordinates, develops and monitors risk management. External advisors are also used to develop risk management activities. Risk management function is also responsible for Group-wide insurance schemes. Their scope is assessed, for example, in conjunction with risk surveys carried out at individual sites.

Each division is responsible for conducting its own practical risk management in compliance with the risk management policy and Group guidelines. Operational responsibility is held by the management of each division and function. The divisions survey and identify risks, for example, in connection with annual planning. The Group is prepared for operations in crises and for crisis communication.

The divisions and service functions, including financing, report on their main risks to the Management Team.

Business risks are described in the division reviews of this annual report, while other financial and financing risks are discussed in the financial statements.

**Information and communications**

The guidelines on and principles of the Group's reporting system are available to everyone involved in financial reporting and can be found in connection with the reporting system. In addition, the Group's intranet contains instructions related to financial reporting and control measures, as well as other Group policies and guidelines.

**Monitoring**

The result and other key figures of the Group and its divisions are monitored through monthly reporting and the Management Team's monthly meetings, which also ensure the functioning of internal control. The Management Team also follows the divisions' sales development on a weekly basis. Moreover, the divisions monitor the development of their sales and results more frequently, usually on a daily basis. Final assessments of results are ultimately made by the Board of Directors at its meetings.

The Group's financial administration follows the accuracy of both external and internal financial reporting. An external auditor inspects the accuracy of external financial reporting and also monitors internal reporting.

**INSIDER REGULATIONS**

Raisio complies with the Guidelines for Insiders (2009) issued by NASDAQ OMX Helsinki Ltd, the Confederation of Finnish Industries and the Central Chamber of Commerce, with some modifications.

The Group's insiders include insiders with the duty to declare ("public insiders") and permanent company-specific insiders, in addition to which the Group 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, the members of the Management Team and auditors. Permanent insiders include people with key responsibility in Raisio's business areas, some managers and experts in research and development and financial administration, as well as management assistants. Raisio had 30 permanent company-specific insiders on 31 December 2010.

Raisio'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 reports and financial statements review.

Raisio's insider administration has adopted the SIRE system of Euroclear Finland Ltd, which makes the information about insiders with the duty to declare, their holdings and close associates, as well as any changes therein, public to the extent required by the Securities Market Act. Information that must be published pursuant to the Securities Market Act concerning Raisio's insiders with the duty to declare, as well as the holdings of insiders and their close associates and changes therein, is available on Raisio's website.

**AUDITING**

Johan Kronberg and Mika Kaarisalo, authorised public accountants, acted as regular auditors for the financial year 2010. PricewaterhouseCoopers Oy and Kalle Laaksonen, authorised public accountant, acted as deputy auditors.

The Group's auditing services were subjected to competitive bidding in autumn 2007.

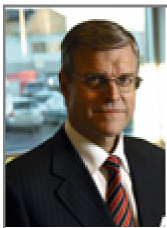
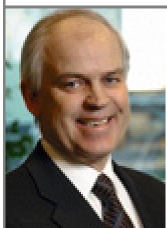
The auditors give the Board of Directors and the Managing Director a summary of the corporate audit. In addition, the auditors for the Group companies submit separate reports to the management of each company. The auditors attended two of the Board of Directors' meetings in 2010. The auditors give the shareholders an annual auditors' report on the financial statements as required by law.

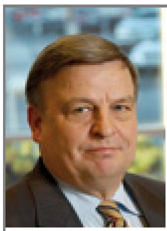
**2010**

Fees for statutory auditing in 2010 amounted to EUR 139,400. Raisio also purchased other services from PricewaterhouseCoopers Oy and its associates for a total of EUR 835,949.

A total of EUR 42,400 was paid to PKF (UK) LLP for the audit of Glisten subgroup and EUR 132,500 as fees for various services.

**MEMBERS OF THE BOARD OF DIRECTORS**

| | |
|---|---|
|  | **Chairman on the Board**<br>**Simo Palokangas**<br>**Year of birth**: 1944<br>**Domicile**: Säkylä, Finland<br>**Education**: M.Sc. (Agr. & Forestry)<br>**Principal employment history**: HK-Ruokatalo Group plc 1994-2006: CEO, Lännen Tehtaat plc 1987-1994: CEO; Munakunta 1979-1987: CEO<br>**Raisio Board membership**: member and Chairman since 2006<br>**Other simultaneous positions of trust**: Biolan Oy: Member of the Board of Directors; Fund of Jenny and Antti Wihuri: Chairman of the Board of Directors; Wihuri Ltd: Member of the Supervisory Board, National Emergency Supply Agency: Deputy Chairman of the Board of Directors<br>**Fees in 2010**: EUR 112,980, of which approximately 80% has been paid in cash and approximately 20% in shares; a total of 8,253 free shares were assigned as fees.<br>**Holdings in Raisio**: series V 132,588 |
|  | **Deputy Chairman**<br>**Michael Ramm-Schmidt**<br>**Year of birth**: 1952<br>**Domicile**: Espoo, Finland<br>**Education**: B.Sc. (Econ. & Bus. Adm.)<br>**Principal employment history**: Oy Executive Leasing Ab 2004-: Chairman of the Board of Directors; Hackman Oyj Abp 2004: President & CEO; Hackman Metos Oy Ab 1995-2004: CEO; Hackman Designor Oy Ab 1989-1994: CEO; International Masters Publishers Inc. 1986-1989: CEO; Skandinavisk Press AB 1984-1986: President & CEO<br>**Raisio Board membership**: member since 2005, Deputy Chairman since 2006<br>**Other simultaneous positions of trust**: Huurre Group Oy: Chairman of the Board of Directors; Levanto Oy: Member of the Board of Directors; Nuukari Oy: Chairman of the Board of Directors; Stala Oy: Member of the Board of Directors; Stalatube Oy: Chairman of the Board of Directors; Stiftelsen Svenska Handelshögskolan: Member of the Supervisory Board<br>**Fees in 2010**: EUR 30,000, of which approximately 80% has been paid in cash and approximately 20% in shares; a total of 2,228 free shares were assigned as fees.<br>**Holdings in Raisio**: series V 48,578 |

| | |
|---|---|
|  | **Anssi Aapola**<br>**Year of birth**: 1951<br>**Domicile**: Kustavi, Finland<br>**Education**: M.Sc. (Agr. & Forestry)<br>**Principal employment history**: Farm owner 1987–; Finnsa Oy 2005–2011:CEO; Raisio plc 1983–2002: Managerial duties<br>**Raisio Board membership**: member since 2006<br>**Other simultaneous positions of trust**: Turvata Oy: Member of the Board of Directors; Vakka-Suomen Osuuspankki: Member of the Board of Directors<br>**Fees in 2010**: EUR 30,000, of which approximately 80% has been paid in cash and approximately 20% in shares; a total of 2,228 free shares were assigned as fees.<br>**Holdings in Raisio**: series K 4,320 and series V 13,867 |
|  | **Erkki Haavisto**<br>**Year of birth**: 1968<br>**Domicile**: Raisio, Finland<br>**Education**: M.Sc. (Agr. & Forestry)<br>**Principal employment history**: Farm owner 1993-<br>Raisio Board membership: member since 2004<br>Other simultaneous positions of trust: The Central Union of Agricultural Producers and Forest Owners (MTK): Member of the Forest Board; Lounametsä Forestry Association: Chairman of the Board of Directors; Raisio plc Research Foundation: Member of the Board of Directors; Raisio town: Member of the town council; Salaojituksen Tukisäätiö s.r.: Member of the Board of Directors; Turku District Cooperative Bank: Member of the Board of Directors<br>**Fees in 2010**: EUR 30,000, of which approximately 80% has been paid in cash and approximately 20% in shares; a total of 2,228 free shares were assigned as fees.<br>**Holdings in Raisio**: series K 364,940 and series V 176,127 |
|  | **Pirkko Rantanen-Kervinen**<br>**Year of birth**: 1949<br>**Domicile**: Vantaa, Finland<br>**Education**: B.sc. (Econ.)<br>**Principal employment history**: Finnish Fur Sales 2009-2010: Executive Advisor; 1991-2009: CEO; 1989-1991: Executive Vice President; 1987-1989: Director of Finance<br>Raisio Board membership: member from 25 April 2010<br>**Other simultaneous positions of trust**: Tapiola General Mutual Insurance Company: Member of the Supervisory Board<br>**Fees in 2010**: EUR 24,000, of which approximately 80% has been paid in cash and approximately 20% in shares; a total of 1,788 free shares were assigned as fees.<br>**Holdings in Raisio**: series V 1,788 |

Satu Lähteenmäki was a Board member from November 2006 to 25 March 2010. She was paid a fee of EUR 6,000 of which some 80% in cash and some 20% as shares; a total of 440 free shares were assigned to her as a fee.

The secretary of the Board of Directors and the Supervisory Board is Janne Martti, Master of Laws, Director, Finance and Treasury, Raisio Group.

Shareholdings of the Board of Directors on 10 February 2011 (date of signing the financial statements).

# Investors

## Raisio's Investor Relations aim to provide all market participants with equal, correct, sufficient and up-to-date information to form a sound basis for share price determination.

### Annual General Meeting

The Annual General Meeting of Raisio plc will be held on Thursday, 24 March 2011, at 2:00 pm. It will be arranged at the Turku Fair and Congress Centre at Messukentänkatu 9-13, Turku, Finland.

The right to attendance is restricted to shareholders who have been entered as such in the shareholder list maintained by Euroclear Finland Ltd on 14 March 2011 and who have informed Raisio of their participation by Thursday, 17 March 2011, at 3:00 pm.

*Registration can be made by:*

- Raisio plc, Shareholders Contact, PO Box 101, FI-21201 Raisio, Finland
- telephone: +358 50 386 4350
- fax: +358 2 443 2315,
- email: eeva.hellsten(at)raisio.com

Shareholders are entitled to have the Annual General Meeting handle a matter that pertains to it under the Companies Act, if requested in writing from the Board of Directors well in advance for it to be included in the call to the meeting.

# Information to shareholders

## Annual General Meeting

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- email: eeva.hellsten(at)raisio.com

Shareholders are entitled to have the Annual General Meeting handle a matter that pertains to it under the Companies Act, if requested in writing from the Board of Directors well in advance for it to be included in the call to the meeting.

## Dividend payment

The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.10 be paid for each V and K share for 2010.

| | |
|---|---|
| Ex-dividend date | 25 March 2011 |
| Record date | 29 March 2011 |
| Payable date | 5 April 2010 |

## Dividend policy

Raisio aims to distribute half of the per-share earnings generated by continuing operations, provided that the dividend payment does not compromise the company’s ability to meet its strategic targets.

## Basic information about Raisio’s shares

| | **V share** | **K share** |
|---|---|---|
| Listed on | NASDAQ OMX Helsinki Oy, MidCap segment | NASDAQ OMX Helsinki Oy, Prelist |
| Sector | Consumer Staples | - |
| Trading code | RAIVV | RAIKV |
| Shares on 31 December 2010 | 130,893,973 | 34,255,057 |
| - of which the company holds | 3,949,888 | 201,295 |

For more information about Raisio’s shares and shareholders, see pages 51-55, Shares and shareholders, in the separate Financial Statements .


# Information to shareholders

## Changes in contact information

We kindly request that Raisio's shareholders inform the bank or brokerage in which they have their book-entry account of any changes in their contact information. This will ensure that the information is also updated in the registers maintained by Euroclear Finland Ltd.

## Financial information for 2011

Raisio will publish the following financial reports in Finnish and English for 2011.

| | |
|---|---|
| Interim report January–March | 10 May 2011 |
| Interim report January–June | 16 August 2011 |
| Interim report January–September | 8 November 2011 |
| Financial statements release | February 2012 |
| Annual report | March 2012 |

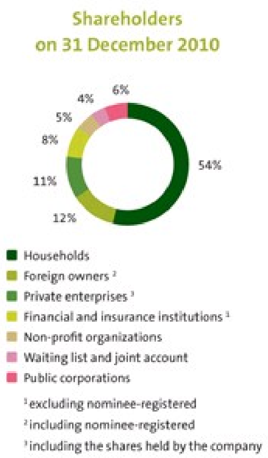
## Ordering publications and releases

Raisio's annual report, interim reports, financial statements release and press and stock exchange releases are available immediately after publication on the company's website at News.

You can sign up as an email subscriber to interim reports, as well as stock exchange and press releases, at News - Subscribe releases .

# Dividend and shareholders, graphs





# Information to investors

## The main task of Raisio's IR is to give investors as realistic picture as possible of Raisio as an investment target and to support the correct development of the share price by providing information about the company's strategy, operations, business environment, targets and financial standing.

Our goal is to regularly provide all capital market participants with equal, correct, sufficient and up-to-date information. Our activities are based on accuracy, transparency and expertise.

IR implementation and contacts are handled by Raisio's corporate communications jointly with company management. Our IR include financial reports, company's website, capital markets day, roadshows as well as other investor meetings and seminars.

### Silent period

Raisio observes a two-week "silent period" before the publication of its annual results and interim reports. During this time, the company does not meet with capital market representatives or comment on its finances.

### IR contact

Heidi Hirvonen, Communications Manager
Mobile: +358 50 567 3060
Email: heidi.hirvonen(at)raisio.com

### Investment analyses

To the best of our knowledge, at least the following banks and brokerages follow Raisio as an investment target. The list may be incomplete. The companies mentioned in the list monitor Raisio at their own initiative. The Group cannot be held accountable for the analysts' views.

Carnegie Investment Bank
Evli Pankki Oyj
FIM Capial Markets
Handelsbanken Capital Markets
Nordea Oyj
Pohjola Pankki Oyj
SEB Enskilda
Swedbank Markets
Ålandsbanken Oyj
Pankkiiriliike E Öhman J:or.

A list of analysts monitoring Raisio is available on the company's website at Analysts .

### Investment services online

In addition to the information mentioned here, the Investors section on Raisio's website displays trading information delayed by 15 minutes, a list of insiders with a duty to declare and their shareholdings, as well as different types of services, such as analysts' performance forecasts and recommendations.


# Financial Statements

# Report of the Board of Directors

## Raisio's operating environment

After the successful turnaround and profitability phases, Raisio moved to a growth phase. In practise, this means both acquisitions and organic growth in the current market areas and expansion to new markets and new product categories. Raisio's target is to become the leading provider of healthy snacks in Europe.

We actively work to carry out acquisitions that fit our strategy. In 2010, we were investigating dozens of growth projects. In 11 cases, we proceeded through a non-disclosure agreement to the due diligence process. Raisio analysed thoroughly five potential acquisition targets two of which resulted in the acquisition. The acquisition of Big Bear Group took place in February 2001 after the review period. Carefully considered acquisitions secure profitable growth and achievement of our targets in the long run. Through acquisitions, we can also create shareholder value.

During the growth phase, Raisio has completed two acquisitions in Great Britain and gained a firm foothold in the British breakfast and snack market and the confectionery market. The completed acquisitions support the company's strategic targets. Raisio continues the implementation of the growth phase according to plan.

Two global challenges we are facing, climate change and food security, are linked to each other. Transition to a bioeconomy is Raisio's way to tackle these challenges. In the bioeconomy, renewable natural resources are used sustainably. In terms of nutrition, the bioeconomy means that our mobile lifestyle includes healthier and more ecological food, that we are able to reliably measure the eco-efficiency of production and to control the process through facts. Raisio has developed tools to measure the energy efficiency of cultivation (EcoPlus), carbon footprints (CarbonPlus) and nutrient balance (WaterPlus). The core idea of Raisio's strategy is well realised in the bioeconomy, both in the Brands and Business to Business Division.

Our business strategy is based on healthy and ecological snacking, functional foods, and feed solutions that promote animal well-being and productivity, reduce environmental impacts and are economically viable. Ecology gives us a competitive edge in all our activities. Consumers are increasingly more ready and willing to make an impact through their sustainable consumption choices. This is why providing the consumers with environmental information, e.g. carbon footprints of products, is becoming increasingly significant.

The year 2010 was a good example of Raisio's capability to adapt quickly to a changing operating environment by developing new economically viable solutions that support the bioeconomy. When the global food chain changes in the future, we will be able to provide sustainable solutions. Raisio is growing profitably on the threshold of a bioeconomic era.

## Financial reporting

Raisio reports on its performance in line with the Group's continuing operations. The reportable Divisions are Brands and Business to Business. The Brands Division includes international brands (Benecol) and local brands. Western European operations are reported as part of the local brands from the second quarter of the year. The Business to Business Division is comprised of feed, malt and feed protein businesses.

## Net sales

The Raisio Group's net sales totalled EUR 443.0 million (EUR 375.9 million 2009) and rose 17.9% from the previous year. Net sales were especially boosted by Glisten becoming part of Raisio's financial reporting as well as by good sales development in our main brands in all market areas. Net sales from outside Finland represented 42.0% (33.1%) of the total, amounting to EUR 186.2 million (EUR 124.4 million).

January–December net sales of the Brands Division in 2010 were EUR 236.4 million (EUR 177.6 million), those of the Business to Business Division EUR 208.3 million (EUR 205.6 million) and those of other operations EUR 0.9 million (EUR 0.9 million).

| Key figures, result, continuing operations | 10–12/2010 | 7–9/2010 | 4–6/2010 | 1–3/2010 | 2010 | 2009 |
|---|---|---|---|---|---|---|
| Net sales, M€ | 117.8 | 118.9 | 120.0 | 86.4 | 443.0 | 375.9 |
| Change in net sales, % | 28.8 | 24.5 | 22.6 | –5.2 | 17.9 | –18.8 |
| EBIT, M€ | 3.0 | 6.1 | 6.0 | 4.3 | 19.4 | 20.5* |
| EBIT, % | 2.6 | 5.1 | 5.0 | 5.0 | 4.4 | 5.5* |
| Depreciation and impairment, M€ | 4.1 | 4.2 | 4.2 | 3.5 | 15.9 | 17.0* |
| EBITDA, M€ | 7.1 | 10.2 | 10.2 | 7.8 | 35.3 | 37.5* |
| Net financial expenses, M€ | 0.3 | 0.8 | –2.9 | –0.1 | –1.9 | –0.5* |
| Earnings per share (EPS), € | 0.01 | 0.03 | 0.01 | 0.02 | 0.08 | 0.09* |
| Earnings per share (EPS), diluted, € | 0.01 | 0.03 | 0.01 | 0.02 | 0.08 | 0.09* |

* Excluding one-off items

## Result

Raisio's EBIT from continuing operations in 2010 totalled EUR 19.4 million (EUR 20.5 million and, including one-off items EUR 19.5 million) accounting for 4.4% (5.5% and, including one-off items, 5.2%) of net sales. EUR 3.5 million costs of growth projects were recognised through profit and loss. In 2009, Raisio had recognised a total of EUR 1.1 million in one-off expenses for other operations, resulting from an unrealised acquisition and donation.

EBIT of the Brands Division amounted to EUR 20.0 million (EUR 20.5 million), that of the Business to Business Division EUR 2.1 million (EUR 3.0 million) and that of other operations EUR –2.8 million (EUR –3.3 million and, including one-off items, EUR –4.3 million).

Depreciation and impairments, allocated to operations in the income statement, totalled EUR 15.9 million (EUR 17.0 million).

The pre-tax result for 2010 was EUR 17.6 million (EUR 20.1 million and, including one-off items, EUR 18.9 million). The Group's net financial items totalled EUR –1.9 million (EUR –0.5 million and, including one-off items, EUR –0.6 million). The Group's post-tax result from continuing operations totalled EUR 12.4 million (EUR 14.2 million and, including one-off items, EUR 13.4 million). Earnings per share were EUR 0.08 (EUR 0.09).

## Balance sheet and cash flow

Raisio's balance sheet total at the end of December amounted to EUR 487.2 million (EUR 444.2 million 31 December 2009). Shareholders' equity totalled EUR 324.0 million (EUR 322.0 million), while equity per share at the end of the year was EUR 2.06 (EUR 2.06).

Raisio's interest-bearing debt was EUR 67.2 million at the end of December (EUR 62.8 million). Net interest-bearing debt was EUR –72.9 million (EUR –150.2 million). The equity ratio totalled 67.6% (73.4%), and gearing was –22.5% (–46.6 %). Return on investment was 5.1% (6.1%).

Cash flow from operations in January–December was EUR 23.0 million (EUR 51.5 million). Working capital amounted to EUR 79.3 million at the end of the review period (EUR 66.1 million) The increase in working capital of the Business to Business Division resulted from higher stock levels of grain and oil seeds securing raw material sufficiency.

Raisio plc paid EUR 14.0 million in dividends in 2010.

## Investments

Raisio makes investments for real needs and aims to use existing capacity by controlling it more efficiently on the basis of customer information, as well as to keep plant utilisation rates high. In recent years, the Group's gross investments, excluding investments related to acquisitions, have stabilised at a moderate level.

Raisio takes sustainable development into consideration in the production processes. Lifecycle assessment of products has not only opened doors to the carbon footprint calculation but has also enabled, through its accurate calculation data, a new kind of assessment of the production efficiency in development targets. Raisio has made several investments enhancing the operations. These investments are both cost effective and environmentally friendly.

The Group's gross investments in 2010 totalled EUR 49.1 million (EUR 10.0 million), or 11.1% (2.7%) of net sales. The largest investment in 2010 was the acquisition of Glisten shares. Raisio paid EUR 22.2 million for Glisten's share capital and financed the repayment of Glisten's credits at the time of acquisition, granted by financial institutions, in a total amount of EUR 36.5 million. Raisio has also invested in new, consumer-friendly and easy-to-use packages by renewing packaging lines.

Gross investments of the Brands Division were EUR 43.4 million (EUR 3.3 million), those of the Business to Business Division EUR 4.5 million (EUR 5.4 million) and those of other operations EUR 1.3 million (EUR 1.3 million).

| Key figures, balance sheet | 31.12.2010 | 30.9.2010 | 30.6.2010 | 31.3.2010 | 31.3.2009 |
|---|---|---|---|---|---|
| Equity ratio, % | 67.6 | 69.0 | 68.6 | 70.5 | 73.4 |
| Gearing, % | –22.5 | –18.3 | –10.8 | –40.2 | –46.6 |
| Net interest-bearing debt, M€ | –72.9 | –58.7 | –34.1 | –125.4 | –150.2 |
| Equity per share | 2.06 | 2.04 | 2.02 | 2.00 | 2.06 |
| Dividend per share, € | – | – | – | – | 0.09 |
| Gross investments, M€ | 49.1** | 48.6** | 46.5** | 1.5 | 10.0 |
| **Share** | | | | | |
| Market capitalisation***, M€ | 439.1 | 470.7 | 425.3 | 435.2 | 417.4 |
| Enterprise value (EV), M€ | 356.1 | 397.0 | 363.7 | 280.0 | 257.1 |
| EV/EBITDA | 10.1 | 10.5 | 9.4 | 7.6 | 6.9 |

* Board of Directors' proposal to the Annual General Meeting
** Including the acquisition of Glisten shares
*** Excluding the company shares held by the Group

## Research and development

In 2010, two significant plant stanol ester studies were published. These studies showed that higher than currently recommended plant stanol ester doses enhance cholesterol-lowering effect. Only Benecol products contain plant stanol ester. Benecol business cooperates extensively with Finnish and international research institutes and universities.

Grain and non-dairy based healthy snacks are the top priorities in the product development of Raisio foods. Our aim is to ensure the future growth with new innovative products meeting consumer needs. In 2010, Raisio invested in a project management system that enables better R&D management and more efficient development of consumer-oriented products.

Product development in feeds aims to improve the profitability of livestock production, increase the animal well-being and reduce the environmental load of livestock production. Raisio Feed continuously makes inputs into the research projects studying nutritional needs of animals. Raisio provides its feed customers with ecological choices. Raisio's R&D in malt is focused on customer-driven product development.

The Raisio Group's investment in research and development totalled EUR 6.3 million (EUR 6.1 million), or 1.4% (1.6 %) of net sales. The R&D investments of the Brands Division were EUR 5.0 million (EUR 4.9 million) and those of the Business to Business Division EUR 1.4 million (EUR 1.2 million).

## Segment information

### Brands division

Net sales of the Brands Division totalled EUR 236.4 million (EUR 177.6 million). Net sales of local brands were EUR 188.7 million (EUR 133.1 million) and those of international brands EUR 47.8 million (EUR 47.0 million). The Brands Division accounted for some 53% of the Group's net sales.

EBIT of the Brands Division was EUR 20.0 million (EUR 20.5 million) accounting for 8.5% (11.5%) of net sales. As expected, Raisio's main brands strengthened in all market areas.

### Local brands

Raisio's main local brands are, e.g., Elovena, Sunnuntai, Carlshamn, Nordic and The Dormen.

In the Western European operations, the market situation in Great Britain was challenging due to the promotion-driven market. For instance, over a quarter of the retail chain Tesco's range was sold on sales promotions and over 90% of the Pringles brand sales were generated by promotional campaigns. In terms of brands, a positive side of this phenomenon was the decrease in the market share of private label products in the UK. Weather conditions have been very difficult, particularly in Great Britain. Because of snow storms, deliveries to shops have been interrupted and motorways and factories have been closed. December was extremely difficult for retail trade and grocery industry in the UK but Raisio UK managed well, only one factory had to be closed for 30 hours.

In the Northern European operations, sales volumes in our main brands increased in Finland and Sweden. Raisio continued to strengthen its position in several product segments. Despite the rising grain raw material prices, Raisio performed well in the second half of the year thanks to its strong brands and rapid response capability. Price increases resulted in a change in consumers' purchasing behaviour and sales growth of inexpensive products.

Excellent sales development in Elovena products continued in 2010 after the very successful year 2009. Sales growth was seen particularly in healthy snacks, such as Elovena snack drinks and biscuits. Elovena bread and spoonable snacks were launched as novelties. Elovena's target to be the number one brand of healthy snacks in Finland was achieved already in 2010. Furthermore, Elovena was rated as the second-most valued Finnish food brand in the research conducted by Markkinointi & Mainonta magazine.

Elovena celebrated its 85th anniversary in 2010 and the brand was strongly visible to consumers in various occasions. Elovena has cooperated with Finnish Athletics Federation already for four years. We have arranged Elovena Power Days together with more than 100 schools with over 100,000 school children. The objective of our cooperation is to promote children's healthier lifestyle by means of exercise and healthy snacks.

In 2010, Elovena packages were further developed to better meet consumer needs. In addition, we expanded the use of carbon meter, and it can now be seen in dozens of Raisio's products to inform consumers about carbon footprints.

In Sweden, sales of non-dairy products sold under Carlshamn brand more than doubled. At the same time, Raisio's share of the Swedish market for non-dairy products rose to 10%. Raisio's position as the market second strengthened in soyghurts, i.e. non-dairy spoonable snacks. In two years, Raisio has managed to reach a 40% share in the soyghurt market. Swedish consumers have warmly welcomed the novelties of the Carlshamn brand.

| Key figures for the Brands Division | 10–12/2010 | 7–9/2010 | 4–6/2010 | 1–3/2010 | 2010 | 2009 |
|---|---|---|---|---|---|---|
| Net sales, M€ | 65.5 | 63.0 | 64.5 | 43.4 | 236.4 | 177.6 |
| International brands, M€ | 10.8 | 11.8 | 12.3 | 13.0 | 47.8 | 47.0 |
| Local brands, M€ | 54.7 | 51.3 | 52.3 | 30.4 | 188.7 | 133.1 |
| EBIT, M€ | 2.9 | 6.5 | 5.8 | 4.8 | 20.0 | 20.5 |
| One-off items , M€ | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EBIT, excluding one-off items, M€ | 2.9 | 6.5 | 5.8 | 4.8 | 20.0 | 20.5 |
| EBIT, % | 4.5 | 10.3 | 9.0 | 11.2 | 8.5 | 11.5 |
| Investments, M€ | 0.8 | 1.9 | 40.2 | 0.6 | 43.4 | 3.3 |
| Net assets, M€ | 143.6 | 144.4 | 144.3 | 70.1 | 143.6 | 69.6 |

In the Eastern European operations, sales and volumes in the Nordic brand products developed well in spite of the Russian government ban to adjust product prices to meet dramatically increased raw material costs. Despite the challenging market situation, Raisio's EBIT was positive in Russia and Ukraine. In Poland, sales in Benecol drinks developed well, and the Elovena product range was expanded. In the Polish market, we aim to grow sales in the Benecol products and healthy snacks.

### International brands - Benecol

Net sales of Benecol remained at the previous year's level, totalling EUR 47.8 million (EUR 47.0 million). In the review period, sales and volumes in cholesterol-lowering functional Benecol products grew in Asia and South America. In other market areas, sales of Benecol products were stable and at the previous year's level. There were big variations between different markets.

The challenging economic situation in Europe had an impact on many markets. Nevertheless, sales of Benecol products increased in Great Britain, Spain, Greece and Ireland. The market situation was challenging in Poland and Portugal. In 2010, Benecol bread was launched in the Romanian market. Our sales focus with the Benecol products is still firmly on the European markets. Double-digit sales growth was recorded in the countries where Benecol products were recently launched, as in Thailand, Indonesia and Columbia.

We expanded the service concept offered to our partners, and further strengthened the expert role of the Benecol brand together with the partners. The renewed look of the Benecol brand with turquoise colour scheme will further establish Benecol's position as an international expert brand. The same new brand look will be seen in all Benecol products worldwide.

### Targets

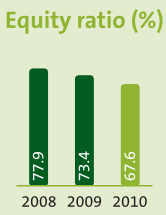
In 2011, Raisio's targets relate to increasing net sales, profitable growth as well as launching new, healthy and ecological snacks. The target is the same in all current and new markets. Volatility in raw material and product prices may impact consumer demand and thus, sales volumes and net sales.

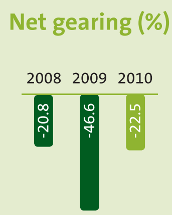
Growth through acquisitions offers us interesting opportunities to build international brands and expand into new product categories and new market areas. We are expanding our product range in Russia, Ukraine and Poland, and will focus on supporting growth.

In Benecol, our target is to increase our operations worldwide and to strengthen Benecol's expert role together with our partners. Raisio continues negotiations worldwide with potential new partners in order to expand into emerging markets, particularly in Asia and South America.

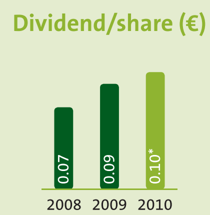
The latest scientific evidence shows that higher than currently recommended daily doses of plant stanol ester further enhance its cholesterol-lowering effect. This effect has been found only in the Benecol products containing plant stanol ester. Raisio uses the latest research data as part of the marketing of the Benecol products.

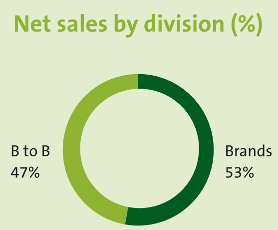


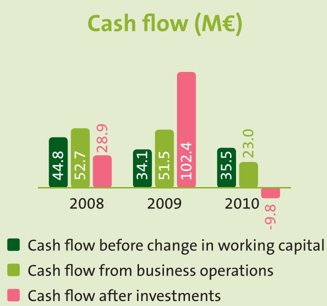






## Business to business division

Net sales of the Business to Business division totalled EUR 208.3 million (EUR 205.6 million). In malts, the year-end market situation continued challenging as grain raw material prices rose while malt price remained low in the global markets. At the end of the year, Raisio started rapeseed oil deliveries to Neste Oil that uses the oil as raw material for its renewable diesel. In the feed market, 2010 was exceptional in many ways, and discontinuity characterised the entire year. The Business to Business Division accounted for some 47% of the Group's net sales.

EBIT of the Division was EUR 2.1 million (EUR 3.0 million) accounting for 1.0% (1.4%) of net sales.

Regardless of the exceptionally difficult year, Raisio maintained its position in the Finnish market of farm and fish feeds, and increased its exports of farm feeds to Russia. The company lost market share in poultry feeds as a result of a new market actor and the price advantage of GMO feed launched by some competitors. On the other hand, our position was slightly strengthened in pig feeds. The company's share of the Finnish feed market was almost 40%.

In fish farming, 2010 was exceptional due to the long heat period in Finland and Russia. Production volumes of fish were down by a quarter as fish stopped eating during the heat wave, and hot weather also caused mortality of young fish.

At Raisio, we have calculated the carbon footprint of our feeds. The data is used in the development of our operations, feeding concepts and product development. Environmental perspective is an integral part of all our activities.

Raisio's position in the Finnish malt market strengthened, and some 2/3 of all pilsner malt used in Finland comes from Raisio. Price volatility in raw materials is a challenge for the whole beer chain. As prices are increasing, breweries start looking for savings also by replacing malt with extract sources. Increases in energy, water and other commodity prices also form a challenge for the malt industry. Malting industry is facing radical changes since the field is more and more centralised, for both breweries and maltsters.

In autumn 2010, Raisio and Neste Oil agreed on long-term cooperation regarding the utilisation of Raisio's rapeseed oil surplus as Neste Oil's renewable diesel raw material. According to the agreement Neste Oil will use, from the beginning of 2011, all rapeseed oil generated as a by-product in Raisio's feed protein production that has no market in the food chain.

First environmentally friendly technical lubrication oils were launched under the Lubria brand. The products are used in several pilot projects.

### Targets

The target of the Business to Business Division is to maintain its strong position in the domestic market and to clearly improve profitability. The Division also aims to increase the input trade to feed customers. For malt and special feeds, the aim is to increase exports.

No significant changes are expected in the Finnish livestock production. The Finnish malt market is stable, but especially the Russian malt market and export opportunities could considerably change as a result of poor crops last year. Price competition will remain intense due to overcapacity in the sector.

Our delivery agreement of rapeseed oil with Neste Oil brings certainty and stability in the oil plant cultivation and pressing as well as the feed protein production. The use of rapeseed oil in traffic fuels is already extensive. Interest in its use also in technical lubricants and other solutions is estimated to clearly grow and the production may be expanded from the pilot scale. Apart from rapeseed oil, we are also investigating various possibilities to commercially use bioenergy sources generated as side cut.

## Grain market

In 2010, the prices of grain raw material and oil plants rose almost to the level of 2008. Rise in prices began as a result of an extremely dry summer in Russia. Traditional grain exporters that bring plenty of grain in the global markets were uncertain about the crops. This and speculative money in grain stocks were heating up the grain market. Finnish grain crop was clearly lower than on average but met the consumption, thanks to sufficient stocks. Raisio imported rye and special wheat varieties that Finland could not provide sufficiently.

Almost a fifth of some 800 million kilos of biomass Raisio used in 2010 was processed into foods. Four fifths were used as feed raw material, in malt production or in the production of feed protein and rapeseed oil.

Over 95% of the grain Raisio uses is Finnish. The company purchases the greater part of its grain from the contract farmers. In the spring, Raisio conducted an extensive national campaign to increase the rapeseed cultivation. The campaign was a success since the cultivated area of rapeseed doubled from 80,000 hectares to 160,000 hectares and many Finnish farmers started to cultivate rapeseed. Protein self-sufficiency in Finland rose from some 10% to over 20%.

| Key figures for the Business to Business Division | 10–12/2010 | 7–9/2010 | 4–6/2010 | 1–3/2010 | 2010 | 2009 |
|---|---|---|---|---|---|---|
| Net sales, M€ | 53.0 | 56.3 | 55.6 | 43.3 | 208.3 | 205,6 |
| Feeds, M€ | 47.7 | 46.8 | 48.4 | 38.1 | 180.8 | 176,1 |
| Malt, M€ | 3.9 | 7.9 | 4.3 | 3.5 | 19.6 | 26,3 |
| Other, M€ | 1.2 | 1.9 | 3.1 | 1.8 | 8.0 | 3,6 |
| EBIT, M€ | 0.7 | 0.0 | 1.3 | 0.1 | 2.1 | 3,0 |
| One-off items, M€ | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0,0 |
| EBIT, excluding one-off items, M€ | 0.7 | 0.0 | 1.3 | 0.1 | 2.1 | 3,0 |
| EBIT, % | 1.4 | 0.1 | 2.3 | 0.1 | 1.0 | 1,4 |
| Investments, M€ | 1.6 | 1.3 | 1.0 | 0.6 | 4.5 | 5,4 |
| Net assets, M€ | 84.0 | 87.6 | 99.7 | 87.7 | 84.0 | 79,2 |

Raisio wants to further develop the contract farming model to balance the prices, to ensure the availability and to improve working capital. Raisio offers cost-effective cultivation solutions to the contract farmers to help them produce good quality crops. Raisio sees the traceability of raw materials as a competitive advantage. In Finland we already now know where our grain raw material is produced. Furthermore, we provide our contract farmers with various tools to reduce the environmental impacts of cultivation. Raisio expanded the range of fertilizers, seeds and plant protection products.

## Management and administration

Raisio's Board of Directors had five members in 2010: Simo Palokangas (Chairman), Michael Ramm-Schmidt (Deputy Chairman), Anssi Aapola and Erkki Haavisto as well as Pirkko Rantanen-Kervinen as of 25 March 2010. Satu Lähteenmäki was a Board member until 25 March 2010. All Board members are independent of the company and of significant shareholders.

Raisio's Supervisory Board is chaired by Michael Hornborg, MA (Agriculture &Forestry) and farmer while Holger Falck, agronomist, is the Deputy Chairman.

## Personnel

The Raisio Group's continuing operations employed 1,257 people at the end of the year (593 people 31 December 2009). With the acquisition of Glisten, 60.0% of the personnel (14.3% 31 December 2009) works outside Finland. The Brands Division had 958, the Business to Business Division 240 and the service functions 59 employees at the end of the year.

In 2010, Raisio's wages and fees from continuing operations totalled EUR 50.2 million (EUR 41.7 million 2009 and EUR 46.3 million 2008) including other personnel expenses.

Raisio reports on the personnel issues in the Corporate Responsibility section of the Annual Report.

## Corporate responsibility

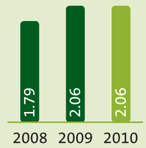
Raisio is committed to taking responsibility for its operating environment, environmental matters and personnel. We regularly monitor the realisation of the predetermined environmental objectives. We aim to continuously improve our activities in line with sustainable development and to reduce the quantities of energy, water and waste, among others. Raisio reports on its environmental responsibility in the Corporate Responsibility section of the Annual Report. In its reporting, the company complies with the international GRI guidelines on sustainable development.

We are involved in several projects that aim to improve the state of seas and environment. Raisio provides its partners and contract farmers with information and tools that enable them to measure and reduce the environmental impacts of their own activities. Raisio is a forerunner in ecology also through carbon and water labels the company has developed.

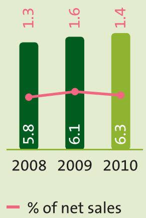
Raisio develops ecological and healthy products and solutions that preserve natural resources and meet the needs of consumers and customers. Raisio is not aware of any significant financial environmental risks related to its operations.

Earnings/share, EPS (€)

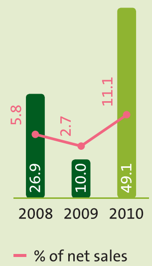

Equity per share (€)




R&D expenses (M€)

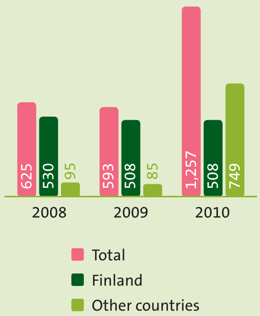



Investments (M€)

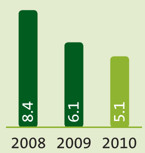



The largest investment in 2010 was the acquisition of Glisten shares.

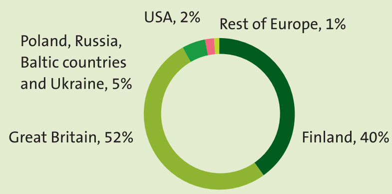
Personnel, 31 December (persons)




Return on investment, ROI (%)




Personnel by region



## Changes in group structure

The acquisition of the snack producer Glisten plc was completed in April. The subgroup formed with Glisten Ltd as a parent company was made part of Raisio Group on 8 April 2010 through the Raisio plc's subsidiary Raisio UK Ltd.

In June, Raisio plc and Raisio Nutrition Ltd founded a company in Belgium named Raisio Finance NV, which operates in financing of group companies. The shares of the new subsidiary are held by the founding companies.

Raisio Nutrition Ltd's feed protein business, i.e. manufacturing and trade of meals and oils, was incorporated to the limited company Proteinoil Oy through partial demerger. The incorporation came into effect on 31 December 2010.

## Company shares and share issues

At the end of the review period, Raisio plc held 3,949,888 free shares and 201,295 restricted shares, which were acquired from 2005 to 2009 based on the authorisations given by the Annual General Meetings. The executives' holding company Reso Management Oy of which, on the basis of the agreements, Raisio plc is seen to have the control, and which is thus regarded as a subsidiary, owns 4,482,740 free shares. The number of free shares held by Raisio plc and Reso Management Oy accounts for 6.4% of all free shares and the votes they represent, while the corresponding figure for restricted shares is 0.6%. In all, the company shares held by these two companies represent 5.2% of the entire share capital and 1.5% of overall votes. Raisio plc and its subsidiaries do not have any shares as collateral and did not have any in the review period. Since all of the company shares were purchased in public trading, the company does not know what proportion of them may have been purchased from close associates of the company.

Based on the authorisation given by the 2010 Annual General Meeting, the Board can purchase a maximum of 6,000,000 free shares and 1,500,000 restricted shares in the public trading conducted by a stock exchange. The authorisations were not exercised during the review period.

Based on the authorisation given by the 2010 Annual General Meeting, 738,221 free shares were assigned in the review period. Of these, 553,056 were assigned as a part of the 2009 share-based incentive scheme in May 2010, and a total of 168,000 as recognition of and reward for the successfully completed divestment of the margarine business in 2009 in May 2010 and a total of 17,165 to the Chairman and members of the Board of Directors for handling their duties. The value of free shares assigned as a part of the share-based incentive scheme was EUR 1,499,335 at the time of assignment, while the value of free shares assigned as recognition of and reward for the divestment of the margarine business was EUR 455,448 and the value of free shares assigned as rewards to the Board of Directors totalled EUR 45,861. The number of assigned shares equals 0.45% of the share capital and 0.1% of the votes it represents. A total of 5,000 free shares assigned on the basis of the share-based incentive scheme were returned to the company according to the conditions related to the ending of employment or service.

Of the 51 persons who received shares, either through the 2009 share-based incentive scheme or, as rewards for the divestment of the margarine business, Jacek Dziekonski, Markku Krutsin, Leif Liedes, Merja Lumme, Pasi Lähdetie, Jyrki Paappa, Vincent Poujardieu and Matti Rihko belonged to the close associates of the company.

The Board of Directors was authorised by the Annual General Meeting in 2010 to dispose of all company shares. According to the Companies Act, the Board of Directors is also entitled to annul them. No shares were annulled in the review period.

The Raisio Group Research Foundation holds 150,510 restricted shares, which is 0.44% of the restricted shares and the votes they represent and, correspondingly, 0.09% of the whole share capital and 0.37% of the votes it represents. The Foundation does not or did not hold Raisio plc shares as collateral. A share in Raisio or its subsidiary does not entitle the holder to participate in the Annual General Meeting.

In June 2010, based on the authorisation, the Board of Directors decided on the share issue against payment directed to Reso Management Oy. In the share issue, a total of 4,120,000 free shares held by the company were assigned, deviating from the pre-emptive subscription right of shareholders, to be subscribed by Reso Management Oy. The company had a weighty financial reason to deviate from the pre-emptive subscription right of shareholders since the shares assigned in the share issue were used to implement the incentive and commitment scheme for the members of the Raisio Management Team. As the assigned free shares in the share issue were company shares held by Raisio plc, the number of the company's shares remained unchanged.

The subscription price (assignment price) of a free share was the trade volume weighted average quotation of the company's free share on the NASDAQ OMX Helsinki Ltd during 5 May – 22 June 2010, i.e. EUR 2.58. The share subscription period was 1–2 July 2010 and the subscribed shares had to be paid on 16 July 2010 at the latest. The subscription price has been paid to the company and registered to the reserve for invested unrestricted equity of the company.

## Events after the review period

On 4 February 2011, Raisio acquired the entire issued share capital of British Big Bear Group plc. The enterprise value was EUR 95.3 million. Raisio financed the all cash transaction with its cash reserves and a loan of EUR 52 million raised for the acquisition. The acquisition supports Raisio's growth strategy to become the leading provider of healthy snacks in Europe.

With the acquisition, Raisio will gain a stronger branded foothold in the snack and breakfast markets in Great-Britain and Western Europe. The acquisition will also strengthen the company's position in the confectionery market. Great-Britain also becomes the largest market area for Raisio's food business with EUR 140–150 million annual net sales. Raisio is already present in the British snack market with Glisten acquired in 2010.

Big Bear Group was made a part of Western European brand operations from the 4 February 2011 and its operations are reported with Raisio Brands Division's figures from the first quarter of 2011. The acquisition will improve Raisio's earnings per share this year, also after the expenses and taxes related to the transaction.

## Risks and sources of uncertainty in the near future

The growth phase is a phase of transition for Raisio. During this phase, several company's activities are developed and business management is considerably more challenging than in ordinary circumstances.

During the growth phase, Raisio sees that companies' valuation levels have remained high despite the global recession. This means that a lot work will be needed so that acquisitions are possible at the valuation levels that meet Raisio's targets. There is a risk that economic recovery may accelerate the rise of valuation levels and slow down growth through acquisitions. Furthermore, general instability in financial markets may also complicate acquisition financing. These circumstances may, however, create a competitive advantage for a stable Nordic player.

Raisio has product groups in which the price of energy is a significant cost factor. In the international competition, price changes do not have equal impacts on all parties in different markets. Through a competitive situation, this causes uncertainty for profitability of these product groups.

Raisio was among the first to anticipate, already in 2007, high price volatility and a permanent upturn after the long-term fall of grain real price. Our vision is still topical since grain raw material prices have been and will continue to be volatile. As the company's priority changed, our raw material procurement with new raw materials such as nuts, cacao and sugar will be more diverse. In terms of the Group profitability, risk management of raw material prices will be essential also in the future, regarding both value and volume.

## Outlook 2011

Raisio continues the implementation of the growth phase according to plan. We expect net sales increase for 2011, especially for the Brands Division. In terms of net sales, it is still essential to pay attention to the impact of raw material price volatility. Activity in growth projects brings extensive costs compared to the company size and thus, undermines profitability in the short term. Group's target is to maintain the earlier 4–5% profitability level also during the growth phase.

## Board of Directors' proposal for the distribution of profits

The parent company's distributable equity was EUR 203,660,575.05 on 31 December 2010. The Board of Directors will propose a dividend of EUR 0.10 per share at the Annual General Meeting on 24 March 2011.

The ex-dividend date is 25 March 2011, and the record date is 29 March 2011. The payble date is 5 April 2011.

In Raisio, 10 February 2011

Raisio plc

*Board of Directors*

# Consolidated income statement

| (EUR million) | Note | 1.1.–31.12.2010 | 1.1.–31.12.2009 |
|---|---|---|---|
| CONTINUING OPERATIONS: | | | |
| NET SALES | 1 | 443.0 | 375.9 |
| Cost of sales | | –370.8 | –313.3 |
| Gross profit | | 72.3 | 62.6 |
| Sales and marketing expenses | | –30.6 | –28.4 |
| Administration expenses | | –17.9 | –12.2 |
| Research and development expenses | | –6.3 | –6.1 |
| Other income and expenses from business operations | 4 | 1.9 | 3.5 |
| EBIT | 5, 6, 20 | 19.4 | 19.5 |
| Financial income | 7 | 1.0 | 3.1 |
| Financial expenses | 7 | –2.9 | –3.7 |
| Share of the result of associates and joint ventures | | 0.0 | 0.1 |
| RESULT BEFORE TAXES | | 17.6 | 18.9 |
| Income taxes | 8 | –5.1 | –5.6 |
| RESULT FOR THE FINANCIAL PERIOD FOR CONTINUING OPERATIONS | | 12.4 | 13.4 |
| DISCONTINUED OPERATIONS: | 3 | | |
| Result for the financial period for discontinued operations | | –0.2 | 39.7 |
| RESULT FOR THE FINANCIAL PERIOD | | 12.2 | 53.1 |
| ATTRIBUTABLE TO: | | | |
| Equity holders of the parent company | | 12.3 | 53.1 |
| Non-controlling interests | | –0.1 | 0.0 |
| | | 12.2 | 53.1 |
| EARNINGS PER SHARE CALCULATED FROM THE RESULT OF EQUITY HOLDERS OF THE PARENT COMPANY | 9 | | |
| Earnings per share from continuing operations (EUR) | | | |
| Undiluted earnings per share | | 0.08 | 0.09 |
| Diluted earnings per share | | 0.08 | 0.09 |

# Comprehensive income statement

| (EUR million) | Note | 1.1.–31.12.2010 | 1.1.–31.12.2009 |
|---|---|---|---|
| RESULT FOR THE PERIOD | | 12.2 | 53.1 |
| OTHER COMPREHENSIVE INCOME ITEMS | | | |
| Protection of net investments | | –0.2 | 0.0 |
| Financial assets available for sale | | 1.4 | 0.0 |
| Translation differences recognised in profit and loss on disposal of foreign operations | | 0.0 | –0.3 |
| Gains and losses arising from translating the financial statements of foreign operations | | 1.6 | –0.3 |
| COMPREHENSIVE INCOME FOR THE PERIOD | | 14.9 | 52.6 |
| COMPONENTS OF COMPREHENSIVE INCOME | | | |
| Equity holders of the parent company | | 15.1 | 52.6 |
| Non-controlling interests | | –0.1 | 0.0 |
| | | 14.9 | 52.6 |

Figures in the above calculation have been presented including tax effect.
Income taxes related to other comprehensive income are presented in notes 8.

# Consolidated balance sheet

| (EUR million) | Note | 31.12.2010 | 31.12.2009 |
|---|---|---|---|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Intangible assets | 10 | 10.7 | 7.5 |
| Goodwill | 10, 11 | 51.9 | 0.0 |
| Tangible assets | 10 | 106.4 | 95.3 |
| Shares in associated companies and joint ventures | 12 | 0.8 | 0.8 |
| Financial assets available for sale | 13 | 2.5 | 0.6 |
| Long-term receivables | 14 | 1.7 | 0.4 |
| Deferred tax assets | 21 | 5.3 | 6.5 |
| | | 179.3 | 111.0 |
| CURRENT ASSETS | | | |
| Inventories | 15 | 88.2 | 55.0 |
| Accounts receivables and other receivables | 16 | 69.0 | 54.9 |
| Financial assets through profit or loss at fair value | 17 | 131.8 | 215.3 |
| Cash in hand and at banks | 18 | 18.9 | 8.0 |
| | | 307.9 | 333.2 |
| TOTAL ASSETS | | 487.2 | 444.2 |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | | |
| SHAREHOLDERS' EQUITY | 19, 20 | | |
| Equity attributable to equity holders of the parent company | | | |
| Share capital | | 27.8 | 27.8 |
| Premium fund | | 2.9 | 2.9 |
| Reserve fund | | 88.6 | 88.6 |
| Company shares | | –17.8 | –18.5 |
| Translation differences | | –2.4 | –3.7 |
| Other funds | | 1.4 | 0.0 |
| Retained earnings | | 222.5 | 225.0 |
| | | 323.0 | 322.0 |
| Non-controlling interests | | 1.0 | 0.0 |
| TOTAL SHAREHOLDERS' EQUITY | | 324.0 | 322.0 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Deferred tax liability | 21 | 7.6 | 7.6 |
| Pension contributions | 22 | 0.2 | 0.2 |
| Reserves | 23 | 1.1 | 1.4 |
| Non-current financial liabilities | 24 | 53.1 | 48.6 |
| Other non-current liabilities | | 0.1 | 0.0 |
| | | 62.1 | 57.8 |
| Current liabilities | | | |
| Accounts payable and other liabilities | 26 | 85.1 | 48.3 |
| Tax liability based on the taxable income for the period | | 0.0 | 0.1 |
| Reserves | 23 | 1.7 | 1.6 |
| Derivative contracts | 25 | 0.1 | 0.1 |
| Current financial liabilities | 24 | 14.1 | 14.2 |
| | | 101.1 | 64.4 |
| TOTAL LIABILITIES | | 163.2 | 122.1 |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | | 487.2 | 444.2 |

Notes are an essential part of the financial statements

# *Changes in shareholders' equity in the financial period ended 31 December 2010*

| (EUR million) | Share capital | Share premium reserve | Reserve fund | Company shares | Translation differences | Fair value reserve | Retained earnings | Equity attributable to equity holders of the parent company | Non-controlling interests | Total shareholders' equity |
|---|---|---|---|---|---|---|---|---|---|---|
| SHAREHOLDERS' EQUITY ON 31.12.2008 | 27.8 | 2.9 | 88.6 | −19.3 | −3.2 | 0.0 | 182.7 | 279.4 | 0.0 | 279.4 |
| Comprehensive income for the period | | | | | | | | | | |
| Result for the period | | | | | | | 53.1 | 53.1 | 0.0 | 53.1 |
| Other comprehensive income items | | | | | | | | | | |
| Translation differences arising from disposals of foreign operations | | | | | −0.3 | | | −0.3 | | −0.3 |
| Gains and losses arising from translating the financial statements of foreign operations | | | | | −0.3 | | | −0.3 | | −0.3 |
| Total comprehensive income for the period | 0.0 | 0.0 | 0.0 | 0.0 | −0.6 | | 53.1 | 52.6 | 0.0 | 52.6 |
| Dividends | | | | | | | −10.9 | −10.9 | | −10.9 |
| Repurchase of company shares | | | | 0.0 | | | | 0.0 | | 0.0 |
| Share-based payment | | | | 0.9 | | | 0.1 | 1.0 | | 1.0 |
| **SHAREHOLDERS' EQUITY ON 31.12.2009** | **27.8** | **2.9** | **88.6** | **−18.5** | **−3.7** | **0.0** | **225.0** | **322.0** | **0.0** | **322.0** |
| Comprehensive income for the period | | | | | | | | | | |
| Result for the period | | | | | | | 12.3 | 12.3 | −0.1 | 12.2 |
| Other comprehensive income items (adjusted for tax effects) | | | | | | | | | | |
| Protection of net investments | | | | | −0.2 | | | −0.2 | | −0.2 |
| Financial assets available for sale | | | | | | 1.4 | | 1.4 | | 1.4 |
| Translation differences arising from disposals of foreign operations | | | | | 0.0 | | | 0.0 | | 0.0 |
| Gains and losses arising from translating the financial statements of foreign operations | | | | | 1.6 | | | 1.6 | | 1.6 |
| Total comprehensive income for the period | 0.0 | 0.0 | 0.0 | 0.0 | 1.4 | 1.4 | 12.3 | 15.1 | −0.1 | 14.9 |
| Dividends | | | | | | | −14.1 | −14.1 | | −14.1 |
| Unclaimed dividends | | | | | | | 0.2 | 0.2 | | 0.2 |
| Management's holding company | | | | −1.0 | | | | −1.0 | 1.2 | 0.2 |
| Share-based payment | | | | 1.7 | | | −1.0 | 0.7 | | 0.7 |
| **SHAREHOLDERS' EQUITY ON 31.12.2010** | **27.8** | **2.9** | **88.6** | **−17.8** | **−2.4** | **1.4** | **222.5** | **323.0** | **1.0** | **324.0** |

# Consolidated cash flow statement

| (EUR million) | 2010 | 2009 |
|---|---|---|
| **CASH FLOW FROM BUSINESS OPERATIONS** | | |
| Result before taxes, continuing operations | 17.6 | 18.9 |
| Result before taxes, discontinued operations | −0.4 | 39.3 |
| Adjustments | | |
| Depreciation and impairment | 15.9 | 21.7 |
| Financial income and expenses | 1.9 | 0.7 |
| Share of result of associated companies and joint ventures | 0.0 | −0.1 |
| Other income and expenses not involving disbursement | 0.9 | 5.5 |
| Other adjustments [1] | −0.3 | −52.0 |
| Cash flow before change in working capital | 35.5 | 34.1 |
| Change in accounts receivables and other receivables | −3.9 | 4.2 |
| Change in inventories | −24.5 | 16.3 |
| Change in accounts payable and other liabilities | 22.6 | −2.6 |
| Change in reserves | −1.3 | 0.0 |
| Change in working capital | −7.1 | 17.9 |
| Cash flow from business operations before financial items and taxes | 28.4 | 52.0 |
| Interest paid | −2.8 | −4.1 |
| Dividends received | 0.2 | 0.2 |
| Interest received | 2.8 | 2.7 |
| Other financial items, net | −1.3 | 1.7 |
| Income taxes paid | −4.2 | −1.1 |
| **CASH FLOW FROM BUSINESS OPERATIONS** | 23.0 | 51.5 |
| **CASH FLOW FROM INVESTMENTS** | | |
| Acquisition of subsidiaries, minus liquid assets on the date of acquisition | −22.2 | 0.0 |
| Investments on marketable securities | −25.1 | −10.0 |
| Investments in tangible and intangible assets | −11.0 | −10.0 |
| Divestment of subsidiaries less liquid assets at the time of divestment | 3.5 | 47.1 |
| Sales revenues from securities | 22.4 | |
| Income from tangible and intangible assets | 0.1 | 23.6 |
| Loans granted | −0.7 | −0.1 |
| Repayment of loan receivables | 0.3 | 0.3 |
| **CASH FLOW FROM INVESTMENTS** | −32.8 | 50.9 |
| Cash flow after investments | −9.7 | 102.4 |
| **CASH FLOW FROM FINANCIAL OPERATIONS** | | |
| Non-current loans taken out | 0.0 | 52.5 |
| Repayment of non-current loans | −42.6 | −8.5 |
| Change in current loans | −6.9 | −0.7 |
| Related party investments | 1.2 | 0.0 |
| Dividends paid | −14.0 | −10.8 |
| Repurchase of company shares | −1.0 | 0.0 |
| **CASH FLOW FROM FINANCIAL OPERATIONS** | −63.3 | 32.4 |
| Change in liquid funds | −73.1 | 134.8 |
| Liquid funds at the beginning of the period | 213.0 | 77.9 |
| Impact of changes in exchange rates | −0.3 | 0.1 |
| Impact of change in market value on liquid funds | 0.5 | 0.1 |
| Liquid funds at period-end | 140.1 | 213.0 |

[1] Adjustments resulting from divestment of working capital

# Accounting policies for the consolidated financial statements

## Basic information

The Group develops, manufactures and markets foods, functional food ingredients, feeds and malts. The Group operates in 10 countries. Raisio's organisation consists of two profit centres, Brands and Business to Business Divisions, and service functions that support the Group's business areas.

The Group's parent company is Raisio plc. The parent company is domiciled in Raisio, Finland, and its registered address is Raisionkaari 55, FI-21200 Raisio.

Raisio's shares are listed on NASDAG OMX Helsinki Ltd. Copies of the financial statements are available on the internet at www.raisio.com or at the parent company's head office in Raisio.

These consolidated financial statements were authorised for issue by Raisio plc's Board of Directors on 10 February 2011. Under the Finnish Companies Act, shareholders are entitled to adopt or reject the financial statements at the Annual General Meeting held after the publication of the financial statements. The Annual General Meeting may also decide to amend the financial statements.

## Basis of presentation

Raisio's consolidated financial statements have been prepared according to the International Financial Reporting Standards (IFRS) and following the IAS and IFRS standards as well as SIC and IFRIC interpretations in effect on 31 December 2010. 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 that supplements the IFRS provisions. 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 entered at fair value through profit or loss, derivative contracts as well as cash-settled share-based payment transactions measured at fair value. Non-current assets held for sale have been valued at the lower of the following: fair value less costs to sell or book value.

**The Group has adopted the following revised or amended standards and interpretations as of 1 January 2010:**

- Revision of IFRS 3 *Business Combinations* that is applied prospectively to business combinations for which the acquisition date is in periods beginning on or after 1 July 2009. According to the revised standard, the acquisition method is still applied but some changes influencing the Group have been made. All payments made to implement the acquisition are entered at acquisition-date fair values, and some items classified as liabilities are later measured at fair value through the statement of comprehensive income. For each acquisition, it is possible to choose whether to measure the minority's interest either at fair value or its proportionate share of net assets of the acquisition. All acquisition-related costs are recognised as an expense.

  The revised standard was applied in the business combination of the British Glisten Group acquired in spring 2010. According to the revised standard, goodwill is determined only in at the acquisition date. The senior management of the Glisten Group remained as non-controlling interest. Their share of the purchase price liability has been recognised at the acquisition-date fair value since, according to the shareholder agreement, Raisio is obliged to buy back their interest. The liability will be later measured at fair value through the statement of comprehensive income. Acquisition-related expenses have been recognised as an expense whereas earlier they would have been included in the consideration paid for the acquisition.

- Amendment to IAS 27 *Consolidated and Separate Financial Statements* (effective in periods starting on or after 1 July 2009). The amended standard requires that the impact of completed transactions with the non-controlling interest is recognised in shareholders' equity when the parent company retains control. Thus, these transactions no longer result in goodwill entries or entries of gain or loss through profit and loss. If control is lost, the eventual remaining ownership interest is recognised at fair value through profit or loss. This accounting method will also be applied to investments in associates (IAS 28) and in joint ventures (IAS 31). As a result of the amendment, the losses of a subsidiary can be allocated to a minority also when they exceed the amount of the non-controlling interest. The amendment has no impact in this financial period as there are no negative non-controlling interests and no transactions with non-controlling interests have taken place.

- Amendments to IFRS 2 *Share-based Payment* (Group Cash-Settled Share-Based Payment Transactions) (effective in periods beginning on or after 1 January 2010). The amendments clarify that an entity receiving goods or services from suppliers shall apply IFRS 2 irrespective of whether it is liable or not for the required cash-settled share-based payments. The amendment does not affect the consolidated financial statements.

- Amendment to IAS 36 *Impairment of Assets* (effective as of 1 January 2010). The amendment clarifies that the largest cash-generating unit or group of units to which goodwill shall be allocated for the impairment testing is the operating segment as defined by paragraph 5 of IFRS 8 Operating Segments.

- Amendment to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* (effective in periods starting on or after 1 July 2009). Amendments are related to hedge accounting. They clarify IAS 39 guidelines on a one-sided risk in a hedged item and on inflation in a financial hedged item. The interpretation does not affect the consolidated financial statements.

- Improvements to IFRSs (April 2009) (mostly effective in periods starting on or after 1 January 2010). In the Annual Improvements process, minor and less urgent amendments are compiled and implemented once a year. The process includes amendments to a total of 12 standards. The impacts of the amendments vary, but the changes did not significantly affect the consolidated financial statements. The amendments have not yet been endorsed in the EU.
- Amendments to *IFRIC 9 Reassessment of Embedded Derivatives* and IAS 39 *Financial Instruments: Recognition and Measurement for Embedded Derivatives* (effective as of 1 July 2009). According to the amendment to IFRIC 9, the company shall assess whether an embedded derivative needs to be separated from the host contract when the combination instrument is transferred from the group of 'measured at fair value through profit or loss'. The amendments have no impact on the consolidated financial statements.
- IFRIC 12 *Service Concession Arrangements* (effective in periods starting on or after 29 March 2009). The interpretation provides guidance on how an operator shall recognise certain contractual items in arrangements involving the provision of public service. The Group has not entered into agreements with the public sector as defined in the interpretation in the now concluded accounting period or the period prior to that.
- IFRIC 17 *Distributions of Non-cash Assets to Owners* (effective in periods starting on or after 1 July 2009). The interpretation provides guidance on accounting for arrangements whereby the company distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. Amendment to IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, was made at the same time. According to the amendment, assets are classified to be distributed to owners only when they are available to be distributed in their present condition and their distribution is highly probable. The interpretation and standard amendment have no impact on the consolidated financial statements.
- IFRIC 18 *Transfers of Assets from Customers* (effective in periods starting on or after 1 July 2009). The interpretation clarifies the requirements of IFRSs for agreements in which an entity receives an item of property, plant or equipment, or cash to be invested in such an item, from customers, and the entity must use the item to connect the customer to a network or to supply the customer with certain goods or services. The interpretation does not affect the consolidated financial statements.

When preparing the financial statements in accordance with the IFRSs, Group management must make certain estimates and judgements concerning the application of accounting principles. Information about the estimates and judgements that the management has made when applying the Group's accounting principles and that have the biggest impact on figures presented in the financial statements are presented in conjunction with the accounting principles under 'Critical accounting judgements and key sources of estimation uncertainty'.

## Scope and accounting policies of consolidated financial statements

### Subsidiaries

Raisio's consolidated financial statements include the parent company, Raisio plc, and such directly or indirectly owned subsidiaries over which 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 the consolidated financial statements, mutual shareholding is eliminated using the acquisition cost method. The consideration transferred and the identifiable assets and assumed liabilities have been measured at fair value at the acquisition date. Costs related to an acquisition are recognised as an expense. Purchase price debt has been measured at fair value at the acquisition date and it has been classified as a liability. The liability is measured at fair value at the end of the reporting period, and gains and losses arising from the valuation are recognised through profit or loss.

Subsidiaries acquired during the financial period are included in the consolidated financial statements from the moment the Group acquires control, and the disposed subsidiaries are included in the statements 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.

Allocation of profit between parent company shareholders and the non-controlling interest is presented in a separate income statement. Allocation of comprehensive income between parent company shareholders and the non-controlling interest is presented in the statement of comprehensive income. The non-controlling interest in the acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Measurement principle is determined separately for each acquisition. Comprehensive income for the period is allocated to parent company shareholders and the non-controlling interest even if the non-controlling interest was negative. The non-controlling interest in the shareholders' equity is presented as a separate item in the balance sheet under shareholders' equity. Changes in the parent company's ownership interest in its subsidiary that do not result in a loss of control, are accounted for as equity transactions.

In a business combination achieved in stages, the prior ownership interest is measured at fair value and gain or loss arising from this is recognised through profit or loss. When the Group loses control of a subsidiary, any remaining investment is measured at fair value at the date when control is lost and the difference arising is recognised through profit or loss.

The acquisitions occurred before 1 January 2010 have been treated according to the regulations which were then in force.

**Company founded for a special purpose**

Management's holding company Reso Management Oy (former Raisio Management Oy) has been combined to the consolidated financial statements in a manner similar to used with subsidiaries. Management Team's incentive scheme has been carried out through this company. The purpose of the scheme is to commit the members of the Management Team to the company by encouraging them to acquire and hold company shares, and this way to increase the company's shareholder value in the long run, as well as to support the achievement of the company's strategic objectives. The company is combined with Raisio's consolidated financial statements because Raisio has control of the company on the basis of shareholder and loan agreements. Control results from the terms stated in the agreements, such as the prohibition of transfer or pledge of Raisio plc's shares held by Reso Management Oy. Moreover, many actions of Reso Management Oy require an approval from Raisio plc's Board of Directors. Raisio plc or the companies under its control have no ownership in the company in question.

Reso Management Oy's income statement and balance sheet have been combined in the consolidated financial statements from the beginning of the arrangement. The Raisio plc's shares held by the company have been deducted from shareholders' equity in the consolidated financial statement and are presented in a separate reserve for own shares.

According to the shareholder agreement, Reso Management Oy will be dissolved at the turn of the year 2013/2014 or, in case the terms postponing the dissolution are realised, in the spring 2018 at the latest. Since Raisio plc assigns a variable number of shares to the owners of Reso Management Oy at the time of the dissolution of the arrangement, the management's investment in the Reso Management Oy is treated as the non-controlling interest in the consolidated financial statements.

The accounting treatment of the arrangement is examined in detail under the share-based payments.

**Associated companies and joint ventures**

Associated companies are companies in which the Group owns 20–50% of the voting rights or over which it 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 companies 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 companies or joint ventures. The Group investment in associated companies 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 companies or joint ventures or has guaranteed their liabilities. The Group's share of the associated companies and joint ventures' profit for the period, calculated on the basis of its ownership, is presented as a separate item after EBIT. Similarly, the Group's share of the changes recognised in other comprehensive income of associated companies and joint ventures have been recognised in the Group's other comprehensive income. The Group's associated companies and joint ventures have had no such items in this or previous period.

## Segment reporting

Segment information is presented in a manner similar to internal reporting reviewed by the chief operating decision-maker. The Group's Management Team has been nominated as the chief operating decision-maker at Raisio, and it is responsible for allocating resources to operating segments and for evaluating their results.

## Foreign currency transactions and translations

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

**Business transactions in foreign currency**

Business transactions 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 using the closing date exchange rate. 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 have been recognised through profit or loss. Exchange rate profits and losses related to the main business are included in the corresponding items above EBIT. Foreign currency exchange differences are entered under financial income and expenses except for the liabilities that have been determined to hedge the net investments in foreign operations and that are effective in it. These foreign exchange differences are entered in other comprehensive income and accumulated foreign exchange differences are presented as a separate line item within equity until the foreign entity is partially or completely disposed of.

**Conversion of financial statements in foreign currency**

The separate income statements for foreign Group companies, where the valuation or closing currency is not the euro, are converted to the euro using the average exchange rates of the reporting period, and balance sheets using the closing date exchange rates. Converting income and comprehensive income from the accounting period by using different exchange rates in the income statement, the statement of comprehensive income and the balance sheet result in a translation difference recognised under shareholders' equity in the balance sheet, the change of which is recognised in other comprehensive income. Translation differences arising from the elimination of the acquisition cost of foreign entities and the conversion of items of equity accrued post-acquisition are recognised in other comprehensive income. When disposing of a foreign Group company during the reporting period, the accumulated translation differences are recognised through profit or loss as part of the sales profit or loss when recording the corresponding disposal proceeds.

According to the exemption allowed by the IFRS 1, any cumulative translation differences accrued prior to the IFRS adoption date, 1 January 2004, have been entered under accrued profits and will not be recognised through profit or loss later when the foreign entity is sold. From the adoption date, the translation difference for foreign 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 a foreign entity and adjustments related to fair values are treated as assets and liabilities in the local currency of the unit in question and converted to the closing date exchange rate.

## Property, plant and equipment

Property, plant and equipment are valued at the original purchase cost minus accumulated depreciations and value impairment.

When part of an item of property, plant and equipment is treated as a separate item, costs related to the replacement of the part are activated. Otherwise, any costs generated later are included in the carrying amount of the property, plant and equipment only if it is likely that any future financial benefit related to the item will benefit the Group and that the purchase cost of the item can be determined reliably. Other repair and maintenance costs are recognised through profit or loss when they are realised.

Straight-line depreciations are made from tangible assets within the estimated useful life. No depreciations are made from land. The estimated useful lives are as follows:

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

Estimated useful lives are reviewed every closing date, and corresponding adjustments are made to the depreciation periods if they differ significantly from the previous figures. If the carrying amount of a commodity is greater than the recoverable amount, the carrying amount is immediately reduced to the recoverable level of the amount. Impairment is discussed in greater detail under 'Impairment of tangible and intangible assets'.

Sales profits and losses are determined as the difference between the selling price and the book value, and they are included in the income statement under other operating income and expenses.

Depreciations on property, plant and equipment are discontinued when the item is classified as available for sale according to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Items of property, plant and equipment available for sale are valued at their carrying amount or a lower fair value less costs to sell.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, such as a production plant, shall be capitalised when it is likely that they will generate future financial benefit and when the costs can be determined reliably. Other borrowing costs are recognised as an expense in the period in which they are incurred. Since the Group did not acquire any qualifying assets, no borrowing costs are capitalised.

## Government grants and assistance

Government grants related to the purchase of property, plant or equipment are entered as deductions from the carrying amount when the Group has reasonable assurance of receiving the grants. In the case of grants, revenue recognition takes place through lower depreciations within the asset's useful life. Other public subsidies are recognised through profit or loss under income for the accounting periods in which the costs corresponding to the subsidies are generated.

## Intangible assets

### Goodwill

For the business combinations taken place after 1 January 2010, goodwill represents the amount by which the transferred consideration, non-controlling interest and previously held interest exceed the acquisition-date fair value of acquired net assets.

The acquisitions carried out between 1 January 2004 and 31 December 2009, have been recognised according to the previous IFRSs. The goodwill generated from the acquisitions carried out prior to 1 January 2004 corresponds to the carrying amount according to the accounting standards in effect at the time, which was used as the deemed cost for IFRS. Goodwill is valued at the original purchase cost with impairment deducted.

Goodwill is not depreciated. Goodwill is tested annually for possible impairment. For this purpose, goodwill is allocated to the cash-generating units. In the case of an associated company or a joint venture, goodwill is included in the carrying amount of the associated company or joint venture in question. Goodwill is valued at the original purchase cost with impairment deducted.

### Research and development costs

Research costs are recognised through profit or loss in the year in which they were generated. Research costs are capitalised in the balance sheet as intangible assets from the date after which the product can be technically implemented, commercially utilised and it is expected to generate financial benefit. Research costs previously entered as expenses cannot be recognised as assets in later accounting periods.

Costs related to development of the Group's new products and processes have not been capitalised because any future returns to be derived from these are only ensured when the products are launched. Therefore, the Group has no capitalised development costs on the balance sheet on the closing date.

### Other intangible assets

An intangible asset is recognised in the balance sheet at original cost if it can be reliably measured and it is probable that the economic benefits attributable to the asset will flow to the Group.

Intangible assets are entered in the income statement as an expense based on the straight-line depreciation method over their known or estimated useful life. Depreciations are not recognised for the intangible assets that have indefinite useful life. Instead, these assets are tested annually for possible impairment.

The depreciation of other intangible assets is based on the following estimated useful lives:

- Intangible rights 5–10 years
- Other intangible assets 5–20 years

In connection of the business combination of Glisten acquisition included in the Brands segment, the recognised brands have been estimated to have an indefinite useful life. As the brands are extremely well-known in Great Britain, Group management is convinced that they will generate cash flows for an indefinite time.

## Inventories

Inventories are measured at the lower of cost and net realisable value. The acquisition cost is determined by using the FIFO method or alternatively by the equivalent weighted average cost. The acquisition cost of finished products and work in progress consists of raw materials, direct work-related costs, other direct costs and the approriate part of the variable and fixed production overheads based on the normal capacity of the production facilities. The acquisition cost does not include borrowing costs. A net realisable value is estimated sales price in normal business operations, with the estimated product completion costs and sales-related costs deducted.

## Assets held for sale and discontinued operations

Non-current assets and liabilities related to discontinued operations are classified as held for sale if a value corresponding to their carrying amount will mainly be accumulated from the sale of the asset instead of from continuing use. In this case, the sale is considered to be highly probable, the asset is available for immediate sale in its current condition, management is committed to a plan to sell, and the sale is expected to take place within 12 months of classification. Assets held for sale and assets related to discontinued operations classified as held for sale are valued at the lower of the following: the carrying amount or the fair value less costs to sell. Depreciations from these assets are discontinued at the time of classification.

The result from discontinued operations is presented in the income statement as a separate item. Assets held for sale together with the related liabilities are presented as a separate item in the balance sheet.

## Rental agreements

### 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 a financial leasing agreement are entered on the balance sheet at the fair value of the leased asset at the commencement date of the rental agreement or at a lower current value of minimum rents. Payable leasing rents are divided into leasing costs and debt deductions. Financing interest is entered in the income statement 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 useful life of the goods or a shorter rental period. Rental obligations are included in financial liabilities.

Rental agreements that leave the risks and rewards incident to ownership to the lesser are treated as other rental agreements. Rents determined by any other rental agreement are recognised as an expense through profit or loss as fixed charge items within the rental period.

### Group as lesser

All rental agreements with the Group as a lesser constitute other rental agreements, and the goods are included in the property, plant and equipment of the Group.

## Impairment of tangible and intangible assets

On each closing date, the Group assesses whether there are any indications of impairment of any asset. If indications are found, the recoverable amount of 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, for intangible assets with an indefinite useful life as well as for unfinished intangible assets.

The recoverable amount 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 value in use, estimated future cash flows approved by the management are discounted to their present value at the average cost of the capital, which reflects the time value of money and the risk for the entity in question.

Impairment losses are entered when the carrying amount of assets is higher than the recoverable amount. Impairment loss is recognised through profit or loss. The impairment loss of an entity that produces a cash flow is first allocated to reduce the goodwill of an entity that produces the cash flow and then, symmetrically, the values of other assets of the entity. In conjunction with the recognition of impairment losses, the useful life of the asset subjected to depreciation is re-evaluated. The impairment loss of property, plant and equipment and of intangible assets, apart from impairment loss of goodwill, is cancelled if conditions have changed and the recoverable amount of assets has changed since the time the impairment loss was entered. However, the impairment loss will not be cancelled to a greater extent than the carrying amount of the assets would amount to without entering the impairment loss. Impairment losses recognised for goodwill are not reversed under any circumstances.

## Employee benefits

### Pension obligations

Post-employment benefits are classified as defined contribution or defined benefit plans. Under a defined contribution plan, the Group makes payments to separate units. The Group has no legal or constructive obligation to make further payments it the payment recipient does not have sufficient assets to pay the post-employment benefits. All arrangements not meeting these conditions are defined benefit plans.

The Group's pension schemes comply with the local regulations of each country. Pension schemes are usually managed by separate pension insurance companies. Most of the foreign schemes, as well as the Finnish TyEL scheme, are defined contribution systems. Payments made to defined contribution pension schemes are recognised through profit or loss in the accounting period the charge applies to. The Group has no material defined benefit schemes.

### Share-based payments

The Group has set up several incentive and reward schemes. In the schemes, the rewards are paid as company shares previously acquired for the parent company, as cash or as a combination of these two. The shares issued under the schemes are measured at fair value at grant date and recognised as employee benefit expenses on a straight line over the vesting period. Cash-settled transactions are estimated using the share price on each reporting date and amortised through profit or loss as employee benefit expenses from the grant date to the date on which the transaction is made to the recipient. Equity-settled transactions are recognised under shareholders' equity and cash-settled transactions under liabilities.

During the accounting period, some of the Management Team members have been granted a share-based incentive and commitment scheme that is implemented through Reso Management Oy. The grant date of the arrangement was 23 June 2010 and a total of 4,482,740 free shares were assigned to the management. At the beginning of the arrangement, fair value of the arrangement was estimated using Black & Scholes options pricing model and it is recognised as an expense during the validity of the arrangement.

## 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 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. Provisions are valued at the present value of expenditure required to settle the liability. The present value is calculated using a discount factor that has been selected to reflect the markets' view of the time value of money at the time of calculation and the risk related to the liability.

A rearrangement is entered when the Group has prepared a detailed rearrangement plan and started the implementation of the plan or informed on the matter. The rearrangement plan shall include at least the following: arrangement-related business operations, main offices affected by the arrangement, the workplace location, tasks and the 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 plant, rectification of environmental damage or the transportation of equipment from one place to another.

## Dividends payable

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

## Income taxes

Tax expense consists of the change in current tax and deferred tax. Taxes are recognised through profit or loss except when they relate to the statement of comprehensive income or items directly recognised under shareholders' equity. In this case, tax effects are also recognised in the corresponding items. Current tax 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 accounting periods.

Deferred taxes are calculated from temporary differences between the carrying value and the tax base. The most significant temporary differences arise from the depreciation of tangible and intangible assets, impairment of shares and unused tax losses and adjustments based on fair values made in conjunction with business combinations. No deferred tax is entered for non-deductible goodwill.

No deferred tax is entered for the investments in subsidiaries, associated companies or joint ventures if the Group can determine the date of dissolution of the temporary difference and the difference is not expected to be dissolved in the foreseeable future.

Deferred taxes have been calculated using the tax rates set by the date of the financial statements or tax rates whose approved content has been announced by the date of the financial statements.

A deferred tax asset has been recognised to the extent that it is probable that taxable income will be generated in the future, against which the temporary difference can be used.

## Revenue recognition principles

Revenues from the sale of goods are recognised when any significant risks, benefits and control related to the ownership of the goods have been transferred to the purchaser. Revenues from services are recognised when the service has been completed. Revenues from licences and royalties are recognised in accordance with the actual contents of the agreement. Interest income is recognised using the effective interest method and dividend income when the right to receive payment is established.

## Income statement by function of expense

The Group's income statement is presented using the function of expense method. Separate functions include sales and marketing expenses, administrative expenses and R&D expenses. Costs of goods sold include the wage, material, acquisition and other expenses incurred from the production and acquisition of products. Administrative expenses include general administrative costs and Group management costs. Administrative expenses have been allocated to functions according to the matching principle.

## Other operating income and expenses

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

## Financial assets and liabilities

### Financial assets

The Group's financial assets are classified into the following categories: financial assets entered at fair value through profit or loss, loans and other receivables as well as financial assets held for sale. The classification is based on the purpose of acquisition of the financial assets, and it is carried out in connection with the original purchase. Transaction costs are included in the original carrying amount of the financial assets when treating an item not measured at fair value through profit or loss. Financial assets and liabilities, except derivatives, are recognised on the settlement day. The derivatives are recognised on the trade date.

Financial assets are derecognised in the balance sheet when the Group has forfeited its contractual right to cash flows or when it has transferred a significant share of risks and revenues outside the Group.

*Financial assets recognised at fair value through profit or loss* are financial assets held for trading. This group includes bonds, certificates of deposit and commercial papers, as well as fund units. Derivatives which do not meet the terms of hedge accounting have been classified as held for trading. All assets held for trading are current assets. Financial assets held for trading have been acquired to generate short-term profit from changes in market prices. Items in this group are valued at fair value, and the fair value of all deposits in this group is determined in the active market, which is the closing date bid quotation. Fair values of the interest rate swaps are determined by the present value of future cash flows, whereas forward exchange contracts are valued at the forward exchange rates on the closing date. Unrealised profits and losses due to changes in the fair value are recognised through profit or loss in the period in which they were generated.

*Loans and other receivables* are non-derivative assets with fixed or determinable payments, which are not quoted in the active market and are not held for trading by the Group. This group includes the Group's financial assets, sales and loan receivables and financial instruments included in accrued income. They are measured at amortised cost and are included in current and non-current financial assets; in the latter if they fall due after 12 months.

*Financial assets available for sale* are non-derivative assets that have been specifically allocated to this group. The group consists almost exclusively of companies' shares. They are valued at fair value or, if fair values are not reliably available, acquisition cost. If there are no quoted rates available for the financial assets held for sale, the Group applies, for instance, recent transactions made between independent parties in their valuation.

Changes in the fair value of financial assets available for sale are recognised in other comprehensive income and presented in the fair value reserve, including the tax effect. Changes in fair value are transferred from shareholders' equity and recognised through profit or loss as a reclassification adjustment when the investment is sold or it has been impaired to the extent that an impairment loss must be recognised.

### Liquid funds

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

### Financial liabilities

Financial liabilities are classified as financial liabilities recognised at fair value through profit or loss or as other financial liabilities. Financial liabilities are recognised at fair value on the basis of the compensation originally received. Transaction costs have been included in the original carrying amount of financial liabilities. Financial liabilities recognised at fair value through profit or loss are liabilities from derivative contracts which do not meet the terms of hedge accounting and the debts arising from the purchase price paid to Glisten's management. Other financial liabilities are measured at amortised cost using the effective interest method. Financial debts are included in current and non-current debts and may be either interest-bearing or non-interest-bearing.

### Impairment of financial assets

At each closing date, the Group assesses whether there is objective evidence of impairment of a financial asset or a group of financial assets. The impairment loss for liabilities and other receivables entered at amortised cost in the balance sheet is measured as the difference between the carrying amount of the item and the present value of estimated future cash flows discounted at the initial effective interest rate. The impairment of available-for-sale financial assets is entered through profit or loss if there is objective evidence of impairment. These impairment losses are not reversed through profit or loss.

The Group recognises impairment loss for accounts receivables if there is objective evidence that the receivable cannot be recovered in full. Considerable financial difficulties of a debtor, probability of bankruptcy and payment default are evidence of impairment of accounts receivables. Credit losses are recognised through profit or loss. If an impairment loss decreases in a subsequent period, the recognised loss is reversed through profit or loss.

## Derivative financial instruments and hedge accounting

Derivative contracts are originally recognised at acquisition cost representing their fair value. Following the purchase, derivative contracts are measured at fair value. Profits and losses generated from the measurement at fair value are treated according to the purpose of use of the derivative contract.

According to its financial risk management policy, the Group may use various derivates to hedge against interest rate, currency and commodity price risks. Interest rate swaps are used to hedge against changes in market rates of interest. Currency forward contracts are used to hedge receivables and debts in foreign currencies as well as future commercial cash flows. Quoted commodity futures can be used to hedge against the price risks caused by temporal differences of the fixed-price raw material purchases and product sales.

Although the hedges meet the requirements for efficient hedging determined in the Group's risk management policy, the Group does not currently comply with the hedging policies of IAS 39 with the exception of the hedging of a net investment in a foreign entity. The changes in the fair values of interest rate swaps are entered under financial income and expenses. The changes in the fair value of forward contracts are entered under other operating income and expenses, and the effects of the contracts' interest rate element are entered under financial income and expenses.

The fair values of derivatives are presented in notes 27.

## Hedges of a net investment in a foreign operation

Net investment in a foreign operation is hedged by the debt in pounds resulted from the purchase price paid to Glisten management. The effective portion of the change in value of the hedge instrument is recognised in other comprehensive income. Profits and losses accumulated from the hedging of a net investment are transferred to profit or loss when the net investment is partially or completely disposed of.

When hedge accounting is initiated, the Group documents the relationship between the net investment and the hedge instrument as well as the targets of the Group's risk management and the initiation of hedging strategy. The Group documents and assesses the effectiveness of the hedging relationship always when initiating the hedging and in connection of all financial statements.

## Accounting policies calling for management's judgement and main uncertainties related to the assessments

When preparing the consolidated financial statements, estimates and assessments must be made concerning the future. These may affect assets and liabilities at the time of balance sheet preparation, as well as income and expenses in the reporting period. Actual figures may differ from those used in the financial statements. The estimates are based on the management's best judgement on the closing date. Any changes to estimates are entered in the period in which the estimates are adjusted. Additionally, judgement is needed in the application of accounting policies for the financial statements.

The Group management may have to make judgement-based decisions relating to the choice and application of accounting policies for the financial statements. This particularly concerns the cases when IFRSs allow alternative valuation, recording and presenting manners. No significant judgement-based decisions have been needed.

Most of the Group management's estimates are related to the valuation and useful lives of assets, the determination of fair values of acquired assets and purchase price debt resulting from the business combination, the amount of obsolete inventories and the use of deferred tax assets against future taxable income.

Estimates made in conjunction with the preparation of financial statements are based on the management's best judgement on the closing date. They are based on previous experience and future expectations considered to be most likely on the closing date. These include, in particular, the factors related to the Group's financial operating environment which affect sales and the cost level. The Group monitors the realisation of these estimates and assumptions. Any changes in estimates and assumptions are entered in the period in which they have been detected.

### Impairment testing

The Group performs regular annual tests on goodwill, intangible assets with indefinite useful life and unfinished intangible assets for possible impairment. The value of identifiable tangible and intangible assets and goodwill are also assessed if any event or change in conditions indicates that the recoverable amount no longer corresponds to the book value. The recoverable amount of cash-generating units has been estimated using calculations based on value in use. Estimates are needed in the preparation of such calculations. The main variables in cash flow calculations are the discount rate and number of years that cash flow estimates are based on, as well as the assumptions and estimates used to determine cash flows. The estimated income and expenses may differ considerably from actual figures.

### Determination of fair value of acquired assets and purchase price debt in the business combination

When determining the fair value of tangible assets in the business combination, the Group has compared the market prices of similar assets realised in previous similar acquisitions. The Group has also assessed the impairment of acquired assets due to age, wear and other similar factors. Determination of the fair value of intangible assets is based on estimates on cash flows related to assets since there has not been information available on transactions of similar assets.

Fair value of the purchase price debt has been determined based on the management's best judgement of the future EBIT of the acquired company and net debt. The estimate is reviewed at each closing date and changes in the fair value of the debt are recognised through profit or loss except for changes in exchange rates to the extent that the debt has been determined to hedge the net investment in the foreign operation and is considered to be effective in it. In this case, exchange differences are recognised in other comprehensive income.

The management believes that the estimates and assumptions are sufficiently accurate for the determination of fair value.

#### Deferred tax assets

Management is required to make estimates when calculating the amount of deferred tax assets and the extent to which tax assets can be recognised in the balance sheet. If the estimates differ from the actual figures, the deviations are entered in the profit or loss and deferred tax assets of the period in which the deviation was determined.

#### Amount of obsolete inventories

The Group regularly assesses the amount of obsolete inventories and possible decrease of fair values below original purchase cost. An obsolescence provision is entered if required. These assessments call for estimates of future demand for the company's products. Possible changes in these estimates may result in adjustments to the value of inventories in subsequent periods.

## Application of new and amended IFRS standards

IASB has published the following new or amended standards and interpretations, which have not yet taken effect and which the Group has not yet applied. The Group plans to adopt each standard and interpretation when it enters into effect, or, if the standard or interpretation takes effect during the accounting period, in the accounting period following the entry into effect.

- Amendment to IAS 32 *Financial Instruments: presentation – Classification of Rights issued* (effective in periods beginning on or after 1 February 2010). The amendment concerns the accounting treatment of such issued rights that are issued in a currency other than the issuer's functional currency. When certain conditions are met, the rights of this kind are now classified as equity regardless of the currency in which the exercise price is determined. Earlier these rights were treated as derivative liabilities. The Group estimates that the amendment will not affect the future consolidated financial statements.
- Revised IAS 24 *Related Party Disclosures* (effective in periods beginning on or after 1 January 2011). The revised standard has clarified and simplified the definition of related party. The revision provides an exemption from disclosure requirements for transactions between entities controlled, jointly controlled or significantly influenced by the same state ('state-controlled entities').
- Amendment to IFRS 7 *Disclosures: transfers of financial assets* (effective in periods beginning on or after 1 July 2011). The amendment requires additional disclosures on risk positions arising from transferred assets. The amendment extends the detailed requirements of additional disclosures to also apply to such transfers of financial assets which have been possible to derecognise in the balance sheet in their entirety but to which the transferor has maintained a continuing interest. The amendment has not yet been endorsed in the EU. The Group estimates that the amendment will not affect the future consolidated financial statements.
- IFRS 9 *Financial instruments – Classification and Measurement* (effective in periods beginning on or after 1 January 2013). The standard is the first step in the IASB process to replace IAS 39 *Financial Instruments: Recognition and Measurement with a new standard for financial instruments*. The standard includes new requirements on the classification and measurement of financial assets. The Group management is examining the impact of the standard on the consolidated finance statements. The standard has not yet been endorsed in the EU.

  IFRS 9 *Financial liabilities– Classification and Measurement* (effective in periods beginning on or after 1 January 2013). This complements the first step of the revision of IAS 39 concerning the above mentioned Classification and Measurement of Financial assets. According to the new standard, recognition and measurement of financial liabilities should remain the same except for those liabilities to which an option of fair value is applied. The amendment is not expected to affect the accounting treatment of financial liabilities in the Group. The standard has not yet been endorsed in the EU.

  The total effect of IFRS 9 is under assessment. The amendment may impact the accounting treatment of debt available-for-sale financial assets.
- Amended IFRIC 14 *Prepayments of a Minimum Funding Requirement* (effective in periods beginning on or after 1 January 2011). The amendment is aimed at correcting an unintended consequence of the interpretation of IFRIC 14 'IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*'. Without these amendments, the entities would not be allowed to recognise certain voluntary prepayments based on minimum funding requirements as assets in the balance sheet. The amendment will not affect the consolidated financial statements. The interpretation has not yet been endorsed in the EU.
- IFRIC 19 *Extinguishing Financial liabilities with Equity Instruments* (effective in periods beginning on or after 1 July 2010). The interpretation clarifies the accounting treatment in a situation where the terms of a financial liability are renegotiated and as a result of which the company issues equity instruments to the creditor in order to extinguish the financial liability fully or partially. According to the interpretation, any gain or loss, determined as a difference between the carrying amount of the financial liability and the fair value of the equity instruments issued, shall be recognised through profit or loss. The interpretation is not expected to affect the consolidated financial statements.
- Improvements to IFRSs (May 2010) (mostly effective in periods starting on or after 1 July 2010). In the Annual Improvements process, minor or less urgent amendments are compiled and implemented once a year. The amendments have not yet been endorsed in the EU.

# Consolidated notes

## 1. SEGMENT INFORMATION

The Group consists of two reportable segments, Brands and Business to Business, and service functions. Brands and Business to Business segments are the Group's strategic business units that are lead as separate units. Their products are different and require different distribution channels and market strategies. The Brands segment is composed of international brands – Benecol, and local brands. Under the segment, the Group reports Benecol Division, Northern and Eastern European operations of foods as well as Western European operations as of 1 April 2010. Western European operations include the operations of Glisten companies acquired in spring 2010. Business to Business Division includes the feed, malt and feed protein businesses.

The segment information presented by the Group is based on the management's internal reporting prepared according to the IFRS standards.

The Group assesses the business performance of the segments according to their EBIT, and decisions on the resource allocation to the segments are also based on EBIT. Moreover, EBIT is considered a good meter when the segment performance is compared with other companies' similar segments. The Group's Management Team is the chief decision-maker and as such, is responsible for allocating resources to operating segments and for evaluating their results.

The assets and liabilities of the segments 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. Intra-segment pricing is carried out at fair market value. Investments consist of increases in property, plant and equipment and intangible assets used for more than one accounting period.

| (EUR million) | Brands | | Business to Business | | Other operations | | Eliminations | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| External sales | | | | | | | | | | |
| Services | 0.1 | 0.3 | 0.0 | 0.0 | 0.8 | 0.8 | | | 0.9 | 1.1 |
| Goods | 232.8 | 174.1 | 208.3 | 199.7 | 0.1 | 0.1 | | | 441.1 | 373.9 |
| Royalties | 1.0 | 0.9 | 0.0 | 0.0 | | | | | 1.0 | 0.9 |
| Total external sales | 233.9 | 175.3 | 208.3 | 199.7 | 0.9 | 0.9 | | | 443.0 | 375.9 |
| Internal sales | 2.5 | 2.3 | 0.0 | 5.8 | | | −2.5 | −8.1 | 0.0 | 0.0 |
| Net sales | 236.4 | 177.6 | 208.3 | 205.6 | 0.9 | 0.9 | −2.5 | −8.1 | 443.0 | 375.9 |
| Depreciation | 7.8 | 7.1 | 5.3 | 4.9 | 2.8 | 2.8 | | | 15.9 | 14.8 |
| Value impairments | 0.1 | 2.1 | | | 0.0 | | | | 0.1 | 2.1 |
| Segment EBIT | 20.0 | 20.5 | 2.1 | 3.0 | −2.8 | −4.3 | 0.0 | 0.3 | 19.4 | 19.5 |
| Share of associates' results | 0.0 | 0.0 | 0.1 | 0.1 | | | | | 0.0 | 0.1 |
| Segment assets | 179.1 | 91.4 | 132.6 | 104.8 | 16.5 | 16.5 | −1.3 | −2.8 | 326.9 | 209.9 |
| Including: | | | | | | | | | | |
| Shares in associates and joint ventures | 0.1 | 0.1 | 0.7 | 0.7 | | | | | 0.8 | 0.8 |
| Increase in non-current assets | 43.4 | 3.3 | 4.5 | 5.4 | 1.3 | 1.3 | 0.0 | 0.0 | 49.1 | 10.0 |
| Segment liabilities | 35.5 | 21.8 | 48.6 | 25.6 | 5.0 | 6.3 | −1.3 | −2.8 | 87.7 | 50.9 |

| (EUR million) | 2010 | 2009 |
|---|---|---|
| **RECONCILIATION** | | |
| Reconciliation of results | | |
| Segment EBIT | 19.4 | 19.5 |
| Share of the results of associates and joint ventures | 0.0 | 0.1 |
| Financial income and expenses | –1.9 | –0.6 |
| Result before tax and discontinued operations | 17.6 | 18.9 |
| Reconciliation of assets to Group assets | | |
| Segment assets | 326.9 | 209.9 |
| Deferred tax assets | 5.3 | 6.5 |
| Loan receivables | 2.8 | 1.4 |
| Tax assets | 1.5 | 3.1 |
| Financial assets recognised at fair value in profit or loss | 131.8 | 215.3 |
| Liquid funds | 18.9 | 8.0 |
| Recognised assets | 487.2 | 444.2 |
| Reconciliation of liabilities to Group liabilities | | |
| Segment liabilities | 87.7 | 50.9 |
| Deferred tax liability | 7.6 | 7.6 |
| Financial liabilities | 67.2 | 62.8 |
| Financial liabilities recognised at fair value in profit or loss | 0.1 | 0.1 |
| Pension obligation | 0.2 | 0.2 |
| Tax liability | 0.0 | 0.1 |
| Dividend liability | 0.3 | 0.5 |
| Liabilities related to financing | 0.0 | 0.0 |
| Recognised liabilities | 163.2 | 122.1 |
| **GEOGRAPHICAL INFORMATION** | | |
| Revenue from external customers | | |
| Finland | 256.8 | 251.5 |
| Great Britain | 68.4 | 12.5 |
| Rest of Europe | 105.5 | 104.9 |
| Rest of the world | 12.4 | 7.1 |
| Total | 443.0 | 375.9 |
| Non-current assets, excluding deferred tax assets and financial instruments | | |
| Finland | 93.9 | 97.9 |
| Great Britain | 70.4 | 0.0 |
| Rest of Europe | 0.7 | 0.8 |
| Rest of the world | 4.8 | 4.9 |
| Total | 169.7 | 103.6 |

Information about major customers:
In 2010, the Group had no major customers, as defined in IFRS 8, whose revenue to the Group would have exceeded 10% of the Group's net sales. The Group's revenue from one major customer, as defined in IFRS 8, of both the Brands and the Business to Business segments, totalled some EUR 45 million, which accounted for approximately 12% of consolidated net sales in 2009.

## 2. ACQUIRED BUSINESS OPERATIONS

Raisio plc made a public purchase offer for the entire share capital of British Glisten plc. The shareholders of Glisten plc approved Raisio's purchase offer on 12 March 2010, and the deal became legally valid on 8 April 2010. Glisten produces healthy, nutritious, high-quality snack foods. Fruitus, Victoria and The Dormen are the company's well-known brands in their own product categories. The company operates through eight premises across Great-Britain and employs approximately 650 people. With the acquisition, the Group's strategy is to expand its current domestic market in breakfast and snack products. Glisten's result has been reported as part of the figures of Raisio's Brands Division from the beginning of the second quarter.

Raisio UK Ltd, founded for the purpose of the acquisition, acquired the share capital of Glisten plc. After the closing of the deal, Raisio plc owned 85% and the senior management of Glisten 15% of Raisio UK Ltd's share capital. Since Raisio is obligated to redeem the part of the management's shares, the company has been consolidated to the Group according to the shareholding of 100% and the redemption price has been treated as a liability.

The acquisition price was thus comprised of the share paid in cash and the purchase price liability later paid to Glisten management for the ownership of Raisio UK Ltd's. The part of the purchase price paid in cash was EUR 22.2 million (19.5 M£). The amount of the purchase price liability was estimated to be EUR 16.0 million (14.0 M£) at the time of the acquisition and it has been entered on the balance sheet as a liability. The payment time of the purchase price liability is estimated to be during the third quarter of 2012. The undiscounted amount of the purchase price debt was estimated to be EUR 16.5 million at the acquisition date.

Later the shareholder agreement was amended so that Glisten's senior management increased its ownership in Raisio UK Ltd up to 21.27%. On the grounds of the shareholders agreement, this invested amount with interests will be paid to the senior management of Glisten in connection with the payment of purchase price liability. This increased the amount of the debt by EUR 1.0 million (0.9 M£).

EUR –0.3 million of the purchase price debt has been recorded in the statement of comprehensive income for 2010. This is due to two reasons. Firstly, the valuation of the purchase price debt at the rate of the closing date to the extent the debt has not been determined to hedge the investment in a foreign entity. For this part, the exchange rate differences have been recognised in the items of other comprehensive income. Secondly, it is due to the recognition of unwinding of the discount. The Group estimates that other factors affecting the amount of the purchase price debt remain unchanged compared with the acquisition date.

The fees of lawyers, advisors and outside valuators related to the deal amounted to a total of administration costs of EUR 1.1 million recognised in the income statement.

Goodwill resulting from the acquisition was EUR 50.9 million (44.6 M£). Goodwill is resulted from the income expectations of the local operations, based on the business entity's historical earning power and view of maintaining and improving the level of earnings. The goodwill recognised is not deductible for tax purposes in any respect.

Receivables acquired in conjunction of operations do not include items not expected to be collected.

Raisio Group's net sales for January–December 2010 would have been EUR 462.8 million and pre-tax result excluding one-off items EUR 17.7 million if the acquisition of business operations completed during the financial year had been combined with the consolidated financial statement from the beginning of the financial year 2010. The post-acquisition net sales of subgroup Glisten was EUR 65.5 million and pre-tax result EUR 4.3 million.

| (EUR million) | Fair values entered in the business combination |
|---|---|
| **The values of acquired assets and assumed liabilities at the acquisition date were as follows:** | |
| Property, plant and equipment | 14,0 |
| Trade marks | 4,6 |
| Deferred tax assets | 0,2 |
| Inventories | 8,4 |
| Accounts receivables and other receivables | 14,7 |
| Cash in hand and at banks | 0,0 |
| Total assets | 42,0 |
| Deferred tax liabilities | 2,1 |
| Reserves | 0,9 |
| Financial liabilities | 32,3 |
| Financial liabilities at fair value through profit or loss | 5,1 |
| Other liabilities | 14,3 |
| Total liabilities | 54,7 |
| **Net assets** | –12,7 |
| Cash assets paid | 22,2 |
| Contingent purchase price debt | 16,0 |
| Acquisition price | 38,2 |
| **Goodwill** | 50,9 |
| Purchase price paid in cash | 22,2 |
| Financial assets of the acquired subsidiary | 0,0 |
| Cash flow generation | 22,2 |

## 3. NON-CURRENT ASSETS AVAILABLE FOR SALE AND DISCONTINUED OPERATIONS

The Group signed a preliminary agreement on the divestment of its margarine business in May 2009, and the deal was concluded in October 2009. The divestment included the margarine plants in Poland and Finland, as well as some product brands. Raisio will continue to sell margarine as a distributor of Bunge in Finland and Sweden. Margarine sales agreement ended in Estonia at the end of October, 2010.

Discontinued operations in the income statement include the result of the divested Raisio Polska Foods Sp, as well as the impact that the divestment of the margarine business had on results. Depreciations of the fixed assets sold were discontinued on 14 May 2009. The result of the Finnish margarine business is still presented under continuing operations, since Raisio continues to sell margarine.

| (EUR million) | 2010 | 2009 |
|---|---|---|
| **Result for discontinued operations:** | | |
| Income from ordinary operations | 0.0 | 32.7 |
| Expenses | 0.0 | −28.9 |
| Result before taxes | 0.0 | 3.7 |
| Taxes | 0.0 | −0.7 |
| Result after taxes | 0.0 | 3.1 |
| Earnings due to discontinuation | −0.4 | 35.6 |
| Taxes | 0.2 | 1.1 |
| Result after taxes | −0.2 | 36.7 |
| Result for the financial period from discontinued operations | −0.2 | 39.7 |
| **Cash flow for discontinued operations:** | | |
| Cash flow from business operations | −3.6 | 7.3 |
| Cash flow from investments | 3.5 | 70.7 |
| Cash flow from financial operations | 0.0 | −1.0 |
| Total cash flow | −0.2 | 77.0 |
| **Impact of divested operations on the Group's financial position:** | | |
| Non-current assets | | 21.1 |
| Inventories | | 6.3 |
| Current receivables | | 5.8 |
| Liquid funds | | 3.0 |
| | | 36.1 |
| Non-current liabilities | | 0.8 |
| Short-term creditors | | 5.6 |
| | | 6.4 |
| Net assets sold | | 29.7 |
| Accumulated translation differences | | 0.3 |
| Business sales proceeds | | 51.2 |
| Costs allocated to sales | | −1.3 |
| Net income from sales | | 49.9 |
| **Sales price** | | 80.6 |
| Available from the sales price on the closing date | | 1.1 |
| **Cash flow from sales** | | 75.2 |
| **In the cash flow statement:** | | |
| Divestment of subsidiaries less liquid assets at the time of divestment | | 47.1 |
| Disposal income from tangible and intangible assets | | 23.6 |
| Cash flow from business operations | | 4.6 |
| | | 75.2 |

| (EUR million) | 2010 | 2009 |
|---|---|---|
| **4. OTHER INCOME AND EXPENSES FROM BUSINESS OPERATIONS** | | |
| Business interruption insurance compensation | 0.0 | 1.1 |
| Gain on dissolution of joint venture | 1.1 | 2.7 |
| Other income and expenses from business operations | 0.8 | −0.3 |
| Total | 1.9 | 3.5 |
| Auditors' remuneration: | | |
| PwC | | |
| Audit | 0.1 | 0.1 |
| Certificates and reports | 0.0 | 0.0 |
| Tax guidance | 0.0 | 0.0 |
| Other services | 0.8 | 0.4 |
| Total | 1.0 | 0.5 |
| PKF (UK) LL | | |
| Audit | 0.0 | |
| Tax guidance | 0.0 | |
| Other services | 0.1 | |
| Total | 0.2 | 0.0 |
| **5. DEPRECIATION AND IMPAIRMENT** | | |
| **Depreciation by asset group** | | |
| Depreciation on intangible assets | | |
| Intangible rights | 0.9 | 0.9 |
| Other intangible assets | 1.9 | 1.8 |
| Total | 2.9 | 2.7 |
| Depreciation on tangible assets | | |
| Buildings | 4.0 | 4.2 |
| Machinery and equipment | 8.9 | 7.8 |
| Other tangible assets | 0.1 | 0.0 |
| Total | 13.0 | 12.1 |
| Impairment by asset group | | |
| Intangible rights | 0.1 | 0.0 |
| Other long-term expenditure | 0.0 | 0.0 |
| Buildings | 0.0 | 1.1 |
| Machinery and equipment | 0.0 | 0.6 |
| Prepayments and uncompleted acquisitions | 0.0 | 0.4 |
| Total | 0.1 | 2.1 |
| **Total depreciation and impairment** | 16.0 | 17.0 |
| **Depreciation by activity** | | |
| Cost of sales | 12.2 | 11.0 |
| Sales and marketing | 0.2 | 0.2 |
| Administration | 3.1 | 3.1 |
| Research and development | 0.3 | 0.5 |
| Total | 15.9 | 14.8 |
| **Impairment and their returns** | | |
| Expenses corresponding to products sold | 0.0 | 2.1 |
| Administration | 0.1 | 0.0 |
| Total | 0.1 | 2.1 |

| (EUR million) | 2010 | 2009 |
|---|---|---|

## 6. EXPENSES FROM EMPLOYMENT BENEFITS

| | | |
|---|---|---|
| Salaries | 40.1 | 31.1 |
| Pension expenses – defined contribution plans | 4.8 | 5.9 |
| Share-based rewards | 2.1 | 3.0 |
| Other indirect personnel costs | 3.2 | 1.7 |
| Total | 50.2 | 41.7 |

Details about the management's employee benefits are provided in Notes 31 Related party transactions. Details about assigned company shares are provided in Notes 20 Share-based payments.

### AVERAGE NUMBER OF PEOPLE EMPLOYED BY THE GROUP IN THE FINANCIAL PERIOD

| | | |
|---|---|---|
| Brands | 797 | 303 |
| Business to Business | 254 | 261 |
| Joint operations | 60 | 63 |
| Total | 1,111 | 627 |

## 7. FINANCIAL INCOME AND EXPENSES

| | | |
|---|---|---|
| Dividend income from available-for-sale financial assets | 0.2 | 0.2 |
| Sales profits/losses of financial assets at fair value through profit or loss | –2.4 | 0.3 |
| Interest income from financial assets at fair value through profit or loss | 0.1 | 0.3 |
| Ineffective portion of hedges of net investments in foreign operations | 0.0 | 0.0 |
| Interest earnings from financial assets recognised at fair value through profit or loss | 1.3 | 1.9 |
| Interest income from loan receivables | 0.0 | 0.0 |
| Other interest income | 1.7 | 0.4 |
| Exchange rate differences, net | 0.1 | 0.0 |
| Other financial income | 0.0 | 0.0 |
| Total financial income | 1.0 | 3.1 |
| | | |
| Interest expenses from loans | –1.1 | –1.1 |
| Other interest expenses | –1.1 | –1.7 |
| Other financial expenses | –0.7 | –0.9 |
| Total financial expenses | –2.9 | –3.7 |

Items comprising the EBIT include exchange rate gains and losses amounting to EUR 0.2 million in 2010 (EUR –0.3 million in 2009).

## 8. INCOME TAXES

| | | |
|---|---|---|
| Tax based on the taxable income for the financial period | –3.1 | –3.5 |
| Taxes paid in previous financial periods | –2.6 | 0.0 |
| Deferred taxes | 0.5 | –2.0 |
| Total | –5.1 | –5.6 |

Reconciliation statement for the tax expenses in the income statement and the taxes the basis of the Group's domestic tax rate (26%).

| | | |
|---|---|---|
| Taxes calculated on the basis of the domestic tax rate | –4.6 | –4.9 |
| Impact of a deviating tax rate used in foreign subsidiaries | –0.3 | –0.1 |
| Change in tax rate in foreign subsidiaries | 0.1 | |
| Returns exempt from tax | 0.1 | 0.1 |
| Non-deductible expenses | –0.9 | –0.3 |
| Losses for the period, for which no tax assets have been recognised | –0.4 | –0.4 |
| Use of previously unrecognised fiscal losses | 0.8 | 0.1 |
| Tax from previous years | –2.6 | 0.0 |
| Annulment of tax liability related to the above | 2.7 | |
| Other items | 0.0 | –0.1 |
| Total | –5.1 | –5.6 |

| (EUR million) | Before taxes | Tax impact | After taxes |
|---|---|---|---|
| Taxes related to the items of other comprehensive income: | | | |
| Year 2010 | | | |
| Financial assets available for sale | 1.9 | −0.5 | 1.4 |
| Protection of net investments | −0.2 | 0.0 | −0.2 |
| Translation differences | 1.6 | 0.0 | 1.6 |
| | 3.3 | −0.5 | 2.8 |
| Year 2009 | | | |
| Translation differences transferred to the income statement | −0.3 | 0.0 | −0.3 |
| Translation differences | −0.3 | 0.0 | −0.3 |
| | −0.6 | 0.0 | −0.6 |

| (EUR million) | 2010 | 2009 |
|---|---|---|
| **9. EARNINGS PER SHARE** | | |
| Undiluted earnings per share have been calculated by dividing the profit for the period for equity holders of the parent company with the weighted average number of outstanding shares over the financial period. | | |
| Profit for the period for equity holders of the parent company, continuing operations (EUR million) | 12.6 | 13.4 |
| Profit for the period for equity holders of the parent company, discontinued operations (EUR million) | −0.2 | 39.7 |
| Undiluted weighted average of shares in the financial period | 156,023,198 | 155,797,720 |
| Dilution resulting from share-based compensation | 549,219 | 609,336 |
| Diluted weighted average of shares in the financial period | 156,572,417 | 156,407,056 |
| Undiluted earnings per share, continuing operations (EUR/share) | 0.08 | 0.09 |
| Earnings per share adjusted by the dilution effect, continuing operations (EUR/share) | 0.08 | 0.09 |
| Undiluted earnings per share, discontinued operations (EUR/share) | 0.00 | 0.26 |
| Earnings per share adjusted by the dilution effect, discontinued operations (EUR/share) | 0.00 | 0.25 |

When calculating the diluted earnings per share in the weighted average number of shares, the dilutive effect due to change of all dilutive potential shares into shares is taken into account. The Group has dilutive shares related to the share rewards of share-based incentive schemes.

## 10. INTANGIBLE ASSETS 2010

| (EUR million) | Intangible rights | Goodwill | Other long-term expenditure | Advances paid and incomplete acquisitions | Intangible assets total |
|---|---|---|---|---|---|
| Acquisition cost 1.1. | 18.5 | 3.2 | 16.0 | 0.1 | 37.8 |
| Exchange rate differences | 1.0 | 0.9 | 0.0 | 0.0 | 1.9 |
| Increase | 0.7 | | 0.0 | 0.8 | 1.5 |
| Business combination | 4.6 | 50.9 | | 0.0 | 55.6 |
| Divestments and other decreases | 0.0 | | | | 0.0 |
| Reclassifications between items | 0.0 | 0.0 | 0.5 | −0.5 | 0.0 |
| **Acquisition cost 31.12.** | **24.8** | **55.1** | **16.5** | **0.4** | **96.8** |
| Accumulated depreciation and write-downs 1.1. | 15.5 | 3.2 | 11.6 | 0.0 | 30.4 |
| Exchange rate differences | 1.0 | 0.0 | 0.0 | 0.0 | 1.0 |
| Accumulated depreciation of decrease and transfers | 0.0 | 0.0 | | 0.0 | 0.0 |
| Depreciation for the financial period | 0.9 | 0.0 | 1.9 | 0.0 | 2.8 |
| Write-downs and their returns | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 |
| **Accumulated depreciation 31.12.** | **17.4** | **3.2** | **13.6** | **0.0** | **34.2** |
| **Book value 31.12.2009** | **7.4** | **51.9** | **2.9** | **0.4** | **62.6** |

## 10. TANGIBLE ASSETS 2010

| (EUR million) | Land and water areas | Buildings and con-structions | Machinery and equipment | Other tangible assets | Advances paid and incomplete acquisitions | Tangible assets total |
|---|---|---|---|---|---|---|
| Acquisition cost 1.1. | 4.8 | 114.6 | 207.9 | 0.3 | 5.0 | 332.7 |
| Exchange rate differences | 0.1 | 0.4 | 1.3 | 0.0 | 0.0 | 1.9 |
| Increase | | 0.0 | 1.2 | 0.2 | 7.9 | 9.3 |
| Business combination | 0.4 | 3.8 | 25.7 | 0.6 | | 30.5 |
| Divestments and other decreases | 0.0 | | 0.4 | 0.1 | | 0.5 |
| Reclassifications between items | 0.0 | 1.9 | 6.9 | 0.0 | −8.8 | 0.0 |
| **Acquisition cost 31.12.** | **5.2** | **120.7** | **242.7** | **1.0** | **4.2** | **373.9** |
| Accumulated depreciation and write-downs 1.1. | 0.0 | 71.6 | 164.1 | 0.0 | 1.7 | 237.4 |
| Exchange rate differences | 0.0 | 0.3 | 1.1 | 0.0 | 0.0 | 1.4 |
| Business combination | | 1.4 | 14.1 | 0.3 | | 15.8 |
| Accumulated depreciation of decrease and transfers | 0.0 | | | | 0.0 | 0.0 |
| Depreciation for the financial period | 0.0 | 4.0 | 8.9 | 0.1 | 0.0 | 13.0 |
| Write-downs and their returns | 0.0 | | | 0.0 | 0.0 | 0.0 |
| **Accumulated depreciation 31.12.** | **0.0** | **77.2** | **188.1** | **0.4** | **1.7** | **267.5** |
| **Book value 31.12.2010** | **5.2** | **43.5** | **54.6** | **0.6** | **2.5** | **106.4** |
| **Book value of the machinery and equipment 31.12.** | | | **40.6** | | | |

The book value of tangible assets includes machinery and equipment purchased via financial leasing to the value of EUR 0.3 million.

Other intangible items include trademarks whose useful life is considered to be indefinite. Their carrying value was EUR 4.6 million.

### 10. INTANGIBLE ASSETS 2009

| (EUR million) | Intangible rights | Goodwill | Other long-term expenditure | Advances paid and incomplete acquisitions | Intangible assets total |
|---|---|---|---|---|---|
| Acquisition cost 1.1. | 31.5 | 24.2 | 17.1 | 0.1 | 73.0 |
| Exchange rate differences | 0.3 | 6.5 | 0.0 | 0.0 | 6.9 |
| Increase | 0.6 | 0.0 | 0.0 | 0.4 | 0.9 |
| Divestments and other decreases | 13.9 | 27.5 | 1.5 | 0.0 | 43.0 |
| Reclassifications between items | 0.0 | 0.0 | 0.4 | −0.4 | 0.0 |
| **Acquisition cost 31.12.** | **18.5** | **3.2** | **16.0** | **0.1** | **37.8** |
| Accumulated depreciation and write-downs 1.1. | 27.8 | 23.1 | 10.9 | 0.0 | 61.8 |
| Exchange rate differences | 0.4 | 6.2 | 0.0 | 0.0 | 6.5 |
| Accumulated depreciation of decrease and transfers | 13.6 | 26.0 | 1.4 | 0.0 | 41.1 |
| Depreciation for the financial period | 0.9 | 0.0 | 1.8 | 0.0 | 2.7 |
| Write-downs and their returns | 0.0 | 0.0 | 0.3 | 0.0 | 0.3 |
| **Accumulated depreciation 31.12.** | **15.5** | **3.2** | **11.6** | **0.0** | **30.4** |
| **Book value 31.12.2009** | **3.0** | **0.0** | **4.4** | **0.1** | **7.5** |

### 10. TANGIBLE ASSETS 2009

| (EUR million) | Land and water areas | Buildings and con-structions | Machinery and equipment | Other tangible assets | Advances paid and incomplete acquisitions | Tangible assets total |
|---|---|---|---|---|---|---|
| Acquisition cost 1.1. | 5.1 | 137.8 | 266.8 | 1.2 | 6.2 | 417.1 |
| Exchange rate differences | 0.0 | −0.3 | −0.7 | 0.0 | 0.0 | −1.1 |
| Increase | 0.0 | 0.1 | 0.4 | 0.0 | 8.9 | 9.4 |
| Divestments and other decreases | 0.2 | 25.4 | 66.0 | 0.9 | 0.1 | 92.6 |
| Reclassifications between items | 0.0 | 2.5 | 7.5 | 0.0 | −10.0 | 0.0 |
| **Acquisition cost 31.12.** | **4.8** | **114.6** | **207.9** | **0.3** | **5.0** | **332.7** |
| Accumulated depreciation and write-downs 1.1. | 0.0 | 76.6 | 214.2 | 0.8 | 1.2 | 292.8 |
| Exchange rate differences | 0.0 | −0.1 | −0.6 | 0.0 | 0.0 | −0.7 |
| Accumulated depreciation of decrease and transfers | 0.0 | 14.3 | 58.4 | 0.7 | 0.0 | 73.4 |
| Depreciation for the financial period | 0.0 | 4.4 | 8.0 | 0.0 | 0.0 | 12.5 |
| Write-downs and their returns | 0.0 | 5.0 | 0.8 | 0.0 | 0.4 | 6.2 |
| **Accumulated depreciation 31.12.** | **0.0** | **71.6** | **164.1** | **0.0** | **1.7** | **237.4** |
| **Book value 31.12.2009** | **4.8** | **43.1** | **43.9** | **0.3** | **3.3** | **95.3** |
| **Book value of the machinery and equipment 31.12.** | | | **40.3** | | | |

The book value of intangible and tangible assets includes machinery and equipment purchased via financial leasing to the value of EUR 0.2 million.

After the divestment of the margarine business, the Group reassessed the use of its real estate and buildings, and recognised an impairment loss totalling EUR 6.1 million on their overall value.

## 11. IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE

In the Group, goodwill is allocated to the cash-generating units defined by business segments.
A total of EUR 50.9 million was generated in the acquisition of Glisten implemented in the financial year 2010. This goodwill is allocated in its entirety to Western European operations of the Brands Division. The amount of goodwill was EUR 51.9 million at the closing date.

The Group had no goodwill in the income statements for 2009.

The carrying value of the three trademarks acquired through the business combination of Glisten was EUR 4.6 million at the closing date.
The management has considered that the useful lives of these trademarks are indefinite. The trademarks are allocated in their entirety to Western European operations of the Brands Division.

In the impairment testing, the recoverable amounts are determined based on the value in use. Cash flow estimates are based on the estimates covering the next four years. The cash flows after the forecast period approved by the management are extrapolated by using estimated growth factors, presented below, which do not exceed the average long-term growth rates of the Division's business.

The basic assumptions used in the determination of use in value are as follows:

Budgeted EBIT percentage *) 8.0%
Growth percentage **) 2.0%
Discount rate 8.3%

*) Budgeted average EBIT percentage used in calculations
**) In the cash flows after the forecast period

The management has determined the EBIT of forecasts based on the previously realised results and on the expectations that the managements has concerning the market development. Discount rate has been determined before taxes and it well reflects the risks related to the business segment in question.

Sensitivity analysis of impairment testing:

The entity's recoverable amount clearly exceeds the carrying value of assets. The recoverable amount is less than the carrying value of assets when the discount rate increases to 11.5% or when the EBIT level drops permanently by some 36% from the values used in impairment testing.

| (EUR million) | 2010 | 2009 |
|---|---|---|
| **12. HOLDINGS IN ASSOCIATED COMPANIES AND JOINT VENTURES** | | |
| **JOINT VENTURES** | | |
| Book value 1.1. | 0.1 | 0.1 |
| Share of result for the financial period | 0.0 | 0.0 |
| Book value 31.12. | 0.1 | 0.1 |
| The book value of joint ventures does not include goodwill. | | |
| **ASSOCIATED COMPANIES** | | |
| Book value 1.1. | 0.7 | 0.6 |
| Share of result for the financial period | 0.0 | 0.0 |
| Book value 31.12. | 0.7 | 0.7 |
| The book value of associated companies does not include goodwill. | | |
| **The amounts of the assets and liabilities, net sales and result of joint ventures, corresponding to the Group's holdings:** | | |
| Assets and liabilities related to investments in joint ventures: | | |
| Non-current assets | 0.2 | 0.1 |
| Current assets | 1.0 | 1.1 |
| Non-current liabilities | 0.1 | 0.1 |
| Current liabilities | 1.1 | 1.0 |
| Assets, net | 0.1 | 0.1 |
| Income and expenses related to investments in joint ventures: | | |
| Net sales | 10.3 | 13.6 |
| Expenses | 10.3 | 13.6 |
| Profit/loss | 0.0 | 0.0 |

| (EUR million) | 2010 | 2009 |
|---|---|---|
| **Total assets, liabilities, net sales and profit/loss of associated companies:** | | |
| Assets | 2.2 | 2.2 |
| Liabilities | 0.3 | 0.4 |
| Net sales | 1.1 | 1.1 |
| Profit/loss | 0.1 | 0.2 |

## 13. FINANCIAL ASSETS AVAILABLE FOR SALE

Unquoted investments in shares

| | 2010 | 2009 |
|---|---|---|
| Beginning of financial period | 0.6 | 0.6 |
| Increase | 2.0 | 0.0 |
| Decrease | 0.0 | 0.0 |
| End of financial period | 2.5 | 0.6 |

In the recognition at fair value of unquoted share investments, the Group has applied, for instance, recent transactions completed between independent parties. If fair values are not reliably available, financial assets held for sale have been recognised at acquisition cost.

Changes in the fair value reserve are presented in notes 19 Shareholders' equity.

## 14. LONG-TERM RECEIVABLES

| | 2010 | 2009 |
|---|---|---|
| Loan assets from third parties | 0.8 | 0.3 |
| Loan assets from related party | 0.9 | 0.1 |
| Total long-term receivables | 1.7 | 0.4 |

The long-term loans receivable from the third parties presented above mainly consists of USD-denominated, variable rate receivable and EUR-denominated subordinated loan. Loan receivable from related parties are composed of the GBP-denominated loan granted to the member of Glisten management and of the EUR-denominated loan granted to the associated company. The fair values of long-term receivables are presented in Note 27.

The balance sheet values correspond best to the amount equal to the maximum credit risk, excluding the fair value of collateral, in case other contracting parties cannot meet their obligations related to financial instruments. Loans receivable from the third parties constitute a credit risk concentration since the number of liabilities of debtors is significant and part of receivables is equity instrument.

## 15. INVENTORIES

| | 2010 | 2009 |
|---|---|---|
| Materials and supplies | 63.0 | 33.4 |
| Production in progress | 7.7 | 7.3 |
| Finished products and goods | 17.3 | 14.2 |
| Advances paid | 0.2 | 0.1 |
| Total inventories | 88.2 | 55.0 |

The book value of inventories does not include essential entries, with which the value of inventories would have been reduced to correspond to their net realisation value.

## 16. ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES

| | 2010 | 2009 |
|---|---|---|
| Accounts receivables | 53.1 | 40.2 |
| Receivables from Group companies | 1.2 | 1.2 |
| Prepaid expenses and accrued income | 6.9 | 7.8 |
| Advance payment receivables | 0.0 | 0.1 |
| Amortisation instalment for long-term loan receivables | 0.3 | 0.3 |
| Current loan receivables | 0.7 | 0.7 |
| Avoir fiscal tax credit receivables | 1.2 | 3.1 |
| Other receivables | 5.5 | 1.5 |
| Total accounts receivable and other receivables | 69.0 | 54.9 |

At the reporting date, about 70 per cent of the Group's accounts receivables were denominated in euro, about 20 per cent in pound and the rest in other currencies.

| (EUR million) | 2010 | 2009 |
|---|---|---|
| At the reporting date, the Group had accounts receivables that had matured over 60 days earlier and whose value had not decreased: EUR 0.1 million (EUR 0.3 million in 2009) The overdue receivables have the following age distribution: | | |
| Overdue 61–180 days | 0.1 | 0.2 |
| Overdue more than 180 days | 0.0 | 0.1 |
| | 0.1 | 0.3 |
| The following items have been deducted from accounts receivables: | | |
| Value on 1.1. | 0.9 | 1.2 |
| Acquired companies | 0.2 | 0.0 |
| Other increase | 0.2 | 0.9 |
| Decrease | –0.4 | –1.2 |
| Value on 31.12. | 0.9 | 0.9 |

The Group recognised a total of EUR 0.1 million (EUR 0.6 million in reporting period 2009) in credit losses from accounts receivables in the reporting period.

Substantial items included in prepaid expenses and accrued income consist of accrued business income and expenses, financial items and taxes. In compliance with IAS 39, the fair values of receivables included in financial assets are presented in Note 28.

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

## 17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2010 | 2009 |
|---|---|---|
| Securities under financial assets | 131.4 | 215.0 |
| Derivative contracts | 0.5 | 0.2 |
| Total financial assets recognised at fair value in the income statement | 131.8 | 215.3 |

Financial assets recognised at fair value in the income statement include bonds held for trading purposes, fund units, certificates of deposit and commercial papers issued by banks and companies and falling due within 12 months, as well as derivatives held for trading purposes. Financial assets at fair value through profit or loss are denominated in euro.

The balance sheet values correspond best to the amount equal to the maximum credit risk in the event that other contracting parties are unable to meet their obligations related to financial instruments. Investments in items belonging to financial assets recognised at fair value through profit or loss are carefully diversified and involve no significant credit risk concentrations. Changes in the fair value of financial assets held for trading purposes are presented in the income statement under financial income and expenses. The investments made in alternative investment funds are presented under investing activities in the consolidated statement of cash flows.

Principles used in the determination of fair value are presented in Note 28. Profits and losses for these items are presented in Note 7.

## 18. LIQUID FUNDS

| | 2010 | 2009 |
|---|---|---|
| Cash in hand and at bank accounts | 18.9 | 8.0 |

Current bank deposits are mainly denominated in euro and withdrawable on demand.

| (EUR million) | 1,000 shares | Share capital | Company shares |
|---|---|---|---|

## 19, SHAREHOLDERS' EQUITY

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

| | | | |
|---|---|---|---|
| 31 December 2008 | | | |
| Series K (20 votes/share) | 34,474 | 5,8 | |
| Series K, company shares | –198 | | –0,4 |
| Series V (1 vote/share) | 130,675 | 22.0 | |
| Series V, company shares | –9,159 | | –19.0 |
| Total | 155,793 | 27.8 | –19.3 |
| | | | |
| Restricted shares converted into free shares | 22 | | |
| Repurchase of company shares, series V | –3 | | 0.0 |
| Disposal of company shares, series V | 355 | | 0.9 |
| | | | |
| 31 December 2009 | | | |
| Series K (20 votes/share) | 34,452 | 5.8 | |
| Series K, company shares | –201 | | –0.4 |
| Series V (1 vote/share) | 130,697 | 22.0 | |
| Series V, company shares | –8,803 | | –18.1 |
| Total | 156,145 | 27.8 | –18.5 |
| | | | |
| Restricted shares converted into free shares | 197 | | |
| Disposal of company shares, series V | 4,853 | | 10.9 |
| Raisio plc's free shares acquired by Reso Management Oy | –4,483 | | –10.1 |
| | | | |
| 31 December 2010 | | | |
| Series K (20 votes/share) | 34,255 | 5.8 | |
| Series K, company shares | –201 | | –0.4 |
| Series V (1 vote/share) | 130,894 | 22.0 | |
| Series V, company shares | –8,432,6 | | –17.4 |
| Total | 156,515 | 27,8 | –17,8 |

Translation differences:
The translation differences fund includes the translation differences arising from the conversion of financial statements of independent foreign units. Profits and losses arising from the hedging of net investments in independent foreign units are also included in the translation differences when the requirements for hedge accounting is met.

Other funds:
Other funds include fair value fund for assets held for sale.

Company shares:
Company shares include the acquisition cost of shares held by the Group. In 2005–2008, a total of 9,431,795 company shares were acquired on the stock exchange. Of these, 9,230,500 were free shares and 201,295 were restricted shares. In the 2008 accounting period, a total of 72,000 free shares held by the company were assigned to management and key employees as remuneration. In the 2009 accounting period, a total of 334,500 free shares were assigned to management and key personnel as a part of the 2008 share-based incentive scheme, and a total of 20,891 free shares were assigned to Board members as a part of their fees. During the financial year 2010, a total of 553,056 free shares were assigned to the management and key personnel in the share-based scheme of 2009 and 168,000 free shares as a separate share reward, thus a total of 721,056 free shares of which 5,000 were returned at the termination of employment of one person. A total of 17,165 shares were assigned to the members of the Board of Directors as part of their rewards. Furthermore, in the directed share issue against payment a total of 4,120,000 free shares held by the company were assigned to Reso Management Oy.

Raisio plc's shares assigned to Reso Management Oy and other shares acquired by Reso Management Oy, a total of 4,482,740, are all treated as company shares in the consolidated financial statements.

At the end of the financial year 2010, there were a total of 8,633,923 company shares of which 8,432,628 were free shares and 201,295 restricted shares in the consolidated financial statements. The remaining acquisition cost of company shares totals EUR 17.8 million and is presented as a deduction from shareholders' equity.

Dividends:
The per-share dividend in 2010 was EUR 0.09, which amounted to a total of EUR 14.1 million (in 2009 EUR 0.07 per share and a total of EUR 10.9 million). After the date of the financial statements, the parent company's Board of Directors proposed a dividend of EUR 0.10 per share, or a total of EUR 16.5 million.

| (EUR million) | 2010 | 2009 |
|---|---|---|
| Accumulated translation differences: | | |
| Translation differences 1.1. | | |
| Group companies | −3.7 | −3.2 |
| Associated companies | 0.0 | 0.0 |
| | −3.7 | −3.2 |
| Change in translation difference | | |
| Group companies | 1.3 | −0.6 |
| Associated companies | 0.0 | 0.0 |
| | 1.3 | −0.6 |
| Translation differences 31.12. | | |
| Group companies | −2.4 | −3.7 |
| Associated companies | 0.0 | 0.0 |
| | −2.4 | −3.7 |
| Other reserves: | | |
| Fair value reserve 1.1. | 0.0 | |
| Increase | 1.4 | |
| Fair value reserve 31.12. | 1.4 | |

## 20. SHARE-BASED PAYMENTS

On 28 May 2008, the Board of the Directors of Raisio plc decided on the three-year share-based incentive scheme to be a part of the key personnel's incentive and commitment scheme at Raisio Group. The scheme allows, during three years, to assign a maximum total of 1,600,000 Raisio plc's free shares already held by the company. The reward is paid as a combination of the company's shares and cash. The cash payment is made to cover the taxes and fiscal fees arising from share-based rewards.

The first earnings period of the incentive scheme was the financial year 2008. The earnings criteria applied were net sales growth and earnings before taxes excluding one-off items. The number of free shares to be assigned was 400,000 at the most. As a reward from the first earnings period, a total of 334,500 shares were assigned in August 2009 to 13 persons within the scheme. The shares are subject to a disposal restriction and return obligation until 1 September 2011 in case the employment or service contract of the person ends prior to the expiration of the disposal restriction.

In December 2008, the Board decided on the second earnings period which was financial period 2009. Earnings criteria applied were return on restricted capital, result before one-off items and taxes as well as the sales process of margarine business. The number of free shares to be assigned was a maximum total of 600,000. As a reward from the second earnings period, a total of 553,056 shares were assigned in May 2010 to 51 persons within the scheme. The assigned shares are subject to a disposal restriction and return obligation until 31 December 2011 in case the employment or service contract of the person ends prior to the expiration of the disposal restriction.

In December 2009, the Board of Directors decided on the share reward on the basis of which 168,000 free shares were assigned in May 2010 for the successful divestment of the margarine business. The shares are subject to a disposal restriction until March 2013.

In March 2010, the Board of Directors decided on the third earnings period which is financial year 2010. The earnings criterion is operating result in proportion to net sales, in addition to which a prerequisite for receipt of the reward is that a certain amount of net sales during the financial year will be reached. The number of free shares to be assigned is a maximum total of 600,000. The amount of earned rewards will be determined in the spring 2011, and the potential reward will be paid in December 2012. The assigned shares are subject to a disposal restriction and return obligation that are valid until 1 January 2014 in case the employment or job contract of the person ends prior to the expiration of the disposal restriction. There were 59 persons within the scheme at the closing date. At the closing date, it seems probable that no shares will be assigned as rewards on the basis of the scheme.

In June 2010, the Board of Directors cancelled the disposal restriction and return obligation in respect of certain shares held by the Group's Management Team. The cancellation concerned a total of 526,999 shares assigned to 8 persons within the incentive schemes of both 2008 and 2009. The cancellation was related to the Board of Directors' decision on a new incentive scheme for the Group's Management Team. Through the scheme, the management invested in Raisio's free shares. For this purpose, the management acquired a company called Reso Management Oy the share capital of which they own completely. They funded their investment partly by themselves and partly through a loan provided by Raisio. Reso Management Oy holds a total of 4,482,740 Raisio's free shares. Fair value of the share has been determined using the market prices of the directed share issue and valuation date, and it has been EUR 2.59 per share. Expected dividends or other features related to issue of equity linked instruments have not been considered in the determination of fair value. The share-based scheme includes an obligation to work at Raisio plc or at its subsidiaries until 31 March 2014 at least, and this obligation will continue until March 2018, at the latest, if the terms postponing the dissolution are realised. Reso Management Oy will be dissolved in March 2019, at the latest, when the shareholders of the company will receive Raisio plc's shares as consideration for dissolution or merger. The incentives are forfeited when the person leaves the Group before the vesting date.

In June 2010, the Board of Directors decided on two synthetic share-based incentive and commitment schemes for the management of the acquired British subgroup Glisten and key employees. On the basis of the first scheme, a cash reward will be paid by the end of May 2012. Total amount of the reward equals the value of 966,117 Raisio's free shares. A prerequisite for receipt of the reward is that each of the 36 persons now appointed to the scheme will still be employed by the Group on 8 April 2012. On the basis of the second scheme, a cash reward corresponding to the value of 420,000 free shares will be paid in two instalments to two executives of Glisten subgroup. Earnings criterion is a certain EBIT level of Glisten subgroup. Possible reward will be paid at the end of September 2011 and at the end of 2012.

According to the decision made at the Annual General Meetings in spring 2009 and 2010, the members of the Board of Directors have been paid 20% of their reward by assigning them company shares held by the company. During 2009, a total of 20,891 shares were assigned and during 2010, a total of 17,165 shares.

| (EUR million) | Incentive scheme 2010 | Incentive scheme 2009 | Incentive scheme 2008 |
|---|---|---|---|
| Share-based incentive schemes currently in effect: | | | |
| Grant date | **18.3.2010** | 7.1.2009 | 13.6.2008 |
| Nature of plan | **Shares and cash** | Shares and cash | Shares and cash |
| Maximum number of share-based rewards | **430,334** | 600,000 | 400,000 |
| Number of people | **61** | 55 | 15 |
| Share price at the granting date | **2.74** | 1.52 | 1.71 |
| Earnings period ends | **31.12.2010** | 31.12.2009 | 31.12.2008 |
| Assignment of shares | **December 2012** | August 2010 | August 2009 |
| Release of shares | **1.1.2014** | 31.12.2011 | 1.9.2011 |
| Vesting conditions | **EBIT %, employment condition** | Roce, EBT and divestment of margarine business, employment condition | Net sales and EBT, employment condition |
| Shares assigned: | | | |
| Time and date | | May 2010 | August 2009 |
| Number of shares | | 553,056 | 334,500 |
| Number of people | | 51 | 13 |
| Exempt from disposal and return obligations: | | | |
| Time and date | | June 2010 | June 2010 |
| Number of shares | | 274,999 | 252,000 |
| Number of people | | 8 | 8 |
| Cancelled | | | |
| Time and date | **Year 2010** | Year 2010 | |
| Number of shares | **8,500** | 5,000 | |
| Number of people | **2** | 1 | |
| Within the scheme on 31 December 2010: | | | |
| Number of shares | **421,834** | 273,057 | 82,500 |
| Number of people | **59** | 42 | 5 |

| (EUR million) | 2010 | 2009 |
|---|---|---|
| **Costs from employee benefits include cash- and equity-settled share-based payments:** | | |
| Equity-settled | **0.7** | 0.9 |
| Cash-settled | **1.4** | 2.1 |
| | **2.1** | 3.0 |
| Recognised in net income from continuing operations | **1.6** | 1.1 |
| Debt from cash-settled share-based plans | **0.0** | 1.6 |
| **Information about share-based reward schemes:** | | |
| Parameters used in fair value calculations: | | |
| Number of shares granted in the period | | 728,000 |
| Share price at grant date, EUR | | 1.80 |
| Fair value of share at grant date, EUR*) | | 1.64 |
| Share price at closing date, EUR | | 2.66 |
| Shares expected to be returned prior to reward payment, % | | 0.0 |
| Shares expected to be returned in vesting period, % | | 0.0 |
| Expected fulfillment of earnings criteria, %**) | | 100.0 |
| Fair value of share remuneration at grant date, EUR million | | 1.2 |
| Lapsed | | 0.1 |
| Fair value of share remuneration at closing date, EUR million | | 1.9 |

*) Share price less expected, estimated dividends for the earnings period.
**) The amount earned in rewards in the earnings period is determined on the basis of the achievement of targets after the financial statements have been prepared in spring 2011. The table is based on the Group's best possible estimate at the closing date of the expected number of vested shares.

## 21. DEFERRED TAXES

Changes in deferred taxes in 2010:

| (EUR million) | 1.1.2010 | Recognised in the income statement | Recognised in the shareholders' equity | Exchange rate differences | Acquired/ divested subsidiaries | 31.12.2010 |
|---|---|---|---|---|---|---|
| **Deferred tax assets:** | | | | | | |
| Internal margin of inventories | 0.0 | 0.0 | | | | 0.0 |
| Internal margin of fixed assets | 0.0 | 0.0 | | | | 0.0 |
| Reserves | 1.2 | −0.2 | | | | 1.0 |
| Leasing property | 0.0 | 0.0 | | | | 0.0 |
| Confirmed fiscal losses | 0.0 | 0.2 | | | | 0.2 |
| Pension contributions | 0.0 | 0.0 | | | | 0.0 |
| Depreciation not deducted in taxation | 4.8 | −1.2 | | | | 3.5 |
| Other items | 0.4 | −0.2 | | 0.0 | 0.2 | 0.4 |
| Total | 6.5 | −1.4 | 0.0 | 0.0 | 0.2 | 5.3 |
| **Deferred tax liability:** | | | | | | |
| Accumulated depreciation difference | 0.1 | 0.0 | | 0.0 | 0.7 | 0.8 |
| Investments available for sale | 0.0 | | 0.5 | | | 0.5 |
| Financial assets recognised at fair value | 0.1 | 0.0 | | | | 0.1 |
| Impairment on the acquisition costs for group companies | 5.7 | −2.7 | | | | 3.0 |
| Other items | 1.8 | 0.1 | | 0.0 | 1.4 | 3.2 |
| Total | 7.6 | −2.5 | 0.5 | 0.0 | 2.1 | 7.6 |

Changes in deferred taxes in 2009:

| (EUR million) | 1.1.2009 | Recognised in the income statement | Recognised in the shareholders' equity | Exchange rate differences | Acquired/ divested subsidiaries | 31.12.2009 |
|---|---|---|---|---|---|---|
| **Deferred tax assets:** | | | | | | |
| Internal margin of inventories | 0.0 | 0.0 | | | | 0.0 |
| Internal margin of fixed assets | 0.0 | 0.0 | | | | 0.0 |
| Reserves | 0.1 | 1.1 | | | | 1.2 |
| Leasing property | 0.0 | 0.0 | | | | 0.0 |
| Confirmed fiscal losses | 0.0 | 0.0 | | | | 0.0 |
| Pension contributions | 0.0 | 0.0 | | | | 0.0 |
| Depreciation not deducted in taxation | 6.2 | −1.4 | | | | 4.8 |
| Other items | 1.4 | −0.6 | | 0.0 | −0.4 | 0.4 |
| Total | 7.9 | −1.0 | 0.0 | 0.0 | −0.4 | 6.5 |
| **Deferred tax liability:** | | | | | | |
| Accumulated depreciation difference | 0.0 | 0.0 | | 0.0 | | 0.1 |
| Financial assets recognised at fair value | 0.0 | 0.1 | | | | 0.1 |
| Impairment on the acquisition costs for group companies | 5.7 | 0.0 | | | | 5.7 |
| Other items | 1.7 | 0.1 | | | 0.0 | 1.8 |
| Total | 7.4 | 0.2 | 0.0 | 0.0 | 0.0 | 7.6 |

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 48.7 million (31 December 2009: EUR 46.7 million). Most of the losses will be discounted over a period in excess of five years.

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:

| (EUR million) | 2010 | 2009 |
|---|---|---|
| Deferred tax assets | 5.3 | 6.5 |
| Deferred tax liability | 7.6 | 7.6 |
| Deferred net tax assets | −2.4 | −1.1 |

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

| (EUR million) | 2010 | 2009 |
|---|---|---|
| **22. PENSION CONTRIBUTIONS** | | |
| Changes in the liabilities recorded in the balance sheet: | | |
| Beginning of financial period | 0.2 | 0.2 |
| End of financial period | 0.2 | 0.2 |
| **23. RESERVES** | | |
| Reserves 1.1. | 3.1 | 1.1 |
| Exchange rate differences | 0.0 | |
| Acquired companies | 0.9 | |
| Increase in provisions | 0.2 | 2.3 |
| Provisions used | –1.3 | –0.4 |
| Reserves 31.12. | 2.8 | 3.1 |
| Non-current provisions | 1.1 | 1.4 |
| Current provisions | 1.7 | 1.6 |
| Total | 2.8 | 3.1 |

The most significant provision is related to the provision made in connection of the divestment of the margarine business for unprofitable distribution agreement. Remaining provision totals EUR 1.4 million.

| (EUR million) | 2010 | 2009 |
|---|---|---|
| **24. FINANCIAL LIABILITIES** | | |
| **Non-current financial liabilities at fair value through profit or loss:** | | |
| Purchase price debt recognised in the connection of the business combination | 17.5 | |
| **Long-term financial liabilities valued at amortised acquisition cost:** | | |
| Bank loans | 3.3 | 5.6 |
| Pension loans | 32.1 | 42.8 |
| Financial leasing liabilities | 0.2 | 0.2 |
| Total | 35.6 | 48.6 |
| Total financial liabilities | 53.1 | 48.6 |
| Bank and pension loans are denominated in euro. | | |
| **Non-current liabilities (incl. finance leases), will mature as follows:** | | |
| Year 2011 | 14.0 | 3.5 |
| Year 2012 | 13.2 | 3.4 |
| Year 2013 | 11.8 | 2.3 |
| Year 2014 | 8.3 | 1.2 |
| Year 2015 | 2.3 | |
| **Current financial liabilities** | | |
| Amortisation of long-term loans | 13.1 | 13.1 |
| Financial leasing liabilities | 0.0 | 0.1 |
| Other interest-bearing liabilities | 1.0 | 1.0 |
| Total | 14.1 | 14.2 |

The fair values of interest-bearing liabilities are presented in Notes 28.

Financial liabilities are mainly variable-rate and euro-denominated. The interest rates of bank loans are mainly tied to 1–3-month Euribor rates. The interest rates of pension liabilities are linked to TyEL interest rates and are determined for periods ranging from one to three years.

| (EUR million) | 2010 | 2009 |
|---|---|---|
| **Maturity of financial leasing liabilities:** | | |
| Financial leasing liabilities – total of minimum leases | | |
| Within 12 months | 0.1 | 0.1 |
| After 12 months but before five years | 0.2 | 0.3 |
| Gross overall investment | 0.3 | 0.4 |
| Financial leasing liabilities – present value of minimum leases | | |
| Within 12 months | 0.1 | 0.1 |
| After 12 months but before five years | 0.2 | 0.3 |
| Gross overall investment | 0.3 | 0.3 |
| Financial expenses accumulated in the future | 0.0 | 0.1 |
| Total financial liabilities | 0.3 | 0.4 |

## 25. DERIVATIVE CONTRACTS

| | 2010 | 2009 |
|---|---|---|
| 25. DERIVATIVE CONTRACTS | 0.1 | 0.1 |

Derivative contracts are interest rate and currency derivatives held for trading.

## 26. ACCOUNTS PAYABLE AND OTHER LIABILITIES

| (EUR million) | 2010 | 2009 |
|---|---|---|
| **Non-current** | | |
| Other liabilities | 0.1 | 0.0 |
| **Current** | | |
| Accounts payable | 55.4 | 25.2 |
| Liabilities to associated companies | 0.1 | 0.2 |
| Accrued liabilities and deferred income | 14.1 | 13.8 |
| Advances paid | 7.6 | 5.5 |
| Other liabilities | 7.9 | 3.7 |
| Total | 85.1 | 48.3 |

Accrued liabilities include accrued business expenses and financial items. The most significant of these are accrued salaries and fees and other personnel expenses, which totalled EUR 6.3 million in 2010 (EUR 8.7 million in 2009).

## 27. FINANCIAL RISK MANAGEMENT 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. The divisions report their key risks to the Finance department. It, in turn, collects all of the Group's risks and reports the risk exposures to finance and business management on a monthly and quarterly basis. The Finance department's operations are governed by the financial risk management policy approved by the Board of Directors. 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 counterparty risk related to investments, loan assets and 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, as well as diversification.

#### Investment activities

The financial risk management policy regulates the sum, maturity and counterparties of invested assets. In addition to direct long- or short-term interest-bearing investments, assets can be invested in fixed-income funds, alternative investment funds, as well as shares and equity funds. The CFO has the right to decide on the counterparties for Raisio's investments as defined 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.
At the date of the financial statements EUR 100.8 million (EUR 154.8 million in the comparison year) of the Group's financial assets were invested in Finnish commercial papers and certificates of deposit.

#### Credit risk in sales

Following the guidelines issued by the Group, divisions 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 also assume responsibility for the credit risk related to accounts receivable. Accounts receivable can also be secured 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, as well as remaining credits and overdraft facilities agreed with investors. Investments in alternative investment funds or equity funds are not included in liquid financial assets. 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 income and expenses, as well as on the market 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 is to keep financial expenses as low and financial income as high as possible. The interest rate profile can be modified using interest rate swaps, forward rate agreements and interest rate options.

At the date of the financial statements, the Group had an open euro-denominated interest rate swap with a nominal value of EUR 30.8 million (EUR 39.4 million in the comparison year). Hedge accounting is not applied to these interest rate swaps. The Group's interest rate risk is monitored by calculating the impact that a one-percentage-point change in market rates has on the interest income and expenses of interest-bearing investments and debt over the following 12 months. The maximum interest rate risk is determined in the financial risk management policy.

| Interest rate risk, EUR million | 31.12.2010 | 31.12.2009 |
|---|---|---|
| Impact of 1-ppt increase in market rates: | | |
| Interest income | 1,0 | 1,3 |
| Interest expenses | –0,5 | –0,5 |
| Change in market values | 0,2 | –1,2 |
| Net impact on interest income and expenses | 0,8 | –0,3 |

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. In the review period, Raisio's interest-bearing investments have focused on investments with a short term to maturity. The interest rates of financial liabilities are tied to the variable Euribor rate (1–3 months) or to variable TyEL interest rate, with interest periods of 1–3 years. At the date of the financial statements, 31 December 2010, Raisio's sensitivity to a one-percentage-point rise in interest rates was approximately EUR +0.8 million (EUR –0.3 million) and to an interest rate decrease of the same size approximately EUR –0.8 million (EUR –0.6 million). Had the interest rate been 1 percentage point higher on the closing date, 31 December 2010, Raisio's result after taxes would have been EUR +0.6 million (EUR –0.2 million) higher. Had the interest rate been 1 percentage point lower on the closing date, 31 December 2010, Raisio's result after taxes would have been EUR –0.6 million (EUR –0.5 million) lower.

### Currency 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. Currency risk is managed using currency forwards, which are rarely continuously open for more than 12 months.

The Group's currency risk policy defines the maximum amount for a net position, mainly consisting of the domestic Group companies' commercial and financial items and the derivatives hedging them. Exposure to currency risk arises mainly from items denominated in pounds sterling, Russian ruble, Swedish crown and US dollar.

The Group's currency risk on 31 December 2010 would be EUR 0.1 million (EUR –0.8 million) if other currencies had weakened by 5% against the euro. The impact on Raisio's result after taxes would be EUR 0.0 million (EUR 0.0 million). On the closing date, the Group's 1–12-month currency forward contracts in GBP, RUB, SEK and USD had a nominal value of EUR 58.2 million. The Group companies' currency positions against functional currencies other than the euro are not significant.

| (EUR million)<br>Currency risk 31.12.2010 | | | | Currency risk 31.12.2009 | | | |
|---|---|---|---|---|---|---|---|
| Currency risk, net position | | | | Currency risk, net position | | | |
| GBP | RUB | SEK | USD | GBP | RUB | SEK | USD |
| 0.5 | –0.2 | 0.0 | –0.2 | 0.0 | –0.6 | 0.5 | –0.7 |
| 5% weakening in currency against the euro: | | | | | | | |
| GBP | RUB | SEK | USD | GBP | RUB | SEK | USD |
| 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

## DERIVATIVES

| Nominal values of derivatives (EUR million) | 31.12.2010 | 31.12.2009 |
|---|---|---|
| Interest rate derivatives | 30.8 | 39.4 |
| Currency derivatives | 58.2 | 7.5 |

## CAPITAL MANAGEMENT

The target of the Group's capital management is to use a strong equity structure to safeguard the Group's ability to do business and to increase owner value by aiming at the highest possible return. The development of the equity structure is monitored using the equity ratio. At the end of 2010, the Group's equity was EUR 324.0 million (EUR 322.0 million) and its equity ratio was 67.6% (73.4%). The equity ratio is calculated by dividing shareholders' equity with the balance sheet total less advances received. The equity ratios were as follows:

| | 31.12.2010 | 31.12.2009 |
|---|---|---|
| Equity, EUR million | 324.0 | 322.0 |
| Balance sheet total, EUR million | 487.2 | 444.2 |
| Equity ratio | 67.6% | 73.4% |

## 28. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The following table presents the book values and fair values 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) | Note | Book value 2010 | Fair value 2010 | Book value 2009 | Fair value 2009 |
|---|---|---|---|---|---|
| Financial assets | | | | | |
| Financial assets available for sale* | 13 | **2.5** | **2.5** | 0.6 | 0.6 |
| Loan receivables | 14 | **2.8** | **2.5** | 1.4 | 1.4 |
| Sales receivables and other receivables | 16 | **54.5** | **54.5** | 41.6 | 41.6 |
| Investments recognised at fair value in the income statement* | 17 | **131.4** | **131.4** | 215.0 | 215.0 |
| Liquid assets | 18 | **18.9** | **18.9** | 8.0 | 8.0 |
| Derivatives* | 17 | **0.5** | **0.5** | 0.2 | 0.2 |
| Financial liabilities | | | | | |
| Purchase price liability* | 24 | **17.5** | **17.5** | 7.8 | 7.8 |
| Bank loans | 24 | **5.6** | **5.6** | 53.7 | 54.1 |
| Pension loans | 24 | **42.9** | **43.1** | 1.0 | 1.0 |
| Other loans | 24 | **1.0** | **1.0** | 0.0 | 0.0 |
| Financial leasing liabilities | 24 | **0.2** | **0.3** | 0.3 | 0.3 |
| Accounts payable and other liabilities | 26 | **83.6** | **83.6** | 49.3 | 49.3 |
| Derivatives* | 25 | **0.1** | **0.1** | 0.1 | 0.1 |

The above 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 NASDAQ OMX Helsinki Ltd's purchase price of the closing date. Part of unquoted share investments have been recognised at fair value by applying, for instance, recent transactions between independent parties. If the valuation at fair value by using valuation methods has not been possible and fair value has not been reliably available, the assets held for sale have been valuated at their acquisition cost. Assets recognised at fair value through profit or loss are marketable and market prices at closing date or market interests corresponding to the length of the agreement have been used in their valuation.

Derivatives
The fair values of interest rate, currency and commodity derivatives are determined using publicly quoted market prices at the closing date.

Loan receivables, loans and financial leasing liabilities:
The fair values of loan receivables and bank and pension 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 sales receivables and other receivables
The original book value of accounts payable and other liabilities or sales receivables and other receivables corresponds to their fair value, because the impact of discounting is not significant taking into consideration the maturity of liabilities or receivables.

Fair value hierarchy for financial assets measured at fair value
Financial assets measured at fair value* belong to tier 1, since they are based on prices determined on active markets for corresponding assets or liabilities, with the exception of available-for-sale financial assets and purchase price liability, which belong to tier 3, because their fair value is not based on observable market prices.

| (EUR million) | |
|---|---|
| **RECONCILIATION STATEMENT ACCORDING TO THE LEVEL 3 FOR FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE** | Financial assets recognisable through the items of other comprehensive income |
| | Financial assets available for sale |
| 31.12.2010 | |
| Beginning of financial period | **0.6** |
| Profits and losses | |
| In the items of other comprehensive income | **1.9** |
| Purchases | **0.1** |
| Sales | **0.0** |
| End of financial period | **2.5** |
| 31.12.2009 | |
| Beginning of financial period | 0.6 |
| End of financial period | 0.6 |

| (EUR million) | 2010 | 2009 |
|---|---|---|
| **29. OTHER LEASES** | | |
| Group as lessee: | | |
| Minimum leases paid on the basis of other non-cancellable leasing contracts: | | |
| Within 12 months | 0.5 | 0.4 |
| After 12 months but before five years | 1.2 | 0.4 |
| After five years | 7.4 | 0.5 |
| Total | 9.1 | 1.3 |

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

Based on other leases, Raisio's 2010 income statement includes paid leases worth EUR 4.5 million (EUR 4.0 million in 2009).

## 30. CONTINGENT AND OTHER LIABILITIES

| (EUR million) | 2010 | 2009 |
|---|---|---|
| Pledged assets: | | |
| For the company | | |
| Contingent liabilities for associated companies | | |
| Guarantees | 0.0 | 0.0 |
| Other liabilities | | |
| Other financial liabilities | 7.0 | 2.8 |
| Commitment to investment payments | | |
| Commitments to investment payments effective at the reporting date | 0.5 | 0.6 |

## 31. RELATED PARTY TRANSACTIONS

Consolidated subsidiaries, joint ventures and associated companies

| (EUR million) | Group holding, % | Parent company holding, % |
|---|---|---|
| **SUBSIDIARY COMPANIES** | | |
| **Brands** | | |
| Anytime Food and Drink Limited, UK | 100.00 | |
| Bright Foods Limited, UK | 100.00 | |
| Cabin Confectionery Limited, UK | 100.00 | |
| Carlshamn Mejeri Produktion AB, Sweden | 100.00 | |
| Chartnatural Limited, UK | 100.00 | |
| Dormen Foods Limited, UK | 100.00 | |
| OOO Ecomilk, Russia | 100.00 | |
| FDS Informal Foods Limited t/a Snacks Unlimited, UK | 100.00 | |
| F. Fravigar Limited, UK | 100.00 | |
| Food and Drink Solutions Limited, UK | 100.00 | |
| Glisten Ltd, UK | 100.00 | |
| The Glisten Confectionery Company Limited, UK | 100.00 | |
| Glisten Finance Limited, UK | 100.00 | |
| Glisten Snacks Limited, UK | 100.00 | |
| Halo Foods Limited, UK | 100.00 | |
| Health Bars Limited, UK | 100.00 | |
| Holgates Nutritional Foods Limited, UK | 100.00 | |
| Jester Food Products Limited, UK | 100.00 | |
| The Lindum Snack Company Limited, UK | 100.00 | |
| Lyme Regis Fine Foods Limited, UK | 100.00 | |
| Nimbus Foods Limited, UK | 100.00 | |
| Nutti-Bite Limited, UK | 100.00 | |
| The Original Welsh Pantry Company Limited, UK | 100.00 | |
| OOO Raisio, Russia | 100.00 | |
| Raisio Eesti AS, Estonia | 100.00 | |
| SIA Raisio Latvija, Latvia | 100.00 | |
| UAB Raisio Lietuva, Lithuania | 100.00 | |
| OOO Raisio Nutrition, Russia | 100.00 | |
| Raisio Sp. z o.o., Poland | 100.00 | |
| Raisio Staest US Inc., USA | 100.00 | |
| Raisio Sverige Ab, Sweden | 100.00 | |
| Raisio UK Limited, UK | 78.73 | 78.73 |
| TOV Raisio Ukraina, Ukraine | 100.00 | |
| Raisio Nutrition Ltd, Raisio | 100.00 | 100.00 |
| Shepherd Boy Limited, UK | 100.00 | |
| Skinny Candy Limited, UK | 50.00 | |
| ZAO Zolotaya Melnitsa, Russia | 74.90 | |
| **Business to Business** | | |
| Proteinoil Oy, Raisio | 100.00 | 100.00 |
| Raisio Malt Ltd, Raisio | 100.00 | 100.00 |
| Raisio Feed Ltd, Raisio | 100.00 | 100.00 |
| **Others** | | |
| Raisio Finance NV, Belgium | 100.00 | 99.99 |
| Raision Konsernipalvelut Oy, Raisio | 100.00 | 100.00 |
| Raisionkaari Industrial Park Ltd., Raisio | 100.00 | 50.00 |
| Reso Management Oy, Raisio | 0.00 | 0.00 |
| **JOINT VENTURES** | | |
| **Brands** | | |
| Ateriamestarit Oy, Turku | 50.00 | |
| **ASSOCIATED COMPANIES** | | |
| **Business to Business** | | |
| Vihervakka Oy, Pöytyä | 38.50 | 38.50 |

| (EUR million) | 2010 | 2009 |
|---|---|---|
| Business activities involving insiders: | | |
| Sales to associated companies and joint ventures | 10.8 | 12.0 |
| Purchases from associated companies and joint ventures | 0.2 | 0.1 |
| Sales to key employees in management | 0.0 | 0.2 |
| Purchases from key employees in management | 0.8 | 0.7 |
| Long-term receivables from associated companies and joint ventures | 0.1 | 0.1 |
| Short-term receivables from associated companies and joint ventures | 1.2 | 1.2 |
| Liabilities to associated companies and joint ventures | 0.1 | 0.2 |
| Sales to associated companies and joint ventures are carried out at fair market value. | | |
| Management's employee benefits: | | |
| Wages and fees | 2.9 | 2.8 |
| Compensation paid in conjunction with termination of employment | 0.0 | 0.2 |
| Share-based payments | 1.8 | 1.0 |
| Total | 4.7 | 3.9 |
| Members of the Supervisory Board: | 0.0 | 0.0 |
| Members of the Board of Directors: | 0.2 | 0.3 |
| Managing Director and members of Management Team: | | |
| Matti Rihko | 1.2 | 1.0 |
| Other members of Management Team | 3.2 | 2.5 |
| Total | 4.4 | 3.6 |

Pension and other benefits:

Members of the management have the right and obligation to retire at the age of 62.

The Managing Director's contract may be terminated by both sides with six months notice. If the contract is terminated by the company, the Managing Director is entitled to compensation corresponding to 12 months' pay in addition to the pay for the period of notice.

| (EUR million) | 2010 | 2009 |
|---|---|---|
| Loans to related party: | | |
| Loans to key persons of the management: | | |
| Loans granted during the financial period | 0.9 | |
| Accumulated interests | 0.0 | |
| At the end of the financial period | 0.9 | |
| Loan granted to the member of the Group's Management Team Paul Simmonds. The interest rate is 3.25%. The loan is due on 30 August 2012. The loan is unsecured. | | |
| Loans to Reso Management Oy: | | |
| Loan granted during the financial period | 10.4 | |
| Accumulated interests | 0.2 | |
| At the end of the financial period | 10.6 | |
| The interest rate is 3.25%. The loan will be repaid no later than 31 March 2014. Raisio plc is entitled to demand and accept as pledge the Raisio plc's shares acquired with the loan. | | |
| Loans to associate companies | | |
| At the beginning of the financial period | 0.1 | |
| Loans granted during the financial period | 0.0 | 0.1 |
| Repayments of loans | 0.0 | 0.0 |
| Accumulated interests | 0.0 | 0.0 |
| Interests received | 0.0 | 0.0 |
| At the end of the financial period | 0.1 | 0.1 |
| The interest rate is 2.94%. The loan will be repaid on 1 October 2014 at the latest. The loan is unsecured. | | |
| Loans to the related party in total | 11.6 | 0.1 |

## 32. EVENTS AFTER THE REPORTING PERIOD

On 4 February 2011, Raisio announced its acquisition of British Big Bear Group plc. The acquisition supports Raisio's target to become the leading provider of healthy snacks in Europe. With the acquisition, Raisio will gain a stronger foothold in the branded snack and breakfast markets in Great-Britain and Western Europe and the acquisition will also strengthen the company's position in the UK confectionery market. In breakfast category, the company owns the brands Honey Monster, Honey Waffles and Sugar Puffs, in snack bars Harvest Cheweee and Fox's in confectionery.

The enterprise value of the acquisition is EUR 95.3 million (GBP 82.0 million). Raisio financed the all cash transaction with its cash reserves and a loan of EUR 52 million (GBP 45 million) raised for the acquisition. After the acquisition, Raisio's equity ratio will be around 60%.

Big Bear Group was made part of Western European brand operations from the 4 February 2011 and its operations are reported with the Brands Division's figures from the first quarter of 2011. In conjunction with the acquisition Raisio will incur some EUR 3.5 million one-off cost for the first quarter of 2011.

Both the valuation of fair value of received assets and liabilities assumed and the allocation of the purchase price have been initiated. The work has just been started and there is no detailed information available yet.

# Financial indicators

| (EUR million) | 2010 | 2009 | 2008 |
|---|---|---|---|
| **Result and profitability** | | | |
| Net sales, M€ [1] | 443.0 | 375.9 | 463.2 |
| change, % | 17.9 | –18.8 | 19.7 |
| International net sales, M€ [1] | 186.2 | 124.4 | 162.2 |
| % of net sales | 42.0 | 33.1 | 35.0 |
| Operating margin, M€ [1] | 35.4 | 36.4 | 42.4 |
| % of net sales | 8.0 | 9.7 | 9.1 |
| Depreciation and write-downs, M€ [1] | 15.9 | 17.0 | 18.0 |
| EBIT, M€ [1] | 19.4 | 19.5 | 24.4 |
| % of net sales | 4.4 | 5.2 | 5.3 |
| Result before taxes, M€ [1] | 17.6 | 18.9 | 24.0 |
| % of net sales | 4.0 | 5.0 | 5.2 |
| Return on equity, ROE, % [1] | 3.9 | 4.5 | 7.0 |
| Return on investment, ROI, % [1] | 5.1 | 6.1 | 8.4 |
| **Financial and economical position** | | | |
| Shareholders' equity, M€ | 324.0 | 322.0 | 279.4 |
| Interest-bearing financial liabilities, M€ | 67.2 | 62.8 | 19.7 |
| Net interest-bearing financial liabilities, M€ | –72.9 | –150.2 | –58.2 |
| Balance sheet total, M€ | 487.2 | 444.2 | 364.0 |
| Equity ratio, % | 67.6 | 73.4 | 77.9 |
| Net gearing, % | –22.5 | –46.6 | –20.8 |
| Cash flow from business operations, M€ | 23.0 | 51.5 | 52.7 |
| **Other indicators** | | | |
| | 49.1 | 10.0 | 26.9 |
| Gross investments, M€ [1] | 11.1 | 2.7 | 5.8 |
| % of net sales | | | |
| | 6.3 | 6.1 | 5.8 |
| R&D expenses, M€ [1] | 1.4 | 1.6 | 1.3 |
| % of net sales | | | |
| | 1,111 | 627 | 719 |
| Average personnel [1] | | | |

[1] Key figures presented for continuing operations.

# Share indicators

| (EUR million) | 2010 | 2009 | 2008 |
|---|---|---|---|
| Earnings/share, continuing operations (EPS), € [1] | 0.08 | 0.09 | 0.12 |
| Cash flow from business operations/share, € [1] | 0.15 | 0.33 | 0.34 |
| Equity/share, € [1] | 2.06 | 2.06 | 1.79 |
| Dividend/share, € | 0.10 [2] | 0.09 | 0.07 |
| Dividend/earnings, % | 124.2 | 104.9 | 58.3 |
| Effective dividend yield, % | | | |
| Free shares | 3.6 | 3.4 | 4.8 |
| Restricted shares | 3.6 | 3.3 | 4.3 |
| P/E ratio | | | |
| Free shares | 34.9 | 31.0 | 12.3 |
| Restricted shares | 34.7 | 31.7 | 13.7 |
| Adjusted average quotation, € | | | |
| Free shares | 2.75 | 2.06 | 1.56 |
| Restricted shares | 2.76 | 2.04 | 1.66 |
| Adjusted lowest quotation, € | | | |
| Free shares | 2.38 | 1.43 | 1.35 |
| Restricted shares | 2.35 | 1.49 | 1.38 |
| Adjusted highest quotation, € | | | |
| Free shares | 3.00 | 2.72 | 1.87 |
| Restricted shares | 3.00 | 2.78 | 1.85 |
| Adjusted quotation 31.12., € | | | |
| Free shares | 2.81 | 2.66 | 1.47 |
| Restricted shares | 2.79 | 2.72 | 1.64 |
| Market capitalization 31.12., M€ [1] | | | |
| Free shares | 344.1 | 324.2 | 178.6 |
| Restricted shares | 95.0 | 93.2 | 56.2 |
| Total | 439.1 | 417.4 | 234.8 |
| Trading, M€ | | | |
| Free shares | 109.1 | 73.8 | 44.2 |
| Restricted shares | 3.1 | 2.3 | 1.3 |
| Total | 112.2 | 76.1 | 45.5 |
| Number of shares traded | | | |
| Free shares, 1,000 shares | 39,674 | 35,873 | 28,365 |
| % of total | 30.3 | 27.5 | 21.7 |
| Restricted shares, 1,000 shares | 1,106 | 1,114 | 808 |
| % of total | 3.2 | 3.2 | 2.3 |
| Average adjusted number of shares, 1,000 shares [1] | | | |
| Free shares | 122,226 | 121,666 | 122,310 |
| Restricted shares | 34,217 | 34,268 | 34,294 |
| Total | 156,443 | 155,934 | 156,605 |
| Adjusted number of shares 31.12., 1,000 shares [1] | | | |
| Free shares | 122,461 | 121,894 | 121,516 |
| Restricted shares | 34,054 | 34,250 | 34,276 |
| Total | 156,515 | 156,145 | 155,793 |

[1] Number of shares, excluding the shares held by the company and shares held by Reso Management Oy
[2] According to Board's proposal EUR 0.10 per share.

# Calculation of key financial indicators

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

# Calculation of key share indicators

| | | |
|---|---|---|
| **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 | |
| **Shareholders' 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 period-end | |
| **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 issue x number of shares 31.12. without own shares*** | |

* The calculation of key indicators uses continuing operations result.
** Excluding shares with a potential return obligation and shares held by Reso Management Oy
*** Excluding the shares held by Reso Management Oy

# Shares and shareholders

Raisio pls's shares are listed on NASDAQ QMX Helsinki Ltd. Raisio's market value at the end of 2010 was EUR 463.4 million. Overall trading totalled EUR 112.2 million. The closing price of free shares on 30 December 2010 was EUR 2.81, and that of restricted shares EUR 2.79. The Board of Directors will propose a dividend of EUR 0.10 at the Annual General Meeting in spring 2011.

## Share capital and share classes

The fully paid-up share capital of Raisio plc is EUR 27,776,072.91, which on 31 December 2010 was divided into 34,255,057 restricted shares (series K) and 130,893,973 free shares (series V). No nominal value is quoted for the shares. Restricted shares accounted for 20.7% of the share capital and 84.0% of the votes, while the corresponding figures for free shares were 79.3% and 16.0% (on 31 December 2010). The company's minimum share capital is EUR 25,000,000 and maximum share capital EUR 100,000,000. The share capital can be increased or decreased within these limits without amending the Articles of Association. There were no changes in the share capital during 2010. The company has not issued securities that entitle the holder to shares.

Raisio pls's shares are listed on NASDAQ QMX Helsinki Ltd (hereafter referred to as the stock exchange). The company's free shares are quoted in the Mid Cap segment under the Consumer Staples sector, and its restricted shares on the Prelist. The trading 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.

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.

The assignment of restricted shares requires the consent of the Board of Directors. Consent is required even if the party who the shares are assigned to already owns registered restricted shares in the company. Consent must be given if the share recipient is a natural person whose primary occupation is farming. If consent is not given, the Board of Directors must convert the assigned restricted share into a free share.

The Board may also convert restricted shares into free shares on request and likewise give advance notice on whether the applicant will be granted consent to acquire restricted shares. In 2010, a total of 196,666 restricted shares were converted into free shares.

In the book-entry system, restricted shares for which the consent procedure is in progress, or for which consent has not been sought, will be retained on the waiting list until they are entered as restricted shares in the share register following consent, assigned to another shareholder or converted into free shares. The waiting list had 6.4 million restricted shares on 31 December 2010.

## Raisio shares traded on the stock exchange in 2010

The highest price of the series V share was EUR 3.00 and the lowest EUR 2.38. The average price was EUR 2.75. The year-end price of the V share was EUR 2.81. The number of Raisio V shares traded totalled 39.7 million (35.9 million in 2009), which equals some 30% of the total volume of V shares. The value of share trading was EUR 109.1 million (EUR 73.8 million).

The highest price of the series K share was EUR 3.00 and the lowest EUR 2.35. The average price was EUR 2.76. The year-end price of the K share was EUR 2.79. The number of Raisio's K shares traded totalled 1.1 million (1.1 million), and the value of share trading was EUR 3.1 million (EUR 2.3 million).

The share capital had a market value of EUR 463.4 million at the end of 2010 (EUR 441.4 million), and EUR 451.7 million (EUR 417.4 million) excluding the shares held by the company.

## Ownership structure

At the end of 2010, Raisio plc had 36,174 registered shareholders (37,384). With a share of 54.0%, households made up the largest owner group (56.0%).

Raisio plc held 3,949,888 free shares and 201,295 restricted shares on 31 December 2010. Management's holding company Reso Management Oy of which, on the basis of the agreements, Raisio plc is deemed to have control, and which is thus regarded as a subsidiary, holds 4,482,740 free shares. Other Group companies hold no Raisio plc shares. Shares held by the company or its subsidiaries do not entitle the holder to participate in the Annual General Meeting.

In the reporting year, foreign ownership in Raisio amounted to 13.0% at its highest, to 12.2% at its lowest and was 12.2% (13.3%) at the end of the year. Of the company's shares, 0.5% remains outside the book-entry system.

## Disclosure notifications

During 2010, the following notifications on changes in the ownership referred to in the 9 § of Chapter 2 of the Securities Market Act were made:

On 16 November 2010, OP-Keskus Cooperative's notification that the total amount of shares held by OPK and corporations in which OP-Keskus Cooperative exercises influence, its subsidiaries and funds managed by its subsidiaries has exceeded the limit of 5% of the total number of Raisio plc's shares on 10 November 2010.

On 7 December 2010, OP-Keskus Cooperative's notification that the total amount of shares held by OPK and corporations in which OP-Keskus Cooperative exercises influence, its subsidiaries and funds managed by its subsidiaries has fallen below the limit of 5% of the total number of Raisio plc's shares on 30 November 2010.

In consequence of these notifications, the company has published stock exchange releases on 17 November 2010 and on 7 December 2010.

## Dividend policy and dividend

It is Raisio's target to generate added value to all its shareholders by developing its business operations and by improving its business profitability, and by following a long-range dividend policy. The target 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 plc's Annual General Meeting, held on 25 March 2010, decided on a dividend of EUR 0.09 per share. The dividend was paid on 8 April 2010. No dividend was paid on the shares held by the company. The Board of Directors will propose a per-share dividend of EUR 0.10 at the Annual General Meeting in spring 2011. The record date is 29 March 2011, and the payable date 5 April 2011.

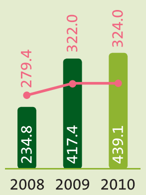
## Shares held by management

The members of the Board of Directors and Supervisory Board and Managing Director as well as the companies and foundations of which they have control held a total of 1,391,290 restricted shares and 4,826,481 free shares on 31 December 2010. This equals 3.76% of all shares and 4.0% of overall votes.

Structure of share capital on 31 December 2010

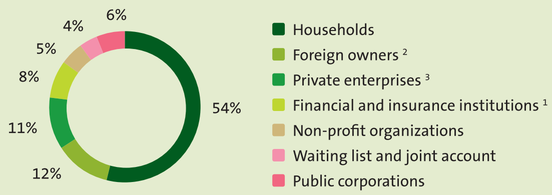
| | Number of shares | % of total shares | % of total votes |
|---|---|---|---|
| Free shares | 130,893,973 | 79.3 | 16.0 |
| Restricted shares | 34,255,057 | 20.7 | 84.0 |
| Total | 165,149,030 | 100.0 | 100.0 |

Market value (M€)




Excluding the shares held by the company

Shareholders on 31 December 2010




[1] excluding nominee-registered
[2] including nominee-registered
[3] including the shares held by the company

Managing Director is included in the Group's share-based incentive scheme (2008–2010), on the basis of which he can be assigned, at the most, 66,667 Raisio plc free shares in December 2012 (the third earnings period). If Managing Director receives the maximum number of free shares from the third earnings period in the incentive scheme, the ownership of the above mentioned group will increase to 3.81% of all shares and 4.01% of overall votes.

## Shareholder agreements

Board of Directors is not aware of any valid agreements related to the ownership of the company's shares and the use of voting power.

## Amendments to the Articles of Association

As a rule, amendment of the Articles of Association requires that the proposed amendment is supported by at least two-thirds of the votes given and the shares represented at the meeting. In order to change sections 6, 7, 8, 9 and 18 of the Articles of Association, such a decision is required which is made at two successive General Meetings, held with an interval of at least 20 days, by a majority of three fourths of the votes given and of the shares represented. In certain issues, a vote by classes of shares and shareholder consent are required by the Companies Act.

## Amendment to the Articles of Association in 2010

The Annual General Meeting held in spring 2010 approved the Board of Directors' proposal for amending the section 11 of the Articles of Association to read as follows: "The notice of the General Meeting shall be published, at the earliest, three (3) months and at the latest three (3) weeks before the General Meeting on the Company's website and possibly in another manner determined by the Board of Directors. However, the notice of the General Meeting must be published no later than nine (9) days before the record date of the General Meeting."

Furthermore, in respect of the amendment of the section 11 of the Articles of Association, the Annual General Meeting decided to delete the item 5 of the section 12. Consequently, the internal numbering of the items 6–8 under section 12 became one number smaller.

The amendments of the sections 11 and 12 of the Articles of Association have been effective since they were entered in the Trade Register in April 2010.

Moreover, the Annual General Meeting approved the Board of Directors' proposal for amending the 3rd subsection of the section 9 of the Articles of Association to read as follows: "In the General Meeting, no shareholder's shares are entitled to vote with more votes than one tenth of the total number of votes of the shares represented at the Meeting." This amendment will enter into force if it is also approved at the next consecutive General Meeting and after the amendment has then been entered into the Trade Register.

## Corporate Governance system

Raisio's Board of Directors consists of a minimum of five and a maximum of eight members elected by the Annual General Meeting. Their term begins at the end of the General Meeting at which the election takes place and lasts until the end of the following Annual General Meeting.

With the exception of representatives of personnel groups, the members of the company's Supervisory Board, who number 15 as a minimum and 25 as a maximum, are elected by the shareholders' meeting for a term that begins at the General Meeting at which the election takes place and lasts until the end of the third Annual General Meeting following the election. One-third of the members are replaced every year. The Supervisory Board also has three representatives elected by personnel groups formed by Raisio's employees in Finland. Their term is approximately three years.

Managing Director is appointed and discharged by the Board of Directors. Managing Director is appointed for an indefinite term.

The body that elects the members of the Supervisory Board and the Board of Directors may make a new appointment decision at any time, meaning that the duties of a member or all members may be terminated before the term comes to an end.

## Share repurchase authorisation for the Board of Directors

The General Meeting held in spring 2010 authorised the Board of Directors to decide on the repurchase of a maximum of 6,000,000 free shares and 1,500,000 restricted shares through public trading arranged by the stock exchange. The shares may be repurchased in order to develop the capital structure of the company, to finance or carry out acquisitions or other arrangements, to implement share-based incentive schemes or to be otherwise further assigned or annulled. The authorisation will expire, at the latest, on 25 September 2011.

By virtue of the authorisation, the number of repurchased shares is 4.5% of all shares and 4.4% of the votes they represent.

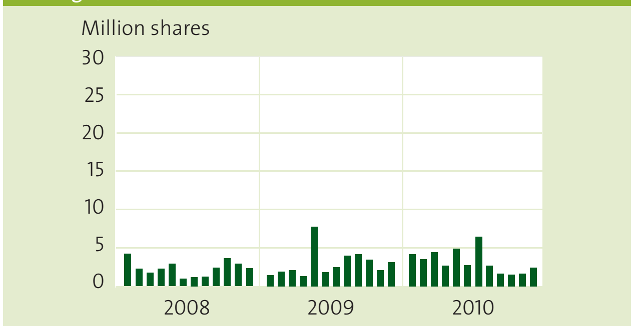
The authorisation granted in the General Meeting of 2010 was not exercised during the financial year.

## Share issue authorisation for the Board of Directors and the exercise of the authorisation

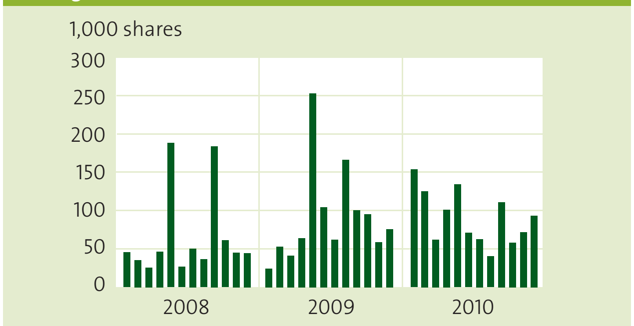
The Annual General Meeting held in spring 2010 authorised the Board of Directors to decide on share issues by (1) disposing all of the company shares held by the company at the time of the decision and any repurchased shares – a maximum total of 16,504,404 shares, 1,701,295 of which can be restricted shares, and by (2) issuing a maximum of 16,500,000 new free shares against payment. The share issue authorisation will be valid until 25 March 2015 at the latest.

By virtue of the authorisation, the number of the shares to be assigned and held by the Company on 31 December 2010 equals 2.5% of the share capital and 1.0% of the votes it represents. By virtue of the authorisation, the number of issued new shares equals 10.0% of the share capital and 2.0% of the votes it represents.

Trading volume, free share




Trading volume, restricted share




Share price development, free share


Share price development, restricted share

The Board of Directors is authorised to decide to whom and in what order the Company's own shares are assigned and new shares given. The Board of Directors can decide on the assignment of the Company's own shares and giving new shares otherwise than in a proportion where the shareholders have a primary right to the Company's shares, if there exists weighty financial reason for a deviation from the Company's point of view. Development of the Company's capital structure, financing or implementation of company acquisitions or other arrangements and realisation of share-based incentive systems can be considered weighty financial reasons from the Company's point of view. The Board of Directors can also decide on assigning the Company's own shares in public trading organised by stock exchange for raising funds for the financing of investments and possible company acquisitions.

The amount of compensation payable for the shares is no less than their market value at the time of assignment, which is determined in the public trading organised by the Stock Exchange, but when implementing share-based incentive schemes, shares can be given gratuitously. The shares can also be assigned against compensation other than money, against acknowledgement or otherwise on certain terms and conditions.

During the financial year, by virtue of the authorisation, 17,165 free shares were assigned to the Chairman of the Board and Board members as part of the compensation for managing their duties, in line with the decisions taken by the Annual General Meetings held in 2009 and 2010.

Furthermore, a total of 553,056 free shares were assigned in May as a reward for the second earnings period of the share-based incentive scheme (financial year 2009) to the 51 persons covered by the scheme as well as a total of 168,000 free shares as recognition of and reward for the successfully completed divestment of the margarine business in 2009, also to 51 persons.

In June 2010, based on the authorisation, the Board of Directors also decided on the share issue against payment directed to Reso Management Oy. In the share issue, a total of 4,120,000 free shares held by the company were assigned, deviating from the pre-emptive subscription right of shareholders, to be subscribed by Reso Management Oy. The company had a weighty financial reason to deviate from the pre-emptive subscription right of shareholders since the shares assigned in the share issue were used to implement the incentive and commitment scheme for the members of the Raisio Management Team. As the assigned free shares in the share issue were company shares held by Raisio plc, the number of the company's shares remained unchanged.

The subscription price (assignment price) of a free share was the trade volume weighted average quotation of the company's free share on the NASDAQ OMX Helsinki Ltd during 5 May – 22 June 2010, i.e. EUR 2.58. The share subscription period was 1–2 July 2010 and the subscribed shares had to be paid on 16 July 2010 at the latest. The subscription price has been paid to the company and registered to the reserve for invested unrestricted equity of the company.

**Split of shareholdings on 31 December 2010**

| | Free shares | | | | Restricted shares | | | |
|---|---|---|---|---|---|---|---|---|
| Shares | Shareholders | | Shares | | Shareholders | | Shares | |
| no. | no. | % | no. | % | no. | % | no. | % |
| 1–1,000 | 22,038 | 65.1 | 10,467,899 | 8.0 | 3,578 | 58.0 | 1,276,756 | 3.7 |
| 1,001–5,000 | 9,305 | 27.5 | 22,473,967 | 17.2 | 1,665 | 27.0 | 3,980,363 | 11.6 |
| 5,001–10,000 | 1,575 | 4.6 | 11,739,547 | 9.0 | 475 | 7.7 | 3,395,354 | 9.9 |
| 10,001–25,000 | 659 | 1.9 | 10,356,239 | 7.9 | 316 | 5.1 | 4,855,042 | 14.2 |
| 25,001–50,000 | 155 | 0.5 | 5,503,486 | 4.2 | 92 | 1.5 | 2,970,327 | 8.7 |
| 50,001– | 134 | 0.4 | 69,999,165 | 53.5 | 45 | 0.7 | 10,742,516 | 31.4 |
| waiting list | | | 0 | 0.0 | 3,986 | | 6,418,219 | 18.7 |
| joint account | | | 184,770 | 0.1 | | | 616,480 | 1.8 |
| special accounts | | | 168,900 | 0.1 | | | 0 | 0.0 |
| total | 33,866 | 100.0 | 130,893,973 | 100.0 | 6,171 | 100.0 | 34,255,057 | 100.0 |

31 December 2010 Raisio plc had a total of 36,174 registered shareholders.

| Shareholders | | | | | | |
|---|---|---|---|---|---|---|
| 25 major shareholders on 31 December 2010, according to shareholders register | | | | | | |
| | Series K, no. | Series V, no. | Total, no. | % | Votes, no. | % |
| Reso Management Oy | | 4,482,740 | 4,482,740 | 2.71 | 4,482,740 | 0.55 |
| Niemistö Kari | | 4,120,000 | 4,120,000 | 2.49 | 4,120,000 | 0.50 |
| The Central Union of Agricultural Producers and Forest Owners (MTK) | 3,733,980 | 199,000 | 3,932,980 | 2.38 | 74,878,600 | 9.18 |
| OP-Finland Value Fund | | 2,950,000 | 2,950,000 | 1.79 | 2,950,000 | 0.36 |
| OP-Delta Fund | | 2,850,000 | 2,850,000 | 1.73 | 2,850,000 | 0.35 |
| Varma Mutual Pension Insurance Company | | 2,748,500 | 2,748,500 | 1.66 | 2,748,500 | 0.34 |
| Skagen Global Verdipapirfond | | 2,287,300 | 2,287,300 | 1.38 | 2,287,300 | 0.28 |
| Ilmarinen Mutual Pension Insurance Company | | 2,235,245 | 2,235,245 | 1.35 | 2,235,245 | 0.27 |
| OP-Finland Small Firms Fund | | 2,125,353 | 2,125,353 | 1.29 | 2,125,353 | 0.26 |
| Veritas Pension Insurance Company Ltd. | | 1,350,385 | 1,350,385 | 0.82 | 1,350,385 | 0.17 |
| The State Pension Fund | | 1,300,000 | 1,300,000 | 0.79 | 1,300,000 | 0.16 |
| Aktia Capital Fund | | 1,220,475 | 1,220,475 | 0.74 | 1,220,475 | 0.15 |
| Relander Harald | | 1,115,000 | 1,115,000 | 0.68 | 1,115,000 | 0.14 |
| Mutual Insurance Company Pension-Fennia | | 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 |
| Etra Invest Oy Ab | | 1,000,000 | 1,000,000 | 0.61 | 1,000,000 | 0.12 |
| Taaleritehdas Arvo Markka Osake Value Fund | | 900,000 | 900,000 | 0.54 | 900,000 | 0.11 |
| Skagen Global II Verdipapirfond | | 846,700 | 846,700 | 0.51 | 846,700 | 0.10 |
| Brotherus Ilkka | 42,540 | 784,500 | 827,040 | 0.50 | 1,635,300 | 0.20 |
| Skagen Vekst Verdipapierfond | | 800,000 | 800,000 | 0.48 | 800,000 | 0.10 |
| The central union of Swedish-speaking agricultural producers in Finland (SLC) | 659,500 | | 659,500 | 0.40 | 13,190,000 | 1.62 |
| Nordea Nordic Small Cap Fund | | 661,279 | 661,279 | 0.40 | 661,279 | 0.08 |
| Haavisto Maija Helena | 393,120 | 264,270 | 657,390 | 0.40 | 8,126,670 | 1.00 |
| Langh Hans | 654,480 | | 654,480 | 0.40 | 13,089,600 | 1.60 |
| Haavisto Heikki Johannes | 552,336 | 96,090 | 648,426 | 0.39 | 11,142,810 | 1.37 |

Shares registered under foreign ownership, including nominee registrations, totalled 20,175,505 on 31 December 2010, or 12.2% of the total and 15.4% of free shares.
At the end of the year, Raisio plc owned 4,151,183 company shares, which represents 2.5% of the total.

# Parent company income statement

| (EUR million) | Note | 31.12.2010 | 31.12.2009 |
|---|---|---|---|
| NET SALES | | 1.71 | 2.32 |
| Other income from business operations | | 0.00 | 0.01 |
| Materials and services | 1 | −0.05 | −0.07 |
| Personnel expenses | 2 | −1.63 | −2.70 |
| Depreciation and write-downs | 3 | −0.04 | −0.06 |
| Other expenses from business operations | 4 | −4.36 | −5.32 |
| EBIT | | −4.37 | −5.81 |
| Financial income and expenses | 5 | −0.29 | +4.62 |
| RESULT BEFORE EXTRAORDINARY ITEMS | | −4.65 | −1.19 |
| Extraordinary items | 6 | 11.80 | 14.71 |
| RESULT BEFORE APPROPRIATIONS AND TAXES | | 7.14 | 13.52 |
| Appropriations | 7 | 0.00 | 0.02 |
| Direct taxes | 8 | −1.80 | −3.50 |
| RESULT FOR THE FINANCIAL PERIOD | | 5.35 | 10.04 |

# Parent company balance sheet

| (EUR million) | Note | 31.12.2010 | 31.12.2009 |
|---|---|---|---|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Intangible assets | 9 | 0.03 | 0.04 |
| Tangible assets | 9 | 0.41 | 0.44 |
| Holdings in Group companies | 10 | 169.72 | 103.93 |
| Other investments | 10 | 40.48 | 44.88 |
| | | 210.63 | 149.29 |
| CURRENT ASSETS | | | |
| Inventories | 11 | 0.01 | 0.01 |
| Long-term receivables | | 0.15 | 0.00 |
| Current receivables | 12 | 22.32 | 30.72 |
| Securities under financial assets | 13 | 130.78 | 214.21 |
| Cash in hand and at banks | | 17.26 | 30.73 |
| | | 170.52 | 275.67 |
| TOTAL ASSETS | | 381.15 | 424.96 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| SHAREHOLDERS' EQUITY | 14 | | |
| Share capital | | 27.78 | 27.78 |
| Premium fund | | 2.91 | 2.91 |
| Reserve fund | | 88.59 | 88.59 |
| Invested unrestricted shareholders' equity fund | | 10.62 | 0.00 |
| Retained earnings | | 187.69 | 189.48 |
| Result for the year | | 5.35 | 10.04 |
| | | 322.93 | 318.79 |
| APPROPRIATIONS | 15 | 0.00 | 0.00 |
| LIABILITIES | | | |
| Non-current liabilities | 16 | 19.75 | 26.66 |
| Current liabilities | 17 | 38.47 | 79.51 |
| | | 58.22 | 106.17 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 381.15 | 424.96 |

# Parent company cash flow statement

| (EUR million) | 2010 | 2009 |
|---|---|---|
| CASH FLOW FROM BUSINESS OPERATIONS | | |
| EBIT | −4.37 | −5.81 |
| EBIT adjustments: | | |
| Planned depreciation | 0.04 | 0.06 |
| Other adjustments | 2.00 | 0.73 |
| Cash flow before change in working capital | −2.33 | −5.02 |
| Increase (–)/decrease (+) in current receivables | −4.07 | +1.88 |
| Increase (–)/decrease (+) in inventories | 0.00 | +0.01 |
| Increase (+)/decrease (–) in current interest-free liabilities | −0.86 | +0.26 |
| Change in working capital | −4.93 | 2.16 |
| Cash flow from business operations before financial items and taxes | −7.25 | −2.87 |
| Interest paid and payments for financial expenses from business operations | −2.08 | −3.20 |
| Dividends received | 0.02 | 0.01 |
| Interest and other financial income | 4.10 | 9.48 |
| **CASH FLOW FROM BUSINESS OPERATIONS** | −5.21 | 3.43 |
| CASH FLOW FROM INVESTMENTS | | |
| Investments in tangible and intangible assets | 0.00 | −0.06 |
| Investments in shares of Group companies | −65.79 | 0.00 |
| Investments on marketable securities | −25.00 | −10.00 |
| Proceeds from sale of securities | 22.39 | |
| Loans granted | −1.02 | −49.00 |
| Repayment of loan receivables | 15.92 | 143.02 |
| **CASH FLOW FROM INVESTMENTS** | −53.50 | 83.95 |
| Cash flow after investments | −58.71 | 87.38 |
| CASH FLOW FROM FINANCIAL OPERATIONS | | |
| Increase (+)/decrease (–) in non-current loans | −6.91 | +23.58 |
| Increase (+)/decrease (–) in current liabilities | −32.20 | +50.20 |
| Increase (–)/decrease (+) in loan receivables | 0.00 | +20.00 |
| Group contributions received and paid | 14.71 | −6.61 |
| Assignment of company shares | 0.18 | −0.01 |
| Dividend paid and other distribution of profit | −13.97 | −10.84 |
| **CASH FLOW FROM FINANCIAL OPERATIONS** | −38.20 | 76.33 |
| Change in liquid funds | −96.90 | 163.71 |
| Liquid funds at the beginning of the period | 234.94 | 71.23 |
| Liquid funds at period-end | 138.03 | 234.94 |

# 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

Planned depreciation has been deducted from the acquisition cost of tangible and intangible assets recognised on the balance sheet. Acquisition cost includes all the variable expenses resulting from the acquisition and manufacturing. Planned depreciation has been calculated using straight line depreciation method based on the useful life of tangible and intangible assets. Depreciation has been made from the month of introduction of the asset.

## 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

Acquisition cost of non-current assets, whose probable useful life is less than three years, as well as small purchases (below EUR 850) have been recognised as an expense in their entirety.

Sales profits and losses are determined by comparing the sales profit to the carrying amount. Sales profits and losses are included in the income statement under other operating income and expenses.

## Valuation of inventories

Inventories have been recognised in the balance sheet at their acquisition cost or repurchase price lower than that or probable selling price. Acquisition cost is determined by the weighted average cost.

## Valuation of receivables and liabilities

Receivables have been measured at their acquisition cost or at their probable value lower than acquisition cost. Liabilities have been valued at their nominal value.

## Valuation of marketable securities

Marketable securities have been valued at their acquisition cost.

## Pension arrangements

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

## Provisions

Provisions are recognised when the company has a legal or actual obligation arising from past events, the realisation of the payment liability is likely and the amount of the obligation can be reliably estimated. If part of the obligation can be compensated 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 is entered when the company has prepared a detailed rearrangement plan and started the implementation of the plan or a notification of the matter has been issued.

## Net sales

Net sales consist of product sales as well as income from services that the parent company provides to Group companies.

## Other income from business operations

Other income from business operations has been included 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.

## Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

## 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 and interest rate risks. Currency derivatives are used to hedge foreign currency receivables and liabilities and exchange rate differences arising from them are recorded in the income statement.

The interest rate risk of the portfolio consisting of the Group's interest-bearing receivables and liabilities is 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.

## Company shares

Acquisition of the company shares and related costs have been presented in the company's financial statements as deduction from retained earnings. Conveyance of the company shares has been presented as an addition to earnings except for the company shares assigned in the directed share issue. The subscription price of these shares has been entered in the invested unrestricted equity fund and their acquisition cost is presented in the earnings.

## Incentive scheme for management

Expenses related to the management's long-term, share-based i ncentive scheme are recognised as an earnings period expense in the income statement and as liabilities in the balance sheet.

## Cash flow statement

Cash flows for the financial period have been categorised into cash flows from business operations, investments and financing. The statement of cash flows has been prepared using the indirect method.

# Notes to the parent company income statement

| (EUR million) | 2010 | 2009 |
|---|---|---|
| **1. MATERIALS AND SERVICES** | | |
| Materials, supplies and goods | | |
| Purchases in the period | 0.05 | 0.06 |
| Change in inventories | 0.00 | 0.01 |
| Total | 0.05 | 0.07 |
| **2. PERSONNEL EXPENSES** | | |
| Wages and fees | 1.14 | 1.97 |
| Pension expenses | 0.21 | 0.57 |
| Other personnel expenses | 0.28 | 0.16 |
| Total | 1.63 | 2.70 |
| **WAGES AND FEES PAID TO MANAGEMENT** | | |
| Managing Director | 1.25 | 1.00 |
| Members of the Board of Directors | 0.23 | 0.30 |
| Members of the Supervisory Board | 0.03 | 0.02 |
| **AVERAGE NUMBER OF PARENT COMPANY PERSONNEL** | | |
| Office workers | 2 | 2 |
| **PENSION LIABILITY** | | |
| Pension liability for members of the Board of Directors and the Managing Director | | |
| The parent company's Managing Director is entitled and obligated to retire upon turning 62. | | |
| **3. DEPRECIATION AND WRITE-DOWNS** | | |
| Planned depreciation | 0.04 | 0.06 |
| **4. OTHER EXPENSES FROM BUSINESS OPERATIONS** | | |
| Auditors' remuneration: | | |
| PricewaterhouseCoopers Oy | | |
| Audit | 0.06 | 0.05 |
| Certificates and reports | 0.01 | 0.02 |
| Other services | 0.08 | 0.02 |
| Total | 0.16 | 0.09 |

| (EUR million) | 2010 | 2009 |
|---|---|---|
| **5. FINANCIAL INCOME AND EXPENSES** | | |
| Dividend received | | |
| From participating interest companies | 0.02 | 0.01 |
| Total | 0.02 | 0.01 |
| Total interest received from long-term investment | | |
| From Group companies | 1.61 | 4.71 |
| Total income from long-term investment | 1.62 | 4.72 |
| Other interest and financial income | | |
| From Group companies | 0.24 | 0.32 |
| From others | 2.08 | 2.44 |
| Total | 2.32 | 2.76 |
| Total financial income | 3.95 | 7.48 |
| Exchange rate differences | | |
| To Group companies | 0.42 | −0.46 |
| To others | −0.35 | 0.50 |
| Total | 0.08 | 0.04 |
| Interest paid and other financial expenses | | |
| To Group companies | −0.24 | −0.33 |
| To others | −4.08 | −2.57 |
| Total | −4.31 | −2.89 |
| Total financial expenses | −4.23 | −2.85 |
| Total financial income and expenses | −0.29 | 4.62 |
| **6. EXTRAORDINARY INCOME AND EXPENSES** | | |
| Extraordinary income | | |
| Group subsidies received | 12.83 | 23.25 |
| Total | 12.83 | 23.25 |
| Extraordinary expenses | | |
| Group subsidies paid | −1.03 | −8.54 |
| Total | −1.03 | −8.54 |
| Total extraordinary income and expenses | 11.80 | 14.71 |
| **7. APPROPRIATIONS** | | |
| Difference between planned depreciation and depreciation made in taxation | 0.00 | 0.02 |
| **8. INCOME TAXES** | | |
| Income tax on extraordinary items | −3.07 | −3.82 |
| Income tax on ordinary operations | 1.27 | 0.17 |
| Taxes on previous financial years | 0.00 | 0.15 |
| Total | −1.80 | −3.50 |

# Notes to the parent company balance sheet

## 9. INTANGIBLE ASSETS 2010

| (EUR million) | Intangible rights | Other long-term expenditure | Intangible assets total |
|---|---|---|---|
| Acquisition cost 1.1. | 0.25 | 0.37 | 0.62 |
| Increase 1.1.–31.12. | 0.00 | | 0.00 |
| Decrease 1.1.–31.12. | | | 0.00 |
| Reclassifications | | | 0.00 |
| **Acquisition cost 31.12.** | **0.25** | **0.37** | **0.62** |
| Accumulated depreciation and write-downs 1.1. | 0.22 | 0.36 | 0.58 |
| Accumulated depreciation of decrease and transfers | 0.00 | | 0.00 |
| Depreciation for the year | 0.00 | 0.00 | 0.01 |
| **Accumulated depreciation 31.12.** | **0.22** | **0.37** | **0.59** |
| Book value 31.12.2010 | 0.02 | 0.01 | 0.03 |
| Book value 31.12.2009 | 0.03 | 0.01 | 0.04 |

## 9. TANGIBLE ASSETS 2010

| (EUR million) | Buildings and constructions | Machinery and equipment | Other tangible assets | Tangible assets total |
|---|---|---|---|---|
| Acquisition cost 1.1. | 0.70 | 0.26 | 0.26 | 1.23 |
| Increase 1.1.–31.12. | | | | 0.00 |
| Decrease 1.1.–31.12. | | | | 0.00 |
| Reclassifications | | | | 0.00 |
| **Acquisition cost 31.12.** | **0.70** | **0.26** | **0.26** | **1.23** |
| Accumulated depreciation and write-downs 1.1. | 0.58 | 0.21 | | 0.79 |
| Accumulated depreciation of decrease and transfers | | 0.00 | | 0.00 |
| Depreciation for the year | 0.03 | 0.01 | | 0.03 |
| **Accumulated depreciation 31.12.** | 0.61 | 0.21 | 0.00 | 0.82 |
| **Book value 31.12.2010** | **0.09** | **0.05** | **0.26** | **0.41** |
| **Book value 31.12.2009** | **0.12** | **0.06** | **0.26** | **0.44** |
| Book value of the production machinery and equipment | | | | |
| 31.12.2010 | | 0.00 | | |
| 31.12.2009 | | 0.00 | | |

## 10. INVESTMENT 2010

| (EUR million) | Group company shares | Participating interest company shares | Other shares | Receivables, Group companies | Other receivables | Total investment |
|---|---|---|---|---|---|---|
| Acquisition cost 1.1. | 103.93 | 0.03 | 0.03 | 44.81 | 0.00 | 148.81 |
| Increase 1.1.–31.12. | 65.79 | | | 10.66 | 0.87 | 77.32 |
| Decrease 1.1.–31.12. | | | 0.01 | 15.92 | | 15.93 |
| **Acquisition cost 31.12.** | **169.72** | **0.03** | **0.03** | **39.55** | **0.87** | **210.20** |
| **Book value 31.12.2010** | **169.72** | **0.03** | **0.03** | **39.55** | **0.87** | **210.20** |
| **Book value 31.12.2009** | **103.93** | **0.03** | **0.03** | **44.81** | **0.00** | **148.81** |

## SHARES AND HOLDINGS 2010

| (EUR million) | Group holding, % | Parent company holding, % |
|---|---|---|
| **GROUP COMPANIES** | | |
| Proteinoil Oy, Raisio | 100.00 | 100.00 |
| Raisio Finance NV, Belgium | 100.00 | 99.99 |
| Raisio Malt Ltd, Raisio | 100.00 | 100.00 |
| Raision Konsernipalvelut Oy, Raisio | 100.00 | 100.00 |
| Raisionkaari Industrial Park Ltd., Raisio | 100.00 | 50.00 |
| Raisio UK Limited, UK | 78.73 | 78.73 |
| Raisio Nutrition Ltd, Raisio | 100.00 | 100.00 |
| Raisio Feed Ltd, Raisio | 100.00 | 100.00 |
| Reso Management Oy, Raisio | | |
| **ASSOCIATED COMPANIES** | | |
| Vihervakka Oy, Pöytyä | 38.50 | 38.50 |

| (EUR million) | 2010 | 2009 |
|---|---|---|
| **11. INVENTORIES** | | |
| Materials and supplies | 0.01 | 0.01 |
| Finished products and goods | 0.01 | 0.01 |
| | 0.01 | 0.01 |
| **12. RECEIVABLES** | | |
| Long-term receivables | | |
| Loan receivables | 0.15 | 0.00 |
| Total long-term receivables | 0.15 | 0.00 |
| Current receivables | | |
| Accounts receivables | 0.00 | 0.00 |
| Receivables from Group companies | | |
| Accounts receivables | 0.01 | 1.46 |
| Loan receivables | 7.10 | 1.70 |
| Other receivables | 12.87 | 23.30 |
| Prepaid expenses and accrued income | 0.41 | 0.26 |
| | 20.39 | 26.72 |
| Receivables from participating interest companies | | |
| Accounts receivables | 0.00 | 0.00 |
| Other receivables | 1.30 | 3.32 |
| Prepaid expenses and accrued income | 0.62 | 0.68 |
| Total current receivables | 22.32 | 30.72 |

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

| | 2010 | 2009 |
|---|---|---|
| **13. MARKETABLE SECURITIES** | | |
| Repurchase price | 131.39 | 215.02 |
| Book value | 130.78 | 214.21 |
| Difference | 0.61 | 0.81 |

| (EUR million) | 2010 | 2009 |
|---|---|---|
| **14. SHAREHOLDERS' EQUITY** | | |
| Restricted shareholders' equity | | |
| Share capital 1.1. | 27.78 | 27.78 |
| Share capital 31.12. | 27.78 | 27.78 |
| Premium fund 1.1. | 2.91 | 2.91 |
| Premium fund 31.12. | 2.91 | 2.91 |
| Reserve fund 1.1. | 88.59 | 88.59 |
| Reserve fund 31.12. | 88.59 | 88.59 |
| Total restricted shareholders' equity | 119.27 | 119.27 |
| Unrestricted shareholders' equity | | |
| Invested unrestricted shareholders' equity fund 1.1. | 0.00 | |
| Addition, directed share issue against payment | 10.62 | |
| Invested unrestricted shareholders' equity fund 31.12. | 10.62 | |
| Retained earnings 1.1. | 199.52 | 199.65 |
| Dividend distributed | –14.05 | –10.91 |
| Unclaimed dividends | 0.24 | 0.00 |
| Disposal of company shares | 1.99 | 0.74 |
| Repurchase of company shares | 0.00 | –0.01 |
| Retained earnings 31.12. | 187.69 | 189.48 |
| Result for the year | 5.35 | 10.04 |
| Total unrestricted shareholders' equity | 203.66 | 199.52 |
| Total shareholders' equity | 322.93 | 318.79 |
| Distributable equity | 203.66 | 199.52 |

Company share capital dividend by share series as follows:

| | 2010 | | 2009 | |
|---|---|---|---|---|
| | Shares | EUR 1,000 | Shares | EUR 1,000 |
| Series K (20 votes/share) | 34,255,057 | 5,761 | 34,451,723 | 5,794 |
| Series V (1 vote/share) | 130,893,973 | 22,015 | 130,697,307 | 21,982 |
| Total | 165,149,030 | 27,776 | 165,149,030 | 27,776 |

Company shares held by Raisio:

| | 2010 | | 2009 | |
|---|---|---|---|---|
| | Shares | Acquisition cost EUR 1,000 | Shares | Acquisition cost EUR 1,000 |
| Series K (20 votes/share) | 201,295 | 389 | 201,295 | 389 |
| Series V (1 vote/share) | 3,949,888 | 16,381 | 8,803,109 | 18,089 |
| Total | 4,151,183 | 16,770 | 9,004,404 | 18,478 |

The probable assignment price of company shares held by Raisio on the date of the financial statements was EUR 11.7 million (EUR 24.0 million in 2009).

| (EUR million) | 2010 | 2009 |
|---|---|---|
| **15. APPROPRIATIONS** | | |
| Appropriations consist of the accumulated depreciation difference. | | |
| **16. NON-CURRENT LIABILITIES** | | |
| Loans from credit institutions | 3.33 | 5.56 |
| Pension loans | 16.42 | 21.11 |
| Total non-current liabilities | 19.75 | 26.66 |
| Liabilities falling due within a period longer than in five years | | |
| Pension loans | 0.00 | 2.35 |
| Total | 0.00 | 2.35 |
| **17. CURRENT LIABILITIES** | | |
| Loans from credit institutions | 8.13 | 26.56 |
| Pension loans | 4.69 | 4.69 |
| Accounts payable | 0.07 | 0.38 |
| Liabilities to Group companies | | |
| Accounts payable | 0.00 | 0.00 |
| Other liabilities | 23.98 | 45.45 |
| Accrued liabilities and deferred income | 0.13 | 0.05 |
| | 24.11 | 45.50 |
| Other liabilities | 0.38 | 0.76 |
| Accrued liabilities and deferred income | 1.09 | 1.61 |
| Total current liabilities | 38.47 | 79.51 |
| Accrued liabilities and deferred income comprises items related to the periodisation of operational expenses, financial items and taxes. | | |
| Interest-free debts | | |
| Current | 2.70 | 11.34 |

# Other notes to the parent company accounts

| (EUR million) | 2010 | 2009 |
|---|---|---|
| **18. CONTINGENT AND OTHER LIABILITIES AND PLEDGED ASSETS** | | |
| **CONTINGENT OFF-BALANCE SHEET LIABILITIES:** | | |
| Leasing liabilities | | |
| Amounts outstanding on leasing contracts | | |
| Falling due in 2010 | 0.00 | 0.00 |
| Leasing contracts do not include substantial liabilities related to termination and redemption terms. | | |
| Contingent liabilities for Group companies | | |
| Guarantees | 61.98 | 43.09 |
| **19. 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. | | |
| Currency forward contracts: | | |
| Fair value | 0.26 | 0.01 |
| Value of underlying instrument | 58.19 | 7.52 |
| 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. | | |
| Interest rate swaps: | | |
| Fair value | 0.09 | 0.13 |
| Value of underlying instrument | 26.67 | 33.58 |

The value of interest rate swaps is the nominal amount of open contracts.

## Board's proposal for the disposal of profit

Shareholders' equity according to the balance sheet at 31 December 2010 is EUR 203,660,575.05. The Board of Directors proposes that a dividend of EUR 0.10 per share be paid from the parent company's earnings

| | | |
|---|---|---|
| totalling | EUR | 16,514,903.00 |
| carried over on the retained earnings account | EUR | 187,145,672.05 |
| Total | EUR | 203,660,575.05 |

However, dividend will not be paid on the shares which are held by the company at the record date 29 March 2011.

There has not been any essential changes in the Group's financial condition since the end of the financial period. The Group's liquidity is good and the payment of the proposed dividend does not, in our opinion, endanger the company's liquidity.

Raisio, 10 February 2011

Simo Palokangas
Anssi Aapola
Erkki Haavisto
Michael Ramm-Schmidt
Pirkko Rantanen-Kervinen
Matti Rihko,
*CEO*

## Auditors' report

**To the Annual General Meeting of Raisio plc**

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Raisio Oyj for the year ended 31 December, 2010. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

**Responsibility of the Board of Directors and the Managing Director**

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

**Auditors' Responsibility**

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Supervisory Board and the Board of Directors of the parent company and the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion on the Consolidated Financial Statements**

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

**Opinion on the Company's Financial Statements and the Report of the Board of Directors**

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Raisio, 10 February 2011

| | |
|---|---|
| Johan Kronberg | Mika Kaarisalo |
| *Authorised Public Accountant* | *Authorised Public Accountant* |

## Statement of the supervisory board

At its meeting today, the Supervisory Board studied the financial statement, the consolidated financial statement and auditors' report for the financial period 1 January – 31 December 2010.

The Supervisory Board gives its assent to the approval of the financial statements and the consolidated financial statements and concurs with the Board of Directors' proposal for the allocation of profits.

Raisio, 17 February 2011

For the Supervisory Board

Michael Hornborg
*Chairman*

RAISIO

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