# Financial Statements
# 2016

RAISIO PLC

# Contents



## Financial reporting

All figures mentioned in this review are comparable. The reported divisions are Brands and Raisioagro. In 2016, the Brands Division included Healthy Snacks, Benecol, Confectionery and Benemilk. Healthy Snacks business markets were Northern, Eastern and Western Europe. The Western Europe's divested snack bar business is included in Raisio's figures until 12 July 2016. Benecol business includes the Benecol product ingredient sales to licensing partners globally and Benecol consumer product sales in Raisio's home markets. Confectionery includes operations in the UK and Czech Republic. Benemilk business includes the international commercialisation and protection of the innovation. Raisioagro Division includes cattle and fish feeds, farming supplies and grain trade.

# Board Of Directors' report for 2016

## Operating environment

In Finland, retail sales slightly increased and growth is expected to continue at a moderate pace in 2017 due to slow growth in purchasing power and jobs. Retailers continued their so called food cheapening. Changing eating habits increased the demand for healthy, plant-based snacks.

The UK voted to leave the European Union in the referendum of June 2016. Brexit details are still unclear and referendum-related uncertainty is expected to weaken growth prospects for the UK and eurozone and to continue to cause high volatility in the British pound exchange rate.

Sales volatility of cholesterol-lowering foods in Raisio's European markets continued and the entire category decreased slightly. In the UK, Benecol was the only brand to improve its position despite the decrease of the whole spread category. Intense competition among retailers, and consumers' price-conscious purchasing behaviour continued in the UK. Demand for products with less sugar and salt increased due to the lively public debate in the UK.

In Poland, volume in cholesterol-lowering spreads increased as a result of extensive promotional sales. Polish consumers value traditional spreads with butter. In Asia - potential new markets for Benecol products - regulation processes for foods vary greatly from country to country, and some countries have tightened their processes. Raisio has carried out several successful regulation processes with its licencing partners.

In the UK confectionery market, consumer demand remained stable for the product categories in which Raisio is present. In the European markets, retail chains were actively launching new soft gum products under private labels.

There were no major changes in the Finnish cattle feed market because the number of dairy cows did not reduce in the same proportion as that of dairy farms. Lower prices paid for milk and farmers' challenging financial position increased the demand for more affordable feeds and tightened competition. Russia is actively developing its own milk chain, which opens up new opportunities for consultative feed sales.

Fish feed market in the Baltic Sea region remained stable. Changes were more due to growth conditions. Global price increases in oily fish were also seen in Finland. Difficulties in the Chilean salmon farming collapsed the country's production, which resulted in price increases. The shortfall of farmed fish has been compensated with Norwegian salmon, the main product also in the Finnish market. The rise in the Norwegian salmon price also increased the price of Finnish rainbow trout. Raisioaqua is a responsible pioneer in fish feeds in Finland.

## Net sales

The Group's net sales totalled EUR 436.3 (521.2) million, almost 16 per cent down from the comparison year. Net sales for the comparison year include the UK's cereal sales of Honey Monster brand licensed to a third party until 30 June 2016 as well as the operations of the UK's snack bar business until the divestment completed on 12 July 2016. Impact of the weakened pound on full-year net sales was approximately EUR 20 million.

Brands Division's net sales totalled EUR 320.1 (385.1) million and Raisioagro's EUR 126.6 (145.9) million. Net sales for other operations were EUR 0.8 (3.4) million. The Brands Division accounted for 73 per cent and Raisioagro for 27 per cent of Raisio's net sales.

Net sales from outside Finland represented 64.0 (66.3) per cent of the Group's total, amounting to EUR 279.4 (345.7) million. Raisio's largest market outside Finland is the UK and it accounted for more than 30 per cent of the Group's net sales.

## Result

The Group's comparable EBIT was EUR 50.7 (51.7) million and EBIT EUR 28.9 (42.4) million. Comparable EBIT was 11.6 (9.9) and EBIT 6.6 (8.1) per cent of net sales. Exchange rate changes of the pound had an impact of almost EUR 3 million on Raisio's EBIT.

The Brands Division's comparable EBIT was EUR 50.5 (55.4) million and EBIT was EUR 30.2 (45.4) million. Raisioagro's comparable EBIT totalled EUR 3.7 (2.8) million and EBIT was EUR 3.7 (2.4) million. Comparable EBIT for other operations was EUR -3.5 (-6.5) million and EBIT was EUR -4.9 (-5.3) million.

Comparable depreciations and impairment amounted to EUR 11.3 (16.5) million. Depreciations and impairment totalled EUR 27.4 (21.1) million. Net financial expenses totalled EUR -2.2 (-2.5) million.

Comparable pre-tax result was EUR 48.5 (49.1) million, and pre-tax result EUR 26.8 (39.9) million.

Comparable post-tax result was EUR 39.2 (40.4) million, and post-tax result EUR 19.0 (35.0) million.

The Group's comparable earnings per share were EUR 0.25 (0.26) and earnings per share EUR 0.12 (0.22).

## Balance sheet, cash flow and financing

At the end of 2016, the Raisio Group's balance sheet totalled EUR 470.0 (563.6) million. Shareholders' equity was EUR 313.2 (350.0) million, while equity per share was EUR 1.99 (2.23). Changes in equity are described in detail in the Table section below.

At the end of December, working capital amounted to EUR 44.2 (40.8) million. From 30 September 2016, other inventories include factory buildings that are being developed and prepared for sale in the ordinary course of business. From 1 January 2016, working capital does not include derivative assets and liabilities related to loan hedging.

Cash flow from business operations was EUR 47.6 (65.0) million.

The Group's investments totalled EUR 18.3 (11.0) million, or 4.2 (2.1) per cent of net sales. Investments of the Brands Division totalled EUR 8.9 (9.1) million, those of Raisioagro EUR 1.9 (0.7) million and those of other operations EUR 7.5 (1.2) million. The most significant investment was the bioenergy plant built in Raisio's industrial area. The plant will be introduced in the spring 2017. For the Brands Division, the most significant investment was the enhancement of production efficiency of the Leicester plant. In addition, Raisio invested in the upgrading of its ERP system. Raisioagro invested in the heat recovery system at the fish feed factory, and started to build a new fish feed line. The new line will be introduced during the spring 2017.

The Group's interest-bearing debt totalled EUR 88.6 (110.1) million at the end of December. Net interest-bearing debt was EUR 26.7 (42.2) million.

At the end of December, the Group's equity ratio totalled 66.8 (62.3) per cent and net gearing was 8.5 (12.1) per cent.

Comparable return on investment was 11.6 (11.3) per cent, and return on investment 6.6 (9.2) per cent.

In 2016, Raisio plc paid EUR 25.0 (22.0) million in dividends for 2015.

## Acquisitions and licensings

Raisio Group signed an agreement to license its Honey Monster brand to The Brecks Company Limited on 13 April 2016. From the beginning of July 2016, Brecks has produced, sold and marketed Honey Monster products in the UK. Breakfast cereals were not at the core of Raisio's strategy. The license agreement does not have a significant impact on the Raisio Group's earnings.

Raisio sold its UK snack bar business to the Dutch equity investor Nimbus. The factories in Newport and Swindon as well as the personnel and Dormen brand were transferred to the new owner with the agreement signed on 12 July 2016. With the divestment, Raisio discontinued the production of snack bars made under its partner brands and will focus on the development and marketing of the company's own branded products. Net sales for the divested business totalled EUR 18 million in January-June 2016.

## Disputes

In November 2014, Raisio won a case against US-based Oat Solutions LLC in an arbitration proceeding held in Finland. At the beginning of 2015, Oat Solutions LLC filed an action for annulment of the arbitration award with The District Court of Varsinais-Suomi. The arbitration award is final and not subject to appeal, but Oat Solutions LLC filed an action for annulment based on alleged procedural errors. Oat Solutions LLC's action was rejected in November 2015. In January 2016, Oat Solutions LLC filed an appeal against the rejection of the action with the Turku Court of Appeal. After the review period in January 2017, The Turku Court of Appeal rejected the Oat Solutions' appeal.

Already in 2014, Oat Solutions LLC filed a civil action with the American court for the dispute already dealt with by the arbitral tribunal in Finland. The defendants in the US dispute were Raisio plc as well as the former

## Raisio group's key figures

| | | Q4/2016 | Q3/2016 | Q2/2016 | Q1/2016 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|
| Result | | | | | | | |
| Net sales | M€ | **95.4** | **102.8** | **124.1** | **114.0** | **436.3** | 521.2 |
| Change in net sales | % | **-22.3** | **-23.5** | **-12.3** | **-6.9** | **-16.3** | 5.5 |
| EBIT | M€ | **11.5** | **13.9** | **-6.2** | **9.7** | **28.9** | 42.4 |
| EBIT | % | **12.1** | **13.6** | **-5.0** | **8.5** | **6.6** | 8.1 |
| Items affecting comparability | M€ | **0.5** | **0.1** | **21.2** | **0.0** | **21.8** | 9.2 |
| Comparable EBIT | M€ | **12.0** | **14.0** | **15.0** | **9.7** | **50.7** | 51.7 |
| Comparable EBIT | % | **12.6** | **13.6** | **12.1** | **8.5** | **11.6** | 9.9 |
| -Depreciations | M€ | **-2.6** | **-2.6** | **-3.1** | **-3.1** | **-11.3** | -14.1 |
| -Impairment | M€ | **0.3** | **0.5** | **-17.0** | **0.0** | **-16.1** | -7.0 |
| Depreciations and impairment, in total | M€ | **-2.3** | **-2.1** | **-20.0** | **-3.1** | **-27.4** | -21.1 |
| Items affecting comparable depreciations and impairment | M€ | **-0.3** | **-0.5** | **17.0** | **0.0** | **16.1** | 4.7 |
| Comparable depreciations and impairment | % | **-2.6** | **-2.6** | **-3.1** | **-3.1** | **-11.3** | -16.5 |
| EBITDA | M€ | **13.8** | **16.0** | **13.9** | **12.7** | **56.3** | 63.6 |
| Items affecting comparable EBITDA | M€ | **0.9** | **0.6** | **4.2** | **0.0** | **5.7** | 4.6 |
| Comparable EBITDA | M€ | **14.6** | **16.6** | **18.1** | **12.7** | **62.0** | 68.1 |
| Financial items | M€ | **0.2** | **-0.5** | **-0.9** | **-0.9** | **-2.2** | -2.5 |
| Earnings per share (EPS) | € | **0.06** | **0.07** | **-0.05** | **0.05** | **0.12** | 0.22 |
| Comparable earnings per share (EPS) | € | **0.06** | **0.07** | **0.07** | **0.05** | **0.25** | 0.26 |
| Balance sheet | | | | | | | |
| Equity ratio | % | - | - | - | - | **66.8** | 62.3 |
| Gearing | % | - | - | - | - | **8.5** | 12.1 |
| Net interest-bearing debt | M€ | - | - | - | - | **26.7** | 42.2 |
| Equity per share | € | - | - | - | - | **1.99** | 2.23 |
| Dividend per share | € | - | - | - | - | **0.17*** | 0.16 |
| Investments | M€ | **5.0** | **5.1** | **4.3** | **4.0** | **18.3** | 11.0 |

* Board of Directors' proposal to the Annual General Meeting

CEO Matti Rihko and Vincent Poujardieu, VP, Benecol business and business development. Oat Solutions claimed for damages of at least USD 25 million from Raisio through legal proceedings. Throughout the process, Raisio considered the claims to be completely unfounded. In November 2016, the Supreme Court of Los Angeles accepted Raisio's application to dismiss the civil action brought by Oat Solutions LLC. Oat Solutions announced that it will appeal against the US Court decision.

Raisio has won in all four proceedings. Throughout the process, Raisio has considered, and continues to consider, Oat Solutions LLC's claims completely unfounded.

## Research and Development

The Group's research and development expenses were EUR 3.6 (5.5) million, accounting for 0.8 (1.1) per cent of net sales.

### Brands

According to its objective, Northern Europe's Healthy Snacks business launched healthier snacks for active everyday life.

Elovena bars were launched in Finland. Their success is based on the criteria defined by consumers: convenient, portable, tasty, practical package, ready-to-use, nutritious, energy-rich, delicious and authentic raw materials, well-being and allowed pleasure eating.

Elovena quarks were launched in Finland in August. Elovena quarks are the first option with toppings in the quark shelf. Quark is an ideal snack in line with consumer wishes - it keeps hunger at bay and gives good, long-lasting energy. Elovena quarks combine the key food trends: convenience, portability and high protein and fibre content.

Raisio's aim is to continue to launch healthier snacks for active everyday life, snacks that represent new product categories for Raisio.

### Raisioagro

Raisioagro continued its strong investment in digital services and their development. Raisioagro received funding from Tekes for its Internet Of Farming (IOF) project, which aims to improve the data collection and use of information generated in agriculture and aquaculture by means of digital solutions. A more accurate input-output monitoring and related guidance enhance the utilization of nutrients, reduce the environmental impacts of production and improve the financial results of farms.

Raisioagro has developed a milking robot monitoring service for dairy farmers. The service is a good example of new services and it is a significant part of Raisioagro's online strategy. With the monitoring programme, the average milk yield of cows has already increased by some six per cent.

In 2016, three new Benemilk products were launched and targeted at TMR feeding increasingly common at dairy milk farms. In addition, Maituri and Opti product lines were expanded with new products in line with farmers' needs. In the autumn, Raisioagro launched completely new feeds for horses and for additional feeding of deer.

The R&D of Raisioaqua, Raisioagro's fish feed business, focused on the development of quality, use of potential new raw materials and studies of their digestibility. The development and launch of the Baltic Blend feed were Raisioaqua's most significant investments in 2016. The Baltic Sea feed is a fish feed using fishmeal and oil from herring and sprat of the Baltic Sea. Fishmeal and oil for Raisioaqua's feeds are produced by Raisio's partner in Kasnäs, Finland.

### Items affecting comparable EBIT

| | | Q4/2016 | Q3/2016 | Q2/2016 | Q1/2016 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|
| Brands | | | | | | | |
| Write-down of Dormen and Fruitus brands | M€ | -0.1 | -0.1 | 3.9 | | 3.7 | |
| Halo Foods Ltd's saleable assets valued at fair value | M€ | | -0.4 | 15.1 | | 14.7 | |
| Restructuring costs of the UK snack business | M€ | | 1.1 | 0.7 | | 1.7 | |
| Reorganisation costs, Southall site, UK | M€ | | | | | | 11.3 |
| Streamlining projects | M€ | 0.2 | | | | 0.2 | 1.4 |
| Capital loss for the Sulma divestment | M€ | | | | | | 1.5 |
| Sale of Carlshamn Mejeri trade mark | M€ | | | | | | -4.1 |
| Raisioagro | | | | | | | |
| Restructuring of activities | M€ | | | | | | 0.4 |
| Common | | | | | | | |
| Other expenses and legal fees | M€ | 0.4 | -0.5 | 1.5 | | 1.4 | |
| Subsequent one-off compensation related to a divested business | M€ | | | | | | -1.1 |
| Impact on EBIT | M€ | 0.5 | 0.1 | 21.2 | 0.0 | 21.8 | 9.2 |

# SEGMENT INFORMATION
# January-December 2016

## Brands Division

Raisio's Brands Division includes Healthy Snacks, Benecol, Confectionery businesses and Benemilk business as its own company.

### Financial review

Net sales for the Brands Division totalled EUR 320.1 (385.1) million. Net sales for the Healthy Snacks business totalled EUR 95.4 (138.9) million, for Benecol EUR 124.6 (140.3) million, for Confectionery EUR 100.2 (105.4) million and for Benemilk EUR 0.4 (0.0) million.

The Brands Division's comparable EBIT totalled EUR 50.5 (55.4) million, accounting for 15.8 (14.4) per cent of net sales. EBIT was EUR 30.2 (45.4) million, accounting for 9.4 (11.8) per cent of net sales.

Exchange rate changes had a clear negative impact on the Brands Division's net sales and EBIT.

## Business operations

### Healthy Snacks

#### Northern Europe

EBIT for the Northern European operations was slightly lower than in the comparison period due to investments in brand renewals. In the largest market, Finland, retail sales remained at the comparison period level but, as a whole, net sales for the Northern European operations were slightly down from the comparison year.

Sales in Elovena products increased particularly due to new snack products in line with consumer needs. Elovena product range was expanded successfully into new product groups, such as quarks, snack bars and mueslis. The success of new products increased Elovena's net sales by almost ten per cent. Consumer interest in the good properties of oats boosted sales.

Sales in gluten-free Provena oat products remained at the last year's level, as did sales to industrial and bakery customers. Finland and Sweden are the largest markets for Provena products.

Finnish retailers focused strongly on sales of affordable private labels, which decreased the sales of Nalle flakes and Sunnuntai flours. Nalle brand was renewed at the end of 2016 to provide families with healthy and tasty breakfast and snack brand.

#### Eastern Europe

Eastern European operations continued good performance in the challenging market situation. In Russia, economic situation remained unstable as a result of exchange rate volatility, among other things. Net sales for the Russian operations increased slightly in local currencies, but decreased in the euro. EBIT decreased measured in the euro and local currency but remained clearly positive. Raisio exports premium flakes made in Finland to Russia. Raisio successfully adjusted its product prices to exchange rate changes. With the implemented price increases, sales volume decreased as there was no improvement in consumers' purchasing power.

#### Western Europe

Raisio discontinued its unprofitable UK snack business by licencing the Honey Monster brand and by divesting its snack bar business. In July 2016, Raisio divested the UK snack bar business to focus on the development and marketing of its key brands.

The UK's share of Raisio's net sales is still significant as it is the largest market for Benecol products and Raisio has own confectionery production in the UK. Raisio also owns the Southall factory located in one of the most important urban development areas in London.

### Benecol

Benecol business includes two business models: 1) licensing of the Benecol brand and sale of plant stanol ester, the Benecol product ingredient, to licensing partners, and 2) sale and marketing of consumer products in Raisio's own

### Key figures for the Brands Division

| | | Q4/2016 | Q3/2016 | Q2/2016 | Q1/2016 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|
| Net sales | M€ | **73.3** | **68.4** | **88.2** | **90.2** | **320.1** | 385.1 |
| Healthy Snacks | M€ | **17.2** | **18.8** | **29.4** | **30.1** | **95.4** | 138.9 |
| Benecol | M€ | **31.4** | **26.6** | **32.2** | **34.4** | **124.6** | 140.3 |
| Benemilk | M€ | **0.0** | **0.0** | **0.2** | **0.2** | **0.4** | 0.0 |
| Confectionery | M€ | **24.8** | **23.1** | **26.6** | **25.8** | **100.2** | 105.4 |
| EBIT | M€ | **13.7** | **10.5** | **-5.4** | **11.4** | **30.2** | 45.4 |
| EBIT | % | **18.7** | **15.4** | **-6.1** | **12.6** | **9.4** | 11.8 |
| Items affecting comparability | M€ | **0.1** | **0.6** | **19.6** | **0.0** | **20.3** | 10.0 |
| Comparable EBIT | M€ | **13.8** | **11.1** | **14.2** | **11.4** | **50.5** | 55.4 |
| Comparable EBIT | % | **18.9** | **16.2** | **16.1** | **12.6** | **15.8** | 14.4 |
| Investments | M€ | **2.1** | **2.1** | **2.4** | **2.4** | **8.9** | 9.1 |
| Net assets | M€ | **-** | **-** | **-** | **-** | **303.4** | 360.3 |

markets. In the licensing model, Raisio's partners have a license to use the Benecol brand and to sell Benecol products in their markets. Benecol products are available in some 30 countries. Plant stanol ester, the Benecol product ingredient, is a top Finnish innovation, which is made in Finland.

EBIT for the Benecol business remained at the comparison year level even though changes in exchange rates had a clear negative impact on EBIT. On the other hand, EBIT was positively impacted by the streamlining of operations.

Net sales for the Benecol business were clearly down from the comparison year. The net sales decline was due to the volatility of currency and consumer product sales volume in Raisio's home markets. The UK is Raisio's largest market for the Benecol consumer products so the sales price and volume of the products have an important effect on the figures of the whole business. Benecol ingredient sales to licensing partners were up from the comparison year.

Wood-based sterols are a significant raw material in the manufacture of the Benecol product ingredient. Their world market price and growth in demand increased the raw material costs of Benecol ingredient also in 2016. These costs were offset by favourable exchange rates in the past few years.

Home markets for Raisio's Benecol consumer products include the UK, Poland, Finland, Ireland, Belgium and Hong Kong. In Ireland and Hong Kong, Benecol product sales were nearly at the comparison year's level whereas in Belgium, sales clearly decreased.

Intense competition between the UK retail chains continued and retailers renewed their promotional sales practices. Due to the Brexit referendum, Raisio negotiated price increases with retailers at the end of 2016 to compensate the profitability weakened by exchange rate changes. Sales in Benecol yogurt drinks were at the comparison period level. Sales volume for Benecol spreads increased.

Benecol Buttery spread launched in Poland became the second most popular Benecol product. As its competitors, Raisio invested in promotional sales, which are very important in Poland. Sales volume of the Benecol products increased and Benecol maintained its market leader position in Poland.

In Finland, sales in Benecol yogurt drinks remained at the comparison year level while sales in spreads slightly decreased. In Finland, Raisio launched a food supplement, Benecol Soft Chew.

Sales volume of the Benecol ingredient to licensing partners showed clear growth. The growth was driven by the good sales development in Asia. Benecol consumer product sales to retailers increased by almost 20 per cent in Asia. Benecol ingredient sales to Europe for consumer products used in Raisio's markets and for partners were almost at the comparison year level while sales declined clearly in the USA. The Benecol product sales of Raisio's licensing partners increased significantly in Indonesia, the Philippines and Thailand.

## Confectionery

Raisio produces confectionery in the UK and Czech Republic. The UK-made confectionery is largely sold in the UK market while the Czech-made confectionery is exported to more than 30 countries in addition to sales in the Czech Republic. Raisio has well-known brands of its own and the company is a versatile, cost-effective producer of branded products for its contract partners and retailers.

Net sales for the confectionery business were down from the comparison year. Net sales for the Czech operations increased by almost 15 per cent. The Czech volume growth was driven by increasing demand for soft gums. In the UK, net sales of operations in pounds were at the comparison year level but declined clearly when converted in euros. A producer of industrial inclusions and toppings Nimbus clearly increased its sales. The UK accounts for approximately 60 per cent of net sales for the confectionery business.

EBIT of the confectionery business was down from the comparison year. Good profitability of the Czech operations generated almost fifty per cent of the confectionery business EBIT. Challenges with service levels at the Leicester factory continued, which negatively affected the results. In the UK, the higher raw material prices could not be entirely incorporated in the selling prices.

In the Czech Republic, sales continued to increase in Raisio's Pedro brand. Expanded product range and enhanced distribution supported sales growth. Sales in the branded products of licensing partners and retailers showed significant growth.

The UK-based Leicester factory focused to ensure the supply of private label and brand products made for partners. Sales for Raisio's own branded products did not reach the comparison period level as fewer campaigns were carried out than before.

## Benemilk

Benemilk feeds and their manufacturing method were granted a patent in Finland on 30 December 2016. After a thorough investigation, the Finnish Patent Authority determined that the Benemilk innovation meets the criteria for patentability; it is new, inventive and industrially applicable. In Finland, the first patent applications related to the Benemilk innovation were filed in January 2012.

Furthermore, patent authorities in New Zealand have examined the patent applications and granted patents for the Benemilk feeds and their manufacturing method as well as for the milk produced by Benemilk fed cows.

So far, Benemilk has been granted patents in Finland, New Zealand, Australia and South Africa, which is a strong indication of the patentability of the innovation in various markets. Now that Raisio has been granted with the first important Benemilk patents, the company will not publicly analyse its Benemilk patent portfolio.

In November 2015, Benemilk Ltd launched a process to examine the conditions and opportunities to obtain new financing. Based on the completed assessment, Benemilk Ltd's Board of Directors concluded in June 2016 that it is not justified to implement the equity financing scheme as the company valuation indicated by potentially interested investors was not satisfactory in terms of current owners.

Benemilk Ltd's operations were significantly reduced in the autumn 2016 and the investment to internationally commercialise the innovation was minimised in accordance with the decision taken by Raisio's Board in August. Global crisis in the milk market and potential customers' unwillingness to change their feeding models were factors behind the decision, and for these reasons, the company's short-term prospects for the international expansion of the business were not favourable. The office in Seattle, USA, was closed. Benemilk Ltd was founded in the spring 2013, and Raisio holds 57 per cent of its shares.

In Finland and Russia, Benemilk feeds are sold and marketed by Raisioagro that has an exclusive licence to the Benemilk innovation.

## Raisioagro Division

Raisioagro Division includes cattle and fish feeds, farming supplies and grain trade.

### Financial review

Raisioagro's net sales totalled EUR 126.6 (145.9) million. Despite the net sales decline, the Division clearly improved its relative profitability. Net sales were down primarily due to lower fertiliser sales, milk farmers' shift to more affordable feeds and lower grain exports.

Raisioagro's comparable EBIT was EUR 3.7 (2.8) million. EBIT totalled EUR 3.7 (2.4) million. The key factors behind the EBIT improvement were the successful development and launch of new products in line with customer needs, and improved production and material efficiency.

Raisioagro's net working capital at the turn of the year decreased by almost 50 per cent, totalling EUR 5.8 (11.3) million. Decrease in net working capital was particularly due to improved raw material and stock management in both the fish feed business and cattle feed business. Raisioagro's average return on capital employed increased to 11.4 per cent due to decreased net working capital and improved profitability.

### Business operations

#### Cattle feeds

Although the number of dairy farms in Finland has fallen at a faster rate than in previous years, Raisioagro's sales of ordinary cattle feeds remained at the comparison year level. Raisioagro did not get involved in the aggressive price competition but focused on the extension of sales staff expertise, targeted marketing efforts, development of the product range to meet customer needs, and digital services. A new brand OMA was launched alongside the existing brands.

Despite the lowering number of Finnish milk farms, the number of dairy cows did not substantially decrease because some of the farms carried out extension investments. The key change impacting the feed market was that the number of TMR feeding farms and robotic milking farms continued to grow. TMR feeding means that all feed components are mixed with silage and a cow is given only one feed mixture.

Sales in Benemilk's added value feeds fell from the comparison period as milk farms shifted to the use of more affordable feeds with lower added value while the challenging economic situation continued. At the end of 2016, some six per cent of all Finnish dairy cows were fed with Benemilk feeds. The main reasons for the milk farmers' challenging economic situation are the Russian ban on imports of dairy products and the subsequent drop in the producer price of milk in Finland. Benemilk feeds are mainly used at the robotic milking farms where farmers are satisfied with the added value of their milk production.

Russia's economic challenges and weakening liquidity of dairy farms reduced Raisioagro's cattle feed sales in Russia. Despite the decline in sales, the profitability of exports improved. Russia is investing in its own milk chain, which means that the need to improve the quality of milk and to raise the yield levels will increase the demand for feeding expertise consultation.

Raisioagro continued its strong investment in the development of digital services. As part of the Internet of Farming project, Raisioagro changed its robotic milking monitoring into Tuotostutka®. At the end of 2016, already 130 farms with over 10,000 cows were in the monitoring programme. With Raisioagro's real-time optimisation of cattle feeding, the average milk yield has increased by almost six per cent.

#### Fish feeds

In the summer 2016, Raisioagro's fish feed business Raisioaqua launched its Baltic Blend fish feeds and strengthened its position as a forerunner in the environmentally friendly fish farming in Finland and Northwest Russia. Fishmeal and fish oil made from herring and sprat fished from the Baltic Sea are used as a raw material in Baltic Blend feeds. Fishmeal and oil are processed in Finland by Raisioaqua's partner. With Baltic Blend feeds, nutrients will not be brought to the Baltic Sea from elsewhere.

Fish are cold-blooded, so growth conditions play a key role in the farming. Raisioaqua's range has fish feeds for many

### Key figures for the Raisioagro Division

| | | Q4/2016 | Q3/2016 | Q2/2016 | Q1/2016 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|
| Net sales | M€ | **24.7** | **37.1** | **37.7** | **27.1** | **126.6** | 145.9 |
| EBIT | M€ | **0.0** | **2.3** | **1.4** | **0.0** | **3.7** | 2.4 |
| EBIT | % | **0.0** | **6.1** | **3.8** | **-0.1** | **2.9** | 1.6 |
| Items affecting comparability | M€ | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | 0.4 |
| Comparable EBIT | M€ | **0.0** | **2.3** | **1.4** | **0.0** | **3.7** | 2.8 |
| Comparable EBIT | % | **0.0** | **6.1** | **3.8** | **-0.1** | **2.9** | 1.9 |
| Investments | M€ | **0.5** | **0.1** | **0.8** | **0.4** | **1.9** | 0.7 |
| Net assets | M€ | **-** | **-** | **-** | **-** | **25.7** | 31.7 |

different species but the feeds for rainbow trout are by far the largest segment. The year 2016 was extremely challenging for Raisioaqua due to the measures taken by Russian authorities early spring and the heat wave of the summer. The season for fish feeds is from spring to autumn as fish are virtually not fed in winter.

Raisioaqua is the only Finnish fish feed manufacturer. Raisioaqua's key markets are Finland and Northwest Russia. Exports account for about 60 per cent of all fish feed manufactured. Raisioaqua's forerunner position in fish feeds is based on the close cooperation with fish farmers as well as on sustainable innovations, which have significantly reduced the environmental impacts from fish farming.

Sales season of sustainably produced, environmentally friendly Benella fish started in September. Benella fish are farmed using Raisoaqua's feeds, and the high-quality fish ensure the future of fish farming industry.

The entry of Benella rainbow trout to the Finnish kitchens was boosted significantly as Kesko started to distribute Benella in October 2016. After a successful pilot period, Kesko quickly made its Benella distribution nationwide. Benella product line was expanded with three new products. Raisioaqua has developed a contract farmer model for Benella farming and as a result, consumers get to know the name of the Benella farmer at the fish counter.

### Other operations

In the summer 2016, Raisioagro carried out a Pink Bales campaign which had wide attention in Finland. A total of 9,300 euros of the proceeds was donated to The Finnish Breast Cancer Association. The campaign is continued in 2017 and a new campaign Blue Bales has been launched to support men diagnosed with prostate cancer.  Preservatives and net wraps were sold in advance more than in the comparison year.

Sales of high-volume fertilisers and fuels were significantly down from the comparison year. Raisioagro continues its investments in the sales of farming supplies used on milk and grain farms as part of its service package.

The relative share of the online store in Raisioagro's net sales increased. Online customers value the opportunity to shop 24/7. Raisioagro continues the project to renew its online store.

Grain exports were clearly lower than in the comparison year. The global grain market was oversupplied, which significantly weakened grain export and its profitability.

## Personnel

Raisio Group employed 1,405 (1,787) people at the end of 2016. The average number of employees was 1,582 (1,798). At the end of 2016, 77 (81) per cent of the employees were working outside Finland.

The Brands Division had 1,248 (1,627), Raisioagro 98 (104) and the service functions 59 (56) employees at the end of 2016.

The decision to terminate the Southall site was made at the end of 2015 and related staff reductions were realised during the first quarter of 2016 in the UK. The plant closing resulted in an employment loss for 106 employees. In the summer 2016, Raisio divested its UK-based Newport snack bar factory as well as its plant manufacturing nibbles in Swindon. A total of 322 employees of these plants were transferred to a new owner. In Finland, Raisio adjusted its operations to the market condition changes, which resulted in the termination of a few employments.

Raisio's wages and fees in 2016 totalled EUR 58.0 (77.2 in 2015, 68.6 in 2014 and 64.7 in 2013) million, including other personnel expenses.

All Raisioagro's employees attended Lean training events where the company's processes were developed to enhance operational efficiency. The ideas generated in the training are actively being introduced.

## Management and administration

### Board of Directors and Supervisory Board

The number of members of the Board of Directors was confirmed to be five, and Erkki Haavisto, Matti Perkonoja, Michael Ramm-Schmidt, Ann-Christine Sundell and Antti Tiitola were reappointed; all for the term commencing at the closing of the AGM. Matti Perkonoja served as Chairman of the Board of Directors and Michael Ramm-Schmidt as Deputy Chairman, both throughout 2016. All Board members were independent of the company and significant shareholders.

Paavo Myllymäki served as Chairman of the Supervisory Board and Holger Falck as Deputy Chairman in 2016.

### Group Management Team

In addition to CEO Matti Rihko, Raisioagro's Managing Director Jarmo Puputti, Vice President of Benecol Vincent Poujardieu, CFO Antti Elevuori, Vice President of Legal Affairs Sari Koivulehto-Mäkitalo and Vice President of HR Merja Lumme served as the Raisio Group Management Team members in 2016. Vice Presidents Tomi Järvenpää and Mikko Laavainen resigned from the company at the beginning of 2016.

After the review year, on 3 January 2017, CEO Matti Rihko resigned. The composition of the Group Management Team was extended by appointing Pia Kakko, Vice President of Healthy Snacks business, and Sakari Kotka, Vice President of Confectionery business, as the Group Management Team members from 1 February 2017.

## Corporate responsibility

Raisio Group has an ambitious sustainability programme that sets objectives and indicators for important, selected sustainability themes.

In 2016, Raisio began the determined implementation of its three-year Responsibility Programme. The programme applies to all the Group's operations and is structured around three themes material for Raisio and its stakeholders: sustainable food chain, healthier food, and occupational safety and wellbeing. Objectives of the Responsibility Programme support the implementation of Raisio's business strategy. The staff and management are committed to the implementation of the programme.

During the first year, the focus of the programme was on the harmonisation of processes and data management, the development of sustainable procurement and healthy foods.

As part of the process harmonising, the Raisio Code of Conduct was updated and the responsibility data management system was renewed. Raisio developed its processes of responsible procurement. Ethical principles required from the suppliers were strengthened at the Group level and the certification of critical raw materials was promoted. Healthiness criteria were defined for foods; the criteria help Raisio develop products to meet consumer needs.

Raisio committed to the UN Global Compact's sustainability initiative and its ten principles concerning human rights, labour practices, environment and corruption.

Raisio's Corporate Responsibility Report will be published with the Annual Report in week 10.

## Changes in group structure

On 12 July 2016, Raisio divested its UK snack bar business to the Dutch equity investor Nimbus and, at the same time, discontinued its subsidiaries Halo Foods Ltd, Cabin Confectionery Ltd and Several UK subsidiaries that had already stopped trading were dissolved during 2016.

## Directed share issue

In February 2013, Raisio plc's Board of Directors decided on the Group's key employees' share-based incentive scheme for the period that started on 1 January 2013 and ended on 31 December 2015. On 17 March 2016, the Board of Directors approved the bonuses paid under the share reward scheme and, in order to convey the part paid in shares to key employees, decided to implement a directed share issue without payment based on the authorisation granted to the Board by the Annual General Meeting of 26 March 2015.

In the share issue, a total of 295,405 Raisio plc's free shares held by the company were conveyed without consideration to the key employees within the share reward scheme, with deviation from the shareholders' pre-emptive subscription rights. The conveyed 295,405 free shares correspond to 0.18 per cent of all Raisio plc's shares and 0.04 per cent of all votes.

There is an especially weighty financial reason for the deviation from the shareholders' pre-emptive right in the directed share issue without payment through the assignment of the company's own shares from the company's point of view and taking into account the best interests of all of its shareholders, since the purpose of the share reward scheme is to combine the objectives of owners and key employees in order to increase the company value as well as to commit the key employees to the company through direct share ownership. Direct share ownership is a way to further commit key employees to the company and to strengthen the alignment of shareholders and key employees' goals and interests.

The shares were conveyed to key employees on 13 April 2016. The right to dividend and other shareholder rights begin on the day on which the shares have been registered in the key employee's book-entry account.

The Board recommends that the key employees within the share reward scheme hold a substantial part of all shares they have received based on the scheme as long as the value of their holdings corresponds to their six months' gross salary.

## Events after the review period

Raisio's Board has initiated work to renew the Group's strategy. The strategy creates a foundation for Raisio's future growth and success. The Board aims to complete the strategy work in May 2017.

Raisio plc's CEO Matti Rihko resigned from his position on 3 January 2017. He acted as Raisio plc's CEO from November 2006. The Board of Directors has begun the search process for a new CEO. The Board appointed Jarmo Puputti, M. Sc. (Eng.), MBA, as Raisio plc's interim CEO.

## Risks and sources of uncertainty in the near future

The eurozone economy is expected to grow moderately in 2017. The growth is based on private consumption and revival of investments, supported by low interest rates. The UK voted to leave the European Union in the referendum of June 2016. All details related to Brexit are still unclear. The uncertainty arising from the decision is expected to weaken the growth prospects of, not only the UK, but the entire eurozone and to continue to cause significant volatility in the external value of the pound. In addition, the upcoming elections in major EU countries, France and Germany, as well as the threat of rising protectionism in the United States cause uncertainty to growth prospects.

In Finland, economy is expected to continue its moderate growth. The growth is based on private consumption supported by low interest rates and burdened by rising inflation. The unemployment rate is expected to fall.

The business environment in Russia and Ukraine is estimated to remain challenging.

Changes in exchange rates significantly affect Raisio's net sales and EBIT, directly and indirectly. Uncertainty related to the referendum outcome has caused volatility in the British pound, which impacts Raisio's net sales and EBIT as considerable part of them is generated in the UK. Volatility in the rouble's external value affects the exports of feeds and flakes. It may also have an impact on the utilisation rates of production plants in Finland.

The price and availability of agricultural raw materials are a major challenge for Raisio's businesses. Global warming and extreme weather events will rapidly affect the crop expectations, supply, demand and price of these commodities. Changes in supply, demand and price of other key raw materials are also possible. In terms of business profitability, the role of risk management remains essential both for value and volume.

Raisio expects the grocery market to remain fairly stable compared to other sectors. Changes and competition in retail trade are a challenge for the food industry too, through sales prices and sales terms in all Raisio's main markets. Profitability and liquidity problems in the Finnish agriculture and livestock farming weaken the purchasing power of the sector and put pressure on Raisioagro's profitability. Due to the crisis in Ukraine and Crimea, the EU's sanctions of 2014 and Russia's counter-sanctions, especially the import ban of dairy products, will directly and indirectly hamper Raisioagro's operations.

In 2017, preparing for and adapting to Brexit is a key challenge for Raisio's operations.

To ensure growth and profitability of its operations, Raisio may carry out corporate restructuring which, as rationalisation projects, may result in significant items affecting comparability.

## Guidance for 2017

In 2017, Raisio will invest in brands, product concepts, sales and marketing and in the enhancement of its operations. This will pave the way for future growth and success. Raisio estimates its comparable EBIT for 2017 to fall slightly short of comparable EBIT for 2016. Exchange rates will continue to significantly affect Raisio's EBIT.

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

The parent company's distributable assets based on the balance sheet on 31 December 2016 totalled EUR 128,562,651.45.

The Board proposes that a dividend of EUR 0.17 per share be distributed, or a total of EUR 28,075,335.10, and that EUR 100,487,316.35 be left in the profit account. No dividends will be paid on the shares held by the company on the record date 27 March 2017. The dividend payment date is 3 April 2017.

No significant changes have taken place in the company's financial position after the end of the financial year. The company's liquidity is good, and the Board's view is that the proposed dividend payout does not endanger the company's solvency.

In Raisio, 13 February 2017

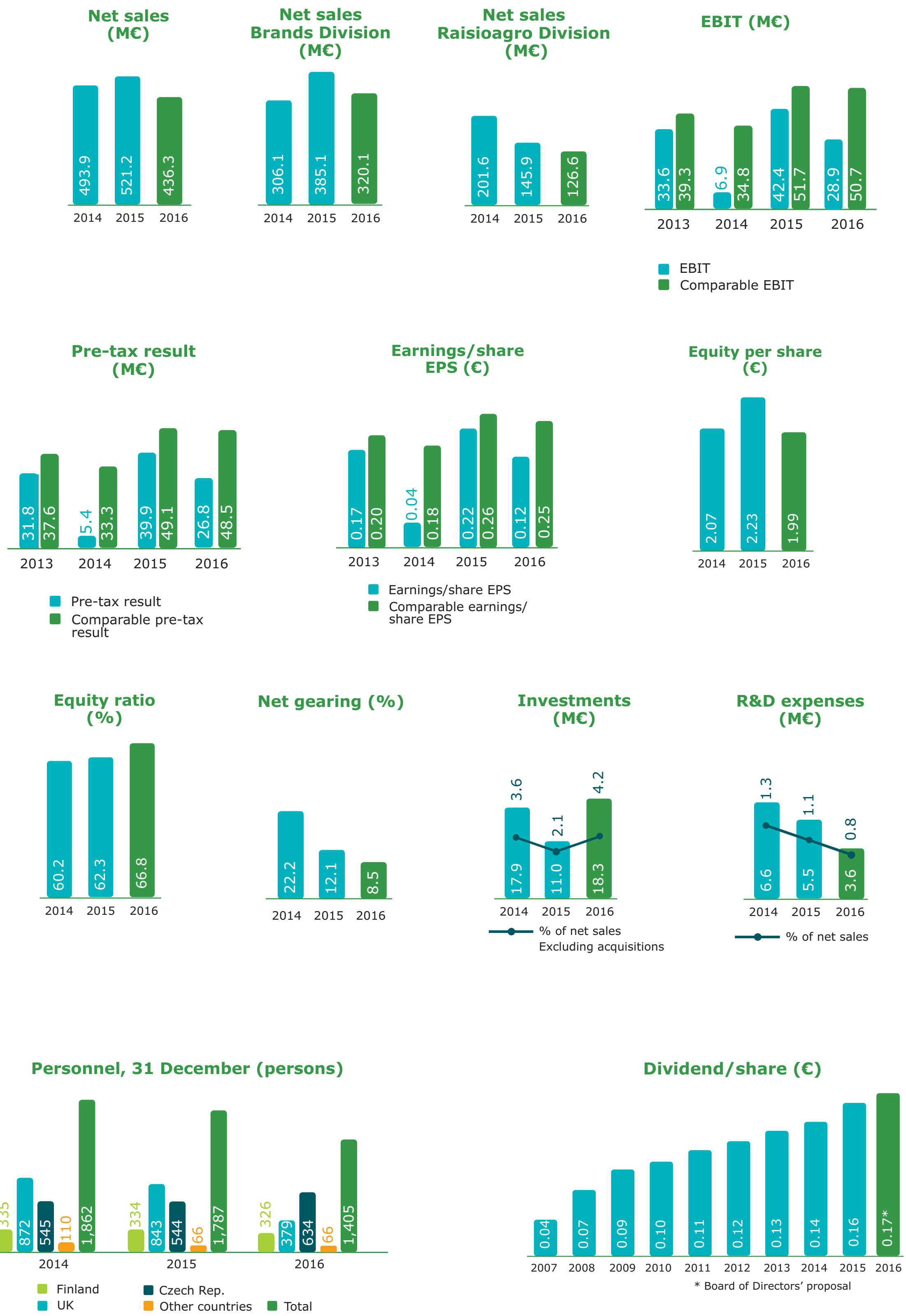
Raisio plc
*Board of Directors*

Information required in the Companies Act and Decree of the Ministry of Finance on the regular duty of disclosure of an issuer of a security, such as information regarding share classes, shareholders and share trading, close associates, company shares held by the company and their acquisitions and transfers as well as key figures, is presented in the notes to the financial statements.

The company's Corporate Governance Statement has been issued as a separate report.

The Board of Directors' report contains forward-looking statements that are based on assumptions, plans and decisions known by Raisio's senior management. Although the management believes that the forward-looking assumptions are reasonable, there is no certainty that these assumptions will prove to be correct. Therefore, the actual results may materially differ from the assumptions and plans included in the forward-looking statements due to, e.g., unanticipated changes in market and competitive conditions, the global economy as well as in laws and regulations.

## Raisio Group's key figures



# Consolidated income statement

| (EUR million) | Note | 1 Jan-31 Dec 2016 | 1 Jan-31 Dec 2015 |
|---|---|---|---|
| NET SALES | 1 | **436.3** | 521.2 |
| Cost of sales | | **-337.6** | -403.2 |
| **Gross profit** | | **98.7** | 118.0 |
| Sales and marketing expenses | | **-42.2** | -48.2 |
| Administration expenses | | **-24.6** | -28.2 |
| Research and development expenses | | **-3.6** | -5.5 |
| Other income and expenses from business operations | 3 | **0.6** | 6.3 |
| EBIT | 4, 5, 18 | **28.9** | 42.4 |
| Financial income | 6 | **1.8** | 1.0 |
| Financial expenses | 6 | **-4.0** | -3.6 |
| Share of results of associates and joint ventures | | **0.0** | 0.0 |
| RESULT BEFORE TAXES | | **26.8** | 39.9 |
| Income taxes | 7 | **-7.8** | -4.9 |
| RESULT FOR THE FINANCIAL PERIOD | | **19.0** | 35.0 |
| ATTRIBUTABLE TO: | | | |
| Equity holders of the parent company | | **19.0** | 35.0 |
| Non-controlling interests | | **0.0** | 0.0 |
| | | **19.0** | 35.0 |
| EARNINGS PER SHARE CALCULATED FROM THE RESULT OF EQUITY HOLDERS OF THE PARENT COMPANY | 8 | | |
| Earnings per share (EUR) | | | |
| Undiluted earnings per share | | **0.12** | 0.22 |
| Diluted earnings per share | | **0.12** | 0.22 |

# Comprehensive income statement

| (EUR million) | Note | 1 Jan-31 Dec 2016 | 1 Jan-31 Dec 2015 |
|---|---|---|---|
| RESULT FOR THE PERIOD | | **19.0** | 35.0 |
| OTHER COMPREHENSIVE INCOME ITEMS AFTER TAXES | | | |
| Items that may be subsequently transferred to profit or loss | | | |
| Available-for-sale financial assets | | **-0.2** | 0.1 |
| Cash flow hedge | | **-3.7** | -1.0 |
| Gains and losses arising from translating the financial statements of foreign operations | | **-27.2** | 11.9 |
| COMPREHENSIVE INCOME FOR THE PERIOD | | **-12.2** | 45.9 |
| COMPONENTS OF COMPREHENSIVE INCOME: | | | |
| Equity holders of the parent company | | **-12.2** | 45.9 |
| Non-controlling interests | | **0.0** | 0.0 |
| | | **-12.2** | 45.9 |

Figures in the above calculation have been presented including tax effect.
Income taxes related to other comprehensive income are presented in notes 7.

Notes are an essential part of the financial statements.

# Consolidated balance sheet

| (EUR million) | Note | 31 Dec 2016 | 31 Dec 2015 |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Intangible assets | 9 | **62.0** | 74.4 |
| Goodwill | 9, 10 | **154.1** | 178.9 |
| Tangible assets | 9 | **78.7** | 98.8 |
| Shares in associates and joint ventures | 12 | **0.7** | 0.7 |
| Available-for-sale financial assets | 13 | **2.3** | 2.6 |
| Deferred tax assets | 20 | **5.4** | 5.7 |
| | | **303.3** | 361.1 |
| **CURRENT ASSETS** | | | |
| Inventories | 14 | **52.1** | 64.3 |
| Accounts receivables and other receivables | 15 | **51.0** | 68.4 |
| Financial assets at fair value through profit or loss | 16 | **37.7** | 58.8 |
| Cash in hand and at banks | 17 | **25.9** | 11.0 |
| | | **166.7** | 202.5 |
| **TOTAL ASSETS** | | **470.0** | 563.6 |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | | |
| **SHAREHOLDERS' EQUITY** | 18, 19 | | |
| 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 |
| Invested unrestricted equity fund | | **8.9** | 8.8 |
| Other funds | | **-1.9** | 2.0 |
| Company shares | | **-19.8** | -20.4 |
| Translation differences | | **-13.1** | 14.2 |
| Retained earnings | | **219.9** | 226.2 |
| | | **313.2** | 350.0 |
| Non-controlling interests | | **0.0** | 0.0 |
| **TOTAL SHAREHOLDERS' EQUITY** | | **313.2** | 350.0 |
| **LIABILITIES** | | | |
| Non-current liabilities | | | |
| Deferred tax liability | 20 | **8.2** | 10.9 |
| Provisions | 21 | **0.2** | 0.1 |
| Non-current financial liabilities | 22 | **45.8** | 91.6 |
| Other non-current liabilities | 24 | **0.0** | 0.1 |
| | | **54.3** | 102.6 |
| Current liabilities | | | |
| Accounts payable and other liabilities | 24 | **55.4** | 87.2 |
| Tax liability based on the taxable income for the period | | **0.4** | 2.6 |
| Provisions | 21 | **2.4** | 2.1 |
| Derivative contracts | 23 | **1.6** | 0.6 |
| Current financial liabilities | 22 | **42.8** | 18.6 |
| | | **102.6** | 111.0 |
| **TOTAL LIABILITIES** | | **156.8** | 213.5 |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | | **470.0** | 563.6 |

Notes are an essential part of the financial statements.

# *Changes in shareholders' equity in the financial period ended 31 December 2016*

| (EUR million) | Share capital | Share premium reserve | Reserve fund | Invested unrestricted equity fund | Other reserves | Company shares | Translation differences | Retained earnings | Total | Non-controlling interests | Total shareholders' equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Equity attributable to equity holders of the parent company | | | | | | | | | | |
| **SHAREHOLDERS' EQUITY ON 31 DEC 2014** | 27.8 | 2.9 | 88.6 | 8.0 | 2.9 | -20.4 | 2.2 | 213.3 | 325.3 | 0.0 | 325.3 |
| Comprehensive income for the period | | | | | | | | | | | |
| Result for the period | | | | | | | | 35.0 | 35.0 | | 35.0 |
| Other comprehensive income items (adjusted for tax effects) | | | | | | | | | | | |
| Available-for-sale financial assets | | | | | 0.1 | | | | 0.1 | | 0.1 |
| Cash flow hedge | | | | | -1.0 | | | | -1.0 | | -1.0 |
| Translation differences | | | | | | | 11.9 | | 11.9 | | 11.9 |
| Total comprehensive income for the period | 0.0 | 0.0 | 0.0 | 0.0 | -0.9 | 0.0 | 11.9 | 35.0 | 45.9 | 0.0 | 45.9 |
| Business activities involving shareholders | | | | | | | | | | | |
| Dividends | | | | | | | | -22.0 | -22.0 | | -22.0 |
| Unclaimed dividends | | | | | | | | 0.1 | 0.1 | | 0.1 |
| Transfer from retained earnings to other funds | | | | 0.7 | | | | -0.7 | 0.0 | | 0.0 |
| Share-based payment | | | | | | 0.0 | | 0.6 | 0.6 | | 0.6 |
| Total business activities involving shareholders | 0.0 | 0.0 | 0.0 | 0.7 | 0.0 | 0.0 | 0.0 | -22.0 | -21.3 | 0.0 | -21.3 |
| **SHAREHOLDERS' EQUITY ON 31 DEC 2015** | **27.8** | **2.9** | **88.6** | **8.8** | **2.0** | **-20.4** | **14.2** | **226.2** | **350.0** | **0.0** | **350.0** |
| Comprehensive income for the period | | | | | | | | | | | |
| Result for the period | | | | | | | | 19.0 | 19.0 | | 19.0 |
| Other comprehensive income items (adjusted for tax effects) | | | | | | | | | | | |
| Available-for-sale financial assets | | | | | -0.2 | | | | -0.2 | | -0.2 |
| Cash flow hedge | | | | | -3.7 | | | | -3.7 | | -3.7 |
| Translation differences | | | | | | | -27.2 | | -27.2 | | -27.2 |
| Total comprehensive income for the period | 0.0 | 0.0 | 0.0 | 0.0 | -3.9 | 0.0 | -27.2 | 19.0 | -12.2 | 0.0 | -12.2 |
| Business activities involving shareholders | | | | | | | | | | | |
| Dividends | | | | | | | | -25.1 | -25.1 | | -25.1 |
| Unclaimed dividends | | | | | | | | 0.1 | 0.1 | | 0.1 |
| Transfer from retained earnings to other funds | | | | 0.1 | | | | -0.1 | 0.0 | | 0.0 |
| Share-based payment | | | | | | 0.6 | | -0.2 | 0.4 | | 0.4 |
| Total business activities involving shareholders | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.6 | 0.0 | -25.3 | -24.6 | 0.0 | -24.6 |
| **SHAREHOLDERS' EQUITY ON 31 DEC 2016** (18) | 27.8 | 2.9 | 88.6 | 8.9 | -1.9 | -19.8 | -13.1 | 219.9 | 313.2 | 0.0 | 313.2 |

Figure in brackets refer to the notes to the statements.

# Consolidated cash flow statement

| (EUR million) | 2016 | 2015 |
|---|---|---|
| CASH FLOW FROM BUSINESS OPERATIONS | | |
| Result before taxes | **26,8** | 39,9 |
| Adjustments: | | |
| Depreciation and impairment | **27,4** | 21,1 |
| Financial income and expenses | **2,2** | 2,6 |
| Share of results of associates and joint ventures | **0,0** | 0,0 |
| Other income and expenses not involving disbursement | **0,6** | 0,5 |
| Other adjustments | **1,7** | -3,4 |
| Cash flow before change in working capital | **58,6** | 60,8 |
| | | |
| Change in accounts receivables and other receivables | **3,6** | 3,3 |
| Change in inventories | **15,1** | 1,2 |
| Change in accounts payable and other liabilities | **-20,2** | 7,4 |
| Change in working capital | **-1,6** | 11,9 |
| | | |
| Cash flow from business operations before financial items and taxes | **57,0** | 72,7 |
| | | |
| Interest paid | **-3,2** | -2,3 |
| Dividends received | **0,1** | 0,1 |
| Interest received | **1,9** | 0,5 |
| Other financial items, net | **0,4** | 0,1 |
| Income taxes paid | **-8,6** | -6,0 |
| | | |
| CASH FLOW FROM BUSINESS OPERATIONS | **47,6** | 65,0 |
| | | |
| CASH FLOW FROM INVESTMENTS | | |
| Investments in tangible assets | **-14,1** | -8,3 |
| Investments in intangible assets | **-3,2** | -2,6 |
| Disposals of subsidiaries, net of disposed cash | **2,2** | 0,0 |
| Proceeds from sale of securities | **0,4** | 0,0 |
| Income from tangible and intangible assets | **0,2** | 5,8 |
| | | |
| CASH FLOW FROM INVESTMENTS | **-14,4** | -5,1 |
| | | |
| Cash flow after investments | **33,3** | 60,0 |
| | | |
| CASH FLOW FROM FINANCIAL OPERATIONS | | |
| Other financial items, net | **-3,7** | 0,0 |
| Repayment of non-current loans | **-8,6** | -14,4 |
| Change in current loans | **0,0** | -10,0 |
| Dividends paid | **-25,0** | -21,9 |
| | | |
| CASH FLOW FROM FINANCIAL OPERATIONS | **-37,2** | -46,3 |
| | | |
| Change in liquid funds | **-4,0** | 13,7 |
| | | |
| Liquid funds at the beginning of the period | **67,9** | 53,6 |
| Impact of changes in exchange rates | **-2,0** | 0,5 |
| Impact of change in market value on liquid funds | **0,0** | 0,2 |
| Liquid funds at end of period [1)] | **61,9** | 67,9 |

When preparing the cash flow statement, the impact of exchange rate changes has been eliminated by adjusting the beginning balance using the rates of the period end date.

[1)] Specifications in the note 17

# Accounting policies for the consolidated financial statements

## Basic information

Raisio plc is a Finnish public limited company. Raisio plc and its subsidiaries form the Raisio Group. The Group is domiciled in Raisio, Finland, and its registered address is Raisionkaari 55, FI-21200 Raisio. Raisio's shares are listed on NASDAQ OMX Helsinki Ltd.

The Raisio Group consists of two profit centres, Brands and Raisioagro, and service functions supporting the profit centres. Raisio is an international specialist in plant-based nutrition that develops, manufactures and markets foods, functional food ingredients and animal feeds. In addition, the Group is engaged in the grain trade and supplies farming supplies to the agricultural sector. Raisio operates in 10 countries.

The consolidated financial statements have been prepared for the 12-month period 1 January – 31 December 2016. These financial statements were authorised for issue by Raisio plc's Board of Directors on 13 February 2017. 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.

Copies of the financial statements are available on the internet, at www.raisio.com, or at the parent company's head office in Raisio.

## Accounting policies for the financial statements

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 2016. The International Accounting Standards refer to the standards and associated interpretations in the Finnish Accounting Act and in regulations issued under it that are approved by the EU for application in accordance with the procedure laid down in 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 unless otherwise stated in the accounting principles. Figures presented in these financial statements have been rounded from exact figures and consequently, the sum of figures presented individually can deviate from the presented sum figure. Key figures have been calculated using exact figures.

## Effects of the standards introduced during 2016

### The Group has adopted the following revised or amended standards and interpretations as of 1 January 2016:

- *Annual improvements to IFRSs 2012-2014* (applicable in periods beginning on or after 1 January 2016). In the Annual Improvements process, minor or less urgent standard amendments are compiled and implemented once a year. Impacts of the amendments vary by standards, but they have had no material impact on the consolidated financial statements.
- Amendments to IAS 1: *Presentation of financial statements* – Disclosure initiative (applicable in periods beginning on or after 1 January 2016). The amendments clarify the IAS 1 guidance related to materiality, consolidation of income and balance sheet items, presentation of subheading and the structure and accounting principles of financial statements. Minor changes have been made in the presentation of the Raisio's Consolidated Financial Statements.
- Amendments to IAS 16 *Property, Plant and Equipment* and to IAS 38 *Intangible assets* - Clarification of Acceptable Methods of Depreciation and Amortisation. The amendments prohibit the use of a revenue-based method to calculate depreciation of intangible assets. Exceptionally, the revenue-based method can only be used if revenue and the consumption of economic benefits of the intangible asset are highly correlated. The revenue-based depreciation method cannot be applied for tangible assets. The standard amendments have not had a material impact on the Raisio plc's Consolidated Financial Statements.
- Amendments to IAS 16 *Property, Plant and Equipment* and to IAS 41 *Agriculture: Bearer Plants* (applicable in periods starting on or after 1 January 2016). The amendments allow the recognition of productive biological assets alternatively at their acquisition cost whereas previously they had to be recognised at fair value. Products derived from these productive biological assets are, however, still measured in accordance with IAS 41 at fair value less costs to sell. These amendments have not had a material impact on Raisio plc's Consolidated Financial Statements.
- Amendments to IAS 27 *Separate Financial Statements* - Equity Method in Separate Financial Statements (applicable in periods beginning on or after 1 January 2016): With the amendments, the entity can treat investments made in subsidiaries, joint ventures and associates in its separate financial statements using the equity method. The standard amendments have not had a material impact on the Raisio plc's Consolidated Financial Statements.
- Amendments to IFRS 10 *Consolidated Financial Statements,* to IFRS 12 *Disclosure of Interests in Other Entities* and to IAS 28 *Investments in Associates and Joint Ventures* – Investment entities: Applying the Consolidation Exception (applicable in periods beginning on or after 1 January 2016):

The amendments clarify the requirements for preparing consolidated financial statements in circumstances in which the Group includes investment entities. The amendments also provide relief in the treatment of non-investment entity investors' associates or joint ventures that are investment entities. The amendments have not had an impact on the Raisio plc's Consolidated Financial Statements.

- Amendment to IFRS 11 *Joint arrangements* - Accounting for Acquisitions of Interests in Joint Operations (applicable in periods beginning on or after 1 January 2016). The amendments require the application of the accounting principles for business combinations for the acquisition of joint operations when the activity constitutes a business. The amendments have not affected the Raisio plc's 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 used when applying the Group's accounting principles and that have the biggest impact on figures presented in the financial statements, as well as about future-related assumptions and key assumptions related to the estimates, are presented in conjunction with the accounting principles under 'Critical accounting judgements and key sources of estimation uncertainty'.

## Comparability of the Consolidated Financial Statements

The financial periods 2016 and 2015 are comparable. The companies have no reportable discontinued operations in the financial periods 2016 and 2015.

## Consolidation principles, subsidiaries

In addition to the parent company, the Consolidated Financial Statements include the companies in which the parent company owns more than half of the voting rights, directly or indirectly, or otherwise exercises control. Control is acquired when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In the Consolidated Financial Statements, mutual shareholding is eliminated using the acquisition method. The consideration transferred and the acquired company's identifiable assets and assumed liabilities are measured at fair value at the acquisition date. Costs related to the acquisition are recognised as an expense. Purchase price debt is measured at fair value at the acquisition date and classified as a liability. The liability is measured at fair value at the end of each 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 until such control ends.

Business transactions between Group companies, internal receivables and liabilities, as well as internal distribution of profits and unrealised profits from the Group's 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 treated as equity transactions.

In a business combination completed 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.

## Consolidation principles, associates and joint ventures

Associates 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. Associates 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 associates or joint ventures. The Group investment in associates and joint ventures includes goodwill generated by the acquisition. 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 associates or joint ventures or has guaranteed their liabilities. The Group's share of the associates 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 associates and joint ventures have been recognised in the Group's other comprehensive income. The Group's associates and joint ventures had no such items in this or previous period.

# 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 Group's parent company is the euro, and consolidated financial statements are presented in euros.

## Business transactions in foreign currency

Business transactions in foreign currency are entered in the euro by using the transaction date exchange rate. It is customary to use exchange rate, which roughly corresponds to that of the transaction date. Monetary items in foreign currency are converted into the euro using the closing date exchange rates. Non-monetary items are valued at the transaction date exchange rate.

Profits and losses from transactions in foreign currency and the conversion of monetary items 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 exchange differences of the liabilities that have been determined to hedge the net investments in foreign operations and that are effective in it. These exchange differences are recognised in other comprehensive income, and accumulated foreign exchange differences are presented as a separate line item in equity until the foreign entity is partially or completely disposed of.

## Conversion of financial statements in foreign currency

Comprehensive income and 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 exchange rates of the reporting period's end date. Converting income and comprehensive income of the accounting period by using different exchange rates in the income statement and statement of comprehensive income on the one hand, and in the balance sheet on the other, result in a translation difference recorded under shareholders' equity in the balance sheet, the change of which is recorded 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. If a foreign entity is disposed of 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.

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 entity in question and converted using the reporting period's closing date exchange rates.

# Assets held for sales and discontinued operations

Non-current assets as well as 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.

A discontinued operation is a part of the Group, which has been disposed of or is classified as available for sale and meets one of the following requirements:

- It represents a separate major line of business or geographical area of operations;
- It is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations;
- It is a subsidiary acquired exclusively with a view to resale;

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

If it is subsequently found that criteria for an asset to be classified as held-for-sale are no longer met, the asset in question is transferred back to be presented and measured according to the applicable IFRSs.

In the 2016 and 2015 financial statements, the Group has no non-current assets classified as held-for- sale.

# Revenue recognition principles

Net sales include the income from the sale of goods at fair value and adjusted by indirect taxes, discounts and foreign currency exchange rate differences.

Revenues from the sale of goods are recorded when any significant risks, benefits and control related to the ownership of the goods have been transferred to the purchaser. When volume discounts are related to the sale of products, they are assessed and recorded at the time of sale. Revenues from services are recorded when the service has been completed.

Revenues from licences and royalties are recorded in accordance with the actual contents of the agreement. Interest income is recorded using the effective interest method and dividend income when the right to receive payment is established.

# Employee benefits

Employee benefits include short-term employee benefits, termination benefits and post-employment benefits.

Short-term employee benefits include, e.g., wages and salaries, fringe benefits, annual leave and bonuses.

Termination benefits refer to benefits arising from the termination of employment and service.

Post-employment benefits consist of pensions and other post-employment benefits paid. Pension schemes are classified as defined contribution and benefit schemes. The Group has defined contribution pension schemes only.

Under defined contribution schemes, the Group makes payments to separate units. The Group has no legal or constructive obligation to make further payments if the payment recipient does not have sufficient assets to pay the pension benefits in question. All arrangements not meeting these conditions are defined benefit schemes.

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

## Share-based payments

The Group has set up some incentive and reward schemes, in which 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 of each closing date and amortised through profit or loss as employee benefit expenses from the grant date to the date on which the earnings period or a longer commitment period ends. Equity-settled transactions are recorded in shareholders' equity and cash-settled transactions in liabilities.

## 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 lessor are treated as other rental agreements. Rents determined by any other rental agreement are recorded as an expense through profit or loss as fixed charge items within the rental period.

### Group as a lessor

Rental agreements with the Group as a lessor are all other rental agreements, and the goods are included in the Group's property, plant and equipment. They are depreciated over their useful lives, such as similar owner-occupied tangible fixed assets.

## Current and deferred tax

Tax expense consists of current tax and the change in deferred tax. Taxes are recorded through profit or loss except when they relate to the statement of comprehensive income or items directly recorded in 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. The Group deducts current tax assets and tax liabilities from each other if, and only if, the Group has a legally enforceable right to set off the recognised items from each other.

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, provisions, measurement of derivative contracts at fair value and adjustments based on fair values made in connection with business combinations. No deferred tax is entered for non-deductible goodwill.

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. The recognition requirements for deferred tax assets are assessed on the closing date of each reporting period.

## Property, plant and equipment

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

The purchase cost includes the costs resulting directly from the acquisition of tangible fixed asset. 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 recorded 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.

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 recorded 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

Depreciations begin when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Estimated useful lives are reviewed each closing date, and the depreciation periods are adjusted accordingly if they differ significantly from the previous estimates. 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'.

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*. Property, plant and equipment held for sale are valued at their book value or at the lower fair value less costs to sell.

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.

## Intangible assets

### Goodwill

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

Goodwill is not depreciated. It is tested for impairment annually and always when there is an indication of impairment. For testing, goodwill is allocated to the cash-generating units. In the case of an associate or a joint venture, goodwill is included in the carrying amount of the associate or joint venture in question. Goodwill is valued at the original purchase cost less impairment.

### Research and development costs

Research costs are recognised through profit or loss in the year they are incurred. Research costs related to new or significantly improved products are capitalised in the balance sheet as intangible assets from the date after which the costs of the research phase can be reliably determined, the product can be technically implemented, commercially utilised and it is expected to generate financial benefit and the Group has the intention and resources to complete the research work and use or sell the product. Research costs previously entered as expenses cannot be recognised as assets in later accounting periods.

An item is depreciated from the time it is ready for use. An item not yet ready for use is tested for impairment annually. After initial recognition, capitalised development expenses are measured at cost less accumulated depreciation and impairment losses.

- The depreciation period of capitalised development expenses is 5–10 vuotta.

In the Group's Benemilk Division, expenses related to the development of new products have been activated.

### 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.

The intangible assets with finite useful lives are entered in the income statement as an expense based on the straight-line depreciation method over their known or estimated useful lives. Depreciations are not recorded for the intangible assets with indefinite useful lives. Instead, these assets are tested annually for possible impairment. The Group has trademarks whose useful lives are estimated to be indefinite.

Depreciation periods for intangible assets with indefinite useful lives use are as follows:

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

In connection with the business combinations of the acquisitions included in the Brands segment, the recognised brands have been estimated to have indefinite useful lives. The reputation and long history of the brands support the Management's view that the brands will generate cash flows for an indefinite time.

The estimated useful lives and residual values of assets are reviewed at each closing date, and when necessary, adjusted to reflect the expectation of future economic benefit. Impairment is discussed in greater detail under 'Impairment of tangible and intangible assets'.

Depreciations of intangible assets begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciations is ceased when the intangible fixed asset is classified as held for sale (or included within a disposal group classified as held for sale) according to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

## Government grants and assistance

Government grants related to the purchase of tangible and intangible fixed assets are entered as deductions from the carrying amount when the Group has reasonable assurance of receiving the grants and the Group complies with the conditions for receiving the grant. Grants are recognised as 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 related expenses and the right to receive the subsidy are generated.

## 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. Irrespective of whether or not there are indications of impairment, impairment tests are always carried out annually for goodwill, for intangible assets with indefinite useful lives as well as for unfinished intangible assets. 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.

The recoverable amount from tangible and intangible assets is the asset's fair value 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 the money and the risk for the entity in question.

Impairment losses are recognised when the carrying amount of assets is higher than the recoverable amount. Impairment loss is recorded through profit or loss. The impairment loss of an entity producing a cash flow is first allocated to reduce the goodwill of an entity producing 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 asset would amount to without entering the impairment loss. Impairment losses recognised for goodwill are not reversed under any circumstances.

## Inventories

Materials and supplies, unfinished and finished goods are recorded in 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 cost of an acquired asset comprises all costs of purchase including direct transportation, handling and other costs. The acquisition cost of finished products and work in progress consists of raw materials, direct work-related costs, other direct costs and the appropriate part of 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 the ordinary course of business, with the estimated product completion costs and sales-related costs deducted.

## 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 financial assets, and it is carried out in connection with the original purchase.

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 recorded at fair value through profit or loss*** are financial assets held for trading. Financial assets held for trading have mainly been acquired to generate short-term profit from changes in market prices. This group includes bonds, certificates of deposit and commercial papers. 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. Items in this group are measured at fair value.

***Loans and other receivables*** are non-derivative assets with fixed or determinable payments, which are not quoted in the active market or held for trading by the Group. This group includes sales and loans receivables as well as financial instruments included in accrued income. They are measured at amortised cost and included in current and non-current financial assets; in the latter if they fall due after 12 months.

***Available-for-sale financial assets*** are non-derivative assets specifically allocated to this group. The group includes mainly companies' shares and similar rights of ownership. They are included in non-current assets. They are measured at fair value. Investments in such unquoted shares for which fair value cannot be defined reliably are measured at acquisition price.

Changes in the fair value of available-for-sale financial assets are recorded in other comprehensive income and presented in the fair value reserve under shareholders' equity, 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 an average maturity of three months.

### Financial liabilities

Financial liabilities are classified as financial liabilities recorded at fair value through profit or loss or as other financial liabilities. Financial liabilities are recorded at fair value on the basis of the compensation originally received. Transaction costs have been included in the original carrying amount of the financial liabilities when treating an item not measured at fair value through profit or loss. Financial liabilities recognised at fair value through profit or loss are liabilities from derivative contracts that do not meet the terms of hedge accounting. 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.

### Valuation 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, when 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 recorded 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 recorded 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 the Group against changes in market interest rates. Currency forward contracts are used to hedge receivables and debts in foreign currencies as well as future commercial cash flows. Exchange-traded commodity futures can be used to hedge against the price risk caused by raw material purchases.

Profit effects of changes in value of such derivative contracts, to which hedge accounting is applied and which are effective hedging instruments, are presented consistently with the hedged item. When a derivative contract is entered into, the Group processes it as hedging of a highly probable forecast transaction (cash flow hedging). Hedge accounting is discontinued in case its conditions cease to meet the qualifying criteria, the hedged item is derecognized from the balance sheet, the hedging instrument expires or it is sold or exercised, the forecast transaction is no longer expected to occur or the management decides to discontinue hedge accounting.

When initiating hedge accounting, the Group documents the relationship between the hedged item and hedging instrument as well as the Group's risk management objective and strategy for undertaking the hedge. When initiating hedging and at least in connection of each financial statements, the Group documents and assesses the effectiveness of hedging relationships by examining the hedging instrument's ability to offset the changes in fair value of hedged item or in cash flows.

### Cash flow hedging

Change in fair value of the effective portion of derivative instruments meeting the conditions of cash flow hedging are recognised in other comprehensive income and presented in the equity hedge fund. Gains and losses accrued in equity from the hedging instrument are transferred to profit or loss when the hedged item affects profit or loss. The ineffective portion for profit or loss on the hedging instrument is recorded in the income statement either in other operating income or expenses, or in financial income or expenses, depending on its nature.

### Hedges of a net investment in a foreign operation

Profits and losses accumulated from the hedging of a net investment are transferred to profit or loss when net investment is partially or completely disposed of.

### Other hedge instruments to which hedge accounting is not applied

Hedge accounting is not applied to certain hedging relationships, despite the fact that they meet effective hedging requirements set by the Group's risk management. These are, among others, certain derivatives hedging interest risk and currency risk. Of these, changes in the fair values of interest rate swaps are recognised under financial income and expenses. Changes in fair values of forward foreign exchange contracts are recognised in other operating income and expenses when used to hedge actual business operations, and in financial income and expenses when they are hedging financial items. Effects of the interest element of the forward exchange contract are recognised in financial income and expenses.

## Provisions

Provisions are recognised 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 recognised as a separate asset, but only when the receipt of the compensation is virtually certain. 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. Provision amounts are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

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 estimated number of employees to whom compensations will be made for redundancy, expenses to be realised and implementation time 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's 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.

## Segment information

The business segments of Raisio's Consolidated Financial Statements are Brands and Raisioagro. 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.

## 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 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, are presented as other operating income and expenses.

## EBIT

IAS 1 *Presentation of financial statements* does not define the concept of EBIT. The Group has defined it as follows: EBIT is the net amount, which is formed when costs of goods sold and operations expenses are deducted from net sales as well as other operating income and expenses are added/deducted. All other except the above mentioned income statement items are presented below EBIT. Exchange rate differences, results due to derivatives and changes in their fair values are included in EBIT if they are incurred from business-related items. Otherwise, they are presented under financial items.

## Comparable item

Comparable item is an income or expense arising as a result of one or rare events.

In the Board of Directors' Report, Financial Statements Bulletin and Interim Report, it is possible to present comparable items and to calculate alternative key figures excluding one-off items. Comparable items can include significant expenses of outside experts related to business acquisitions and business expansion, expenses related to business reorganisation and expenses related to the impairment of assets.

## 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 effective 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, to provisions, to the determination of fair values of acquired assets resulting from the business combination and to the use of deferred tax assets against future taxable income.

Estimates made in the preparation of the 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, factors related to the Group's financial operating environment affecting 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 lives and unfinished intangible assets for possible impairment. The value of identifiable tangible and intangible assets and goodwill are also assessed whenever events and changes in circumstances indicate that the recoverable amount no longer corresponds to the book value. The recoverable amounts of cash-generating units have 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 the 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 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. In some cases, the Group has also relied on the views of external evaluators on the valuation of assets. 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.

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.

## Post Balance Sheet Events

The period comprises the time between the balance sheet date and the publication date of the financial statements; during this period events affecting the financial statements are taken into account. The publication date refers to the date when the financial statements bulletin is published. For any event occurring during this period, it has to be verified whether it will result in the financial statements being adjusted or not.

The information of the financial statements is adjusted with the events that provide further evidence of conditions that existed at the end of the reporting period.

## 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, at the beginning of the financial period following the effective date.

- IFRS 15 Revenue from Contracts with Customers (applicable in periods starting on or after 1 January 2018). The new standard will replace the current standards IAS 18 and IAS 11 and related interpretations. IFRS 15 contains a five-step guidance for the recognition of revenue: how much and when revenue is recognised. Revenue is recognised as control is passed, either over time or at a point in time. In addition, IFRS 15 contains extensive disclosure requirements on the company's contracts with customers, contract performance obligations and significant estimates. The core principle of IFRS 15 is that an entity must recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. According to the IFRS 15, such an amount is only included in the transaction price that it is highly probable that its inclusion will not result in a significant revenue reversal. When a variable consideration is included in the transaction price of a product or service, they are estimated and entered at the time of income recognition.
- Raisio Group has assessed the effects of IFRS 15 on Raisio plc's Consolidated Financial Statements. The analysis of key revenue streams has been started and an impact assessment concerning the most important revenue streams has been performed. Raisio Group's sales to customers are sale of goods and it does not involve a significant degree of services. Raisio Group's contracts with customers can mainly be recognized when a performance obligation is met and benefits and risks of the goods are transferred to the customer. At the Raisio Group, there are no contracts to be recognised as income according to the stage of completion. According to the new IFRS 15, revenue is recognised based on the transition of control. This does not change Raisio Group's previous revenue recognition practice if the criterion for the fulfilment of performance obligation was the transition of risks and benefits that is, according to IFRS 15, the key indication for the transfer of control to the customer. The determination of the Raisio Group's transaction price does not include significant variable considerations and the contracts do not include any significant financing components. IFRS 15 requires that additional costs arising from obtaining a contract and costs incurred to fulfil a con-

tract are recognized in the balance sheet. Raisio Group has not identified any costs eligible for capitalisation related to the obtaining of a customer contract, and no costs arising from the fulfilment of a customer contract. Notes required by IFRS 15 will increase the information presented in the Notes to the Financial Statements. Raisio plc will adopt the standard in full retroactively at the required application date. In 2017, the Group continues the analysis on a more detailed level and will present information on the impacts of the IFRS 15 on a more detailed level during 2017.

- Amendments to IFRS 15 *Revenue from contracts with customers* – Clarifications to IFRS 15 *Revenue from Contracts with Customers** (applicable in periods beginning on or after 1 January 2018). Clarifications have been included in the IFRS 15 impact assessment described above. The amendment has not yet been approved in the EU.
- Amendments to IFRS 9 *Financial instruments* (applicable in periods beginning on or after 1 January 2018). IAS 9 will replace the current IAS 39 standard. The new standard includes revised guidance for the recognition and valuation of financial instruments. It also covers a new expected loss impairment model, which is applied in the determination of the impairment losses recognised for financial assets. In addition, the standard provides new rules for general hedge accounting. The IAS 39 requirements concerning the recognition and derecognition of financial instruments in the balance sheet continue to apply. According to Raisio plc's preliminary assessment, the introduction of IFRS 9 is not expected to have any significant impact on Raisio's financial statements or accounting values.
- IFRS 16 Leases* (applicable in periods starting on or after 1 January 2019). The new standard will replace the IAS 17 standard and related interpretations. IFRS 16 requires lessees to enter leases in the balance sheet as a lease liability and as a related asset. The recognition is very similar to IAS 17's accounting treatment of finance leasing. There are two recognition exemptions that concern leases with a lease term of 12 months or less and commodities not exceeding the value of USD 5,000. For lessors, accounting will remain substantially unchanged from the current IAS 17. The Group has initiated a preliminary assessment regarding the effects of the standard. The most significant noticeable impact is that Raisio plc will recognise new assets and liabilities that are cars and land within the current lease contracts as well as a chemical element, used as catalytic additive, acquired through a lease contract. In addition, the nature of costs related to these contracts will change as IFRS 16 replaces rental expenses by depreciation of fixed assets and by interest expense arising from lease liability, which is reported as part of financial expenses. Raisio plc has not yet determined the quantitative effects of IFRS 16 on the consolidated financial statements. Raisio plc will perform a more detailed assessment on the effects during the next 12 months. The manner of the transition has not yet been decided. The amendment has not yet been approved in the EU.
- Amendment to IAS 7 *Statement of Cash Flows- Disclosure Initiative** (applicable in periods beginning on or after 1 January 2017). The amendments aim to ensure that the users of financial statements can assess the changes in cash-flow and non-cash-flow influenced liabilities arising from financing activities. The amendment affects Raisio plc's Notes to the Consolidated Financial Statements. The amendment has not yet been approved in the EU.
- Amendment to IAS 12 *Income taxes- Recognition of Deferred Tax Assets for Unrealised Losses* (applicable in periods beginning on or after 1 January 2017). The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the asset and its tax basis at the balance sheet date, and is not affected by possible future changes in the carrying amount of an asset or in the manner in which the amount equal to the carrying amount will be accrued. The amendment has no impact on Raisio plc's Consolidated Financial Statements. The amendment has not yet been approved in the EU.
- Amendments to IFRS 2 *Share-based payments – Clarification and Measurement of Sharebased Payment Transactions** (applicable in periods beginning on or after 1 January 2018). The amendments clarify the accounting treatment for certain types of arrangements. They concern three areas: measurement of cash-settled payments, share-based payments less withholding tax, and changing of share-based payments from cash-settled to equity-settled. The amendment has no impact on Raisio plc's Consolidated Financial Statements. The amendment has not yet been approved in the EU.
- Amendments to IFRS 4 *Insurance Contracts* - Applying IFRS 9 Financial Instruments with IFRS 4 *Insurance Contracts** (applicable in periods beginning on or after 1 January 2018). The amendments respond to the industry concerns related to the impact of differing effective dates. The standard will include two alternative methods to alleviate temporary accounting mismatches and volatility. The standard amendments have no impact on the Raisio plc's Consolidated Financial Statements. The amendment has not yet been approved in the EU.
- Amendments to IFRS 10 *Consolidated Financial Statements* and to IAS 28 *Investments in Associates and Joint Ventures* - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (the effective date deferred indefinitely; the effective date has not been decided yet). The amendment clarifies the guidance concerning the sale or contribution of assets between the investor and its associate or joint venture. The amendment has no impact on Raisio plc's Consolidated Financial Statements. The amendment has not yet been approved in the EU.
- Interpretation IFRIC 22 *Foreign Currency Transactions and Advance Consideration** (applicable in periods beginning on or after 1 January 2018). When foreign currency consideration is paid or received in advance of the item it relates to – which may be an asset, an expense or income – IAS 21 The Effects of Changes in Foreign Exchange Rates does not take a stand on how to determine the transaction date for translating the related item. The interpretation clarifies that the transaction date is the date on which the company initially recognises the prepayment or deferred income arising from the advance consideration. When a transaction consists of several advance considerations,

the transaction date is determined separately for each consideration. The Group is currently assessing how the interpretation affects its Consolidated Financial Statements. The amendment has not yet been approved in the EU.

- Amendments to IAS 40 *Investment Property -Transfers of Investment Property** (applicable in periods beginning on or after 1 January 2018). The amendments clarify that a change in management intention alone does not constitute evidence of a change in use of investment property. The examples of evidence of a change in use included in the standard have also been revised so that they refer to both property under construction and completed properties. The amendment has no impact on Raisio plc's Consolidated Financial Statements. The amendment has not yet been approved in the EU.
- *The Annual Improvements to IFRS Standards 2014–2016 Cycle** (for IFRS 12 applicable in periods beginning on or after 1 January 2017, for IFRS 1 and for IAS 28 in periods beginning on or after 1 January 2018). In the Annual Improvements process, minor or less urgent standard amendments are compiled and implemented once a year. The amendments concern three standards. The effects of amendments vary by standard, but are not significant. The amendment has not yet been approved in the EU.

# Consolidated notes

## 1. SEGMENT INFORMATION

The Group consists of two reportable business segments, Brands and Raisioagro, and service functions. Brands and Raisioagro segments are the Group's strategic business units that are lead as separate units. Their products are different and require different distribution channels and marketing strategies. Brand segment includes Healthy Snacks, Benecol, Confectionery and Benemilk. Raisioagro segment includes cattle and fish feeds, farming supplies and grain trade.

Market areas of Healthy Snacks operations are Northern and Eastern Europe. The divested snack bar business of the Healthy Snacks business in the Western European market is included in the figures until 12 July 2016. Benecol business includes the Benecol product ingredient sales to licensing partners globally and Benecol consumer product sales to Northern and Western Europe. Confectionery includes the UK and Czech operations. Main markets for the Confectionery business are the UK and other European countries. Raisioagro's main markets are Finland and neighbouring countries.

Segment information presented by the Group is based on the management's internal reporting. Management's internal reporting is prepared in accordance with the IFRS principles.

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 businesses. 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.

Segment assets and liabilities are items that the segment uses in its business operations or that can be reasonably allocated to the segments. Unallocated items include tax and financial items and items common to the entire Group. Inter-segment pricing is based on current market prices. Investments consist of additions to property, plant and equipment and to intangible assets that are used in more than one financial year.

| | Brands | | Raisioagro | | Other operations | | Eliminations | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| (EUR million) | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| External sales | | | | | | | | | | |
| Services | **0.2** | 0.2 | **0.0** | 0.0 | **0.8** | 3.4 | | | **1.0** | 3.6 |
| Goods | **317.6** | 381.5 | **116.9** | 135.5 | **0.0** | 0.0 | | | **434.6** | 517.0 |
| Royalties | **0.7** | 0.6 | **0.0** | 0.0 | | | | | **0.8** | 0.7 |
| Total external sales | **318.5** | 382.3 | **116.9** | 135.5 | **0.8** | 3.4 | | | **436.3** | 521.2 |
| Internal sales | **1.5** | 2.8 | **9.6** | 10.4 | | | **-11.2** | -13.2 | **0.0** | 0.0 |
| Net sales | **320.1** | 385.1 | **126.6** | 145.9 | **0.8** | 3.4 | **-11.2** | -13.2 | **436.3** | 521.2 |
| Depreciation | **7.8** | 10.5 | **2.4** | 2.5 | **1.1** | 1.1 | | | **11.3** | 14.1 |
| Value impairments | **16.1** | 4.6 | | | | 2.4 | | | **16.1** | 7.0 |
| Segment EBIT | **30.2** | 45.4 | **3.7** | 2.4 | **-4.9** | -5.3 | | | **28.9** | 42.4 |
| Share of results of associates and joint ventures | | | **0.0** | 0.0 | | | | | **0.0** | 0.0 |
| Segment assets | **343.9** | 427.6 | **39.7** | 49.1 | **18.9** | 12.0 | **-1.9** | -2.5 | **400.6** | 486.1 |
| Including: | | | | | | | | | | |
| Shares in associates and joint ventures | **0.0** | 0.0 | **0.7** | 0.7 | | | | | **0.7** | 0.7 |
| Increase in non-current assets | **8.9** | 9.1 | **1.9** | 0.7 | **7.5** | 1.2 | | | **18.3** | 11.0 |
| Segment liabilities | **40.5** | 67.3 | **14.0** | 17.4 | **4.8** | 6.7 | **-1.9** | -2.5 | **57.5** | 88.9 |

| (EUR million) | 2016 | 2015 |
|---|---|---|
| **RECONCILIATION** | | |
| Reconciliation of results | | |
| Segment EBIT | **28.9** | 42.4 |
| Share of results of associates and joint ventures | **0.0** | 0.0 |
| Financial income and expenses | **-2.2** | -2.5 |
| Result before tax | **26.8** | 39.9 |
| | | |
| Reconciliation of assets to Group assets | | |
| Segment assets | **400.6** | 486.1 |
| Deferred tax assets | **5.4** | 5.7 |
| Loans receivable and other receivables related to financing | **0.0** | 0.2 |
| Tax assets | **0.4** | 1.8 |
| Financial assets at fair value through profit or loss | **37.7** | 58.8 |
| Liquid funds | **25.9** | 11.0 |
| Recognised assets | **470.0** | 563.6 |
| | | |
| Reconciliation of liabilities to Group liabilities | | |
| Segment liabilities | **57.5** | 88.9 |
| Deferred tax liability | **8.2** | 10.9 |
| Financial liabilities | **88.6** | 110.1 |
| Financial liabilities at fair value through profit or loss | **1.6** | 0.6 |
| Tax liability | **0.5** | 2.6 |
| Dividend liability | **0.4** | 0.4 |
| Liabilities related to financing | **0.0** | 0.1 |
| Recognised liabilities | **156.8** | 213.5 |
| | | |
| The Group operates in different geographical areas as follows: | | |
| **GEOGRAPHICAL INFORMATION:** | | |
| Revenue from external customers | | |
| Finland | **156.9** | 175.5 |
| Great Britain | **141.5** | 192.5 |
| Rest of Europe | **125.6** | 142.4 |
| Rest of the world | **12.2** | 10.7 |
| Total | **436.3** | 521.2 |
| | | |
| Non-current assets, excluding deferred tax assets and financial instruments | | |
| Finland | **61.3** | 56.2 |
| Great Britain | **212.1** | 275.4 |
| Rest of Europe | **22.1** | 21.2 |
| Rest of the world | **0.0** | 0.0 |
| Total | **295.5** | 352.8 |

Information about major customers:
In 2016 and 2015, 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.

## 2. ACQUIRED BUSINESS OPERATIONS

### IN 2016

No acquired business operations at the period of 1 January-31 December 2016.

### IN 2015

No acquired business operations at the period of 1 January-31 December 2015.

## 3. OTHER INCOME AND EXPENSES FROM BUSINESS OPERATIONS

| (EUR million) | 2016 | 2015 |
|---|---|---|
| Excise duty refund | **0.5** | 0.5 |
| Gains and losses on the sale of tangible and intangible fixed assets | **0.1** | 3.4 |
| Sales profits and losses on securities | **0.4** | 0.0 |
| Sales profits and losses on subsidiary shares | **-0.4** | 0.0 |
| Compensation for damage | **0.1** | 1.3 |
| Other income and expenses from business operations | **-0.1** | 1.1 |
| Total | **0.6** | 6.3 |
| Auditors' remuneration | | |
| Audit | **0.2** | 0.3 |
| Tax guidance | **0.0** | 0.0 |
| Other services | **0.0** | 0.0 |
| Total | **0.3** | 0.4 |

## 4. DEPRECIATION AND IMPAIRMENT

| (EUR million) | 2016 | 2015 |
|---|---|---|
| **Depreciation by asset group** | | |
| Depreciation on intangible assets | | |
| Intangible rights | **1.1** | 1.2 |
| Other intangible assets | **0.5** | 0.4 |
| Total | **1.6** | 1.6 |
| Depreciation on tangible assets | | |
| Buildings | **2.5** | 3.3 |
| Machinery and equipment | **7.2** | 9.2 |
| Other tangible assets | **0.1** | 0.1 |
| Total | **9.7** | 12.5 |
| Impairment by asset group | | |
| Intangible rights | **3.7** | 0.0 |
| Other intangible assets | **1.4** | 0.0 |
| Buildings | **3.4** | 2.5 |
| Machinery and equipment | **7.5** | 4.5 |
| Other tangible fixed assets | **0.1** | 0.0 |
| Total | **16.1** | 7.0 |
| **Total depreciation and impairment** | **27.4** | 21.1 |
| **Depreciation by activity** | | |
| Cost of sales | **9.0** | 11.8 |
| Sales and marketing | **0.3** | 0.4 |
| Administration | **1.7** | 1.8 |
| Research and development | **0.2** | 0.2 |
| Total | **11.3** | 14.1 |
| **Impairment and their returns** | | |
| Expenses corresponding to products sold | **12.4** | 4.7 |
| Sales and marketing | **3.7** | 0.0 |
| Administration | **0.0** | 2.3 |
| Research and development | **0.0** | 0.0 |
| Total | **16.1** | 7.0 |

## 5. EXPENSES FROM EMPLOYMENT BENEFITS

| (EUR million) | 2016 | 2015 |
|---|---|---|
| Salaries | **50.8** | 67.2 |
| Termination benefits | **0.8** | 0.1 |
| Pension expenses – defined contribution plans | **4.0** | 4.5 |
| Share-based rewards | **-0.2** | 2.0 |
| Other indirect personnel costs | **2.6** | 3.3 |
| Total | **58.0** | 77.2 |

Details about the management's employee benefits are provided in Notes 29 Related party transactions.

Details about assigned company shares are provided in Notes 19 Share-based payments.

### AVERAGE NUMBER OF PEOPLE EMPLOYED BY THE GROUP IN THE FINANCIAL PERIOD

| | 2016 | 2015 |
|---|---|---|
| Brands | **1,417** | 1,625 |
| Raisioagro | **107** | 117 |
| Joint operations | **59** | 56 |
| Total | **1,582** | 1,798 |

## 6. FINANCIAL INCOME AND EXPENSES

| (EUR million) | 2016 | 2015 |
|---|---|---|
| Dividend income from available-for-sale financial assets | **0.1** | 0.1 |
| The impact of the fair value change to fair value for financial assets recognised through profit or loss | **0.0** | -0.1 |
| Interest earnings from financial assets at fair value through profit or loss | **0.3** | 0.3 |
| Interest income from loan receivables | **0.0** | 0.0 |
| Other interest income | **1.5** | 0.7 |
| Total financial income | **1.8** | 1.0 |
| Interest expenses from loans | **-1.3** | -2.0 |
| Other interest expenses | **-2.5** | -1.5 |
| Exchange rate differences, net | | |
| Other financial expenses | **-0.2** | -0.1 |
| Total financial expenses | **-4.0** | -3.6 |

Items comprising the EBIT include exchange rate gains and losses amounting to EUR 2.5 million in 2016 (EUR 3.8 million in 2015).

## 7. INCOME TAXES

| (EUR million) | 2016 | 2015 |
|---|---|---|
| Tax based on the taxable income for the financial period | -6.6 | -7.5 |
| Taxes paid in previous financial periods | -1.3 | 0.4 |
| Deferred taxes | 0.1 | 2.2 |
| Total | -7.8 | -4.9 |
| Reconciliation between tax expense of the income statement and the Group's tax calculated at the Finnish tax rate 20.0% (20.0% in 2015). | | |
| Taxes calculated on the basis of the domestic tax rate | -5.4 | -8.0 |
| Impact of a deviating tax rate used in foreign subsidiaries | -0.2 | -0.3 |
| Change in tax rate | 0.6 | 0.0 |
| Returns exempt from tax | 0.2 | 0.5 |
| Non-deductible expenses | -3.2 | -0.9 |
| Losses for the period, for which no tax assets have been recognised | | -0.2 |
| Utilisation of tax refund receivable from previously unrecognised tax losses | 0.3 | 0.2 |
| Depreciation of previously recognised tax liabilities | 0.1 | 2.3 |
| Adjustment of previously recorded tax assets | -0.2 | -0.2 |
| Additional tax deductions | 0.6 | 1.3 |
| Tax from previous years | -0.6 | 0.4 |
| Other items | 0.1 | 0.0 |
| Total | -7.8 | -4.9 |

| (EUR million) | Before taxes | Tax impact | After taxes |
|---|---|---|---|
| Taxes related to the items of other comprehensive income: | | | |
| Year 2016 | | | |
| Available-for-sale financial assets | -0.3 | 0.1 | -0.2 |
| Cash flow hedge | -4.6 | 0.9 | -3.7 |
| Translation differences | -27.2 | 0.0 | -27.2 |
| | -32.2 | 1.0 | -31.2 |
| Year 2015 | | | |
| Available-for-sale financial assets | 0.1 | 0.0 | 0.1 |
| Cash flow hedge | -1.2 | 0.2 | -1.0 |
| Translation differences | 11.9 | 0.0 | 11.9 |
| | 10.8 | 0.2 | 11.0 |

## 8. EARNINGS PER SHARE

| (EUR million) | 2016 | 2015 |
|---|---|---|
| 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) | 19.0 | 35.0 |
| Undiluted weighted average of shares in the financial period | 157,383,524 | 157,163,023 |
| Dilution resulting from share-based compensation | 666,332 | 1,028,458 |
| Diluted weighted average of shares in the financial period | 158,049,856 | 158,191,481 |
| Undiluted earnings per share, continuing operations (EUR/share) | 0.12 | 0.22 |
| Earnings per share adjusted by the dilution effect, continuing operations (EUR/share) | 0.12 | 0.22 |

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.

## 9. INTANGIBLE ASSETS 2016

| (EUR million) | Development expenses | Intangible rights | Goodwill | Other long-term expenditure | Advances paid and incomplete acquisitions | Intangible assets total |
|---|---|---|---|---|---|---|
| Acquisition cost 1 January | | 87.9 | 182.1 | 18.9 | 6.7 | 295.6 |
| Exchange rate differences | | -10.6 | -24.8 | -0.3 | | -35.6 |
| Increase | | 0.0 | | 0.0 | 3.1 | 3.2 |
| Business combination | | | 0.0 | | | 0.0 |
| Divestments and other decreases | | 5.7 | | 1.7 | | 7.3 |
| Reclassifications between items | 1,2 | 2.1 | 0.0 | 0.2 | -3.6 | 0.0 |
| Acquisition cost 31 December | 1,2 | 73.8 | 157.3 | 17.2 | 6.3 | 255.8 |
| Accumulated depreciation and write-downs 1 January | | 22.9 | 3.2 | 16.2 | | 42.4 |
| Exchange rate differences | | -1.8 | 0.0 | -0.1 | | -1.9 |
| Business combination | | | | | | 0.0 |
| Accumulated depreciation of decrease and transfers | | 5.6 | 0.0 | 1.7 | | 7.3 |
| Depreciation for the financial period | 0,0 | 1.1 | 0.0 | 0.4 | | 1.5 |
| Write-downs and their returns | | 3.7 | 0.0 | 1.4 | | 5.0 |
| Accumulated depreciation 31 December | 0,0 | 20.2 | 3.2 | 16.3 | 0.0 | 39.7 |
| Book value 31 December 2016 | 1,2 | 53.6 | 154.1 | 0.9 | 6.3 | 216.1 |

## 9. TANGIBLE ASSETS 2016

| (EUR million) | Land and water areas | Buildings and constructions | Machinery and equipment | Other tangible assets | Advances paid and incomplete acquisitions | Tangible assets total |
|---|---|---|---|---|---|---|
| Acquisition cost 1 January | 17.1 | 133.0 | 247.7 | 0.8 | 1.9 | 400.5 |
| Exchange rate differences | -1.8 | -1.1 | -8.1 | -0.1 | 0.0 | -11.0 |
| Increase | 0.0 | 1.0 | 5.3 | 0.3 | 8.5 | 15.2 |
| Business combination | | | | 0.0 | | 0.0 |
| Divestments and other decreases | 9.7 | 3.8 | 28.9 | 0.1 | 0.0 | 42.5 |
| Reclassifications between items | 0.0 | 0.5 | 3.8 | 0.0 | -4.3 | 0.0 |
| Acquisition cost 31 December | 5.7 | 129.6 | 219.9 | 0.9 | 6.1 | 362.1 |
| Accumulated depreciation and write-downs 1 January | 0.0 | 99.8 | 201.5 | 0.3 | | 301.7 |
| Exchange rate differences | 0.0 | -0.3 | -5.9 | 0.0 | | -6.3 |
| Business combination | | | | | | 0.0 |
| Accumulated depreciation of decrease and transfers | 0.0 | 3.7 | 28.8 | 0.1 | | 32.7 |
| Depreciation for the financial period | 0.0 | 2.5 | 7.2 | 0.1 | | 9.7 |
| Write-downs and their returns | 0.1 | 3.4 | 7.5 | 0.0 | | 11.0 |
| Accumulated depreciation 31 December | 0.1 | 101.7 | 181.4 | 0.3 | 0.0 | 283.4 |
| Book value 31 December 2016 | 5.6 | 27.9 | 38.5 | 0.6 | 6.1 | 78.7 |

Intangible rights include trademarks whose useful life is considered to be indefinite. Their carrying value was EUR 48.1 million.

Additional depreciations of intangible assets are related to the property revaluation made prior to the divestment of the UK snack bar business.

The carrying amount of tangible assets includes assets of EUR 0.3 million acquired via financial lease.

From 30 September, factory buildings that are being developed and prepared for sale in the ordinary course of business have been transferred from land to inventories.

Additional depreciations of tangible assets are related to the property revaluation made prior to the divestment of the UK snack bar business.

## 9. INTANGIBLE ASSETS 2015

| (EUR million) | Intangible rights | Goodwill | Other long-term expenditure | Advances paid and incomplete acquisitions | Intangible assets total |
|---|---|---|---|---|---|
| Acquisition cost 1 January | 83.7 | 171.9 | 18.0 | 5.0 | 278.6 |
| Exchange rate differences | 4.3 | 10.2 | 0.1 | 0.0 | 14.6 |
| Increase | 0.0 | | 0.1 | 2.5 | 2.6 |
| Business combination | 0.0 | 0.0 | | | 0.0 |
| Divestments and other decreases | 0.1 | | | | 0.1 |
| Reclassifications between items | 0.0 | 0.0 | 0.7 | -0.7 | 0.0 |
| Acquisition cost 31 December | 87.9 | 182.1 | 18.9 | 6.7 | 295.6 |
| Accumulated depreciation and write-downs 1 January | 21.1 | 3.2 | 15.9 | 0.0 | 40.2 |
| Exchange rate differences | 0.6 | 0.0 | 0.0 | 0.0 | 0.6 |
| Accumulated depreciation of decrease and transfers | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 |
| Depreciation for the financial period | 1.2 | 0.0 | 0.4 | 0.0 | 1.6 |
| Write-downs and their returns | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Accumulated depreciation 31 December | 22.9 | 3.2 | 16.3 | 0.0 | 42.4 |
| Book value 31 December 2015 | 65.1 | 178.9 | 2.6 | 6.7 | 253.3 |

## 9. TANGIBLE ASSETS 2015

| (EUR million) | Land and water areas | Buildings and constructions | Machinery and equipment | Other tangible assets | Advances paid and incomplete acquisitions | Tangible assets total |
|---|---|---|---|---|---|---|
| Acquisition cost 1 January | 13.6 | 134.6 | 248.9 | 0.9 | 0.7 | 398.7 |
| Exchange rate differences | 0.6 | 0.8 | 3.8 | 0.0 | 0.0 | 5.1 |
| Increase | 0.0 | 0.2 | 5.0 | 0.0 | 3.3 | 8.6 |
| Business combination | | | | 0.0 | | 0.0 |
| Divestments and other decreases | 0.3 | 1.7 | 9.8 | 0.1 | 0.0 | 11.9 |
| Reclassifications between items | 3.3 | -0.8 | -0.3 | 0.0 | -2.2 | 0.0 |
| Acquisition cost 31 December | 17.1 | 133.0 | 247.7 | 0.8 | 1.9 | 400.5 |
| Accumulated depreciation and write-downs 1 January. | 0.0 | 94.4 | 194.9 | 0.3 | 0.0 | 289.6 |
| Exchange rate differences | 0.0 | 0.1 | 2.1 | 0.0 | 0.0 | 2.2 |
| Accumulated depreciation of decrease and transfers | 0.0 | 0.5 | 9.1 | 0.1 | 0.0 | 9.7 |
| Depreciation for the financial period | 0.0 | 3.3 | 9.2 | 0.1 | 0.0 | 12.5 |
| Write-downs and their returns | 0.0 | 2.5 | 4.5 | 0.0 | | 7.0 |
| Accumulated depreciation 31 December | 0.0 | 99.8 | 201.5 | 0.3 | 0.0 | 301.7 |
| Book value 31 December 2015 | 17.1 | 33.2 | 46.2 | 0.5 | 1.9 | 98.8 |

Intangible rights include trademarks whose useful life is considered to be indefinite. Their carrying value was EUR 60.3 million.

In the Brands segment, an additional depreciation of EUR 4.5 million on machinery was made related to the closure and production restructuring of the UK-based Southall factory. An additional depreciation of EUR 2.4 million on buildings was made after the expiration of the property lease related to the discontinued malt business.

The carrying amount of tangible assets includes assets of EUR 0.1 million acquired via financial lease.

## 10. 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. The acquisition of the European Benecol business completed in November 2014 resulted in goodwill of EUR 52.6 million. The Candy Plus acquisition completed at the end of the financial period 2012 resulted in goodwill of EUR 5.5 million and the acquisitions completed in 2010 and 2011 in the UK resulted in goodwill of EUR 105.7 million. All goodwill has been allocated to Western European operations of the Brands segment. On the closing date, the book value of all goodwill totalled EUR 154.1 million.

The value of trademarks whose useful lives the Management has estimated to be indefinite was EUR 48.2 million on the closing date. The brands have been allocated in their entirety to the Brands segment's operations. In connection of the property revaluation made prior to the UK's snack bar business divestment, a goodwill write-down of EUR 3.7 million was recorded for Dormen and Fruitus brands. The value of remaining brands has been tested. For all the brands, the recoverable amount exceeds their carrying amount.

In the impairment testing, the recoverable amounts are determined based on the value in use. Cash flow forecasts are based on estimates approved by management covering the next four years. The cash flows after the forecast period approved by 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.

Basic assumptions used in the determination of use in value of goodwill are as follows:

| | 2016 | 2015 |
|---|---|---|
| Goodwill/Brands | | |
| *UK operations, Benecol* | | |
| Growth percentage *) | **2%** | 2% |
| Discount rate | **7.6%** | 8.0% |
| | | |
| *UK operations, Healthy Snacks and Confectionery* | | |
| Growth percentage *) | **2%** | 2% |
| Discount rate | **7.0%** | 7.5% |
| | | |
| Candy Plus, Confectionery | | |
| Growth percentage *) | **2%** | 2% |
| Discount rate | **6.6%** | 6.5% |

*) 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 management has in terms of the market development. Discount rate has been determined before taxes and it reflects the risks related to the business segment in question.

Sensitivity analysis of impairment testing:

Goodwill/Brands: Western Europe

*UK operations, Benecol*
The entity's recoverable amount is well above the carrying value of assets. The recoverable amount is less than the book value of assets when the discount rate increases above 19.3 per cent (before taxes) or when the EBIT level falls permanently more than 69 per cent of the Management's estimates.

*UK operations, Healthy Snacks and Confectionery*
The entity's recoverable amount is above the carrying value of assets. The recoverable amount is less than the book value of assets when the discount rate increases above 8.0 per cent (before taxes) or when the EBIT level falls permanently more than 15 per cent of the Management's estimates.

*Candy Plus*
The entity's recoverable amount is well above the carrying value of assets. The recoverable amount is less than the book value of assets when the discount rate increases above 24.9 per cent (before taxes) or when the EBIT level falls permanently more than 80 per cent of the management's estimates.

## 11. SUBSIDIARIES AND THE NON-CONTROLLING INTEREST

The Group structure on the closing date:

| | Number of wholly-owned subsidiaries | | Number of partly-owned subsidiaries | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Brands | **24** | 39 | **3** | 3 |
| Raisioagro | **1** | 1 | | |
| Other operations | **2** | 2 | | |

Glisten Ltd, part of the Brands segment, divested the subsidiary Halo Foods Limited and its subsidiaries Cabin Confectionery Limited and Dormen Foods Limited to the Dutch equity investor Nimbus on 12 July 2016.

The subsidiaries partly owned by the Brands segment are related to the Benemilk business. The non-controlling interest in Benemilk Ltd and CentrIQ Corporation (Benemilk US Ltd until 19 December 2015) is 43%.

A significant part of the Brands segment companies, i.e. 13 companies, are located in the UK. Eight of the companies are operating, five are inactive. During 2016, 11 inactive companies were dissolved.

A list of all the Group's subsidiaries is presented in Note 29 Related Party Transactions .

## 12. SHARES IN ASSOCIATES AND JOINT VENTURES

| (EUR million) | 2016 | 2015 |
|---|---|---|
| **ASSOCIATES** | | |
| The Group has one associate company, Vihervakka Oy, which is part of the Raisioagro segment. | | |
| Book value 1 January | **0.7** | 0.8 |
| Decrease | **0.0** | 0.0 |
| Share of result for the financial period | **0.0** | 0.0 |
| Book value 31 Decmember | **0.7** | 0.7 |
| The book value of associates does not include goodwill. | | |
| Total assets, liabilities, net sales and profit/loss of associates: | | |
| Assets | **2.7** | 2.8 |
| Liabilities | **0.9** | 0.9 |
| Net sales | **1.3** | 1.0 |
| Profit/loss | **0.0** | -0.1 |

Dividends of EUR 3.8 thousand were received from the associate in 2016 (EUR 5.8 thousand in 2015).

## 13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| (EUR million) | 2016 | 2015 |
|---|---|---|
| Unquoted equity investments and participations | **2.3** | 2.6 |
| Total | **2.3** | 2.6 |
| At beginning of financial period | **2.6** | 2.7 |
| Increase | **0.0** | 0.1 |
| Decrease | **-0.3** | -0.1 |
| At end of period | **2.3** | 2.6 |

In the recognition at fair value of unquoted equity investments and participations, the Group has applied, for instance, recent transactions completed between independent parties. If fair values are not reliably available, available-for-sale financial assets have been recognised at acquisition cost.

Changes in the fair value reserve are presented in Note 18 Shareholders' equity.

## 14. INVENTORIES

| (EUR million) | 2016 | 2015 |
|---|---|---|
| Materials and supplies | **21.8** | 37.2 |
| Production in progress | **3.3** | 3.7 |
| Finished products and goods | **16.0** | 21.2 |
| Other inventories | **10.9** | 2.2 |
| Advances paid | **0.1** | 0.0 |
| Total inventories | **52.1** | 64.3 |

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.

From 30 September, other inventories include factory buildings that are being developed and prepared for sale in the ordinary course of business.

## 15. ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES

| (EUR million) | 2016 | 2015 |
|---|---|---|
| Accounts receivables | **44.6** | 60.5 |
| Prepaid expenses and accrued income | **3.4** | 3.6 |
| Other receivables | **3.0** | 4.3 |
| Total accounts receivable and other receivables | **51.0** | 68.4 |

At the reporting date, about 43.7% of the Group's accounts receivables were denominated in euro, about 40.0% in pound and the rest in other currencies.

At the reporting date, the Group had accounts receivables that had matured over 60 days earlier and whose value had not decreased: EUR 0.9 million (EUR 0.1 million in 2015) .

The overdue receivables have the following age distribution:

| (EUR million) | 2016 | 2015 |
|---|---|---|
| Undue | **36.7** | 48.8 |
| Overdue 1–60 days | **7.7** | 11.6 |
| Overdue 61–180 days | **0.5** | 0.1 |
| Overdue more than 180 days | **0.4** | 0.0 |
| | **45.3** | 60.5 |
| Impairment of sales receivable: | | |
| Value on 1 January | **0.7** | 0.7 |
| Increase | **0.2** | 0.4 |
| Decrease | **-0.2** | -0.4 |
| Value on 31 Decmember | **0.7** | 0.7 |

The Group recognised a total of EUR 0.2 million (EUR 0.2 million in reporting period 2015) 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 and financial items. In compliance with IAS 39, the fair values of receivables included in financial assets are presented in Note 26.

Book values of sales receivables and other receivables are estimated to correspond to fair value. The impact of discounting is not significant.

## 16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| (EUR million) | 2016 | 2015 |
|---|---|---|
| Securities under financial assets | 36.0 | 56.9 |
| Derivative contracts | 1.7 | 1.9 |
| Total financial assets at fair value in the income statement | 37.7 | 58.8 |

Financial assets recognized at fair value through profit or loss include certificates of deposit and commercial papers, held for trading, maturing within 12 months issued by banks and companies as well as derivatives. 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 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.

Principles used in the determination of fair value are presented in Note 26. Profits and losses for these items are presented in Note 6.

## 17. LIQUID FUNDS

| (EUR million) | 2016 | 2015 |
|---|---|---|
| Cash in hand and at bank accounts | 25.9 | 11.0 |
| Total liquid funds | 25.9 | 11.0 |

Liquid funds according to the cash flow statement are composed as follows:

| | | |
|---|---|---|
| Liquid funds | 25.9 | 11.0 |
| Financial securities | 36.0 | 56.9 |
| Total | 61.9 | 67.9 |

Financial securities classified in liquid funds in the cash flow statement have an average maturity of some three months during the year.

## 18. SHAREHOLDERS' EQUITY

| (EUR million) | 1,000 shares | Share capital | Company shares |
|---|---|---|---|
| The parent company's share capital is divided by share types as follows: | | | |
| 31 December 2014 | | | |
| Restricted shares (20 votes/share) | 33,371 | 5.6 | |
| Restricted shares, company shares | -213 | | -0.4 |
| Free shares (1 vote/share) | 131,778 | 22.2 | |
| Free shares, company shares | -7,776 | | -20.0 |
| Total | 157,160 | 27.8 | -20.4 |
| Restricted shares converted into free shares | 631 | | |
| Disposal of company shares, free shares | -9 | | 0.0 |
| 31 December 2015 | | | |
| Restricted shares (20 votes/share) | 32,740 | 5.5 | |
| Restricted shares, company shares | -213 | | -0.4 |
| Free shares (1 vote/share) | 132,409 | 22.3 | |
| Free shares, company shares | -7,767 | | -20.0 |
| Total | 157,169 | 27.8 | -20.4 |
| Restricted shares converted into free shares | 631 | | |
| Disposal of company shares, free shares | -9 | | 0.0 |
| 31 December 2016 | | | |
| Restricted shares (20 votes/share) | 32,683 | 5.5 | |
| Restricted shares, company shares | -213 | | -0.4 |
| Free shares (1 vote/share) | 132,466 | 22.3 | |
| Free shares, company shares | -7,462 | | -19.4 |
| Total | 157,474 | 27.8 | -19.8 |
| Restricted shares converted into free shares | 57 | | |
| Disposal of company shares, free shares | -305 | | -0.6 |

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 includes the fair value reserve for financial assets held for sale as well as a hedge fund. The hedge fund includes the effective portion of accrued fair value changes of derivative instruments used for cash flow hedge.

Company shares:
Company shares include purchasing cost of own shares held by the Group. Over the period 2005 - 2012, own shares acquired through the stock exchange total 10,576,297, of which 10,363,601 are free shares and 212,696 restricted shares.

Over the financial years 2008 - 2014, a total of 1,117,556 free shares were assigned to the management and key personnel as reward and based on the share-based schemes of 2008 and 2009 as well as a total of 81,541 shares to the members of the Board of Directors as part of their reward. In 2015, a total of 8,657 free shares were assigned to the members of the Board of Directors as part of their rewards.

In 2016, a total of 9,690 free shares were assigned to the members of the Board of Directors as part of their rewards. In 2016, a total of 295,405 free shares were assigned to the management and key persons as reward from the share-based incentive scheme for the earnings period 1 January 2013 - 31 December 2015. On 17 March 2016, the Board of Directors approved the reward paid from the share reward scheme.

At the end of the financial period 2016, there were a total of 7,674,858 company shares of which 7,462,162 were free shares and 212,696 restricted shares in the consolidated financial statements. The remaining cost of own shares totals EUR 19.8 million and it is presented as a deduction from equity.

Dividends:
A dividend of EUR 0.16 per share was paid for 2016, i.e. a total of EUR 25.1 million (EUR 0.14 per share for 2015, i.e. a total of EUR 22.0 million). After the balance sheet date, the parent company's Board of Directors has proposed that a dividend of EUR 0.17 per share is paid, i.e. a total of EUR 28.1 million.

| (EUR million) | 2016 | 2015 |
|---|---|---|
| Translation differences 1 January | **14.2** | 2.2 |
| Change in translation difference | **-27.2** | 11.9 |
| Translation differences 31 December | **-13.1** | 14.2 |
| | | |
| Other reserves: | | |
| Fair value reserve | **1.3** | 1.5 |
| Hedge fund | **-3.2** | 0.5 |
| Other reserves in total | **-1.9** | 2.0 |

## 19. SHARE-BASED PAYMENTS

In December 2011, the Board of Directors decided on a synthetic share-based incentive and commitment scheme for the management and key employees of the British subgroup Raisio UK. The earnings period of the scheme was 1 January 2012 – 31 December 2014. On the basis of the scheme, a cash reward corresponding to a maximum total of 400,000 Raisio plc free shares was paid by the end of April 2015. The amount of the reward was tied to the EBIT of Raisio's Brands segment and a prerequisite for receipt of the reward for each person appointed to the scheme was that he/she would still be employed by Raisio Group on 28 February 2015. In August 2014, the incentive scheme was modified concerning four persons: it was agreed that their rewards were tied to the 2014 EBIT of the confectionery business and that the scheme is extended so that their potential rewards would not be paid until March 2016 provided they are still employed by the Raisio Group. On the closing date 31 December 2015, the reward equalled to 55,000 Raisio plc free shares. In March 2016, a reward of EUR 231,000 equalling 55,000 Raisio plc free shares was paid under this scheme.

In February 2013, the Board decided on a new share-based incentive scheme for the Group's key employees. The earnings period of the share incentive scheme started on 1 January 2013 and ended on 31 December 2015. As for a new possible earnings period, the Board decides annually on its beginning, length as well as criteria and targets set for the criteria. Based on this, the Board decided, in December 2013, on the second earnings period for the share-based incentive scheme for 2014 – 2016 and, in December 2014, on the following periods for 2015 - 2017 and in December 2015 for 2016 - 2018.

On 17 March 2016, the Board of Directors approved the bonuses paid under the share reward scheme 1 January 2013 - 31 December 2015, and decided to implement a directed share issue without payment. In the share issue, a total of 295,405 Raisio plc's free shares held by the company were conveyed to the key employees within the share reward scheme.

In all four schemes, potential reward for each earnings period is based on the company's Total Shareholder Return (TSR). Reward payment is dependent on the achievement of the Group's cumulative profit target (EBT, earnings before taxes) in the period in question. Potential rewards are paid in April in the year following the ending of each earnings period and they are paid partly in the company's free shares and partly in cash. The cash payment is made to cover the key employee's taxes and fiscal fees arising from bonus. In case the employment or service of a person ends before the bonus payment, as a rule no bonus is paid.

According to the decision made at the General Meetings of 2009 - 2016, the members of the Board of Directors have been paid some 20% of their reward by assigning them the company's own shares. A total of 81,541 shares were assigned during 2009 - 2014, a total of 8,657 shares in 2015 and a total of 9,690 shares in 2016.

Share-based payments:

| (EUR million) | Share-based incentive scheme 2013–2015 | 2014–2016 | 2015–2017 | 2016–2018 |
|---|---|---|---|---|
| Original number of shares | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Original grant date | 22 March 2013 | 13 Jan 2014 | 19 Jan 2015 | 15 Jan 2016 |
| Exercise date | 30 April 2016 | 30 April 2017 | 30 April 2018 | 30 April 2019 |
| Vesting period, years | 3.1 | 3.3 | 3.3 | 3.3 |
| Remaining vesting period, years | 0.0 | 0.3 | 1.3 | 2.3 |
| Number of persons at the end of the period | 0 | 18 | 24 | 26 |
| Payment method | Shares and cash | Shares and cash | Shares and cash | Shares and cash |

| | | | | |
|---|---|---|---|---|
| Changes in 2016 | | | | |
| 1 January 2016 | | | | |
| Number of shares at the beginning of the reporting period | **770,000** | **870,000** | **940,000** | **0** |
| In reserve at the beginning of the reporting period | **230,000** | **130,000** | **60,000** | **1,000,000** |
| Changes during the reporting period | | | | |
| Granted | **0** | **0** | **0** | **1,025,000** |
| Cancelled | **95,000** | **245,000** | **275,000** | **290,000** |
| Realised | **609,568** | **0** | **0** | **0** |
| Expired | **390,432** | **0** | **0** | **0** |
| 31 December 2016 | | | | |
| Number of shares at the end of the reporting period | **0** | **625,000** | **665,000** | **735,000** |
| In reserve at the end of the reporting period | **0** | **375,000** | **335,000** | **265,000** |

Determination of fair value

Fair value of the part paid in shares is determined at the grant date and amortised to the exercise date. Fair value of the cash part is determined at each reporting date until the potential bonus is paid. Thus, the amount of debt will change as Raisio's share price changes.

Parameters used in the calculation of share-based incentive schemes granted during the period:

| | 2016 | 2015 |
|---|---|---|
| Share price at grant date, euros | **3.94** | 4.13 |
| Share price on the closing date, euros | **3.57** | 4.24 |
| Share price increase assumption, p.a. | **8.0%** | 8.0% |
| Expected dividends before bonus payment, euros | **0.59** | 0.62 |
| Discount rate | **6.0%** | 6.3% |
| Years to maturity | **3.3** | 3.3 |

Costs from employee benefits include cash- and equity-settled share-based payments:

| (EUR million) | 2016 | 2015 |
|---|---|---|
| Equity-settled | **0.4** | 0.6 |
| Cash-settled | **-0.2** | 1.4 |
| Total | **0.2** | 2.0 |
| Debt from cash-settled share-based plans | **0.6** | 2.9 |

## 20. DEFERRED TAXES

Changes in deferred taxes in 2016:

| (EUR million) | 1 Jan 2016 | Recognised in the income statement | Recorded in other comprehensive income | Exchange rate differences | Acquired/ divested businesses | 31 Dec 2016 |
|---|---|---|---|---|---|---|
| **Deferred tax assets:** | | | | | | |
| Internal margin of inventories | 0.0 | 0.0 | | | | 0.0 |
| Internal margin of fixed assets | 0.0 | 0.0 | | 0.0 | | 0.0 |
| Provisions | 0.9 | 0.0 | | 0.0 | | 0.9 |
| Confirmed fiscal losses | 0.5 | 0.3 | | 0.0 | | 0.8 |
| Derivative contracts | 0.0 | | 0.0 | | | 0.0 |
| Depreciation not deducted in taxation | 1.7 | -0.2 | | 0.0 | | 1.5 |
| Other items | 2.6 | -0.2 | 0.0 | -0.2 | | 2.2 |
| Total | 5.7 | -0.1 | 0.0 | -0.2 | 0.0 | 5.4 |
| **Deferred tax liability:** | | | | | | |
| Accumulated depreciation difference | 3.1 | 0.3 | 0.0 | -0.2 | | 3.2 |
| Leased properties | 0.0 | | | | | 0.0 |
| Investments available for sale | 0.4 | | -0.1 | | | 0.3 |
| Derivative contracts | 0.1 | 0.7 | -0.9 | | | -0.1 |
| Financial assets and liabilities at fair value | 0.0 | 0.0 | | 0.0 | | 0.0 |
| Impairment of the acquisition cost of the Group shares | 0.0 | | | | | 0.0 |
| Valuation at fair value of intangible and tangible assets in business combination | 5.4 | -1.4 | | -0.7 | | 3.3 |
| Other items | 1.8 | 0.2 | 0.0 | -0.1 | -0.5 | 1.4 |
| Total | 10.9 | -0.2 | -1.0 | -1.0 | -0.5 | 8.2 |

Changes in deferred taxes in 2015:

| (EUR million) | 1 Jan 2016 | Recognised in the income statement | Recorded in other comprehensive income | Exchange rate differences | Acquired/ divested businesses | 31 Dec 2016 |
|---|---|---|---|---|---|---|
| **Deferred tax assets:** | | | | | | |
| Internal margin of inventories | 0.1 | 0.0 | | | | 0.0 |
| Internal margin of fixed assets | 0.0 | 0.0 | | 0.0 | | 0.0 |
| Provisions | 1.1 | -0.2 | | 0.0 | | 0.9 |
| Confirmed fiscal losses | 0.2 | 0.3 | | 0.0 | | 0.5 |
| Derivative contracts | 0.0 | | 0.0 | | | 0.0 |
| Depreciation not deducted in taxation | 1.3 | 0.4 | | 0.0 | | 1.7 |
| Other items | 1.2 | 1.4 | 0.0 | 0.0 | | 2.6 |
| Total | 3.9 | 1.9 | 0.0 | 0.0 | 0.0 | 5.7 |
| **Deferred tax liability:** | | | | | | |
| Accumulated depreciation difference | 1.9 | 1.0 | 0.1 | 0.1 | | 3.1 |
| Investments available for sale | 0.4 | | 0.0 | | | 0.4 |
| Derivative contracts | 0.4 | | -0.3 | | | 0.1 |
| Financial assets and liabilities at fair value | 0.1 | 0.0 | | 0.0 | | 0.0 |
| Valuation at fair value of intangible and tangible assets in business combination | 5.1 | | | 0.3 | 0.0 | 5.4 |
| Other items | 3.1 | -1.3 | -0.1 | 0.1 | | 1.8 |
| Total | 10.9 | -0.3 | -0.3 | 0.5 | 0.0 | 10.9 |

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 55.5 million (31 December 2015: EUR 56.9 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) | 2016 | 2015 |
|---|---|---|
| Deferred tax assets | **5.4** | 5.7 |
| Deferred tax liability | **8.2** | 10.9 |
| Deferred net liability | **2.8** | 5.2 |

No deferred tax liability has been recorded for undistributed earnings of foreign subsidiaries, since the assets have been invested permanently in the countries in question.

## 21. PROVISIONS

| (EUR million) | 2016 | 2015 |
|---|---|---|
| Provisions 1 January | **2.1** | 2.4 |
| Exchange rate differences | **0.0** | 0.0 |
| Transferred companies | **0.0** | 0.0 |
| Increase in provisions | **0.5** | 0.0 |
| Provisions used | **0.0** | -0.3 |
| Provisions 31 December | **2.6** | 2.1 |
| Non-current provisions | **0.2** | 0.1 |
| Current provisions | **2.4** | 2.1 |
| Total | **2.6** | 2.1 |

## 22. FINANCIAL LIABILITIES

| (EUR million) | 2016 | 2015 |
|---|---|---|
| Long-term financial liabilities valued at amortised acquisition cost: | | |
| Bank loans | **45.7** | 91.6 |
| Financial leasing liabilities | **0.1** | 0.0 |
| Total | **45.8** | 91.6 |
| Current financial liabilities recorded at amortised cost: | | |
| Repayments of non-current loans | **42.7** | 18.6 |
| Financial leasing liabilities | **0.1** | 0.0 |
| Other interest-bearing liabilities | **0.0** | 0.0 |
| Total | **42.8** | 18.6 |
| Non-current liabilities (incl. finance leases), will mature as follows: | | |
| Year 2017 | **42.8** | 45.8 |
| Year 2018 | **23.0** | 22.9 |
| Year 2019 | **22.9** | 22.9 |
| Year 2020 | **0.0** | |

Of the bank loans, some 78 per cent are euro-denominated and 22 per cent pound-denominated debt. Finance lease liabilities are mainly denominated in Polish zloty. Bank loans carry both variable and fixed interest rates. Interest rate of the bank loan of GBP 16.9 million (EUR 19.7 million) is tied to the Libor rates. Interest rates of the bank loans of EUR 68.6 million are fixed.

At the beginning of financial period 2015, the repayment plan of the loan of GBP 16.9 million was changed so that the loan will be due in its entirety at the beginning of 2017.

The fair values of interest-bearing liabilities are presented in Note 26.

## 23. DERIVATIVE CONTRACTS

| (EUR million) | 2016 | 2015 |
|---|---|---|
| Derivatives | **1.6** | 0.6 |

Derivative contracts are commodity, interest rate and currency derivatives held for hedging and trading. All derivatives are cash flow hedges that are measured at fair value.

## 24. ACCOUNTS PAYABLE AND OTHER LIABILITIES

| (EUR million) | 2016 | 2015 |
|---|---|---|
| Non-current | | |
| Other liabilities | 0.0 | 0.1 |
| Current | | |
| Accounts payable | 35.8 | 46.6 |
| Liabilities to associates | 0.0 | 0.0 |
| Accrued liabilities and deferred income | 14.9 | 33.0 |
| Advances paid | 1.1 | 1.9 |
| Other liabilities | 3.7 | 5.7 |
| Total | 55.4 | 87.2 |

Accrued liabilities and deferred income include accrued business expenses and financial items. The most significant of these are accrued salaries and fees and other personnel expenses, which totalled EUR 4.8 million in 2016 (EUR 10.2 million in 2015).

## 25. FINANCIAL RISK MANAGEMENT OVERVIEW

### INTRODUCTION

Financial risk management is part of the Group's Risk Management Policy. 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 are 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 inform the Finance department on their key risks; the Finance department brings together the risks of the whole Group, ensuring the implementation of appropriate risk management methods. The Finance department's operations are governed by the financial risk management policy approved by the Board of Directors (the Board). All major borrowing decisions are taken by the Board 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 the 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 this 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 the Group'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 balance sheet date, EUR 36.0 million (EUR 56.9 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 risks

**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 risk

**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. The last instalment of the bank loan of GBP 45 million taken out by the Group in 2011 will be in January 2017 and the related interest rate swap fell due according to the original plan at the beginning of 2016.

The bank loan of EUR 80 million taken out in 2014 carries a fixed interest rate. 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 risk (EUR million) | 31 Dec 2016 | 31 Dec 2015 |
|---|---|---|
| Impact of 1-ppt increase in market rates: | | |
| on interest income | **0.3** | 0.5 |
| on interest expenses | **-0.2** | -0.3 |
| change in market values | **0.0** | 0.0 |
| Net impact on interest income and expenses | **0.1** | 0.2 |

Raisio's sensitivity to interest rate fluctuations is determined by calculating how much a change of 1 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 financial period, the focus of interest-bearing investments has been on short-term investments. The interest rates of financial liabilities are tied to the variable Euribor rate (1-6 months) or to the variable Libor rate of British pound (6 months). At the balance sheet date, 31 December 2016, net impact of a 1 percentage point increase in the interest rate was approximately EUR 0.1 million (EUR 0.2 million).

### Currency risk

Currency risk refers to the insecurity related to result, balance sheet and cash flow as a result of changes in exchange rates. 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. Funding risk is mainly composed of the Group's foreign-currency-denominated financial items. 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 an open net position, mainly consisting of the Group companies' commercial and financial items and the derivatives hedging them. Exposure to currency risk arises particularly from items denominated in pounds sterling, Russian rouble, Swedish crown, US dollar, Polish zloty, Czech Koruna and Swiss Franc.

On 31 December 2016, with a negative change of 5 per cent in exchange rates versus the euro, the Group's currency risk would be EUR 0.4 million (EUR 0.4 million). On the closing date, the Group's 1–12-month currency forward contracts in CHF, CZK, GBP, RUB, SEK and USD had a nominal value of EUR 190.4 million. Currency derivatives mature in less than one year.

| Currency risks (EUR million) | GBP | RUB | SEK | USD | PLN | CZK | CHF |
|---|---|---|---|---|---|---|---|
| **31 December 2016** | | | | | | | |
| Currency risk, net position* | **-1.9** | **-0.1** | **0.0** | **3.0** | **-1.3** | **0.0** | **0.2** |
| negative change of 5% versus the euro | **0.1** | **0.0** | **0.0** | **0.1** | **0.1** | **0.0** | **0.0** |
| **31 December 2015** | | | | | | | |
| Currency risk, net position* | 2.6 | -0.8 | -0.1 | 3.1 | -0.8 | -0.3 | 1.3 |
| negative change of 5% versus the euro | 0.13 | 0.04 | 0.01 | 0.15 | 0.04 | 0.01 | 0.07 |

* debt = positive, asset = negative

| Nominal values of derivatives (EUR million) | 31 Dec 2016 | 31 Dec 2015 |
|---|---|---|
| Interest rate derivatives, cash flow hedging | **0.0** | 7.7 |
| Currency derivatives, no hedge accounting | **116.2** | 105.5 |
| Currency derivatives, hedge accounting | **74.2** | 137.1 |

## CAPITAL MANAGEMENT

The Group's capital management aims to use a strong equity structure to safeguard the Group's ability to do business and to increase owner value. The development of the equity structure is monitored using the equity ratio and net gearing. The following table shows the values of these key figures in 2016 and 2015.

| Capital (EUR million) | 31 Dec 2016 | 31 Dec 2015 |
|---|---|---|
| Interest-bearing debt | **88.6** | 110.1 |
| Liquid funds | **61.9** | 67.9 |
| Net debt | **26.7** | 42.2 |
| Net gearing, % | **8.5** | 12.1 |
| Equity ratio, % | **66.8** | 62.3 |
| Equity, EUR million | **313.2** | 350.0 |
| Balance sheet total, EUR million | **470.3** | 563.6 |

## 26. 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 2016 | Fair value 2016 | Book value 2015 | Fair value 2015 |
|---|---|---|---|---|---|
| Financial assets | | | | | |
| Available-for-sale financial assets *) | 13 | **2.3** | **2.3** | 2.6 | 2.6 |
| Sales receivables and other receivables | 15 | **45.3** | **45.3** | 61.2 | 61.2 |
| Investments recognised at fair value in the income statement *) | 16 | **36.0** | **36.0** | 56.9 | 56.9 |
| Liquid assets | 17 | **25.9** | **25.9** | 11.0 | 11.0 |
| Derivatives *) | 16 | **1.7** | **1.7** | 1.9 | 1.9 |
| Financial liabilities | | | | | |
| Bank loans | 22 | **88.5** | **90.0** | 110.1 | 112.6 |
| Other loans | 22 | **0.2** | **0.0** | 0.0 | 0.0 |
| Accounts payable and other liabilities | 24 | **39.9** | **39.9** | 52.2 | 52.2 |
| Derivatives *) | 23 | **1.6** | **1.6** | 0.6 | 0.6 |

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 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. Financial assets 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
Fair values of foreign currency derivatives are determined by using publicly quoted market prices of the balance sheet date. Fair values correspond to the prices that the Group should pay or receive if it closed a derivative contract in the ordinary course of business in the market conditions at the report period's end date.

### RECONCILIATION STATEMENT ACCORDING TO THE LEVEL 3 FOR FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

| (EUR million) | 31 Dec 2016 | 31 Dec 2015 |
|---|---|---|
| | **Financial assets recognisable through the items of other comprehensive income** Available-for-sale financial assets | |
| At beginning of financial period | **2.6** | 2.7 |
| In the items of other comprehensive income | **-0.3** | 0.1 |
| Sales and other conveyances | **0.0** | -0.1 |
| At end of period | **2.3** | 2.6 |

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.

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
With the exception of the financial assets available for sale, all other financial assets and liabilities measured at fair value *) are on level 2. Fair value of the items on level 2 is defined by valuation techniques using market pricing the service provider's valuations. Financial assets available for sale are on level 3 because their fair value is not based on observable market data.

## 27. OTHER LEASES

| (EUR million) | 2016 | 2015 |
|---|---|---|
| Group as lessee: | | |
| Minimum leases paid on the basis of other non-cancellable leasing contracts: | | |
| Within 12 months | **0.4** | 0.5 |
| After 12 months but before five years | **0.4** | 2.5 |
| After five years | **0.7** | 5.4 |
| Total | **1.5** | 8.3 |

The Group has leased cars, production facilities (2015) and land.

The 2016 income statement includes a total of EUR 2.9 million (EUR 3.6 million in 2015) in rent expenses paid based on other rental agreements.

## 28. CONTINGENT AND OTHER LIABILITIES

| (EUR million) | 2016 | 2015 |
|---|---|---|
| Other liabilities | | |
| Other financial liabilities | **1.9** | 2.3 |
| Commitment to investment payments | | |
| Commitments to investment payments effective at the reporting date | **5.9** | 1.1 |

## 29. RELATED PARTY TRANSACTIONS

Associates belong to the Group's related parties. In addition, related parties include the Supervisory Board, Board of Directors, Managing Director and other members of the Group's Management Team.

| | Group holding, % | Parent company holding, % |
|---|---|---|
| SUBSIDIARY COMPANIES | | |
| **Brands** | | |
| Benecol Limited, UK | **100.00** | |
| Benemilk Ltd, Turku | **57.00** | |
| Big Bear Confectionery Limited, UK | **100.00** | |
| Big Bear Group Limited, UK | **100.00** | |
| Candy Plus, a.s., Czech Republic | **100.00** | |
| Candy Plus Polska Sp. z o.o., Poland | **100.00** | |
| The Candy Plus Sweet Factory, s.r.o., Czech Republic | **100.00** | |
| CentrIQ Corporation, USA | **57.00** | |
| FDS Informal Foods Limited t/a Snacks Unlimited, UK | **100.00** | |
| Fox's Confectionery Limited, UK | **100.00** | |
| Glisten Limited, UK | **100.00** | |
| The Glisten Confectionery Company Limited, UK | **100.00** | |
| Glisten Snacks Limited, UK | **100.00** | |
| Honey Monster Foods 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** | |
| Nordic Feed Innovations Oy, Turku | **76.00** | 76.00 |
| Raisio Eesti AS, Estonia | **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 | **100.00** | 100.00 |
| TOV Raisio Ukraina, Ukraine | **100.00** | |
| Raisio Nutrition Ltd, Raisio | **100.00** | 100.00 |
| Reso Mejeri Produktion AB, Sweden | **100.00** | |
| **Raisioagro** | | |
| Raisioagro Ltd., Raisio | **100.00** | 100.00 |
| **Muu toiminta** | | |
| Raisio Finance NV, Belgium | **100.00** | 99.99 |
| Raisionkaari Industrial Park Ltd., Raisio | **100.00** | 50.00 |
| ASSOCIATES | | |
| **Raisioagro** | | |
| Vihervakka Oy, Pöytyä | **38.50** | 38.50 |

| (EUR million) | 2016 | 2015 |
|---|---|---|
| Business activities involving insiders: | | |
| Sales to associates and joint ventures | **0.0** | 0.0 |
| Purchases from associates and joint ventures | **0.1** | 0.0 |
| Sales to key employees in management | **0.4** | 0.1 |
| Purchases from key employees in management | **1.6** | 0.3 |
| Short-term receivables from associates and joint ventures | **0.0** | 0.0 |
| Short-term receivables from the key management personnel | **0.0** | 0.0 |
| Liabilities to associates and joint ventures | **0.0** | 0.0 |
| Payables to key management personnel | **0.2** | 0.0 |
| Sales to associates and joint ventures as well as key management personnel are carried out at fair market value. | | |
| Management's employee benefits: | | |
| Wages and fees | **1.8** | 3.3 |
| Compensation paid in conjunction with termination of employment | **0.4** | 0.0 |
| Share-based payments | **0.9** | 1.1 |
| Total | **3.1** | 4.4 |
| Members of the Supervisory Board: | **0.0** | 0.0 |
| Members of the Board of Directors: | **0.2** | 0.2 |
| Managing Director and members of Management Team: | | |
| Matti Rihko | **0.6** | 1.6 |
| Other members of Management Team | **0.4** | 2.6 |
| Total | **1.0** | 4.2 |

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.

CEO and other members of Raisio Group's Management Team are covered by a group pension insurance for the management. Insurance is a contribution-based savings insurance with vested rights. Payment is 15 - 20% of basic annual salary.

For the CEO, the cost of the group pension insurance amounted to EUR 0.1 million in 2016 and for other Management Team members EUR 0.1 million, all totalling EUR 0.2 million. (In 2015, for the CEO EUR 0.1 million and for other Management Team members EUR 0.2 million, all totalling EUR 0.3 million.)

For the CEO, the expenses of statutory pension insurances amounted to EUR 0.1 million in 2016 and for other Management Team members, EUR 0.2 million, all totalling EUR 0.3 million. (In 2015, for the CEO EUR 0.2 million and for other Management Team members EUR 0.3 million, all totalling EUR 0.5 million.)

# Financial indicators

| (EUR million) | 2016 | 2015 | 2014 |
|---|---|---|---|
| **Result and profitability** | | | |
| Net sales, M€ | **436.3** | 521.2 | 493.9 |
| change, % | **-16.3** | 5.5 | -11.4 |
| International net sales, M€ | **279.4** | 345.7 | 274.9 |
| % of net sales | **64.0** | 66.3 | 55.6 |
| Operating margin, M€ | **56.3** | 63.6 | 39.8 |
| % of net sales | **12.9** | 12.2 | 8.1 |
| Depreciation and write-downs, M€ | **27.4** | 21.1 | 32.9 |
| EBIT, M€ | **28.9** | 42.4 | 6.9 |
| % of net sales | **6.6** | 8.1 | 1.4 |
| Result before taxes, M€ | **26.8** | 39.9 | 5.4 |
| % of net sales | **6.1** | 7.6 | 1.1 |
| Return on equity, ROE, % | **5.7** | 10.4 | 1.7 |
| Return on investment, ROI, % | **6.6** | 9.2 | 1.7 |
| **Financial and economical position** | | | |
| Shareholders' equity, M€ | **313.2** | 350.0 | 325.3 |
| Interest-bearing financial liabilities, M€ | **88.6** | 110.1 | 125.7 |
| Net interest-bearing financial liabilities, M€ | **26.7** | 42.2 | 72.2 |
| Balance sheet total, M€ | **470.0** | 563.6 | 544.3 |
| Equity ratio, % | **66.8** | 62.3 | 60.2 |
| Net gearing, % | **8.5** | 12.1 | 22.2 |
| Cash flow from business operations, M€ | **47.6** | 65.0 | 26.2 |
| **Other indicators** | | | |
| Gross investments, M€ | **18.3** | 11.0 | 104.9 |
| % of net sales | **4.2** | 2.1 | 21.2 |
| R&D expenses, M€ | **3.6** | 5.5 | 6.6 |
| % of net sales | **0.8** | 1.1 | 1.3 |
| Average personnel | **1,582** | 1,798 | 1,915 |

# Share indicators

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Earnings/share, continuing operations (EPS), € [1] | **0.12** | 0.22 | 0.04 |
| Cash flow from business operations/share, € [1] | **0.30** | 0.41 | 0.17 |
| Equity/share, € [1] | **1.99** | 2.23 | 2.07 |
| Dividend/share, € | **0.17** [2] | 0.16 | 0.14 |
| Dividend/earnings, % | **140.9** | 72.7 | 391.4 |
| Effective dividend yield, % | | | |
| Free shares | **4.8** | 3.8 | 3.3 |
| Restricted shares | **4.4** | 3.8 | 3.4 |
| P/E ratio | | | |
| Free shares | **29.6** | 19.3 | 117.4 |
| Restricted shares | **31.9** | 19.3 | 114.6 |
| Adjusted average quotation, € | | | |
| Free shares | **3.85** | 4.24 | 4.26 |
| Restricted shares | **3.93** | 4.17 | 4.22 |
| Adjusted lowest quotation, € | | | |
| Free shares | **3.23** | 3.89 | 3.32 |
| Restricted shares | **3.27** | 3.81 | 3.25 |
| Adjusted highest quotation, € | | | |
| Free shares | **4.45** | 4.50 | 5.04 |
| Restricted shares | **4.34** | 4.50 | 4.95 |
| Adjusted quotation 31 December, € | | | |
| Free shares | **3.57** | 4.24 | 4.20 |
| Restricted shares | **3.85** | 4.24 | 4.10 |
| Market capitalisation 31 December, M€ [1] | | | |
| Free shares | **446.3** | 528.5 | 520.8 |
| Restricted shares | **125.0** | 137.9 | 136.0 |
| Total | **571.3** | 666.4 | 656.8 |
| Trading, EUR | | | |
| Free shares | **152.2** | 115.3 | 113.4 |
| Restricted shares | **4.6** | 4.8 | 6.7 |
| Total | **156.8** | 120.0 | 120.1 |
| Number of shares traded | | | |
| Free shares, 1,000 shares | **39,524** | 27,215 | 26,651 |
| % of total | **29.8** | 20.6 | 20.2 |
| Restricted shares, 1,000 shares | **1,167** | 1,142 | 1,591 |
| % of total | **3.6** | 3.5 | 4.8 |
| Average adjusted number of shares, 1,000 shares [1] | | | |
| Free shares | **124,898** | 124,428 | 123,524 |
| Restricted shares | **32,486** | 32,735 | 33,365 |
| Total | **157,384** | 157,163 | 156,888 |
| Adjusted number of shares 31 December, 1,000 shares [1] | | | |
| Free shares | **125,004** | 124,641 | 124,002 |
| Restricted shares | **32,470** | 32,528 | 33,159 |
| Total | **157,474** | 157,169 | 157,160 |

[1] Number of shares, excluding the company shares held by the Group.
[2] According to the Board of Directors' proposal EUR 0.17 per share.

# Calculation of key financial development indicators

| | |
|---|---|
| **Return on equity (ROE), %** | $\frac{\text{Result before taxes – income taxes}}{\text{Shareholders' equity (average over the period)}} \times 100$ |
| **Return on investment (ROI), %** | $\frac{\text{Result before taxes + financial expenses}}{\text{Shareholders' equity + interest-bearing financial liabilities (average over the period)}} \times 100$ |
| **Equity ratio, %** | $\frac{\text{Shareholders' equity}}{\text{Balance sheet total – advances received}} \times 100$ |
| **Net interest-bearing financial liabilities** | Interest-bearing financial liabilities - liquid funds and liquid financial assets at fair value through profit or loss |
| **Net gearing, %** | $\frac{\text{Net interest-bearing financial liabilities}}{\text{Shareholders' equity}} \times 100$ |

# Calculation of key share indicators

| | |
|---|---|
| **Earnings per share** | $\frac{\text{Result for the year of parent company shareholders}}{\text{Average number of shares for the year, adjusted for share issue}}$ |
| **Cash flow from business operations per share** | $\frac{\text{Cash flow from business operations}}{\text{Average number of shares for the year, adjusted for share issue}}$ |
| **Shareholders' equity per share** | $\frac{\text{Equity of parent company shareholders}}{\text{Number of shares adjusted for share issue on 31 December}}$ |
| **Dividend per share** | $\frac{\text{Dividend distributed in the period}}{\text{Number of shares at end of period}}$ |
| **Dividend per earnings** | $\frac{\text{Dividend per share}}{\text{Profit per share}} \times 100$ |
| **Effective dividend yield, %** | $\frac{\text{Dividend per share, adjusted for share issue}}{\text{Closing price, adjusted for share issue}} \times 100$ |
| **Price per earnings (P/E ratio)** | $\frac{\text{Closing price, adjusted for share issue}}{\text{Profit per share}}$ |
| **Market capitalisation** | Closing price, adjusted for issue x number of shares without company shares on 31 December |

# Shares and shareholders

*Raisio pls's shares are listed on Nasdaq Helsinki Ltd. Raisio's market value at the end of 2016 was EUR 598.7 million. Overall trading totalled EUR 156.8 million. The closing price of free shares on 31 December 2016 was EUR 3.57, and that of restricted shares EUR 3.85. The Board of Directors will propose a dividend of EUR 0.17 at the Annual General Meeting in spring 2017.*

## Share capital and share classes

The fully paid-up share capital of Raisio plc is EUR 27,776,072.91, which on 31 December 2016 was divided into 32,683,091 restricted shares (series K) and 132,465,939 free shares (series V). No nominal value is quoted for the shares. Restricted shares accounted for 19.8% of the share capital and 83.1% of the votes, while the corresponding figures for free shares were 80.2% and 16.9% (on 31 December 2016). The company's minimum share capital is EUR 25,000,000 and maximum share capital EUR 100,000,000. The share capital can be raised or lowered within these limits without amending the Articles of Association. There were no changes in the share capital during 2016. The company has not issued securities that entitle the holder to shares.

Raisio plc's shares are listed on Nasdaq Helsinki Ltd (hereafter: Stock Exchange) in the public trading under the sector Consumer Goods and sub-industry of Food Products. The company's free shares are quoted in the Mid Cap segment 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. 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 the Annual General Meeting (AGM), each restricted share entitles the holder to 20 votes and each free share to one vote. At the AGM, 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.

The assignment of restricted shares must be approved by the Board of Directors (Board). The approval is required even if the party who the shares are assigned to already owns restricted shares in the company. The approval must be given if the share recipient is a natural person whose primary occupation is farming. If the approval is not given, the Board 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 information on whether the applicant will be granted permission to acquire restricted shares. In 2016, a total of 57,326 restricted shares were converted into free shares. In the book-entry system, restricted shares for which the approval procedure is in progress or the approval has not been sought, will be retained on the waiting list until they are entered as restricted shares in the share register following approval, assigned to another shareholder or converted into free shares. There were 7.8 million restricted shares on the waiting list on 31 December 2016.

## Ownership structure

At the end of 2016, Raisio plc had 39,332 registered shareholders (31 December 2015: 36,562).

In 2016, foreign ownership in the Company amounted to 17.6 per cent at its highest, to 15.4 per cent at its lowest and was 15.4 per cent at the end of the year (31 December 2015: 15.9%).

0.3 per cent of free shares and 1.8 per cent of restricted shares remain outside the book-entry system.

## Company shares

At the end of the financial period 2016, Raisio plc held 7,462,162 free shares and 212,696 restricted shares, which were, on the one hand, acquired between 2005 and 2012 based on the authorisations given by the AGMs and, on the other, obtained through the merger of the subsidiary into Raisio plc on 31 August 2014 (4,482,740 free shares). The number of free shares held by Raisio plc accounts for 5.6 per cent of all free shares and the votes they represent, while the corresponding figure for restricted shares is 0.7 per cent. In all, the shares held by the company represent 4.7 per cent of the entire share capital and 1.5 per cent of overall votes.

Other Group companies hold no Raisio plc shares. A share held in Raisio or its subsidiary does not entitle the holder to participate in the AGM.

Raisio plc and its subsidiaries do not have any shares as collateral and did not have any during the financial period.

Raisio plc's Research Foundation holds 150,510 restricted shares, which is 0.46 per cent of the restricted shares and the votes they represent and, correspondingly, 0.09 per cent of the entire share capital and 0.38 per cent of the votes it represents. The Foundation does not or did not hold Raisio plc shares as collateral.

## 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 604,935 restricted shares and 3,464,841 free shares on 31 December 2016. This equals 2.5 per cent of all shares and 2.0 per cent of overall votes.

**Structure of share capital on 31 December 2016**

| | Number of shares | % of total shares | % of total votes |
|---|---|---|---|
| Free shares | 132,465,939 | 80.2 | 16.8 |
| Restricted shares | 32,683,091 | 19.8 | 83.2 |
| Total | 165,149,030 | 100.0 | 100.0 |

| Shareholders on 31 December 2016 | % |
|---|---|
| Households | 50.2 |
| Foreign owners [2] | 15.4 |
| Private enterprises [3] | 9.0 |
| Financial and insurance institutions [1] | 2.8 |
| Non-profit organizations | 5.6 |
| Waiting list and joint account | 5.3 |
| Public corporations | 11.7 |

[1] excluding nominee-registered
[2] including nominee-registered
[3] including the shares held by the company

## Shareholder agreements

The Board is not aware of any valid agreements related to the ownership of the company's shares and the use of voting power.

## Flagging notifications

In 2016, the company did not receive any notifications of significant changes in holding and voting rights referred to in section 9 of the Securities Markets Act.

## Raisio shares traded on Stock Exchange in 2016

The highest price of the series V share was EUR 4.45, the lowest EUR 3.23 and the average price EUR 3.85. The year-end price of the V share was EUR 3.57. A total of 39.5 million V shares were traded (27.2 million in 2015), which equals some 30 per cent of the total volume of V shares. The value of share trading was EUR 152.2 (EUR 115.3 million).

The highest price of the series K share was EUR 4.34 and the lowest EUR 3.27. The average price was EUR 3.93. The year-end price of the K share was EUR 3.85. A total of 1.2 million K shares were traded (1.1 million), and the value of share trading was EUR 4.6 million (EUR 4.8 million).

At the end of 2016, the share capital had a market value of EUR 598.7 million (EUR 700.2 million) and EUR 571.3 million (EUR 666.4 million) excluding the shares held by the company.

## Dividend policy and dividend

Raisio aims to generate added value for all its shareholders by developing its business operations, improving its business profitability and 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.

The AGM held in March 2016 decided on a dividend of EUR 0.16 per share, which was paid on 5 April 2016. No dividend, however, was paid on the shares held by the company. The Board will propose a per-share dividend of EUR 0.17 at the AGM in spring 2017. The record date is 27 March 2017 and the payable date 3 April 2017.

## Acquisition and conveyance of own shares

Based on the authorisation given by the AGM 2016, the Board can purchase and/or accept as collateral a maximum of 5,000,000 free shares and 1,250,000 restricted shares. The authorisation will be valid until 30 April 2017. The number of own shares that can be purchased and/or accepted as collateral based on this authorisation totals 3.8 per cent of all shares and 3.8 per cent of the votes they represent.

The shares may be acquired 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 cancelled.

The Board has the right to repurchase own shares otherwise than in proportion to the share classes and to decide on the order of repurchase of the shares. The shares may be purchased otherwise than in proportion to the holdings of the shareholders.

During the financial period, the Board has not exercised its authorisation to repurchase own shares or accept own shares as collateral. Furthermore, the Board has not purchased or accepted as collateral any shares during the financial period based on the authorisation granted by AGM 2015 and expired on 23 March 2016.

In the review period, a total of 9,690 free shares were assigned to the Chairman and members of the Board as part of the compensation for managing their duties, in line with the decision taken by the AGM in 2016. The value of free shares assigned as fees to the Board was EUR 35,429 at the time of the assignment.

Furthermore, during the financial period a total of 295,405 free shares were assigned as fees under the share reward scheme 2013 - 2015. The value of these shares totalled EUR 1,248,470 at the time of the assignment. The matter is described in more detail below in the Directed share issue section.

Under the Companies Act, the Board is also entitled to annul all the own shares held by the Company. No shares were annulled in the financial period.

## Share issue authorisation

The AGM of 2016 authorised the Board to decide on the share issues by disposing of all the shares held by the Company and any potentially repurchased own shares, a maximum total of 14,200,000 shares, 1,460,000 of which can be restricted shares at the maximum, and by issuing a maximum of 20,000,000 new free shares against payment.

Based on the authorisation, the number of the shares to be assigned and held by the Company on 31 December 2016 equals 4.7 per cent of the share capital and 1.5 per cent of the votes it represents. Furthermore, based on the authorisation, the number of issued new shares equals 12.1 per cent of the share capital and 2.5 per cent of the votes it represents.

The Board has been authorised to decide to whom and in what order the Company's own shares are assigned and new shares given.

The Board can decide on the assignment of own shares and giving new shares in another proportion than that in which the shareholder has a preferential right to acquire the Company's shares if there is a 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 schemes can be considered weighty financial reasons from the Company's point of view.

The Board can also decide on the assignment of own shares in public trading on the Nasdaq Helsinki Ltd (Stock Exchange) for raising funds for the financing of investments and possible company acquisitions.

The shares can also be assigned against compensation other than money, against receipt or otherwise on certain terms and conditions.

The share issue authorisations will expire on 23 March 2021 at the latest. The Board has not used its share issue authorisation of 2016 during the financial period.

## Directed share issue

In February 2013, Raisio plc's Board of Directors decided on the Group's key employees' share-based incentive scheme for the period that started on 1 January 2013 and ended on 31 December 2015. On 17 March 2016, the Board of Directors approved the bonuses paid under the share reward scheme and, in order to convey the part paid in shares to key employees, decided to implement a directed share issue without payment based on the authorisation granted to the Board by the Annual General Meeting of 26 March 2015.

In the share issue, a total of 295,405 Raisio plc's free shares held by the company were conveyed without consideration to the key employees within the share reward scheme, with deviation from the shareholders' pre-emptive subscription right. The conveyed 295,405 free shares correspond to 0.18 per cent of all Raisio plc's shares and 0.04 per cent of all votes.

There is an especially weighty financial reason for the deviation from the shareholders' pre-emptive right in the directed share issue without payment through the assignment of the company's own shares from the company's point of view and taking into account the best interests of all of its shareholders, since the purpose of the share reward scheme is to combine the objectives of owners and key employees in order to increase the company value as well as to commit the key employees to the company through direct share ownership. Direct share ownership is a way to further commit key employees to the company and to strengthen the alignment of shareholders and key employees' goals and interests.

The shares were conveyed to key employees on 13 April 2016. The right to dividend and other shareholder rights begin on the day on which the shares have been registered in the key employee's book-entry account.

## Corporate Governance

### Annual General Meeting and Company Management

The Annual General Meeting (AGM) is the Company's highest decision-making body. It meets annually by the end of April to decide on the matters within its responsibilities, such as the adoption of the financial statements and consolidated financial statements, dividend distribution, discharge from liability, election of Board and Supervisory Board members and auditors, and the fees payable to them. Extraordinary General Meetings can be held if necessary.

The Board is responsible for the Company's administration and the proper organization of its operations. The Board is responsible for ensuring that the monitoring of the Company's accounting and asset management has been properly arranged.

The Board consists of a minimum of five and a maximum of eight members elected by the AGM. Their term begins at the end of the AGM at which the election takes place and lasts until the end of the following AGM.

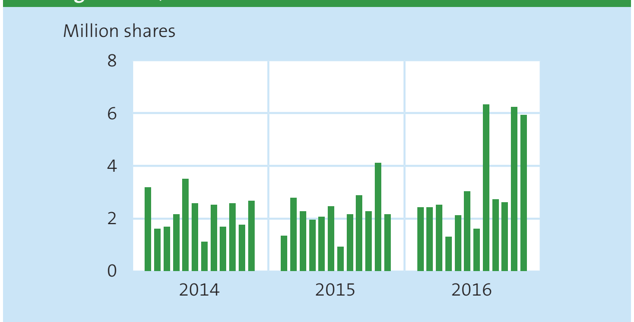
The Supervisory Board supervises the corporate administration run by the Board and CEO and gives the AGM a statement on the financial statements and auditor's report.

The members of the company's Supervisory Board, who number 15 as a minimum and 25 as a maximum, are elected by the AGM, with the exception of personnel group representatives, for a term that begins at the AGM at which the election takes place and lasts until the end of the third AGM following the election. One-third of the members are replaced every year. The Supervisory Board also includes three members whom the personnel groups, formed by Raisio's employees in Finland, have elected as their representatives. Their term is approximately three years.

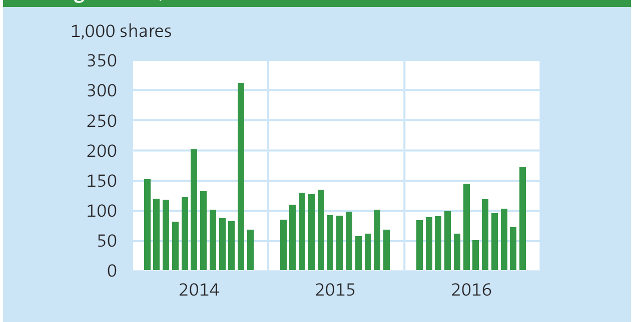
The body that elects the members of the Supervisory Board and the Board of Directors may make a new appointment decision at any time, meaning that the duties of a member or all members may be terminated before the term comes to an end.

Managing Director runs the company's day-to-day administration in accordance with the Board's guidelines and regulations and in line with the targets set by the Board

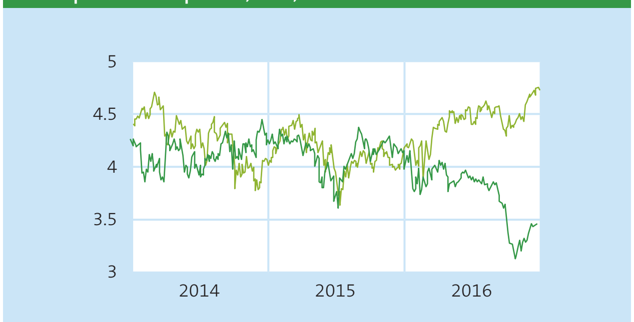
Trading volume, free share




Trading volume, restricted share




Share price development, EUR, free share




Raisio's free share    OMX Helsinki GI

Share price development, EUR, restricted share


Average quotation

(general authority), and is responsible for ensuring that the company's accounting complies with legislation and asset management arrangements are reliable.

The Managing Director is appointed and discharged by the Board. The Managing Director is appointed for an indefinite term.

## Amendments to the Articles of Association

As a rule, the 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 matters, the Companies Act requires a vote by classes of shares and shareholder approval.

The Articles of Association have not been amended or proposed to be amended during 2016.

**Shareholders**

**25 major shareholders on 31 December 2016, according to shareholders register**

| | Series K, no. | Series V, no. | Total, no. | % | Votes, no. | % |
|---|---|---|---|---|---|---|
| Varma Mutual Pension Insurance Company | | 7,099,159 | 7,099,159 | 4.30 | 7,099,159 | 0.90 |
| Ilmarinen Mutual Pension Insurance Company | | 5,337,869 | 5,337,869 | 3.23 | 5,337,869 | 0.68 |
| The Central Union of Agricultural Producers and Forest Owners (MTK) | 3,733,980 | 199,000 | 3,932,980 | 2.38 | 74,878,600 | 9.52 |
| Niemistö Kari | | 2,840,000 | 2,840,000 | 1.72 | 2,840,000 | 0.36 |
| Elo Mutual Pension Insurance Company | | 2,396,000 | 2,396,000 | 1.45 | 2,396,000 | 0.30 |
| Veritas Pension Insurance Company Ltd. | | 1,822,000 | 1,822,000 | 1.10 | 1,822,000 | 0.23 |
| Relander Harald | | 1,770,845 | 1,770,845 | 1.07 | 1,770,845 | 0.23 |
| Evli Finnish Small Cap Fund | | 1,534,014 | 1,534,014 | 0.93 | 1,534,014 | 0.20 |
| The State Pension Fund | | 1,300,000 | 1,300,000 | 0.79 | 1,300,000 | 0.17 |
| Maa- ja Vesitekniikan Tuki ry. | | 1,000,000 | 1,000,000 | 0.61 | 1,000,000 | 0.13 |
| Oy Etra Invest Ab | | 1,000,000 | 1,000,000 | 0.61 | 1,000,000 | 0.13 |
| FIM Fenno Sijoitusrahasto | | 850,000 | 850,000 | 0.51 | 850,000 | 0.11 |
| Laakkonen Mikko | | 826,823 | 826,823 | 0.50 | 826,823 | 0.11 |
| Etera Mutual Pension Insurance Company | | 818,400 | 818,400 | 0.50 | 818,400 | 0.10 |
| Svenska Lantbruksproducenternas centralförbund SLC r.f. | 772,500 | | 772,500 | 0.47 | 15,450,000 | 1.97 |
| Brotherus Ilkka | 42,540 | 709,500 | 752,040 | 0.46 | 1,560,300 | 0.20 |
| OP Life Assurance Company Ltd | | 725,984 | 725,984 | 0.44 | 725,984 | 0.09 |
| Langh Hans | 679,980 | | 679,980 | 0.41 | 13,599,600 | 1.73 |
| Keskitien Tukisäätiö | 100,000 | 500,000 | 600,000 | 0.36 | 2,500,000 | 0.32 |
| Haavisto Maija | 393,120 | 195,099 | 588,219 | 0.36 | 8,057,499 | 1.02 |
| Haavisto Heikki | 574,374 | | 574,374 | 0.35 | 11,487,480 | 1.46 |
| Haavisto Erkki | 364,940 | 145,079 | 510,019 | 0.31 | 7,443,879 | 0.95 |
| Erikoissijoitusrahasto Visio Allocator | | 485,000 | 485,000 | 0.29 | 485,000 | 0.06 |
| Myllymäki Erkki | 370,820 | 73,580 | 444,400 | 0.27 | 7,489,980 | 0.95 |
| Maataloustuottajain V-S:n liiton tukirahasto | 424,980 | 16,940 | 441,920 | 0.27 | 8,516,540 | 1.08 |

Shares registered under foreign ownership, including nominee registrations, totalled 25,334,968 on 31 December 2016, or 15.4% of the total and 19.1% of free shares. At the end of the year, Raisio plc owned 7,674,858 company shares, which represents 4.6% of the total.

**Split of shareholdings on 31 December 2016**

| | Free shares | | | | Restricted shares | | | |
|---|---|---|---|---|---|---|---|---|
| Shares | Shareholders | | Shares | | Shareholders | | Shares | |
| no. | no. | % | no. | % | no. | % | no. | % |
| **1-1,000** | 25,386 | 68.1 | 11,134,024 | 8.4 | 3,001 | 58.1 | 1,052,908 | 3.2 |
| **1,001-5,000** | 9,602 | 25.7 | 22,367,500 | 16.9 | 1,386 | 26.8 | 3,300,293 | 10.1 |
| **5,001-10,000** | 1,456 | 3.9 | 10,698,047 | 8.1 | 402 | 7.8 | 2,881,544 | 8.8 |
| **10,001-25,000** | 595 | 1.6 | 9,078,189 | 6.9 | 264 | 5.1 | 4,144,421 | 12.7 |
| **25,001-50,000** | 150 | 0.4 | 5,316,705 | 4.0 | 74 | 1.4 | 2,392,567 | 7.3 |
| **50,001-** | 110 | 0.3 | 73,525,454 | 55.5 | 41 | 0.8 | 10,532,857 | 32.2 |
| **waiting list** | | | 0 | 0.0 | | | 7,776,921 | 23.8 |
| **joint account** | | | 179,070 | 0.1 | | | 601,580 | 1.8 |
| **special accounts** | | | 166,950 | 0.1 | | | 0 | 0.0 |
| **total** | 37,299 | 100.0 | 132,465,939 | 100.0 | 5,168 | 100.0 | 24,304,590 | 100.0 |

31 December 2016 Raisio plc had a total of 39,332 registered shareholders.

# *Parent company income statement*

| (EUR million) | Note | 1 Jan-31 Dec 2016 | 1 Jan-31 Dec 2015 |
|---|---|---|---|
| **NET SALES** | | **2.28** | 2.28 |
| Other income from business operations | | **0.00** | 0.26 |
| Materials and services | 1 | **-0.03** | -0.03 |
| Personnel expenses | 2 | **-4.33** | -7.25 |
| Depreciation and write-downs | 3 | **-0.06** | -0.06 |
| Other expenses from business operations | 4 | **-3.35** | -1.66 |
| **PROFIT (LOSS)** | | **-5.49** | -6.46 |
| Financial income and expenses | 5 | **-4.55** | -1.79 |
| **PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES** | | **-10.04** | -8.25 |
| Appropriations | 6 | **+24.71** | +31.13 |
| Income taxes | 7 | **-2.97** | -4.68 |
| **PROFIT (LOSS) FOR THE FINANCIAL PERIOD** | | **11.70** | 18.21 |

# *Parent company balance sheet*

| (EUR million) | Note | 31 Dec 2016 | 31 Dec 2015 |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Intangible assets | 8 | **0.04** | 0.03 |
| Tangible assets | 8 | **0.53** | 0.59 |
| Holdings in Group companies | 9 | **350.64** | 350.64 |
| Other investments | 9 | **65.53** | 68.03 |
| | | **416.75** | 419.29 |
| **CURRENT ASSETS** | | | |
| Inventories | 10 | **0.01** | 0.02 |
| Receivables | 11 | **71.18** | 46.30 |
| Securities under financial assets | 12 | **35.85** | 56.76 |
| Cash in hand and at banks | | **17.51** | 7.90 |
| | | **124.55** | 110.98 |
| **TOTAL ASSETS** | | **541.30** | 530.27 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| **SHAREHOLDERS' EQUITY** | 13 | | |
| Share capital | | **27.78** | 27.78 |
| Premium fund | | **2.91** | 2.91 |
| Reserve fund | | **88.59** | 88.59 |
| Invested unrestricted shareholders' equity fund | | **18.66** | 18.66 |
| Retained earnings | | **98.20** | 103.76 |
| Profit for the year | | **11.70** | 18.21 |
| | | **247.83** | 259.91 |
| **ACCUMULATED APPROPRIATIONS** | 14 | **0.02** | 0.02 |
| **LIABILITIES** | | | |
| Non-current liabilities | 15 | **45.71** | 91.56 |
| Current liabilities | 16 | **247.73** | 178.78 |
| | | **293.44** | 270.34 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | **541.30** | 530.27 |

# *Parent company cash flow statement*

| (EUR million) | 2016 | 2015 |
|---|---|---|
| **CASH FLOW FROM BUSINESS OPERATIONS** | | |
| Profit (loss) before appropriations and taxes | **-10.04** | -8.25 |
| Adjustments: | | |
| Planned depreciation | **0.06** | 0.06 |
| Unrealised foreign exchange gains and losses | **-2.98** | 3.66 |
| Other income and expenses not involving disbursement | **1.29** | -0.20 |
| Financial income and expenses | **7.53** | -1.88 |
| Cash flow before change in working capital | **-4.14** | -6.61 |
| Increase (–)/decrease (+) in current receivables | **-0.14** | +1.50 |
| Increase (–)/decrease (+) in inventories | **0.00** | -0.01 |
| Increase (+)/decrease (–) in current interest-free liabilities | **-2.19** | +2.06 |
| Change in working capital | **-2.33** | 3.55 |
| Cash flow from business operations before financial items and taxes | **-6.47** | -3.06 |
| Interest paid and payments for financial expenses from business operations | **-2.09** | -2.71 |
| Dividends received | **0.00** | 0.01 |
| Interest and other financial income | **2.46** | 1.21 |
| Income taxes paid | **-4.17** | -4.42 |
| Cash flow before extraordinary items | **-10.27** | -8.98 |
| **CASH FLOW FROM BUSINESS OPERATIONS** | **-10.27** | -8.98 |
| **CASH FLOW FROM INVESTMENTS** | | |
| Investments in tangible and intangible assets | **-0.02** | -0.11 |
| Proceeds from divestments of tangible and intangible assets | **0.00** | 0.00 |
| Investments in shares of Group companies | **0.00** | 0.00 |
| Loans granted | **-2.50** | -2.00 |
| Repayment of loan receivables | **5.00** | 0.00 |
| **CASH FLOW FROM INVESTMENTS** | **2.48** | -2.11 |
| Cash flow after investments | **-7.80** | -11.09 |
| **CASH FLOW FROM FINANCIAL OPERATIONS** | | |
| Other financial items, net | **-3.68** | 0.00 |
| Increase (+)/decrease (–) in non-current loans | **-8.55** | -14.44 |
| Increase (+)/decrease (–) in current liabilities | **+32.63** | +39.15 |
| Increase (–)/decrease (+) in loan receivables | **-30.07** | +5.25 |
| Group contributions received and paid | **31.15** | 22.59 |
| Dividend paid and other distribution of profit | **-25.00** | -21.87 |
| **CASH FLOW FROM FINANCIAL OPERATIONS** | **-3.51** | 30.67 |
| Change in liquid funds | **-11.30** | 19.59 |
| Liquid funds at beginning of period | **64.66** | 36.49 |
| Liquid funds at end of period | **53.35** | 64.66 |
| Liquid assets from mergers | **0.00** | 8.58 |

# Parent company's accounting principles

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

## Valuation of non-current assets

Tangible and intangible assets are entered in the balance sheet at their acquisition cost less planned depreciation. Planned depreciation is calculated using straight line depreciation method based on the useful life of tangible and intangible assets. Depreciation is 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) are recorded 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.

Shares and investments in subsidiaries in the company's fixed asset investments are valued at the acquisition cost or at the lower fair value.

## Valuation of inventories

Inventories are entered 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 are measured at their acquisition cost or their probable value lower than acquisition cost. Liabilities are measured at their nominal value.

## Pension arrangements

Statutory and voluntary pension security for the company personnel is arranged through pension insurance companies. Pension expenditure is entered as an expense in the year it is accrued. The company's managing director has the right and obligation to retire at the age of 62.

## Provisions

Provisions are entered when the Group has a legal or constructive obligation following an event, the realisation of the obligation 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 it is virtually certain that the compensation will be received.

A rearrangement is entered when the Group has prepared a detailed rearrangement plan and started its implementation or made an announcement of the issue.

## Net sales

Net sales consist of product sales as well as income from the services that the parent company provides to Group companies.

## Other operating income

Profit from asset sales and other income not related to actual sales of goods and services are presented as other operating income.

## Dividends payable

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

## Appropriations

Appropriations consist of received and paid Group subsidies and of the change in depreciation difference.

## Income taxes

Taxes in the Company's income statement include taxes paid in the financial period, calculated on the basis of the taxable profit, and taxes paid in previous financial periods. The financial statements show accumulated appropriations in full on the balance sheet, and the included tax liability is not treated as debt. Deferred taxes are not recorded.

## Borrowing costs

Borrowing costs are entered as an expense in the period in which they occur.

## Foreign currency items

Foreign currency transactions are recorded using the exchange rate at the transaction date. Foreign currency receivables and liabilities are translated into euro at the average exchange rates quoted at the balance sheet date. Realised exchange rate differences as well as gains and losses arising from the valuation of receivables and liabilities are recorded 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 presented under financing income and expenses.

Changes in the value of foreign currency loans are recorded in the income statement under financial income and expenses.

## Derivative contracts

In line with its risk management policy, the company uses derivatives to hedge against currency and interest rate risks. Currency forward contracts are used to hedge receivables and liabilities in foreign currencies as well as future commercial cash flows. Exchange rate differences arising from them are entered through profit or loss.

Interest rate swaps are used to hedge the company's interest-bearing loans and receivables against changes in market interest rates. The accrued interest from swaps is recorded under financial income or expenses to adjust interest expenses or income resulting from the portfolio of loans and receivables below. Fair value of the swaps has not been recorded.

## Company shares

Acquisition of the company shares and related costs are presented in the company's financial statements as deduction from retained earnings. Conveyance of the company shares is presented as an addition to earnings except for the company shares assigned in the directed share issue. The subscription price of these shares is entered in the invested unrestricted equity fund and their acquisition cost is still presented in the earnings.

## Cash flow statement

Cash flows for the financial period are categorised into cash flows from business operations, investments and financing.

The cash flow statement is prepared using the indirect method.

# Notes to the parent company income statement

| (EUR million) | 2016 | 2015 |
|---|---|---|
| **1. MATERIALS AND SERVICES** | | |
| Materials, supplies and goods | | |
| Purchases in the period | **0.02** | 0.03 |
| Change in inventories | **0.00** | -0.01 |
| Total | **0.02** | 0.03 |
| External services | **0.01** | 0.01 |
| Total | **0.03** | 0.03 |
| **2. PERSONNEL EXPENSES** | | |
| Wages and fees | **3.37** | 5.93 |
| Pension expenses | **0.62** | 0.80 |
| Other social security expenses | **0.34** | 0.52 |
| Total | **4.33** | 7.25 |
| **WAGES AND FEES PAID TO MANAGEMENT** | | |
| Payment criteria | | |
| Managing Director | **1.73** | 1.91 |
| Members of the Board of Directors | **0.21** | 0.21 |
| Members of the Supervisory Board | **0.05** | 0.03 |
| **AVERAGE NUMBER OF PARENT COMPANY PERSONNEL** | | |
| Office workers | **39** | 40 |
| **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 | **0.06** | 0.06 |
| **4. OTHER EXPENSES FROM BUSINESS OPERATIONS** | | |
| Auditors' remuneration: | | |
| KPMG Oy Ab | | |
| Audit | **0.04** | 0.00 |
| Certificates and reports | **0.02** | 0.00 |
| PricewaterhouseCoopers Oy | | |
| Audit | **0.00** | 0.07 |
| Certificates and reports | **0.00** | 0.01 |
| Other services | **0.00** | 0.01 |
| Total | **0.06** | 0.08 |

| (EUR million) | 2016 | 2015 |
|---|---|---|
| **5. FINANCIAL INCOME AND EXPENSES** | | |
| Dividend received | | |
| From participating interest companies | **0.00** | 0.01 |
| Total | **0.00** | 0.01 |
| Total interest received from long-term investment | | |
| From Group companies | **0.68** | 0.76 |
| Total income from long-term investment | **0.69** | 0.77 |
| Other interest and financial income | | |
| From Group companies | **0.27** | 0.05 |
| From others | **1.56** | 0.87 |
| Total | **1.83** | 0.93 |
| Total financial income | **2.52** | 1.70 |
| Exchange rate differences | | |
| To Group companies | **-17.55** | 3.09 |
| To others | **14.90** | -2.57 |
| Total | **-2.65** | 0.52 |
| Interest paid and other financial expenses | | |
| To Group companies | **-0.67** | -0.69 |
| To others | **-3.74** | -3.31 |
| Total | **-4.42** | -4.00 |
| Total financial income and expenses | **-4.55** | -1.79 |
| **6. APPROPRIATIONS** | | |
| Difference between planned depreciation and depreciation made in taxation | **0.00** | -0.02 |
| Received Group subsidies | **24.71** | 31.50 |
| Total | **24.71** | 31.48 |
| **7. INCOME TAXES** | | |
| Income tax on extraordinary items | **-4.94** | -6.23 |
| Income tax on ordinary operations | **1.96** | 1.55 |
| Taxes on previous financial years | **0.00** | 0.00 |
| Total | **-2.97** | -4.68 |

# Notes to the parent company balance sheet

## 8. INTANGIBLE ASSETS 2016

| (EUR million) | Intangible rights | Other long-term expenditure | Intangible assets total |
|---|---|---|---|
| Acquisition cost 1 January | 0.28 | 0.37 | 0.65 |
| Increase 1 January-31 December | 0.02 | 0.00 | 0.02 |
| Decrease 1 January-31 December | 0.14 | 0.35 | 0.49 |
| Transfers between items | 0.00 | 0.00 | 0.00 |
| Acquisition cost 31 December | 0.16 | 0.02 | 0.18 |
| Accumulated depreciation and write-downs 1 January | 0.25 | 0.37 | 0.62 |
| Accumulated depreciation of decrease and transfers | 0.14 | 0.35 | 0.49 |
| Depreciation for the financial period | 0.01 | 0.00 | 0.01 |
| Accumulated depreciation 31 December | 0.11 | 0.02 | 0.14 |
| Book value 31 December 2016 | 0.04 | 0.00 | 0.04 |
| Book value 31 December 2015 | 0.03 | 0.00 | 0.03 |

## 8. TANGIBLE ASSETS 2016

| (EUR million) | Land and water areas | Buildings and construc-tions | Machinery and equipment | Other tangible assets | Advance payments and assets under construction | Tangible assets total |
|---|---|---|---|---|---|---|
| Acquisition cost 1 January | 0.00 | 0.75 | 0.41 | 0.26 | 0.00 | 1.42 |
| Increase 1 January-31 December | 0.09 | 0.00 | 0.00 | 0.00 | 0.00 | 0.09 |
| Decrease 1 January-31 December | 0.00 | 0.00 | 0.13 | 0.00 | 0.00 | 0.13 |
| Transfers between items | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Acquisition cost 31 December | 0.09 | 0.75 | 0.29 | 0.26 | 0.00 | 1.39 |
| Accumulated depreciation and write-downs 1 January | 0.00 | 0.67 | 0.25 | 0.00 | 0.00 | 0.93 |
| Accumulated depreciation of decrease and transfers | 0.00 | 0.00 | 0.13 | 0.00 | 0.00 | 0.13 |
| Depreciation for the financial period | 0.00 | 0.01 | 0.04 | 0.00 | 0.00 | 0.05 |
| Accumulated depreciation 31 December | 0.00 | 0.69 | 0.17 | 0.00 | 0.00 | 0.86 |
| Book value 31 December 2016 | 0.09 | 0.06 | 0.12 | 0.26 | 0.00 | 0.53 |
| Book value 31 December 2015 | 0.09 | 0.08 | 0.16 | 0.26 | 0.00 | 0.59 |
| Book value of the production machinery and equipment | | | | | | |
| 31 December 2016 | | | 0.00 | | | |
| 31 December 2015 | | | 0.00 | | | |

## 9. INVESTMENT 2016

| (EUR million) | Group company shares | Participating interest company shares | Other shares | Receivables, Group companies | Total investment |
|---|---|---|---|---|---|
| Acquisition cost. 1 January | **350.64** | **0.03** | **0.03** | **67.98** | **418.67** |
| Increase 1 January-31 December | **0.00** | **0.00** | **0.00** | **2.50** | **2.50** |
| Decrease 1 January-31 December | **0.00** | **0.00** | **0.00** | **5.00** | **5.00** |
| Acquisition cost 31 December | **350.64** | **0.03** | **0.03** | **65.48** | **416.17** |
| Book value 31 December 2016 | **350.64** | **0.03** | **0.03** | **65.48** | **416.17** |
| Book value 31 December 2015 | 350.64 | 0.03 | 0.03 | 67.98 | 418.67 |

## SHARES AND HOLDINGS 2016

| | Group holding, % | Parent company holding, % |
|---|---|---|
| **GROUP COMPANIES** | | |
| Raisio Finance NV, Belgium | **100.00** | 99.99 |
| Raisionkaari Industrial Park Ltd, Raisio | **100.00** | 50.00 |
| Raisio UK Limited, UK | **100.00** | 100.00 |
| Glisten Limited, UK | **100.00** | 0.00 |
| Raisio Nutrition Ltd, Raisio | **100.00** | 100.00 |
| Raisioagro Ltd., Raisio | **100.00** | 100.00 |
| Nordic Feed Innovations Oy, Turku | **76.00** | 76.00 |
| **ASSOCIATES** | | |
| Vihervakka Oy, Pöytyä | **38.50** | 38.50 |

## 10. INVENTORIES

| (EUR million) | 2016 | 2015 |
|---|---|---|
| Materials and supplies | **0.01** | 0.01 |
| Finished products and goods | **0.01** | 0.01 |
| | **0.01** | 0.02 |

## 11. RECEIVABLES

| (EUR million) | 2016 | 2015 |
|---|---|---|
| **Current receivables** | | |
| Accounts receivables | **0.00** | 0.00 |
| Receivables from Group companies | | |
| Accounts receivables | **0.09** | 0.02 |
| Loan receivables | **42.58** | 12.51 |
| Other receivables | **24.78** | 31.17 |
| Prepaid expenses and accrued income | **1.49** | 0.93 |
| | **68.94** | 44.63 |
| Other receivables | **0.03** | 0.01 |
| Prepaid expenses and accrued income | **2.21** | 1.65 |
| Total current receivables | **71.18** | 46.30 |

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

## 12. MARKETABLE SECURITIES

| (EUR million) | 2016 | 2015 |
|---|---|---|
| Repurchase price | **35.97** | 56.92 |
| Book value | **35.85** | 56.76 |
| Difference | **0.12** | 0.16 |

## 13. SHAREHOLDERS' EQUITY

| (EUR million) | 2016 | 2015 |
|---|---|---|
| Restricted shareholders' equity | | |
| Share capital 1 January | **27.78** | 27.78 |
| Share capital 31 December | **27.78** | 27.78 |
| Premium fund 1 January | **2.91** | 2.91 |
| Premium fund 31 December | **2.91** | 2.91 |
| Reserve fund 1 January | **88.59** | 88.59 |
| Reserve fund 31 December | **88.59** | 88.59 |
| Total restricted shareholders' equity | **119.27** | 119.27 |
| Unrestricted shareholders' equity | | |
| Invested unrestricted shareholders' equity fund 1 January | **18.66** | 18.66 |
| Invested unrestricted shareholders' equity fund 31 December | **18.66** | 18.66 |
| Retained earnings 1 January | **121.97** | 125.65 |
| Dividend distributed | **-25.15** | -22.00 |
| Unclaimed dividends | **0.09** | 0.08 |
| Disposal of company shares | **1.28** | 0.04 |
| Recovery on company shares | **0.00** | 0.00 |
| Retained earnings 31 December | **98.20** | 103.76 |
| Result for the year | **11.70** | 18.21 |
| Total unrestricted shareholders' equity | **128.56** | 140.64 |
| Total shareholders' equity | **247.83** | 259.91 |
| Distributable equity | **128.56** | 140.64 |

**Company share capital dividend by share series as follows:**

| | 2016 shares | 2016 EUR 1,000 | 2015 shares | 2015 EUR 1,000 |
|---|---|---|---|---|
| Restricted shares (20 votes/share) | **32,683,091** | **5.50** | 32,740,417 | 5.51 |
| Free shares (1 vote/share) | **132,465,939** | **22.28** | 132,408,613 | 22.27 |
| Total | **165,149,030** | **27.78** | 165,149,030 | 27.78 |

**Company shares held by Raisio:**

| | 2016 shares | 2016 Acquisition cost EUR 1,000 | 2015 shares | 2015 Acquisition cost EUR 1,000 |
|---|---|---|---|---|
| Restricted shares (20 votes/share) | **212,696** | **0.42** | 212,696 | 0.42 |
| Free shares (1 vote/share) | **7,462,162** | **36.70** | 7,767,257 | 37.28 |
| Total | **7,674,858** | **37.12** | 7,979,953 | 37.69 |

The probable assignment price of company shares held by the Group on the date of the financial statements was EUR 27.46 million (EUR 33.84 million in 2015).

## 14. ACCUMULATED APPROPRIATIONS

Accumulated appropriations consist of the accumulated depreciation difference.

## LIABILITIES

## 15. NON-CURRENT LIABILITIES

| (EUR million) | 2016 | 2015 |
|---|---|---|
| Loans from credit institutions | **45.71** | 91.56 |
| Total non-current liabilities | **45.71** | 91.56 |

## 16. CURRENT LIABILITIES

| (EUR million) | 2016 | 2015 |
|---|---|---|
| Loans from credit institutions | **42.57** | 18.43 |
| Accounts payable | **0.68** | 0.14 |
| Liabilities to Group companies | | |
| Accounts payable | **0.07** | 0.02 |
| Other liabilities | **201.60** | 154.37 |
| Accrued liabilities and deferred income | **0.08** | 0.11 |
| | **201.76** | 154.50 |
| Other liabilities | **1.83** | 1.07 |
| Accrued liabilities and deferred income | **0.90** | 4.64 |
| Total current liabilities | **247.73** | 178.78 |

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

| | | |
|---|---|---|
| Interest-free debts | | |
| Current | **3.56** | 6.03 |

# Other notes to the parent company accounts

## CONTINGENT AND OTHER LIABILITIES AND PLEDGED ASSETS

| (EUR million) | 2016 | 2015 |
|---|---|---|
| **CONTINGENT OFF-BALANCE SHEET LIABILITIES:** | | |
| Leasing liabilities | | |
| Amounts outstanding on leasing contracts | | |
| Falling due in 2017 | **0.07** | 0.08 |
| Payables at a later date | **0.04** | 0.06 |
| Total | **0.11** | 0.14 |
| Leasing contracts do not include substantial liabilities related to termination and redemption terms. | | |
| Contingent liabilities for Group companies | | |
| Guarantees | **40.42** | 38.83 |

## DERIVATIVE CONTRACTS:

| (EUR million) | 2016 | 2015 |
|---|---|---|
| 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 | **0.60** | 3.85 |
| Value of underlying instrument | **190.34** | 242.54 |
| 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 | **0.00** | -0.07 |
| Value of underlying instrument | **0.00** | 7.66 |
| The value of interest rate swaps is the nominal amount of open contracts. | | |

## OTHER LIABILITIES:

Long-term incentive scheme

The company is committed to a long-term incentive scheme. The purpose of the scheme is to support the achievement of the company's long-term objectives, to operate as a share-based incentive scheme for the company's senior management and to commit the participants to work persistently for the company's success.

Unrecognised cost for the future schemes:

| | 2014 - 2016 | 2015 - 2017 | 2016 - 2018 |
|---|---|---|---|
| Grant date | 13 January 2014 | 19 January 2015 | 15 January 2016 |
| Implementation date | 30 April 2017 | 30 April 2018 | 30 April 2019 |
| Number of shares equivalent to the maximum reward | 410,000 | 390,000 | 390,000 |
| Payment method: | shares and cash | shares and cash | shares and cash |

# Board's proposal for the disposal of profit

Shareholders' equity according to the balance sheet at 31 December 2016 is EUR 128,562,651.45. The Board of Directors proposes that a dividend of EUR 0.17 per share be paid from the parent company's earnings

| | |
|---|---|
| totalling | EUR 28,075,335.10 |
| carried over on the retained earnings account | EUR 100,487,316.35 |
| Total | EUR 128,562,651.45 |

No dividends will be paid on the shares held by the company on the record date 23 March 2017, and the payment date of the dividend is proposed to be 3 April 2017.

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, 13 February 2017

Matti Perkonoja

Michael Ramm-Schmidt

Erkki Haavisto

Ann-Christine Sundell

Antti Tiitola

Jarmo Puputti
*CEO*

# Auditor's Report

To the Annual General Meeting of Raisio plc

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Raisio plc (business identity code 0664032-4) for the year ended 31 December 2016. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in shareholders' equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, cash flow statement and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial performance and financial position in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

### Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

| THE KEY AUDIT MATTER | HOW THE MATTER WAS ADDRESSED IN THE AUDIT |
|---|---|
| **Impairment of Goodwill and Brands (€154 million and €48 million)<br>(Accounting policies for the consolidated financial statements and notes 9-10)** | |
| • The Group has expanded its activities through the acquisitions of companies and brands. As a result the consolidated balance sheet includes a significant amount of goodwill and brands. These assets are not amortized, but are tested at least annually for impairment.<br>• Impairment testing is based on discounted future cash flow forecasts. Determining the underlying key assumptions requires management make judgments over, for example, revenue growth rate, discount rate and long-term growth rate.<br>• Due to the high level of judgement related to the forecasts used, and the significant carrying amounts involved (representing 43 percent of the consolidated total assets as at 31 December 2016), impairment of these assets is considered a key audit matter. | Our audit procedures included, among others:<br>• We assessed the key assumptions used in the calculations, such as revenue growth rate and profitability level, by reference to the budgets approved by the Board and our own views.<br>• We involved our own valuation specialists that assessed the technical accuracy of the calculations and compared the assumptions used to market and industry information.<br>• Furthermore, we considered the appropriateness of the Group's notes in respect of goodwill and brands. |

| THE KEY AUDIT MATTER | HOW THE MATTER WAS ADDRESSED IN THE AUDIT |
|---|---|
| **Accuracy of Revenues and Accounts Receivable (€436 million and €60 million) (Accounting policies for the consolidated financial statements, notes 1 and 15)** | |
| • The sales IT environment of the Group is complex consisting of multiple systems. The volume of sales transactions processed in the systems is large containing wide variety of different products, with prices fluctuating during the financial year.<br>• Due to the large number of sales transactions, the accuracy of revenues and accounts receivable is considered a key audit matter. | Our audit procedures included, among others:<br>• In respect of those Group companies considered significant, we assessed the IT systems relevant for recording revenues and the functionality of related general IT controls.<br>• We tested the effectiveness of internal controls over invoicing and recording of sales transactions as well as over recognizing related revenues, among others.<br>• We tested the accuracy of invoicing data of the significant Group companies by comparing with external confirmations. |
| **Accuracy and Valuation of Inventories (€52.1 million) (Accounting policies for the consolidated financial statements and note 14)** | |
| • Raisio measures inventories at the lower of cost and net realizable value.<br>• Measurement of inventories involves management judgements in respect of identifying inventories not fully recoverable and determining net realizable value.<br>• The Group's inventories are monitored through multiple IT systems.<br>• Due to the high level of judgement related to inventory valuation and fluctuations in price, the accuracy and valuation of inventories are considered a key audit matter. | Our audit procedures included, among others:<br>• In respect of the significant Group companies we assessed the IT systems relevant for inventories and the functionality of related general IT controls.<br>• We tested the effectiveness of internal controls over accuracy of inventory amounts and valuation, and performed substantive procedures to assess the accuracy of inventory measurement.<br>• We attended inventory counts in significant Group companies. |
| **Impairment of Group company shares in parent company's separate financial statements (€351 million) (Parent company's accounting principles and note 10)** | |
| • Group company shares are a significant balance sheet item in the parent company's separate financial statements.<br>• Group company shares are tested for impairment in connection with goodwill impairment tests. Thus, any indication of impairment of goodwill or other assets may also be reflected in the parent company's balance sheet in respect of Group company shares.<br>• Due to the high level of judgement related to the cash flow forecasts used, and the significant carrying amounts involved, impairment of Group company shares is considered a key audit matter. | Our audit procedures included, among others:<br>• We analyzed the appropriate measurement of Group company shares by reference to the results of impairment test of goodwill for the financial year 2016. |

## Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

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, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Other Reporting Requirements

### Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors and in the Annual Report, but does not include the financial statements and our auditor's report thereon. We obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the report of the Board of Directors, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Raisio, 13 January 2017

| | |
|---|---|
| Esa Kailiala<br>Authorised Public Accountant, KHT | Kimmo Antonen<br>Authorised Public Accountant, KHT |

# *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 2016.

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.

Helsinki, 15 February 2017

For the Supervisory Board

Paavo Myllymäki
Chairman

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