



# Annual Report 2013

RAISIO PLC

# Main events in 2013

January



## Benemilk product line launched in Finland

Benemilk feeds proven to increase milk yield and improve the contents of milk. In addition, feed efficiency is improved.





## New GRAS status for plant stanol ester of Benecol products

FDA acknowledged the GRAS status of plant stanol ester for use of multiple food products.

April



## Raisio and Intellectual Ventures set up a joint venture in Finland

The joint venture called Benemilk Ltd aims to develop and strengthen the intellectual property rights portfolio related to the Benemilk® invention and to commercialise the invention for global markets.

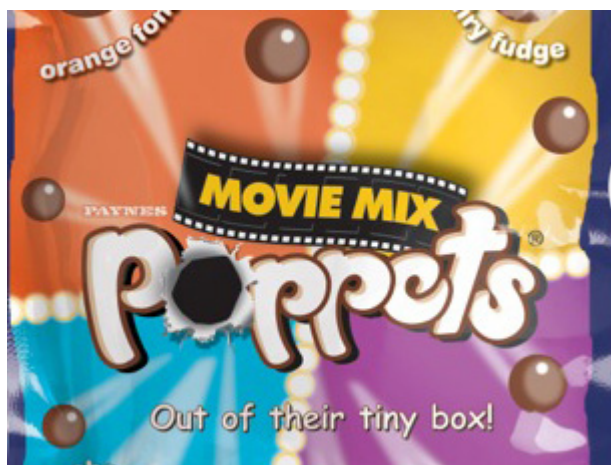


## The US-based esterification plant

sold to Avoca Inc.

The production of plant stanol ester, a Benecol product ingredient, centralised to the Raisio-based factory.

May



## Interim Report: Raisio's EBIT improved by 20% in January-March

Group's net sales amounted to EUR 128.3 and EBIT to 8.0 million, which is 6.2% of net sales.



Non-dairy business sold to Kavli

Kavli makes Elovena snack drinks for Raisio. The

snack drinks have strengthened their position as part of the Elovena product line.

August



## 10 new Benemilk patent applications

By 31 July 2013, Benemilk Oy has filed a total of 10 new international patent applications related to the Benemilk invention.



## Interim Report: Raisio's performance improved in January-June

Group's net sales totalled EUR 148.6 million and EBIT, excluding one-off items, EUR 11.0 million accounting for 7.4% of net sales.

September



## Benecol products launched in Hong Kong

In Hong Kong, Raisio uses a new alternative business model as Raisio itself and the local Benecol product distributor are jointly responsible for business operations.

October



## Benecol products launched in the Philippines

Raisio's Benecol partner Kalbe International launched Benecol smoothies in the Philippines.



## Cooperation negotiations in the milling industry ended

Raisio decided to continue the oilseed crushing but to lay off the plant personnel until further notice in early 2014.

November



## Interim Report: Record EBIT for Raisio in January-September

Group's net sales totalled EUR 149.5 million and EBIT, excluding one-off items, EUR 12.0 million accounting for 8.0% of net sales.





## Chief Executive's review

2013 was a good year for Raisio. Uncertainty in the European economy continued and it was challenging for the companies to maintain margins, but grocery trade was not subject of the strongest pressure.

We are particularly pleased with four things:

- Raisio delivered a record EBIT of EUR 39.3 million\*, which is a good performance in the challenging economic climate of Europe. EBIT improved by almost 14 per cent from the previous year and was Raisio's all-time record.
- The Group's balance sheet has been kept strong with a positive cash flow of almost EUR 72 million. So it was not only about making profit but also about generating cash.
- Raisio established a joint venture, Benemilk Ltd, in Finland together with Intellectual Ventures. We already have nearly 100 new Benemilk-related ideas; some of the inventions are further developed in order to prepare new patent applications. Our aim is to commercialise Benemilk internationally and to create a meaningful IPR portfolio. At the end of 2013, Benemilk Ltd took another step forward. The joint venture's operations were expanded so that, in addition to the Benemilk innovation, the company will also commercialise other innovations and related IPR in the food and agriculture sector. Our salmon feed invention, for which we have already filed a patent application, is a good example of this. Benemilk Ltd is shaping up to be a holding company for the technologies and IPR of the healthy and sustainable food chain.
- Last but not least, I want to highlight Raisio's dividend that has had eight consecutive years of growth. Our ability to improve the dividend every year makes us a positive exception among the Finnish listed companies.

### Brands Division improved; Streamlining continues



EBIT for the Brands Division totalled EUR 41.4 million\* accounting for 13.6 per cent of net sales. It was a very good performance and EBIT percentage was at the level of leading European brand houses. In 2013, Raisio had good achievements in its Northern European markets resulting from our streamlining efforts, product range renewal and good sales development of the Benecol margarines in Poland. In addition, our confectionery business performed well. On the other hand, we are also facing challenges that we take seriously. One of them is the volatility related to customer volumes of the Benecol products.

We have been running, and still are, significant production transfers, which are part of Raisio's streamlining efforts in the Western European markets. These projects are well on track, but they also bring challenges related to cost management and service level, among other things. Only when both the projects have been completed, we can see their full positive impact. This is also a challenge that we need to take seriously.

### Raisioagro on the right track

In 2013, Raisioagro showed the ability to improve its profitability by delivering EBIT of EUR 3.1 million. This indicates that Raisioagro is on the right track to reach the EBIT of EUR 5 million, which is considered the minimum level for the company.

Raisioagro will focus on value-added products, such as Benemilk, fish feeds and online store. The company has a busy time ahead, but in the end, Raisioagro will be stronger than ever.

### Outlook for 2014

In 2014, Raisio aims to continue its EBIT improvement. Raisio is a strong enough company to make acquisitions if good deals come across.

Benemilk Ltd is at the beginning of an active and exciting journey. We have started roadshows to meet potential international Benemilk licensing partners. It is very interesting to see what we can achieve.

Matti Rihko

CEO

Raisio plc

\* Excluding one-off items

# Operating environment

Economic situation in Europe continued unstable and it is challenging for the companies to maintain margins. Raisio has also reacted to the situation even though grocery trade was not subject of the strongest pressure. Raisio had decided that 2013 would be the year of enhanced operations and synergy benefits. In 2013, the company delivered the best EBIT in the current Raisio's history despite the weakened market conditions in Europe.

In the companies operating in many markets and categories, the targets needing management's special attention are changing more and more rapidly in the changing operating environment. In Raisio's Northern European Consumer brands unit, the reorganisation and product range renewal were successfully completed and the unit's profitability improved significantly. At the moment, the focus of improvement is on the UK's unit of cereals and snacks.

*Raisio's 2013 was a year enhanced operations and synergy benefits.*

## Competition continued challenging in the consumer product markets

In the UK, sales in consumer products continued price-driven. Raisio has decreased its promotional activity, which, together with the sugar debate, decreased sales of Raisio's breakfast cereals. We are looking for solutions to the situation through internal organisational changes and by strengthening our branding expertise.

Sales were up in confectionery sold under retailers' private label brands in the Western European markets. Raisio has well-known confectionery brands of its own and the company is a major producer of retailers' private label confectionery.

Competition continued challenging in the Finnish consumer product market, which was partly due to the economic conditions in Finland. Thanks to the efficiency measures and product range renewal, sales in Raisio's key brands increased on the comparison period in Finland.

Competition remained intense in the main European markets for cholesterol-lowering functional foods. Sales in private label products were up largely due to the weak economic situation in Europe. As for the Benecol product markets, there are still significant differences in sales development between the countries. Sales in Benecol products increased in Finland, Poland and Asia.

## In the agriculture sector, the focus on the efficiency improvement

Improved efficiency of food production and product safety both play a key role when building the future sustainable food chain. Many global challenges related to the food and agriculture sector can be turned into opportunities and profitable business with innovations supporting sustainable development. Benemilk dairy cattle feeds are a good example of a top innovation: they increase milk yields and improve milk contents while improving the efficiency of milk production.

Dairy market conditions remained positive in Finland and milk production showed a clear increase of 1.4 per cent after a few years' stagnation. In practice, production growth meant 106 litres more milk per cow a year,

which provided the dairy farmers with an additional income of almost 14 million euros. Benemilk has a market share of about 10 per cent of the Finnish dairy cattle feeds.

Raisioagro's new method for fatty acid optimisation for the final growth stage of salmon received a lot of positive feedback in Finland. Raisioagro's product concept Hercules LP Opti takes advantage of the new invention enhancing the production chain of farmed salmon while improving the profitability of fish farming in a sustainable way. Expensive and limitedly available fish oil can be replaced with rapeseed oil. This almost halves the amount of fish oil in the feeds used during the farming period while maintaining the beneficial fatty acid composition of the fish.

For the companies serving producers, expertise will be increasingly important as the number of farms decreases, farm size increases and customer needs change. Raisioagro actively develops its service concept and expertise to be the leading operator in the industry with the most innovative products and ecological solutions to meet the needs of grain and livestock farms.

*Benemilk – Raisio's top innovation*

*Sustainable production enhancement and improved profitability with new salmon feed invention*



# Financial review

## Raisio Group

Raisio plc is a growing international company listed in Finland. Raisio is known for its innovations, of which cholesterol-lowering Benecol is one good example and Benemilk, with its ability to increase milk yield and improve contents of milk, another.

Raisio's top innovations and numerous inventions are proof of the company's ability to develop methods and products to solve global problems and profitability issues concerning the agri-food sector. Moreover, Raisio was the first company in the world to use water and carbon footprint labels on consumer products.

Raisio's main products include breakfast, snack and baking products, the ingredient of plant stanol ester in Benecol products as well as Benecol range, confectionery and feeds for livestock and fish. The Group's key market areas are Finland, the UK, Russia, Ukraine, Poland and the Czech Republic. Markets for the Benecol products are global.

Raisio's operations are divided into two divisions: Brands and Raisioagro. Raisio's most recognised food brands are Benecol, Elovena, Sunnuntai, Honey Monster, Nordic, Fox's, Poppets and Juicee Gummee. Raisioagro's most recognised feed brands are Benemilk, Hercules LP Opti, Maituri and Herkku.



Raisio's activities are based on tasty, ecological, healthy and safe products that meet customer needs. In all our operations, the emphasis is placed on sustainable development and continuous improvement.

Raisio plc is a Finnish company founded in 1939 and our shares are listed on NASDAQ OMX Helsinki Ltd in the Mid Cap segment. According to the report published by Boston Consulting Group in late 2013, Raisio was the best value creator among the companies listed in Finland 2008-2013. At the end of 2013, Raisio had over 35,000 shareholders. Foreign ownership has doubled in 18 months amounting to about 16% at the end of 2013.

The Group employs some 1,900 persons and operates in 9 countries. In 2013, Raisio Group's net sales totalled EUR 558 million and EBIT excluding one-off items was EUR 39.3 million.

# Key figures 2013

## Key figures, result excluding one-off items

	Q4/2013	Q3/2013	Q2/2013	Q1/2013	2013
NET SALES					
Brands, M€	78.0	73.3	78.1	75.2	304.7
Raisioagro, M€	53.4	76.4	70.9	53.5	254.2
Other operations, M€	0.3	0.3	0.3	0.3	1.3
Interdivisional net sales, M€	-0.5	-0.6	-0.7	-0.8	-2.6
Total net sales, M€	131.2	149.5	148.6	128.3	557.6
EBIT					
Brands, M€	10.0	10.8	11.1	9.4	41.4
Raisioagro, M€	-0.3	2.6	1.3	-0.6	3.1
Other operations, M€	-1.4	-1.5	-1.4	-0.8	-5.1
Eliminations, M€	0.0	0.0	0.0	0.0	0.0
Total EBIT, M€	8.4	12.0	11.0	8.0	39.3
% of net sales	6.4	8.0	7.4	6.2	7.1
Financial income and expenses, net, M€	-0.4	-0.2	-0.8	-0.4	-1.8
Share of the result of associates, M€	0.0	0.0	0.0	0.0	0.0
Result before taxes, M€	8.0	11.7	10.2	7.7	37.6
Income taxes, M€	-0.6	-2.6	-2.4	-1.8	-7.3
Result for the financial period, M€	7.4	9.2	7.8	5.9	30.2
Earnings per share, €	0.05	0.06	0.05	0.04	0.20

## Key figures, balance sheet

	31.12.2013	30.9.2013	30.6.2013	31.3.2013
Return on equity (ROE), %	7.9	8.2	8.2	7.4



Return on investment (ROI), %	8.6	9.1	9.1	8.3
Interest-bearing liabilities at period-end, M€	55.4	78.4	85.0	74.3
Equity ratio, %	68.2	64.5	63.9	61.9
Net gearing, %	-8.6	-2.6	8.0	8.4
Equity per share, €	2.13	2.10	2.04	2.00

# Key figures 2011-2013

## Key figures, result excluding one-off items

	2013	2012	2011
NET SALES			
Brands, M€	304.7	329.5	314.6
Raisioagro, M€	254.2	255.7	241.1
Other operations, M€	1.3	2.0	1.4
Interdivisional net sales, M€	-2.6	-3.1	-4.6
Total net sales, M€	557.6	584.1	552.6
EBIT			
Brands, M€	41.4	37.4	31.2
Raisioagro, M€	3.1	-0.3	2.9
Other operations, M€	-5.1	-2.5	-2.4
Eliminations, M€	0.0	0.0	0.0
Total EBIT, M€	39.3	34.6	31.8
% of net sales	7.1	5.9	5.8
Financial income and expenses, net, M€	-1.8	-2.5	-1.5
Share of the result of associates, M€	0.0	-0.1	0.0
Result before taxes, M€	37.6	32.0	30.3
Income taxes, M€	-7.3	-5.0	-5.7
Result for the financial period, M€	30.2	27.0	24.6
Earnings per share, €	0.20	0.18	0.16

## Key figures, balance sheet

	31.12.2013	31.12.2012	31.12.2011
Return on equity (ROE), %	7.9	3.5	6.5

Return on investment (ROI), %	8.6	4.5	7.3
Interest-bearing liabilities at period-end, M€	55.4	78.0	115.7
Equity ratio, %	68.2	64.1	60.2
Net gearing, %	-8.6	4.9	-7.5
Equity per share, €	2.13	2.10	2.13

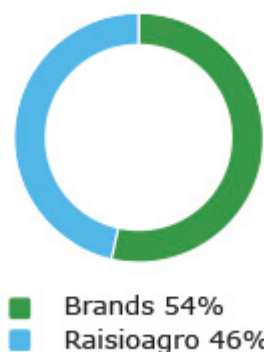


# Net sales

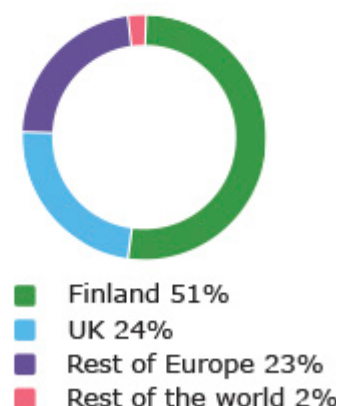
**Net sales  
(M€)**



**Net sales by division  
(%)**



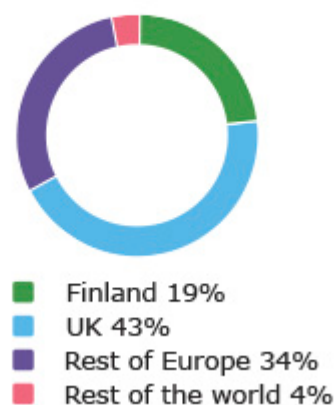
**Net sales by region  
(%)**



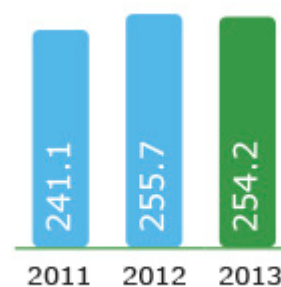
**Net sales  
Brands Division  
(M€)**



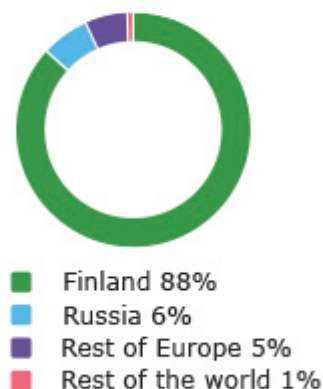
**Net sales by region  
Brands Division (%)**



**Net sales  
Raisioagro Division  
(M€)**



**Net sales by region  
Raisioagro Division (%)**

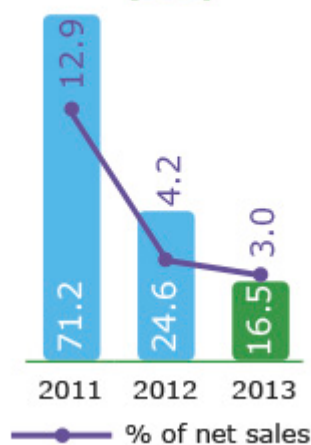


# Profitability

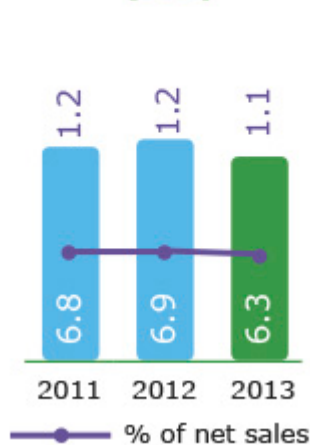


# Others

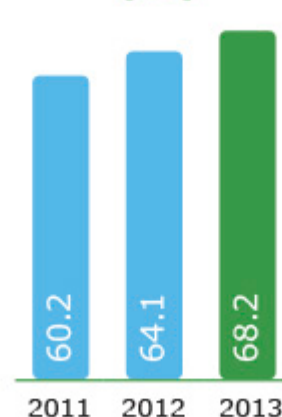
## Investments (M€)



## R&D expenses (M€)



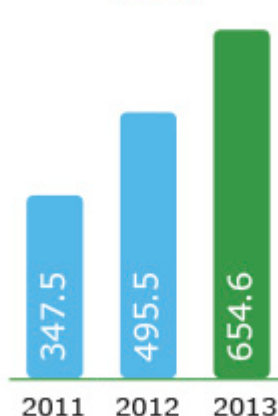
## Equity ratio (%)



## Equity per share (€)



## Enterprise value EV (M€)

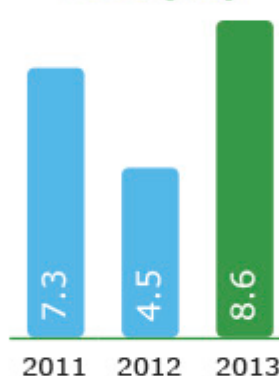


## Dividend/share (€)

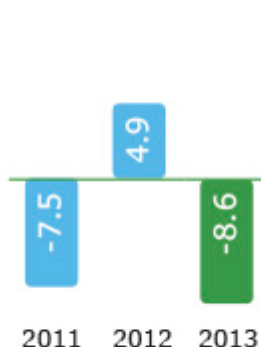


\* Board of Directors' proposal

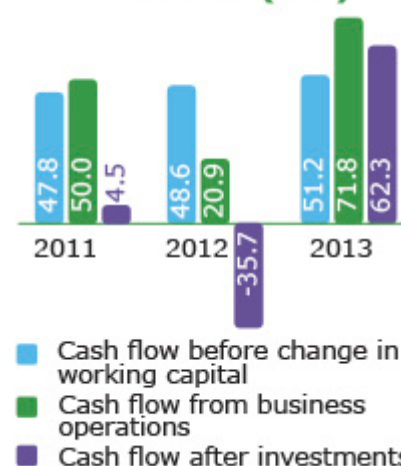
## Return on investment ROI (%)



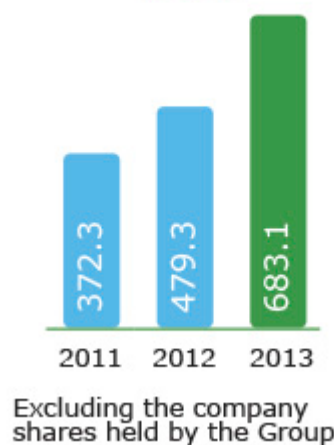
## Net gearing (%)



## Cash flow (M€)



## Market capitalisation (M€)





# Brands



Raisio's product portfolio includes strong local brands and Benecol, an international brand based on Raisio's top innovation. In 2013, Brands Division's EBIT was 13.6 per cent of net sales, which is on the level of international branded houses. The year 2013 was characterised by the uncertain economic conditions in Europe and the challenging situation that continued in the consumer product markets.

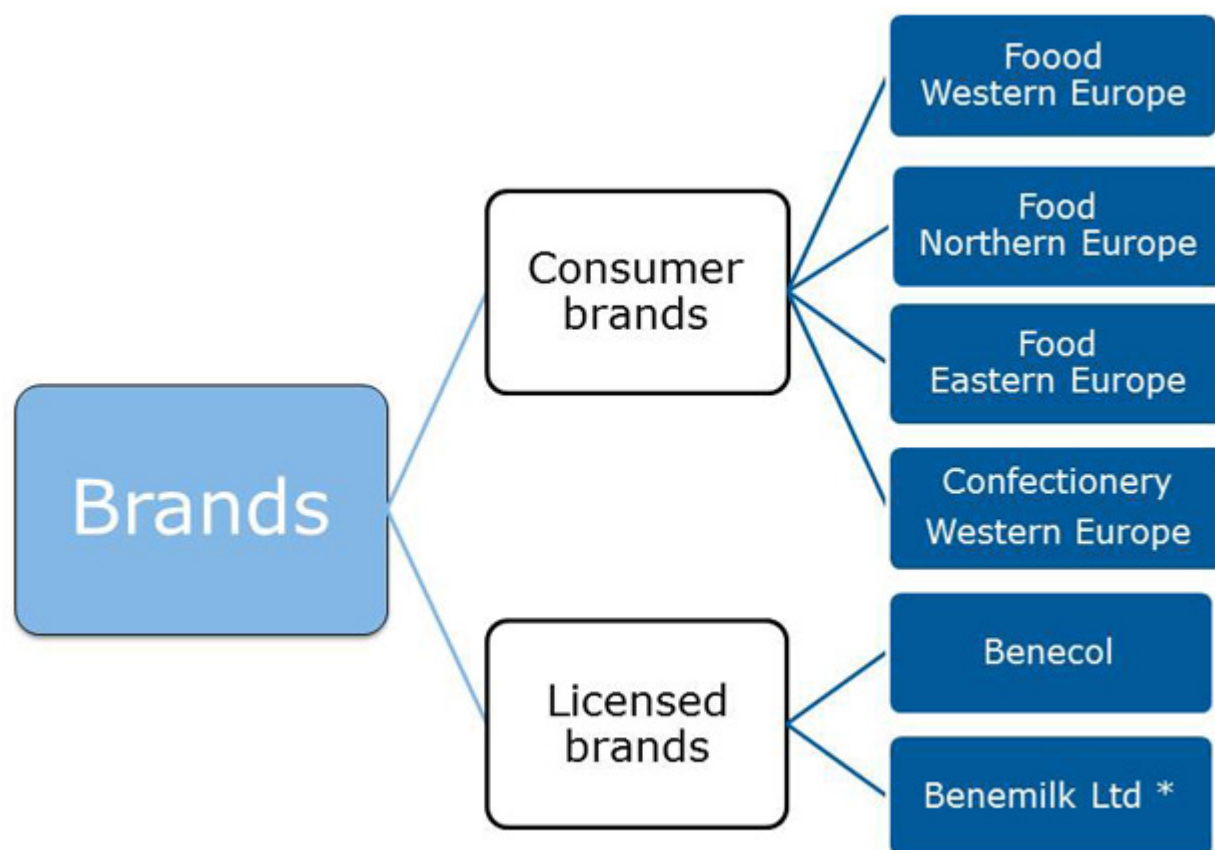
Raisio's Brands Division is divided into two units: Consumer brands and Licensed brands. Consumer brands unit includes food operations in the Western, Northern and Eastern European markets. Licensed brands unit includes Benecol and the joint venture Benemilk Ltd from 1 July 2013.

*Improved performance for brands division*

Raisio's Brands Division's product range consists of breakfast, snack and baking products, confectionery and plant stanol ester, a unique cholesterol-lowering ingredient of Benecol products. Benecol, Elovana, Honey Monster, Sunnuntai and Nordic are Raisio's well-known food brands. Fox's, Poppets and Juicee Gumme are Raisio's best-known confectionery brands. Major market areas of Raisio's consumer brands are the UK, Finland, the Czech Republic, Poland, Russia and Ukraine.

Benecol is the original expert in cholesterol-lowering, and plant stanol ester of Benecol products has been chosen one of the world's most significant nutritional innovations. Benecol products are sold in some 30 countries on five continents. Benecol® is Raisio's trademark and plant stanol ester the company's widely patented ingredient of Benecol products.

## Brands division's organization



\* Joint venture of Raisio and Intellectual Ventures

### Key figures for the Brands Division

		Q4/2013	Q3/2013	Q2/2013	Q1/2013	2013	2012
Net sales	M€	78.0	73.3	78.1	75.2	304.7	329.5
Consumer brands	M€	70.2	65.6	68.8	66.8	271.4	286.1
Licensed brands	M€	9.7	10.6	10.8	10.3	41.3	45.0
EBIT, excluding one-off items	M€	10.0	10.8	11.1	9.4	41.4	37.4
EBIT, excluding one-off items	%	12.9	14.8	14.2	12.5	13.6	11.3
One-off items	M€	-2.1	-3.0	-0.6	0.0	-5.7	-2.5
EBIT	M€	7.9	7.9	10.5	9.4	35.7	34.9
Investments *	M€	7.1	3.5	1.9	0.8	13.4	21.2
Net assets	M€	-	-	-	-	254.2	271.7

\* Including acquisitions

# Consumer brands, Western Europe

Raisio's major product groups in the UK market are breakfast cereals, cereal, protein, diet and snack bars and savoury snack products. The UK is the largest market area for Raisio's Brands Division. Raisio's main owned brands are Honey Monster, Harvest Cheweee and The Dormen Food Company. Raisio is also a significant producer of snack bars made under its customers' brands.

## Main events in 2013

- Sales in snack bars developed well in 2013. Particularly good sales were seen in products made under the partners' brands.
- Sales fell in the company's own breakfast cereal and snack brands. The most significant factors behind this were price increases in breakfast cereals, lower promotional levels and consumer concerns regarding levels of sugar consumption. Corrective actions have been initiated.
- To improve efficiency and quality in production, Raisio decided to centralise the snack bar production of the Tywyn factory to the Newport factory in the autumn 2013. The production transfer has been completed and the production in Newport is expected to get up to speed during the first quarter of 2014.

## Operating environment

Due to lower and less frequent promotional activity, significant price increases and falls in consumer demand in the UK, sales in Raisio's breakfast products fell when compared to the previous year. The breakfast cereal market is still heavily promoted and this drives consumer purchasing choices. Brands generally continue to perform well in the cereal bar market.

## Year 2013

As part the improvement plan for the Division, Raisio decided to centralise the snack bar production from the Tywyn factory to the Newport factory in South Wales in August 2013. The production transferred on time but due to the requirement for ongoing production from Newport, service level to a number of customers was reduced.

Newport's production will fully recover during the first quarter of 2014. The Newport factory is now among the largest and most flexible snack bar producers in Europe. Our extensive investment will increase production capacity and significantly improve growth potential.

*Major expansion  
investment at newport  
factory*

More than half of Raisio's breakfast cereal, cereal bar and savoury snack product range is our own branded products, of which Honey Monster is the largest. Other well-known brands include Harvest Cheweee, The Dormen Food

Company and The Good Grain Company. Raisio is a major producer of retailers' branded products as well as a producer of products sold under the partners' brands.

# Confectionery, Western Europe

Confectionery has become part of Raisio's product range through acquisitions. Both companies acquired in the UK had confectionery operations that were combined. In addition, Raisio acquired a Czech confectionery company Candy Plus at the end of 2012. Net sales for Raisio's confectionery business amounted to almost EUR 100 million. Confectionery is a growing and very profitable part of Raisio.

## Main events in 2013

- Raisio's confectionery sales increased significantly. Most of the growth was generated by Candy Plus.
- Sales in soft gums made by Raisio increased particularly well.
- Sales growth in the UK was focused on the increased sales volume of retailers' private label products.
- As a result of streamlining measures, the Skegness confectionery factory is in the process of being closed and the production transfer to the Leicester and Rohatec factories has been initiated. Production is estimated to start in the new locations during the second and third quarters of 2014.

## Operating environment

In 2013, consumer demand for confectionery remained stable in Raisio's key market areas. Sales developed particularly well in soft gums and chocolate sharing packs.

Due to the continued price-driven consumer demand in the UK, competition for branded products intensified and retailers expanded their range of private label products.

## Year 2013

Candy Plus, acquired from the Czech Republic in November 2012, has been integrated into Western European confectionery business. Net sales for the Western European confectionery business increased from the comparison year particularly due to the acquisition of Candy Plus.

Raisio complemented its range of products sold under Fox's and Poppets brands in the UK. Instead of extensive launches of new products, Raisio focused on the expansion, pricing and promotional mechanism development of packaging alternatives in 2013.

In connection of the Candy Plus acquisition, Raisio introduced a new production line for extruded soft candies at the Rohatec factory. Demand for the confectionery made on the new line has met the expectations. Raisio believes that the demand for extruded soft candies will continue to grow and offers new innovative high-quality products to meet the increased demand.

Raisio's own branded products account for more than a quarter of the company's confectionery sales, the rest includes products made under our customers' brands and products produced for other confectionery operators. Raisio's best-known confectionery brands are Fox's Glacier,



*Sales in soft gums  
increasing*





Juicee Gummee and Poppets. Confectionery is imported to almost 50 countries from the Czech Republic. Consumers and international customers value Raisio's expertise and ability to develop new products.

### Raisio centralising its confectionery production

At the end of October, after extensive studies and negotiations, Raisio decided to centralise the confectionery production of the UK-based Skegness factory to another UK factory in Leicester and to the Rohatec factory in the Czech Republic. The confectionery production will end at the Skegness factory by the end of March 2014. The employees have been offered work at Raisio's other UK factories. Production is scheduled to begin at new sites in the second half of 2014.

*Good growth prospects for  
Raisio's confectionery*

# Consumer brands, Northern Europe

Raisio develops, sells and markets healthy and ecological foods in the Northern European markets where the largest single market is Finland. The most important consumer brands are Elovena, Benecol, Provena and Sunnuntai. Raisio is also a major raw material supplier for the HoReCa sector and for the food and bakery industry in Finland.

## Main events in 2013

- In the Northern European operations, the company carried out an enhancement programme that started at the end of 2012. The purpose was to improve competitiveness and cost-effectiveness and to renew the product portfolio.
- Sales growth in cholesterol-lowering Benecol products and healthy Elovena breakfast and snack products continued strong in Finland.
- As the product portfolio was renewed, several dozen of small and low-margin products were removed from the range.
- Raisio sold its non-dairy business to Norwegian Kavli AS in the spring.
- In Sweden and the Baltic Countries, Raisio moved into an effective distributor model.
- Profitability of the operations improved significantly due to the measures taken.



## Operating environment

In Raisio's Northern European operating region, operating environment continued challenging in Finland, Sweden and Estonia. In daily consumer goods markets, the competitive situation remained tight in Raisio's product groups.

## Year 2013

Sales in Raisio's major consumer brands, Elovena, Benecol, Provena and Sunnuntai, increased due to growing consumer demand and targeted sales and marketing activities. Sales decreased in conventional, low-margin grain products as a result of the product portfolio renewal.

Total sales in Elovena products increased from 2012. Sales increased particularly in Elovena instant porridges, snack biscuits and drinks. Elovena was awarded as the Brand Builder of the Year in September 2013 by the Association of Finnish Advertisers.



*Increased sales in Elovena and Benecol products*

Sales continued to grow in cholesterol-lowering Benecol margarines and minidrink. Benecol blueberry minidrink, launched in September, established its position in the product series, which showed total sales growth of almost 50%.

Gluten-free products form a small, but strongly growing product category. Celiac-friendly and low-gluten diet is clearly on the increase in many Raisio's markets. This consumer trend strongly supported the growth of Raisio's gluten-free Provena pure oat products. Oat & Muesli rolls, a Provena product was awarded for the Best Product of the Year by the Finnish Coeliac Society in May 2013.

### Improved performance enables future growth

Grocery trade sales declined from 2012 due to the ended cooperation in the distribution of Bunge's margarines at late 2012, divestment of non-dairy business in May 2013 and product discontinuations resulting from the portfolio renewal. At the same time, Northern European operations showed higher sales in major consumer brands whose share of total sales increased. Profitability of the operations also improved significantly.



Extremely intense price competition continued in HoReCa as well as in industrial and bakery sales. Sales were down on the previous year as Raisio withdrew from low-profit agreements. Cost savings programme carried out in the last quarter of 2013 led to improved price competitiveness, which in turn increased the order intake.

In Sweden and the Baltic Countries, Raisio started to use a distributor model instead of its own organisation. Use of a local distributor allows for cost-effective operations.

Main target for 2013 in Raisio's Northern European operations was a turnaround that creates a strong foundation for future growth. As a result of the enhancement programme, our operating conditions and business profitability improved significantly.

# Consumer brands, Eastern Europe

Raisio has increased its net sales in the Eastern European markets every year. The sale of Benecol margarine was successfully returned to Raisio in Poland and sales have increased. In Russia and Ukraine, consumers value premium flakes made in Finland and sold under the Nordic brand.

## Main events in 2013

- Good sales development in Benecol margarines
- Renewal of Sulma's pasta range and expansion of sales to cover the whole Poland
- Good sales development in Russia and Ukraine for premium flakes sold under the Nordic brand.



## Operating environment

In Raisio's product segments in Poland, Russia and Ukraine, demand for consumer products remained stable. In Poland, the competition in cholesterol-lowering functional margarines intensified with the entry of a new operator. Raisio, however, maintained its position as the market leader and sales developed well.

*Benecol margarine, a market leader in Poland*

## Year 2013

As expected, 2013 was good in Poland, Russia and Ukraine of the Eastern European markets. In Poland, net sales were up as the sale of Benecol margarines were transferred successfully back to Raisio in the end of 2012. Raisio is a market leader in cholesterol-lowering functional margarines despite the intensified competition in Poland due to the entry of a new operator.

In Poland, Sulma's pasta range was renewed and the product sale has been extended to cover the whole country, which resulted in sales growth of approximately 20 per cent. Net sales grew also in Russia and Ukraine.

EBIT for the Eastern European operations was considerably improved through increased sales in Benecol margarines in Poland. Raisio has good growth potential in the Eastern European markets.







# Benecol

Benecol business focuses on the licensing of Benecol brand and plant stanol ester to its partners around the world. The aim is to expand into new market areas, particularly in Asia and South America. Plant stanol ester, a Benecol product ingredient, is Raisio's top innovation and millions of people around the world use Benecol products daily.

Raisio produces plant stanol ester – a unique ingredient used in Benecol products – and delivers it to the partners. They add the ingredient to the foods and dietary supplements sold under the Benecol brand. Our constantly evolving service concept is available to the Benecol partners. The concept includes, for example, best practices in marketing to consumers and health-care professionals as well as product development, clinical studies and regulation issues.



## Year 2013 in brief

- Raisio sold its US-based Eastport production facility and streamlined the supply chain of plant stanol ester.
- Raisio launched Benecol products in Hong Kong in September. In Hong Kong, we have a new business model in use; Raisio itself and a local distributor are both responsible for operations in the new market.
- Raisio's long-term partner Kalbe International launched Benecol products in the Philippines in October.
- Sales in Benecol products showed good growth in Indonesia, Kalbe International's first market area of Benecol products.
- In Poland, sales of Benecol margarines were transferred back to Raisio in the end of 2012.
- Market conditions remained challenging in a few European markets due to, for example, increased market share of private label products and intensified price competition. Raisio's biggest partner lost market share in the largest market of Benecol products due to the business changes carried out. This also affects Raisio's operations.

## Operating environment

Sales of cholesterol-lowering functional foods at consumer price total around one billion euros a year. Benecol products account for about one-fifth of the total market of cholesterol-lowering functional foods. Europe is clearly the largest market area, but the fastest sales growth is seen in the new markets of South America and Asia.

Economic difficulties in Europe still affect consumer buying behaviour and the growth in private label sales further intensified competition. There are still significant differences between the countries in the sales development of Benecol products. Senior consumers form a target group that already now strongly affect the demand. This group will be increasingly important in the future. Globally, population aging, growing cholesterol problem

*Benecol is the original  
expert in cholesterol  
lowering*

and increased purchasing power especially in the emerging markets are factors expected to increase the demand for cholesterol-lowering functional foods. Pharmaceutical companies are also increasingly developing products in the segment of functional products.

Benecol partners' activity in marketing and advertising is usually resulted in good sales development in these markets. For example in Finland, Benecol product sale was supported with several TV campaigns and the successful launch of a new product increased sales of the whole product group.



## In 2013

Benecol product sales remained fairly stable although in some markets consumers started using more affordable private label products instead of branded products. Raisio's major partner carried out changes in its operations and lost market share in the largest Benecol product market. In addition, intense price competition in some countries, such as Greece and Spain, decreased sales of Benecol products. The practice has shown that if the partner regularly invests in consumer advertising and marketing, sales almost invariably increase.

Benecol brand has been selected, for two consecutive years, as Finland's most trusted brand in the category of functional foods in the survey of Readers' Digest magazine. Furthermore, Benecol Buttery spread was awarded a Product of the Year award in the UK at the beginning of 2014.

## New markets is Asia

Raisio's Benecol partner Kalbe International launched Benecol smoothies in the Philippines in the autumn 2013. Kalbe International is Raisio's long-term partner that launched Benecol products on the Indonesian market in 2008. During 2013, Kalbe's sales growth in Benecol products continued strong.

In the Philippines, Benecol products are sold in over 300 retail stores and the aim is to expand the distribution during 2014. Benecol products have been positively received by Philippine consumers and Kalbe is expecting a considerable sales growth in 2014. The launch of Benecol products includes an extensive marketing campaign towards consumers and healthcare professionals.

*The Philippines are the latest market of Benecol products*

## Hong Kong

In Hong Kong, the launch of Benecol yogurt drinks started in September. Store coverage is being built and the largest marketing campaigns related to the launch are scheduled to take place in early 2014.

In Hong Kong, Raisio uses a new alternative business model as Raisio itself and the local Benecol product distributor are together responsible for business operations and their development. The local distributor is responsible for sales while Raisio is in charge of marketing towards consumers and healthcare professionals. At the end of 2014, we will evaluate the success of the new model.

The launch of Benecol products in Hong Kong is part of Raisio's long-term efforts to enter new markets in the BRIC countries.



# Benemilk Ltd

In April 2013, Raisio and Intellectual Ventures (IV) decided to establish a joint venture called Benemilk Ltd in Finland. The joint venture aims to develop and strengthen the intellectual property rights portfolio related to the Benemilk® invention and to commercialise the invention for global markets.

Raisio transferred the Benemilk invention to the joint venture, which granted Raisio a royalty-free, exclusive license to the invention and its future applications in Finland. Benemilk feed sales in Finland are reported in Raisioagro's figures. The joint venture Benemilk Ltd is reported as part of Raisio's Licensed brands unit together with Benecol.

## Processing of Benemilk patent applications progressing as planned

At the end of July 2013, Benemilk Ltd filed a total of 10 new international patent applications related to the Benemilk invention. Some of the applications are for new innovations and all related to the Benemilk invention. The initial patent applications filed in February 2012 became public on 1 August 2013. They are related to the Benemilk compound feeds and concentrates as well as to improved milk composition. The processing of Benemilk patent applications is progressing as planned.

*Benemilk – Raisio's top innovation to dairy farms*

## Fish feed invention offering many opportunities

At the end of December 2013, Benemilk Ltd filed a patent application regarding a Finnish fish feed invention in the USA and is starting the commercialisation of the invention. The patent application concerns the fish feed, developed by the Finnish Game and Fisheries Research Institute, in which fish oil can be replaced by more ecological and affordable rapeseed oil while maintaining the quality and health benefits of the fish and ensuring products that meet consumer needs.

The world's largest producers of farmed salmon are Norway, Chile, Canada and Scotland. Salmon farming is a growing industry increasing at a rate of about 9 per cent annually. The USA is among the largest consumers of farmed salmon.

Raisioagro has been a key partner for the Finnish Game and Fisheries Research Institute in the development process of the new fish feed. The company is already using the new method. Our concept Hercules LP Opti has been very well received by the customers in Finland. Salmon feeding regimens can incorporate more plant-based ingredients without reducing the nutritional values of the fish. With the invention, both the profitability and ecological sustainability of salmon farming will improve as the use of wild fish oil can be significantly reduced.

*Fish feed invention enhancing production chain and improving profitability*

## Intellectual Ventures

IV is the world's leading invention capital company, specialising in the creation, management and monetisation of inventions and intellectual property rights. The company manages more than USD 5 billion in investment capital and has generated more than USD 2 billion in licensing revenue. IV has more than 40,000 patents and patent applications in its portfolio. IV employs more than 800 people globally and works together with more than 4,000 outside inventors around the world.

Intellectual Ventures has used its international ecosystem of thousands of inventors and hundreds of organizations in solving of several complex global problems. This has included several areas related to the agriculture supply chain, such as food safety, quality, efficiency, environmental impact and innovation. Many global challenges are related to large-scale food production and efficiency.

### Benemilk Ltd's ownership and development of operations

Raisio's group company Nordic Feed Innovation owns 75% and Intellectual Ventures (IV) 25% of the joint venture Benemilk Ltd. Raisio owns 76% and Finnish Food Chain Development Oy 24% of Nordic Feed Innovation Oy.

Operations of Benemilk Ltd will be steered so that, in addition to the Benemilk innovation, the company will also commercialise other innovations and related IPR in the food and agriculture sector. Together with academia, we aim to innovate solutions for the global challenges facing the food and agriculture sector.

Farmers' experiences with Benemilk



# Raisioagro

Raisioagro is a modern agritrader and a familiar, reliable partner of livestock producers and contract farmers. Raisioagro's service concept covers the farmers' needs from feeds, fertilisers and seeds up to other farming supplies and fuel oils. Raisioagro is an innovative Finnish producer of effective, safe and environmentally friendly feeds for fish and livestock. The company provides its customers with professional feeding expertise and farming guidance services.

## Main events in 2013

- Benemilk feeds have some 10% of the dairy cattle feed market in Finland.
- Benemilk product line was expanded to cover the most common feeding concepts used on Finnish dairy farms.
- Patent protection of the Benemilk feeds was complemented with new patent applications. Patent applications are pending.
- Competitors' building and introduction of additional capacity intensified the competition in all animal groups. With the investments, overcapacity in the feed production is increasing in Finland.
- Raisioagro developed a fish feed concept, Hercules LP Opti, which is already widely used in Finland. In feeds for rainbow trout, the fish oil from wild fish can now be replaced by ecological and more affordable rapeseed oil in such a way that the amount of healthy fatty acids of the fish remains in line with the intake recommendations.
- Sales in our partners' farming supplies and fuel oils increased in all sales channels.
- Visits in Raisioagro's online store rose considerably due to the product line extension. Online store provides grain and livestock farms with a comprehensive range of products conveniently and cost-effectively from one place.
- Shortage of Finnish oil plant seed resulted in cooperation negotiations in the oil milling industry. Measures taken in early 2013 to prevent the negotiations proved inadequate in the new situation. Raisio continues vegetable oil crushing but has laid off the factory personnel until further notice.

## Raisioagro has a strong market position

Raisioagro's feed range includes cattle, pig and poultry feeds as well as feeds for laying hens and for salmon and whitefish farming. Cattle feeds account for more than 50% of Raisioagro's total feed volume. Raisioagro is the largest Finnish-owned feed producer.

Finland is Raisioagro's largest market area. In feeds for cattle and laying hens, Raisioagro's market share is just under 40%, in fish feeds above 50%. Benemilk feeds, Raisio's own top innovation, increase both yields and contents of milk. In 2013, Benemilk feeds had a market share of about 10% in dairy cattle feeds sold in Finland.

*Benemilk - Raisio's top innovation*

## Farmers' experiences with Benemilk

[www.benemilk.fi](http://www.benemilk.fi)

Our market share in feeds for pigs and poultry is about 25% of Finland's total market. Raisioagro has not joined the aggressive price competition brought about by the new production capacity built in Finland. Instead, the company has focused on maintaining high-quality of its feeds and top-class feeding expertise.

Raisioagro's main export market is Northwest Russia, where we mainly export fish and farm feeds. Our main export product is a fish feed called Hercules LP, which helps reduce phosphorous emissions of fish farming.

Our feed plants are located in Raisio, Kouvola and Ylivieska. Cattle feed production is centralised in Ylivieska and Kouvola. At Raisio factory, we produce feeds for pigs, poultry and fish. Sales season of fish feeds starts in spring and ends in late autumn. Our feed sites are located in key regions of the Finnish livestock production to ensure reasonable transport distances of raw materials and products.



Cattle feeds produced at Ylivieska feed factory. The factory, located in the largest milk production region in Finland, is one of the most effective production sites in Europe.

## Changing business environment

Global factors increasingly affect Raisioagro's activities. We think it is important to develop new feeds and feeding solutions that help further improve the efficiency of livestock production. Efficiency improvement also improves the profitability of the whole chain and help protect the environment. Demand for animal protein is growing globally due to population growth and higher living standards.

However, growing demand cannot be met with current methods over the coming years. Some of the agricultural inventions have already helped to improve the efficiency of livestock production, but there is still potential for much more.

Global factors also have an impact on the prices of grain, Raisioagro's key raw material. In industrial feeds, the share of grain has typically been high, two-thirds on average. We expect the grain price volatility to continue. Volatility in grain raw material prices has a direct impact on Raisioagro's net sales because it also affects the prices of end products.

## New feed capacity intensifying competition

New feed production capacity built in Finland considerably intensified the price competition in all animal groups. Profitability of both milk and poultry production remained at good levels in Finland. Profitability problems in pork production continued and egg production turned into overproduction.

*Livestock production efficiency possible to increase*

Last spring, major Finnish feed operators launched GMO soy containing pig and poultry feeds to complement their non-GMO feeds in order to meet customer needs. Some of the smaller feed producers have already for years used GMO soy in their feeds. Raisioagro also launched its alternative pig and poultry feeds containing GMO soy. With this change, our customers can choose the feeds they want to use. Part of the Finnish meat processing industry has used feeds containing non-GMO soy for competitive advantage.

As structural development in the Finnish agriculture proceeds, the number of farms continues to decline and the average farm size to increase. From Raisioagro, this requires an even deeper understanding of customer needs and environmental aspects as well as products that meet the farmers' needs.

## Key figures for Raisioagro Division

		Q4/2013	Q3/2013	Q2/2013	Q1/2013	2013	2012
Net sales	M€	53.4	76.4	70.9	53.5	254.2	255.7
EBIT, excluding one-off items	M€	-0.3	2.6	1.3	-0.6	3.1	-0.3
EBIT, excluding one-off items	%	-0.5	3.4	1.9	-1.1	1.2	-0.1
One-off items	M€	0.0	0.0	0.0	0.0	0.0	-0.4
EBIT	M€	-0.3	2.6	1.3	-0.6	3.1	-0.7
Investments	M€	0.7	0.3	0.7	0.7	2.3	2.0
Net assets	M€	-	-	-	-	52.4	74.3

# Farm feeds

In 2013, Raisioagro's position in the Finnish market for agricultural products was established and strengthened along with the improved company recognition. Total volume in Raisioagro's feed sales was at the previous year's level and sales focused clearly on the products with a higher degree of processing.

The number of livestock farms continued to decline in Finland due to industry restructuring. Increased production levels on the farms still continuing compensate for the missing production of quitting farms. Total production of milk, poultry and eggs increased. Total pork production was up from previous year and growing slightly at year-end. In Finland, livestock production is also centralising geographically.

## Finnish milk production on the increase

Milk production is slightly increasing in Finland. In 2013, the number of dairy cows was at previous year's level although the number of dairy farms decreased by 500. At the end of 2013, there were some 8,800 dairy farms in Finland. Dairy producers' investment levels remained high and the average number of cows per Finnish dairy farms amounted to 32.

Consumer demand for milk remained good, which was also seen in higher producer prices. Average milk yields have been stagnant for long but began to show growth in the spring 2013. With the planning of cattle feeding and correct feed choices, it is possible to take better advantage of the cattle's yield potential.

Total consumption of dairy cattle feeds remained at the previous year's level. The structure of Raisioagro's sales changed as the share of further processed feeds, such as Benemilk, increased significantly.

## Benemilk feeds provide better yields and contents of milk

Benemilk feeds already have around 10% of dairy cattle feed market in Finland. Benemilk feeds were launched in Finland early 2013. Already in 2012, there was a narrow range of similar products available under the name Maituri 12000 E. Benemilk product line included four products in the launch stage. As part of the launch campaign, the farms starting with Benemilk feeding were granted a unique satisfaction guarantee and the number of the farms using Benemilk feeds increased by several hundreds.

*Benemilk - Raisio's top innovation*





The second phase of the launch was carried out last autumn; our product range was expanded and we organised a tour of seminars. With the expanded range, more and more farms can find just the right Benemilk feeds proven to increase the yield and contents of milk when the products are used in line with feeding recommendations.

Last autumn, Raisioagro organised feeding seminars in 20 places around Finland, Benemilk feeding as a key topic. Over a thousand milk producers participated in these seminars. Benemilk is found interesting and the results achieved with the Benemilk feeding are convincing.

#### Farmers' experiences of Benemilk

[www.benemilk.fi](http://www.benemilk.fi)

For its Benemilk customers, Raisioagro has also introduced a farm-specific service, in which the development of milk quantities and contents are monitored. In addition, Raisioagro specialists support and help farmers to make effective feeding plans.



#### Demand for poultry is increasing while the profitability problems at pig farms continue

Positive market conditions for poultry meat continued. Production growth focused particularly on broiler meat; its consumption increased by about 4% in the review period. Turkey meat production slightly decreased accounting for less than 10% of the total poultry production. Broiler and turkey feeding is based on compound feeds, so the production volume of feed mixes increased in the same proportion as the meat production.

Egg production grew by about 7% in 2013. At the same time, growth in consumption slowed down and Finland faced a challenge of overproduction. At the beginning of 2013, producer price in eggs was still higher than a year before, but since last spring, prices have been declining. There are some 350 chicken farms in Finland.

Profitability of pork production remained weak in Finland even though producer prices were up in early 2013.

Total pork production increased by some 2% on the previous year. In 2013, the number of pig farms declined to 1,650, which is about 8% less than in the previous year.

On pig and poultry farms, Raisioagro's operations are based on feeding expertise, which is becoming increasingly important due to the industry restructuring. Several development projects and product renewals were carried out in all animal groups. Development work is often done in cooperation with the processing industry and customer farms.

Pig and poultry farmers typically cultivate grain as well, and with our expanded range of farming supplies, we can provide them even better services.

Raisioagro has a comprehensive product range for poultry, egg and pork producers. In 2013, also Raisioagro launched GMO soy containing pork and poultry feeds in addition to its non-GMO soy feeds. Customers can now have the option to choose which feed to use. Elsewhere in Europe, GMO soy is used mainly as feed raw material because of its lower price and the limited availability of non-GMO soy. Unlike other countries, milk and fish chains are completely GMO-free in Finland.

*Finnish milk and fish chains are completely non-GMO*



# Fish feeds

Sales in Raisioagro's fish feeds increased by almost a third due to the innovative fish feed invention and environmentally sustainable product range. In addition, weather conditions in our key markets, Finland and Northwest Russia, were favourable for fish farming in 2013.

The product concept of Hercules LP Opti has been very well received in the markets and due to the invention, Raisioagro's position in the Finnish market strengthened considerably during 2013. Raisioagro is the only Finnish fish feed producer.

Raisioagro is a significant operator in our most important export market, Northwest Russia. Today, greater attention is given to the environmental impact of fish farming and we have the right products for the growing market of Northwest Russia. About half of the fish feeds produced by Raisioagro are exported.

*Sales increase with new fish feed invention*

## The concept of Hercules LP PTI combines new invention and environmental issues

The new Opti belongs to the Raisioagro's environmentally friendly Hercules LP product line (LP = low phosphorus). Hercules LP was launched in 2009 and it was the first in the world to use phytase enzyme in feed for big rainbow trout. Due to the enzyme, the phosphorus load of waterways was reduced by 26%.

The new Opti feed has been developed for the final stage of salmon farming to ensure the optimal amount of the healthy EPA and DHA fatty acids naturally found in oily fish. Raisioagro has been a key partner for the Finnish Game and Fisheries Research Institute in the development process of the new fish feed.

Raisio's Stock Exchange Release 7 January 2014: Raisio and Intellectual Ventures to patent a Finnish fish feed invention in the USA



## Vegetable oil replacing the fish oil from wild fish

In recent years, vegetable oils have been increasingly used in salmon feeding globally, since the production chain and profitability of fish farming can be significantly improved with the use of more affordable vegetable oil instead of much more expensive fish oil. High price of fish oil is a sign of the volume shortage in relation to demand.

Increased vegetable oil use reduces the pressure on wild fish stocks.

With higher use of vegetable oil, the amount of healthy fatty acids in salmon will decrease because the fish

mainly gets these fatty acids from fish oil. Raisioagro uses rapeseed oil to replace fish oil. With Hercules LP Opti, it is possible to have the levels of EPA and DHA fatty acids in salmon back on the levels recommended in dietary guidelines as the feed for the final stage of farming includes a high amount of fish oil.

Thanks to Hercules LP Opti, Finnish rainbow trout remains an important source of EPA and DHA fatty acids. Rainbow trout fed Raisioagro's LP Opti contain the amount of fatty acids, good for the heart and blood vessels, recommended by The National Institute for Health and Welfare (200 grams of fish per week) and lowers the environmental impact of fish farming.



# Grains and vegetable oils

As much as 99% of the grain Raisio acquires as raw material for the Finnish food and feed industry is from Finland. However, diminished cultivation area in Finland together with poor oilseed crops and other factors significantly impairing the conditions of oil milling industry.

## Adequate supply of Finnish grain, shortage of rape seeds

Global market situation affects the price levels of Finnish agricultural products and farming supplies. Grain and protein raw material prices remained quite high during the first half of 2013. Good harvest of the new season both in Finland and abroad resulted in declined raw material prices. The volatility in grain raw material prices is expected to continue.

Raisio has some 2,500 contract farmers; we make a farming agreement with the farmers and purchase grain as raw material for foods and feeds from them. 99% of the grain Raisio uses in Finland is from Finland. Raisio is the biggest industrial grain processor in Finland.

With contract farming, Raisio aims to purchase good-quality grain cost-effectively and at competitive price as raw materials for Raisio's foods and feeds.

## EU decision significantly undermined the operating conditions of oil milling industry

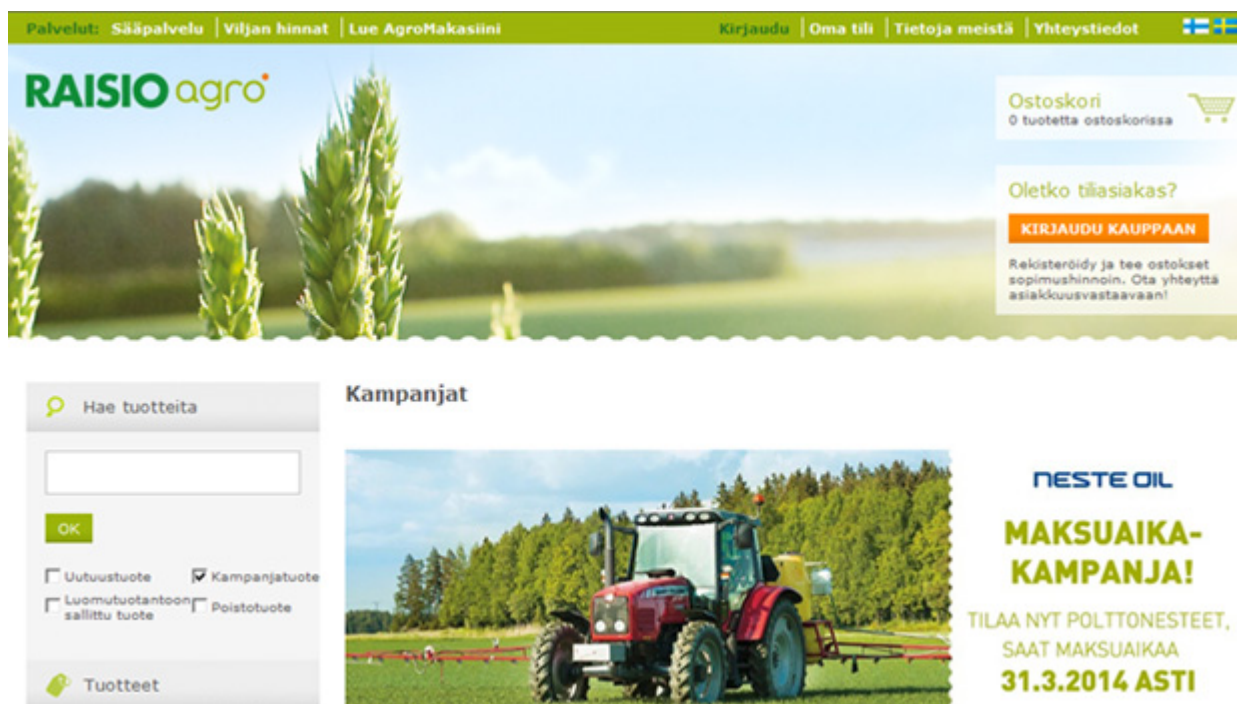
Raisio carried out the adjustment of the oil milling industry to the market situation in the winter 2013 and made investments in production efficiency and flexibility. However, these measures were not sufficient to secure profitable business in the changed business environment. Especially the EU's decision to ban the use of neonicotinoids from 1 December 2013 further weakens the availability of Finnish seed. The crushing of imported seed is not economically feasible.

On the basis of the employee cooperation negotiations held in late 2013, Raisio decided to continue its

vegetable oil business but to lay off the personnel in early 2014 until further notice. Raisio assesses opportunities to begin operations again if the business conditions improve markedly from the current. Potential agricultural subsidy solutions supporting the oilseed cultivation in Finland are important for the future of the business.

Oilseed plants were grown on some 50,000 hectares in Finland last harvest season while three years ago, the area under oilseed cultivation was nearly 160,000 hectares. In 2013, oilseed crop was approximately 80,000 tonnes, which is only a quarter of the Finnish oil milling industry's need and does not enable profitable business in Finland.

Rapeseed meal, the main product from oilseed crushing, is an important protein-rich raw material used in Raisioagro's livestock feeds. Due to the lay-off of the vegetable oil factory staff, Raisioagro now imports most of the rapeseed meal needed in the production. Rapeseed oil is a by-product of the oilseed crushing. In addition to the company's own use, rapeseed oil is sold to Finnish and international food and feed companies.



# Online store

Sales in Raisioagro's online store more than doubled in 2013. Raisio has extended the selection of its online store and continues to actively develop the service. Online store, designed for Raisioagro's contract customers, is the most affordable and convenient shopping channel for the customer since the prices and conditions are the same as when ordering from a salesperson.

All the products of Raisioagro's line can be purchased directly from the online store. Online store also sells the products of the company's partners, for example Yara's fertilisers and Neste Oil's fuel oils. Bulk feed was the most ordered product group in the store. Fuel oil is a good runner-up, and the orders of plant protection products and fertilisers are increasing.

*Online store growing in popularity*

Raisioagro is expanding its online product range even further. We aim to provide all farming supplies in our online store reliably and at competitive prices. We also offer our customers an additional online discount.

## Launch of online store open to all

In addition to our online store for contract customers, we have launched an open-to-all online store based on cash payment. Apart from bulk feed and fuel oils, Raisioagro's entire product range is available in the open online store.

## Raisioagro's online store





# Farming supplies

Range of farming supplies sold by Raisioagro has been extended every year. In 2013, the product range was complemented with, for example, preservatives, and the total sales in farming supplies increased by around 40% over the previous year. Raisioagro's online store has significantly increased sales of farming supplies, too.

Except for feed mixes, there were no major changes in the prices of other farming supplies last autumn. The new fertiliser year started from a slightly lower price level than a year before. Prices of grain and fertilisers developed into different directions, which caused the fertiliser trade to spread unevenly over the sales season.

Raisioagro's market position strengthened in all product groups of farming supplies while the total market in Finland remained at previous year's level. Our consistent offering of farming supplies and marketing communication supporting this work are factors behind the growth. Raisioagro still has considerable potential to increase its farming supplies trade. We aim to provide our customers with a comprehensive range of farming supplies from one place at competitive prices.

## Cooperation to benefit customers and the environment

Yara is Raisioagro's main partner in fertiliser trade and we also cooperate in environmental projects. Last year, our work together was most clearly shown in the crop competition called Raisio's Next Top Farmer. The results of the competition showed without doubt that good crops promote environmental effectiveness, when the farming supplies are targeted more accurately.

Neste Oil is Raisioagro's partner in fuel oil trade. In 2013, Raisioagro's fuel oil sales tripled from the previous year. Most of fuel orders are made through our online store. Raisioagro and Neste Oil have agreed to expand their cooperation to include lubricants.



In plant protection products, Raisioagro works together with domestic and international companies. Last year, sales in plant protection products increased significantly and spraying conditions were favourable. In addition, an optimisation programme was developed to help find a right product/product combination. The programme also makes a need calculation after which the customer can have a ready shopping list.

*Strong experts as partners*

### Raisioagro's wide range of seeds

In addition to grain and oil plant seeds, Raisioagro's seed trade includes a versatile range of grass feed mixes developed by the company. Raisioagro is actively seeking to expand its range with new crops and varieties.



## Research and Development

Raisio's consumer operations are based on tasty, healthy, ecological and safe products that meet the customer needs. In Raisio's feeds, we make extensive use of inventions and technologies that help improve efficiency and profitability of livestock production while also reducing environmental impacts.

At Raisio, food product development focuses on the development of healthy and ecological snacks. A great example of such products is Elovena snack drinks with oats as main raw material, excellent also nutritionally. Elovena snack drinks have created a whole new product segment, which is growing strongly. In confectionery, it is possible to use more real fruit juices and colouring agents. Benecol is an example of Raisio's top innovations; already millions of consumers around the world lower their cholesterol with Benecol products.

Feeding know-how and cultivation expertise are at the core of Raisioagro's activities and they are ensured by our R&D that is based on strong research inputs and solid practical experience. Raisioagro's top innovations include two fine examples: Benemilk dairy cattle feeds, which increase yields and contents of milk, and a fish feed concept Hercules LP Opti, which reduces phosphorus emissions of rainbow trout farming and uses rapeseed oil instead of wild fish oil.

The importance of responsible and environmentally-friendly products as part of the company's business continues to grow as consumers want more and more information on the origin, safety, production methods and environmental impacts of raw materials and products. As part of this Annual Report, we publish our Corporate Responsibility Report, which deals with Raisio's activities in terms of responsibility.

*Raisio is an active  
innovator*

Raisio is actively involved in the development and streamlining of production chains related to foods and feeds. For example, improvement of livestock production efficiency is a global challenge. We think that many global challenges in the food and agriculture sector can be turned into opportunities with innovations supporting sustainable development. At Raisio, we already have such innovations.

#### Corporate Responsibility

# Foods and Benecol

In 2013, our development efforts in consumer products focused on the development of new consumer-driven flavours to the existing product groups, as well as on new packaging solutions to meet changing consumer needs.

In Finland, Raisio launched a new blueberry flavour in its Benecol minidrink range. The new product increased sales of the entire segment by almost 40%. Our research activities focused on the study of specific characteristics of oat.

In its UK snack bar and confectionery production, Raisio focused on the centralisation of operations and production transfers. In the Czech confectionery business, Raisio continued active product development to meet the needs of international customers.

## Benecol

In R&D of the Benecol business, particularly regulation processes in the Asian markets were in our focus in 2013 and positive decisions were achieved. In Europe, our goal is to advance the EU-level regulation process related to a higher concentration of plant stanol ester.

New clinical studies on plant stanol ester were published during 2013. At the same time, Benecol business continued its research cooperation with Finnish and international research institutes and universities.





# Research and development

In 2013, Raisioagro's research activities focused on the efficacy verification of the Benemilk® feed innovation by scientific studies in various animal breeds and feeding models. In addition, new Benemilk products were developed and launched in Finland; the product line now includes an alternative for the most common feeding models used in Finland.

During 2013, scientific studies related to the Benemilk innovation were conducted in Finland as well as in Holland, Sweden and France. Based on the preliminary research results, we know that the Benemilk concept works well in cow feeding based on both grass and corn silage as well as with various breeds of cattle. In these studies, energy-corrected milk yield has increased by 2.5 kg per cow per day on average. Consequently, the feed efficiency expressed as kilogram of energy-corrected milk per kilogram of feed has improved by almost 10%.

Benemilk product family was expanded with five new feeds in the autumn. The product line available in Finland now includes three compound feeds, four protein feeds and one feed for milking robot feeding.

The company filed several further patent applications related to the Benemilk invention in 2013.

*Efficacy of Benemilk feeds  
proven by scientific studies*

Benemilk Ltd

## Sustainable farming of healthy salmon

Raisioagro has been a key partner for the Finnish Game and Fisheries Research Institute in the development process of the new fish feed. Salmon feeding can be made more plant-based without reducing the nutritional values

of the fish. With this invention, both the profitability and ecological sustainability of salmon farming will improve as the use of expensive fish oil produced from wild fish can be significantly reduced.

#### Raisio's Stock Exchange Release 7 January 2014: Raisio and Intellectual Ventures to patent a Finnish fish feed invention in the USA

Raisioagro's product range of fish feeds renewed significantly with the introduction of the new fish feed invention. Raisioagro developed a feeding programme called Hercules LP PTI, which ensures the formation of wholesome fatty acids in salmon while improving significantly the production chain and profitability of fish farming. With Hercules LP fish feeds, which Finnish fish farmers use the most, it is possible to reduce phosphorous emissions of fish farming by about 26%.

*The use of rapeseed oil in salmon feeds helps reduce the pressure on wild fish stocks.*

#### Product development with animals' needs in mind

Raisioagro also launched Vita fish feeds for small fry. New Silver Pro white fish feeds contain more protein and fat than before in order to ensure effective growth.

With increased pork output, the feeds were supplemented with minerals that can now be better utilised. This ensures effective growth and animal health.

In poultry, our brood stock feeds were renewed to meet new nutrient recommendations. Feeds for laying hens were developed to better meet the prolonged egg laying period.

#### Aiming at innovation and pioneering

Raisioagro's R&D aims to develop new feed mixes and feeding solutions that

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

Raisioagro is a highly skilled professional in livestock feeding and fish farming. We work closely with our customers and help the farmers plan feeding solutions meeting their requirements.

We ensure the safety and high quality of our products through effective self-control and operate according to the quality and environmental certification that we have been granted. We are committed to continuously improve our operations.

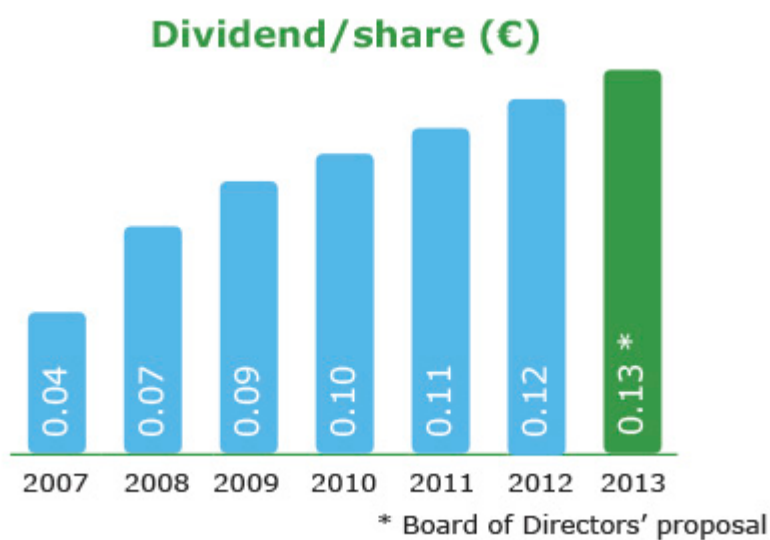


# Strategy

## Raisio in 2013

- EBIT 39.3 (34.6) M€ \*
- EBIT 7.1 (5.9)% of net sales \*
- Net sales 557.6 (584.1) M€
- Positive cash flow 71.8 M€
- EPS 0.20 (0.18) €\*
- Dividend proposal 0.13 €

\*Excluding one-off items



# Strategic targets

Raisio's vision is to be a forerunner in ecological and healthy snacks with leading brands as well as an active developer of sustainable food chain. The company's strategic targets are based on this vision.

Raisio was the best value creator of the Helsinki Stock Exchange in the review published at the end of 2013\*. In addition, Raisio has strengthened its positions as the most profitable Finnish listed food company able to increase its dividend for eight consecutive years.

Raisio Group achieved record EBIT of almost EUR 40 million in 2013.

Clear improvement in EBIT was a good achievement from the company and organisation in the challenging economic situation of Europe. The Group's balance sheet has been kept strong with a positive cash flow of more than EUR 70 million. Raisio is a net debt free company despite the acquisitions of EUR 200 million completed on a debt free basis during the growth phase. This gives a good opportunity to continue the implementation of the growth phase in line with our strategy.

## Streamlining

During its growth phase, Raisio has not only carried out acquisitions, but also divested businesses that do not fit the company's core strategy. Other operators have a good chance to develop these businesses. In 2013, Raisio sold its Turku-based non-dairy factory and US-based esterification plant.

Our confectionery business of almost EUR 100 million is a good example of Raisio's operations that complement the company's vision by being profitable, growing businesses in their own markets. In these operations, we can also promote the ecology in line with our vision through the development work based on customer needs.

At Raisio, 2013 was a year of streamlining. We implemented and initiated several measures and investments related to the streamlining of operations. The most significant investments are the transfers of the UK snack bar and confectionery productions to other locations from discontinued sites. Snack bar production at the Newport factory will reach full capacity in the first quarter of 2014. The transfer of confectionery production to UK Leicester factory and to the Czech Rohatec factory will be completed in the second half of 2014.

## Raisio is an active innovator

Raisio is a very active innovator in the solving of global challenges of the food and agro chains. In recent years, we have been able to create inventions that profitably improve the efficiency of livestock production. Raisio has the ability, desire and skills to create innovations improving profitability and efficiency of the food and agro chains in a sustainable way.

*Raisio's inventions to  
global challenges*

## Brands aim to grow profitably

To be a forerunner in the Brands Division can be seen in the development of healthy and ecological snacks meeting consumer needs and in their share in our portfolio. Raisio aims to grow profitably both organically and through acquisitions.

Targets of Consumer brands:

- Improvement of business profitability
- Increase of the share of branded products in the range
- Profitable growth organically and through acquisitions

Targets of Benecol:

- Strengthening of competitiveness on current markets together with the partners
- Expansion into new markets
- Development and commercialisation of new products

## Raisioagro aims to improve profitability

At Raisioagro, being a forerunner can be seen in the company's ability to create new inventions that sustainably improve efficiency and profitability of livestock production. As a modern agritrader, Raisioagro seeks organic growth through its product range and comprehensive service concept meeting the farmers' needs.

Targets of Raisioagro:

- Improvement of business profitability
- Development and commercialisation of innovations creating added value
- Improvement of cost efficiency
- Increase in online store sales and expansion of the farming supplies range

BRANDS	RAISIOAGRO
<b>Growth</b> <ul style="list-style-type: none"> <li>• Net sales: 500 M€</li> <li>• EBIT-margin: 10%</li> </ul>	<b>Profitability</b> <ul style="list-style-type: none"> <li>• EBIT: 0 → 5 → 10 M€</li> <li>• Net sales: +/-500 M€</li> </ul>

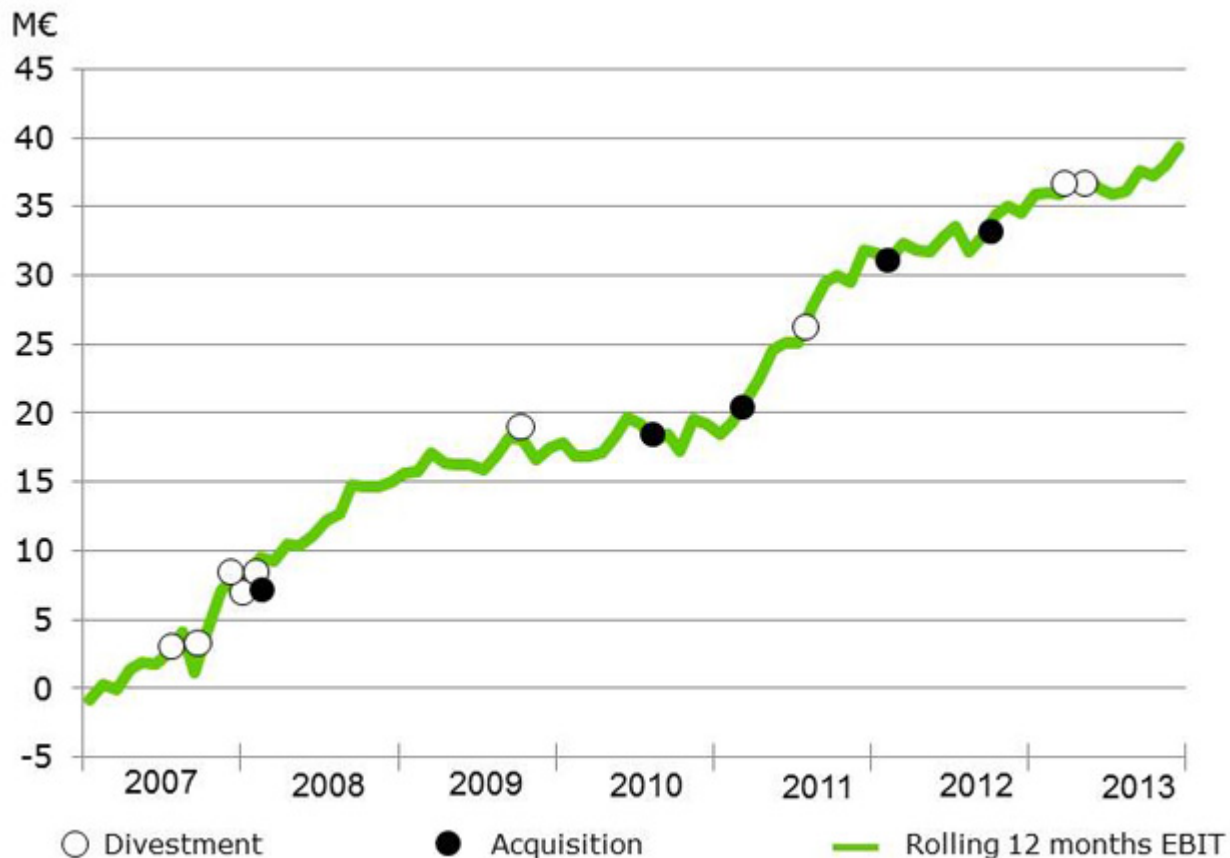


\* Boston Consulting Group 11/2013

# Strategic phases

Raisio's last seven years fall into three strategic phases. In 2010, following the phases of turnaround and improved profitability, Raisio moved to the growth phase that is still continuing.

## Raisio's EBIT 2007-2013



Continuing operations excluding one-off items

## From 2010 onwards: Growth

Raisio's key target is profitable growth organically and through acquisitions. Although Raisio has faced very different challenges during its three strategic phases, all phases have had common success factors: the ability to detect opportunities, to use them efficiently and to adapt promptly to significantly and rapidly changing business environment.

Raisio has shown its ability to carry out successful acquisitions. The acquisitions completed meet Raisio's criteria for acquisitions. During the growth phase, Raisio has carried out four acquisitions; two largest in the UK, one in Poland and one in the Czech Republic.

Raisio is a net debt free company despite the acquisitions of EUR 200 million made on a debt free basis during the growth phase.

This gives Raisio a good opportunity to continue the implementation of the growth phase in line with its strategy.

*After the acquisitions,  
Raisio is a net debt free  
company*

## Acquisitions and divestments 2012-2013

Raisio sold fixed assets of its non-dairy business as well as Nordic Milkfreedom and Soygurt brands to Norwegian Kavli. The contract was signed on 5 March 2013. Operations were transferred to the new owner on 9 May 2013. At Raisio, non-dairy business had annual net sales of approximately EUR 7 million.

Raisio sold and transferred its US-based esterification plant to American Avoca Inc. The agreement was signed on 18 April 2013. Raisio's Summerville plant operated as a reserve plant with low volumes. In 2012, net sales of the factory totalled approximately EUR 3.2 million excluding the plant stanol ester production. With the deal, the delivery chain of plant stanol ester, a Benecol product ingredient, has been enhanced.

On 13 November 2012, Raisio acquired a Czech confectionery company, Candy Plus. The purchase price was EUR 20.5 million on a debt-free basis including a new capital investment of EUR 2.3 million in fruit-liquorice line. Raisio paid the consideration from its cash reserves. The acquisition complements Raisio's existing, successful confectionery activities in the UK.

On 20 March 2012, Raisio acquired Polish Sulma sp. z o.o.'s pasta and grits operations, its intellectual property rights as well as fixed and current assets. The value of the deal was EUR 2.4 million (PLN 9.8 million). Raisio paid the purchase price in cash and Raisio did not assume liabilities. With the Sulma acquisition, Raisio strengthens its position both in the Polish market and in pasta products.

## 2008-2009: Profitability

Raisio, the most profitable listed food company in Finland, focused on the profitability improvement during the profitability phase of 2008 and 2009. Main measures to achieve this included the renewal of product range to better meet consumer needs and enhancement of business processes. In addition, Raisio launched new products in the Finnish market and prepared to enter into new market areas and product categories. Moreover, the company's Eastern European operations were rationalised to improve profitability.

In 2009, Raisio sold its margarine business to Bunge. With this divestment, Raisio strategically focused more clearly on grain-based products and gained additional resources for the development of the company's other businesses. At the end of the profitability phase, Raisio had become the most profitable listed food company in Finland.

## 2007: Turnaround

During the turnaround phase of 2007, Raisio divested its unprofitable operations, such as potato and diagnostics businesses, and sold the company manufacturing special feeds as well as its share in the Polish dairy company. The organisation was also streamlined and operations were enhanced.

When Raisio got back the rights related to the Benecol brand and plant stanol ester from its long-term partner McNeil, the company had an opportunity to focus on the development of its operations and product applications.

## Raisio's strategic phases





# Business risks

Uncertainty in the international economic development is continuing. Gradual reduction of the US debt recovery has increased uncertainty, particularly in emerging economies. Their currencies have weakened against the dollar and euro. Of Raisio's market areas, this development has concerned especially Russia. Low economic growth and prolonged sovereign debt problems are maintaining the economic uncertainty in 2014. Despite the generally uncertain situation, we believe that the grocery trade will remain relatively stable compared to many other industries.

Volatility in raw material prices is estimated to remain at a high level. Slowing economic growth and potentially good harvests may calm down the price development. On the other hand, extreme weather events may cause sudden changes in harvest expectations and price levels of various agricultural commodities. In terms of profitability, risk management, for both value and volume of major raw materials, will remain significant also in the future.

Raisio's growth phase is a period of changes, during which several of the company's activities are developed and business management is considerably more challenging than in ordinary circumstances. Growth and rationalisation projects may still cause substantial costs in relation to the company size.

*Volatility in grain raw  
material prices expected to  
continue*

# Risk management

Raisio's risk management policy defines the objectives, principles and responsibilities of risk management. Raisio's risks fall into operational and strategic as well as financial and damage risks. Risk management is part of Raisio's day-to-day operations and decision-making.

Risk management is an activity that aims to identify and assess significant external and internal uncertainties that may threaten the strategy implementation and achievement of objectives.

Objectives of Raisio's risk management:

- To identify and assess strategically significant risks.
- To take advantage of business opportunities in a risk-conscious way.
- To ensure business continuity.
- To ensure safe operations and products.

Damages caused by products with inadequate safety and related liability risks are a key issue in the risk management of the Group producing foods, food ingredients and feeds. Identified risks are eliminated, reduced, avoided and utilised to the extent possible.

Risk management is part of the Group's day-to-day operations.

Special emphasis is placed on preventive action and its development. Each division is responsible for conducting its own practical risk management in line with the risk management policy and the Group's guidelines. Operative responsibility is held by the management of each division and function. The divisions survey and identify risks in connection with annual planning, among other things. The Group is prepared to operate in crises and for crisis communication.

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

Risk management function reporting to the CFO coordinates, develops and monitors risk management. Similarly, the business controller functions report to the CFO in matters related to risk management. Divisions and service functions, such as financing, report on their main risks to the Group Management Team. Observations of internal control and business risks are reported to the Board as part of monthly financial reporting.

# Outlook 2014

Raisio's outlook for 2014 was published in the Financial Statement bulletin released on 13 February 2014. The guidance is for the full year of 2014.

In 2014, Raisio continues to improve its EBIT. The improvement is estimated to focus on the second half of 2014 when the ongoing streamlining projects are completed.

# Corporate Responsibility

Raisio is a significant user of grain and other plant-based raw materials. Raisio is willing and able to participate in building a sustainable food chain.

Sustainability impacts of Raisio's products extend outside our direct control, to primary production, other industry and consumption, for example. Raisio operates together with its stakeholders, such as customers, staff, raw material suppliers, academia and organisations, to promote sustainable development in the entire food chain.



# Sustainable food

## Raisio's operational chain

Raisio's vision is to be a forerunner in healthy, ecological snacks with leading brands and an active developer of the sustainable food chain.

Raisio has production in four countries.

Raisio's products are sold in almost 50 countries.

**35000** shareholders

Raisio's dividend has already grown for 8 consecutive years.

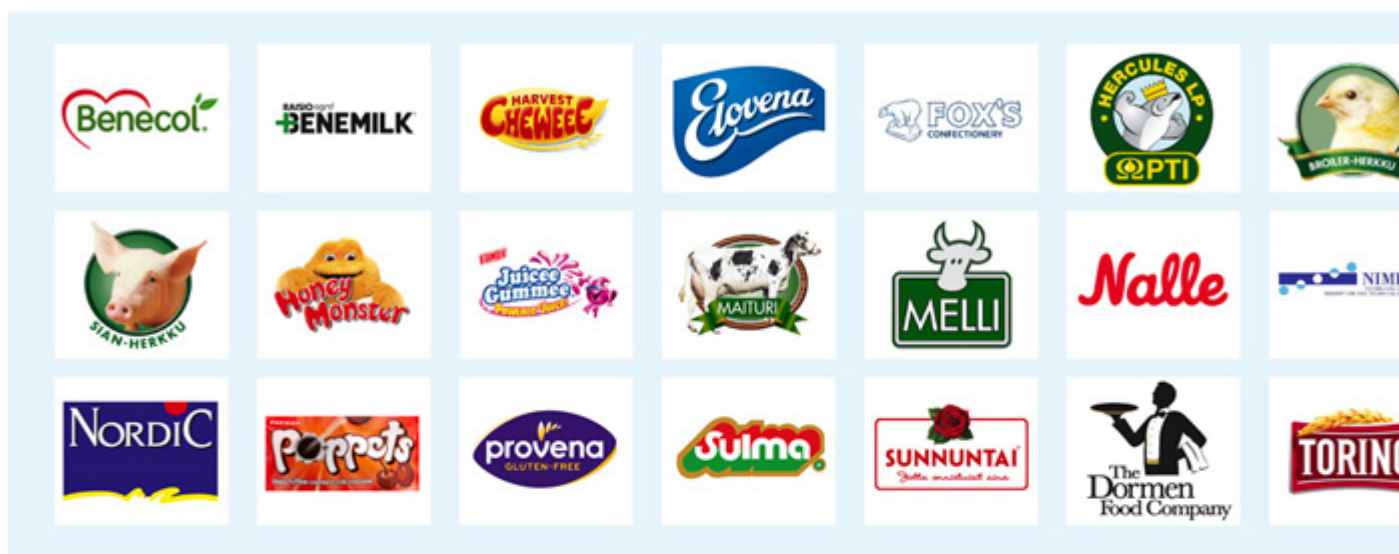
**1900** employees

Raisio's employee satisfaction is at a good level and has improved year by year.

**RAISIO**

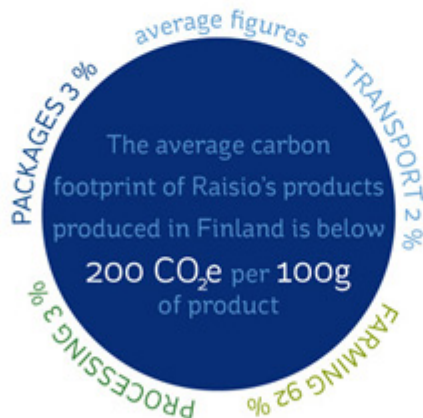
*Vastuullinen ruoka*

Read more about Raisio's work on sustainable food at [www.ekologia.fi](http://www.ekologia.fi)



## Raisio's foods

Raisio produces healthy, safe and proven foods.



Vegetable dishes have a low carbon footprint!

## Healthy, ecological, mobile food

Raisio is a producer of healthy and ecological snacks. Good-to-go packages and long shelf-lives reduce wastage.

**20°C** Products that keep long at room temperature



Single-serve packages

## Innovation for cholesterol lowering



Benecol products include plant stanols that have been shown to lower blood cholesterol levels. High LDL-cholesterol is a risk factor in the development of coronary heart disease.



Raisio's products are equipped with labels for heart healthy, domestic, fair trade, organic and gluten-free food, among other things.



Raisio was the first in the world to label its products with carbon and water footprints. The carbon footprint label developed by Raisio is also used by other companies.



20 %

of Raisio's consumer products in Finland have a calculated carbon footprint.



The Heart Symbol is on more than 40 % of the foods made in Finland.



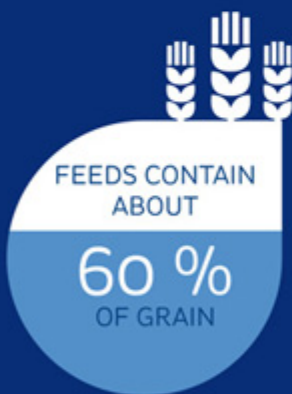
More than 50 % of consumer products in Finland.



Provena products have a gluten-free label.

Provena pure oat products are transported & produced entirely separately from other cereals.

## Raisio's feeds are produced in Finland



In addition to high-quality feeds and expertise in livestock feeding and crop farming, Raisioagro provides producers with a high-quality range of other inputs and farming supplies.



### Protein sources of feeds

Almost 70 % of the protein in feeds is from rapeseed. Other protein sources include soy and broad beans.

Raisio studies and develop innovations for future agricult



Benemilk – Raisio's top innovation  
More milk, fat and protein with Benemilk feeds. International patent applications have been filed for the innovation.

Patent application filed in U!  
for the new fish feed inventi

Fish oil used in feeds is replaced with more ecological rapeseed oil; taste and quality of salmon remain good.

Healthy EPA and DHA fatty acids of fish at levels recommended in nutrition guidelines

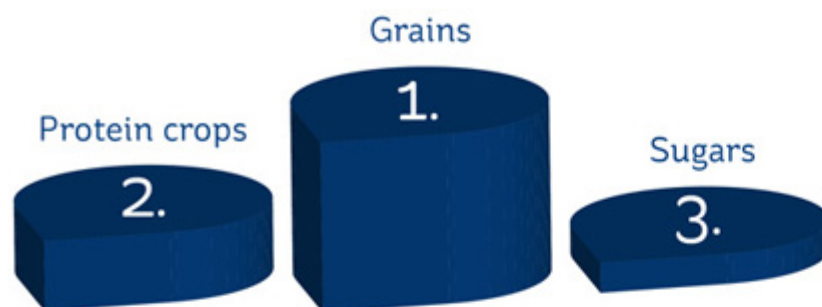


Fish feeds called Hercules LP sold in Finland reduce phosphorus load in waterways by 26 % and protect wild fish stocks.

## Bioeconomy

Raisio is actively involved in projects promoting bio-economy.

## Raw materials in Raisio's products



Raisio's main raw material groups

### Grains

Most of Raisio's purchased grain is from Finland. Raisio's grain is purchased locally near the production, e.g. from the UK, France, the Czech Republic and Poland.

< 100 km  
An average transport distance of grain to the factory in



## Sustainable food chain

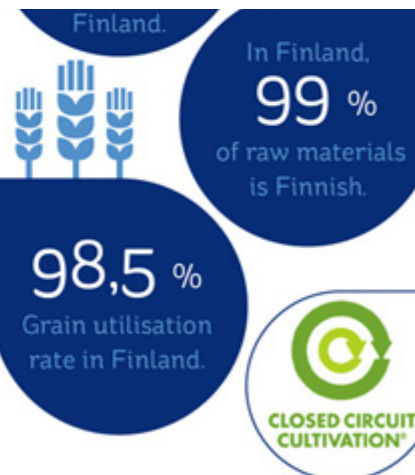
For Raisio, it is important to affect the sustainability of the whole food chain. Raisio cooperates with its contract farmers to reduce the environmental impact of farming, among other things.



Contract farmers' greenhouse gas emissions have declined in Raisio and Yara's crop and environment project



Raisio's Next Top Farmer is a crop contest that aims to produce high yields and good economic results as well as to minimise the environmental impacts. In 2013, the yields of the best farms were 75% higher than the national average.



Raisio is committed to promoting the state the Baltic Sea with its CCC concept. With C it is possible to measure how well the energy and nutrients, used for cultivation has been recovered.

### Soy

Since the spring 2013, Raisioagro has provided its customers with both non-GMO and GMO soy containing pig and poultry feeds, like the other Finnish feed operators. Raisioagro's range has a non-GMO alternative for all the feeds as well as organic feeds for cattle.

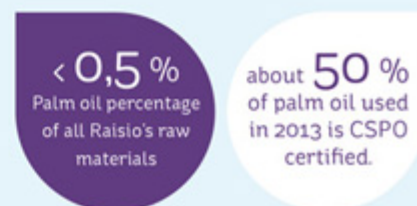


As a member of Round Table on Responsible Soy, Raisio promotes responsible soy acquisition.

Finnish milk and fish chain are completely GM-free.

### Palm oil

During 2014, Raisio will start using rapeseed oil instead of palm oil in the biscuits produced in Finland.



# Raisio's sustainable food chain

## Sustainability in Raisio's vision

Raisio's vision is to be a forerunner in ecological and healthy snacks with leading brands as well as an active developer of sustainable food chain.

Sustainable development became part of Raisio Group's vision and strategy in 2007, when Raisio's new management redefined the company's strategy and vision at the end of the year of crisis 2006. With the new strategy, Raisio's performance has improved for seven consecutive years. During these seven years, Raisio has put in a lot of effort to develop and understand the responsibility and environmental impact of its supply chain. For example, carbon and water footprint calculations have provided further information about the product life cycle impact.

## Corporate responsibility governance

Raisio takes the aspects of responsible business into account in its decision-making at all levels of the organisation. For monitoring of corporate responsibility, Raisio's management prepares a quality, environmental, health and safety report, which is annually reviewed by Raisio's Board of Directors and twice a year by the Group's Management Team. In addition, Management Teams of the businesses annually assess the aspects and targets related to corporate responsibility. Realisation of the targets is monitored on an ongoing basis. Sustainability considerations have been included in Raisio's process descriptions and scorecards, and they are also monitored as part of the quality and environmental management systems. This way, responsibility aspects are extensively made part Raisio's practical activities.





# Development and cooperation projects

In 2013, Raisio participated in several development and stakeholder cooperation projects related to responsibility/sustainability. Most of the projects are continued in 2014.

## Locality

### Me & MyCity in Southwest Finland

Me & MyCity coordinated by the Economic Information Office is a learning environment where sixth-graders can explore working life through role-playing games. Raisio is involved in Me & MyCity of Southwest Finland with its own department.

Raisio wants to support the learning of working life skills by working together with primary schools and by participating in the Me & MyCity project. We want to provide children with happy learning experiences and to familiarise them with the occupations in the food industry, their future career choices in mind.

[Read more about Raisio's Me & MyCity cooperation](#)

### Elovena Power Days

Elovena Power Day is an tour organised by Elovena and Finnish Athletics Federation. The event brings energy and power to the school children's day. The Power Day event aims to communicate, through activities and games tickling children's brain cells, the importance of healthy food and happy exercising.

In 2013, a total of 30 Elovena Power Days were arranged across the country. The cooperation between SUL and Elovena Power Day started in 2007 and is continued in 2014.

## Environment

### The project: For the Best of Crops and Environment

In 2011, Raisio and Yara started a cooperation project called For the Best of Crops and Environment. The project aims to decrease the footprints of field cultivation and nutrient runoffs into waterways. It also seeks to find ways to increase protein self-sufficiency.

In 2013, a number of measures were carried out to reduce the environmental impact of farming; Raisioagro's farming instructions were developed and the accurate fertilisation was promoted using Yara's N-sensor technique. Yara Suomi is also Raisioagro's partner in the contest called Huippufarmari haussa (Raisio's Next Top Farmer).

Environmental impacts of the grain harvests from Raisioagro's contract farmers have been monitored throughout the project period. The results show that greenhouse gas emissions have declined for all grain varieties. In addition, the pilot farms have reported encouraging results regarding the impacts of eutrophication. The objective set on the increased protein self-sufficiency in Finland is challenging due to, e.g, farmers' declined willingness to cultivate oilseeds and the ban on the use of neonicotinoids.

### Huippufarmari haussa (Raisio's Next Top Farmer)

In 2013, Raisioagro launched a crop contest called Huippufarmari haussa (Raisio's Next Top Farmer), which aimed to produce high yields and good economic results as well as to minimise the environmental impacts of farming. In 2013, the yields of the best farms were 75% higher than the national average levels. The contest will be held again in 2014.

### NUTS – Transition towards sustainable nutrient economy

The unique three-year project conducted by Lappeenranta University of Technology is building a sustainable nutrient economy. Raisio is in the steering group of the project.

The project progressed well during 2013 and some of the pilot projects have already been carried out. The project has started the development work on a nutrient footprint and Raisio has provided background information on food production to support the work.

### FOOTPRINTBEEF

MTT Agrifood Research Finland's project studies extensively the environmental impacts of beef production and the ways to reduce these impacts. Raisio is in the steering group of the project.

FootprintBeef, part of the wider NUTS project, is gradually moving from the data collection phase into the phase of environmental impact modelling. In 2013, farm models were developed and information was gathered to support the modelling of environmental impacts.

### Bioeconomy providing added value to agricultural production

The project is looking for cost-effective technologies for the collection and recovery of field biomass. The project



also aims to improve nutrient use efficiency by bringing Raisio's environmental indicators into the everyday life of the farms. The project is part of the Ministry of the Environment's Programme to promote the recycling of nutrients and to improve the status of the Archipelago Sea.

The project reached its halfway point at the end of 2013. Environmental indicators have been actively developed and implemented on the farms through the collection of parcel logbooks and the use of Closed Circuit Cultivation CCC concept developed by Raisio in the contest Huippufarmari Haussa (Raisio's Next Top Farmer). A total of three surveys have been carried out. The surveys examined, e.g., farmers' interest in selling straw for energy production, the possibility of using of straw as fuel in the heating plants of the project region and the number of intermediate storages in the project region. Active project measures have been planned also for 2014.

## Climate Communication II

The project of MTT Agrifood Research Finland aimed to clarify the Finnish food industry operators' common will of the issue of environmental labels and potential launch and harmonisation of labels in Finland. The project also prepared a roadmap related to the common will. Climate Communication II ended in October 2013. Raisio participated in the project.

The project Climate Communication II found out what has to be developed in the environmental communication of foods before a large number of consumers can really understand and use the environmental communication conducted through, e.g., carbon footprints. The project resulted in recommendations for food companies; they, together with their interest groups, were encouraged to develop common principles for the environmental responsibility communication. With a common communication plan, the food chain can better increase consumer awareness of the environmental impact of diets and food choices.

## SustFoodChoice – Towards sustainable food choices

The MTT Agrifood Research Finland's project aims to promote knowledge of food sustainability and to improve consumer information on the nutritional and environmental impacts of food. The project ended in February 2013. Raisio was involved in the project.

The project combined interestingly the environmental impact and nutritional factors of foods when assessing the responsibility of various foods.

## KESTI - Sustainable and climate friendly food chain of regional level

The Finnish Environment Institute's project creates a forum for the region of Southwest Finland aiming to develop a more sustainable food chain from the field to table. The target is to bring together the operators of industry and to launch experiments that reduce food chain emissions and increase regional well-being.

The KESTI project has tried to bring the food chain operators of Southwest Finland together with the help of various development projects. The project has carried out measures concerning, e.g., the optimisation of biogas plant operations and Season's Vegetable campaign. KESTI also operates as a development platform for new projects; four project applications have been prepared related to sustainable and climate friendly food chain of regional level.

## Communication

### Activation Project of Sustainability Communication

OSKE, a Finnish Competence Cluster (Food Development, Tourism and Experience Management, Intelligent Machines) is arranging a two-year activation project on sustainability communication. Raisio participated in the sparring project that started in the autumn 2012 and finished at the end of 2013. Through the project, Raisio has developed its corporate responsibility reporting and increased online, year-round sustainability communication.

# Raisio's interest groups

INTEREST GROUP	COMMUNICATION CHANNELS
Personnel	Personal meetings and performance appraisals, staff info, superior letters, personnel magazine, intranet, opinion surveys, working groups
Consumers	Consumer service, product demonstrators, Sunnuntai and Elovena clubs, social media, Raisio's cook book website in Finnish, brand websites and sustainability communications, newsletters, advertising
Customers (foods), among others retail trade, wholesale, bakeries and industry, commercial kitchens, exports, partners	Direct customer contact, websites, extranet, Benecol Brand Meeting
Customers (Raisioagro) Livestock producers and farmers, Raisio's contract farmers	Personal contact, events for producers and farmers, Contract farmers' days/events, fairs and seminars, cruises for customers, website, online store, customer magazines Agro- and AquaMakasiini, extranet
Owners	Meetings, annual general meeting, stock exchange releases and publications, annual report, websites
Institutional investors and analysts	Roadshows, meetings and events for investors, Capital Markets Day, stock exchange releases and publications, annual report
Financiers	Meetings, stock exchange releases, publications, financial statement, interim reports
Authorities	Meetings, influencing in organisations, Raisio's representation in, e.g., chambers of commerce, committees, employers' association
EU	
Subcontractors	Direct contact, meetings, audits, Supplier Code of Conduct, Supplier Self-Assessment Questionnaire
Partners	Direct contact, meetings
Media	Direct contact, meetings, interviews, press conferences, seminars, releases, social media, websites
Local communities	Events, company visits, websites
Schools and institutions	Sponsor schools, speaker visits, company visits
Universities and polytechnics	Personal contact, research cooperation, cooperation through Raisio's Research Foundation

Organizations and memberships	Joint seminars and events, Raisio's representation and memberships in organisations, website
Food, nutrition and health experts	
Trade unions	Meetings, agreements, cooperation with other companies, development projects, such as a development project in occupational safety





# Objective: sustainable palm oil

Raisio is committed to use only certified palm oil produced in line with the principles of sustainable development by 2015. Raisio has been a member of the Roundtable on Sustainable Palm Oil (RSPO) since 2011.

In 2013, WWF published a new, international palm oil report. Raisio's scores improved slightly compared to the previous WWF report due to our increased use of certified palm oil and our RSPO membership.

Raisio purchases palm oil mainly as part of various fat mixtures. In 2013, approximately half of the palm oil used at Raisio was certified (Certified Sustainable Palm Oil, CSPO).

# Nutrition and product safety

Tasty, ecological, healthy and safe products that meet the customer needs are in the core of Raisio's operations. In 2013, Raisio's major nutritional innovations were related to animal feeds.

## Nutrition and product development

### Foods

- Raisio develops its products continuously based on customer feedback. The debate concerning the amount of sugar in breakfast cereals continued in 2013. Following customers' wishes in the UK, Raisio decreased the sugar amount of Sugar Puffs cereals to meet the levels recommended by the government. In Finland, Raisio's Elovena whole oatmeal breakfast cereals have The Heart Symbol of the Finnish Heart Association.
- During 2014, Raisio will start using rapeseed oil instead of palm oil in the biscuits produced in Finland.

### Feeds

- Benemilk is Raisio's feed innovation that is proven to increase milk yields and improve fat and protein contents of milk. Benemilk feeds have an approximately 10% market share in Finland. Joint venture Benemilk Ltd aims to commercialise the invention to global markets.
- Raisioagro developed a fish feed concept called Hercules LP Opti, which was well received at the Finnish fish farms. Finnish rainbow trout fed Raisioagro's feeds are tasty and healthy products providing consumers with beneficial EPA and DHA fatty acids at levels recommended in nutrition guidelines.>

## Product withdrawals

- In 2013, Raisio did not withdraw any products due to safety reasons.
- In Finland, Raisio withdrew two products from central distribution companies and stores to ensure the quality.

# Sugar in Raisio's products

Consumers in Finland and the UK have become increasingly interested in the amount of sugar in food products. Raisio has acknowledged the sugar debate. We always develop our products based on the consumer feedback. We assess the amount of sugar or the substitution of sugar with alternative sweeteners, especially in the development of new products. In addition, we actively study our existing products and the possibility of reducing their sugar contents.

In the UK, the amount of sugar in breakfast cereals was discussed in the media already in 2012; Raisio reacted to consumers' wishes and reduced sugar in Honey Monster cereals at the beginning of 2013.

For Elovena, Raisio's guideline is that sugar, not artificial sweeteners, is used to sweeten these products. We also have, however, sugar-free alternatives in our selection. In fact, the vast majority of Raisio's products sold in Finland are basic grain products with no added sugar.

Healthy and ecological snacks are the heart of Raisio's business. For example, to meet consumers' wishes, we have launched completely sugar-free options in Elovena Hetki instant oat meals in 2013.

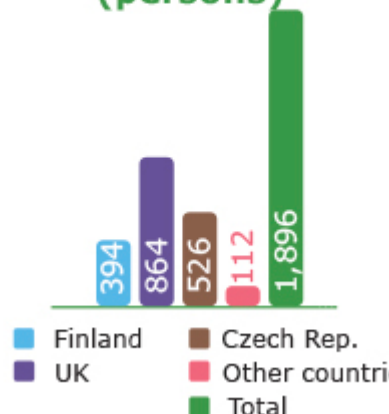
Raisio also has confectionery factories in Central Europe. In confectionery production too, our goal is to provide consumers with healthier alternatives. In many products, sugar can be replaced by various ingredients, such as fruit juices.

# Raisio's personnel 2013

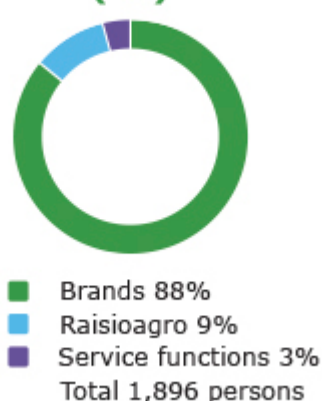
In 2013, Raisio focused on enhancing its operations, which also widely affected the personnel in all of the countries where Raisio has production. According to the survey, personnel's views on Raisio improved further and is on a good level.

At the end of 2013, Raisio employed 1,896 (1,885) persons, of whom 21% (22%) worked in Finland, 46% (48%) in the UK, 28% (22%) in the Czech Republic and 5% (8%) around the world. Raisio has personnel in ten countries.

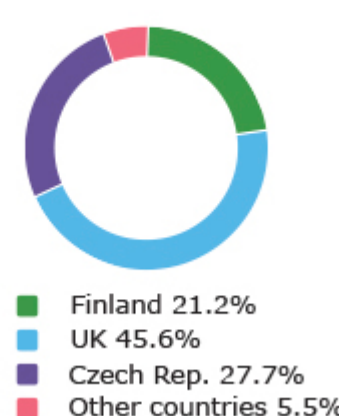
**Personnel,  
31 December 2013  
(persons)**



**Number of employees  
by businesses  
(%)**



**Personnel  
by region (%)**



## Main events in 2013

- Raisio centralised the production of plant stanol ester, the Benecol product ingredient, to its Raisio-based factory and sold its esterification plant in the US to American Avoca Inc. The factory employed 19 persons.
- In May Raisio sold its non-dairy business to Norwegian Kavli. Ten persons who worked at the Turku non-dairy factory were transferred to Kavli as serving employees.
- In the UK, the snack bar production was centralised to the Newport factory; the production lines of Tywyn factory were transferred to Newport. Tywyn factory had around 120 employees and part of them were offered work at the Newport site.
- In addition, Raisio started the production centralisation in its UK confectionery business. The confectionery production will end at the Skegness factory by the end of March 2014. Production will be transferred partly to the Leicester factory and partly to the Rohatec factory in the Czech Republic. 87 employees of the Skegness factory were given the opportunity to work in other UK locations.
- Raisio enhanced its production at the Poland-based pasta and grits factory; 20 positions were made redundant.
- In Finland, Raisio's vegetable oil production was adjusted to market conditions by laying off the staff for six months in 2013. In the autumn, operational possibilities in Raisio's oil milling industry were assessed in

the cooperation negotiations. Raisio decided to continue oilseed crushing but to lay off the plant personnel in early 2014 until further notice. The decision concerns 15 employees.





# Competence

Competence development focused on occupational training and internal operations. Additionally, employees were provided with communication, work safety, first aid and IT as well as quality and environmental related trainings.

## Performance appraisals

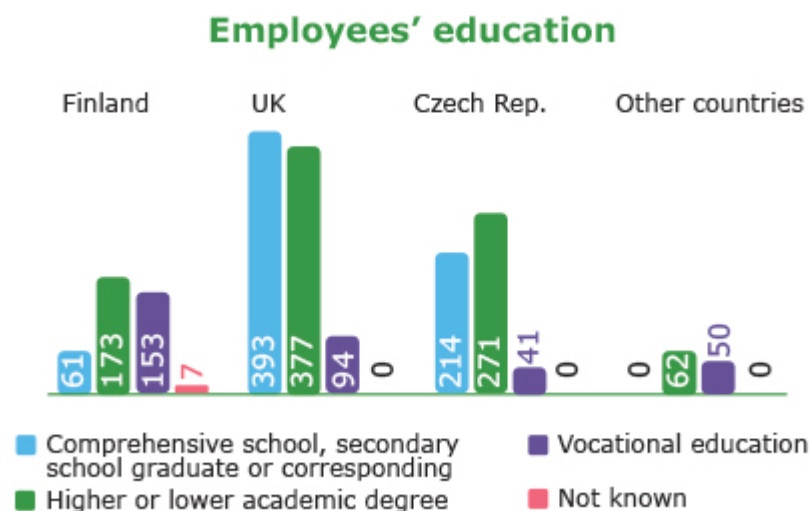
In 2012, the coverage of performance appraisals was 26% (31%) while the target was 100%. At Raisio's Finnish sites the performance appraisals covered 100% of the staff and in the UK 11%. In the UK performance appraisals mainly cover management, middle management and key personnel. Raisio arranged training in Czech Republic to begin the performance appraisals in 2014.

## Personnel's competence

- Brands Division continued the meeting practice of Extended Management Team, launched in connection of the Division's reorganisation. In 2013, there were two Extended Management Teams in which the key directors of different operations participated. The aim of the meeting practice is to deepen the understanding of Raisio Group's strategy and operations, to improve the Division's internal cooperation and to enhance operations.
- Raisio continued the strengthening of the role of superiors and personnel communications. Several training and informative events were arranged for superiors with the focus on Raisio's topical issues and the development of the company from the viewpoint of responsibility.
- In 2013, the focus of the Trainee Programme was on Raisioagro's operations. The Trainee Programme is for recent graduates or persons just finishing their studies, who are qualifying for their role at Raisio

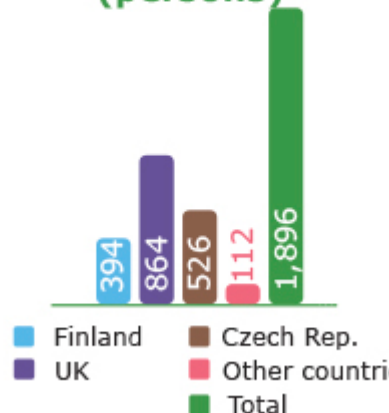
through on-the-job learning and job rotation. Most of the trainees continue to work at Raisio after the trainee period.

- Superior trainings were carried out widely in different countries and units. In Finland, Raisio continued its internal long-term superior and specialist training. In the UK, in addition to general superior training, Raisio arranged training on work induction and changed HR practices. In the Czech Republic, superiors were studying performance appraisal practices. Performance appraisals will be started gradually in the Czech Republic in 2014. In addition, employees in specialist or superior positions develop their business and leadership skills by attending eMBA programmes.
- The model for early support and intervention as well as sickness absence practices were specified and superiors were offered training in the related matters.
- Demand for internal workshop instructors has been high. New training for workshop instructors was launched in 2013. The instructors lead participatory think tanks as well as problem solving and planning meetings. In Finland, the instructors arranged staff workshops on the Personnel Survey results.
- The seventh group in the Leading Raisio management training continued their studies until the spring 2013. The training aims to implement the vision and strategy in practice, to enhance strategic business competence as well as to develop communication, managerial and cooperation skills. Topics such as future, influencing and communications are emphasised in the training.
- By improving superior-subordinate communications, among other things, the company invested in the planning of change projects and in the development of communication and change management skills.
- For company visits not dependent on time or place, Raisio prepared a virtual visit/tour package consisting of company presentation videos and materials as well as introduction videos of occupations.
- Raisio invested EUR 257,000 (404,000) in personnel training. Internal trainings are not included in the figure.

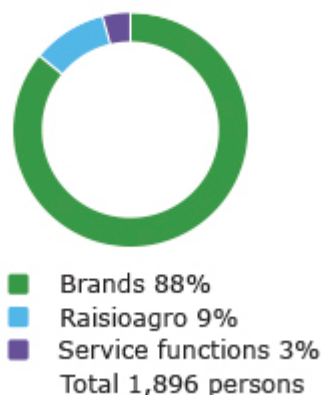


# Personnel as figures

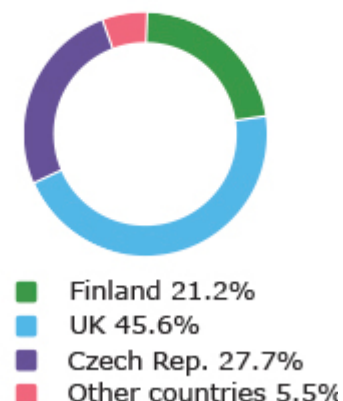
**Personnel,  
31 December 2013  
(persons)**



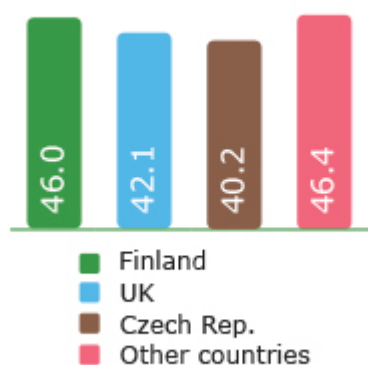
**Number of employees  
by businesses  
(%)**



**Personnel  
by region (%)**

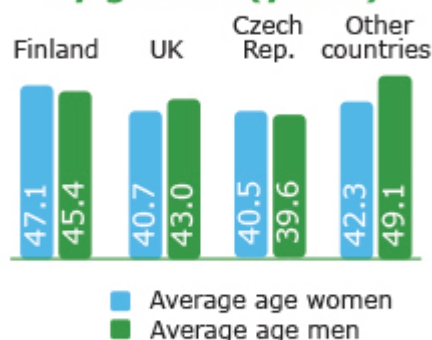


**Average age  
of personnel (years)**



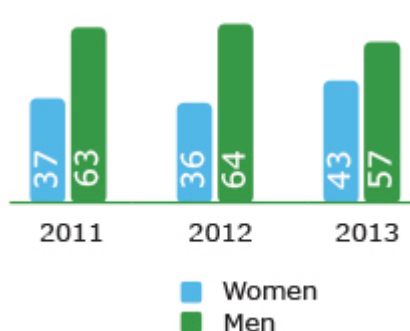
The average age of Raisio Group personnel is 42.6 years.

**Average age of personnel  
by gender (years)**

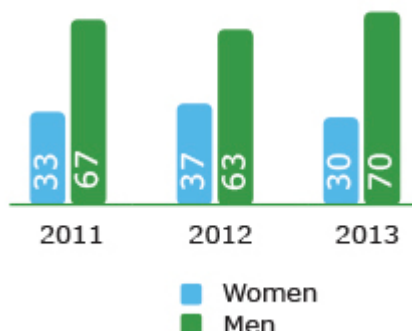


The average age of women working for Raisio Group is 41.8 and that of men 43.4 years.

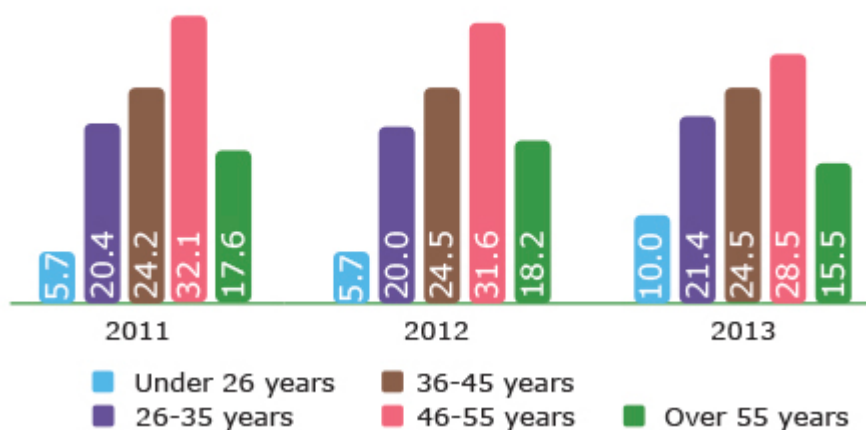
**Gender distribution  
of personnel (%)**



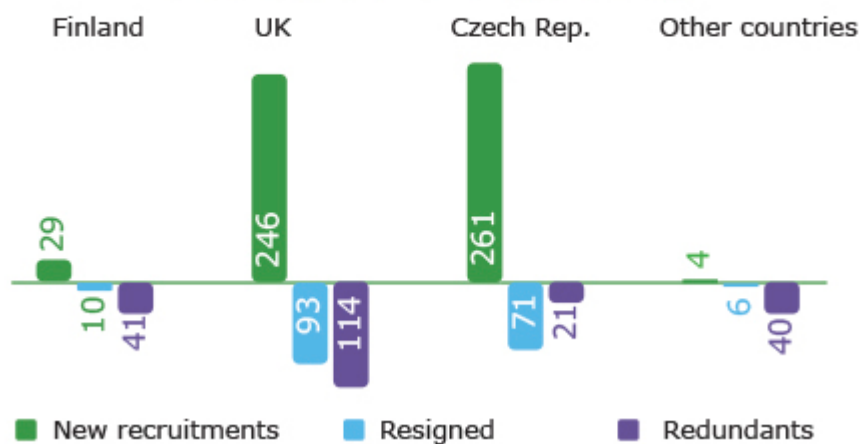
**Gender distribution  
in managerial  
positions (%)**



## Age distribution of personnel (%)

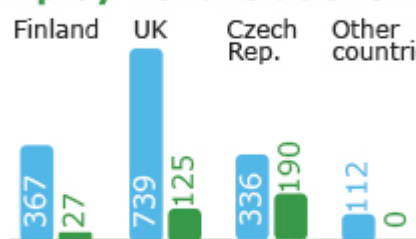


## Personnel turnover entered/left 2013 (persons)



# Employment relationships

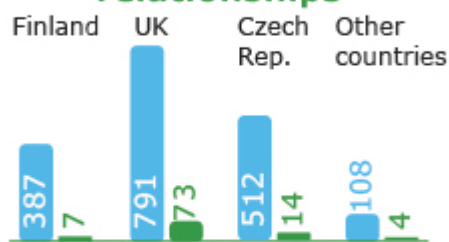
## Number of permanent and fixed-term employment relationships



■ Permanent  
■ Fixed-term

82% of Raisio's employment relationships are permanent and 18% of fixed-term nature.

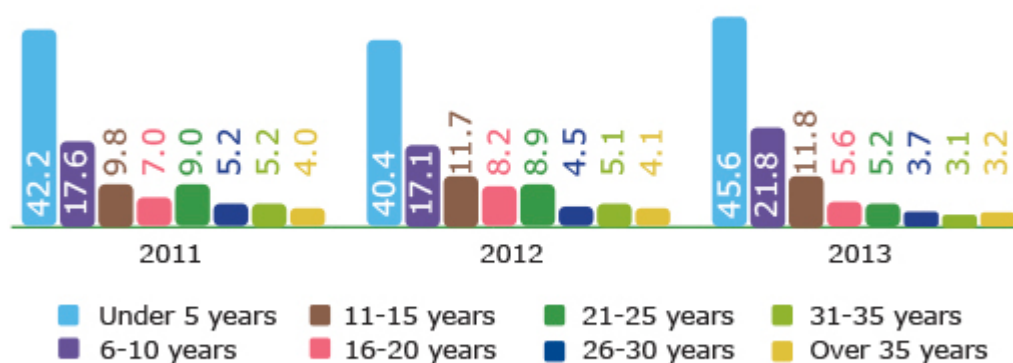
## Number of full-time and part-time employment relationships



■ Full-time  
■ Part-time

95% Raisio's employment relationships are full-time and 5% are part-time nature.

## Lengths of employment relationships (%)



The average length of employment is 10.6 years.

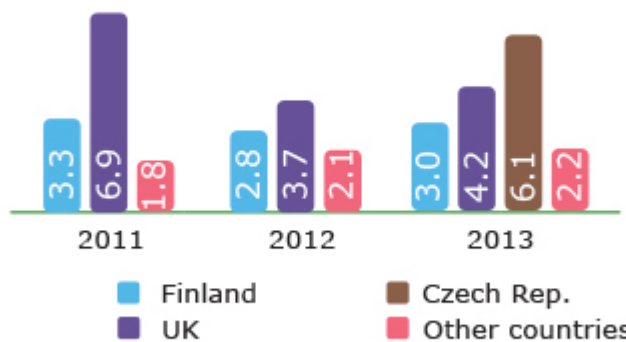
# Occupational safety

- Zero accidents is Raisio's main long-term goal in occupational health and safety programme.
- Labour intensive production is one reason for high occupational accident rates in the UK. All accidents are thoroughly investigated and corrective actions are taken to help prevent similar incidents.
- Several occupational safety card and hot work card events as well as trainings in first aid and preliminary fire extinguishing were held in Finland.

## Accidents at work



## Absences due to illness of theoretical working hours (%)



Employees' absence due to illness on average in 2013 was 4.3%.



# Raisio's idea activities

Raisio's idea activities aim to create new and improved practices, products or processes that add value to the company, its customers and employees. At best, ideas can generate new business and growth, but small and everyday improvements can also develop Raisio's operations. Raisio has idea activities in Finland and the Czech Republic.

## Finland: Idea activities in 2013

In 2013, Raisio's action plan in Finland in the idea activities aimed to increase activeness in idea creation and to develop idea process and indicators. Raisio communicated about the idea activities through various staff channels and arranged an idea campaign with a common theme in the autumn.

About a third of Finnish employees participated actively, some presenting their own ideas, some giving statements and some developing the system. The results show that activities improved from the previous years, both in the number of ideas and in the level of participation.

In 2013, the company recorded a total of 177 ideas of which 87% were processed by the end of the year. Raisio decided to carry out approximately 45% of the ideas created.

32% of all ideas focused on environmental, health and work safety issues. Our staff recorded an average of 0.43 ideas per person.

# Personnel survey

Raisio's personnel survey was carried out for the fourth time in its current form. The results have improved on the Group level every year and were good in the 2013 survey.

Raisio reached the highest score in the areas of meaningfulness of work, work climate and social support, work-life balance and physical well-being. As in the previous surveys, Raisio got the lowest scores in change management and communications. However, significant improvement has been achieved in both areas compared to the 2007 results.

Raisio wanted to use the staff's feedback as well as possible and invested in the selection and monitoring of solid development areas more than in previous years. The company arranged staff workshops where the results and employees' feedback were discussed. The workshops resulted in unit-specific development plans, the implementation of which will be monitored during 2014.



The response rate for the whole Group was 64%, for Finland 69%, Poland 85% and the UK 60%. The results indicate the opinion of the majority and are thus a good basis for discussion and development.

## Small differences between the countries

In 2013, the survey was carried out in Finland, Poland and the UK. In the UK, the survey was conducted for the first time. Local staff responded positively to the survey, and management felt they benefited from the received feedback. Opinions differ just a little from country to country. The best average of all categories is recorded in Poland (3.9/5), Finland is the second and the UK third with an average of 3.7/5.

## Differences between the units and personnel groups

Although the results show that average values are at a good level, differences in opinions are found, for example between the units. Work culture supporting the development together with change management were the factors most dividing the opinion between the units.

At Raisio, the highest levels of work well-being were recorded among the superiors and senior employees. When examined by age, the differences in opinion were very small. Employees aged 55-68 were the most satisfied. Differences were also small when examined by position. In almost all areas, superiors were more satisfied or as satisfied as those not functioning in superior position. Job control is the only area they experience lower than other groups. As earlier, senior employees are again among the most satisfied groups. Only job control was assessed the lowest by them. They experienced work-life balance and physical well-being as good as the office staff and workers.

## Development of well-being at work is a common task for the whole work community

Raisio works together with its personnel. We pay attention to the problems found in the survey but also to the areas that function well since they are work community's resources worth ensuring. The areas with the lowest scores and areas that could score better when compared with other companies or with the Group's own average level are selected as development targets.

A similar survey was carried out at Raisio also in 2007, 2009 and 2011.



# Environment

Raisio is aware of the environmental impacts of its operations. Sustainable policies and transparency form the basis for Raisio's responsible environmental work.

## Main events in 2013

- At Raisio's sites in Finland, investments in environment, health and safety totalled approximately EUR 1.2 million. About 60% of the investments were made to improve energy efficiency and about 20% to develop process safety.
- Raisio Group avoided serious environmental damages. Minor incidents were reported in Finland and the UK.
- In Finland, Raisio is involved in the regional odour dispersion study concerning the area of Raisio-Naantali. Odour measurements were carried out in Raisio's industrial area in October. Final report and odour modelling will be completed by the Finnish Meteorological Institute during the spring 2014.
- During the autumn, Raisio carried out Volatile Organic Compounds (VOCs) measurements at its vegetable oil factory and dust emissions were measured in Nokia. The measurement results mentioned above met the environmental permit requirements.

## Environmental projects

Raisio has identified the key areas of sustainable development by means of the product life cycle assessment, focused on the reduction of waste and energy consumption as well as helped its contract farmers cultivate more sustainably and effectively. Raisio cooperates with its stakeholders in several research and development projects to reduce environmental impacts and to improve its supply chain. For Raisio, it is important to affect the

sustainability of the entire food chain, since most of its environmental impacts take place outside Raisio's own operations.

[Read more about Raisio's and its interest groups' joint environmental projects](#)

## Scope of environmental reporting

In terms of important environmental impacts, Raisio's environmental reporting covers all the Group's continuous operations in Finland and the UK. Sulma factory in Poland has been included in the reporting from the beginning of 2012 and two Czech production plants of Candy Plus are included in the 2013 reporting. Due to the divestments of operations, the Turku-based non-dairy factory and US-based esterification plant have been removed from the reporting scope.

OBJECTIVE FOR 2015

**100%**

of the palm oil used by Raisio is  
certified.

# Environmental objectives for 2012-2016

Raisio aims to reduce the key environmental impacts, i.e. energy and water use, as well as to prevent waste and wastewater generation. New environmental objectives were set for the Finnish production plants in 2013. The objectives will be set for production plants in other countries as soon as enough monitoring data has been collected.

In 2011, Raisio set numerical environmental objectives for the Finnish production plants for the period of 2012-2014. Year 2011 was the comparison year. Last year, Raisio set new targets for its Finnish production plants for the following three years. In addition, Raisio revised the Group's calculated objectives for the period of 2014-2016 to meet current continuing operations and changed production structures. In the future, Raisio will set objectives annually for at least three years ahead.

## OBJECTIVE FOR 2016

### No landfill waste

Raisio's target is to generate no landfill waste in Finland in 2016.

## ACHIEVEMENT

At Raisio's Finnish production plants, specific energy consumption decreased from 2011 to 2013 by

**2.6%**

per tonne of product.

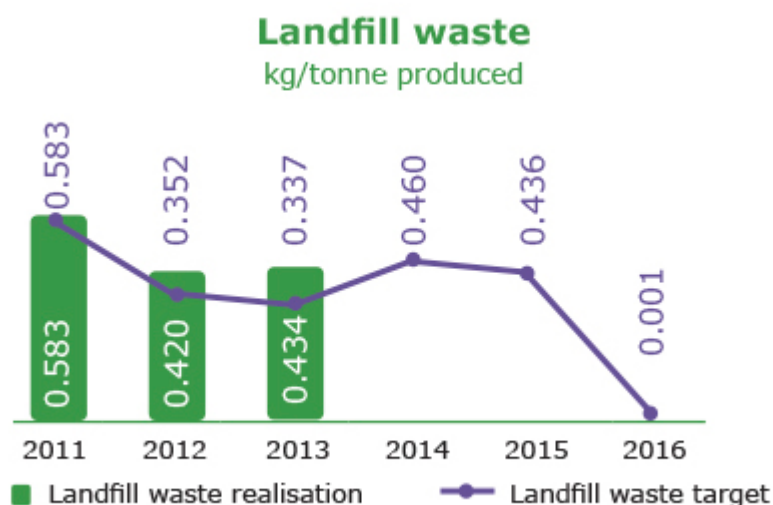
## ACHIEVEMENT

At Raisio's Finnish production plants, landfill waste decreased on the comparison year by

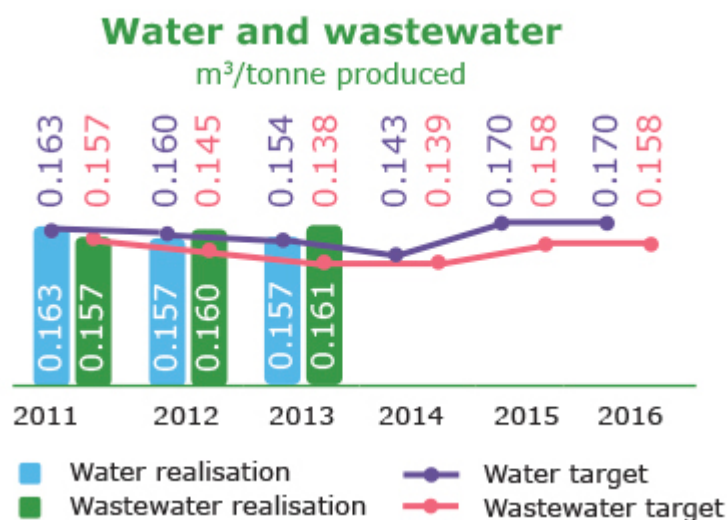
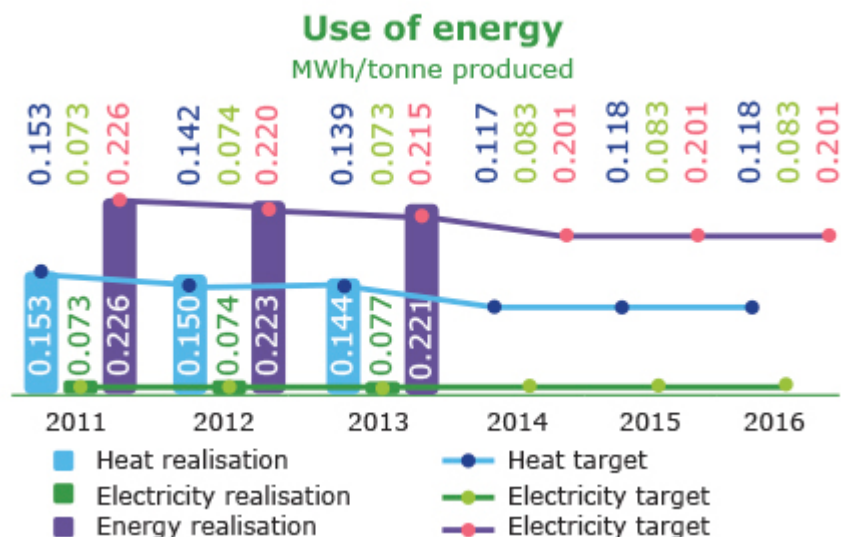
**40%.**

## Targets and realisation

The targets are set for the specific use of commodities per tonne of product.







## Year 2013

In 2013, specific energy use per tonne of product decreased by almost 2.6 per cent as compared to 2011. The specific drinking water consumption decreased by 3.8 per cent. All plants could not reduce the wastewater volume as effectively, since the volume is also affected by the amount of condensate generated by the steam use. Landfill waste volume decreased by 40 per cent on the comparison year.

At the end of January 2014, the Raisio-based vegetable oil factory was closed until further notice. Due to the uncertain situation, Raisio has not set any environmental targets for the factory for the coming three-year period. The interruption in the oil milling production as well as the divestment of Turku-based non-dairy factory both affected the specific consumption volumes of environmental objectives.

## Environmental objectives for 2014-2016

All Raisio's environmental objectives for 2014 – 2016 are set so that they guide the company to controlled and effective operations. In the coming years, the reduction of energy consumption will become difficult due to the new hygiene requirements set for feeds, which will increase the steam use. Raisio aims, however, to reduce the specific energy consumption per tonne of product by almost 9 per cent compared to the 2013 level.

The specific water volumes per tonne of product are under Raisio's intensified monitoring. Due to the projected growth in Raisio's production volumes, the specific water use is projected to increase. Raisio aims to have an

approximately two-percent decrease in the specific wastewater volume as compared to the 2013 level. This means that the objectives will remain challenging due to the projected changes in production volumes. As for the waste, Raisio's target is that no landfill waste will be generated in Finland in 2016.

# Environmental protection

Raisio's environmental protection work is continuous improvement. Primary aim of our long-term and systematic environmental work is to improve and enhance the quality of operations and to minimise emissions.

## Investments in environmental protection

The investments improved, for example, the exhaust air recycling of the drying system and energy-efficiency of lighting. In order to improve safety, we have developed our fire alarm and fire suppression systems, among other things.

## Environmental damages

Raisio Group avoided serious environmental damages. Minor incidents were reported in Finland and the UK.

### Finland: Minor dust explosion in Ylivieska

In June, a minor dust explosion occurred at the Ylivieska feed factory as a metal object got into the elevator. The situation did not cause any personal injuries or fire. To prevent a similar situation, Raisio will modify the elevator structure during 2014.

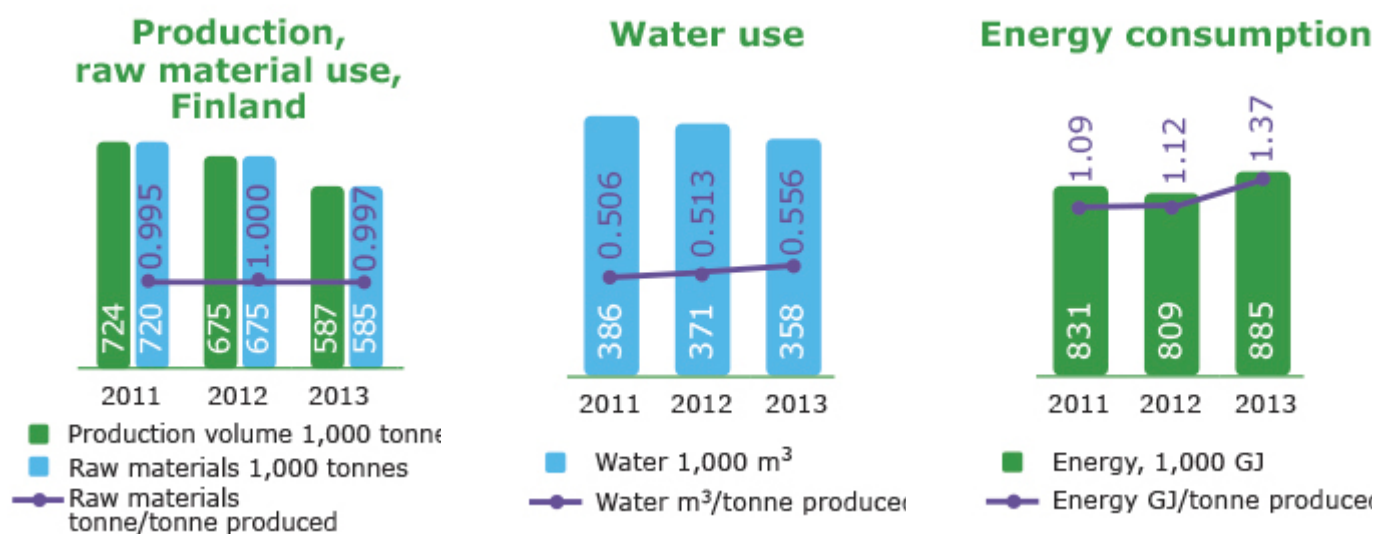
### Finland: Unbalanced production process resulted in an odour nuisance

The Raisio-based vegetable oil factory had a six-month production shutdown in 2013. The production process became unbalanced when it was restarted at the beginning of October. Due to the situation, about 100 tons of rapeseed meal unfit for product use was compacted in the silo. As the silo was emptied, it caused a minor odour nuisance.

### UK: A leak into a stream in Newport

In our Newport factory, a leak into a local stream was highlighted by Natural Resources Wales (NRW) in February 2013. Raisio corrective work on the leak, cleaning and restoration of the land was completed by July 2013 and approved by NRW. It was also agreed with the local authority that Raisio will install two three-stage interceptors to prevent re-occurrence. The work begun in early 2014.

# Environmental meters



## Raw materials and material efficiency

Raw materials used in Raisio's products are mainly renewable. Our objective is economical and efficient use of raw materials.

Reduction of waste volumes plays an important role in the pursuit of material efficiency. Responsible management of production processes is vital in this work. Material flows between production plants are considerable; by-product transfers cause multiplication in the reported raw material and production volumes. Water use for products is not included in the quantities of raw material.

### Scope of reporting

The graph above describes the raw material use and production volumes of Finnish production plants only.

## Water

Water consumption is an important environmental factor for Raisio. Water is used in production and cooling processes. Water used at Raisio's Finnish production plants is mainly surface water.

Reducing water consumption is still an important objective at Raisio. The company enhances its use of water by using water sparingly and by recovering and recycling usable water.

### Scope of reporting

The graph above shows the water use at our Finnish and UK production plants 2011-2013. Sulma's factory in Poland is included in the reporting from the beginning of 2012 and the Czech sites of Candy Plus are included for the year 2013. Changes in production structure lead to increase the waste water volume and specific consumption.

## Energy

Raisio's processes use energy in the form of electricity and steam. Raisio's energy supply is mainly based on

purchased energy. Electric energy Raisio purchases is carbon dioxide free.

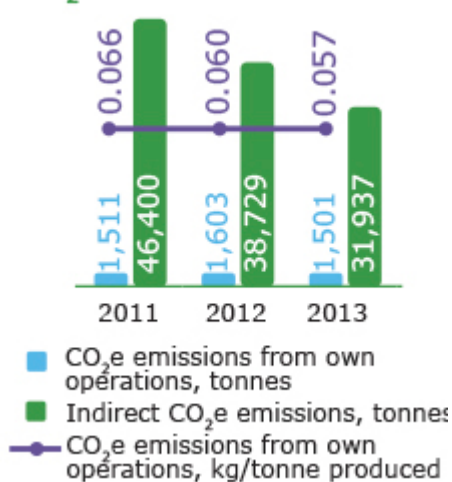
In Finland, Raisio owns two power plants, one in Raisio and the other in Kouvola. Both the plants are within the scope of emissions trading.

Due to the changed production structure, the specific heat consumption per tonne of product increased by more than 10 per cent, even though the total consumption fell. The requirement of heat treatment imposed on the feed production has also increased the specific heat consumption.

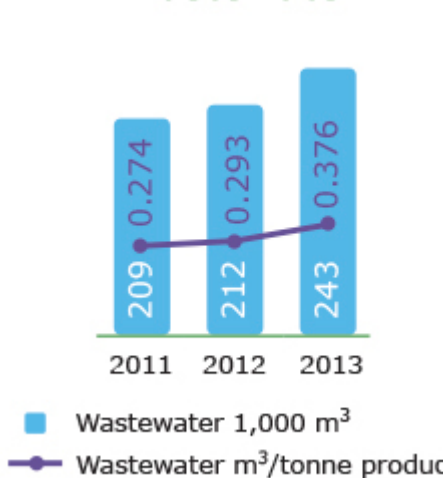
### Scope of reporting

The graph above shows the energy use of Finnish and UK production plants 2011-2013. Sulma's factory in Poland is included in the reporting from the beginning of 2012 and the Czech sites of Candy Plus are included for the year 2013.

#### CO<sub>2</sub>e emissions, Finland



#### Wastewater



#### Landfill waste



## Emissions from energy production

Raisio reports of the direct greenhouse gas emissions generated in its own energy production as CO<sub>2</sub>e values. Reporting also includes the CO<sub>2</sub>e values of purchased energy according to the quantities Raisio's energy suppliers have reported. Carbon dioxide equivalent (CO<sub>2</sub>e) describes the total climate warming effect of greenhouse gases.

The electricity acquired to the Finnish sites is eco-labelled and it constitutes 43 per cent of the Group's electricity use. Its production does not generate greenhouse gas emissions advancing climate change.

### Scope of reporting

The graph above shows the CO<sub>2</sub>e emissions of the Finnish production only.

## Wastewater

Raisio's measures to reduce the amount of waste water include, among others, water reuse and recycling solutions. Wastewaters from the production plants are mainly conducted directly to municipal wastewater treatment plants. At our Raisio-based site, wastewater is partly treated using our own cleaning solutions before the wastewater is conducted to the Group's wastewater pretreatment plant. After the pretreatment, wastewater is conducted to the municipal network.

## Scope of reporting

The graph above shows the amount of wastewater generated by the Finnish and UK production plants 2011 – 2013. Sulma's factory in Poland is included in the reporting from the beginning of 2012 and the Czech plants of Candy Plus are included for the year 2013. Changes in Raisio's production structures resulted in the increase of both wastewater volume and specific energy consumption.

## Waste

Raisio aims at the reduction of waste volume as well as at high recovery rates of waste, in which correct and careful sorting is of key importance. Recovered or recycled waste accounted for about 70 per cent of the total waste volume. Raisio mainly uses recovered waste either as material or as an energy source.

## Scope of reporting

The graph above shows the landfill waste generated by the Finnish and UK production plants 2011 - 2013. Sulma's factory in Poland is included in the reporting from the beginning of 2012 and the Czech plants of Candy Plus are included for the year 2013.

Raisio's landfill waste was halved compared to the 2012 level. The non-recoverable waste and landfill fractions accounted for about 29 per cent of the total amount of waste.



# Locality

International Raisio is also a very local operator in its home markets. Raw ingredients are mainly sourced locally and the staff working in production plants is local. Raisio also cooperates with local interest groups, such as schools and universities.

## Student and school cooperation

In 2013 Raisio emphasized co-operation with schools and students in its cooperation with local interest groups. Projects and theses were made particularly with cooperation schools. Company visits were arranged to student councellors, teacher students and students of the food and commercial businesses. The virtual company visit was also used when cooperating with schools and universities, and to improve Raisio's image. Raisio also participated in a two-day career path event for thirteen year olds in Finland.

Raisio also decided to participate in a three year Me and MyCity -project that strenghtens kids' understanding about companies and working life.

[Read more about the Me and MyCity project](#)

## Raisio and its personnel donated its Christmas gifts to a children's hospital

At Christmas 2013 Raisio and its personnel in Finland donated the funds reserved for customers' and personnel's Christmas gifts, 16 500 euros in total, to a new national childrens' hospital to be built in Helsinki. Raisio's personnel initiated the donation and chose the which charity will receive the donation.



# Working life skills from Me & MyCity

12-year old Finnish school children get familiar with working life by coming to work at Raisio for one day – for fun. The children practise financial, employment and entrepreneurial skills in the miniature societies of the Me & MyCity project.

In 2013, Raisio joined the Finnish Me & MyCity project, which is now expanding to other European countries as well. Me & MyCity societies are miniature towns with companies and public services. The children work in the companies of these towns for one day earning virtual salary and functioning as mini-society's citizens and consumers.

Raisio is involved in the Me & MyCity project as we want to support the working life skills training. We want to provide children with experiences through learning by doing and to familiarise them with various food industry occupations, their future career choices in mind.

## A day in MyCity

Five children work daily in the company called Raisio in MyCity and each of them has a scripted occupation. Before the children come to MyCity, they get familiar with the basics of society and economy during 10 classes at school. They also have a first taste of job-hunting as they apply for jobs at different companies of MyCity, companies like Raisio, Neste Oil or Samsung. During the day, Raisio's employees have a chance to lead Raisio or to develop, arrange tastings or launch new products.

## Awarded Me & MyCity

Raisio is involved in Me & MyCity of Southwest Finland. There are similar MyCities in other parts of Finland. In November 2013, Me & MyCity won its own series in the European Commission's contest, which awarded top initiatives supporting entrepreneurship. The Me & MyCity project is coordinated by the Finnish Economic Information Office (TAT).

*In the picture: Ilari Pirilä from Naantali worked one day as Raisio's Managing Director in the project Me & MyCity Southwest Finland.*

# Financial responsibility

## Financial review

[Raisio Group's key figures, net sales and information about profitability](#)

## Financial reporting

Raisio Group reports on its performance in line with the continuing operations. All figures mentioned in Raisio's Financial Statements are comparable. The Divisions that are reported in line with continuing operations include Brands and Raisioagro.

[Raisio's Financial Statements 2013](#)

## Profitability and continuity

- On 31 December 2013, the Group's equity ratio totalled 68.2 (64.1 in 2012) per cent and net gearing was -8.6 (4.9) per cent.
- The average return on equity over the last five years is 5.08 per cent.
- The average return on investment over the last five years is 6.12 per cent.

## Personnel's salaries

The company regularly reviews market salaries in order to maintain its competitiveness. In 2013, Raisio's wages and fees from continuing operations totalled EUR 65 (66) million including other personnel expenses.

# Corporate Governance

## Raisio plc's Corporate Governance Model

Raisio plc has over 35,000 shareholders.



Raisio's Corporate Governance Statement 2013

# Investor Relations

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

## Annual General Meeting

The shareholders of Raisio plc are hereby invited to the Annual General Meeting which will be held on Thursday 27 March 2014 at 14.00 (2 p.m.) at Turku Fair and Congress Center, address Messukentäntäkatu 9-13, FI-20210 Turku, Finland.

## Registration

A shareholder who wishes to participate in the General Meeting shall inform the Company about his/her participation no later than Thursday 20 March 2014 at 15.00 (3 p.m.), either

- by e-mail to [eeva.hellsten@raisio.com](mailto:eeva.hellsten@raisio.com) or
- by telephone +358 50 386 4350 (from Monday to Friday from 9.00 a.m. to 4 p.m.) or
- by fax +358 2 443 2315 or
- by a letter addressed to Raisio plc, Osakeasiat (Shareholder matters), P.O. Box 101, FI-21201 Raisio, Finland.

In connection with registration, the following information shall be given: shareholder's name, identity number or Business ID, address and telephone number, name of possible assistant, and whether the shareholder will use a representative, and his/her name and identity number.

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

## Investors

### Subscribe releases



## Board of Directors



*Chairman of the Board*

**Matti Perkonoja**

*Born:* 1949

*Place of residence:* Mynämäki, Finland

*Education:* Commercial College graduate

*Key employment history:* HKScan Oyj: CEO 2009–2012, CFO 2000–2009

*Board membership:* Member since 2011 and Chairman since 27 March 2013

*Other simultaneous positions of trust:* Employers' consultative committee of Mutual Employment Pension Insurance Company Varma: Advisory Board Member

*Meeting attendance:* 15/15

*Fees in 2013:* EUR 60,000 of which some 80% paid in cash and some 20% in shares; a total of 3,097 free shares were assigned as fees

*Holdings in Raisio:* series V 6,931



*Deputy Chairman*

**Michael Ramm-Schmidt**

Chairman of the Board, Oy Executive Leasing Ab

*Born:* 1952

*Place of residence:* Espoo, Finland

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

*Key employment history:* Oy Executive Leasing Ab 2004-; Hackman Oyj Abp 2004:

President & CEO; Hackman Metos Oy Ab 1995-2004: CEO, Hackman Designor Oy Ab

1989-1994: CEO, International Masters Publishers Inc. 1986-1989: CEO, Skandinavisk

Press AB 1984-1986: CEO Board membership: member since 2005, Deputy Chairman since 2006

*Other simultaneous positions of trust:* Levanto Oy: Member of the Board of Directors,

Stala Oy: Member of the Board of Directors, Stalatube Oy: Chairman of the Board of

Directors, Stiftelsen Svenska Handelshögskolan: Member of the Supervisory Board,

MenuMAT Oy: Chairman of the Board of Directors

*Meeting attendance:* 14/15

*Fees in 2013:* EUR 24,000 of which some 80% paid in cash and some 20% in shares; a

total of 1,239 free shares were assigned as fees

*Holdings in Raisio:* series V 53,651



**Erkki Haavisto**

Farmer

*Born:* 1968

*Place of residence:* Raisio, Finland

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

*Key employment history:* Farm owner 1993-

*Board membership:* Member since 2004

*Other simultaneous positions of trust:* The Central Union of Agricultural Producers and Forest Owners (MTK): Member of the Forest Board; Lounametsä Forestry Association:

Chairman of the Board of Directors; Raisio plc Research Foundation: Member of the Board of Directors; Raisio Town: Member of the town council (until 14 January 2013);

Salaoituksen Tukisäätiö s.r.: Member of the Board of Directors; Turun Seudun

Osuuspankki: Member of the Board of Directors

*Meeting attendance:* 14/15

*Fees in 2013:* EUR 24,000 of which some 80% paid in cash and some 20% in shares; a total of 1,239 free shares were assigned as fees

*Holdings in Raisio:* series K 364,940 and series V 141,200



**Pirkko Rantanen-Kervinen**

*Born:* 1949

*Place of residence:* Vantaa, Finland

*Education:* B.sc. (Econ.)

*Key employment history:* Turkistuottajat Oyj (later: Saga Furs Oyj) 2009-2010: Executive Advisor, 1991-2009: CEO, 1989-1991: Executive Vice President, 1987-1989: Director of Finance

*Board membership:* Member since 2010

*Other simultaneous positions of trust:* Finnvera Oyj: Member of the Board of Directors, LocalTapiola General Mutual Insurance Company: Member of the Supervisory Board, LähiTapiola Uusimaa Mutual Insurance Company: Chairman of the Board of Directors

*Meeting attendance:* 15/15

*Fees in 2013:* EUR 24,000, of which some 80% paid in cash and some 20% in shares, a total of 1,239 free shares were assigned as fees

*Holdings in Raisio:* series V 6,861

**Anssi Aapola** served as a Board member since November 2006 until his death on 6 July 2013.

## Supervisory Board 31 December 2013

MEMBER	DOMICILE (FINLAND)	MEMBER SINCE	END OF TERM
Paavo Myllymäki, Chairman, born 1958	Mietoinen	1998	2014
Holger Falck, Deputy Chairman, born 1957	Sipoo	2006	2015
Cay Blomberg, born 1947	Kemiö	2009	2015
Risto Ervelä, born 1950	Sauvo	1991	2016
Vesa Harjunmaa, born 1973	Huittinen	2011	2014
Mikael Holmberg, born 1961	Parainen	2012	2015
Markku Kiljala, born 1971	Reisjärvi	2012	2015
Timo Könttä, born 1968	Masku	2011	2014
Hans Langh, born 1949	Piikkiö	1990	2016
Pirkko Lönnqvist, staff representative, born 1955	Turku	2012	2015
Juha Marttila, born 1967	Simo	27.3.2013	2014
Jarmo Mäntyharju, born 1961	Oripää	2009	2015
Kari Niemistö, born 1962	Helsinki	2008	2014
Jyrki Nurmi, staff representative, born 1957	Turku	2008	2015
Yrjö Ojaniemi, born 1959	Lapua	2002	2014
Heikki Pohjala, born 1959	Harjavalta	2006	2015
Juha Salonen, born 1973	Kaarina	2010	2016
Jari Sankari, staff representative, born 1957	Piikkiö	2007	2015
Urban Silén, born 1959	Perniö	2003	2016
Mervi Soupas, born 1968	Sauvo	27.3.2013	2016
Hannu Tarkkonen, born 1950	Helsinki	2006	2014
Johan Taube, born 1950	Tammisaari	1987	2016

Arto Vuorela, born 1960	Pyhtää	2010	2016
Rita Wegelius, born 1960	Hattula	2006	2015
Tapio Ylitalo, born 1955	Turku	2006	2015

## Group Management Team 31 December 2013



### **Matti Rihko**

*Year of birth:* 1962

*Domicile:* Turku, Finland

*Education:* M.Sc. (Econ.), M.A. Psychology

*Occupation in Raisio:* Chief Executive Officer since 2006

*Principal employment history:* Raisio plc 2006-: Vice President, Ingredients Division; Altadis SA, Paris 2004-2006: Regional Director Europe; Altadis Finland Oy 1999-2004: General Manager

*Management Team membership:* Member since 2006

*Positions of trust:* Suomen Terveystalo Oy: Member of the Board of Directors; Turku Science Park Oy: Member of the Board of Directors; Turku Chamber of Commerce: Member of the Board of Directors; University of Turku: Chairman of the Board of Directors; Suomen Lääketieteen Säätiö: Member of the Supervisory Board



### **Sari Koivulehto-Mäkitalo**

*Year of birth:* 1974

*Domicile:* Masku, Finland

*Education:* Master of Laws

*Occupation in Raisio:* Vice President of Legal Affairs

*Principal employment history:* Raisio plc 2006-; Schering Oy 2001-2006: lawyer; Konecranes Plc 2000-2001: lawyer

*Management Team membership:* Member from 1 January 2013

*Positions of trust:* Turku Chamber of Commerce: Member of Law Committee



### **Mikko Laavainen**

*Year of birth:* 1973

*Domicile:* Kauniainen, Finland



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

*Occupation in Raisio:* Vice President, Licensed Brands unit

*Principal employment history:* Raisio plc 2006-, Danone/LU Finland Oy 2002-2005: marketing duties, Iittala Group Ltd 2000-2002: marketing duties, Unilever Finland Oy 1998-1999: marketing duties

*Management Team membership:* Member from 29 April 2013

*Positions of trust:* -



**Leif Liedes**

*Year of birth:* 1953

*Domicile:* Naantali, Finland

*Education:* Business College Graduate

*Occupation in Raisio:* Senior Advisor, Benemilk project

*Principal employment history:* Raisio plc 1978-

*Management Team membership:* Member since 2006

*Positions of trust:* Finnish Food and Drink Industries Federation: Chairman of Feed Industry Association



**Merja Lumme**

*Year of birth:* 1961

*Domicile:* Lieto, Finland

*Education:* Engineer, eMBA

*Occupation in Raisio:* Vice President, Human Resources

*Principal employment history:* Raisio plc 2003-; PerkinElmer/Wallac 1992-2003: Quality management, HR management and administration; Aimo Virtanen Oy 1991-1992, Saloplast Oy 1988-1992: Quality management.

*Management Team membership:* Member since 2003

*Positions of trust:* Fund of Turku Adult Education: Member of Delegation; Turku Chamber of Commerce: Deputy Chairman of Education and Labour Committee



**Jyrki Paappa**

*Year of birth:* 1965

*Domicile:* Naantali, Finland

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

*Occupation in Raisio:* Chief Financial Officer

*Principal employment history:* Raisio plc 1995-: Financial risk management and financial administration; Turku District Cooperative Bank 1989–1995: Finance expert

*Management Team membership:* Member since 2004

*Positions of trust:* Turku Chamber of Commerce: Deputy Chairman of Audit Committee



**Vincent Poujardieu**

*Year of birth:* 1967

*Domicile:* Brussels, Belgium

*Education:* Graduated EDHEC business school (Lille, France)

*Occupation in Raisio:* Vice President, Consumer Brands unit and Business Development

*Principal employment history:* Raisio plc 2007-; Altadis SA, Brussels 2000-2007: Regional Director Benelux and then North Europe; Altadis SA, Paris 1994-2000: Business Development Manager; French Embassy, Nicaragua 1992-1994: Commercial Adviser; Arthur Andersen, Lyon (France) 1989-1992: financial auditor

*Management Team membership:* Member since 2007

*Positions of trust:* -



**Jarmo Puputti**

*Year of birth:* 1965

*Domicile:* Nokia, Finland

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

*Occupation in Raisio:* Vice President, Raisioagro Division

*Principal employment history:* Raisio plc 2013-; Nokian Heavy Tyres Ltd. 2008-2013: Vice President and Managing Director;

Patria Weapon Systems Oy 2005-2008: Managing Director

Management Team membership: Member from 1 November 2013

*Positions of trust:* Lumilab Oy, Member of the Board of Directors



