Financial Statements Review

2013

Raisio plc

RAISIO

RAISIO EBIT CONTINUED TO IMPROVE

January-December 2013

- Group EBIT improved by almost 14% on the comparison year. EBIT excluding one-off items was EUR 39.3 million (EUR 34.6 million in 2012) accounting for 7.1% (5.9%) of net sales.
- Strong positive cash flow of EUR 71.8 million, Raisio is net debt free.
- Brands Division showed good profitability. EBIT excluding one-off items was 13.6% (11.3%) of net sales.
- Raisioagro generated positive EBIT: EUR 3.1 million (EUR -0.3 million excluding one-off items).
- Group net sales totalled EUR 557.6 million (EUR 584.1 million).
- Earnings per share, excluding one-off items, were EUR 0.20 (EUR 0.18).
- Dividend proposal EUR 0.13 (EUR 0.12) per share, the eighth consecutive year of growth.

October-December 2013

- Group EBIT improved by 26% on the comparison period. EBIT excluding one-off items was EUR 8.4 million (Q4/2012: EUR 6.6 million) accounting for 6.4% (4.8%) of net sales.
- Brands Division's EBIT excluding one-off items totalled 12.9% (10.0%) per cent of net sales.
- Raisioagro's EBIT was EUR -0.3 million (EUR -0.1 million excluding one-off items) due to the loss in the already finished production period of the oil milling business.
- Group net sales totalled EUR 131.2 million (EUR 137.5 million).

Raisio Group's key figures excluding one-off items

		Q4/ 2013	Q4/ 2012	Q3/ 2013	Q2/ 2013	Q1/ 2013	2013	2012
Results from continuing operations								
Net sales	M€	131.2	137.5	149.5	148.6	128.3	557.6	584.1
Change in net sales	%	-4.6	-0.9	-7.1	-1.3	-4.9	-4.5	5.7
EBIT	M€	8.4	6.6	12.0	11.0	8.0	39.3	34.6
EBIT	%	6.4	4.8	8.0	7.4	6.2	7.1	5.9
Depreciation and impairment	M€	3.7	4.1	3.7	3.7	3.9	14.9	16.6
EBITDA	M€	12.1	10.8	15.6	14.7	11.9	54.3	51.2
Net financial expenses	M€	-0.4	-0.4	-0.2	-0.8	-0.4	-1.8	-2.5
Earnings per share (EPS)	€	0.05	0.04	0.06	0.05	0.04	0.20	0.18
Balance sheet								
Equity ratio	%	-	-	-	-	-	68.2	64.1
Gearing	%	-	-	-	-	-	-8.6	4.9
Net interest-bearing debt	M€		-	-	-	-	-28.5	16.2
Equity per share	€	-	-	-	-	-	2.13	2.10
Dividend per share	€	-	-	-	-	-	0.13*	0.12
Gross investments**	M€	7.8	17.0	4.0	3.0	1.7	16.5	24.6
Share								
Market capitalisation***	M€	-	-	-	-	-	683.1	479.3
Enterprise value (EV)	M€	-	-	-	-	-	654.6	495.5
EV/EBITDA		-	-	-	-	-	12.1	9.7

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

Figures for the comparison period are given in brackets.
The financial statements review has not been audited.

CHIEF EXECUTIVE'S REVIEW OF 2013

"Raisio Group achieved record EBIT of almost 40 million euros in 2013. EBIT improved by about 14 per cent on the comparison year. Clear improvement in EBIT is 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 EUR 71.8 million. Raisio is a net debt free company despite our acquisitions of EUR 200 million made on a debt free basis during the growth phase. This gives us a good opportunity to continue the implementation of the growth phase in line with our strategy.

Last spring Raisio and Intellectual Ventures (IV) established a joint venture Benemilk Ltd whose operations have proceeded well as expected. Several patent applications related to the Benemilk® innovation have already been filed and further applications are under development. We have begun preliminary negotiations with potential Benemilk licensing partners.

When solving global challenges of the food and agriculture sector, Benemilk Ltd is shaping up to be a holding company widely combining IPR and technologies. The latest example of this is the patent application filed in the USA in late 2013 for an invention related to a new salmon feed, which Raisioagro is already using in its feeds for rainbow trout."

GROUP'S CONTINUOUS OPERATIONS

Financial reporting

Raisio Group reports on its performance in line with the continuing operations and all figures mentioned in this review are comparable. The Divisions that are reported in line with continuing operations include Brands and Raisioagro.

The Brands Division includes Consumer brands and Licensed brands units. In the text, Consumer brands unit is examined by key market areas that are Western Europe, Northern Europe and Eastern Europe. The non-dairy business that Raisio sold is included in the Northern European figures until 9 May 2013. Licensed brands unit includes Benecol business and a joint venture called Benemilk Ltd from 1 July 2013.

Raisioagro Division includes feeds, farming supplies, vegetable oils, grain trade and bioenergy.

Comparison figures in brackets refer to the corresponding date or period one year earlier unless otherwise stated.

FINANCIAL REVIEW OF OCTOBER-DECEMBER 2013

Operating environment

Raisioagro's new method for fatty acid optimisation for the final growth stage of rainbow trout received a lot of positive feedback in Finland. The invention enhances the production chain of farmed salmon while improving the business profitability as the use of expensive and limitedly available fish oil can be replaced with rapeseed oil. This almost halves the amount of fish oil used in fish feeds during the farming period. Moreover, the beneficial fatty acid composition of the fish can be maintained. The new invention is used in Raisioagro's product concept Hercules LP Opti, which has been received well by Finnish customers.

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 producers with an additional income of almost 14 million euros. Raisioagro maintained its leadership in the Finnish cattle feed market. Sales in dairy cattle feeds focused on highly processed products, such as Benemilk feeds.

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 were significant differences in sales development between the countries. Sales in Benecol products increased in Finland, Poland and Asia.

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 the UK, sales in consumer products continued to be price-driven. Raisio has decreased its promotional activity. This, together with media visibility related to sugar, affected sales of Raisio's breakfast cereals. Sales were up in confectionery.

Net sales

Raisio Group's net sales in October-December totalled EUR 131.2 (137.5) million. Net sales for the Brands Division totalled EUR 78.0 (76.5) million and for the Raisioagro Division EUR 53.4 (61.3) million. Net sales for other operations amounted to EUR 0.3 (0.5) million.

Result

Raisio Group's October-December EBIT was EUR 6.3 (4.5) and, excluding one-off items, 8.4 (6.6) million, which is 4.8 (3.2) and, excluding one-off items, 6.4 (4.8) per cent of net sales. EBIT for the Brands Division totalled EUR 7.9 (5.7) and, excluding one-off items, 10.0 (7.6) million, for Raisioagro EUR -0.3 (-0.5 and, excluding one-off items -0.1) million and for other operations EUR -1.4 (-0.8 and, excluding one-off items, -0.9) million. A one-off item of EUR 2.1 million, resulting from the costs related to the centralisation and streamlining of the confectionery operations, was recorded in the review period. In the comparison period, Raisio recorded a one-off item of EUR 2.2 million resulting from the costs related to the cooperation negotiations and acquisition of Candy Plus.

Depreciations and impairment, allocated to operations in the income statement, amounted to EUR 4.3 and, excluding one-off items, 3.7 (4.1) million.

The Group's net financial expenses in October-December totalled EUR -0.4 (-2.7 and, excluding one-off items, -0.4) million. In the comparison period, Raisio recorded a one-off item of EUR 2.3 million due to impairment for interest-bearing loan receivable.

The Group’s pre-tax result for October-December was EUR 5.9 (1.8) and, excluding one-off items, 8.0 (6.2) million.

The Group’s post-tax result for October-December totalled EUR 5.7 (1.9) and, excluding one-off items, 7.4 (5.4) million. The Group’s earnings per share for continuing operations in October-December were EUR 0.04 (0.01) and, excluding one-off items, 0.05 (0.03).

Investments

The Group's gross investments for October-December were EUR 7.8 (2.9 and, including acquisitions 17.0) million, which is 5.9 (2.1 and, excluding one-off items 12.3) per cent of net sales. Gross investments of the Brands Division totalled EUR 7.1 (1.4 and, including acquisitions 15.4) million, those of Raisioagro EUR 0.7 (1.0) million and those of other operations EUR 0.1 (0.5) million.

The largest investments of the review period were related to the streamlining and centralisation processes of Western European snack and confectionery activities. Through these investments, Raisio will be able to increase capabilities, capacities and to improve the quality level, both technically and operationally.

Brands Division

In the last quarter of 2013, net sales for the Brands Division slightly increased from the comparison period totalling EUR 78.0 (76.5) million. The most significant net sales growth was shown by Candy Plus. Net sales for the comparison period included the sale of non-dairy products and until 16 October 2012, the intermediary sale of Bunge margarines in Finland and Sweden.

EBIT for the Brands Division amounted to EUR 7.9 (5.7) and, excluding one-off items, 10.0 (7.6) million, which is 10.2 (7.5) and, excluding one-off items, 12.9 (10.0) per cent of net sales. A one-off item of EUR 2.1 million, resulting from the costs related to the centralisation and streamlining of the confectionery operations, was recorded in the review period. A one-off item of EUR 1.9 million, resulting from the costs related to the cooperation negotiations and the Candy Plus acquisition, was recorded in the comparison period EBIT. EBIT improved in all market areas of Consumer brands unit in the review period. The most significant EBIT improvements were shown by Benecol and Northern European operations.

Business operations

In the Western European markets, sales in breakfast cereals in the UK were significantly lower than in the comparison period. Centralisation of the snack bar production to the Newport factory in Wales proceeded as planned. After the production transfer of the Tywyn factory, the Newport snack bar factory is one of the largest in Europe. It has been challenging to carry out a considerable extension project in the factory in full operation. The extension has proceeded well but it has, however, undermined efficiency, flexibility and service level.

Sales in Raisio's confectionery increased. Most of the growth was delivered by Czech Candy Plus acquired in November 2012. Sales growth in the UK was focused on the increased sales volume of retailers' private label products. Raisio launched new products in the UK under the brands Fox's and Poppets. As a result of streamlining measures, the Skegness confectionery factory is in the process of being closed and the production is being transferred to the Leicester and Rohatec factories.

The streamlining process and product portfolio renewal were completed in the Northern European Consumer brands unit whose profitability improved considerably. In the autumn, we launched successfully our new blueberry Benecol minidrink that rose to the most sold Benecol minidrink in the last quarter of 2013. It increased sales for the whole segment in Finland. In addition, retail sale of Elovena products continued its good growth and profitability of HoReCa sales improved with our product portfolio focus.

In the Eastern European markets, demand for Raisio's high-quality branded oat-based products remained at a good level in Russia and Ukraine. Benecol margarine sales increased particularly well in Poland.

Sales in Benecol products increased from the comparison period in Finland, Poland and Indonesia. Sales in the largest market of Benecol products were lower than in the comparison period.

Raisioagro Division

In the last quarter of 2013, Raisioagro's net sales declined from the comparison period totalling EUR 53.4 (61.3) million. Net sales declined due to many factors: the impact of lower grain raw material prices on feed prices, decreased sales volume in pig and poultry feeds and net sales of the oil milling industry that almost halved.

EBIT was EUR -0.3 (-0.5 and, excluding one-off items -0.1) million. Losses in the oil milling industry's production period in late autumn made the EBIT negative for the whole Division. EBIT for feeds and farming supplies improved from the comparison period. A one-off item of EUR 0.4 million, resulting from the costs related to the cooperation negotiations in the vegetable oil factory, was recorded in Raisioagro's comparison period EBIT.

<u>Business operations</u>

Due to warm weather, fish feed season continued late into the autumn, and both sales in Finland and export were up from the comparison period. Sales in Raisioagro's cattle feeds were at the comparison period's level but focused on the feeds of higher processing level. In the last quarter, sales in Benemilk feeds increased significantly from the comparison period due to Raisioagro's feeding tour and Benemilk campaign.

In line with its new strategy, Raisioagro has systematically increased its share not only in feeds but also in other farming supplies. Sales in fertilisers and fuel oils increased from the comparison period. Online store has established its position as a reliable and competitive market place for feeds and other farming supplies.

In line with its decision, Raisio interrupted the production period of its vegetable oil factory and laid off the personnel in January 2014.

BOARD OF DIRECTORS' REPORT FOR 2013

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 have been successfully completed and the unit's profitability has significantly improved. At the moment, the focus of improvement is on the UK's unit of cereals and snacks. In addition to the production transfers, we are also looking for solutions to external pressures raised by sugar levels of cereals through internal organisational changes and stronger branding expertise.

In food production, improved efficiency and product safety 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. Our new fish feed concept Hercules LP Opti enhances the production chain of salmon while improving the profitability of fish farming in a sustainable way.

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.

Net sales

Raisio Group's 2013 net sales totalled EUR 557.6 (584.1) million. Net sales of the Brands Division were EUR 304.7 (329.5) million, those of Raisioagro Division EUR 254.2 (255.7) million and those of other operations EUR 1.3 (2.0) million. Net sales were reduced because of the company's divestments and focus on its core business. In the UK, net sales for breakfast cereals decreased due to low promotional levels and negative publicity related to sugar.

The Brands Division accounted for some 54 per cent and Raisioagro for some 46 per cent of the Group's net sales. Net sales from outside Finland represented 49.1 (49.3) per cent of the Group's total, amounting to EUR 273.9 (288.0) million.

Result

Raisio Group's 2013 EBIT amounted to EUR 33.6 (31.7) and, excluding one-off items, 39.3 (34.6) million, which is 6.0 (5.4) and, excluding one-off items, 7.1 (5.9) per cent of net sales. 2013 EBIT included a one-off item of EUR 5.7 million mainly resulting from expenses related to the divestments as well as to the streamlining and centralisation processes in the Western European snack and confectionery operations. Group's comparison period EBIT includes a one-off item of EUR 2.9 million resulting from expenses related to the cooperation negotiations and acquisition.

EBIT for the Brands Division totalled EUR 35.7 (34.9) and, excluding one-off items, 41.4 (37.4) million, for Raisioagro EUR 3.1 (-0.7 and, excluding one-off items -0.3) million and for other operations EUR -5.1 (-2.5) million.

Depreciations and impairment, allocated to operations in the income statement, amounted to EUR 15.5 and, excluding one-off items, 14.9 (16.6) million.

The Group's net financial expenses totalled EUR -1.8 (-16.0 and, excluding one-off items, -2.5) million. Financial items of the comparison year include one-off items of EUR -13.5 million, of which EUR -11.2 million resulted from the difference between the confirmed purchase price of Raisio UK Ltd's non-controlling interest and the estimated purchase price previously recorded in the balance sheet. Moreover, a total of EUR 2.3 million was also recorded in impairment for interest-bearing loan receivable in the comparison year.

The pre-tax result was EUR 31.8 (15.6) and, excluding one-off items, 37.6 (32.0) million.

The Group's post-tax result was EUR 25.9 (11.7) and, excluding one-off items, 30.2 (27.0) million. The Group's earnings per share for continuing operations were EUR 0.17 (0.08) and, excluding one-off items, 0.20 (0.18).

Balance sheet, cash flow and financing

On 31 December 2013, Raisio Group's balance sheet totalled EUR 491.2 (517.6) million. Shareholders' equity was EUR 331.7 (327.3) million, while equity per share was EUR 2.13 (2.10).

On 31 December 2013, the Group's interest-bearing financial liabilities were EUR 55.4 (78.0) million. Net interest-bearing debt was EUR -28.5 (16.2) million.

On 31 December 2013, the Group's equity ratio totalled 68.2 (64.1) per cent and net gearing was -8.6 (4.9) per cent. Return on investment was 8.6 (4.5) and, excluding one-off items, 10.0 (8.3) per cent.

Cash flow from business operations was EUR 71.8 (20.9) million. Working capital was EUR 52.8 (84.9) million on 31 December 2013.Working capital of EUR 32 million was released mainly from inventories and accounts receivables.

In 2013, Raisio plc paid EUR 19.2 (17.6) million in dividends for 2012.

Investments

The Group's gross investments totalled EUR 16.5 (24.6 and, excluding acquisitions, 10.5) million. Gross investments of the Brands Division were EUR 13.4 (21.2 and, excluding acquisitions, 7.2) million, those of Raisioagro EUR 2.3 (2.0) million and those of other operations EUR 1.0 (1.4) million.

The largest investments of 2013 were related to the streamlining and centralisation of the Western European snack and confectionery operations. Snack bar production in the UK was centralised to the Newport factory. Production lines of the closed factory were put into operation in January 2014. Furthermore, confectionery production will be centralised to Leicester factory in the UK and to Rohatec factory in the Czech Republic. Production is estimated to start in the new locations in the second and third quarters of 2014.

Acquisitions and divestments

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. A one-off item of EUR 0.6 million, resulting from write-downs and charges of the non-dairy business divestment, has been recorded in the Brands Division’s second-quarter EBIT.

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, Raisio has enhanced the delivery chain of plant stanol ester, a Benecol product ingredient.

Disputes

In 2013, Raisio initiated arbitration proceedings related to the termination of a contractual relationship with a foreign company. The counterparty made a counterclaim to be dealt with in the same arbitral proceedings. Raisio regards the claim for damages entirely unfounded and has recorded no reserve due to it.

Research and development

The Group's research and development expenses were EUR 6.3 (6.9) million accounting for 1.1 (1.2) per cent of net sales. Gross investments of the Brands Division were EUR 4.9 (5.7) million, those of Raisioagro EUR 0.5 (1.0) million and those of other operations EUR 0.9 (0.2) million. Benemilk related development costs of EUR 0.3 million have been capitalised on the balance sheet.

Raisioagro’s research activities focused on the efficacy verification of the Benemilk® feed innovation by both Finnish and international scientific studies in various animal breeds and feeding models. In addition, new Benemilk products were developed and launched in Finland so that the product line now includes an alternative for all the most commonly used feeding models in Finland.

In R&D of the Benecol business, new health claim applications and particularly regulation processes in the Asian markets were in our focus. Positive decisions were achieved with the latter.

R&D in foods focused on the development of healthy and ecological snacks. To meet customers’ needs, it is possible to add real fruit juices and other natural raw materials in confectionery.

SEGMENT INFORMATION

BRANDS DIVISION

Raisio’s Brands Division has been divided into two units: Consumer brands and Licensed brands. Consumer brands unit includes all food operations in the Western, Northern and Eastern European market areas. Licensed brands unit includes Benecol and the joint venture Benemilk Ltd.

		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

Net sales

Net sales for the Brands Division totalled EUR 304.7 (329.5) million. Net sales for Consumer brands unit were EUR 271.4 (286.1) million. Net sales for Licensed brands unit amounted to EUR 41.3 (45.0) million. The UK is the largest single market of the Brands Division accounting for more than 40 per cent of the whole Division's net sales.

Net sales for the Western European confectionery business increased from the comparison year particularly due to the acquisition of Czech Candy Plus. Net sales for Raisio’s confectionery business were almost EUR 100 million. Consumers and international customers appreciate Raisio’s expertise and ability to develop new products.

Sales in snack bars showed good sales development in the UK. Instead, sales fell in Raisio’s own breakfast and snack brands. The most significant factors behind this were the price increases in breakfast cereals, low promotional levels and external pressure on sugar.

In the Northern European operations, grocery trade sales declined from 2012 due to the finished cooperation in the distribution of Bunge’s margarines in late 2012, the divestment of non-dairy business in May 2013 and product discontinuations resulting from the product portfolio renewal. At the same time, Northern European operations showed increased sales in our major consumer brands, Elovena and Benecol. Profitability of the operations improved significantly.

In Poland, net sales were up as the sale of Benecol margarines were transferred back to Raisio at the end of 2012. Net sales grew also in Russia.

Net sales of the Benecol business were down due to decreased sales and market share in the biggest market of Benecol products, resulting from the changes carried out by Raisio’s main licensing partner, as well as decreased sales volume in contract manufacturing due to the divestment of the US-based esterification plant.

Result

In 2013, EBIT for the Brands Division amounted to EUR 35.7 (34.9) and, excluding one-off items, 41.4 (37.4) million, which is 11.7 (10.6) and, excluding one-off items, 13.6 (11.3) per cent of net sales. 2013 EBIT included a one-off item of EUR 5.7 million mainly resulting from the expenses related to the divestments and the streamlining of the Western European snack and confectionery operations.

EBIT for the Western European confectionery business improved as a result of the Candy Plus acquisition and well-developed sales. On the other hand, EBIT of our cereal business was down due to decreased sales volume of breakfast products in the UK.

EBIT for Northern European operations improved because of good sales growth particularly in Elovena and Benecol brands. In addition, the reorganisation and elimination of low-profit products from the portfolio were factors that significantly contributed to the improved EBIT.

EBIT for the Eastern European operations was considerably improved through increased sales in Benecol margarines in Poland.

EBIT for the Benecol business declined due to decreased sales volume of plant stanol ester and contract manufacturing. Fixed costs were reduced. Sales developed positively particularly in Asia, the most important growth area of Benecol products. EBIT for the Benecol business remains at its ordinary good level.

Consumer brands

<u>Western Europe</u>

Confectionery

Candy Plus, acquired from the Czech Republic in November 2012, has been integrated into Raisio's Western European confectionery business. In 2013, consumer demand for confectionery remained stable in Raisio's key market areas. Sales developed particularly well in soft gums. Instead of extensive launches of new products, Raisio focused on the expansion of packaging alternatives as well as on the pricing and promotional mechanism development. 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.

Raisio's own branded products account for more than a quarter of the company's confectionery sales, the rest includes own label products and production for other confectionery operators. Raisio's best-known confectionery brands are Fox's Glacier, Juicee Gummee and Poppets.

In connection of the Candy Plus acquisition, Raisio invested in a new production line for extruted soft candies in the Rohatec factory. Demand for the confectionery made on the new line has met the expectations. Raisio believes that the demand for this type of candies will continue to grow.

At the end of October, after extensive studies and negotiations, Raisio decided to transfer the majority of the confectionery production of the UK-based Skegness factory to another UK factory in Leicester and also to the Rohatec factory in the Czech Republic. The confectionery production should end at the Skegness factory by the end of March 2014. The employees have been offered work at Raisio's other UK factories. Annual savings from the production centralisation are estimated to average two million euros. Production is scheduled to begin at new sites in the second half of 2014.

Cereals and snacks

Due to low consumer demand in the UK and increasing competition on prices, Raisio's sales in breakfast cereals clearly declined from the comparison year. Promotional level in total markets of cereals remained high. In retail, Raisio carried out price increases in Honey Monster products and our promotional level for the whole year was lower than before. The company has taken steps to correct the situation.

In August 2013, as part of its streamlining efforts, Raisio decided to transfer the snack bar production to the Newport factory in South Wales. Annual cost savings are expected to average EUR 1.4 million. The production transfer has been completed and the production in Newport is expected to get up to speed during the first quarter of 2014.

Sales in snack bars developed well in 2013. Particularly good sales were seen in products made under our partners' brands. Extensive investment in the Newport factory will increase production capacity and improve growth potential significantly.

More than half of Raisio's range of cereals and snacks is our own branded products, of which Honey Monster is the largest. Other well-known brands are Harvest Cheweee and Dormen. Weigthwatchers is the best-known among the licensed brands. Raisio is a major producer of retailers' branded products as well as snack bars sold under the partners' brands.

Northern Europe

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. As a result of the programme, Raisio's business conditions and profitability improved significantly.

In Finland, strong sales growth continued in consumers' favourite Elovena breakfast and snack products and in cholesterol-lowering Benecol products. Particularly good sales growth was shown by Elovena Hetki instant porridges and by Elovena snack biscuits and drinks. Elovena was awarded as the Brand Builder of the Year in September 2013 by the Association of Finnish Advertisers.

As the product portfolio was renewed, several dozen of small and low-margin products were removed from the range. In the spring, Raisio sold its non-dairy business to Norwegian Kavli. In Sweden and the Baltic Countries, Raisio moved into an effective distributor model.

Extremely tight 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 led to improved price competitiveness, which in turn increased the order intake.

Eastern Europe

As expected, 2013 was good in Poland, Russia and Ukraine. Flakes sold under the Nordic brand showed steady growth in Russia and Ukraine.

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. In Poland, the Benecol margarine sale was successfully returned to Raisio in 2013. Raisio is a market leader in cholesterol-lowering functional margarines even though the competition in Poland has intensified with the entry of a new operator.

Licensed brands

Benecol

Raisio sold its US-based esterification plant in spring 2013 and streamlined the production chain of plant stanol ester. Benecol products were launched in Hong Kong in September. In Hong Kong, we have a new business model in use; Raisio itself and a local distributor are jointly responsible for the business and its development. 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.

Europe remains the largest market area for Benecol products. The fastest sales growth, however, was seen in the new markets of South America and Asia. Market conditions remained challenging in some European markets due to the increased share of private label products and intensified price competition, among other things. Raisio's biggest Benecol partner lost market share in the largest market for Benecol products due to their changes completed.

There were still significant differences between the countries in the sales development of Benecol products. Benecol partners' activity in marketing and advertising resulted mainly in good sales development. For two consecutive years, Benecol brand has been elected the most trusted functional food brand in Finland in the survey of the Reader's Digest Magazine.

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 strengthen the patent protection of Benemilk and to internationally commercialise the invention.

At the end of July 2013, Benemilk Ltd had filed a total of 10 new international patent applications related to the Benemilk innovation. Some of the applications were for new inventions and all related to the Benemilk innovation. The process of Benecol patent applications is progressing as planned. 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.

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.

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. 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 fish oil can be significantly reduced.

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

RAISIOAGRO DIVISION

Raisioagro Division includes feeds, grain trade, vegetable oils, farming supplies and bioenergy.

		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

Net sales

Raisioagro’s net sales totalled EUR 254.2 (255.7) million. Net sales for fish feeds increased by about 20 per cent. Net sales for cattle, pig and poultry feeds decreased slightly. Net sales for farming supplies increased by about 40 per cent. Net sales for oil milling industry halved from the comparison period due to the adjustment measures carried out. Price competition in feeds intensified as a result of the excess capacity in feed production.

Feeds and farming supplies account for 87 per cent of Raisioagro’s net sales. Nearly 90 per cent of Raisioagro’s net sales are from Finland. Russia is the largest export market of fish and farm feeds.

Result

Raisioagro’s EBIT was EUR 3.1 (-0.7 and, excluding one-off items -0.3) million. EBIT for feeds and other farming supplies improved significantly on the comparison year. Measures carried out to improve cost-effectiveness, expansion of the product range and adjustments in the oil milling industry also contributed to the improvement. Despite the adjustments, the full-year EBIT in the oil milling industry was clearly negative. In the comparison year, Raisioagro recorded a one-off item of EUR 0.4 million resulting from the costs related to the employee cooperation negotiations.

Intensified competition increases the need to examine the profitability of Raisioagro's different activities to ensure profitable business and growth.

Business operations

Farm feeds

In 2013, Raisioagro established and strengthened its position in the Finnish market for agricultural products as the company became more recognised. Total volume in Raisioagro's feed sales was at the previous year's level and sales focused on the products with a higher degree of processing, such as Benemilk.

In Finland, the number of livestock farms further decreased due to the structural change in agriculture. Increased production on the farms still continuing compensate for the missing production of quitting farms. Total production of milk, poultry, pork and eggs increased.

Consumer demand for milk remained good, which was also seen in higher producer prices. With proper feed choices and good feeding planning, it is possible to increase cows' milk yields.

In poultry, market conditions remained positive. Particularly broiler meat production increased; its consumption rose by about four per cent in the review period. Profitability of pork production remained weak in Finland although producer prices were up in early 2013. Total pork production increased slightly from the previous year. On pig and poultry farms, Raisioagro's operations are based on feeding expertise, which is increasingly important because of the sector restructuring.

Benemilk

In milk products, demand has grown and prices have increased globally. This supports all measures and inventions that help enhance the efficiency of milk production both in Finland and internationally. Raisioagro systematically continues its work to promote Benemilk products in Finland. Benemilk Ltd is responsible for the international commercialisation of the innovation.

Benemilk feeds were launched in Finland at the beginning of 2013. In the lauch stage, Benemilk product line included four products. The second phase of the launch was carried out last autumn; the product range was expanded and Raisioagro organised a tour of seminars. Now Benemilk range includes right feeds for all the most common feeding models used in Finland.

As Benemilk achieved a market share of about 10 per cent in the Finnish dairy cattle feeds, an immediate increase of 1.4 per cent was seen in the milk average yield in spring 2013. This has provided the farmers with additional income of some 14 million euros. Good silage crop is of course important. However, similar growth in milk production has not been seen in 10 years although there have been years of good silage crops.

Fish feeds

Sales in Raisioagro's fish feeds increased due to our 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.

Raisioagro is a major operator in Northwest Russia, the company's key export market. 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 fish feeds produced by Raisioagro are exported.

Raisioagro's new concept Hercules LP OPTI combines a new invention and environmental issues. Hercules LP was launched already in 2009 and it was the first in the world to use phytase enzyme in the feed for big rainbow trout. Due to the enzyme, the phosphorus load of waterways is reduced by 26%. The new Opti feed has been developed for the final growth stage of salmon to ensure the optimal amount of beneficial EPA and DHA fatty acids naturally found in the fish.

Farming supplies and online store

Range of farming supplies sold by Raisioagro has been extended every year. Raisioagro's market position strengthened in all product groups of farming supplies trade while the total market in Finland remained at previous year's level.

In fertilisers, Raisio's main partner is Yara and in fuel oils, Neste Oil. Raisio will also include Neste Oil's lubricants in its range, in addition to the fuel oils that tripled sales from the comparison year.

Raisioagro's online store has also significantly increased sales of farming supplies. We aim to provide our customers with a comprehensive range of feeds and other farming supplies from one place at competitive prices.

Vegetable oils

In early 2013, Raisio adjusted its oil milling industry to the market situation and made investments in production efficiency and flexibility. However, these measures were not sufficient to secure profitable business in the changed situation. In Finland, oil plants are not sufficiently cultivated to meet the needs of Finnish industry, and the crushing of imported seed is not economically viable.

At the end of September 2013, Raisio started employee co-operation negotiations to re-evaluate operational possibilities in the oil milling industry. The negotiations resulted in the interruption of operations. Raisio left the door open in the issue of oil seed crushing, but laid off all factory employees in January 2014 until further notice. The decision concerns 15 employees.

EU's decision to ban the use of neonicotinoids further weakens the availability of Finnish seed, especially if the decision is permanent. As for the next harvest season, farmers' willingness to grow oilseed crops is not yet known. Potential agricultural subsidy solutions supporting the Finnish oilseed cultivation are very important for the future of the business.

Grains

Grain and protein raw material prices remained quite high during the first half of 2013. Good crops of the new season both in Finland and abroad resulted in the decrease of raw material prices. Volatility in grain raw material prices is expected to continue.

99% of the grain Raisio uses in Finland is Finnish. The company purchases the most part of the grain from its contract farmers. 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.

Corporate responsibility

As a significant user of grain and other plant-based raw materials, Raisio has willingness and ability to build 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.

Interest in origin was a major responsibility trend worldwide in 2013. This also affected Raisio as our stakeholders showed increased interest in the issue. So, in many projects, Raisio paid attention to the environmental impacts of primary production.

Benemilk feeds were launched in Finland at the beginning of 2013. Cows can use the energy of Benemilk feeds more efficiently, which reduces the environmental impacts of milk production.

In spring 2013, Raisio started the use of genetically modified soy as an alternative raw material for poultry and pig feeds. Raisio's range still include both GMO-free and organic feeds.
All Raisioagro's cattle and fish feeds are completely GMO-free.

Raisioagro's contest Huippufarmari haussa (Raisio's Next Top Farmer) was the first Finnish crop contest that takes environmental impacts into account. The yields of the best farms were twice as high as the national average.

Raisio develops ecological, healthy products and solutions to meet consumer and customer needs. In our production, we emphasise sustainable use of natural resources.The company is not aware of any significant financial environmental risks.

Raisio's Corporate Responsibility Report will be published with the Annual Report in week 11.

Management and administration

<u>Board of Directors and Supervisory Board</u>

The number of members of the Board of Directors has been confirmed to be five but since July 2013, the Board has worked with four members. The members are Matti Perkonoja (Chairman), Michael Ramm-Schmidt (Deputy Chairman), Erkki Haavisto and Pirkko Rantanen-Kervinen.
Anssi Aapola served as a Board member since November 2006 until his death on 6 July 2013.
All Board members are independent of the company and significant shareholders.

Simo Palokangas served as Chairman of the Board since November 2006 until 27 March 2013.
On the basis of the Articles of Association, he was not eligible to be a Board member for the following term. Matti Perkonoja was elected Chairman of the Board as from 27 March 2013.

Supervisory Board was chaired by Michael Hornborg until 27 March 2013. After this, Deputy Chairman Holger Falck served as the Chairman until 28 May 2013 when the Supervisory Board elected Paavo Myllymäki as its Chairman.

Group Management Team

Vincent Poujardieu started as Vice President of Raisio's Consumer brands unit on 29 April 2013. Consumer brands unit includes Raisio's food operations in Western, Northern and Eastern Europe. Poujardieu will also continue as the Group's Management Team member and Vice President of Business Development. Earlier Poujardieu was responsible for Raisio's Licensed brands unit.

Mikko Laavainen started as Vice President of the Licensed brands unit on 29 April 2013. He also became a member of the Group's Management Team. In addition to Benecol, Licensed brands unit includes Benemilk Ltd. Previously Laavainen worked as COO of the Benecol business.

Jarmo Puputti started as Raisioagro Ltd's Managing Director and member of the Raisio Group's Management Team on 1 November 2013.

Raisioagro Ltd's long-time Managing Director Leif Liedes started as Senior Advisor in the Benemilk project on 1 November 2013. He continues as a member of the Group's Management Team.

CEO Matti Rihko, CFO Jyrki Paappa, Vice President of HR Merja Lumme and Vice President of Legal Affairs Sari Koivulehto-Mäkitalo continue to serve as Group Management Team members. Sari Koivulehto-Mäkitalo also serves as a Management Team secretary.

Personnel

At the end of 2013, Raisio's continuing operations employed 1,896 (31 December 2012: 1,885) people. The average number of employees was 1,946 (1,587). At the end of 2013, a total of 79 (78) per cent of personnel worked outside Finland.

The Brands Division had 1,667 (1,643), Raisioagro 176 (184) and the service functions 53 (58) employees at the end of 2013. Most of Raisio people work in the UK.

Raisio's wages and fees from continuing operations in 2013 totalled EUR 64.7 million (EUR 65.7 million in 2012 and EUR 62.0 million in 2011) including other personnel expenses.

Risks and sources of uncertainty in the near future

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. Slow 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.

Outlook 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.

Board of Directors' proposal for the distribution of profits

The parent company's distributable equity was EUR 161,401,885.58 on 31 December 2013. At the Annual General Meeting held on 27 March 2014, the Board of Directors will propose a dividend of EUR 0.13 per share, not, however, on the shares held by the Company.

The record date will be 1 April 2014 and the payment date 8 April 2014.

In Raisio, 13 February 2014

Raisio plc
Board of Directors

Further information:

Matti Rihko, CEO, tel. +358 400 830 727
Jyrki Paappa, CFO, tel. +358 50 556 6512
Heidi Hirvonen, Communications and IR Manager, tel. +358 50 567 3060

Event in Finnish for analysts and media will be arranged in Helsinki on 13 February 2014 starting at 2.00 p.m. Finnish time. It will be held at Hotel Scandic Simonkenttä.
The address is Simonkatu 9, Helsinki.

Chief Executive's video on 2013 in English will be published on Raisio's web site at www.raisio.com.

Release dates of Raisio's financial reviews in 2014

- Corporate Governance Statement 2013 and Remuneration Statement 2013 will be published in week 10
- Raisio's Annual Report 2013 will be released online during the week 11 at http://annualreport2013.raisio.com. Raisio's Corporate Responsibility Report is part of the online Annual Report.
- The Annual General Meeting will be held on 27 March 2014.
- Interim Report for January-March will be published on 8 May 2014.
- Interim Report for January-June will be published on 12 August 2014.
- Interim Report for January-September will be published on 4 November 2014.

CONDENSED FINANCIAL STATEMENTS AND NOTES

INCOME STATEMENT (M€)

	10-12/2013	10-12/2012	2013	2012
CONTINUING OPERATIONS:				
Net sales	131.2	137.5	557.6	584.1
Expenses corresponding to products sold	-107.3	-115.7	-456.8	-488.8
Gross profit	23.9	21.8	100.8	95.2
Other operating income and expenses, net	-17.6	-17.3	-67.2	-63.6
EBIT	6.3	4.5	33.6	31.7
Financial income	0.2	0.2	1.0	1.9
Financial expenses	-0.6	-2.8	-2.8	-17.9
Share of result of associates and joint ventures	0.0	0.0	0.0	-0.1
Result before taxes	5.9	1.8	31.8	15.6
Income taxes	-0.1	0.1	-6.0	-4.0
RESULT FOR THE PERIOD	5.7	1.9	25.9	11.7
Attributable to:				
Equity holders of the parent company	5.8	1.9	26.2	12.0
Non-controlling interests	-0.1	-0.1	-0.3	-0.3
Earnings per share from the profit attributable to equity holders of the parent company (€)				
Undiluted earnings per share	0.04	0.01	0.17	0.08
Diluted earnings per share	0.04	0.01	0.17	0.08

COMPREHENSIVE INCOME STATEMENT (M€)

	10-12/2013	10-12/2012	2013	2012
Result for the period	5.7	1.9	25.9	11.7
Other comprehensive income items after taxes				
Items that may be subsequently transferred to profit or loss				
Hedging of net investments	0.0	0.0	0.0	-0.5
Available-for-sale financial assets	0.1	0.0	0.1	0.0
Cash flow hedge	0.0	0.1	0.4	0.1
Translation differences	-1.1	-1.7	-3.6	1.4
Comprehensive income for the period	4.7	0.2	22.8	12.7
Components of comprehensive income:				
Equity holders of the parent company	4.8	0.3	23.1	13.0
Non-controlling interests	-0.1	-0.1	-0.3	-0.3

BALANCE SHEET (M€)

	31.12.2013	31.12.2012
ASSETS		
Non-current assets		
Intangible assets	41.3	39.7
Goodwill	108.5	111.2
Property, plant and equipment	114.5	123.4
Shares in associates and joint ventures	0.8	0.7
Available-for-sale financial assets	2.6	2.3
Receivables	0.1	0.2
Deferred tax assets	2.2	2.4
Total non-current assets	269.9	279.9
Current assets		
Inventories	70.9	92.7
Accounts receivables and other receivables	66.5	82.0
Financial assets at fair value through profit or loss	73.6	56.3
Cash in hand and at banks	10.3	6.8
Total current assets	221.3	237.7
Total assets	491.2	517.6
SHAREHOLDER'S EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent company		
Share capital	27.8	27.8
Company shares	-20.4	-20.5
Other equity attributable to equity holders of the parent company	323.3	319.0
Equity attributable to equity holders of the parent company	330.6	326.3
Non-controlling interests	1.1	1.0
Total shareholder's equity	331.7	327.3
Non-current liabilities		
Deferred tax liabilities	12.6	14.1
Pension contributions	0.0	0.2
Provisions	0.2	0.2
Non-current financial liabilities	34.2	55.5
Derivative contracts	0.9	1.7
Other non-current liabilities	0.1	0.1
Total non-current liabilities	48.0	71.8
Current liabilities		
Accounts payable and other liabilities	88.2	95.6
Provisions	1.2	0.0
Derivative contracts	0.9	0.3
Current financial liabilities	21.1	22.6
Total current liabilities	111.4	118.5
Total liabilities	159.5	190.3
Total shareholder's equity and liabilities	491.2	517.6

CHANGES IN GROUP EQUITY (M€)

	Share capital	Share premium reserve	Re-serve fund	Com-pany shares	Trans-lation diffe-rences	Other re-serves	Re-tained ear-nings	Total	Non-con-trolling interests	Total equity
Equity on 31.12.2011	27.8	2.9	88.6	-19.5	-0.7	0.2	232.5	331.7	1.1	332.9
Comprehensive income for the period										
Result for the period	-	-	-	-	-	-	12.0	12.0	-0.3	11.7
Other comprehensive income items (adusted for tax effects)										
Hedging of net investment	-	-	-	-	-0.5	-	-	-0.5	-	-0.5
Financial assets available for sale	-	-	-	-	-	0.0	-	0.0	-	0.0
Cash flow hedge	-	-	-	-	-	0.1	-	0.1	-	0.1
Translation differences	-	-	-	-	1.4	-	-	1.4	-	1.4
Total comprehensive income for the period	0.0	0.0	0.0	0.0	0.9	0.1	12.0	13.0	-0.3	12.7
Business activities involving shareholders										
Dividends	-	-	-	-	-	-	-17.6	-17.6	0.5	-17.1
Unclaimed dividends							0.1	0.1		0.1
Repurchase of company shares	-	-	-	-1.0	-	-	-	-1.0	-	-1.0
The share acquired from the non-controlling interest	-	-	-	-	-	-	0.0	0.0	-0.3	-0.3
Share-based payment	-	-	-	0.0	-	-	0.0	0.1	-	0.1
Total business activities involving shareholders	0.0	0.0	0.0	-1.0	0.0	0.0	-17.4	-18.4	0.2	-18.2
Equity on 31.12.2012	27.8	2.9	88.6	-20.5	0.2	0.2	227.0	326.3	1.0	327.3
Comprehensive income for the period										
Result for the period	-	-	-	-	-	-	26.2	26.2	-0.3	25.9
Other comprehensive income items (adusted for tax effects)										
Available-for-sale financial assets	-	-	-	-	-	0.1	-	0.1	-	0.1
Cash flow hedge	-	-	-	-	-	0.4	-	0.4	-	0.4
Translation differences	-	-	-	-	-3.6	-	-	-3.6	-	-3.6
Total comprehensive income for the period	0.0	0.0	0.0	0.0	-3.6	0.5	26.2	23.1	-0.3	22.8
Business activities involving shareholders										
Dividends	-	-	-	-	-	-	-19.1	-19.1	0.4	-18.6
Unclaimed dividends	-	-	-	-	-	-	0.1	0.1	-	0.1
The share acquired from the non-controlling interest	-	-	-	-	-	-	-	0.0	0.0	0.0
Share-based payment	-	-	-	0.0	-	-	0.2	0.2	-	0.2
Total business activities involving shareholders	0.0	0.0	0.0	0.0	0.0	0.0	-18.8	-18.8	0.4	-18.3
Equity on 31.12.2013	27.8	2.9	88.6	-20.4	-3.4	0.7	234.5	330.6	1.1	331.7

CASH FLOW STATEMENT (M€)

	2013	2012
Result before taxes	31.8	15.6
Adjustments	19.4	33.0
Cash flow before change in working capital	51.2	48.6
Change in accounts receivables and other receivables	13.3	-4.6
Change in inventories	21.0	-8.3
Change in current non-interest-bearing liabilities	-7.3	-4.7
Total change in working capital	27.0	-17.7
Financial items and taxes	-6.4	-10.0
Cash flow from business operations	71.8	20.9
Investments in fixed assets	-15.0	-10.0
Acquisition of subsidiaries	0.0	-46.2
Proceeds from sale of fixed assets	5.6	0.1
Investments on marketable securities	-0.3	-0.1
Sales of securities	0.0	0.2
Loans granted	0.0	-0.8
Repayment of loan receivables	0.1	0.2
Cash flow from investments	-9.5	-56.6
Change in non-current loans	-21.9	-23.2
Change in current loans	0.1	-2.0
Repurchase of company shares	0.0	-1.0
Dividend paid to equity holders of the parent company	-18.5	-17.0
Cash flow from financial operations	-40.3	-43.2
Change in liquid funds	22.0	-78.9
Liquid funds at the beginning of the period	61.9	140.5
Effects of changes in foreign exchange rates	0.0	0.7
Impact of change in market value on liquid funds	0.1	-0.4
Liquid funds at end of period	83.9	61.9

NOTES TO THE FINANCIAL STATEMENTS REPORT

This financial statements report has been prepared in compliance with IAS 34 Interim Financial Reporting according to the same principles and calculation methods as used in financial statements 2012 with the exception of the capitalisation of development expenses in new Benemilk Ltd from 1 July 2013 and the EU approved amendments to existing IFRS standards introduced on 1 January 2013.The standard amendments have not affected the consolidated financial statements.

Amendment to IAS 1 Presentation of Items of Other Comprehensive Income
Amendment to IAS 12 Treatment of Deferred Tax
Amendment to IAS 19 Employee Benefits
Amendment to IFRS 7 Financial instruments: Disclosures
IFRS 13 Fair Value Measurement
Annual Improvements to IFRSs

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. Actual figures may differ from these estimates.

Financial statements is shown in EUR millions.

SEGMENT INFORMATION

The reported segments are Brands and Raisioagro. Brands segment consists of Licensed brands unit and Consumer brands unit. Under the segment, the Group reports Benecol business and Benemilk Ltd as well as Northern, Western and Eastern European food operations. Raisioagro includes feeds, grain trade, vegetable oils, farming supplies as well as bioenergy.

NET SALES BY SEGMENT (M€)

	10-12/2013	10-12/2012	2013	2012
Brands	78.0	76.5	304.7	329.5
Raisioagro	53.4	61.3	254.2	255.7
Other operations	0.3	0.5	1.3	2.0
Interdivisional net sales	-0.5	-0.8	-2.6	-3.1
Total net sales	131.2	137.5	557.6	584.1

EBIT BY SEGMENT (M€)

	10-12/2013	10-12/2012	2013	2012
Brands	7.9	5.7	35.7	34.9
Raisioagro	-0.3	-0.5	3.1	-0.7
Other operations	-1.4	-0.8	-5.1	-2.5
Eliminations	0.0	0.0	0.0	0.0
Total EBIT	6.3	4.5	33.6	31.7

NET ASSETS BY SEGMENT (M€)

	31.12.2013	31.12.2012
Brands	254.2	271.7
Raisioagro	52.4	74.3
Other operations and unallocated items	25.2	-18.8
Total net assets	331.7	327.3

INVESTMENTS BY SEGMENT (M€)

	10-12/2013	10-12/2012	2013	2012
Brands	7.1	15.4	13.4	21.2
Raisioagro	0.7	1.0	2.3	2.0
Other operations	0.1	0.5	1.0	1.4
Eliminations	-0.1	0.0	-0.1	0.0
Total investments	7.8	17.0	16.5	24.6

NET SALES BY MARKET AREA (M€)

	10-12/2013	10-12/2012	2013	2012
Finland	66.5	71.8	283.7	296.0
Great Britain	39.8	35.2	132.5	149.8
Rest of Europe	22.1	29.5	130.6	127.3
ROW	2.8	1.0	10.8	10.9
Total	131.2	137.5	557.6	584.1

ACQUIRED BUSINESS OPERATIONS

In 2012

Candy Plus

On 13 November 2012, Raisio plc announced the acquisition of a Czech Candy Plus s.a. confectionery company. The company has four subsidiaries.

Candy Plus is a company founded in 2000 and owned by private investors. Confectionery brands of the company in its home market, Czech, include brands such as Juicee Gummee, Fundy, Pedro and Cuksy. The product range includes the faster growing product categories of soft-eating and higher-fruit jellies, liquorice and functional confectionery.

Results of Candy Plus' companies have been reported as part of Raisio's Brands segment as from 13 November 2012.

The purchase price paid was 14.1 M€. The fees of lawyers, advisors and outside valuators related to the deal amounted to a total of 0.6 M€, which has been recorded as administration costs of the Brands segment in the income statement of 2012.

The acquisition resulted in goodwill of 5.5 M€. Goodwill is resulted from the income expectations of the local operations, based on the business entity's historical earning power and view of maintaining and improving the level of earnings. The goodwill recognised is not deductible for tax purposes in any respect.

Receivables acquired in conjunction of operations do not include irrecoverable items.

Raisio Group's net sales for January-December 2012 would have been 605.4 M€ and pre-tax result excluding one-off items 34.3 M€ if the acquisition of business operations completed during the financial year had been combined with the consolidated financial statement from the beginning of the financial year 2012. Post-acquisition net sales of subgroup Candy Plus totalled 3.2 M€ and pre-tax result was -0.2 M€.

The accounting treatment for the consolidation of Candy Plus business was not yet complete when the 2012 financial statements were being drawn up. However, changes in the entries recorded were not considered to be necessary.

Sulma

On 20 March 2012, Raisio announced the acquisition of Polish Sulma Sp. z o.o's pasta and grit operations. The operations were acquired by Raisio's Group company in Poland, Raisio sp. z o.o. The value of the deal was 2.4 M€ (PLN 9.8 million). In connection with the deal, pasta and grits operations including intellectual property rights as well as fixed and current assets were transferred to Raisio. Raisio did not assume liabilities as part of the acquisition. The acquisition did not generate any goodwill.

The values of acquired assets and assumed liabilities on the date of acquisition were as follows:

	Candy Plus	Sulma	Yhteensä
Property, plant and equipment	11.2	1.9	13.0
Trade marks	0.0	0.1	0.1
Other intangible assets	1.4		1.4
Deferred tax assets	0.3		0.3
Inventories	3.8	0.4	4.2
Accounts receivables and other receivables	5.1		5.1
Cash in hand and at banks	0.7		0.7
Total assets	22.4	2.4	24.8
Deferred tax liabilities	0.9		0.9
Non-current financial liabilities	2.9		2.9
Other non-current liabilities	0.0		0.0
Current interest-bearing liabilities	4.2		4.2
Other liabilities	5.8		5.8
Total liabilities	13.8	0.0	13.8
Net assets	8.6	2.4	11.0
Cash paid	14.0	2.4	16.4
Liabilities at the closing date	0.1		0.1
Acquisition price	14.1	2.4	16.5
Goodwill	5.5	0.0	5.5
Purchase price paid in cash	14.0	2.4	16.4
Financial assets of the acquired subsidiary	0.7		0.7
Cash flow generation	13.3	2.4	15.7

Changes in goodwill

	2013	2012
Carrying amount of goodwill at the beginning of the review period	111.2	103.3
Translation differences	-2.7	2.5
Business combinations	0.0	5.5
Carrying amount of goodwill at the end of the review period	108.5	111.2

TANGIBLE ASSETS (M€)

	31.12.2013	31.12.2012
Acquisition cost at the beginning of the period	410.7	386.9
Conversion differences	-3.4	1.2
Increase	12.6	24.2
Decrease	-33.3	-1.6
Acquisition cost at end of period	386.6	410.7
Accumulated depreciation and impairment at the beginning of the period	287.3	269.8
Conversion difference	-1.6	0.5
Increase	0.0	3.7
Decrease and transfers	-27.8	-1.3
Depreciation for the period	14.2	14.6
Accumulated depreciation and impairment at end of period	272.2	287.3
Book value at end of period	114.5	123.4

PROVISIONS (M€)

	31.12.2013	31.12.2012
At the beginning of the period	0.2	1.4
Increase in provisions	1.2	0.0
Provisions used	0.0	-1.2
At end of period	1.4	0.2

BUSINESS ACTIVITIES INVOLVING INSIDERS (M€)

	31.12.2013	31.12.2012
Sales to associates and joint ventures	0.0	9.5
Purchases from associates and joint ventures	0.1	0.1
Sales to key employees in management	0.3	0.2
Purchases from key employees in management	0.8	0.9
Receivables from associates and joint ventures	0.0	0.4
Liabilities to associates and joint ventures	0.0	0.1
Receivables from the key persons in the management	10.6	10.6

CONTINGENT LIABILITIES (M€)

	31.12.2013	31.12.2012
Contingent off-balance sheet liabilities		
Non-cancelable other leases		
Minimum lease payments	7.1	7.3
Contingent liabilities for the company		
Contingent liabilities for others		
Guarantees	0.0	0.0
Other liabilities	3.5	2.5
Commitment to investment payments	0.7	0.5

DERIVATIVE CONTRACTS (M€)

	31.12.2013	31.12.2012
Nominal values of derivative contracts		
Currency forward contracts	73.6	65.1
Interest rate swaps	33.7	48.2
Raw material futures	0.0	

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The table shows carrying amounts and fair values for each item. Carrying amounts correspond the consolidated balance sheet values. The principles used by the Group for measuring the fair value of all financial instruments are presented below.

	Carrying amount 31.12.2013	Fair value 31.12.2013	Carrying amount 31.12.2012	Fair value 31.12.2012
Financial assets				
Financial assets available for sale*)	2.6	2.6	2.3	2.3
Loan receivables	0.1	0.1	0.2	0.2
Accounts receivables and other receivables	60.5	60.5	74.0	74.0
Investments recorded at fair value through profit or loss*)	73.6	73.6	55.1	55.1
Liquid funds	10.3	10.3	6.8	6.8
Derivatives*)	0.0	0.0	1.2	1.2
Financial liabilities				
Bank loans	54.9	56.1	77.7	78.9
Financial liabilities recorded at fair value through profit or loss*)	0.0	0.0	0.0	0.0
Other loans	0.4	0.4	0.3	0.3
Financial leasing liabilities	0.0	0.0	0.0	0.0
Accounts payable and other liabilities	76.0	76.0	76.0	76.0
Derivatives*)	1.8	1.8	2.0	2.0

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

QUARTERLY PERFORMANCE (M€)

	10-12/ 2013	7-9/ 2013	4-6/ 2013	1-3/ 2013	10-12/ 2012	7-9/ 2012	4-6/ 2012	1-3/ 2012
Net sales by segment								
Brands	78.0	73.3	78.1	75.2	76.5	86.2	85.6	81.1
Raisioagro	53.4	76.4	70.9	53.5	61.3	75.0	65.3	54.1
Other operations	0.3	0.3	0.3	0.3	0.5	0.5	0.5	0.5
Interdivisional net sales	-0.5	-0.6	-0.7	-0.8	-0.8	-0.7	-0.8	-0.7
Total net sales	131.2	149.5	148.6	128.3	137.5	161.0	150.6	135.0
EBIT by segment								
Brands	7.9	7.9	10.5	9.4	5.7	9.2	11.0	9.0
Raisioagro	-0.3	2.6	1.3	-0.6	-0.5	1.2	0.4	-1.8
Other operations	-1.4	-1.5	-1.4	-0.8	-0.8	-0.4	-0.7	-0.6
Eliminations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total EBIT	6.3	9.0	10.4	8.0	4.5	9.9	10.6	6.6
Financial income and expenses, net	-0.4	-0.2	-0.8	-0.4	-2.7	-2.3	-10.7	-0.3
Share of result of associates	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	0.0
Result before taxes	5.9	8.8	9.5	7.7	1.8	7.5	0.0	6.3
Income tax	-0.1	-1.8	-2.2	-1.8	0.1	0.1	-2.5	-1.6
Result for the period from continuing operations	5.7	6.9	7.3	5.9	1.9	7.6	-2.5	4.7

KEY INDICATORS

	31.12.2013	31.12.2012
Net sales, M€	557.6	584.1
Change of net sales, %	-4.5	5.7
Operating margin, M€	49.1	48.3
Depreciation and impairment, M€	15.5	16.6
EBIT, M€	33.6	31.7
% of net sales	6.0	5.4
Result before taxes, M€	31.8	15.6
% of net sales	5.7	2.7
Return on equity, ROE, %	7.9	3.5
Return on investment, ROI, %	8.6	4.5
Interest-bearing financial liabilities at end of period, M€	55.4	78.0
Net interest-bearing financial liabilities at end of period, M€	-28.5	16.2
Equity ratio, %	68.2	64.1
Net gearing, %	-8.6	4.9
Gross investments, M€	16.5	24.6
% of net sales	3.0	4.2
R & D expenses, M€	6.3	6.9
% of net sales	1.1	1.2
Average personnel	1,946	1,587
Earnings/share from continuing operations, €	0.17	0.08
Cash flow from operations/share, €	0.46	0.13
Equity/share, €	2.13	2.10
Average number of shares during the period, in 1,000s*)		
Free shares	121,619	121,568
Restricted shares	33,778	33,967
Total	155,397	155,535
Average number of shares at end of period, in 1,000s*)		
Free shares	121,882	121,560
Restricted shares	33,520	33,834
Total	155,402	155,394
Market capitalisation of shares at end of period, M€*)		
Free shares	532.6	374.4
Restricted shares	150.5	104.9
Total	683.1	479.3
Share price at end of period		
Free shares	4.37	3.08
Restricted shares	4.49	3.10

*) Number of shares, excluding the shares held by the company and shares held by Reso Management Oy

CALCULATION OF INDICATORS

Return on equity (ROE), %	Result before taxes – income taxes*) -- x 100 Shareholders' equity (average over the period)
Return on investment (ROI), %	Result before taxes + financial expenses*) --- x 100 Shareholders' equity + interest-bearing financial liabilities (average over the period)
Equity ratio, %	Shareholders' equity --- x 100 Balance sheet total – advances received
Net interest-bearing financial liabilities	Interest-bearing financial liabilities - liquid funds and liquid financial assets at fair value through profit or loss
Net gearing, %	Net interest-bearing financial liabilities --- x 100 Shareholders' equity
Earnings per share*)	Result for the year of parent company shareholders --- Average number of shares for the year, adjusted for share issue**)
Cash flow from business operations per share	Cash flow from business operations --- Average number of shares for the year, adjusted for share issue
Shareholders' equity per share	Equity of parent company shareholders --- Number of shares at end of period adjusted for share issue***)
Market capitalisation	Closing price, adjusted for issue x number of shares without company shares at the end of the period***)

*)The calculation of key indicators uses continuing operations result
**)Excluding shares with a potential return obligation and shares held by Reso Management Oy
***)Shares held by Reso Management Oy have been subtracted from the total number of shares