Board of Directors' Report and Financial Statements 2017

RAISIO PLC

RAISIO

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Board of Directors' report for 2017

Financial review

Raisio's reported divisions are Brands and Raisioagro. Comparison figures in brackets refer to the corresponding date or period one year earlier unless otherwise stated.

The Brands Division includes Benecol, Healthy Food and the Benemilk business as its own company (from 1 February 2018, Benecol and Foods form the Healthy Food Division). The divested UK snack bar business is included in the Brands Division's comparison year figures until 12 July 2016. Raisioagro Division's businesses are cattle and fish feeds, and grain trade. Raisio reports Benecol, Healthy Food, Raisioagro and Benemilk Ltd as continuing operations.

Raisio Group's confectionery business was transferred to the new owner on 29 December 2017. The confectionery business earlier included in the Brands segment is reported as discontinued operations in the 2017 Financial Statements according to IFRS 5. The comparative figures in the income statement and related items presented for previous periods have been altered accordingly in the Financial Statement Bulletin, Financial Statements and Board of Directors report.

Net sales, continuing operations

January-December 2017

The Group's net sales totalled EUR 306.8 (336.6) million. Sales for Benecol and Elovena products in Finland and the fish feed exports increased clearly from the comparison year. The comparison year net sales include EUR 26.4 million the UK's cereal sales of Honey Monster brand licensed to a third party until 30 June 2016 as well as the snack bar sales until the divestment completed on 12 July 2016.

Net sales for the Brands Division totalled EUR 195.1 (220.3) million. Raisioagro's net sales totalled EUR 126.3 (126.6) million. Net sales for other operations were EUR 0.9 (0.8) million.

The conversion impact of the weakened British pound on net sales of continuing operations was EUR -4.8 million. This means the impact that arises when the subsidiaries' net sales in pounds is converted into euros as part of the consolidated financial statements.

Net sales from outside Finland represented 51.2 (53.5) per cent of the Group's total, amounting to EUR 157.2 (180.2) million. Raisio's largest market outside Finland is the UK and it accounted for 18.8 (24.1) per cent of net sales of the Group's continuing operations.

Results, continuing operations

January-December 2017

Raisio's comparable EBIT totalled EUR 37.8 (38.6) million and EBIT 55.9 (16.8) million. Comparable EBIT is 12.3 (11.5) per cent and EBIT 18.2 (5.0) per cent of net sales.

The Brands Division's comparable EBIT was EUR 38.0 (38.4) million and EBIT 57.5 (18.0) million. EBIT includes Benemilk's write-down of EUR 7.5 million of fixed assets. Raisioagro's EBIT totalled EUR 4.2 (3.7) million. Comparable EBIT for other operations was EUR -4.4 (-3.5) million and EBIT was EUR -5.8 (-4.9) million.

Good sales growth in Healthy Food business and fish feeds was also seen in improved EBIT. Benecol's EBIT was significantly down from the comparison period since the higher subcontracting costs and sharply increased sterol world market price could not fully be passed on to end product prices, especially in the UK.

The conversion impact of the weakened British pound on EBIT of the Group and Brands Division was around EUR -1.0 million. This refers to the impact arising when subsidiaries' EBIT in pounds is converted into euros as part of the consolidated financial statements.

Comparable depreciations and impairment totalled EUR 8.1 (8.2) million. Depreciations and impairment totalled EUR 15.9 (24.3) million. Net financial expenses totalled EUR -1.4 (-2.1) million.

Comparable pre-tax result was EUR 36.4 (36.5) million, and pre-tax result EUR 54.5 (14.7) million.

Comparable post-tax result was EUR 28.7 (29.9), and post-tax result 41.8 (9.7) million.

The Group's comparable earnings per share were EUR 0.18 (0.19) and earnings per share 0.27 (0.06).

Items affecting comparability are presented in the table below.

Balance sheet, cash flow and financing

Raisio Group's balance sheet totalled EUR 361.3 (470.0) million. Shareholders' equity was EUR 264.0 (313.2) million, while equity per share was EUR 1.68 (1.99). Changes in equity are described in detail in the Table section below.

At the end of December, working capital of continuing operations amounted to EUR 19.0 (34.4) million. A total of EUR 15.3 million of working capital was released from last year; EUR 9.4 million of this was related to the divested confectionery business. Working capital of continuing operations was released due to increased non-interest bearing liabilities. From 1 January 2016, working capital does not include derivative assets and liabilities related to loan hedging.

Cash flow from business operations (continuing and discontinued operations in total) was EUR 45.1 (47.6) million. Cash flow after investments and before financing (continuing and discontinued operations in total) was EUR 157.1 (33.3) million. The figure includes sales profit of EUR 39.0 million for the Southall industrial property and EUR 89.4 million for the confectionery business.

Cash flow from operating activities from continuing operations totalled EUR 37.5 (35.6) million and from discontinued operations EUR 7.6 (12.1) million. Cash flow from investments from continuing operations totalled EUR 28.0 (84.0) million and from discontinued operations EUR -9.2 (-5.2) million.

At the balance sheet date, Raisio's financial assets as well as cash and cash equivalents recognised at fair value through profit or loss totalled EUR 151.0 million; in addition, Raisio has a binding undrawn revolving credit facility agreement of EUR 50.0 million.

The Group's interest-bearing debt totalled EUR 45.9 (88.6) million at the end of December. Net interest-bearing debt was EUR -105.1 (26.7) million.

At the end of December, the Group's equity ratio totalled 73.4 (66.8) per cent and net gearing was -39.8 (8.5) per cent. Decrease in the net gearing was due to the decreased net interest-bearing debt after the divestments of Southall property and confectionery business. Comparable return on investment was 10.5 (8.8) per cent, and return on investment 15.6 (3.8) per cent.

In 2017, Raisio plc paid EUR 26.6 (25.0) million in dividends for 2016.

Investments, continuing operations

January-December 2017

The Group's investments totalled EUR 10.4 (13.3) million, or 3.4 (4.0) per cent of net sales. Investments of the Brands Division totalled EUR 3.0 (3.9) million, those of Raisioagro EUR 3.3 (1.9) million and those of other operations EUR 4.1 (7.5) million.

The Group's largest investments included the bioenergy plant introduced in Raisio's industrial area in the summer 2017, the new production line for fish feeds in the Raisio-based factory and the renewed SAP ERP system.

Divestments

Confectionery business divestment

On 22 December 2017, Raisio announced to divest its confectionery business to Valeo Foods Ltd. Raisio's confectionery operations in the UK and Czech Republic were transferred to become part of Valeo Foods Ltd on 29 December 2017. The arrangement was carried out as a share transaction and its enterprise value was EUR 100 million. The buyer paid an enterprise value of EUR 76.8 million to Raisio for the confectionery business shares. For the divestment of its confectionery business, Raisio recorded divestment loss of EUR 38.4 million. Raisio's divested confectionery business includes six production plants in the UK and Czech Republic, as well as the brands, of which Poppets, Fox's, XXX, Just and Pedro are the best-known.

Southall industrial property divestment

On 9 June 2017, Southall industrial property near London was transferred to the ownership of Galliard Homes Ltd as the company paid the remaining of the purchase price of approximately EUR 40 million. The buyer paid the whole purchase price of 34.2 million in the British pounds. Southall is one of the most important urban development areas in London.

Change in the treatment of the Southall divestment: In the 2017 Half-Year Report and January-September 2017 Interim Report, the proceeds from the divestment were presented in net sales and the cost corresponding to the proceeds in the cost incurred for sales performed.

The management has carefully reassessed the nature and content of the event and considers that the presentation of the property divestment as a transfer of fixed assets gives a clearer picture of the event. The divestment is treated and presented as sale of fixed assets in the 2017 Financial Statements and Board of Directors' report. The capital gain is presented as an income statement item in Other operating income and expenses, net.

Items affecting comparability, continuing and discontinued operations

Items affecting comparability, EUR million	2017			2016		
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
Comparable EBIT	**37.8**	**8.1**	**45.9**	38.6	12.1	50.7
Items affecting comparability						
+ capital gain	**28.0**		**28.0**	-0.3		-0.3
- capital loss		**-38.4**	**-38.4**			
- impairment of tangible and intangible assets	**-7.8**	**-28.7***	**-36.5**	-16.1		-16.1
- impairment of inventories	**-0.7**		**-0.7**	-2.2		-2.2
+/- structural arrangements and streamlining projects	**-1.3**	**-0.1**	**-1.5**	-2.2		-2.2
+/- other items	**-0.1**		**-0.1**	-1.0		-1.0
Items affecting comparability, in total	**18.1**	**-67.3**	**-49.1**	-21.8	0.0	-21.8
EBIT	**55.9**	**-59.2**	**-3.2**	16.8	12.1	28.9

*Impairment of goodwill related to discontinued operations (confectionery business)

Items affecting comparability, EUR million	2017			2016		
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
Comparable EBITDA	**45.9**	**11.1**	**57.0**	46.8	15.2	62.0
Items affecting comparability						
+/- depreciations and impairment	**7.8**	**28.7**	**36.5**	16.1		16.1
+/- items affecting EBIT	**18.1**	**-67.3**	**-49.1**	-21.8		-21.8
Items affecting comparability, in total	**25.9**	**-38.5**	**-12.5**	-5.7	0.0	-5.7
EBITDA	**71.8**	**-27.4**	**44.4**	41.1	15.2	56.3
+/- impairment	**-8.0**	**-28.7**	**-36.7**	-16.1		-16.1
+/- depreciations	**-7.9**	**-3.0**	**-10.9**	-8.2	-3.0	-11.3
EBIT	**55.9**	**-59.2**	**-3.2**	16.8	12.1	28.9

As a change to its previous procedure, the company treats the UK Southall property divestment as a transfer of fixed assets in its financial statements on 31 December 2017. The capital gain of EUR 28.0 million is presented in the income statement under Other operating income and expenses, and in the cash flow statement as an item of cash flow from investment. The figures presented on the matter in the 2016 financial statements have been adjusted to reflect this treatment method in this financial statement.

Research and development, continuing operations

The Group's research and development expenses were EUR 3.4 (3.4) million, accounting for 1.1 (1.0) per cent of net sales. The Brands Division's R&D expenses totalled EUR 2.4 (2.5) million and those of Raisioagro EUR 1.0 (0.8) million.

Healthy Food and Benecol

Raisio has set a target to have 2/3 of its foods healthier alternatives in their own categories. With the health criteria, we pay attention to the amount of wholegrain and fibre, the quality of fat and the amount of sugar and salt. In 2017, already 65 (63) per cent of our products met this objective. Raisio's healthy foods and comprehensible consumer communications meet the increasingly growing consumer interest in well-being.

In 2017, Raisio renewed the brand communications of Benecol and Elovena, expanded the range of its well-known branded products and decreased the sugar content of many products. In addition, Raisio expanded into new product groups: Elovena snack ice cream, overnight oatmeal mixes, savoury mini biscuits and Benecol Soft Chew as good examples. Raisio also launched Benecol minidrinks with no added sugar.

In 2018, Raisio will continue to expand into new product categories. Moreover, the range of Benecol, Elovena, Provena, Nalle, Sunnuntai and Torino products will be extended with novelties that meet consumer needs.

Feeds

Raisioagro continued its strong investment in the development of digital services. Raisioagro's strong feeding expertise is used in the company's digital services that create added value for customers with solutions analysing the data generated by dairy farms and fish farmers.

The number of dairy farms in the Tuotostutka® milking robot monitoring continued to grow steadily and almost 230 farms used the service at the end of 2017. In practice, some 20,000 cows, or 7.5 per cent of Finnish dairy cows, are within the monitoring that helps analyse the yield and well-being of animals and optimise the feeding. In terms of Tuotostutka, Raisioagro is constantly developing new features to facilitate the production monitoring and to analyse farm profitability.

Kasvuluotain® tool was developed for fish farmers to make their everyday life easier. The tool was introduced in 2017. Kasvuluotain enables the optimisation of fish feeding and minimises the entry of nutrients into waterways as the application makes fish growth monitoring and feed dosing easier. Kasvuluotain is already in use at several fish farms.

Raisio Group's key figures, continuing and discontinued operations

	2017			2016		
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
Income statement						
Net sales, M€	306.8	96.0	402.8	336.6	99.7	436.3
Change in net sales, %	-8.8	-3.7	-7.7	-19.2	-4.8	-16.3
Comparable EBIT, M€	37.8	8.1	45.9	38.6	12.1	50.7
Comparable EBIT, %	12.3	8.4	11.4	11.5	12.2	11.6
EBIT, M€	55.9	-59.2	-3.2	16.8	12.1	28.9
EBIT, %	18.2	-61.7	-0.8	5.0	12.2	6.6
Comparable EBITDA, M€	45.9	11.1	57.0	46.8	15.2	62.0
EBITDA, M€	71.8	-27.4	44.4	41.1	15.2	56.3
Financial income and expenses, M€	-1.4	-0.3	-1.7	-2.1	-0.1	-2.2
Comparable earnings per share, €	0.18	0.04	0.22	0.19	0.06	0.25
Earnings per share, €	0.27	-0.38	-0.11	0.06	0.06	0.12
Balance sheet	-	-	-	-	-	
Equity ratio, %	73.4	-	-	66.8	-	-
Net gearing, %	-39.8	-	-	8.5	-	-
Net interest-bearing debt, M€	-105.1	-	-	26.7	-	-
Equity per share, €	1.68	-	-	1.99	-	-
Dividend per share, €	-	-	0.17*	-	-	0.17
Investments, M€	10.4	5.4	15.8	13.3	5.2	18.6

* Board of Directors' proposal to the Annual General Meeting

Raisioagro and Helsinki University conducted a study showing that a feed containing dehulled oat enhances the protein utilisation in cattle feeding. Based on the study, Raisioagro developed two new feeds, Benemilk Green and Maituri Green that improve the protein utilisation and efficiency, and reduce methane formation. New Green feeds are part of Raisioagro's Sustainable Productivity concept.

In 2018, Raisioagro's product development focuses on developing products and services that further ensure animal welfare and production profitability, and promote responsible milk production and fish farming.

Disputes

Oat Solutions LLC filed a civil action with the American court for the dispute already dealt with by the arbitral tribunal in Finland in 2014. The defendants in the US dispute were Raisio plc as well as the then CEO Matti Rihko and Vincent Poujardieu, Vice President, Benecol business. Oat Solutions claimed for damages of at least USD 25 million from Raisio through legal proceedings. Throughout the process, Raisio considered the claims to be completely unfounded. In November 2016, the Supreme Court of Los Angeles accepted Raisio's application to dismiss the civil action brought by Oat Solutions LLC. Oat Solutions announced that it will appeal against the US Court decision to California's 9th Circuit Court. In September 2017, the Court confirmed Raisio's application to reject Oat Solution's appeal and the legal process in California has therefore come to a definite end. The legal process in Finland has also ended.

Segment information

Brands Division

The Brands Division includes Benecol, Healthy Food and the Benemilk business as its own company. The confectionery business is treated as discontinued operations.

Financial review, continuing operations

January-December 2017

Net sales for the Brands Division totalled EUR 195.1 (220.3) million. Benecol's net sales totalled EUR 122.5 (124.6) million, Healthy Food business EUR 72.1 (69.7) million and Benemilk EUR 0.0 (0.4) million.

The conversion impact of the weakened British pound on the Brands Division's net sales was EUR -4.8 million. The comparison period figure includes EUR 26.4 million net sales for the divestment of the UK snack bar business and licensed breakfast cereal business.

The UK accounted for some 30 per cent, Finland over 30 per cent and other markets almost 40 per cent of net sales of the Brands Division's continuing operations.

The Brands Division's comparable EBIT totalled EUR 38.0 (38.4) million, accounting for 19.5 (17.4) per cent of net sales. EBIT was EUR 57.5 (18.0) million, accounting for 29.5 (8.2) per cent of net sales. The conversion impact of the weakened British pound on the Brands Division's EBIT was EUR -1.0 million. This refers to the impact arising when subsidiaries' EBIT in pounds is converted into euros as part of the consolidated financial statements.

Operating environment

Consumers show great interest in phenomena related to food and nutrition. Different, even conflicting, and frequently changing messages of what to eat is one of the greatest phenomena of our time. Consumers are uncertain and are increasingly aware of food-related matters. Reliable brands and products made of natural raw materials are popular among consumers.

Raisio has conducted consumer studies to find out the needs and motivations related to snacking, well-being, heart and stomach health and plant-based diet. Snacking is growing with busy lifestyles and at the moment, snacks already account for about 50 per cent of daily energy. Consumers are switching from self-made snacks to ready, on-the-go snacks. This trend is also growing the snack demand. Together with

The Brands Division's key figures, continued and discontinued operations

	2017			2016		
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
Net sales, M€	195.1	96.0	291.1	220.3	99.7	320.1
Benecol, M€	122.5	-	122.5	124.6	-	124.6
Healthy Food, M€	72.1	-	72.1	69.7	-	69.7
Benemilk, M€	0.0	-	0.0	0.4	-	0.4
Common for the Brands, M€	0.5	-	0.5	26.4	-	26.4
Confectionery, M€	-	96.0	96.0	-	99.7	99.7
Comparable EBIT, M€	38.0	8.1	46.0	38.4	12.1	50.5
Comparable EBIT, %	19.5	8.4	15.8	17.4	12.2	15.8
Items affecting comparability, M€	19.6	-67.3	-47.7	-20.3	0.0	-20.3
EBIT, M€	57.5	-59.2	-1.7	18.0	12.1	30.2
EBIT, %	29.5	-61.7	-0.6	8.2	12.2	9.4
Investments, M€	3.0	5.4	8.5	3.9	5.2	9.2
Net assets, M€	-	-	123.4	-	-	303.4

snacking, however, meals and eating together are becoming more and more important.

Strong growth in demand for plant-based food continued and consumers increasingly want to lighten their diet. This phenomenon is seen in snacking as well as other meals. For Finnish consumers, natural raw materials, such as Finnish oat, meet the health and well-being related needs required from plant-based food.

In 2017, interest in oat continued also in other markets. Awareness of oat and oat products grew especially as a result of active export efforts.

Raisio has surveyed the consumer segments of cholesterol-lowering products in the UK, the company's largest market. The study showed that consumers are interested in well-being and healthy lifestyles, and want to have easy solutions for cholesterol lowering. Cholesterol lowering is part of a bigger trend associated with the habits related to nutrition and exercising. Many consumers get familiar with cholesterol-lowering foods on the recommendation of health-care professionals. Understanding the changes in eating habits has a key role in the development of cholesterol-lowering products. As snacking is becoming more diverse, consumers eat less bread and this means that sale of spreads is declining. On the other hand, the position of convenient breakfast and snack products, such as minidrinks, is strengthening.

Business operations

Benecol

Net sales for the Benecol business were slightly down from the comparison period. Net sales increased as a result of the Benecol product sales growth of over 10 per cent in Finland and increased deliveries of plant stanol ester, the Benecol product ingredient, especially to the licensing partners in Asia. Higher subcontracting costs of Benecol products and the sharp world market price increase of sterols, used as raw material, could not fully be passed on to sales prices of end-products, particularly in the UK. In Poland, net sales were significantly down from the comparison year.

Benecol's EBIT declined significantly, which was mainly due to the fact that the increased sterol price and product subcontracting prices could only partially be passed on to end-product prices, especially in the UK. Moreover, the conversion impact of the UK pound on the business profitability was negative.

Raisio is a market leader in the UK, where the availability and market position of Benecol minidrinks improved. Consumers welcomed new Benecol minidrinks with no added sugar as well as Benecol yoghurts in which sugar content was decreased by 30 per cent. Benecol carried out its Love the Taste campaign to encourage new consumers to try Benecol spreads.

Sales in Benecol products in Finland increased by some 10 per cent. Sales for both Benecol minidrinks and spreads increased. Benecol's renewed marketing communications strengthened the brand as an everyday well-being product and clearly increased the consumer interest. The availability of the Benecol products also improved. The distribution of Benecol Soft Chew expanded to retail channel.

In Poland, in addition to Benecol spreads and Soft Chews, Benecol snack bars were launched at the end of 2017. At the same time, Benecol started a test sale of its yoghurt. In November, a new Benecol Olive spread was launched and its sales increased rapidly.

Benecol products strengthened their market leader position in Ireland. Benecol minidrink packages were renewed and new flavours were launched.

Raisio's licensing partners in Asia, Europe and the USA renewed their product ranges and launched new products in their markets. Raisio renewed and strengthened cooperation with its licensing partners.

In 2018, Raisio will launch new Benecol products in existing and new product categories. Raisio provides its licensing partners with extensive expertise and support in the development, marketing and sales of Benecol products. Raisio has secured the availability and price level of sterols required for its production in the coming years.

Healthy Food

Northern Europe

Northern Europe's market areas are Finland, Sweden, the Baltic countries and Denmark. Net sales and EBIT for Northern European operations were up from the comparison year. This was mainly due to the strong sales growth in Elovena products and the flour deliveries to a major Finnish bakery customer started at the beginning of 2017.

In the study carried out by a market research company Taloustutkimus, Elovena is Finland's 6th most valued brand. Elovena's brand image was renewed in 2017. Elovena's new brand promise is easy to understand. In 2017, Elovena launched snack ice creams, overnight oatmeals and savoury biscuits.

Sales in Elovena products increased both in value and volume by about 10 per cent. Particularly good sales growth was seen in Elovena oatmeals and snack biscuits. In Finland, Elovena is the market leader in porridges and snack biscuits. In 2018, Raisio will continue to launch new Elovena products in existing and new product categories.

Raisio's Nalle was totally renewed in 2017; Nalle is a breakfast and snack brand for families with children. Tightening competition affected the Nalle flake sales as the porridge range expanded sharply and retailers strongly supported the sale of their private labels. This year, the Nalle line will be expanded with healthy new products.

Eastern Europe

The Eastern European markets include Russia and Ukraine to which Raisio exports Nordic flakes and snack biscuits and gluten-free Provena products, all made in Finland. Net sales and EBIT for the Eastern European operations improved from the comparison year. The exchange rate development of the Russian rouble in 2017 was strongly positive for Raisio. The Eastern Europe accounted for almost 20 per cent of the Healthy Food business net sales.

In Russia, sales for Nordic products decreased in local currency while sales volume increased. In Ukraine, sales in Nordic flakes increased by about 15 per cent.

Benemilk
The international Benemilk business did not generate any net sales in the financial period 2017 and there are no ongoing negotiations to license the innovation. Raisio continued the assessment of the company's operating conditions together with Benemilk plc's non-controlling interest.
At the end of 2017, Raisio plc updated its calculations on the fair values of balance sheet items. The most significant re-evaluated balance sheet item was Benemilk Ltd's intangible fixed assets. Raisio recorded impairment of EUR 7.5 million of the value of Benemilk's fixed assets in the consolidated financial statements, because the funds invested in the international commercialisation and protection the Benemilk innovation can no longer be seen to involve significant revenue expectations.

Raisioagro continues the sale of Benemilk feeds in Finland where Benemilk has an established market position.

Raisioagro Division

Raisioagro includes the cattle and fish feed businesses and the grain trade. Raisioagro's key market areas are Finland and Northwest Russia. The cattle feed production is centralised in Ylivieska and Kouvola. Fish feeds are made in the Raisio-based factory.

Financial review, continuing operations

January-December 2017
Raisioagro's net sales totalled EUR 126.3 (126.6) million. Fish feed export to Russia increased by almost 30 per cent due to new capacity brought about by the new fish feed line and excellent weather conditions for fish farming. The grain trade business purchased some 10 per cent more grain for the production of Raisio's foods. On the other hand, grain exports were significantly down from the comparison year due to low world market prices. In Finland, Raisioagro's optimised cattle feed range met the diverse needs of dairy farms, but cattle feed net sales were sligthly down from the comparison period. Planned sales reduction of low-margin farming supplies, such as liquid fuels and fertilisers, continued.

Finland accounted for over 75 per cent, Russia almost 20 per cent and other markets some 5 per cent of Raisioagro's net sales. Russia's share of net sales grew by almost five percentage points as a result of increased exports.

Raisioagro's EBIT was EUR 4.2 (3.7) million, accounting for 3.3 (2.9) per cent of net sales. EBIT was primarily boosted by sharply increased fish feed exports to Russia.

In the last quarter of 2017, cattle feed sales picked up and profitability improved.

Raisioagro continued its determined net working capital management. Net working capital further decreased by over 15 per cent, totalling EUR 4.9 (5.8) million. Raisioagro's average return on restricted capital increased to 14.7 (11.3) per cent as a result of decreased net working capital and improved profitability.

Operating environment

The structural change in the milk production continues in Finland. The number of dairy farms continues to decline, farm sizes are growing and farms are increasingly professional. The downward pressure on milk price is levelling off, but there are still challenges to improve the dairy farm productivity and profitability. In Finland, particularly intense price competition and the ability to pass on raw material and production cost changes into product prices affect the cattle feed business profitability. With the production investments, there is over-capacity in Finland, which means that companies with cost-effective processes and ability to add value to customers with new services will manage.

Demand for fish farmed in Finland continues to increase, but new fish farming licences and licences to increase the current quotas are rarely granted. Raisioaqua is the only Finnish fish feed producer. Business environment is fairly stable in Finland while in Northwest Russia, Baltic countries and Sweden, innovative feed producers have opportunities to increase business.

Higher efficiency in the production of animal protein improves the profitability of the entire production chain and reduces environmental impacts. Some of the agricultural inventions already help improve the efficiency of livestock production, but there is still potential for much more. In the fish farming, feed efficiency is already top-class and it is now possible to focus on innovations reducing environmental impacts.

Business operations

Cattle feeds
In 2017, cattle feeds accounted for almost 60 per cent of Raisioagro's net sales. Finland is Raisioagro's largest market for cattle feeds and the company has a market share of some 35 per cent in cattle feeds sold in Finland.

In terms of cattle feed sales, 2017 was twofold: at the beginning of the year, sales decreased but turned to growth in the autumn. There have been no significant changes in

Raisioagro's key figures, continuing operations

		2017	2016
Net sales	M€	**126.3**	126.6
Comparable EBIT	M€	**4.2**	3.7
Comparable EBIT	%	**3.3**	2.9
Items affecting comparability	M€	**0.0**	0.0
EBIT	M€	**4.2**	3.7
EBIT	%	**3.3**	2.9
Investments	M€	**3.3**	1.9
Net assets	M€	**25.6**	25.7

the milk producer prices, which has increased feed producers' competitive bidding and focused the purchasing on more affordable feeds. In the last quarter of 2017, cattle feeds sales were up from the comparison year as a result of Raisioagro's feeding expertise, the product range adapted to farmers' needs and active customer acquisition.

Some six per cent of the Finnish dairy cows are fed with Benemilk. Benemilk feeds have established their position and the farms using Benemilk are pleased with the added value received. Proagria's milk yield monitoring has shown that with big cattles the two best farms out of three used Benemilk feeds.

Sales declined in Maituri compound feeds and concentrates while in feeds for milking robot feeding sales increased. For Melli minerals, sales in Finland and exports increased. Raisioagro was the first Finnish feed company that completely abandoned the soy use in its cattle feeds.

The responsible way to operate is also promoted with Raisioagro's new Sustainable Productivity concept and Green feeds that improve the dairy farm profitability and reduce environmental impacts. The concept is based on even more accurate feeding and feed choices for different phases of production. Sustainable Productivity concept covers the whole lifecycle of a cow.

In Russia, Raisioagro together with a local reseller and a local dairy built a working cooperation model. The model is based on Raisioagro's strong feeding expertise and consultative sales. Feeding expertise is on growing demand in Russia since the country is developing its own dairy production and investing in it more than before. The most exported items were Melli minerals. Compared to other business operations, exports were low, but Raisioagro's feeding expertise, additional resources for exports and the location of Kouvola factory near the east board enable strong export growth also in future years.

Fish feeds

The share of fish feeds of Raisioagro's net sales increased to about 25 per cent. The key markets for fish feeds are Northwest Russia and Finland. Almost two thirds of fish feed volume was export.

For Raisioaqua, 2017 was a record year because weather conditions were excellent for fish farming and with the new fish feed line, Raisio was able to meet the growing demand. Exports to Russia increased by almost 30 per cent while in Finland, sales were slightly down from the comparison year.

In January 2017, the Nordic Council of Ministers put the Benella fish on its 25 Nordic pioneer list. The development of Benella fish is based on Raisioaqua's feed innovation. The selection was based on innovativeness, sustainable development and a new business model giving the fish farmers the permission to use the Benella brand. In December 2017, Sitra put Benella fish on its list of the most interesting Finnish companies and products in the circular economy.

In Finland, Benella's success continued and Kesko launched Benella Rainbow Trout fillet in its Pirkka Parhaat premium line. In the autumn, Raisioaqua launched Benella White Fish. The Benella concept was also launched in Russia and Sweden in 2017.

Grain trade

Raisio is a significant processor of Finnish grain. In 2017, more than 95 per cent of the grain used was from Finland. Raisio purchases grain for the Group's own use, to be resold and for exports. Last year, Raisio's grain purchases for the company's food industry increased significantly.

In 2017, Raisio's grain exports were down from the comparison year as low world market prices weakened the profitability of Finnish grain exports.

Management and administration

Board of Directors and Supervisory Board

Until the Annual General Meeting (AGM) held on 23 March 2017, the number of members of the Board of Directors was five and after the meeting six. Erkki Haavisto, Matti Perkonoja, Michael Ramm-Schmidt and Ann-Christine Sundell served as Board members throughout the financial period 2017. Antti Tiitola was a Board member until the end of the AGM. Ilkka Mäkelä and Leena Niemistö served as Board members as from the closing of the AGM.

Matti Perkonoja served as Chairman of the Board and Michael Ramm-Schmidt as Deputy Chairman, both throughout 2017.

In 2017, all the Board members were independent of the company and its major shareholders.

Paavo Myllymäki served as Chairman of the Supervisory Board and Holger Falck as Deputy Chairman for the financial year 2017.

Changes in the Group management

Raisio plc's Board of Directors appointed Pekka Kuusniemi as President and CEO of the company in June 2017 and he assumed his duties on 1 November 2017. Pekka Kuusniemi joined Raisio from the Oras Group where he served as President and CEO.

Jarmo Puputti, the interim CEO from the beginning of January 2017, ended his employment as CEO at the end of October 2017.

Group Management Team

From 1 February 2018, President and CEO Pekka Kuusniemi, CFO Antti Elevuori, Vice President of Legal Affairs Sari Koivulehto-Mäkitalo, Vice President of HR Merja Lumme, Vice President of Operations Jukka Heinänen and Vice President of Raisioagro Perttu Eerola are the Group Management Team members.

Vincent Poujardieu, the Vice President of Benecol business and member of the Group Management Team, left Raisio on 31 January 2018.

Non-financial information

Raisio Group is an international food and feed company focusing on well-being and profitable growth. The core of Raisio's strategy is in plant-based, healthy and responsible branded products. The company mainly operates in Europe and its production plants are in Finland. Responsible approach and respect for social and environmental impacts are an important part of Raisio's strategy. Raisio Code of Conduct and complementary internal guidelines and policies are a solid foundation for profitable and responsible business operations. All Raisio employees are committed to follow the Code of Conduct. Raisio is also committed to the UN Global Compact sustainability initiative and its ten principles concerning human rights, labour practices, environment and corruption.

Raisio Group develops its responsibility with the target-oriented responsibility programme. Raisio's responsibility programme for 2016 - 2018 sets objectives and indicators for selected sustainability themes important for the company and its stakeholders: sustainable food chain and healthier food as well as safety and well-being at work.

Raisio's Corporate Responsibility Report will be published in connection with the Annual Review at https://annualreview2017.raisio.com in week 10.

Environment

Raisio's business operations are based on the use of renewable raw materials and sustainable production taking environmental impacts into account. The company is developing the sustainable food chain and takes environmental impacts into consideration in all of its activities. Raisio requires that its subcontractors and suppliers also take environmental impacts into account and continues pushing these requirements in 2018. In addition, subcontractors and suppliers regularly fill in a Supplier Self-Audit.

Climate change is the Group's most significant environmental risk. Changing climate may affect energy prices and farming conditions as well as the availability and prices of agricultural raw materials used by Raisio. To curb climate change, Raisio aims to reduce carbon dioxide emissions and to start using renewable energy whenever economically viable.

The objectives of Raisio's environmental responsibility are the improvement of energy efficiency and the reduction of carbon dioxide emissions. The Group-level numerical targets were revised in 2017 and they will be published in 2018. The company made a significant investment in renewable energy and built its own bioenergy plant in Raisio's industrial area. As the plant was completed in the summer 2017, carbon dioxide emissions from the area declined significantly and the energy loss of heat transfer was eliminated. In the future, annual emissions will drop to less than a tenth of the previous levels. In 2017, almost 70 per cent of the energy used by Raisio was carbon neutral. The graphs below include Raisio's continuing operations.

Social and personnel matters

In terms of social and personnel matters, Raisio's essential responsibility themes are well-being and safety at work. According to the Raisio Code of Conduct, the Group complies with the regulations of the International Labour Organization (ILO) and with local collective agreements, regulations and laws related to work in the countries where the company operates.

As for social and personnel matters, Raisio considers workplace accidents and the availability of skilled employees as its major risks. Risks are managed through active monitoring of the amount of workplace accidents, personnel turnover and personnel survey results.

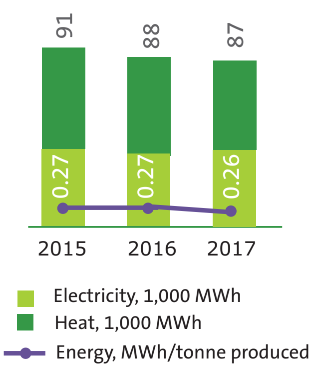
Raisio takes care of workplace well-being by focusing on good leadership practices and supervisory work, on effective interaction and internal communications, and by promoting a trusting environment at work. Raisio conducts employee well-being and job satisfaction surveys every other year. The survey results in the autumn 2017 showed that job satisfaction at Raisio is at a good level (3.9/5).

Accident prevention is the priority in the Group's safety work. In 2017, Raisio harmonised and further developed its work safety culture, for example through a new accident reporting system. The staff are encouraged to report positive safety observations and near miss cases, too.

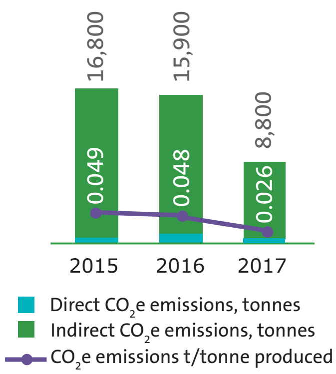
Raisio Group employed 399 (1,405) people at the end of 2017. The average number of employees was 1,313 (1,582). At the end of 2017, a total of 19 (77) per cent of personnel worked outside Finland. The Brands Division had 240 (1,248), Raisioagro 98 (98) and the service functions 61 (59) employees at the end of 2017. The change in the number of employees is mainly related to the divestment of Raisio's confectionery business in December 2017. Some 1,000 employees were transferred to the new owner with the confectionery business.

Raisio's wages and fees in 2017 totalled EUR 50.6 (58.0 million in 2016 and EUR 77.2 million in 2015) million including other personnel expenses. The graphs below include Raisio's continuing operations.

Energy consumption



CO_2e emissions



Respect for human rights

Raisio Group respects the UN declaration of human rights, the fundamental principles and rights at work as defined by the International Labour Organization (ILO) and human rights principles of the UN Global Compact initiative. Human rights are an important part of Raisio Code of Conduct and Raisio Supplier Code of Conduct.

Raisio is not aware of any human right violations related to its operations. The company's risk assessment showed that possible human right risks are related to the supply chain. For the assessment of human right risks related to its procurement, Raisio uses BSCI's risk country classification, which guides to procure from low-risk countries. Most of Raisio's raw materials and services are purchased from low-risk areas, such as Finland and Central Europe. The company purchases a small part of its raw materials from the higher-risk countries; then, a special attention is paid to the supplier's procedures.

The company expects its suppliers to commit to the Raisio Supplier Code of Conduct. In 2017, Raisio started the use of the updated Group Code of Conduct. In 2017, 75 per cent of Raisio's raw materials were from suppliers who have confirmed in writing to comply with Raisio Supplier Code of Conduct.

Raisio's risk assessment shows that major human right risks in raw materials are related to the purchase of soy, palm oil and cocoa. In terms of these raw materials, Raisio has already started or is switching to the use of responsibility certified raw materials only. Soy, palm oil and cocoa together account for about two per cent of all raw materials used by Raisio.

Matters related to anti-corruption and bribery

Raisio's anti-corruption policy explicitly prohibits corruption and bribery. Employees are trained in the anti-corruption policy and the training is part of the induction programme of each new employee. Measures against bribery and corruption are also taken into account in all agreements concluded by Raisio.

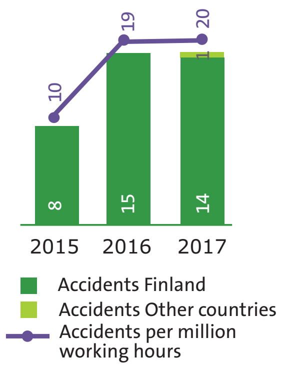
E-learning on the Raisio Code of Conduct for employees and management was completed at the end of 2017. The training is compulsory for all Raisio people and it is available in four languages. Staff in Finland was the first to take the new training.

Employees can report possible and suspected misconduct to the immediate superior or his/her superior. They can also report suspected misconduct by post or by email according to the internal guidelines. All reports are investigated with absolute confidentiality, taking into account the requirements of local legislation.

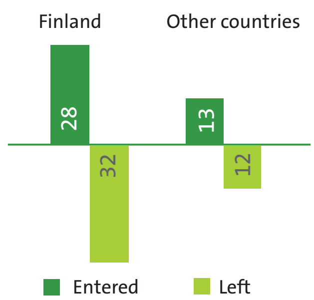
Healthier food

According to its strategy, Raisio focuses on healthy foods promoting well-being. Healthy food is also one of priorities in Raisio's responsibility work. Raisio's goal is that two-thirds of its foods are healthier alternatives in their own product

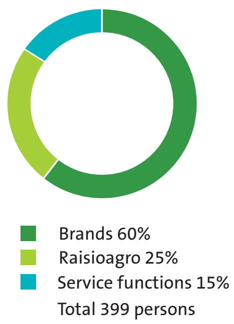
Accidents at work



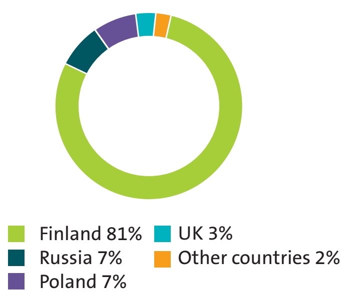
Personnel turnover 2017 (persons)



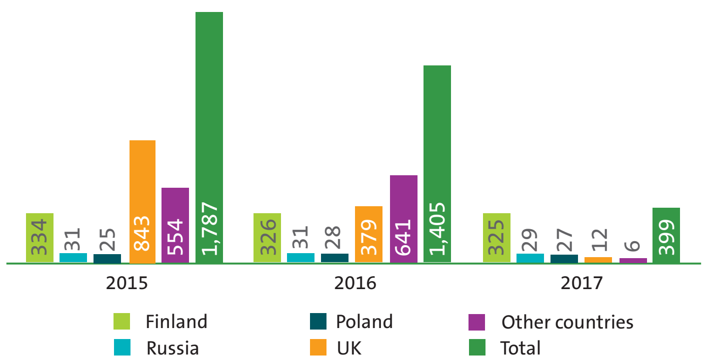
Number of employees by business (%)



Personnel by countries (%)



Personnel, 31 December (persons)



categories. Factors affecting the product healthiness are, for example, fat composition, fibre content and the amount of sugar and salt. Raisio has defined health criteria for all its product categories; the criteria are based on European nutrition recommendations. These criteria are used, for example, to support Raisio's product development.

At the end of 2017, 65 (63) per cent of Raisio's foods were healthier alternatives in their own categories. In 2017, Raisio launched several healthy products, such as Elovena snack ice cream and overnight porridge mix.

Consumers are overwhelmed by conflicting food information, which may cause uncertainty about healthy choices. In its product development, Raisio emphasises the tastiness of food and consistently complies with generally accepted principles on healthy food.

Changes in group structure

Raisio's confectionery business was transferred to the new owner, Valeo Foods Ltd, on 29 December 2017. At the same time, Raisio divested its subsidiaries Big Bear Confectionery Ltd, Nimbus Foods Ltd, Fox Confectonery Ltd, The Lindum Snack Company Ltd, Candy Plus a.s., The Candy Plus Sweet Factory s.r.o. and Candy Plus Polska Sp. z o.o.

During the financial period, two companies with ended operations were dissolved: Lyme Regis Fine Foods Ltd and Glisten Snacks Ltd.

Events after the review period

On 31 January 2018, Raisio announced to consider the divestment of cattle and fish feed businesses as one strategic alternative. The company also renewed its organisational structure and started statutory cooperation negotiations in order to ensure the Group growth, profitability and competitiveness.

Raisio considers the divestment of its feed businesses as a strategic alternative

Raisio is considering a sale of its cattle and fish feed businesses as one strategic alternative. Raisio has initiated negotiations on the sale of its feed business with several operators. During the negotiations, Raisioagro continues business as usual. Raisio's Grain Trade business is not for sale.

Raisio continues the renewal of the Group structure

Benecol and Foods businesses, which were operating as separate organisations, have been combined into one Healthy Food Division. During the spring 2018, the company will also initiate measures to simplify the Group's legal corporate structure.

In addition to his CEO role, Pekka Kuusniemi will serve as COO of the Healthy Food Division until a new director is appointed. The new organisational structure has been in force since 1 February 2018.

Raisio Group started statutory cooperation negotiations

To ensure its growth, competitiveness and profitability, Raisio started cooperation negotiations concerning 115 employees on 5 February 2018. Initial estimate of the reduction need is 30 persons. The cooperation negotiations concern the Group services as well as marketing, product development and service functions of the new Healthy Food Division. The aim is to complete the negotiations during March 2018. At the end of 2017, Raisio's Finnish operations employed a total of 325 people.

Risks and sources of uncertainty in business operations

The Eurozone economy is expected to continue its sharp growth in 2018. The growth is based on private consumption and the investment recovery, supported by low interest rates and decreased political uncertainty. However, the threat of rising protectionism has not disappeared.

The UK voted to leave the European Union in the EU referendum (Brexit). All details related to Brexit are still unclear. The uncertainty arising from the decision is expected to weaken the UK's growth prospects and to continue to cause significant volatility in the external value of the pound.

The Finnish economy grew sharply in 2017 and the strong growth is expected to continue in 2018. Economic development is based on private consumption, rising investments and exports, low interest levels and falling unemployment rates. Economic growth is burdened by rising inflation.

In Russia, the economy is recovering and consumer purchase power growing. In Ukraine, the business environment remains challenging.

Changes in exchange rates significantly affect Raisio's net sales and EBIT, directly and indirectly. The pound is volatile as a result of the uncertainty related to Brexit, which impacts Raisio's net sales and EBIT as considerable part of them is generated in the UK even after the confectionery divestment. Volatility in the rouble's external value affects the exports of feeds and flake products. It may also have an impact on the utilisation rates of production plants in Finland.

The price and availability of agricultural raw materials are a major challenge for Raisio's businesses. Global warming and extreme weather events can rapidly affect the crop expectations, supply, demand and price of these commodities. Changes are also possible in supply, demand and price of other key raw materials. In terms of business profitability, the role of risk management remains essential both for value and volume, of which the growth period in Finland in 2017 has been a good reminder.

Raisio expects the grocery market to remain fairly stable compared to other sectors. Changes and tightening competition in retail trade are a challenge for the food industry too, through sales prices and sales terms in all Raisio's main markets.

Profitability and liquidity problems in the Finnish agriculture and livestock farming weaken the purchasing power of the sector and put pressure on Raisioagro's profitability. Due to the crisis in Ukraine and Crimea, the EU's sanctions in 2014 and Russia's counter-sanctions, especially the import ban of dairy products, will directly and indirectly hamper Raisioagro's operations. The uninterrupted functioning of fish feed exports is important for Raisioaqua. It is also possible that Russia will expand the scope of its import bans into new product categories, and not only in feeds but in other foods, too.

Preparing for and adapting to Brexit remains a key challenge for Raisio's businesses in 2018, and for example in the Benecol business, this may lead to changes in subcontracting arrangements. International raw material chain and of contract manufacturing of consumer products expose especially the Benecol business to the availability, price and currency risks.

To ensure growth and profitability of its operations, Raisio may carry out corporate restructuring which, as rationalisation projects, may result in significant one-off expenses.

Guidance 2018

Raisio estimates the net sales of the Group's continuing operations to slightly increase from 2017. The company estimates the comparable EBIT of the Group's continuing operations account for more than 10 per cent of net sales. Exchange rates will continue to significantly affect Raisio's net sales and EBIT.

Raisio's key strategic target is growth, both organically and through acquisitions. To ensure Raisio's organic growth, the company will move from a holding-type structure to a model in which all resources are targeted toward supporting the strategic objectives of the new Healthy Food Division. Raisio will also seek growth through acquisitions that suit its core business. Raisio is net debt free and has a strong balance sheet, which makes acquisitions supporting its core business possible.

Background to the Board of Directors' proposal for the distribution of profits

Despite the fact that the company's earnings per share for the financial year 2017 were negative, the Board of Directors proposes that a dividend of EUR 0.17 per share be distributed in order to communicate its strong trust in the management's ability to expand the company's operations, to further improve its profitability and to generate free cash flow to be distributed to shareholders. Thus, the proposal of distribution of profits is not based on the earnings of the financial year 2017, but on the Board's will to distribute to shareholders a fair share of the cash flow generated by the business and factory property divestments completed in 2017. The company's liquidity is good, and the Board's view is that the proposed dividend payout does not endanger the company's solvency and the achievement of its strategic objectives.

Board of Directors' proposal for the distribution of profits

The parent company's distributable assets based on the balance sheet on 31 December 2017 totalled EUR 85,820,909.16.

The Board proposes that a dividend of EUR 0.17 per share be distributed, a total of EUR 28,075,335.10, and that EUR 57,745,574.06 be left in the profit account. No dividends will be paid on the shares held by the company on the record date 23 March 2018, and the payment date of the dividend is proposed to be 5 April 2018.

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

In Raisio, 12 February 2018

Raisio plc
Board of Directors

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

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

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

Consolidated financial statements (IFRS)

Consolidated income statement

(EUR million)	Note	1.1.-31.12.2017 Continuing operations	1.1.-31.12.2017 Discontinued operations	1.1.-31.12.2017 Total	1.1.-31.12.2016 Continuing operations	1.1.-31.12.2016 Discontinued operations	1.1.-31.12.2016 Total
CONTINUING AND DISCONTINUED OPERATIONS:							
NET SALES	2.2.1	306.8	96.0	402.8	336.6	99.7	436.3
Cost of sales		-222.9	-78.3	-301.2	-259.5	-78.1	-337.6
Gross profit		83.9	17.7	101.6	77.1	21.6	98.7
Sales and marketing expenses		-29.2	-5.0	-34.3	-37.4	-4.9	-42.2
Administration expenses		-24.2	-4.3	-28.5	-20.2	-4.3	-24.6
Research and development expenses		-3.4	-0.2	-3.6	-3.4	-0.2	-3.6
Other income and expenses from business operations	10.1.1	28.9	-67.4	-38.4	0.7	0.0	0.6
EBIT	4.3,9.1	55.9	-59.2	-3.2	16.8	12.1	28.9
Financial income	5.1	1.3	-0.2	1.1	1.9	-0.1	1.8
Financial expenses	5.1	-2.7	-0.1	-2.8	-4.0	0.0	-4.0
Share of results of associates and joint ventures		0.0	0.0	0.0	0.0	0.0	0.0
RESULT BEFORE TAXES		54.5	-59.5	-5.0	14.7	12.1	26.8
Income taxes	6.1	-12.7	0.3	-12.4	-5.0	-2.8	-7.8
RESULT FOR THE FINANCIAL PERIOD		41.8	-59.2	-17.3	9.7	9.3	19.0
ATTRIBUTABLE TO:							
Equity holders of the parent company		41.8	-59.2	-17.3	9.7	9.3	19.0
Non-controlling interests		0.0	0.0	0.0	0.0	0.0	0.0
		41.8	-59.2	-17.3	9.7	9.3	19.0
EARNINGS PER SHARE CALCULATED FROM THE RESULT OF EQUITY HOLDERS OF THE PARENT COMPANY							
Earnings per share (EUR)	7.3						
Undiluted earnings per share		0.27	-0.38	-0.11	0.06	0.06	0.12
Diluted earnings per share		0.27	-0.38	-0.11	0.06	0.06	0.12

Consolidated comprehensive income statement

(EUR million)	Note	1.1.-31.12.2017 Continuing operations	1.1.-31.12.2017 Discontinued operations	1.1.-31.12.2017 Total	1.1.-31.12.2016 Continuing operations	1.1.-31.12.2016 Discontinued operations	1.1.-31.12.2016 Total
CONTINUING AND DISCONTINUED OPERATIONS:							
RESULT FOR THE PERIOD		41,8	-59,2	-17,3	9,7	9,3	19,0
OTHER COMPREHENSIVE INCOME ITEMS							
Items that may be subsequently transferred to profit or loss							
Protection of net investments		0,0	0,0	0,0	-3,7	0,0	-3,7
Change in value on liquid funds available for sale		-0,2	0,0	-0,2	-0,3	0,0	-0,3
Change in value of cash flow hedging		0,5	0,0	0,5	-1,0	0,0	-1,0
Change in translation differences related to foreign companies		-5,2	-0,2	-5,4	-25,5	-1,7	-27,2
Change in tax impact	6.3	-0,1	0,0	-0,1	1,0	0,0	1,0
TOTAL OTHER COMPREHENSIVE INCOME ITEMS		-5,0	-0,2	-5,2	-29,4	-1,7	-31,2
COMPREHENSIVE INCOME FOR THE PERIOD		36,9	-59,4	-22,5	-19,7	7,5	-12,2
COMPONENTS OF COMPREHENSIVE INCOME:							
Equity holders of the parent company		36,9	-59,4	-22,5	-19,7	7,5	-12,2
Non-controlling interests		0,0	0,0	0,0	0,0	0,0	0,0
		36,9	-59,4	-22,5	-19,7	7,5	-12,2

Notes are an essential part of the financial statements.

Consolidated balance sheet

(EUR million)	Note	31.12.2017	31.12.2016
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	4.1	**42.9**	62.0
Goodwill	4.1.4	**46.5**	154.1
Tangible assets	4.2	**50.1**	88.5
Shares in associates and joint ventures	3.3	**0.7**	0.7
Available-for-sale financial assets	5.3.1	**2.2**	2.3
Deferred tax assets	6.2	**2.7**	5.4
		145.0	313.1
CURRENT ASSETS			
Inventories	4.4	**30.5**	42.3
Accounts receivables and other receivables	5.3.2	**34.6**	51.0
Financial assets at fair value through profit or loss	5.3.4	**2.2**	37.7
Cash in hand and at banks	5.3.5	**149.0**	25.9
		216.3	156.9
TOTAL ASSETS		**361.3**	470.0
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY	7.1,9.2		
Equity attributable to equity holders of the parent company			
Share capital		**27.8**	27.8
Premium fund		**2.9**	2.9
Reserve fund		**88.6**	88.6
Invested unrestricted equity fund		**8.9**	8.9
Other funds		**-1.6**	-1.9
Company shares		**-19.8**	-19.8
Translation differences		**-18.5**	-13.1
Retained earnings		**175.8**	219.9
		264.0	313.2
Non-controlling interests		**0.0**	0.0
TOTAL SHAREHOLDERS' EQUITY		**264.0**	313.2
LIABILITIES			
Non-current liabilities			
Deferred tax liability	6.2	**5.1**	8.2
Provisions	10.1.2	**1.1**	0.2
Non-current financial liabilities	5.3.6	**23.0**	45.8
Other non-current liabilities		**0.0**	0.0
		29.2	54.3
Current liabilities			
Accounts payable and other liabilities	3.3.8	**39.8**	55.4
Tax liability based on the taxable income for the period	6.1	**3.0**	0.4
Provisions	10.1.2	**2.1**	2.4
Derivative contracts	5.3.4	**0.2**	1.6
Current financial liabilities	5.3.6	**22.9**	42.8
		68.1	102.6
TOTAL LIABILITIES		**97.2**	156.8
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**361.3**	470.0

Notes are an essential part of the financial statements.

Consolidated cash flow statement

(EUR million)	Note	1.1.-31.12.2017 Continuing operations	Discontinued operations	Total	1.1.-31.12.2016 Continuing operations	Discontinued operations	Total
CASH FLOW FROM BUSINESS OPERATIONS							
Result before taxes		54.5	-59.5	-5.0	14.7	12.1	26.8
Adjustments							
Planned depreciaton		8.1	3.0	11.1	8.3	3.0	11.3
Financial income and expenses		1.4	0.3	1.7	2.1	0.1	2.2
Share of results of associates and joint ventures		0.0	0.0	0.0	0.0	0.0	0.0
Other adjustments		-20.2	67.5	47.3	18.4	0.0	18.3
Total adjustments	10.3.1	-10.6	70.8	60.2	28.7	3.1	31.8
Cash flow before change in working capital		43.9	11.3	55.2	43.4	15.2	58.6
Change in working capital							
Increase (-)/decrease (+) in current receivables		-1.4	-0.7	-2.2	2.6	0.9	3.6
Increase (-)/decrease (+) in inventories		-0.2	-0.5	-0.8	15.6	-0.6	15.1
Increase (-)/decrease (+) in current interest-free liabilities		2.7	-0.4	2.3	-20.2	0.1	-20.2
		1.1	-1.7	-0.6	-2.0	0.4	-1.6
Cash flow from business operations before financial items and taxes		45.0	9.6	54.6	41.4	15.6	57.0
Interest paid and payments for other financial expenses from business operations		-2.0	-0.4	-2.4	-3.1	-0.2	-3.2
Dividends received from business operations		0.2	0.0	0.2	0.1	0.0	0.1
Interest received and other financial income from business operations		0.8	0.0	0.9	1.8	0.1	1.9
Other financial items, net		-0.2		-0.2	0.4	0.0	0.4
Income taxes paid		-6.4	-1.5	-7.8	-5.1	-3.4	-8.6
NET CASH FLOW FROM BUSINESS OPERATIONS		37.5	7.6	45.1	35.6	12.1	47.6
CASH FLOW FROM INVESTMENTS							
Additional acquisition of associate shares		0.0	0.0	0.0	0.0	0.0	0.0
Investments in tangible assets	10.3.1	-9.3	-5.3	-14.6	-8.9	-5.2	-14.1
Investments in intangible assets	10.3.1	-2.0	-0.1	-2.0	-3.2	0.0	-3.2
Income from the sale of the Group companies' shares adjusted for cash at the time of transfer	10.3.1	0.0	89.4	89.4	2.2	0.0	2.2
Proceeds from sale of securities		0.0	0.0	0.0	0.4	0.0	0.4
Income from intangible and tangible commodities	10.3.1	39.2	0.1	39.3	0.2	0.0	0.2
NET CASH FLOW FROM INVESTMENTS		28.0	84.0	112.0	-9.2	-5.2	-14.4
Cash flow after investments		65.6	91.5	157.1	26.4	6.9	33.3
CASH FLOW FROM FINANCIAL OPERATIONS							
Other financial items, net		0.8	0.0	0.8	6.2	0.0	6.2
Repayment of non-current loans	10.3.1	-42.6	0.0	-42.6	-18.4	0.0	-18.4
Dividends and other profit distribution paid to shareholders of the parent company		-26.6	0.0	-26.6	-25.0	0.0	-25.0
Net cash flow from financial operations		-68.4	0.0	-68.4	-37.2	0.0	-37.2
CHANGE IN LIQUID FUNDS		-2.8	91.5	88.7	-10.9	6.9	-4.0
Liquid funds at the beginning of the period		61.9			67.9		
Impact of changes in exchange rates		0.5			-2.0		
Impact of change in market value on liquid funds		-0.1			0.0		
Liquid funds at end of period	5.3.5	150.9			61.9		

Changes in shareholders' equity in the financial period ended 31 December 2017

(EUR million)	Share capital	Share premium reserve	Reserve fund	Invested unrestricted equity fund	Other reserves	Company shares	Translation differences	Retained earnings	Equity attributable to equity holders of the parent company	Non-controlling interests	Total shareholders' equity
SHAREHOLDERS' EQUITY ON 31 DEC 2015	27.8	2.9	88.6	8.8	2.0	-20.4	14.2	226.2	350.0	0.0	350.0
Comprehensive income for the period											
Result for the period								19.0	19.0		19.0
Other comprehensive income items											
Hedges of a net investment					-3.7				-3.7		-3.7
Available-for-sale financial assets					-0.3				-0.3		-0.3
Cash flow hedge					-1.0				-1.0		-1.0
Translation differences							-27.2		-27.2		-27.2
Tax effect					1.0				1.0		1.0
Total comprehensive income for the period	0.0	0.0	0.0	0.0	-3.9	0.0	-27.2	19.0	-12.2	0.0	-12.2
Business activities involving shareholders											
Dividends								-25.1	-25.1		-25.1
Unclaimed dividends								0.1	0.1		0.1
Transfer from retained earnings to other funds				0.1				-0.1	0.0		0.0
Share-based payment						0.6		-0.2	0.4		0.4
Total business activities involving shareholders	0.0	0.0	0.0	0.1	0.0	0.6	0.0	-25.3	-24.6	0.0	-24.6
SHAREHOLDERS' EQUITY ON 31 DEC 2016	**27.8**	**2.9**	**88.6**	**8.9**	**-1.9**	**-19.8**	**-13.1**	**219.9**	**313.2**	**0.0**	**313.2**
Comprehensive income for the period											
Result for the period								-17.3	-17.3		-17.3
Other comprehensive income items											
Hedges of a net investment									0.0		0.0
Available-for-sale financial assets					-0.2				-0.2		-0.2
Cash flow hedge					0.5				0.5		0.5
Translation differences							-5.4		-5.4		-5.4
Tax effect					-0.1				-0.1		-0.1
Total comprehensive income for the period	0.0	0.0	0.0	0.0	0.3	0.0	-5.4	-17.3	-22.5	0.0	-22.5
Business activities involving shareholders											
Dividends								-26.8	-26.8		-26.8
Unclaimed dividends								0.1	0.1		0.1
Transfer from retained earnings to other funds				0.1				-0.1	0.0		0.0
Share-based payment						0.0		0.0	0.0		0.0
Total business activities involving shareholders	0.0	0.0	0.0	0.1	0.0	0.0	0.0	-26.8	-26.7	0.0	-26.7
SHAREHOLDERS' EQUITY ON 31 DEC 2017	**27.8**	**2.9**	**88.6**	**8.9**	**-1.6**	**-19.8**	**-18.5**	**175.8**	**264.0**	**0.0**	**264.0**

Notes to the Consolidated Financial Statements

Raisio has changed the presentation of its financial statements. The Notes to the Consolidated Financial Statements are grouped into sections according to their nature. In order to achieve better understanding of calculation principles, Raisio describes the accounting principles in connection with the related note. General accounting basis is described as part of the Notes to the Financial Statements while the accounting policies that are closely related to a particular Note are presented as part of this Note.

The Notes of each section include the contents of the section, accounting principles, essential financial information as well as key estimates and discretionary solutions if they had to be made.

The symbol for the contents of the section.

§ **The symbol for the accounting principles to the financial statements.**

The symbol for the financial information.

The symbol for key estimates and discretionary solutions related to section of the financial statements.

1 Accounting policies for the Consolidated Financial Statements

1.1 The Group's basic information

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

The Raisio Group consists of two operating segments, Brands and Raisioagro, as well as service functions supporting the operating segments. Raisio is an international specialist in plant-based nutrition that develops, manufactures and markets foods, functional food ingredients and animal feeds. In addition, the Group is engaged in the grain trade and supplies farming supplies to the agricultural sector. The Group operates in 11 countries.

The consolidated financial statements have been prepared for the 12-month period 1 January – 31 December 2017. These financial statements were authorised for issue by Raisio plc's Board of Directors on 12 February 2018. Under the Finnish Companies Act, shareholders are entitled to adopt or reject the financial statements at the Annual General Meeting held after the publication of the financial statements. The Annual General Meeting may also decide to amend the financial statements.

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

1.2 Accounting policies for the financial statements

Basis of presentation

Raisio's consolidated financial statements have been prepared according to the International Financial Reporting Standards (IFRS) and following the IAS and IFRS standards as well as SIC and IFRIC interpretations in effect on 31 December 2017. The International Accounting Standards refer to the standards and associated interpretations in the Finnish Accounting Act and in regulations issued under it that are approved by the EU for application in accordance with the procedure laid down in Regulation (EC) No 1606/2002. Notes to the consolidated financial statements also comply with the Finnish Accounting and Community Legislation that supplements the IFRS provisions.

Presentation currency and presentation of figures

The currency used in the financial statements is the euro, and the statements are shown in EUR millions. The consolidated financial statements have been prepared based on original purchase costs unless otherwise stated in the accounting principles. Figures presented in these financial statements have been rounded from exact figures and consequently, the sum of figures presented individually can deviate from the presented sum figure. Key figures have been calculated using exact figures.

Income statement by function of expense

The Group's income statement is presented using the function of expense method. Separate functions include sales and marketing expenses, administrative expenses and R&D expenses. Costs of goods sold include wage, material, acquisition and other expenses incurred from the production and acquisition of products. Administrative expenses include general administrative costs and Group management costs. Administrative expenses have been allocated to functions according to the matching principle.

EBIT

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

Alternative key figures and items affecting comparability

The Group presents alternative key figures to describe the financial performance and position of its businesses as well as cash flows to improve the comparability between different periods and to increase understanding of the formation of the company's earnings and its financial position.

The alternative key figure is derived from the IFRS financial statements. The alternative key figures should not be considered as substitute indicators compared to the key figures defined in the IFRS. It is possible to present items affecting comparability and to calculate alternative key figures without items affecting comparability in the Board of Directors' report, Financial Statements Bulletin, Half-Year and Interim Reports.

Items affecting comparability are income or expenses arising as a result of one or rare events. Significant expenses of outside experts related to business acquisitions and business expansion, expenses related to business reorganisation and expenses related to the impairment of assets and their possible repayment are presented as items affecting comparability.

Items affecting comparability are recorded in the income statement according to the matching principle under the income or expense category.

The Raisio Group presents, for example, following alternative key figures: gross profit, EBIT, comparable EBIT, EBITDA, comparable EBITDA, pre-tax result, comparable earnings / share, return on equity %, return on investments %, comparable return on investments %, equity ratio %, net gearing %, net interest-bearing debt, interest-bearing debt, cash flow from operations, cash flow from operations per share, equity per share, dividend per share, dividend per earnings.

Rental agreements

The Group acts both as a lessor and as a lessee in terms of real estate and machines.

Rental agreements where the Group has an essential share of the risks and benefits characteristic of ownership are classified as financial leasing agreements. Assets acquired by a financial leasing agreement are entered on the balance sheet at the fair value of the leased asset at the commencement date of the rental agreement or at a lower current value of minimum rents. Payable leasing rents are divided into leasing costs and debt deductions. Financing interest is entered in the income statement during the leasing agreement in such a manner that the remaining debt will carry equal interest in each financial period. Depreciations from goods acquired via a financial leasing agreement are made within the useful life of the goods or a shorter rental period. Rental obligations are included in financial liabilities.

Rental agreements that leave the risks and rewards characteristic to ownership to the lessor are treated as other rental agreements. Rents determined by other rental agreement are recorded as an expense in the income statement on a straight-line basis over the lease term.

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

Government grants and assistance

Government grants related to the purchase of tangible and intangible fixed assets are recognised as a deduction of the carrying amounts of fixed assets when the Group has reasonable assurance of receiving the grants and the Group complies with the conditions for receiving the grant. Grants are recognised as lower depreciations within the asset's useful life. Other public subsidies are recognised through profit or loss under income for the accounting periods in which the related expenses and the right to receive the subsidy are generated.

Assets held for sales and discontinued operations

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

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

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

The result from discontinued operations is presented in the income statement and in the statement of comprehensive income as a separate item. The comparative information in the income statement is adjusted for those operations that have been classified as discontinued during the most recent financial period. Assets available for sale together with the related liabilities are presented as a separate item in the balance sheet.

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

1.3 Consolidation principles

Subsidiaries

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

In the consolidated financial statements, mutual shareholding is eliminated using the acquisition method. The consideration transferred and the acquired company's identifiable assets and assumed liabilities are measured at fair value at the acquisition date. Costs related to the acquisition are recognised as an expense. Purchase price debt is measured at fair value at the acquisition date and classified as a liability. The liability is measured at fair value at the end of each reporting period, and gains and losses arising from the valuation are recognised through profit or loss.

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

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

Non-controlling interests are valued at the amount that corresponds to the proportionate share of the non-controlling interest. Comprehensive income for the period is allocated to parent company shareholders and the non-controlling interest even if the non-controlling interest was negative. The non-controlling interest in the shareholders' equity is presented as a separate item in the balance sheet under shareholders' equity. Changes in the parent company's ownership interest in its subsidiary that do not result in a loss of control are treated as equity transactions.

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

Associates

Associates are companies in which the Group owns 20-50% of the voting rights or over which the Group has considerable influence but no control. Associates are consolidated using the equity method. A holding equivalent to the Group ownership is eliminated from the unrealised profits between the Group and its associates. The Group investment in associates includes goodwill generated by the acquisition. Application of the equity method is discontinued when the book value of the investment has decreased to zero, unless the Group has acquired liabilities related to the associates or has guaranteed their liabilities. The Group's share of the associates' profits for the period, calculated on the basis of its ownership, is presented as a separate item after EBIT. Similarly, the Group's share of the changes recognised in other comprehensive income of associates are recognised in the Group's other comprehensive income. The Group's associates had no such items in this or previous period.

1.4 Accounting policies calling for management's judgement and main uncertainties related to the assessments

When preparing the consolidated financial statements, estimates and assessments must be made concerning the future. These may affect assets and liabilities at the time of balance sheet preparation, as well as income and expenses in the reporting period. Actual figures may differ from those used in the financial statements.

The Group management may have to make judgement-based decisions relating to the choice and application of accounting policies for the financial statements. This particularly concerns the cases when effective IFRSs allow alternative valuation, recording and presenting manners.

Judgements and estimates made in the preparation of the financial statements are based on the management's best judgement on the closing date. They are based on previous experience and future expectations considered to be most likely on the closing date. These include, in particular, factors related to the Group's financial operating environment affecting sales and the cost level. The Group monitors the realisation of these estimates and assumptions. Any changes in estimates and assumptions are entered in the period in which they have been detected.

The most significant areas in which management has used discretion when applying the accounting policies relate to the possible impairment of goodwill, intangible assets with indefinite useful lives and unfinished intangible assets, and to the fair value determination of the assets acquired in the business combination, to the amount of deferred tax asset and to what extent the tax asset can be recognised in the balance sheet, to the determination of depreciation periods and to the classification of assets as held for sale or to be discontinued.

Change in the classification related to the Southall industrial property

Change in the treatment of Southall: In the 2017 Half-Year Report and January-September 2017 Interim Report, the proceeds from the divestment were presented in net sales and the cost corresponding to the proceeds in the cost incurred for sales performed.

The management has carefully reassessed the nature and content of the event and considers that the presentation of the property divestment as a transfer of fixed assets gives a clearer picture of the event. The divestment is treated and presented as sale of fixed assets in the 2017 Financial Statements and Board of Directors' report. The capital gain is presented as an income statement item in Other operating income and expenses, net.

As a change to its previous procedure, the company treats the UK Southall property divestment as a transfer of fixed assets in its financial statements on 31 December 2017. The capital gain of EUR 28.0 million is presented in the income statement under Other operating income and expenses, and in the cash flow statement as an item of cash flow from investment. The figures presented on the matter in the 2016 financial statements have been adjusted to reflect this treatment method in this financial statement. (Notes 4.2 and 4.4).

1.5 Foreign currency transactions and translations

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

Business transactions in foreign currency

Business transactions in foreign currency are entered in the euro by using the transaction date exchange rate. In practice, the rate roughly corresponding to the transaction date exchange is often used. Monetary items in foreign currency are converted into the euro using the closing date exchange rates. Non-monetary items are valued at the transaction date exchange rate.

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

Conversion of financial statements in foreign currency

Comprehensive income and separate income statements for foreign Group companies, where the valuation or closing currency is not the euro, are converted to the euro using the average exchange rates of the reporting period and balance sheets using the exchange rates of the reporting period's end date. Converting income and comprehensive income of the accounting period by using different exchange rates in the income statement and statement of comprehensive income on the one hand, and in the balance sheet on the other, result in a translation difference recorded under shareholders' equity in the balance sheet, the change of which is recorded in other comprehensive income. Translation differences

The management has exercised discretion during the financial period 1 January – 31 December 2017 as follows

Area of discretion	Object of discretion
Classification of assets as held for sale or discontinued operations	Brands segment's operating segment Confectionery
Impairment of intangible assets with indefinite life	Goodwill impairment related to the Brands segment's operating segment Confectionery
Impairment of unfinished intangible assets	Impairment of Benemilk's fixed assets
Determination of depreciation periods	Bioenergy plant's machinery depreciation period
The amount of deferred tax asset	Derecognition of the deferred tax asset of Benemilk's confirmed losses
Classification of asset item	Southall industrial property

arising from the elimination of the acquisition cost of foreign entities and the conversion of items of equity accrued post-acquisition are recognised in other comprehensive income. If a foreign entity is disposed of during the reporting period, the accumulated translation differences are recognised through profit or loss as part of the sales profit or loss when recording the corresponding disposal proceeds.

Goodwill generated by the acquisition of a foreign entity and adjustments related to fair values are treated as assets and liabilities in the local currency of the entity in question and converted using the reporting period's closing date exchange rates.

1.6 New and amended standards during the last financial period

The Group has adopted the following revised standards and interpretations as of 1 January 2017:

Amendments to IAS 7 *Disclosure Initiative* (applicable in periods beginning on or after 1 January 2017). The amendments aim to ensure that the users of financial statements can assess the changes in cash flow and non cash flow influenced liabilities arising from financing activities.

The amendment affects Raisio Group's Notes to the consolidated cinancial statements. The notes related to the changes in cash flow and non cash flow influenced liabilities arising from financing activities have been supplemented with a reconciliation statement presenting the changes in cash flows and non cash flows.

Amendments to IAS 12 *Recognition of deferred tax assets for unrealised losses* (applicable in periods beginning on or after 1 January 2017). The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the asset and its tax basis at the balance sheet date, and is not affected by possible future changes in the carrying amount of an asset or in the manner in which the amount equal to the carrying amount will be accrued.

The amendment has no impact on the Raisio Group's consolidated financial statements.

1.7 New and revised standards and interpretations applicable to future financial periods

IASB has published the following new or amended standards and interpretations, which have not yet taken effect and which the Group has not yet applied. The Group plans to adopt each standard and interpretation from its effective date, or, if the standard or interpretation takes effect during the financial period, from the beginning of the financial period following the effective date.

* = This provision has not been approved for application in the EU on 31 December 2017.

Amendments to IFRS 9 *Financial instruments* (applicable in periods beginning on or after 1 January 2018): IFRS 9 will replace the current IAS 39 standard. The new standard includes revised guidance for the recognition and valuation of financial instruments. It also covers a new expected loss impairment model, which is applied in the determination of the impairment losses recognised for financial assets. In addition, the standard provides new rules for general hedge accounting. The IAS 39 requirements concerning the recognition and derecognition of financial instruments in the balance sheet continue to apply.

The Raisio Group has assessed the impacts of IFRS 9 on its consolidated financial statements and will adopt the standard on the required date of application. According to the Raisio Group's estimate, the main impact of the adoption of the IFRS 9 comes from the application of the expected credit loss model when assessing impairment related to doubtful receivables. The Group will apply the simplified approach included in the IFRS 9, under which impairments are recognised at an amount corresponding to the expected impairments for the entire effective period. The Group estimates that impairment entries will not significantly increase with the IFRS 9. Similarly, the Group does not expect the other changes in accounting principles arising from the transition to IFRS 9 to have a material impact on the classification of financial assets or the figures presented in the financial statements on 31 December 2017.

IFRS 15 *Revenue from Contracts with Customers*, *Effective date of* IFRS 15 and *Clarifications to* IFRS 15 (applicable in periods starting on or after 1 January 2018). The new standard will replace the current standards IAS 18 and IAS 11 and related interpretations.

IFRS 15 contains a five-step guidance for the recognition of revenue: how much and when revenue is recognised. Revenue is recognised as control is passed, either over time or at a point in time. In addition, the standard also requires more disclosures.

The Raisio Group has prepared an analysis on the impacts of the IFRS 15. The Group's sales to customers are primarily sale of goods. The Group records sales revenue when the customer acquires control over the products. Control is seen to be transferred at a point in time according to the delivery terms. At the Raisio Group, there are no contracts to be recognised as income according to the stage of completion. Sales revenue from services is recognised over time when the service has been completed. Variable consideration or significant rights that should be treated as separate performance obligations with material relevance for use have not been identified. The transaction price of a product or service does not include a significant financing component since the time between the transfer and payment of the goods or services is no more than one year. Therefore, the introduction of the standard will not affect the amount or timing of the sales revenue to be recorded. The Raisio Group will adopt the standard in full retroactively at the required application date.

IFRS 16 *Leases* (applicable in periods starting on or after 1 January 2019). The new standard will replace the IAS 17 standard and related interpretations. IFRS 16 requires lessees to enter leases in the balance sheet as a lease liability and as a related asset. The recognition is very similar to IAS 17's accounting treatment of finance leasing. There are two recognition exemptions that concern leases with a lease term of 12 months or less and commodities not exceeding the value of USD 5,000. For lessors, accounting will remain substantially unchanged from the current IAS 17.

The Raisio Group has started to evaluate the impact of IFRS 16 on the consolidated financial statements. The standard affects the Raisio Group's consolidated financial statements. The Group's balance sheet will include new entries for assets and liabilities that are mainly land, business premises and vehicles included in other current leases. The nature of costs related to these contracts will change as IFRS 16 replaces rental expenses by depreciation of fixed assets and by interest expense arising from lease liability. The interest expense is reported as part of financial expenses. Based on the preliminary assessment, the IFRS 16 has not a significant impact on the Raisio Group's consolidated financial statements.

Amendments to IFRS 2 - *Classification and Measurement of Share-based Payment Transactions** (applicable in periods beginning on or after 1 January 2018). The amendments clarify the accounting treatment for certain types of arrangements. They concern three areas: measurement of cash-settled payments, share-based payments less withholding tax, and changing of share-based payments from cash-settled to equity-settled.

The standard does not affect significantly the Raisio Group's consolidated financial statements.

The interpretation IFRIC 22 *Foreign Currency Transactions and Advance Consideration** (applicable in periods beginning on or after 1 January 2018). When an advance payment in foreign currency – related to an asset, expense or income – is paid or received, IAS 21 The Effects of Changes in Foreign Exchange Rates does not take a stand on how to determine the transaction date for translating the related item. The interpretation clarifies that the transaction date is the date on which the company initially recognises the advance payment or deferred income arising from the advance consideration. When a transaction consists of several advance considerations, the transaction date is determined separately for each consideration.

The amendment has no impact on the Raisio Group's consolidated financial statements.

The Annual Improvements to IFRS Standards*, 2014–2016 Cycle (applicable in periods beginning on or after 1 January 2018): In the Annual Improvements process, minor or less urgent standard amendments are compiled and implemented once a year. The amendments concern IFRS 1 and IAS 28 standards.

The amendments have no impact on the Raisio Group's consolidated financial statements.

IFRIC 23 *Uncertainty over Income Tax Treatments** (applicable in periods beginning on or after 1 January 2019). The interpretation clarifies the accounting process in a situation where the entity's tax solution is still expecting the tax authority's approval. The key question is to assess whether the tax authority will approve the solution made by the entity. While considering this, it is assumed that the tax authority has access to all relevant information when assessing the solution.

The amendment has no impact on the Raisio Group's consolidated financial statements.

Amendments to IFRS 9 *Prepayment Features with Negative Compensation* (applicable in periods beginning on or after 1 January 2019). The amendments make it possible to measure some financial instruments enabling prepayment at amortised cost.

The amendment has no impact on the Raisio Group's consolidated financial statements.

Amendments to IAS 28 *Long-term interests in Associates and Joint Ventures* (applicable in periods beginning on or after 1 January 2019). The amendments clarify that the IFRS 9 is applied to such long-term interests in associates and joint ventures that form part of a net investment in an associate or joint venture.

The standard does not affect significantly the Raisio Group's consolidated financial statements.

The Annual Improvements to IFRS Standards*, 2015–2017 Cycle (applicable in periods beginning on or after 1 January 2019): In the Annual Improvements process, minor or less urgent standard amendments are compiled and implemented once a year. The amendments concern IFRS 3, IFRS 11, IAS 12 and IAS 23 standards.
The amendments have no significant impact on the Raisio Group's consolidated financial statements.

2 *Income and segment information*

Content

The Note Income and Segment Information includes the notes on the income items related to net sales of continuing operations and the notes on the income and balance sheet items related to the segment information.

2.1 Information by segment

Key estimates and discretionary solutions

The Group consists of two reportable business segments, Brands and Raisioagro, as well as service functions. Brands and Raisioagro segments are the Group's strategic operating units that are managed as separate units and whose performance is regularly reviewed by the top management. The products of the reportable segments are different and require different distribution channels and marketing strategies.

The Brands segment consists of different operating segments combined into a single reportable segment. The products, production processes, customer groups, marketing strategies, distribution channels (retail trade) and risk profiles are similar in the Brands segment's different operating segments. The Brands segment's operating segments develop, manufacture, sell and market foods and their ingredients to the retailers and industry; they also license immaterial rights related to foods and their ingredients. The Brands segment include the following operating segments: Benecol, Healthy Food and Benemilk.

The operating segment Confectionery included in the Brands segment was transferred to the new owner on 29 December 2017. In the financial statements, it is presented as a discontinued operation which is further discussed under 3.1 Business acquisitions and divestments.

Brands segment

- Healthy Food
- Benecol
- Confectionery (until 29 December 2017)
- Benemilk

Raisioagro forms one operating segment that includes cattle and fish feeds, farming supplies and grain trade. The Raisioagro segment's activities are directed at persons and companies engaged in business operations in Finland and its neighbouring areas, primarily in Russia.

Raisioagro segment

- Cattle and Fish feeds
- Farming Supplies
- Grain Trade

The Service functions segment includes the Group's shared and serving functions: finance, funding, information management, legal affairs, communications as well as property management and maintenance services.

Accounting principles

The operating segments are reported in a manner similar to internal reporting reviewed by the chief operating decision-maker. Management's internal reporting is prepared in accordance with the IFRS principles.

The Group Management Team that makes strategic decisions has been nominated as the chief operating decision-maker. The Management Team is responsible for allocating resources to operating segments and evaluating their results. The reportable segments are based on the Group's business segmentation.

The Group assesses the business performance of the segments according to their EBIT; decisions on the resource allocation to the segments are also based on EBIT. EBIT is also considered an appropriate meter when the segment performance is compared with other companies' similar businesses. The Group's Management Team is the chief decision-maker and as such, is responsible for allocating resources to operating segments and for evaluating their results.

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

Income statement information, 2017

The Brands segment's Confectionery operating segment was transferred to the new owner on 29 December 2017.

The Confectionery operating segment is reported in the discontinued operations in the financial statements of 2017. The figures of comparison periods have been altered accordingly.

Confectionery included the UK and Czech operations. Main markets for the Confectionery were the UK and the rest of Europe.

1 January - 31 December 2017 (EUR million)	Brands	Raisioagro	Other operations	Eliminations	Total
External sales					
Services	0.0	0.0	0.9		0.9
Goods	192.8	112.4	0.0		305.2
Royalties	0.7	0.0			0.8
Total external sales	193.5	112.4	0.9		306.8
Internal sales	1.5	13.9		-15.4	0.0
Net sales	195.1	126.3	0.9	-15.4	306.8
Depreciation	3.9	2.4	1.6		7.9
Value impairments	8.0				8.0
Total depreciation and value impairment	11.9	2.4	1.6	0.0	15.9
Segment EBIT	57.5	4.2	-5.8		55.9
Share of results of associates and joint ventures		0.0			0.0
Reconciliation					
Segment EBIT					55.9
Share of results of associates and joint ventures					0.0
Financial income and expenses					-1.4
Taxes					-12.7
Discontinued operations					-59.2
Result for the period					-17.3

Income statement information, 2016

1 January - 31 December 2016 (EUR million)	Brands	Raisioagro	Other operations	Eliminations	Total
External sales					
Services	0.2	0.0	0.8		1.0
Goods	217.9	116.9	0.0		334.8
Royalties	0.7	0.0			0.8
Total external sales	218.8	116.9	0.8		336.6
Internal sales	1.5	9.6		-11.2	0.0
Net sales	220.3	126.6	0.8	-11.2	336.6
Depreciation	4.7	2.4	1.1		8.2
Value impairments	16.1				16.1
Total depreciation and value impairment	20.9	2.4	1.1	0.0	24.3
Segment EBIT	18.0	3.7	-4.9		16.8
Share of results of associates and joint ventures		0.0			0.0
Reconciliation					
Segment EBIT					16.8
Share of results of associates and joint ventures					0.0
Financial income and expenses					-2.1
Taxes					-5.0
Discontinued operations					9.3
Result for the period					19.0

The divested snack bar business in the Western European market area is included in the figures until 12 July 2016.

Balance sheet information, 2017

1 January - 31 December 2017 (EUR million)	Brands	Raisioagro	Other operations	Eliminations	Total
Segment assets	146.6	43.3	20.7	-3.3	207.3
Including:					
Shares in associates and joint ventures	0.0	0.7			0.7
Increase in non-current assets	3.0	3.3	4.1		10.4
Segment liabilities	23.1	17.7	5.0	-3.3	42.5
Reconciliation of assets to Group assets					
Segment assets					207.3
Segment assets from discontinued operations					0.0
Deferred tax assets					2.7
Loans receivable and other receivables related to financing					0.0
Tax assets					0.0
Financial assets at fair value through profit or loss					2.2
Liquid funds					149.0
Recognised assets					361.3
Reconciliation of liabilities to Group liabilities					
Segment liabilities					42.5
Segment liabilities from discontinued operations					0.0
Deferred tax liability					5.1
Financial liabilities					45.9
Financial liabilities at fair value through profit or loss					0.2
Tax liability					3.0
Dividend liability					0.4
Liabilities related to financing					0.0
Recognised liabilities					97.2

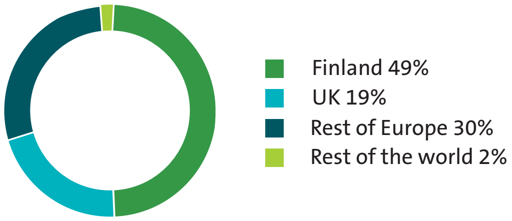
Balance sheet information, 2016

1 January - 31 December 2016 (EUR million)	Brands	Raisioagro	Other operations	Eliminations	Total
Segment assets	170.7	39.7	18.9	-1.9	227.4
Including:					
Shares in associates and joint ventures	0.0	0.7			0.7
Increase in non-current assets	3.9	1.9	7.5		13.3
Segment liabilities	22.4	14.0	4.8	-1.9	39.4
Reconciliation of assets to Group assets					
Segment assets					227.4
Segment assets from discontinued operations					173.2
Deferred tax assets					5.4
Loans receivable and other receivables related to financing					0.0
Tax assets					0.4
Financial assets at fair value through profit or loss					37.7
Liquid funds					25.9
Recognised assets					470.0
Reconciliation of liabilities to Group liabilities					
Segment liabilities					39.4
Segment liabilities from discontinued operations					18.1
Deferred tax liability					8.2
Financial liabilities					88.6
Financial liabilities at fair value through profit or loss					1.6
Tax liability					0.5
Dividend liability					0.4
Liabilities related to financing					0.0
Recognised liabilities					156.8

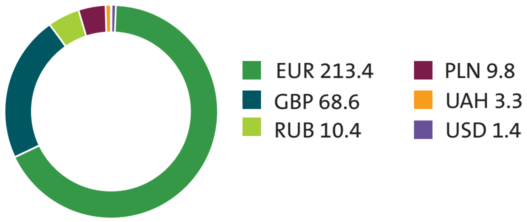
Non-current assets, excluding deferred tax assets and financial instruments.

(EUR million)	2017	2016
Finland	57.3	61.3
Great Britain	38.3	212.1
Rest of Europe	0.3	22.1
Rest of the world	0.0	0.0
Total	95.8	295.5

Net sales by region (%)



Net sales in different currencies 2017 (M€)



Geographical information

The Group operates in different geographical areas as follows:

(EUR million)	1-12/2017	%	1-12/2016	%
Revenue from external customers, Group				
Finland	149.6	48.8	156.3	46.5
Great Britain	57.8	18.8	81.3	24.1
Rest of Europe	93.4	30.4	92.4	27.4
Rest of the world	6.1	2.0	6.6	2.0
Total	306.8	100.0	336.6	100.0
Revenue from external customers, Brands segment				
Finland	62.3	32.2	60.3	27.6
Great Britain	57.8	29.8	80.4	36.7
Rest of Europe	67.7	35.0	72.4	33.1
Rest of the world	5.8	3.0	5.7	2.6
Total	193.5	100.0	218.8	100.0
Revenue from external customers, Raisioagro segment				
Finland	86.5	76.9	95.2	81.4
Russia	20.4	18.1	15.4	13.2
Rest of Europe	5.3	4.7	5.5	4.7
Rest of the world	0.3	0.2	0.9	0.7
Total	112.4	100.0	116.9	100.0
Revenue from external customers, others				
Finland	0.9	100.0	0.8	100.0

The markets of the Healthy Food operating segment are Northern and Eastern Europe. The Benecol business of the Healthy Food operating segment includes the Benecol product ingredient sales to licensing partners globally and Benecol consumer product sales to Northern and Western Europe. The Confectionery business includes operations in the UK and Czech Republic. Main markets for the Confectionery are the UK and other European countries. Raisioagro's main markets are Finland and neighbouring countries.

The Healthy Food operating segment's divested snack bar business in the Western European markets is included in the figures until 12 July 2016

2.2 Revenue

§ Accounting principles

The fair value determined on the basis of the received or receivable consideration on the sale of products and services less the discounts given and indirect taxes are presented as net sales. The effective portion of currency derivatives is recognized as an adjustment for sales revenue in case of cash flow hedging.

Revenues from the sale of goods are recorded when the customer has gained the ownership of goods and when benefits and control related to the ownership have been transferred to the purchaser. Timing of the income recognition depends on the used delivery terms. When volume discounts are related to the sale of products, they are assessed and recorded at the time of sale. Revenues from services are recorded when the service has been completed.

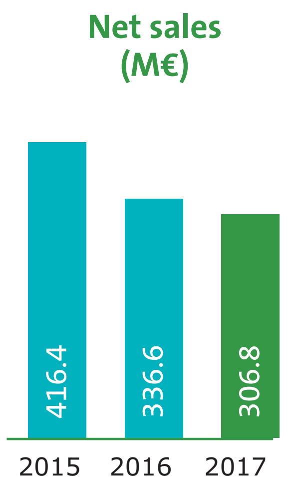
Revenues from licences and royalties are recorded in accordance with the actual contents of the agreement.

Financial information

2.2.1 Net sales

The Raisio Group's net sales mainly consist of sale of different type of products. Sales of services include, for example, renting of the property to customers outside the Group.

(EUR million)	1-12/2017	1-12/2016
Sales of goods	305.2	334.8
Sales of services	0.9	1.0
Royalties	0.8	0.8
Net sales, in total	306.8	336.6



In 2017 and 2016, the Group had no major customers, as defined in IFRS 8, whose revenue to the Group would have exceeded 10% of the entire Group's net sales.

Net sales by operating segment

(EUR million)	1-12/2017	1-12/2016
Brands	195.1	220.3
Raisioagro	126.3	126.6
Other	0.9	0.8
Between businesses	-15.4	-11.2
Net sales, in total	306.8	336.6

3 Group structure

Content

This section includes the notes to financial statements describing the acquired businesses and the Group structure. The consolidation principles are presented under 1.3. Consolidation principles.

3.1 Business acquisitions and divestments

Business acquisitions

In 2017 and 2016, no business acquisitions were made.

Accounting principles

The divested subsidiaries are included in the consolidated financial statements until the control has been relinquished.

Business divestments

On 22 December 2017, Raisio announced to divest the Brands segment's Confectionery business to Valeo Foods Ltd. Raisio's confectionery operations in the UK and Czech Republic were transferred to become part of Valeo Foods Group. The arrangement was carried out as a share transaction and its enterprise value was EUR 100 million. The buyer paid an enterprise value of EUR 76.8 million to Raisio for the confectionery business shares. For the divestment of its confectionery business, Raisio recorded divestment loss of EUR 38.4 million. Raisio's divested confectionery business included six production plants in the UK and Czech Republic, as well as the brands, of which Poppets, Fox's, XXX, Just and Pedro are the best-known.

The confectionery business is presented as discontinued operations in the 2017 financial statements in accordance with IFRS 5. The confectionery business divestment was concluded on 29 December 2017. The comparison figures of previous periods' income statement and related items have been changed accordingly.

Confectionery Business

(EUR million)	1-12/2017	1-12/2016
Result of discontinued operations		
Net sales	**96.0**	99.7
Expenses corresponding to products sold	**-78.3**	-78.1
Gross profit	**17.7**	21.6
Other operating income and expenses, net	**-9.8**	-9.5
Write-down on goodwill before the transfer	**-28.7**	
EBIT	**-20.8**	12.1
Financial income and expenses	**-0.3**	-0.1
Result before taxes	**-21.1**	12.1
Income taxes	**0.3**	-2.8
Post-tax result of discontinued operations	**-20.7**	9.3
Post-tax result of the transfer of discontinued operations	**-38.4**	
Result for the period from discontinued operations	**-59.2**	9.3
Cash flows from discontinued operations		
Cash flow from business operations	**7.6**	12.1
Cash flow from investments, net	**71.4**	-5.2
Cash flow from financing activities	**-5.6**	
Cash flows in total	**73.4**	6.9

Impact of the discontinued operations on the Group's financial position:

Confectionery Business

(EUR million)	1-12/2017	1-12/2016
Non-current assets	116.4	146.5
Inventories	11.8	11.1
Short-term receivables	17.5	16.7
Loans receivables (cash pool)	-15.4	-21.5
Liquid funds	2.8	5.9
Funds in total	133.2	158.8
Non-current liabilities	2.3	3.7
Current liabilities	17.5	19.4
Liabilities in total	19.8	23.1
Divested net assets	113.4	
Accumulated translation differences	-1.5	
Capital gain/loss on the divested business including accumulated translation differences	-36.5	
Transaction expenses allocated to the divestment	-0.8	
Guaranteed reserve of receivables directed at sales	-1.1	
Profit impact on EBIT	-38.4	
Enterprise value	100.0	
Investment debt related to factories and other non-interest-bearing items related to net debt	10.6	
Interest-bearing net financial liability of the divested subsidiaries at the time of transfer	12.6	
Enterprise value of the shares	76.8	
Enterprise value of the shares	76.8	
Net interest-bearing debt of the divested subsidiaries at the time of transfer	-12.6	
Subsidiary divestments adjusted for cash at the time of transfer	89.4	
Cash flow from sales including expenses	86.0	
In the cash flow statement		
Subsidiary divestments adjusted for cash at the time of transfer	89.4	
Cash flow from investments	-5.4	
Cash flow from business operations	7.6	
Change in loans receivables	-5.6	
Cash flow effect of the divested operation in total and repayments of loan receivables	86.0	

3.2 Subsidiaries and the non-controlling interest

The Group structure on the closing date:

	Number of wholly owned subsidiaries		Number of partly owned subsidiaries	
	2017	2016	2017	2016
Brands	**18**	24	**3**	3
Raisioagro	**1**	1		
Other operations	**2**	2		

The result of partly-owned subsidiaries has not been distributed to non-controlling interest because when the equity of an partly-owned company is negative, the financial period's loss is not allocated to non-controlling interest since it only carries the loss for the amount equalling its investment. The partly-owned subsidiaries are related to the Benemilk business.

The Raisio Group has no such subsidiaries that would have a share of non-controlling interest significant to the Group.

Of the Brands segment's companies, 7 are in the UK; of the Brands segment's UK companies, Benecol Ltd and Honey Monster Foods Ltd are operating.

Raisio's confectionery business was transferred to the new owner, Valeo Foods Ltd, on 29 December 2017. At the same time, Raisio divested its subsidiaries Big Bear Confectionery Ltd, Nimbus Foods Ltd, Fox Confectonery Ltd, The Lindum Snack Company Ltd, Candy Plus a.s., The Candy Plus Sweet Factory s.r.o. and Candy Plus Polska Sp. z o.o.

During the financial period, two businesses already with already ended operations were dissolved: Lyme Regis Fine Foods Ltd and Glisten Snacks Ltd.

	Group holding, %	Parent company holding, %
SUBSIDIARY COMPANIES		
Brands		
Benecol Limited, UK	**100.00**	
Benemilk Ltd, Turku	**57.00**	
Big Bear Group Limited, UK	**100.00**	
CentrIQ Corporation, USA	**57.00**	
FDS Informal Foods Limited t/a Snacks Unlimited, UK	**100.00**	
Glisten Limited, UK	**100.00**	
The Glisten Confectionery Company Limited, UK	**100.00**	
Honey Monster Foods Limited, UK	**100.00**	
Nordic Feed Innovations Oy, Turku	**76.00**	76.00
Raisio Eesti AS, Estonia	**100.00**	
OOO Raisio Nutrition, Russia	**100.00**	
Raisio Sp. z o.o., Poland	**100.00**	

	Konsernin omistus-osuus, %	Emoyhtiön omistus-osuus, %
Raisio Staest US Inc., USA	**100.00**	
Raisio Sverige AB, Sweden	**100.00**	
Raisio UK Limited, UK	**100.00**	100.00
TOV Raisio Ukraina, Ukrain	**100.00**	
Raisio Nutrition Ltd, Raisio	**100.00**	100.00
Reso Mejeri Produktion AB, Sweden	**100.00**	
Raisioagro		
Raisioagro Ltd., Raisio	**100.00**	100.00
Others		
Raisio Finance NV, Belgium	**100.00**	99.99
Raisionkaari Industrial Park Ltd., Raisio	**100.00**	50.00
ASSOCIATES		
Raisioagro		
Vihervakka Oy, Pöytyä	**39.40**	39.40

3.3 Shares in associates and joint ventures

The Group has one associate, Vihervakka, which is included in the Raisioagro operating segment.

(EUR million)	2017	2016
Carrying value 1.1.	**0.7**	0.7
Additions	**0.0**	
Deductions	**0.0**	0.0
Share of the financial period profit	**0.0**	0.0
Carrying value on 31 December	**0.7**	0.7

The carrying value of the associate does not include goodwill.

Associate's assets, liabilities, net sales and profit / loss:

(EUR million)	2017	2016
Assets	**2.6**	2.7
Liabilities	**0.8**	0.9
Net sales	**1.2**	1.3
Profit/loss	**-0.1**	0.0

Dividends of EUR 7.7 thousand were received from the associate in 2017 (EUR 3.8 thousand in 2016).

4 Invested capital

Content

This section includes Notes on the intangible and tangible assets, goodwill, working capital and depreciations and impairment of fixed assets of continuing operations.

4.1 Intangible assets

§ Accounting principles

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

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

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

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

The estimated useful lives and residual values of assets are reviewed at each closing date, and when necessary, adjusted to reflect the expectation of future economic benefit. Impairment is further discussed under 4.1.7 'Impairment of tangible and intangible assets'. Selection of useful life and depreciation method requires considerable discretion from the management and they are subject to review annually. On each closing date, the Group also assesses whether there are any indications of impairment of any asset. If indications are found, the recoverable amount of the asset is estimated. Irrespective of whether or not there are indications of impairment, impairment tests are always carried out annually for goodwill, for intangible assets with indefinite useful lives as well as for unfinished intangible assets. For the assessment of impairment, assets are divided into units at the lowest level, which is mostly independent of other units and with a cash flow that can be differentiated.

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

Key estimates and discretionary solutions

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

4.1.1 Intangible assets

INTANGIBLE ASSETS 2017

(EUR million)	Development expenses	Intangible rights	Goodwill	Other long-term expenditure	Advances paid and incomplete acquisitions	Intangible assets total
Acquisition cost 1 January	1.2	73.8	157.3	17.2	6.3	255.8
Translation differences		-2.1	-2.2	0.0		-4.3
Increase		0.3		1.2	0.5	2.1
Divestments and other decreases		-15.8	-105.4	-2.1		-123.3
Reclassifications between items				1.6	-1.6	0.0
Acquisition cost 31 December	1.2	56.2	49.7	17.9	5.2	130.3
Accumulated depreciation and write-downs 1 January	0.0	-20.2	-3.2	-16.3		-39.7
Translation differences		0.4	-0.9	0.0		-0.5
Accumulated depreciation of decrease and transfers		5.8	29.7	2.1		37.6
Depreciation for the financial period	-0.1	-1.2		-0.6		-1.9
Write-downs and their returns	-1.1	-1.7	-28.7		-4.9	-36.5
Accumulated depreciation 31 December	-1.2	-16.8	-3.2	-14.8	-4.9	-40.9
Book value 1 January 2017	1.2	53.6	154.1	0.9	6.3	216.1
Book value 31 December 2017	0.0	39.4	46.5	3.2	0.3	89.3

Goodwill impairment of EUR 28.7 million is related to discontinued operations (Confectionery). Other impairment of EUR 7.5 million is primarily related to the Benemilk business.

INTANGIBLE ASSETS 2016

(EUR million)	Development expenses	Intangible rights	Goodwill	Other long-term expenditure	Advances paid and incomplete acquisitions	Intangible assets total
Acquisition cost 1 January		87.9	182.1	18.9	6.7	295.6
Translation differences		-10.6	-24.8	-0.3		-35.6
Increase		0.0		0.0	3.1	3.2
Divestments and other decreases		-5.7		-1.7		-7.3
Reclassifications between items	1.2	2.1		0.2	-3.6	0.0
Acquisition cost 31 December	1.2	73.8	157.3	17.2	6.3	255.8
Accumulated depreciation and write-downs 1 January		-22.9	-3.2	-16.2		-42.4
Translation differences		1.8	0.0	0.1		1.9
Accumulated depreciation of decrease and transfers		5.6		1.7		7.3
Depreciation for the financial period	0.0	-1.1		-0.4		-1.5
Write-downs and their returns		-3.7		-1.4		-5.0
Accumulated depreciation 31 December	0.0	-20.2	-3.2	-16.3	0.0	-39.7
Book value 1 January 2016		65.1	178.9	2.6	6.7	253.3
Book value 31 December 2016	1.2	53.6	154.1	0.9	6.3	216.1

Impairment was related to the UK snack business.

Intangible assets 2017 (M€)

4.1.2 Research and development costs

§ **Accounting principles**

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

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

The depreciation period of development expenses recognised in the balance sheet is 5-10 years.

Key estimates and discretionary solutions

The Group's Benemilk unit has recorded expenses related to the development of new products. Raisio recorded impairment of EUR 7.5 million of the value of Benemilk's fixed assets in the 2017 consolidated financial statements, because the funds invested in the international commercialisation and protection of the Benemilk innovation can no longer be seen to involve significant revenue expectations.

4.1.3 Intangible rights

Intangible rights include trademarks, related to the Brands segment's operations, whose useful life is considered to be indefinite. Their carrying value was EUR 37.3 million on 31 December 2017.

4.1.4 Goodwill

§ **Accounting principles**

In the business combinations, goodwill is recognised at the amount at which the acquisition cost exceeds the Group's share of the fair value of the assets and liabilities acquired at the time of acquisition. Goodwill is mainly generated in the most significant acquisitions.

The Group assesses goodwill balance sheet value annually or more frequently if there is any indication of impairment. Goodwill is allocated to the Group's cash flow generating units, which have been defined according to the country and business unit in which goodwill is monitored in internal management reporting. The recoverable amount of a cash flow generating unit is calculated using the use value calculation. The cash-flow-based use value is determined by calculating the discounted current value of forecast cash flows. The forecast cash flows are based on the management's estimates. The discount rate of calculations is based on the average cost of capital (WACC) that is applied in the currency area in which the cash flow generating unit can be considered to locate.

Possible impairment loss of goodwill is recorded in the income statement immediately. The previously recognized goodwill impairment loss is not refunded.

Goodwill reconciliation

(EUR million)	2017	2016
Acquisition price 1 January	**157.3**	182.1
Translation difference	**-3.5**	-24.8
Divestments and deductions	**-75.7**	
Acquisition cost 31 December	**78.1**	157.3
Accumulated depreciation and impairment 1 January	**3.2**	3.2
Translation difference	**-0.4**	
Impairment and recoveries	**-0.4**	
Accumulated depreciation 31 December	**28.7**	
Book value 31 December 2017	**31.6**	3.2
Carrying value on 31 December 2017	**46.5**	154.1

Change in goodwill for the financial period 2017 of EUR -110.8 million related to the Confectionery operating segment if transferred to the new owner Valeo Foods Ltd on 29 December 2017. The deal was carried out as a share transaction. With the confectionery business divestment, the goodwill of the Group's balance sheet decreased by EUR 75.7 million. In addition, an impairment loss of EUR 28.7 million was recognised for the confectionery business earlier in the financial period. The remaining EUR 46.5 million goodwill is related to the UK Benecol business.

4.1.5 Impairment testing of goodwill and intangible assets with indefinite useful life

Goodwill is allocated to the Western European Benecol business of the Brands segment. The acquisition of the UK Benecol business completed in November 2014 resulted in goodwill of EUR 52.6 million. At the balance sheet date, the carrying value of goodwill totalled EUR 46.5 million. Goodwill has been tested. For goodwill, the recoverable amount exceeds the carrying amount.

The value of brands included in the Brands segment was EUR 37.3 million at the balance sheet date. The management has estimated their useful lives to be indefinite and they have been tested for impairment. For all the brands, the recoverable amount exceeds their carrying amount.

In the impairment testing, the recoverable amounts are determined based on the value in use. Cash flow forecasts are based on estimates approved by management covering the next four years. The cash flows after the forecast period approved by management are extrapolated by using estimated growth factors, presented below, which do not exceed the average long-term growth rates of the Division's business.

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

Goodwill/Brands:	2017	2016
UK operations, Benecol		
Growth percentage *)	**2%**	2%
Discount rate	**7.2%**	7.5%

*) In the cash flows after the forecast period

The management has determined the EBIT of forecasts based on the previously realised results and on the expectations that the management has in terms of the market development. Discount rate has been determined before taxes and it reflects the risks related to the business segment in question.

Sensitivity analysis of impairment testing:
Goodwill / Brands: Western Europe
UK operations, Benecol

The entity's recoverable amount is well above the carrying value of assets. The recoverable amount is less than the book value of assets when the discount rate increases above 19.3 per cent (before taxes) or when the EBIT level falls permanently more than 70.1 per cent of the management's estimates.

4.2 Property, plant and equipment

§ **Accounting principles**

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

The purchase cost includes the costs resulting directly from the acquisition of tangible fixed asset. Borrowing costs arising from the acquisition, construction or manufacture of a qualifying asset, such as a production plant, are immediately included in the acquisition cost when it is likely that they will generate future financial benefit and when the costs can be determined reliably. Other borrowing costs are recorded as an expense in the period in which they are incurred. Since the Group did not acquire any qualifying assets, no borrowing costs were recognised in the balance sheet.

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

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

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

Depreciations begin when the asset is available for use, i.e. when it is in a location and condition that it can operate as intended by the management. Estimated useful lives are reviewed on each balance sheet date, and the depreciation periods are adjusted accordingly if they differ significantly from the previous estimates. If the carrying amount of a commodity exceeds the amount of cash that is estimated to be recoverable, the carrying amount is immediately reduced to the recoverable amount. Impairment is further discussed under 4.1.7 'Impairment of tangible and intangible assets'.

Depreciations on property, plant and equipment are discontinued when the item is classified as available for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Property, plant and equipment held for sale are measured at their carrying value or at the lower fair value less costs to sell.

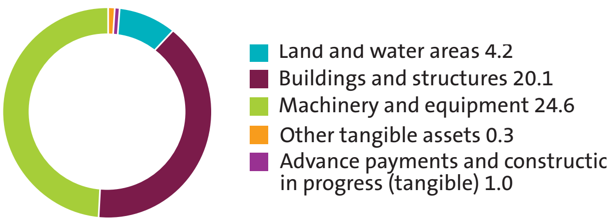
Sales profits and losses are determined as the difference between the selling price and the carrying value, and sales profits and losses are included in the income statement under other operating income and expenses.

Tangible assets 2017

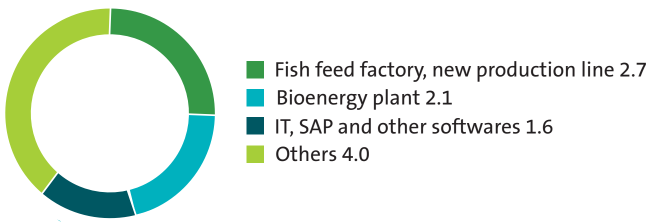
(EUR million)	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Advances paid and incomplete acquisitions	Tangible assets total
Acquisition cost 1 January	15.4	129.5	219.9	0.7	6.4	371.8
Translation differences	-0.2	0.2	-0.1	0.0		-0.1
Increase	1.4	1.2	10.4	0.1	0.6	13.8
Divestments and other decreases	-12.4	-13.0	-48.8	-0.4		-74.7
Reclassifications between items		2.2	3.9		-6.0	0.0
Acquisition cost 31 December	4.2	120.1	185.2	0.4	1.0	310.7
Accumulated depreciation and write-downs 1 January		-101.6	-181.4	-0.3		-283.3
Translation differences		0.1	0.3	0.0		0.4
Accumulated depreciation of decrease and transfers	0.1	4.1	27.2	0.2		31.6
Depreciation for the financial period		-2.3	-6.7	-0.1		-9.0
Write-downs and their returns	-0.1	-0.2	0.0	0.0		-0.2
Accumulated depreciation 31 December	0.0	-99.9	-160.6	-0.1	0.0	-260.6
Book value 1 January 2017	15.4	27.9	38.5	0.4	6.4	88.5
Book value 31 December 2017	4.2	20.1	24.6	0.3	1.0	50.1

In the financial period 2017, the Group's most significant investments included the bioenergy plant introduced in Raisio's industrial area in the summer, the new production line for fish feeds in the Raisio-based factory and the renewed SAP ERP system.

Tangible assets 2017 (M€)



Main investments in 2017 (M€)



Tangible assets 2016

(EUR million)	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Advances paid and incomplete acquisitions	Tangible assets total
Acquisition cost 1 January	17.1	133.0	247.7	0.8	1.9	400.5
Translation differences	-1.8	-1.1	-8.1	-0.1		-11.0
Increase	0.2	1.0	5.3	0.1	8.8	15.4
Divestments and other decreases	-0.2	-3.9	-28.9	-0.1		-33.0
Reclassifications between items		0.5	3.8		-4.3	0.0
Acquisition cost 31 December	15.4	129.5	219.9	0.7	6.4	371.8
Accumulated depreciation and write-downs 1 January		-99.8	-201.5	-0.3		-301.7
Translation differences	0.0	0.3	5.9	0.0		6.3
Accumulated depreciation of decrease and transfers	0.1	3.8	28.8	0.1		32.9
Depreciation for the financial period		-2.5	-7.2	-0.1		-9.7
Write-downs and their returns	-0.1	-3.4	-7.5	0.0		-11.0
Accumulated depreciation 31 December	0.0	-101.6	-181.4	-0.3	0.0	-283.3
Book value 1 January 2016	17.1	33.2	46.2	0.5	1.9	98.8
Book value 31 December 2016	15.4	27.9	38.5	0.4	6.4	88.5

Impairment was related to the UK snack business.

Key estimates and discretionary solutions

Change in the treatment of the Southall property
The Southall property comprised a land area as well as production, office and warehouse buildings in which Raisio's business operations had come to an end in their entirety in 2016. The property was classified from fixed assets to current assets in 2016 and preparations and development for its divestment were started. The property was intended to be sold as part of normal business. The property was transferred to the new owner in June 2017.

In the 2017 Half-Year Report and January-September 2017 Interim Report, the proceeds from the divestment were presented in net sales and the cost corresponding to the proceeds in the cost incurred for sales performed.

Management has carefully reassessed the nature and content of the event and considers that the presentation of the property divestment as a transfer of fixed assets gives the clearest picture of the event. The divestment is treated and presented as sale of fixed assets in the 2017 Financial Statements and in the Board of Directors' report. The capital gain is presented as an income statement item in Other operating income and expenses, net.

As a change to its previous procedure, the company treats the UK Southall property divestment as a transfer of fixed assets in its financial statements on 31 December 2017. The capital gain of EUR 28.0 million is presented in the income statement under Other operating income and expenses, and in the cash flow statement as an item of cash flow from investment. The figures presented on the matter in the 2016 financial statements have been adjusted to reflect this treatment method in this financial statement. The acquisition cost of land and water area on 1 January has been adjusted by EUR +9.8 million.

Bioenergy plant
The scheduled depreciation period of the bioenergy plant is 15 years. The economic lifetime of machines has been estimated to be 15 years.

4.3 Impairment of tangible and intangible assets

§ Accounting principles

The recoverable amount from tangible and intangible assets is the asset's fair value less costs to sell, or a higher value in use. When determining the value in use, estimated future cash flows approved by the management are discounted to their present value at the average cost of the capital, which reflects the time value of the money and the risk for the entity in question.

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

Impairment, continuing operations

(EUR million)	2017	2016
Impairment, continuing operations		
Expenses corresponding to goods sold	**0.0**	12.4
Sales and marketing	**0.0**	3.7
Administration	**7.8**	0.0
Research and product development	**0.2**	0.0
Total	**8.0**	**16.1**

The impairment in 2017, a total of EUR 7.5 million, is primarily related to the Benemilk business.

The impairment in 2016, a total of EUR 16.1 million, was primarily related to the UK snack business.

Depreciation and impairment, continuing operations 2017 (M€)

4.3.1 Depreciation and impairment

Depreciation and impairment

(EUR million)	2017	2016
Depreciation by asset group		
Depreciation on intangible assets, continuing operations		
Intangible rights	**1,1**	1,0
Other intangible assets	**0,7**	0,4
Total	**1,7**	1,4
Depreciation on intangible assets, discontinued operations	**0,1**	0,1
	1,9	1,5
Depreciation on tangible assets, continuing operations		
Buildings	**2,0**	2,2
Machinery and equipment	**4,1**	4,6
Other tangible assets	**0,0**	0,0
Total	**6,1**	6,8
Depreciation on tangible assets, discontinued operations	**2,9**	2,9
	9,0	9,7
Impairment by asset group, continuing operations		
Intangible rights	**1,7**	3,7
Other intangible assets	**6,0**	1,4
Buildings	**0,2**	3,4
Machinery and equipment	**0,0**	7,5
Other tangible fixed assets	**0,1**	0,1
Total	**8,0**	16,1
Impairment, discontinued operations	**28,7**	0,0
	36,7	16,1
Total depreciation and impairment, continuing operations	**15,9**	24,3
Total depreciation and impairment, discontinued operations	**31,8**	3,0
	47,6	27,4
Depreciation by activity, continuing operations		
Cost of sales	**5,3**	6,1
Sales and marketing	**0,1**	0,3
Administration	**1,8**	1,6
Research and development	**0,6**	0,2
Total	**7,9**	8,2
Depreciation by activity, discontinued operations	**3,0**	3,0
	10,9	11,3
Impairment, continuing operations		
Expenses corresponding to products sold	**0,0**	12,4
Sales and marketing	**0,0**	3,7
Administration	**7,8**	0,0
Research and development	**0,2**	0,0
Total	**8,0**	16,1
Impairment, discontinued operations	**28,7**	0,0
	36,7	16,1

4.4 Inventories

§ **Accounting principles**

Materials and supplies, unfinished and finished goods are recorded in inventories. Inventories are measured at the lower of cost and net realisable value. The acquisition cost is determined by using the FIFO method or alternatively by the equivalent weighted average cost. The cost of acquired assets comprises all costs of purchase including direct transportation, handling and other costs. The acquisition cost of finished products and work in progress consists of raw materials, direct work-related costs, other direct costs and the appropriate part of variable and fixed production overheads based on the normal capacity of the production facilities. The acquisition cost does not include borrowing costs. A net realisable value is estimated sales price in the ordinary course of business, with the estimated product completion costs and sales-related costs deducted.

Inventories

(EUR million)	2017	2016
Materials and supplies	**18.6**	21.8
Unfinished goods	**2.8**	3.3
Finished products/goods	**8.7**	16.0
Other inventories	**0.1**	1.1[*]
Advance payments	**0.2**	0.1
Inventory, total	**30.5**	42.3
[*] Adjustment to other inventories 31.12.2016		10.9
Adjustment 1 January-31 December 2017		-9.8
31.12.2016		1.1

In 2017, an item of other inventories has been impaired by EUR 0.7 million related to the mill machines to be sold in the spare part warehouse.

Key estimates and discretionary solutions

Other inventory item has been adjusted EUR 9.8 million lower than in the comparison information.

The Southall property was classified from fixed assets to inventories in 2016 and preparations and development for the divestment of the property were started. The property was intended to be sold as part of normal business. The property was divested in June 2017. The management has carefully reassessed the nature and content of the event and considers that the presentation of the property divestment as a transfer of fixed assets gives the clearest picture of the event. As a change to its previous procedure, the company treats the UK Southall property divestment as a transfer of fixed assets in its financial statements on 31 December 2017. The figures presented on the matter in the 2016 financial statements have been adjusted to reflect this treatment method in this financial statement.

5 Financial items and risk management

Content

This section includes the notes to financial statements describing financial income and expenses, financial assets and liabilities, valuation of financial items, derivative contracts and hedge accounting, as well as financial risk management.

5.1 Financial income and expenses

Financial income and expenses

(EUR million)	2017	2016
Financial income		
Dividend income from available-for-sale financial assets	**0.2**	0.1
Interest earnings from financial assets at fair value through profit or loss	**0.1**	0.3
Interest earnings from derivatives	**0.6**	1.2
Interest earnings from accounts receivables	**0.1**	0.1
Other financial income	**0.4**	0.3
Total	**1.3**	1.9
Financial expenses		
Interest expenses from loans	**-0.8**	-1.3
Interest expenses from derivatives	**-1.5**	-2.3
Other interest expenses	**-0.1**	-0.2
Exchange rate differences, net	**-0.1**	-0.1
Other financial expenses	**-0.2**	-0.1
Total	**-2.7**	-4.0

5.2 Financial assets and liabilities

§ **Accounting principles**

The Group's financial assets are classified into the following categories: financial items recognised at fair value through profit or loss, cash flow hedging, items held to maturity, loans and other receivables, and financial assets available for sale. The classification is based on the purpose of acquisition of financial assets, and it is carried out in connection with the original purchase.

Financial assets are derecognised in the balance sheet when the Group has forfeited its contractual right to cash flows or when it has transferred a significant share of risks and revenues outside the Group.

The financial assets acquired for trading mainly aim at short-term returns from changes in market prices. This group includes bonds, certificates of deposit and commercial papers. All assets held for trading are current assets and they are measured at fair value.

Currency derivatives that do not meet the terms of hedge accounting are classified to the category of ***financial items recognised at fair value through profit or loss***. Items in this group are measured at fair value.

Currency derivatives that meet the terms of hedge accounting are classified ***as items in the hedge accounting.*** Items in this group are measured at fair value.

Loans and other receivables are non-derivative assets with fixed or determinable payments, which are not quoted in the active market or held for trading by the Group. This group includes sales and other receivables as well as financial instruments included in accrued income. They are measured at amortised cost and included in current and non-current financial assets; in the latter if they fall due after 12 months. The group also includes liquid funds that consist of cash, bank deposits to be paid on demand and other current, liquid investments.

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

Changes in the fair value of available-for-sale financial assets are recorded in other comprehensive income and presented in the fair value reserve under shareholders' equity, including the tax effect. Changes in fair value are transferred from shareholders' equity and recognised through profit or loss as a reclassification adjustment when the investment is sold or it has been impaired to the extent that an impairment loss must be recognised.

Financial liabilities recorded at amortised cost are recorded at fair value on the basis of the compensation initially received. The financial liabilities in this category are measured at amortised cost using the effective interest method. Transaction costs have been included in the initial carrying amount of financial liabilities. Financial debts are included in current and non-current debts and may be either interest-bearing or non-interest-bearing. The category includes bank loans, finance lease liabilities, accounts payable, advance payments, other liabilities and financial instruments included in accrued expenses.

Financial information

5.2.1 Classification of financial assets and liabilities in 2017

(EUR million)	Financial assets acquired for trading	Financial items recognised at fair value through profit or loss	Items in hedge accounting	Loans and other receivables	Financial assets available for sale	Financial liabilities recorded at amortized cost	Total
Financial assets							
Forward exchange contracts, for hedging purposes			0.2				0.2
Other forward exchange contracts		0.1					0.1
Commercial papers	2.0						2.0
Equity securities					2.2		2.2
Accounts receivables and other receivables				32.7			32.7
Liquid funds				149.0			149.0
Total	2.0	0.1	0.2	181.7	2.2	0.0	186.1
Financial liabilities							
Forward exchange contracts, for hedging purposes			0.2				0.2
Other forward exchange contracts		0.0					0.0
Bank loans						45.8	45.8
Financial leasing liabilities						0.1	0.1
Accounts payable and other liabilities						32.5	32.5
Total	0.0	0.0	0.2	0.0	0.0	78.3	78.6

5.2.2 Classification of financial assets and liabilities in 2016

(EUR million)	Financial assets acquired for trading	Financial items recognised at fair value through profit or loss	Items in hedge accounting	Loans and other receivables	Financial assets available for sale	Financial liabilities recorded at amortized cost	Total
Financial assets							
Forward exchange contracts, for hedging purposes			0.0				0.0
Other forward exchange contracts		1.7					1.7
Commercial papers	36.0						36.0
Equity securities					2.3		2.3
Accounts receivables and other receivables				48.1			48.1
Liquid funds				25.9			25.9
Total	36.0	1.7	0.0	74.0	2.3	0.0	114.0
Financial liabilities							
Forward exchange contracts, for hedging purposes			0.5				0.5
Other forward exchange contracts		1.1					1.1
Bank loans						88.4	88.4
Financial leasing liabilities						0.2	0.2
Accounts payable and other liabilities						41.2	41.2
Total	0.0	1.1	0.5	0.0	0.0	129.8	131.3

5.2.3 The hierarchy of financial assets and liabilities measured at fair value 2017

(EUR million)	Level 1	Level 2	Level 3	Total
Financial assets				
Currency derivatives included in hedge accounting		**0.0**		**0.0**
Other currency derivatives		**0.2**		**0.2**
Commercial papers		**2.0**		**2.0**
Equity securities			**2.2**	**2.2**
Accounts receivables and other receivables		**32.7**		**32.7**
Liquid funds		**149.0**		**149.0**
Total	**0.0**	**183.9**	**2.2**	**186.1**
Financial liabilities				
Currency derivatives included in hedge accounting		**0.2**		**0.2**
Other currency derivatives		**0.0**		**0.0**
Bank loans		**45.8**		**45.8**
Financial leasing liabilities		**0.1**		**0.1**
Accounts payable and other liabilities		**32.5**		**32.5**
Total	**0.0**	**78.6**	**0.0**	**78.6**

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 with valuation techniques using the valuations of an external service provider. Financial assets available for sale are on level 3 because their fair value is not based on observable market data. The level 3 reconciliation is presented in the Table 5.2.5.

5.2.4 The hierarchy of financial assets and liabilities measured at fair value 2016

(EUR million)	Level 1	Level 2	Level 3	Total
Financial assets				
Currency derivatives included in hedge accounting		0.0		0.0
Other currency derivatives		1.7		1.7
Commercial papers		36.0		36.0
Equity securities			2.3	2.3
Accounts receivables and other receivables		48.1		48.1
Liquid funds		25.9		25.9
Total	0.0	111.6	2.3	114.0
Financial liabilities				
Currency derivatives included in hedge accounting		0.5		0.5
Other currency derivatives		1.1		1.1
Bank loans		88.4		88.4
Financial leasing liabilities		0.2		0.2
Accounts payable and other liabilities		41.2		41.2
Total	0.0	131.3	0.0	131.3

5.2.5 The reconciliation for the level 3 financial assets and liabilities

(EUR million)	
Opening balance for the fiscal year 2016	2.6
Financial expenses, change in fair value (unrealised)	-0.3
Other income, change in fair value (unrealised)	0.0
Purchases	0.0
Final balance for the fiscal year 2016	2.3
Opening balance for the fiscal year 2017	**2.3**
Financial expenses, change in fair value (unrealised)	**-0.1**
Other income, change in fair value (unrealised)	**0.0**
Transfers from the level 3	**0.0**
Final balance for the fiscal year 2017	**2.2**

See page 46 for more information on the level 3 valuation principles.

5.3 Valuation of financial assets

§ **Accounting principles**

At each closing date, the Group assesses whether there is objective evidence of impairment of a financial asset or a group of financial assets. The impairment loss for loans and other receivables entered at amortised cost in the balance sheet is measured as the difference between the carrying amount of the item and the present value of estimated future cash flows discounted at the initial effective interest rate. The impairment of equity investment classified as available-for-sale financial assets is recognised through profit or loss when there is objective evidence of impairment of an asset. These impairment losses are not reversed through profit or loss. The Group recognises impairment loss for accounts receivables, when there is objective evidence that the receivable cannot be recovered in full. Considerable financial difficulties of a debtor, probability of bankruptcy and payment default are evidence of impairment of accounts receivables. Credit losses are recorded through profit or loss. If an impairment loss decreases in a subsequent period, the recognised loss is reversed through profit or loss.

Financial information

5.3.1 Carrying values and fair values of financial assets and liabilities

(EUR million)	Note	Book value 2017	Fair value 2017	Book value 2016	Fair value 2016
Financial assets					
Available-for-sale financial assets		**2.2**	**2.2**	2.3	2.3
Accounts receivables and other receivables	5.3.2	**32.7**	**32.7**	48.1	48.1
Financial securities	5.3.4	**2.0**	**2.0**	36.0	36.0
Liquid funds	5.3.5	**149.0**	**149.0**	25.9	25.9
Currency derivatives	5.3.4	**0.2**	**0.2**	1.7	1.7
Financial liabilities					
Bank loans	5.3.6	**45.8**	**46.5**	88.4	90.0
Financial leasing liabilities	5.3.6	**0.1**	**0.0**	0.2	0.0
Accounts payable and other liabilities	5.3.8	**32.5**	**32.5**	41.2	41.2
Currency derivatives		**0.2**	**0.2**	1.6	1.6

The carrying amounts in the Table above correspond to the consolidated balance sheet values. The carrying values of the Table above are further specified in the following Tables. Financial assets for sale include unquoted equity securities.

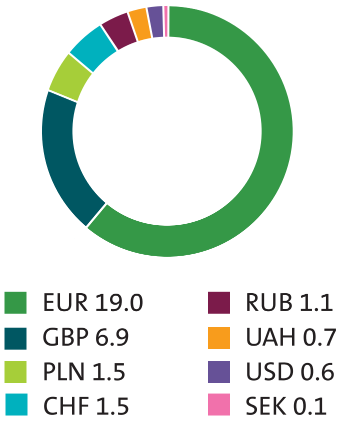
5.3.2 Accounts receivables and other receivables

(EUR million)	2017	2016
Accounts receivables and other receivables	31.0	44.6
Accrued income	2.0	3.4
Other receivables	1.6	3.0
Total	**34.6**	51.0

At the balance sheet date, some 60.0 per cent of the Group's accounts receivables were denominated in euros, some 22.0 per cent in pounds and the rest in other currencies. Foreign exchange risk is described in the financial statements under 5.5 Financial risk management, Currency risk. Accounts receivables in the subsidiaries' risk currencies are specified in the Table 5.5.3.

Significant items included in accrued income are amortisations of income, expenses and financing items of business operations. In accordance with IAS 39, the fair values of receivables classified as financial assets are presented in Table 5.3.1

Accounts receivables 2017 (M€)



5.3.3 Accounts receivables based on age

(EUR million)	2017	2016
Unexpired	25.4	36.7
Past due 1-60 days	5.3	7.7
Past due 61-180 days	0.2	0.1
Past due 180 days	0.0	0.1
Accounts receivables in total	**31.0**	44.6
Impairment of sales receivables:		
Value 1.1.	0.7	0.7
Increase	0.1	0.2
Decrease	-0.4	-0.2
Impairment in total on 31 December	**0.4**	0.7
Accounts receivables and impairment in total	**31.4**	45.3

During the financial period 2017, the Group has recorded EUR 0.1 million (EUR 0.2 million in the financial period 2016) in credit losses for accounts receivables. Most of the credit losses for 2017 have been recorded to Raisio Nutrition Ltd and for 2016 to Raisioagro Ltd. The principles of credit loss provisions are shown in Table 5.5.15 and in the text below.

5.3.4 Financial assets at fair value through profit or loss

(EUR million)	2017	2016
Financial securities	2.0	36.0
Currency derivatives	0.2	1.7
Total	**2.2**	37.7

Financial assets recognized at fair value through profit or loss include certificates of deposit and commercial papers held for trading that mature within 12 months and are issued by banks or companies. Currency derivatives are also included in this group.

Table 5.1 in the Notes to the Financial Statements shows the gains and losses on financial items recorded at fair value through profit or loss. Changes in fair value are presented in that Table as part of rows Other financial income and Other financial expenses due to their low importance.

5.3.5 Liquid funds

(EUR million)	2017	2016
Cash in hand	149.0	25.9
Short-term investments	2.0	36.0
Liquid funds on the balance sheet	**151.0**	61.9
Credit facility agreements used for cash management purposes	0.0	0.0
Liquid funds in the cash flow statement	**151.0**	61.9

Short-term investments classified in liquid funds in the cash flow statement have a maturity of about one month on the closing date.

5.3.6 Financial liabilities

(EUR million)	2017	2016
Long-term financial liabilities		
Bank loans	22.9	45.7
Financial leasing liabilities	0.1	0.1
Total	**22.9**	45.8
Short-term financial liabilities		
Bank loans	22.9	42.7
Short-term share of finance lease liabilities	0.1	0.1
Total	**22.9**	42.8

The maturity breakdown of financial liabilities is shown in Table 5.5.10 of the Notes.

5.3.7 Interest-bearing financial liabilities

(EUR million)	Currency	Nominal interest rate	Maturity	Nominal value	Book value
Bank loan	EUR	1.21 %	2019	45.7	45.8
Financial leasing liabilities	PLN	-	2020	0.2	0.1
Total				**45.9**	**45.9**

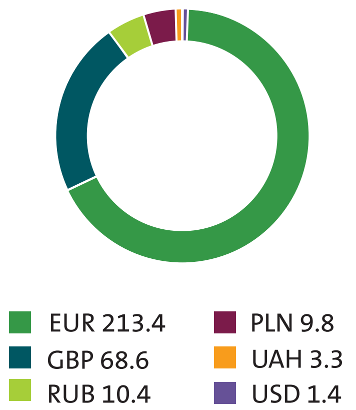
Embedded interest rate derivative has been taken to the bank loan shown in the Table above. The loan interest is shown in more detail under 5.5 Financial risk management, Interest rate risks. Interest rate sensitivity analysis of cash flow is available in Table 5.5.14. Fair values of interest-bearing financial liabilities are shown in Table 5.3.1.

5.3.8 Accounts payable and other liabilities

(EUR million)	2017	2016
Non-current		
Other liabilities	**0.0**	0.0
Current		
Accounts payable	**26.9**	35.8
Liabilities to associates	**0.0**	0.0
Accrued liabilities and deferred income	**9.4**	14.9
Advances paid	**1.4**	1.1
Other liabilities	**2.1**	3.7
Total	**39.8**	55.4

Accrued expenses include amortisations of operating expenses and financial items. The most significant of them are the amortisations of salaries, rewards and other personnel expenses, which totalled EUR 5.1 million in 2017 (in 2016: EUR 4.8 million).

Net sales in different currencies 2017 (M€)



5.3.9 Contingent liabilities and other commitments

(EUR million)	2017	2016
Commitment to investment payments		
Commitments to investment payments in force at the balance sheet date	**1.1**	5.9
Other commitments		
Other financial liabilities	**2.3**	1.9
Guarantee liabilities on the Group companies' commitments	**33.1**	31.7

Guarantee liabilities on the Group companies' commitments include a guarantee of EUR 25 million related to derivatives. The item in question is also included in the comparison year figure. The commitment has been made with the bank in favour of a single subsidiary. The commitment in question is not in use at the moment, since the derivative contracts outside the Group are made on behalf of the parent company.

Key estimates and discretionary solutions

When determining the fair values of financial assets and liabilities, the Group has used the following price quotations, assumptions and valuation models:

Investment in shares and financial securities

Publicly quoted shares available for sale are valued at the bid prices quoted by NASDAQ OMX Helsinki Ltd on the balance sheet date. Part of unquoted share investments have been recognised at fair value by applying, for instance, recent transactions between independent parties. If the valuation at fair value by using valuation methods has not been possible and fair value has not been reliably available, the assets held for sale have been valuated at their acquisition cost. Assets recognised at fair value through profit or loss are marketable and market prices at closing date or market interests corresponding to the length of the agreement have been used in their valuation.

Derivatives

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

Loan receivables, loans and finance lease liabilities

Fair values of loan receivables and financial loans are based on discounted cash flows. The discount rate used has been the interest rate corresponding to the market rates corresponding to the rates defined in those agreements.

Accounts payable and other liabilities or accounts receivables and other receivables

The original carrying value of accounts payable and other liabilities or of accounts receivables and other receivables correspond to their fair value, because the effect of discounting is not material in view of the maturity of debts or receivables.

5.4 Derivative financial instruments and hedge accounting

Content

This section deals with the Groups' existing derivative financial instruments and hedge accounting applied to them. According to its financial risk management policy, the Group may use various derivatives to hedge against interest rate and currency risks. Interest rate swaps are used to hedge the Group against changes in market interest rates. Forward exchange contracts are used to hedge receivables and debts in foreign currencies as well as future commercial cash flows.

§ Accounting principles

Derivative contracts are originally recorded at acquisition cost representing their fair value. Following the acquisition, derivative contracts are measured at fair value. Profits and losses generated from the measurement at fair value are treated according to the purpose of use of the derivative contract.

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

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

Cash flow hedging

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

Hedges of a net investment in a foreign operation

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

Other hedge instruments to which hedge accounting is not applied

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

5.4.1 Nominal values of derivatives

(EUR million)	31/12/17	31/12/16
Currency derivatives, in hedge accounting	**76.8**	73.5
Currency derivatives, not in hedge accounting	**5.3**	116.2

The amount of currency derivatives not in hedge accounting has decreased during the financial period because the Group companies have paid off internal loans and, at the same time, related currency hedging was discontinued. Table 5.4.2 specifies the nominal values of currency derivatives by currency and Table 5.4.3 shows the corresponding comparison figures for 2016. The totals in the tables match the figures in Table 5.4.1. The figures do not include hedges of the divested businesses.

5.4.2 Nominal values of foreign currency derivatives by risk currency in 2017

(EUR million)	EUR	USD	GBP	CHF	PLN	RUB	SEK	Total
Currency derivatives, in hedge accounting	**24.1**	**18.2**	**0.0**	**32.5**	**0.0**	**2.0**	**0.0**	**76.8**
Currency derivatives, not in hedge accounting	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**5.3**	**5.3**

The currency derivatives, not in hedge accounting include only the currency hedge in SEK and its closure. The initial forward contract denominated in SEK and its closure will mature during 2018.

5.4.3 Nominal values of foreign currency derivatives by risk currency in 2016

(EUR million)	EUR	USD	GBP	CHF	PLN	RUB	SEK	Total
Currency derivatives, in hedge accounting	36.9	7.7	0.0	25.2	0.0	3.7	0.0	73.5
Currency derivatives, not in hedge accounting	0.0	8.5	105.3	0.0	0.3	0.0	2.0	116.2

At the end of the financial period 2016, the Group has had a lot of foreign currency hedges for its internal loans under currency derivatives, not in hedge accounting. During the financial period 2017, the Group has paid its internal loans and related currency hedges have been allowed to expire or they have been closed.

5.4.4 The maturity breakdown of currency derivatives 2017

(EUR million)	Total	under 3 months	3-6 months	6-9 months	9-12 months	1-2 years	over 2 years
Currency derivatives, in hedge accounting							
The amount to be received	**78.4**	**16.4**	**27.6**	**4.3**	**11.9**	**18.2**	**0.0**
The amount to be paid	**-78.4**	**-16.0**	**-28.0**	**-4.5**	**-12.2**	**-17.7**	**0.0**
Total	**0.0**	**0.4**	**-0.4**	**-0.2**	**-0.3**	**0.5**	**0.0**
Currency derivatives, not in hedge accounting							
The amount to be received	**5.5**	**0.0**	**5.5**	**0.0**	**0.0**	**0.0**	**0.0**
The amount to be paid	**-5.4**	**0.0**	**-5.4**	**0.0**	**0.0**	**0.0**	**0.0**
Total	**0.1**	**0.0**	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**

The Table above clarifies the future distribution of cash flows due to forward exchange contracts. The Group's short-term liquidity is shown in Table 5.5.13.

5.4.5 The maturity breakdown of currency derivatives 2016

(EUR million)	Total	under 3 months	3-6 months	6-9 months	9-12 months	1-2 years	over 2 years
Currency derivatives, in hedge accounting							
The amount to be received	74.1	32.3	18.0	23.8	0.0	0.0	0.0
The amount to be paid	-75.6	-32.3	-18.9	-24.4	0.0	0.0	0.0
Total	-1.5	0.1	-0.9	-0.6	0.0	0.0	0.0
Currency derivatives, not in hedge accounting							
The amount to be received	118.4	0.3	63.1	32.2	22.8	0.0	0.0
The amount to be paid	-117.4	-0.3	-61.9	-33.0	-22.1	0.0	0.0
Total	1.0	0.0	1.1	-0.8	0.8	0.0	0.0

5.5 Financial risk management

Content

This section deals with financial risks to which the Group is exposed and the ways in which these risks are managed. Financial risk management is part of the Group's Risk Management Policy. Financial risk management aims to protect the Group against unfavourable developments in the financial markets and thus contribute to safeguarding and ensuring the Group's performance. Financing and financial risk management are assigned to the Group Finance department, operating under the Chief Financial Officer, in order to ensure sufficient expertise, as well as comprehensive and cost-effective operations. The business segments inform the Finance department on their key risks; the Finance department brings together the risks of the whole Group, ensuring the implementation of appropriate risk management methods. The Finance department's operations are governed by the financial risk management policy approved by the Board of Directors (Board). All major borrowing decisions are taken by the Board based on proposals made by the Finance department.

Financial information

Market risks

The Group's market risks consist of currencies and raw materials. The largest variation in the Group's earnings over the one-year period results from the euro (EUR), Swiss franc (CHF) and US dollar (USD). Euro. CHF and USD impact the earnings of both foreign and Finnish subsidiaries, mainly through the purchases of the Benecol business. These most significant currency risks were hedged at the balance sheet date as follows: euro hedge and franc hedge over the following 6 months and dollar hedge almost until the end of 2019. At the Group level, the price of sterol used in stanol ester is the single most significant risk related to raw materials. Sterols are mainly purchased in dollars. Table 5.5.1 shows separately the risk of sterol price change and the currency risk of dollar-denominated purchases, which also include the sterol purchases mentioned.

5.5.1 Market risks (NON-IFRS)

(EUR million)	2017
+/- 10% change in sterol price	-/+ 1.2
+/- 10% change in the euro exchange rate	-/+ 1.7
+/- 10% change in the dollar exchange rate	-/+ 1.0
+/- 10% change in Swiss franc exchange rate	-/+ 1.7
+/- 10% change in the rouble exchange rate	+/- 0.4

Description: The Table above shows the Group's most important market risks as annual unhedged impacts on the Group's EBIT. In terms of the currency risks, the Table shows sums of the balances of foreign currency bank accounts, accounts receivables, accounts payable and the forecast sales and purchases for the following year. The Table does not include the impact of conducted currency hedges; it shows what the risk would be without the impact of hedging measures. Furthermore, the Table does not include the translation risk arisen from currency rates. That risk is presented in Table 5.5.5. The Table 5.5.3 shows currency risks that also include the impact of forward exchange agreements.

In addition to market risks, in the Group's market areas, there are uncertainties that are described in more detail in this Report on page 12, under Risks and uncertainties in business operations.The UK Brexit is not taken into consideration in the Market Risk Table. The risk related to Brexit is challenging to quantify on the basis of current information. It is, however, important to notice that Brexit may have significant impacts on the competitiveness of the Benecol business, through the effects related to currency and other indirect effects (labour mobility, free international trade, economic growth). Nevertheless, the Brexit-related risk has been identified and the Group takes it into consideration as part of its decision-making process.

Currency risk

Currency risk refers to the uncertainty related to result, balance sheet and cash flow as a result of changes in exchange rates. Raisio hedges against currency exposure arising from foreign currency receivables and liabilities, off-balance-sheet purchase and sales agreements and, partly, from budgeted cash flows. Funding risk is mainly composed of the Group's foreign-currency-denominated financial items. Currency risk is managed using forward exchange contracts, which are mainly continuously open for less than 12 months.

At the balance sheet date, only US dollar hedges for sterol purchases were open for over 12 months. The forward exchange contracts are specified in Table 5.4.2 by currency.

5.5.2 The most significant currency risks

Business	Home currency	Risk currency	Net event
Benecol consumer product sales in the UK	GBP	CHF EUR	Purchases Purchases
Production and sales of plant stanol ester, and sales of snack products	EUR	CHF RUB SEK USD	Sales Sales Sales Purchases
Benecol consumer product sales in Poland	PLN	EUR	Purchases

Description: The Group is exposed to the currency risk particularly with the items denominated in the UK pound, Swiss franc, euro, US dollar, Russian rouble and Swedish krona. The column Net event describes whether the currency results more in purchases or sales in terms of the business in question, i.e. the type of risk the company carries for each currency.

5.5.3 Balance sheet and transaction risk of the currency risk 31 December 2017

(EUR million)	EUR	USD	GBP	CHF	PLN	RUB	SEK
Bank accounts	1.5	0.1	0.2	0.3	-0.1	0.1	0.0
Accounts receivables	2.1	0.3	0.0	1.5	0.0	0.1	0.1
Internal loans	-1.3	0.2					
Bank loans							
Accounts payable	-5.0	-0.3	-0.4	-1.9	0.0	0.0	-0.2
Balance sheet risk, total	-2.7	0.3	-0.1	0.0	-0.1	0.2	0.0
Forecast sales less than one year	11.5	2.2	0.0	10.9	0.0	4.2	4.5
Forecast purchases less than one year	-26.6	-12.7	-0.3	-27.8	0.0	0.0	0.0
Forecast risk, total	-15.1	-10.5	-0.3	-16.9	0.0	4.2	4.5
Forward exchange contracts less than one year	12.0	6.0	0.0	10.9	0.0	-2.0	0.0
Forward exchange contracts more than one year	0.0	7.6	0.0	0.0	0.0	0.0	0.0
Net risk, in total	-5.8	3.5	-0.4	-6.0	-0.1	2.4	4.4

Description: Forecast sales and purchases are based on the forecasts reported by the Group's businesses. The negative values in the Table refer to purchases or debts while the positive values to sales or assets.

5.5.4 Exchange rates

	Average rates		Closing rates	
	2017	2016	2017	2016
EUR/USD	**1.129**	1.107	**1.199**	1.054
EUR/GBP	**0.876**	0.819	**0.887**	0.856
EUR/CHF	**1.112**	1.090	**1.170**	1.074
EUR/PLN	**4.256**	4.364	**4.177**	4.410
EUR/RUB	**65.888**	74.222	**69.392**	64.300
EUR/SEK	**9.637**	9.467	**9.844**	9.553
EUR/DKK	**7.439**	7.445	**7.445**	7.434

Description: The Table shows the financial period's average rates and the rates on the last day of the financial period. Exchange rates are based on the rates of the European Central Bank. The average rate of the financial period is determined by calculating the average of the average monthly rates determined by the European Central Bank during 2017.

5.5.5 Currency sensitivity analysis in accordance with IFRS 7, 2017

(EUR million)	Business transaction risk (less than one year)	Financial risks (less than one year)	Translation risk, EBT	Translation risk, equity	Total
EUR (a change of 10%)	**0.9**	**0.0**	**0.0**	**0.0**	**0.9**
USD (a change of 10%)	**0.6**	**0.0**	**0.0**	**0.1**	**0.7**
GBP (a change of 10%)	**0.0**	**0.0**	**1.8**	**16.3**	**18.2**
CHF (a change of 10%)	**1.1**	**0.0**	**0.0**	**0.0**	**1.1**
PLN (a change of 10%)	**0.0**	**0.0**	**0.0**	**0.0**	**0.1**
RUB (a change of 10%)	**0.2**	**0.0**	**0.2**	**0.3**	**0.7**
SEK (a change of 10%)	**0.0**	**0.0**	**0.1**	**0.3**	**0.3**

Description: The Table includes the currency hedges but no forecast cash flows. Financial risks include internal currency loans and foreign currency bank balances. Table 5.5.6 clarifies the risk calculation method in terms of transaction and financial risks. The figures in the Table above show what the risk of each currency is against all other currencies. Using the Group's reporting system, translation risks are determined by changing each currency rate one at a time by 10%. Translation risk, EBT is the exchange rate risk that is allocated to the Group's earnings before tax and translation risk, equity is the exchange rate risk that is allocated to the Group's equity value.

During the financial period 2017, internal currency-denominated loans and a pound sterling denominated bank loan of approximately EUR 20 million were disbursed. The pound sterling (GBP) has a significant impact on the Group's translation risk. The risk is, however, somewhat lower after the divestment of the confectionery business.

5.5.6 Business transaction risk and financial risks 2017 (IFRS 7)

(EUR million)	EUR	USD	GBP	CHF	PLN	RUB	SEK	DKK
Accounts receivables	2.1	0.3	0.0	1.5	0.0	0.1	0.1	0.0
Accounts payable	-5.0	-0.3	-0.4	-1.9	0.0	0.0	-0.2	0.0
Forward exchange contracts (less than one year)	12.0	6.0	0.0	10.9	0.0	-2.0	0.0	0.0
Business transaction risk	9.1	6.0	-0.4	10.5	0.0	-1.9	0.0	0.0
Bank accounts	1.5	0.1	0.2	0.3	-0.1	0.1	0.0	0.0
Internal loans	-1.3	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Financial risks	0.2	0.3	0.2	0.3	-0.1	0.1	0.0	0.0

Description: The Table specifies the items used in the calculations of the currency sensitive analysis table 5.5.5 in terms of transaction risks and financial risks.

5.5.7 Currency sensitivity analysis in accordance with IFRS 7, 2016

(EUR million)	Business transaction risk (less than one year)	Financial risks (less than one year)	Translation risk, EBT	Translation risk, equity	Total
EUR (a change of 10%)	1.0	0.3	0.0	0.0	1.3
USD (a change of 10%)	0.3	0.2	0.1	0.9	1.5
GBP (a change of 10%)	0.0	0.2	0.2	19.7	20.1
CHF (a change of 10%)	1.0	0.0	0.0	0.0	1.0
PLN (a change of 10%)	0.1	0.0	0.1	0.0	0.3
RUB (a change of 10%)	0.4	0.0	0.1	0.3	0.7
SEK (a change of 10%)	0.0	0.0	0.0	0.2	0.2
CZK (a change of 10%)	0.0	0.0	0.5	3.0	3.5

Description: The Table includes the currency hedges but no forecast cash flows. Financial risks include internal currency loans and foreign currency bank balances as well as external currency loans and currency loan hedges. Table 5.5.8 clarifies the method of calculating the risks regarding the transaction and financial risks. The figures in the Table above show what the risk of each currency is against all other currencies. The calculation method for translation risks is determined in the description of the Table 5.5.5.

According to the Table, the translation risk of the sterling pound (GBP) to pre-tax profit, was EUR 0.2 million with the 2016 figures. Halo Foods Ltd was divested in 2016. If the impact of the Halo Foods business divestment is not taken into account, the pound translation risk would have been approximately EUR 1.5 million. The sensitivity analysis 2016 took the currency risk of the Czech koruna (CZK) into account, but it was ignored in the 2017 analysis, because the confectionery business was divested at the end of the financial period 2017.

5.5.8 Business transaction risk and financial risks 2016 (IFRS 7)

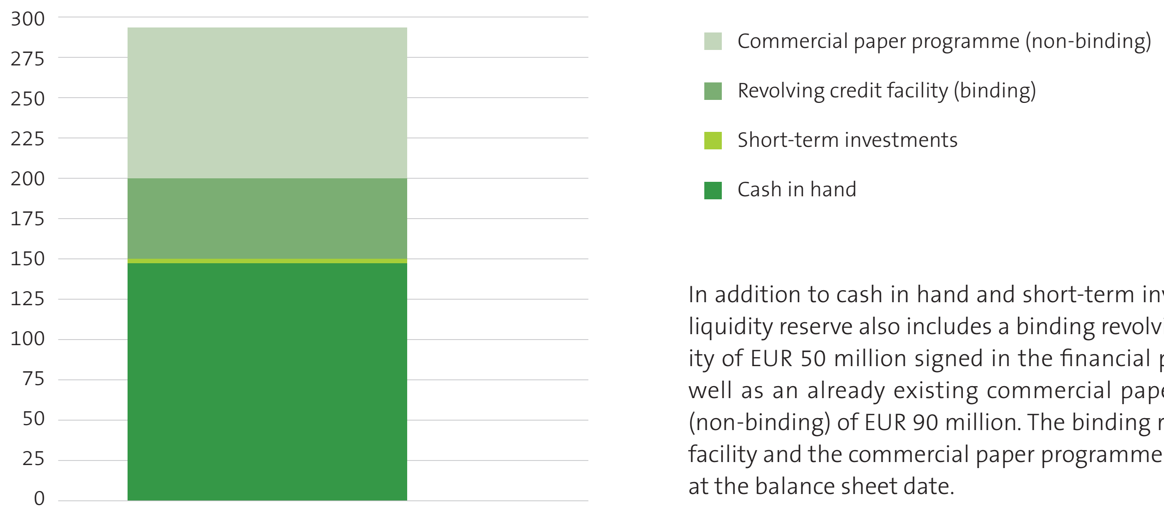
(EUR million)	EUR	USD	GBP	CHF	PLN	RUB	SEK	DKK
Sales receivables	4.4	0.3	0.1	1.6	1.2	0.1	0.1	0.2
Accounts payable	-7.1	-1.6	-0.4	-2.2	0.0	0.0	-0.2	0.0
Forward exchange contracts (less than one year)	12.3	4.6	0.0	10.2	0.0	-3.7	0.0	0.0
Business transaction risk	9.6	3.3	-0.3	9.6	1.2	-3.5	-0.1	0.2
Bank accounts	4.7	-1.3	2.1	0.3	0.1	0.0	0.0	0.3
Internal loans	-1.4	-8.9	40.9	0.0	0.0	0.0	-1.9	0.0
Bank loans	0.0	0.0	-19.7	0.0	0.0	0.0	0.0	0.0
Currency loan forwards (less than one year)	0.0	8.5	-21.0	0.0	0.0	0.0	2.0	0.0
Financial risks	3.3	-1.7	2.2	0.3	0.1	0.0	0.1	0.3

Description: The Table specifies the items used in the calculations of the currency sensitive analysis table 5.5.7 regarding the transaction risks and financial risks.

Liquidity and solvency risk

Liquidity risk refers to a situation in which the Group's financial assets and additional financing options would not cover the future needs of business operations. In line with the financial risk management policy, the Finance department strives to maintain good liquidity in all circumstances, keeping it at a level that guarantees strategic operating freedom to the management. The Group's liquidity consists of financial assets, remaining credits, overdraft facilities and non-binding commercial paper programme. Investments in alternative investment funds or equity funds are not included in liquid financial assets. Funding risks are diversified by acquiring funding from various sources.

5.5.9 The Group's liquidity reserve (EUR million)



In addition to cash in hand and short-term investments, the liquidity reserve also includes a binding revolving credit facility of EUR 50 million signed in the financial period 2017 as well as an already existing commercial paper programme (non-binding) of EUR 90 million. The binding revolving credit facility and the commercial paper programme were not used at the balance sheet date.

5.5.10 The maturity breakdown of financial liabilities 2017

(EUR million)	Total	under 3 months	3-6 months	6-9 months	9-12 months	1-2 years	over 2 years
Bank loans	**-45.7**	**0.0**	**-11.4**	**0.0**	**-11.4**	**-22.9**	**0.0**
Bank loan interests	**-0.7**	**-0.1**	**-0.1**	**-0.1**	**-0.1**	**-0.2**	**0.0**
Financial leasings	**-0.2**	**0.0**	**0.0**	**0.0**	**0.0**	**-0.1**	**0.0**
Accounts payable	**-27.0**	**-27.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Total	**-73.5**	**-27.1**	**-11.6**	**-0.1**	**-11.6**	**-23.1**	**0.0**

The maturity breakdown of currency derivatives is presented in Table 5.4.4 and the comparison year in Table 5.4.5.

5.5.11 The maturity breakdown of financial liabilities 2016

(EUR million)	Total	under 3 months	3-6 months	6-9 months	9-12 months	1-2 years	over 2 years
Bank loans	-88.2	-19.7	-11.4	0.0	-11.4	-22.9	-22.9
Bank loan interests	-1.6	-0.3	-0.2	-0.2	-0.2	-0.5	-0.2
Financial leasings	-0.3	0.0	0.0	0.0	0.0	-0.1	0.0
Accounts payable	-35.8	-35.8	0.0	0.0	0.0	0.0	0.0
Total	-125.9	-55.8	-11.7	-0.2	-11.6	-23.5	-23.1

5.5.12 The maturity breakdown of signed guarantee contracts

(EUR million)	Total	under 3 months	3-6 months	6-9 months	9-12 months	1-2 years	over 2 years
Guarantees signed	-7.3	-7.3	0.0	0.0	0.0	0.0	0.0

Description: The Table above presents the guarantees signed by the parent company on behalf of subsidiaries. They are included in the earliest period in which a guarantee may be claimed. The Group does not consider their realisation to be probable so they are not included in the Short-Term Liquidity Table 5.5.13. However, the Group's liquidity is good also in case the signed guarantee contracts are included in the calculation.

5.5.13 Short-term liquidity (EUR million)

Description: The Table shows the Group's short- term liquidity position. The Table does not include currency derivatives (Table 5.4.4), finance lease liabilities (Table 5.5.11) or signed guarantee contracts (Table 5.5.12). These items total approximately EUR -7.8 million. The Group's liquidity is at a good level also with these items.

Interest rate risk

Interest rate risk refers to the impact of interest rate fluctuations on the Group's net financial income and expenses, and on the market values of interest investments and interest derivatives over the following 12 months. Interest rate risk is managed by controlling the structure and duration of the loan portfolio and interest investments within the limits allowed by the policy. The goal is to keep financial expenses as low and financial income as high as possible. The interest rate profile can be modified using interest rate swaps, forward rate agreements and interest rate options. The Group currently has only forward exchange contracts, the nominal values of which are presented in Table 5.4.1 and the fair values in Table 5.3.1.

The bank loan of EUR 80 million taken out in 2014 carries a fixed interest rate. The loan has an embedded interest derivative with interest rate ceiling and floor both at the level 0.4%; in addition, a margin of 0.8% is paid. The loan payments are made twice a year and the loan matures in 2019. The bank loan is available in Table 5.3.7

5.5.14 Interest sensitivity analysis of cash flow

	Income statement		Equity, excluding tax	
	+ 100 basis points	- 100 basis points	+ 100 basis points	- 100 basis points
External loans	0.0	0.0	0.0	0.0
Other variable rate instruments	0.0	0.0	0.0	0.0
Cash flow sensitivity, net	**0.0**	**0.0**	**0.0**	**0.0**

Description: Due to rounding, there are no values in the Table above.

Credit and counterparty risk

Counterparty risk

Counterparty risk refers to a situation in which a contracting party is unable or unwilling to fulfil its obligations. Raisio is exposed to the counterparty risk through the purchases and sales of its businesses as well as through the Finance department's investments in the financial market and its operations with derivative instruments. The business segments are responsible for the counterparty risk related to purchases and sales. The Finance department is responsible for the counterparty risk related to its investments, loan assets and derivative contracts. An important tool in the counterparty risk management is a selection of a careful counterparty with good credit rating.

Investment activities

The Group's financial policy regulates the investment of financial assets in terms of the sum, maturity and counterparties. In addition to direct long- or short-term interest-bearing investments, assets can be invested in fixed-income funds, alternative investment funds, as well as in shares and equity funds. In principle, counterparties may be member states of the European Monetary Union, large Finnish municipalities and alliances formed by them, financial institutions engaged in corporate banking in Finland and companies with a good credit rating, registered in a member state of the European Monetary Union. At the balance sheet date, EUR 2.0 million (EUR 36.0 million in the comparison year) of the Group's financial assets were invested in Finnish commercial papers and certificates of deposit.

Credit risk in sales

The business segments make independent decisions on counterparty risk, such as the criteria used to approve customers, the applicable terms and conditions for sales and the required collateral. They also assume responsibility for the credit risk related to accounts receivables. The Group's financial function monitors the age distribution of accounts receivables on a weekly basis. Accounts receivables can also be secured with credit insurance policies. In the Group's continuing operations, Raisioagro has credit insurance in use.

The Group operates in grocery trade markets and its accumulated credit risks result from the structure of these markets. A significant part of the Group's earnings are generated from the Benecol business and particularly from the UK. There, the major part of sales revenue is from a few of the most significant retail chains. Also in Finland, the largest part of the sales of the Finnish food business goes to the Finnish retail chains. However, the Group has not seen any deterioration with the credit rating of its major customers in the UK or in Finland. The accumulated credit risks due to the market structure have been recognised and taken into account in the Group's decision-making process.

5.5.15 Credit losses

	Receivables at the year end	Credit losses from previous years with respect to receivables	Calculated minimum credit loss provision	Credit loss provision made
All receivables, in total	31.4	0.4%	0.1	0.4
Receivables past due, in total	5.9	2.1%	0.1	0.4
More than 60 days past due receivables	0.6	19.2%	0.1	0.4

Description: The Table shows a comparison between the realised credit losses for the three previous financial periods and receivables at the beginning of each financial period. The comparison figures do not include the figures from the divested confectionery business. The result of the comparison is calculated minimum credit loss provision, which is based on the historical data mentioned above. This calculation method has been implemented in accordance with the requirements of IFRS 9 effective from 1 January 2018. At the end of the financial period 2017, the calculated minimum credit loss provision totals EUR 0.1 million.

According to the Group's guidelines, all receivables overdue by more than 60 days are recorded as credit losses. When necessary, the management may exercise its discretion and record only those items it sees uncertain of the receivables overdue by more than 60 days. However, the credit loss provision must always exceed the minimum credit loss provision shown in the Table above. Approximately half of the EUR 0.6 million overdue more than 60 days are Raisioagro's receivables and half the Brands Division's receivables. Similarly, approximately half of the EUR 0.4 million of credit loss provisions have been recorded to Raisioagro and half to the Brands.

6 Current taxes and deferred tax

Content

This Note contains the notes related to the income taxes and deferred taxes of continuing operations.

6.1 Income taxes

Accounting principles

The Group's tax expense consists of current tax and the change in deferred tax. Taxes are recorded through profit or loss except when they are related to the statement of comprehensive income or items directly recorded in shareholders' equity. In this case, tax effects are also recognised in the corresponding items. Current tax is calculated from the taxable income according to the valid tax rate of each country. The tax is adjusted by possible taxes related to previous accounting periods.

The Group deducts current tax assets and tax liabilities from each other if the Group has a legally enforceable right to set off the recognised items from each other.

Income taxes

(EUR million)	2017	2016
Tax based on the taxable income for the period	**-10.8**	-4.2
Taxes for previous financial periods	**0.1**	0.1
Deferred tax	**-2.0**	-0.8
Total	**-12.7**	-5.0

In 2017, the tax on profit for the financial year totalled EUR 12.7 (5.0) million and effective tax rate was 23.3% The effective tax rate of 2017 was increased due to the impairment of fixed assets related to Benemilk , for which no tax asset was recorded.

A reconciliation between tax expense of the income statement and the Group's tax calculated at the Finnish tax rate 20% (20% in 2016).

(EUR million)	2017	2016
Taxes calculated on the basis of the domestic tax rate	**-10.9**	-2.4
Impact of a deviating tax rate used in foreign subsidiaries	**-0.4**	-0.2
Change in tax rate	**0.0**	0.6
Returns exempt from tax	**0.1**	0.2
Non-deductible expenses	**-0.1**	-3.2
Losses for the period, for which no tax assets have been recognised	**-1.6**	-0.2
Utilisation of tax refund receivable from previously unrecognised tax losses	**0.1**	0.3
Other previously unrecognised tax assets		0.1
Depreciation of previously recognised tax liabilities	**0.0**	
Adjustment of previously recorded tax assets	**-0.7**	-0.2
Additional tax deductions	**0.2**	0.5
Tax from previous years	**0.7**	-0.1
Other items	**0.0**	-0.4
Total	**-12.7**	-5.0

Key estimates and discretionary solutions

The Group is subject to taxation in several countries and the income tax calculation involves plenty of estimates and judgment. The amounts recorded as taxes correspond to the current perception and the interpretation of current tax laws. The management regularly estimates the statements made in tax calculations in situations where tax provisions are interpretative.

No deferred tax assets were recognized for the fixed asset impairment of EUR 7.5 million for the Benemilk business or for the Benemilk's losses of EUR 0.5 million in 2017, because the funds invested in the international commercialisation and protection of the Benemilk innovation can no longer be seen to involve significant revenue expectations.

Income tax liabilities

(EUR million)	2017	2016
Income tax liability	**3.0**	0.4
Deferred net tax liability	**3.0**	0.4

The 2017 income tax liabilities are related to the Brands segment's UK business.

6.2 Deferred tax

§ Accounting principles

Deferred taxes are calculated from temporary differences between the carrying values and tax values of assets and liabilities and from unused tax losses to the extent that they are likely to be utilized against future taxable income.

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

The most significant temporary differences arise from the depreciation of tangible and intangible assets, provisions, measurement of derivative contracts at fair value and adjustments based on fair values made in connection with business combinations. No deferred tax is entered for non-deductible goodwill.

Changes in deferred tax

Changes in deferred tax in the financial period 2017

(EUR million)	1 January 2017	Recognised in the income statement	Recorded in other comprehensive income	Exchange rate differences	Acquired/ divested businesses	31 December 2017
Deferred tax assets:						
Provisions	0.9	-0.1		0.0	-0.1	0.8
Confirmed fiscal losses	0.8	-0.7			-0.1	0.0
Depreciation not deducted in taxation	1.5	-0.2		0.0	0.1	1.3
Other items	2.2	-1.6	0.0	0.0	-0.1	0.6
Total	5.4	-2.6	0.0	0.0	-0.2	2.7
Deferred tax liability:						
Accumulated depreciation difference	3.2	0.8		0.0	-2.1	1.9
Investments available for sale	0.3		0.0			0.3
Derivative contracts	-0.1		0.1			0.0
Valuation at fair value of intangible and tangible assets in business combination	3.3	-1.6		-0.1		1.7
Other items	1.5	-0.2	0.0	0.0	0.0	1.3
Total	8.2	-1.0	0.1	-0.1	-2.1	5.1

Changes in deferred tax in the financial period 2016

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

Key estimates and discretionary solutions

The recognition of deferred tax requires the management's discretion as to whether the receivables are likely to be utilised or used in the foreseeable future against deferred tax liabilities. A deferred tax asset has been recognised to the extent that it is probable that taxable income will be generated in the future, against which the temporary difference can be used. The recognition requirements for deferred tax assets are assessed on the closing date of each reporting period.

Deferred tax asset corresponding to tax losses for later use has been recognised to the extent that it is probable that it can be utilised based on cumulative future profits. The Group's accumulated losses total EUR 45.0 million (31 December 2016: EUR 55.5 million). The majority of them are aging over a period of more than five years. The increase in accumulated losses is primarily due to the impairment of the fixed assets of Benemilk business.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

Deferred net tax liability

The amounts defined by netting in the consolidated balance sheet are as follows:

(EUR million)	2017	2016
Deferred tax assets	2.7	5.4
Deferred tax liabilities	5.1	8.2
Deferred net tax liability	2.4	2.8

No deferred tax liability has been recorded for undistributed earnings of foreign subsidiaries.

6.3 Taxes related to the items of other comprehensive income

Taxes related to the items of other comprehensive income

(EUR million)	Before taxes	Tax impact	After taxes
Year 2017			
Hedging of a net investment	0.0	0.0	0.0
Available-for-sale financial assets	-0.2	0.0	-0.1
Cash flow hedge	0.5	-0.1	0.4
Translation differences	-5.2	0.0	-5.2
	-4.9	-0.1	-5.0
Year 2016			
Hedging of a net investment	-3.7	0.7	-2.9
Available-for-sale financial assets	-0.3	0.1	-0.2
Cash flow hedge	-1.0	0.2	-0.8
Translation differences	-25.5	0.0	-25.5
	-30.4	1.0	-29.4

7 Equity

Content

This Note includes the notes on share capital and equity funds, translation differences, information on own shares and dividend distribution and notes on earnings per share of continuing operations.

7.1 Equity and equity funds

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

(EUR million)	1,000 shares	Share capital	Company shares
31 December 2015			
Restricted shares (20 votes/share)	32,740	5.5	
Restricted shares, company shares	-213		-0.4
Free shares (1 vote/share)	132,409	22.3	
Free shares, company shares	-7,767		-20.0
Total	157,169	27.8	-20.4
Restricted shares converted into free shares	57		
Disposal of company shares, free shares	-305		-0.6
31 December 2016			
Restricted shares (20 votes/share)	32,683	5.5	
Restricted shares, company shares	-213		-0.4
Free shares (1 vote/share)	132,466	22.3	
Free shares, company shares	-7,462		-19.4
Total	157,474	27.8	-19.8
Restricted shares converted into free shares	179		
Recovery of merger consideration (1995), free shares	166		
Disposal of company shares, free shares	-11		0.0
31 December 2017			
Restricted shares (20 votes/share)	32,504	5.5	
Restricted shares, company shares	-213		-0.4
Free shares (1 vote/share)	132,645	22.3	
Free shares, company shares	-7,617		-19.4
Total	157,319	27.8	-19.8

Translation differences

(EUR million)	2017	2016
Translation differences 1 January	**-13.1**	14.2
Change in translation difference	**-5.4**	-27.2
Translation differences 31 December	**-18.5**	-13.1

The foreign currency translation reserve includes the translation differences arising from the translation of the financial statements of independent foreign entities. The gains and losses from the hedges of net investments made in independent foreign entities are also included in the translation differences when the requirements for hedge accounting are met.

Other reserves

(EUR million)	2017	2016
Other funds:		
Fair value reserve	**1.2**	1.3
Hedge fund	**-2.8**	-3.2
Other funds total	**-1.6**	**-1.9**

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

Company shares

In April 2017, a total of 166,400 free shares were transferred to Raisio plc from a special book-entry account. These free shares were reserved and intended for the merger consideration to be paid to the shareholders of Raision Margariini Oy. The right to receive a merger consideration expired in September 2000.

At the end of the review period, Raisio plc held 7,617,327 free shares and 212,696 restricted shares acquired between 2005 and 2012 based on the authorisation given by the Annual General Meeting or obtained through the subsidiary merger in August 2014 or transferred to the company because the right to receive a merger consideration has expired.

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

7.2 Dividends

§ Accounting principle

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

Dividends

In 2017, a dividend of EUR 0.17 per share was paid, i.e. a total of EUR 26.8 million (2016: EUR 0.16 per share, i.e. a total of EUR 25.1 million).

After the balance sheet date, the parent company's Board of Directors has proposed that a dividend of EUR 0.17 per share is paid, i.e. a total of EUR 28.1 million.

7.3 Earnings per share

Earnings per share

(EUR million)	2017	2016
Profit for the period for equity holders of the parent company, continuing operations (EUR million)	**41.8**	9.7
Profit for the period for equity holders of the parent company, discontinued operations (EUR million)	**-59.2**	9.3
Undiluted weighted average of shares in the financial period	**157,362,837**	157,383,524
Dilution resulting from share-based compensation	**526,577**	666,332
Diluted weighted average of shares in the financial period	**157,889,414**	158,049,856
Undiluted earnings per share, continuing operations (EUR/share)	**-0.38**	0.06
Earnings per share adjusted by the dilution effect, continuing operations (EUR/share)	**-0.38**	0.06

Undiluted earnings per share have been calculated by dividing the profit for the period attributable to the shareholders of the parent by the weighted average number of outstanding shares during the financial period.

When calculating the diluted earnings per share in the weighted average of the number of shares, the dilutive effect due to conversion of all dilutive potential shares into shares is taken into account.

8 Shares and shareholders

Content

This section includes the Notes related to shares and shareholders as well as key figures per share and their calculation formulas.

8.1 Shares and shareholders

Raisio pls's shares are listed on Nasdaq Helsinki Ltd. Raisio's market value at the end of 2017 was EUR 634.2 million. Overall trading totalled EUR 127.4 million. The closing price of free shares on 31 December 2017 was EUR 3.84, and that of restricted shares EUR 3.84. The Board of Directors will propose a dividend of EUR 0.17 at the Annual General Meeting in spring 2018.

Share capital and share classes

The fully paid-up share capital of Raisio plc is EUR 27,776,072.91, which on 31 December 2017 was divided into 32,503,637 restricted shares (series K) and 132,645,393 free shares (series V). No nominal value is quoted for the shares. Restricted shares accounted for 19.7% of the share capital and 83.0% of the votes, while the corresponding figures for free shares were 80.3% and 17.0% (on 31 December 2017). The company's minimum share capital is EUR 25,000,000 and maximum share capital EUR 100,000,000. The share capital can be raised or lowered within these limits without amending the Articles of Association. There were no changes in the share capital during 2017. The company has not issued securities that entitle the holder to shares.

Raisio plc's shares are listed on Nasdaq Helsinki Ltd (hereafter: Stock Exchange) in the public trading under the sector Consumer Goods and sub-industry of Food Products. The company's free shares are quoted in the Mid Cap segment and its restricted shares on the Prelist. The trading code for free shares is RAIVV and the ISIN code FI 0009002943, and for restricted shares RAIKV and FI 0009800395. The company's shares have been entered into the book-entry system.

Free and restricted shares have an equal entitlement to equity and profits. At the Annual General Meeting (AGM), each restricted share entitles the holder to 20 votes and each free share to one vote. At the AGM, no shareholder's shares are entitled to vote with more votes than one tenth of the total number of votes of the shares represented at the Meeting.

The assignment of restricted shares must be approved by the Board of Directors (Board). The approval is required even if the party who the shares are assigned to already owns restricted shares in the company. The approval must be given if the share recipient is a natural person whose primary occupation is farming. If the approval is not given, the Board must convert the assigned restricted share into a free share.

The Board may also convert restricted shares into free shares on request and likewise give advance information on whether the applicant will be granted permission to acquire restricted shares. In 2017, a total of 179,454 restricted shares were converted into free shares. In the book-entry system, restricted shares for which the approval procedure is in progress or the approval has not been sought, will be retained on the waiting list until they are entered as restricted shares in the share register following approval, assigned to another shareholder or converted into free shares. There were 8.4 million restricted shares on the waiting list on 31 December 2017.

Ownership structure

At the end of 2017, Raisio plc had 38,532 registered shareholders (31 December 2016: 39,332).

In 2017, foreign ownership in the Company amounted to 21.9 per cent at its highest, to 15.4 per cent at its lowest and was 21.9 per cent at the end of the year (31 December 2016: 15.3%).

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

Shares held by management

The members of the Board of Directors and Supervisory Board and Managing Director as well as the companies and foundations of which they have control held a total of 640,685 restricted shares and 429,922 free shares on 31 December 2017. This equals 0.7 per cent of all shares and 1.7 per cent of overall votes.

Shareholder agreements

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

Flagging notifications

In 2017, the company did not receive any notifications of significant changes in holding and voting rights referred to in section 9 of the Securities Markets Act.

Dividend policy and dividend

Raisio aims to generate added value for all its shareholders by developing its business operations, improving its business profitability and following a long-range dividend policy. The target is to annually distribute half of the per-share earnings generated by continuing operations, provided the dividend payment does not compromise the company's ability to meet its strategic objectives.

The AGM held in March 2017 decided on a dividend of EUR 0.17 per share, which was paid to shareholders on 3 April 2017. No dividend, however, was paid on the shares held by the company. The Board will propose a per-share dividend of EUR 0.17 at the AGM in spring 2018. The record date is 23 March 2018 and the payable date 5 April 2018.

Raisio shares traded on Stock Exchange in 2017

The highest price of the series V share was EUR 3.88, the lowest EUR 3.31 and the average price EUR 3.57. The year-end price of the V share was EUR 3.84. A total of 34.4 million V shares were traded (39.5 million in 2016), which equals some 26 per cent of the total volume of V shares. The value of share trading was EUR 122.8 million (EUR 152.2 million).

The highest price of the series K share was EUR 3.86 and the lowest EUR 3.31. The average price was EUR 3.59. The year-end price of the K share was EUR 3.84. A total of 1.3 million K shares were traded (1.2 million), and the value of share trading was EUR 4.6 million (EUR 4.6 million).

At the end of 2017, the share capital had a market value of EUR 634.2 million (EUR 598.7 million) and EUR 604.1 million (EUR 571.3 million) excluding the shares held by the company.

Company shares

In April 2017, a total of 166,400 free shares were transferred to Raisio plc from a special book-entry account. These free shares were reserved and intended for the merger consideration to be paid to the shareholders of Raision Margariini Oy. The right to receive a merger consideration expired in September 2000.

At the end of the review period, Raisio plc held 7,617,327 free shares and 212,696 restricted shares acquired between 2005 and 2012 based on the authorisation given by the Annual General Meeting (AGM) or obtained through the subsidiary merger in August 2014 or transferred to the company because the right to receive a merger consideration has expired. The number of free shares held by Raisio plc accounts for 5.7 per cent of all free shares and the votes they represent, while the corresponding figure for restricted shares is 0.7 per cent. In all, the shares held by the company represent 4.7 per cent of the entire share capital and 1.5 per cent of overall votes. Other Group companies hold no Raisio plc shares. A share held in Raisio or its subsidiary does not entitle the holder to participate in the AGM.

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

Raisio plc's Research Foundation holds 150,510 restricted shares, which is 0.46 per cent of the restricted shares and the votes they represent and, correspondingly, 0.09 per cent of the entire share capital and 0.38 per cent of the votes it represents.

Acquisition and conveyance of own shares

Based on the authorisation given by the AGM 2017, the Board can purchase and/or accept as collateral a maximum of 5,000,000 free shares and 1,250,000 restricted shares. The authorisation will be valid until 30 April 2018. The number of own shares that can be purchased and/or accepted as collateral based on this authorisation totals 3.8 per cent of all shares and 3.8 per cent of the votes they represent.

The shares may be acquired in order to develop the capital structure of the company, to finance or carry out acquisitions or other arrangements, to implement share-based incentive schemes or to be otherwise further assigned or cancelled.

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

During the financial period, the Board has not exercised its authorisation to repurchase own shares or accept own shares as collateral. Furthermore, the Board has not purchased or accepted as collateral any shares during the financial period based on the authorisation granted by AGM 2016 and expired on 23 March 2017.

In the review period, a total of 11,235 free shares were assigned to the Chairman and members of the Board as part of the compensation for managing their duties, in line with the decision taken by the AGM in 2017. The value of free shares assigned as fees to the Board was EUR 41,333 at the time of the assignment.

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

Share issue authorisation

The AGM of 2017 authorised the Board to decide on the share issues by disposing of all the shares held by the Company and any potentially repurchased own shares, a maximum total of 14,000,000 shares, 1,460,000 of which can be restricted shares at the maximum, and by issuing a maximum of 20,000,000 new free shares against payment.

Based on the authorisation, the number of the shares to be assigned and held by the Company on 31 December 2017 equals 4.7 per cent of the share capital and 1.5 per cent of the votes it represents. Furthermore, based on the authorisation, the number of issued new shares equals 12.1 per cent of the share capital and 2.6 per cent of the votes it represents.

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

The Board can decide on the assignment of own shares and giving new shares in another proportion than that in which the shareholder has a preferential right to acquire the Company's shares if there is a weighty financial reason for a deviation from the Company's point of view. Development of the Company's capital structure, financing or implementation of company acquisitions or other arrangements and realisation of share-based incentive schemes can be considered weighty financial reasons from the Company's point of view.

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

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

The share issue authorisations will expire on 23 March 2022 at the latest.

The Board has not used its share issue authorisation of 2017 during the financial period.

8.2 Corporate Governance

8.2.1 Annual General Meeting and Company Management

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

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

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

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

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

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

Managing Director runs the company's day-to-day administration in accordance with the Board's guidelines and regulations and in line with the targets set by the Board (general authority), and is responsible for ensuring that the company's accounting complies with legislation and asset management arrangements are reliable.

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

Amendments to the Articles of Association

As a rule, the amendment of the Articles of Association requires that the proposed amendment is supported by at least two-thirds of the votes given and the shares represented at the meeting. In order to change sections 6, 7, 8, 9 and 18 of the Articles of Association, such a decision is required which is made at two successive General Meetings, held with an interval of at least 20 days, by a majority of three fourths of the votes given and of the shares represented. In certain matters, the Companies Act requires a vote by classes of shares and shareholder approval.

The Articles of Association have not been amended or proposed to be amended during 2017.

8.3 Information on Raisio plc's shares and shareholders

25 major shareholders 31 December 2017

Shareholders						
25 major shareholders on 31 December 2017, according to shareholders register						
	Series K, no.	Series V, no.	Total, no.	%	Votes, no.	%
The Central Union of Agricultural Producers and Forest Owners (MTK)	3,733,980	199,000	3,932,980	2.38	74,878,600	9.57
Varma Mutual Pension Insurance Company		3,567,159	3,567,159	2.16	3,567,159	0.46
Ilmarinen Mutual Pension Insurance Company		3,199,172	3,199,172	1.94	3,199,172	0.41
Niemistö Kari		2,840,000	2,840,000	1.72	2,840,000	0.36
Elo Pension Company		2,396,000	2,396,000	1.45	2,396,000	0.31
Relander Pär-Gustaf		1,855,068	1,855,068	1.12	1,855,068	0.24
Veritas Pension Insurance Company Ltd.		1,804,079	1,804,079	1.09	1,804,079	0.23
The State Pension Fund		1,300,000	1,300,000	0.79	1,300,000	0.17
Nordea Pro Finland Fund		1,087,964	1,087,964	0.66	1,087,964	0.14
Maa- ja Vesitekniikan Tuki ry.		1,000,000	1,000,000	0.61	1,000,000	0.13
Oy Etra Invest Ab		1,000,000	1,000,000	0.61	1,000,000	0.13
Laakkonen Mikko		826,823	826,823	0.50	826,823	0.11
Etera Mutual Pension Insurance Company		818,400	818,400	0.50	818,400	0.10
Svenska Lantbruksproducenternas Centralförbund Slc Rf	772,500		772,500	0.47	15,450,000	1.97
Brotherus Ilkka	42,540	709,500	752,040	0.46	1,560,300	0.20
Langh Hans	679,980		679,980	0.41	13,599,600	1.74
OP Life Assurance Company Ltd		675,907	675,907	0.41	675,907	0.09
Keskitien Tukisäätiö	100,000	500,000	600,000	0.36	2,500,000	0.32
Haavisto Maija	393,120	195,099	588,219	0.36	8,057,499	1.03
Haavisto Heikki	574,374		574,374	0.35	11,487,480	1.47
Haavisto Erkki	364,940	146,684	511,624	0.31	7,445,484	0.95
Nordea Fennia Fund		497,418	497,418	0.30	497,418	0.06
Myllymäki Erkki	370,820	73,580	444,400	0.27	7,489,980	0.96
Maataloustuottajain V-S:n liiton tukirahasto	424,980	16,940	441,920	0.27	8,516,540	1.09
Erikoissijoitusrahasto Visio Allocator		434,000	434,000	0.26	434,000	0.06

Shares registered under foreign ownership, including nominee registrations, totalled 36,195,388, or 21.9% of the total and 27.3% of free shares. Raisio plc owned 7,830,023 company shares, which represents 4.7% of the total.

Breakdown of share capital and votes as 31 December 2017

	No of shares	% of total shares	% of total votes
Free shares	**132,645,393**	**80.32**	**16.95**
Restricted shares	**32,503,637**	**19.68**	**83.05**
Total	**165,149,030**	**100.00**	**100.00**

25 major shareholders 31 December 2017

By owner group

Shareholders on 31 December 2017	%
Households	48.2
Foreign owners 2)	21.9
Private enterprises 3)	8.5
Financial and insurance institutions 1)	2.6
Non-profit organizations	5.1
Waiting list and joint account	5.6
Public corporations	8.1

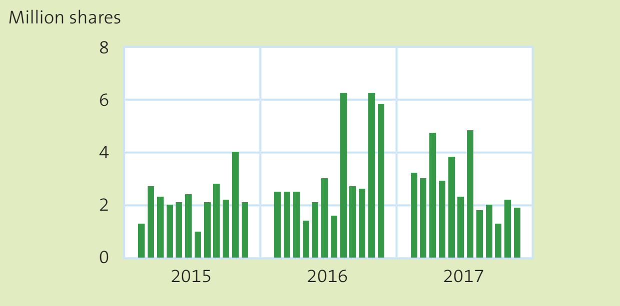
1)) excluding nominee-registered
2) including nominee-registered
3) including the shares held by the company

By shares held

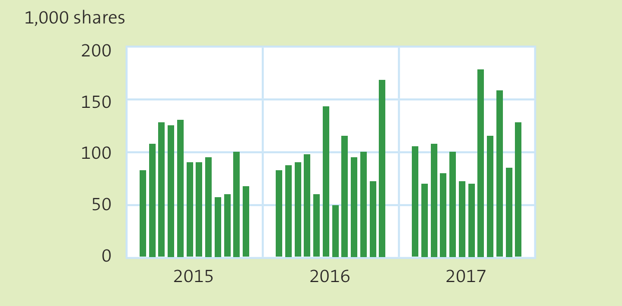
Split of shareholdings on 31 December 2017								
	Free shares				Restricted shares			
Shares	Shareholders		Shares		Shareholders		Shares	
no.	no.	%	no.	%	no.	%	no.	%
1-1,000	25,043	68,5	10,825,916	8.2	2,888	58,0	1,008,736	3.1
1,001-5,000	9,330	25,5	21,603,141	16.3	1,338	26,9	3,187,663	9.8
5,001-10,000	1,363	3,7	10,050,063	7.6	386	7,8	2,774,941	8.5
10,001-25,000	577	1,6	8,851,116	6.7	254	5,1	3,980,261	12.3
25,001-50,000	143	0,4	5,072,571	3.8	71	1,4	2,294,165	7.1
50,001-	98	0,3	76,064,116	57.3	39	0,8	10,270,684	31.6
waiting list			0	0.0			8,394,907	25.8
joint account			178,470	0.1			592,280	1.8
total	36,554	100,0	132,645,393	100.0	4,976	100,0	32,503,637	100.0

31 December 2017 Raisio plc had a total of 38,532 registered shareholders.

Trading volume, free share



Trading volume, restricted share



Share price development, EUR, free share

Raisio's free share   OMX Helsinki GI

Share price development, EUR, restricted share

Average quotation

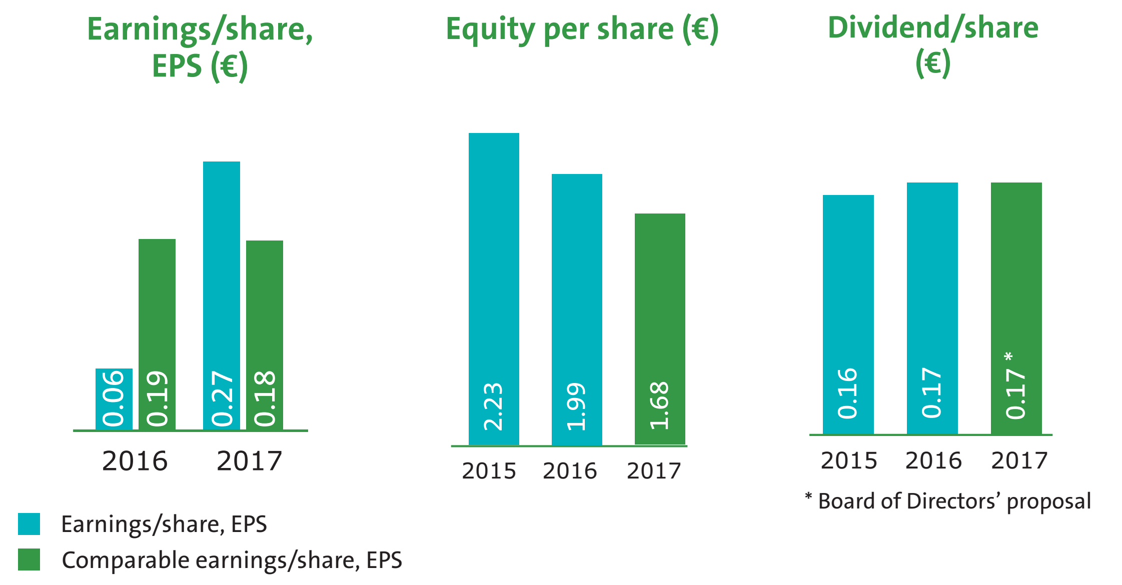
8.4 Share indicators

	2017	2016	2015
Earnings/share, continuing operations (EPS), € [1]	**0.27**	0.06	0.22[4]
Earnings/share, discontinued operations (EPS), € [1]	**-0.38**	0.06	
Cash flow from business operations/share, € [1] [3]	**0.29**	0.30	0.41
Equity/share, € [1]	**1.68**	1.99	2.23
Dividend/share, €	**0.17**[2]	0.17	0.16
Dividend/earnings, %		283.3	72.7
Effective dividend yield, %			
Free shares	**4.4**	4.8	3.8
Restricted shares	**4.4**	4.4	3.8
P/E ratio			
Free shares	**14.2**	59.5	19.3
Restricted shares	**14.2**	64.2	19.3
Adjusted average quotation, €			
Free shares	**3.57**	3.85	4.24
Restricted shares	**3.59**	3.93	4.17
Adjusted lowest quotation, €			
Free shares	**3.31**	3.23	3.89
Restricted shares	**3.31**	3.27	3.81
Adjusted highest quotation, €			
Free shares	**3.88**	4.45	4.50
Restricted shares	**3.86**	4.34	4.50
Adjusted quotation 31 December, €			
Free shares	**3.84**	3.57	4.24
Restricted shares	**3.84**	3.85	4.24
Market capitalisation 31 December, M€ 1)			
Free shares	**480.1**	446.3	528.5
Restricted shares	**124.0**	125.0	137.9
Total	**604.1**	571.3	666.4
Trading, EURm			
Free shares	**122.8**	152.2	115.3
Restricted shares	**4.6**	4.6	4.8
Total	**127.4**	156.8	120.0
Number of shares traded			
Free shares, 1,000 shares	**34,410**	39,524	27,215
% of total	**25.9**	29.8	20.6
Restricted shares, 1,000 shares	**1,280**	1,167	1,142
% of total	**3.9**	3.6	3.5
Average adjusted number of shares, 1,000 shares 1)			
Free shares	**124,927**	124,898	124,428
Restricted shares	**34,436**	32,486	32,735
Total	**157,363**	157,384	157,163
Adjusted number of shares 31 December, 1,000 shares 1)			
Free shares	**125,028**	125,004	124,641
Restricted shares	**32,291**	32,470	32,528
Total	**157,319**	157,474	157,169

[1] Number of shares, excluding the company shares held by the Group
[2] According to the Board of Directors' proposal EUR 0.17 per share.
[3] Cash flow from business operations per share includes continuing and discontinued operations
[4] Earnings per share includes continuing and discontinued operations. The year 2015 has not been divided into continuing and discontinued operations because of the different Group structure.

Calculation of indicators

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



9 *Personnel and related parties*

Content

The section Personnel and Related Parties includes the notes related to personnel and related parties of continuing operations.

9.1 Employee benefits

§ Accounting principles

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

Short-term employee benefits include, e.g., wages and salaries, fringe benefits, annual leave and bonuses. Termination benefits refer to benefits arising from the termination of employment and service.

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

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

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

Expenses arising from employee benefits

(EUR million)	2017	2016
Salaries	**22.3**	30.5
Termination benefits	**1.1**	0.8
Pension expenses – defined contribution plans	**3.8**	3.7
Share-based rewards	**0.2**	-0.2
Other indirect personnel costs	**1.5**	1.8
Total	**28.9**	36.7

Average number of people employed by the group in the financial period

(EUR million)	2017	2016
Brands	**248**	453
Raisioagro	**105**	107
Joint operations	**62**	59
Total	**415**	619

9.2 Share-based payments

§ Share-based payments

The shares issued under the share-based schemes are measured at fair value at grant date and recognised as expenses arising from employee benefits on a straight line over the vesting period. Cash-settled transactions are estimated using the share price of each closing date and amortised through profit or loss as employee benefit expenses from the grant date to the date on which the earnings period or a longer commitment period ends. Equity-settled transactions are recognised in shareholders' equity and cash-settled transactions in liabilities. Payments made on the basis of share-based schemes are paid as company shares previously acquired for the parent company, as cash or as a combination of these two.

Share-based payments

On 31 December 2017, the Raisio Group had three valid share-based incentive schemes approved by Raisio plc's Board of Directors, which were directed at the Group management and designated key persons; the scheme 2015-2017, the scheme 2016-2018 and the scheme 2017-2019. For each share-based incentive scheme, the rewards paid based on its earnings period correspond to the value of a maximum of 1,000,000 Raisio plc's free share, including also the part paid in cash.

The earnings period of each share-based incentive scheme is three years. For each earnings period, Raisio plc's Board of Directors decides on the earnings criteria, the target group and the maximum amounts of share reward per participant. The amount of reward and the number of Raisio plc's transferred free shares based on the achievement of earnings criteria of the scheme are decided by the Board of Directors at the beginning of the year following the end of the earnings period.

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

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

Based on the earnings period 2014-2016, no reward was paid in the financial period ended on 31 December 2017; thus, no shares were transferred since the earnings criteria set in the scheme were not met.

According to the decision made at the General Meetings, the members of the Board of Directors have been paid some 20% of their reward by assigning them the company's own shares. A total of 99,888 shares were assigned during the years 2009-2016, a total of 11,235 shares in 2017.

Share-based payments:

Share-based incentive scheme (EUR million)	2014–2016	2015–2017	2016–2018	2017–2019
Original number of shares	1,000,000	1,000,000	1,000,000	1,000,000
Original grant date	13.01.2014	19.01.2015	15.01.2016	16.3.2017
Exercise date	30.04.2017	30.04.2018	30.04.2019	30.04.2020
Vesting period, years	3.3	3.3	3.3	3.1
Remaining vesting period, years	0.0	0.3	1.3	2.3
Number of persons at the end of the period	0	15	17	28
Payment method	Shares and cash	Shares and cash	Shares and cash	Shares and cash

Changes in 2017	2014–2016 Number of shares	2015–2017 Number of shares	2016–2018 Number of shares	2017–2019 Number of shares
1 January 2017				
Number of shares at the beginning of the reporting period	**625,000**	**665,000**	**735,000**	**0**
In reserve at the beginning of the reporting period	**375,000**	**335,000**	**265,000**	**0**
Changes during the reporting period				
Granted	**0**	**0**	**0**	**940,000**
Cancelled	**160,000**	**315,000**	**320,000**	**215,000**
Realised	**0**	**0**	**0**	**0**
Expired	**1,000,000**	**0**	**0**	**0**
31 December 2017				
Number of shares at the end of the reporting period	**0**	**350,000**	**415,000**	**725,000**
In reserve at the end of the reporting period	**0**	**650,000**	**585,000**	**275,000**

Determination of fair value

Fair value of the part paid in shares is determined at the grant date and amortised until the implementation date. Fair value of the cash part is determined at each reporting date until the possible reward has been paid. Thus, the amount of debt will change as Raisio's share price changes.

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

(EUR million)	2017	2016
Share price at grant date, euros	**3.58**	3.94
Share price on the closing date, euros	**3.84**	3.57
Share price increase assumption, p.a.	**8.0%**	8.0%
Expected dividends before bonus payment, euros	**0.67**	0.59
Discount rate	**6.7%**	6.0%
Years to maturity	**3.0**	3.3

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

(EUR million)	2017	2016
Equity-settled	**0.0**	0.4
Cash-settled	**0.2**	-0.2
Total	**0.2**	0.2
Debt from cash-settled share-based plans	**0.8**	0.6

9.3 Related parties

9.3.1 Related party transactions

(EUR million)	2017	2016
Sales to associates	**0.0**	0.0
Purchases from associates	**0.1**	0.1
Sales to key employees in management	**0.3**	0.4
Purchases from key employees in management	**1.0**	1.6
Short-term receivables from associates	**0.0**	0.0
Short-term receivables from the key management personnel	**0.0**	0.0
Liabilities to associates	**0.0**	0.0
Payables to key management personnel	**0.1**	0.2

Sales to associates and key management personnel are carried out at fair market price.

9.3.2 Management's employee benefits

(EUR million)	2017	2016
Wages and fees	**2.0**	1.8
Compensation paid in conjunction with termination of employment	**1.0**	0.4
Share-based payments	**0.4**	0.9
Total	**3.4**	3.1
Members of the Supervisory Board:	**0.0**	0.0
Members of the Board of Directors:	**0.3**	0.2
Managing Director and members of Management Team:		
CEO	**1.5**	1.0
Other members of Management Team	**1.5**	1.8
Total	**3.0**	2.8

9.3.3 Pension and other benefits

CEO and the Management Team members have the right and obligation to retire at the age of 62.

The notice period for the CEO's executive contract is 6 months from both sides. If the contract is terminated by the company, CEO is entitled to compensation corresponding to 12 months' pay, in addition to the pay for the period of notice.

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

For the CEO, the cost of the group pension insurance amounted to EUR 0.1 million in 2017 and for other Management Team members EUR 0.2 million, all totalling EUR 0.3 million. For the CEO, the cost of the group pension insurance amounted to EUR 0.1 million in 2016 and for other Management Team members EUR 0.1 million, all totalling EUR 0.2 million.

For the CEO, expenditure of the compulsory pension insurance amounted to EUR 0.1 million in 2017 and for other Management Team members EUR 0.2 million, all totalling EUR 0.3 million. For the CEO, expenditure of the compulsory pension insurance amounted to EUR 0.1 million in 2016 and for other Management Team members EUR 0.2 million, all totalling EUR 0.3 million.

10 Other notes

10.1 Other notes

Content

The section Other notes includes the notes for continuing operations on the income and expenses, provisions, reconciliations and key figures describing the financial development and calculation formulas of these figures.

10.1.1 Other operating income and expenses

§ Accounting principles

Gains and losses on the sale of assets related to continuing operations, income related to other than actual sales of goods and services (e.g. rental income) are presented as other operating income and expenses.

Other operating income and expenses

(EUR million)	2017	2016
Excise duty refund	**0.0**	0.5
Returns of the pension fund surplus	**0.7**	0.0
Gains and losses on the sale of tangible and intangible fixed assets	**28.1**	0.1
Sales profits and losses on securities	**0.0**	0.4
Sales profits and losses on subsidiary shares	**0.0**	-0.4
Compensation for damage	**0.0**	0.1
Other income and expenses from business operations	**0.1**	-0.1
Total	**28.9**	0.7
Auditors' remuneration		
Audit	**0.2**	0.2
Tax guidance	**0.0**	0.0
Other services	**0.1**	0.0
Total	**0.3**	0.3

The item of sales profits and losses of tangible and intangible fixed assets includes sales profit of EUR 28.0 million for the Southall property divestment.

10.1.2 Provisions

§ Accounting principles

Provisions are recognised when the Group has a legal or actual liability due to a previous transaction, the realisation of the payment liability is likely and the amount of the liability can be reliably estimated. If part of the liability can be compensated by a third party, the compensation is recognised as a separate asset, but only when the receipt of the compensation is virtually certain. Provisions are valued at the present value of expenditure required to settle the liability. The present value is calculated using a discount factor that has been selected to reflect the markets' view of the time value of money at the time of calculation and the risk related to the liability. Provision amounts are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

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

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

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

Provisions

(EUR million)	2017	2016
Provisions 1 January	2,6	2,1
Translation differences	0,0	0,0
Transferred companies	-0,1	0,0
Increase in provisions	1,1	0,5
Provisions used	-0,4	0,0
Provisions 31 December	3,2	2,6
Non-current provisions	1,1	0,2
Current provisions	2,1	2,4
Total	3,2	2,6

Addition of long-term provisions relates to the guaranteed provision related to a discontinued operation. Short-term provisions are related to the Raisioagro segment. The matter related to the provision was completed after the financial statements. The amount of the provision was sufficient.

10.2 Key financial indicators

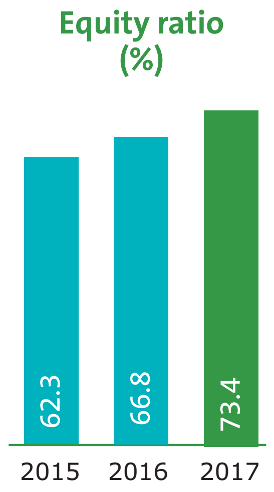
	2017	2016	2015
Result and profitability			
Net sales, M€	**306.8**	336.6	416.4
change, %	**-8.8**	-19.2	5.7
International net sales, M€	**157.2**	180.2	241.5
% of net sales	**51.2**	53.5	58.0
Operating margin, M€	**71.8**	41.1	63.6[1)]
% of net sales	**23.4**	12.2	12.2
Depreciation and write-downs, M€	**15.9**	24.3	21.1[1)]
EBIT, M€	**55.9**	16.8	42.4[1)]
% of net sales	**18.2**	5.0	8.1
Result before taxes, M€	**54.5**	14.7	39.9[1)]
% of net sales	**17.8**	4.4	7.6
Return on equity, ROE, %	**14.5**	2.9	10.4[1)]
Return on investment, ROI, %	**15.6**	3.8	9.2[1)]
Financial and economical position			
Shareholders' equity, M€	**264.0**	313.2	350.0
Interest-bearing financial liabilities, M€	**45.9**	88.6	110.1
Net interest-bearing financial liabilities, M€	**-105.1**	26.7	42.2
Balance sheet total, M€	**361.3**	470.0	563.6
Equity ratio, %	**73.4**	66.8	62.3
Net gearing, %	**-39.8**	8.5	12.1
Cash flow from business operations, M€	**45.1[2)]**	47.6[2)]	65.0[2)]
Other indicators			
Gross investments, M€	**10.4**	13.3	8.8
% of net sales	**3.4**	4.0	2.1
R&D expenses, M€	**3.4**	3.4	5.4
% of net sales	**1.1**	1.0	1.3
Average personnel	**415**	619	904

[1)] Key figures presented for continuing and discontinued operations. Key figures have not been adjusted because the Group structure was very different in 2015.

[2)] The key figure includes cash flow from discontinued operations


Investments
(M€)
2.1
4.0
3.4
8.8
13.3
10.4
2015
2016
2017
% of net sales


R&D expences
(M€)
1.3
1.0
1.1
5.4
3.4
3.4
2015
2016
2017
% of net sales


Equity ratio
(%)
62.3
66.8
73.4
2015
2016
2017


Net gearing
(%)
12.1
8.5
-39.8
2015
2016
2017

Calculation of indicators

Earnings per share	$\dfrac{\text{Result for the year of parent company shareholders}}{\text{Average number of shares for the year, adjusted for share issue}}$	
Formulas for alternative key figure calculation		
Return on equity (ROE), %	$\dfrac{\text{Result before taxes – income taxes}}{\text{Shareholders' equity (average over the period)}}$	x 100
Return on investment (ROI), %	$\dfrac{\text{Result before taxes + financial expenses}}{\text{Shareholders' equity + interest-bearing financial liabilities (average over the period)}}$	x 100
Equity ratio, %	$\dfrac{\text{Shareholders' equity}}{\text{Balance sheet total – advances received}}$	x 100
Net interest-bearing financial liabilities	Interest-bearing financial liabilities - liquid funds and liquid financial assets at fair value through profit or loss	
Net gearing, %	$\dfrac{\text{Net interest-bearing financial liabilities}}{\text{Shareholders' equity}}$	x 100
Comparable earnings per share	$\dfrac{\text{Profit for the period attributable to the parent company shareholders +/- items affecting comparability}}{\text{Average number of shares during the period adjusted for issues}}$	
Cash flow from business operations per share	$\dfrac{\text{Cash flow from business operations}}{\text{Average number of shares for the year, adjusted for share issue}}$	
Shareholders' equity per share	$\dfrac{\text{Equity of parent company shareholders}}{\text{Number of shares at end of period adjusted for share issue}}$	
Comparable net sales	Net sales +/-items affecting comparability	
Comparable EBIT	EBIT +/-items affecting comparability	
Comparable EBIT, %	$\dfrac{\text{Comparable EBIT}}{\text{Comparable net sales}}$	
EBITDA	EBIT + depreciations and impairment	
Comparable EBITDA	EBIT +/- items affecting comparability + depreciations and impairment	
Market capitalisation	Closing price, adjusted for issue x number of shares without company shares at the end of the period	

10.3 Reconciliations

10.3.1 Reconciliations related to cash flow statement

Adjustments to business cash flows

(EUR million)	2017	2016
Income statement items containing no payment transaction and items presented elsewhere in the cash flow statement are adjusted:		
Impairment for intangible and tangible fixed assets	**36.5**	16.1
Impairment for current assets	**0.7**	1.9
Divestment losses of subsidiary shares	**38.4**	0.3
Other income and expenses not including payment	**0.0**	0.0
Capital gains and losses of fixed assets	**-28.1**	-0.6
Costs of share rewards	**0.0**	0.4
Other	**-0.3**	0.2
Total adjustments in cash flow statement	**47.3**	18.3

Acquisitions and disposals of fixed assets of cash flow from investing

(EUR million)	2017	2016
Acquisitions of fixed assets in total	**15.9**	18.3
Payments for investments of earlier financial periods (change in accounts payable)	**0.7**	-0.8
Investments funded by finance lease or other non-interest-bearing debt	**0.0**	-0.2
Fixed asset acquisitions funded by cash payments	**-16.6**	17.3
Capital gain and loss on fixed assets in the income statement	**28.1**	0.1
Capital gain and loss on financial assets available for sale		0.4
Balance sheet value of disposed asset	**11.2**	0.1
Consideration received from fixed asset divestments in the cash flow statement	**39.3**	0.7

Net assets of divested subsidiaries

(EUR million)	2017	2016
Capital gain or loss in the income statement excluding sales expenses directed at sales	**-36.5**	-0.3
Non-current assets	**116.4**	
Inventories	**11.8**	2.3
Receivables	**17.5**	7.1
Liquid funds incl. loans receivables (group cash pool)	**-12.6**	0.0
Non-current liabilities	**2.3**	0.0
Current liabilities	**17.5**	6.8
Total net assets sold	**113.3**	2.6
Sales price	**76.8**	2.2
Proceeds in the cash flow statement adjusted by cash at the date of transfer	**89.4**	2.2

Cash and cash equivalent in the cash flow statement

(EUR million)	2017	2016
Cash and cash equivalents available for sale	**2.0**	36.0
Liquid funds	**149.0**	25.9
Impact of change in fair value of liquid funds	**151.0**	61.9

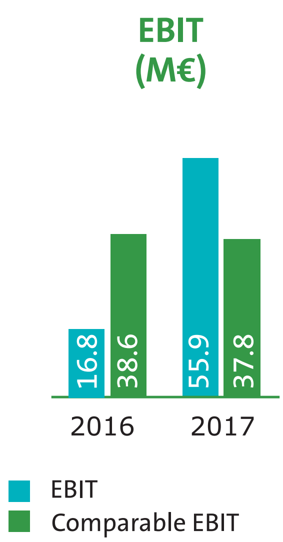
Reconciliation of liabilities related to financing activities

(EUR million)	2016	Cash flows	Non cash flow influenced changes: Forward exchange contracts	Changes in exchange rates	Changes in fair value	2017
Non-current liabilities	88.4	-42.6			-0.1	45.7
Current liabilities	0.0		0.0			0.0
Lease liability	0.21	-0.1				0.1
Net assets / liabilities used to hedge non-current liabilities	-0.6	0.8	0.4		-0.5	0.0
Total liabilities for financing activities	88.0	**-41.9**	**0.5**	**0.0**	**-0.6**	**45.9**

10.3.2 Reconciliations related to EBIT

Items affecting comparability	2017			2016		
EUR million	Continuing	Discontinued	Total	Continuing	Discontinued	Total
Comparable EBIT	**37.8**	**8.1**	**45.9**	38.6	12.1	50.7
Items affecting comparability						
+ capital gain	**28.0**		**28.0**	-0.3		-0.3
- capital loss		**-38.4**	**-38.4**			
- impairment of tangible and intangible assets	**-7.8**	**-28.7***	**-36.5**	-16.1		-16.1
- impairment of inventories	**-0.7**		**-0.7**	-2.2		-2.2
+/- structural arrangements and streamlining projects	**-1.3**	**-0.1**	**-1.5**	-2.2		-2.2
+/- other items	**-0.1**		**-0.1**	-1.0		-1.0
Items affecting comparability, in total	**18.1**	**-67.3**	**-49.1**	-21.8	0.0	-21.8
EBIT	**55.9**	**-59.2**	**-3.2**	16.8	12.1	28.9

Items affecting comparability	2017			2016		
EUR million	Continuing	Discontinued	Total	Continuing	Discontinued	Total
Comparable EBITDA	**45.9**	**11.1**	**57.0**	46.8	15.2	62.0
Items affecting comparability						
+/- depreciations and impairment	**7.8**	**28.7**	**36.5**	16.1		16.1
+/- items affecting EBIT	**18.1**	**-67.3**	**-49.1**	-21.8		-21.8
Items affecting comparability, in total	**25.9**	**-38.5**	**-12.5**	-5.7	0.0	-5.7
EBITDA	**71.8**	**-27.4**	**44.4**	41.1	15.2	56.3
+/- impairment	**-8.0**	**-28.7**	**-36.7**	-16.1		-16.1
+/- depreciations	**-7.9**	**-3.0**	**-10.9**	-8.2	-3.0	-11.3
EBIT	**55.9**	**-59.2**	**-3.2**	16.8	12.1	28.9



11 Parent company financial statement (FAS)

Parent company income statement

(EUR)	Note	1.1.-31.12.2017	1.1.-31.12.2016
NET SALES		**2,257,506.36**	2,279,421.05
Other income from business operations		**65,207.38**	133.89
Materials and services	1	**-4,831.29**	-29,171.98
Personnel expenses	2	**-5,455,850.60**	-4,332,910.95
Depreciation and write-downs	3	**-54,716.20**	-60,502.35
Other expenses from business operations	4	**-2,971,530.77**	-3,345,022.32
PROFIT (LOSS)		**-6,164,215.12**	-5,488,052.66
Financial income and expenses	5	**-27,630,325.76**	-4,548,335.83
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES		**-33,794,540.88**	-10,036,388.49
Appropriations	6.	**+20,078,129.99**	+24,710,237.34
Income taxes	7.	**-2,393,726.36**	-2,974,712.05
PROFIT (LOSS) FOR THE FINANCIAL PERIOD		**-16,110,137.25**	11,699,136.80

Parent company balance sheet

(EUR)	Note	31.12.2017	31.12.2016
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	8	**44,297.57**	43,166.20
Tangible assets	8	**404,470.77**	534,514.09
Holdings in Group companies	9	**324,718,684.45**	350,642,210.05
Other investments	9	**1,873,127.28**	65,532,192.59
		327,040,580.07	416,752,082.93
CURRENT ASSETS			
Inventories	10	**0.00**	13,985.14
Current receivables	11	**45,986,739.30**	71,180,911.05
Securities under financial assets	12	**1,999,655.61**	35,846,259.99
Cash in hand and at banks		**143,589,648.92**	17,508,098.96
		191,576,043.83	124,549,255.14
TOTAL ASSETS		**518,616,623.90**	541,301,338.07
LIABILITIES AND SHAREHOLDERS' EQUITY			
SHAREHOLDERS' EQUITY	13		
Share capital		**27,776,072.91**	27,776,072.91
Premium fund		**2,908,045.06**	2,908,045.06
Reserve fund		**88,586,879.98**	88,586,879.98
Invested unrestricted shareholders' equity fund		**18,661,145.47**	18,661,145.47
Retained earnings		**83,269,900.94**	98,202,369.18
Profit for the financial period		**-16,110,137.25**	11,699,136.80
		205,091,907.11	247,833,649.40
ACCUMULATED APPROPRIATIONS	14	**10,351.72**	23,481.71
LIABILITIES			
Non-current liabilities	15	**22,857,142.85**	45,714,285.71
Current liabilities	16	**290,657,222.22**	247,729,921.25
		313,514,365.07	293,444,206.96
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**518,616,623.90**	541,301,338.07

Parent company cash flow statement

(EUR 1,000)	2017	2016
CASH FLOW FROM BUSINESS OPERATIONS		
Profit (loss) before appropriations and taxes	**-33,794**	-10,036
Adjustments to EBIT:		
Planned depreciation	**55**	60
Unrealised foreign exchange gains and losses	**1,652**	-2,976
Other income and expenses not involving disbursement	**21**	1,287
Financial income and expenses	**25,978**	7,525
Cash flow before change in working capital	**-6,088**	-4,140
Change in working capital		
Increase (–)/decrease (+) in current receivables	**-1,004**	-144
Increase (–)/decrease (+) in inventories	**+14**	+4
Increase (+)/decrease (–) in current interest-free liabilities	**+1,151**	-2,192
	161	-2,332
Cash flow from business operations before financial items and taxes	**-5,927**	-6,472
Interest paid and payments for financial expenses from business operations	**-1,793**	-2,089
Dividends received	**8**	4
Interest and other financial income	**1,556**	2,455
Income taxes paid	**-2,050**	-4,172
	-8,206	-10,274
CASH FLOW FROM BUSINESS OPERATIONS	**-8,206**	-10,274
CASH FLOW FROM INVESTMENTS		
Investments in tangible and intangible assets	**-8**	-21
Proceeds from divestments of tangible and intangible assets	**105**	0
Investments in shares of associates	**-17**	0
Loans granted	**0**	-2,500
Repayment of loan receivables	**54,076**	5,000
CASH FLOW FROM INVESTMENTS	**54,156**	2,479
Cash flow after investments	**45,950**	-7,795
CASH FLOW FROM FINANCIAL OPERATIONS		
Other financial items, net	**759**	6,201
Increase (+)/decrease (–) in non-current loans	**-42,776**	-18,429
Increase (+)/decrease (–) in current liabilities	**+61,910**	+32,632
Increase (–)/decrease (+) in loan receivables	**+28,289**	-30,067
Group contributions received and paid	**24,710**	31,150
Dividend paid and other distribution of profit	**-26,617**	-24,996
CASH FLOW FROM FINANCIAL OPERATIONS	**46,285**	-3,509
Change in liquid funds	**92,235**	-11,304
Liquid funds at beginning of period	**53,354**	64,658
Liquid funds at end of period	**145,589**	53,354

Parent company's accounting principles

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

Valuation of non-current assets

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

The depreciation periods are as follows:
- buildings and structures 10–25 years
- machinery and equipment 4–10 years
- intangible rights 5–10 years
- other long-term expenses 5–20 years.

Acquisition cost of non-current assets, whose probable useful life is less than three years, as well as small purchases (below EUR 850) are recorded as an expense in their entirety.

Sales profits and losses are determined by comparing the sales profit to the carrying amount. Sales profits and losses are included in the income statement under other operating income and expenses.

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

Valuation of receivables and liabilities

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

Pension arrangements

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

Provisions

Provisions are entered when the Group has a legal or constructive obligation following an event, the realisation of the obligation is likely and the amount of the obligation can be reliably estimated. If part of the obligation can be compensated by a third party, the compensation is entered as a separate asset, but only when it is virtually certain that the compensation will be received.

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

Net sales

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

Other operating income

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

Dividends payable

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

Appropriations

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

Income taxes

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

Borrowing costs

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

Foreign currency items

Foreign currency transactions are recorded using the exchange rate at the transaction date. Foreign currency receivables and liabilities are translated into euro at the average exchange rates quoted at the balance sheet date. Realised exchange rate differences as well as gains and losses arising from the valuation of receivables and liabilities are recorded in the income statement. Exchange rate gains and losses related to actual business operations are treated as adjustment items on sales and purchases, and those related to financing are presented under financing income and expenses.

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

Derivative contracts

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

The company's interest-bearing loans have been hedged against changes in market interest rates with embedded rate derivatives. Interest rate swap contracts or their unrealised gain or loss are not entered in the balance sheet. The amortised interests of loan contracts are recognised in financial expenses. The company has no other interest derivatives.

Company shares

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

Cash flow statement

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

The cash flow statement is prepared using the indirect method.

Notes to the parent company income statement

(EUR)	2017	2016
1. MATERIALS AND SERVICES		
Materials, supplies and goods		
Purchases in the period	**3,772.48**	19,499.22
Change in inventories	**1,058.81**	4,672.76
	4,831.29	24,171.98
External services	**0.00**	5,000.00
Total	**4,831.29**	29,171.98
2. PERSONNEL EXPENSES		
Wages and fees	**4,344,148.69**	3,374,157.49
Pension expenses	**754,528.55**	621,899.39
Other social security expenses	**357,173.36**	336,854.07
Total	**5,455,850.60**	4,332,910.95
WAGES AND FEES PAID TO MANAGEMENT		
Payment criteria		
Managing Director	**1,471,322.60**	1,733,309.41
Members of the Board of Directors	**282,000.00**	210,600.00
Members of the Supervisory Board	**43,500.00**	45,650.00
AVERAGE NUMBER OF PARENT COMPANY PERSONNEL		
Office workers	**39**	39
PENSION LIABILITY		
Pension liability for members of the Board of Directors and the Managing Director		
The parent company's Managing Director is entitled and obligated to retire upon turning 62.		
3. DEPRECIATION AND WRITE-DOWNS		
Planned depreciation	**54,716.20**	60,502.35
4. OTHER EXPENSES FROM BUSINESS OPERATIONS		
Auditors' remuneration:		
KPMG Oy Ab		
Audit	**105,902.84**	35,028.33
Certificates and reports	**0.00**	21,784.20
Other services	**46,970.30**	0.00
Total	**152,873.14**	56,812.53

(EUR)	2017	2016
5. FINANCIAL INCOME AND EXPENSES		
Dividend received		
From participating interest companies	**7,700.00**	3,850.00
Total	**7,700.00**	3,850.00
Total interest received from long-term investment		
From Group companies	**461,020.99**	683,638.46
Total income from long-term investment	**468,720.99**	687,488.46
Other interest and financial income		
From Group companies	**332,622.75**	270,407.79
From others	**743,130.93**	1,560,783.62
Total other interest and financial income	**1,075,753.68**	1,831,191.41
Total financial income	**1,544,474.67**	2,518,679.87
Exchange rate differences		
To Group companies	**1,021,888.34**	-17,547,631.59
To others	**-469,759.65**	14,898,054.77
Total exchange rate differences	**552,128.69**	-2,649,576.82
Impairments of investments		
Impairments of long-term investments	**-25,923,525.60**	0.00
Total	**-25,923,525.60**	0.00
Interest paid and other financial expenses		
To Group companies	**-1,268,050.51**	-673,990.35
To others	**-2,535,353.01**	-3,743,448.53
Total interest paid and other financial expenses	**-3,803,403.52**	-4,417,438.88
Total financial income and expenses	**-27,630,325.76**	-4,548,335.83
6. APPROPRIATIONS		
Difference between planned depreciation and depreciation made in taxation	**13,129.99**	237.34
Received Group subsidies	**20,065,000.00**	24,710,000.00
Total	**20,078,129.99**	24,710,237.34
7. INCOME TAXES		
Income taxes in appropriations	**-4,013,000.00**	-4,942,000.00
Income tax on ordinary operations	**1,619,273.64**	1,963,431.64
Taxes on previous financial years	**0.00**	3,856.31
Total	**-2,393,726.36**	-2,974,712.05

Notes to the parent company balance sheet

8. INTANGIBLE ASSETS 2017

(EUR)	Intangible rights	Other long-term expenditure	Intangible assets total
Acquisition cost 1 January	**157,248.14**	**24,512.64**	**181,760.78**
Increase 1 January–31 December	**7,606.00**		**7,606.00**
Acquisition cost 31 December	**164,854.14**	**24,512.64**	**189,366.78**
Accumulated depreciation and write-downs 1 January	**114,081.94**	**24,512.64**	**138,594.58**
Depreciation for the financial period	**6,474.63**		**6,474.63**
Depreciation for the financial period	**120,556.57**	**24,512.64**	**145,069.21**
Book value 31 December 2017	**44,297.57**	**0.00**	**44,297.57**
Book value 31 December 2016	43,166.20	0.00	43,166.20

8. TANGIBLE ASSETS 2017

(EUR)	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Tangible assets total
Acquisition cost 1 January	**91,000.00**	**749,818.82**	**289,173.31**	**260,527.76**	**1,390,519.89**
Decrease 1 January–31 December			**210,273.63**		**210,273.63**
Acquisition cost 31 December	**91,000.00**	**749,818.82**	**78,899.68**	**260,527.76**	**1,180,246.26**
Accumulated depreciation and write-downs 1 January	**0.00**	**685,338.50**	**170,667.30**	**0.00**	**856,005.80**
Accumulated depreciation of decrease and transfers			**128,471.88**		**128,471.88**
Depreciation for the financial period		**11,537.31**	**36,704.26**		**48,241.57**
Accumulated depreciation 31 December	**0.00**	**696,875.81**	**78,899.68**	**0.00**	**775,775.49**
Book value 31 December 2017	**91,000.00**	**52,943.01**	**0.00**	**260,527.76**	**404,470.77**
Book value 31 December 2016	91,000.00	64,480.32	118,506.01	260,527.76	534,514.09
Book value of the production machinery and equipment					
31 December 2017			**0.00**		
31 December 2016			0.00		

9. . INVESTMENT 2017

(EUR)	Group company shares	Participating interest company shares	Other shares	Receivables, Group companies	Total investment
Acquisition cost 1 January	**350,642,210.05**	**30,694.30**	**25,498.29**	**65,476,000.00**	**416,174,402.64**
Increase 1 January–31 December		**16,934.69**			**16,934.69**
Decrease 1 January–31 December	**25,923,525.60**			**63,676,000.00**	**89,599,525.60**
Acquisition cost 31 December	**324,718,684.45**	**47,628.99**	**25,498.29**	**1,800,000.00**	**326,591,811.73**
Book value 31 December 2017	**324,718,684.45**	**47,628.99**	**25,498.29**	**1,800,000.00**	**326,591,811.73**
Book value 31 December 2016	350,642,210.05	30,694.30	25,498.29	65,476,000.00	416,174,402.64

SHARES AND HOLDINGS 2017

	Group holding, %	Parent company holding, %
GROUP COMPANIES		
Raisio Finance NV, Belgium	**100.00**	99.99
Raisionkaari Industrial Park Ltd, Raisio	**100.00**	50.00
Raisio UK Limited, UK	**100.00**	100.00
Glisten Limited, UK	**100.00**	0.00
Raisio Nutrition Ltd, Raisio	**100.00**	100.00
Raisioagro Ltd., Raisio	**100.00**	100.00
Nordic Feed Innovations Oy, Turku	**76.00**	76.00
ASSOCIATES		
Vihervakka Oy, Pöytyä	**39.40**	39.40

10. INVENTORIES

(EUR)	2017	2016
Materials and supplies	**0.00**	6,532.21
Finished products and goods	**0.00**	7,452.93
	0.00	13,985.14

11. RECEIVABLES

(EUR)	2017	2016
Long-term receivables		
Receivables from Group companies		
Capital loan receivables	**9,800,000.00**	0.00
Total long-term receivables	**9,800,000.00**	0.00
Current receivables		
Accounts receivables	**25.38**	0.00
Receivables from Group companies		
Accounts receivables	**1,168,189.66**	92,965.57
Loan receivables	**14,290,411.82**	42,579,584.11
Other receivables	**20,093,645.35**	24,784,685.69
Prepaid expenses and accrued income	**446,199.67**	1,486,614.66
	35,998,446.50	68,943,850.03
Other receivables	**23,269.13**	30,301.34
Prepaid expenses and accrued income	**164,998.29**	2,206,759.68
Total current receivables	**36,186,739.30**	71,180,911.05

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

12. MARKETABLE SECURITIES

(EUR)	2017	2016
Repurchase price	**2,000,632.37**	35,970,657.88
Book value	**1,999,655.61**	35,846,259.99
Difference	**976.76**	124,397.89

13. SHAREHOLDERS' EQUITY

(EUR)	2017	2016
Restricted shareholders' equity		
Share capital 1 January	**27,776,072.91**	27,776,072.91
Share capital 31 December	**27,776,072.91**	27,776,072.91
Premium fund 1 January	**2,908,045.06**	2,908,045.06
Premium fund 31 December	**2,908,045.06**	2,908,045.06
Reserve fund 1 January	**88,586,879.98**	88,586,879.98
Reserve fund 31 December	**88,586,879.98**	88,586,879.98
Total restricted shareholders' equity	**119,270,997.95**	119,270,997.95
Unrestricted shareholders' equity		
Invested unrestricted shareholders' equity fund 1 January	**18,661,145.47**	18,661,145.47
Invested unrestricted shareholders' equity fund 31 December	**18,661,145.47**	18,661,145.47
Retained earnings 1 January	**109,901,505.98**	121,974,221.10
Dividend distributed	**-26,770,609.24**	-25,147,052.32
Unclaimed dividends	**97,671.60**	91,300.80
Disposal of company shares	**41,332.60**	1,283,899.60
Retained earnings 31 December	**83,269,900.94**	98,202,369.18
Result for the year	**-16,110,137.25**	11,699,136.80
Total unrestricted shareholders' equity	**85,820,909.16**	128,562,651.45
Total shareholders' equity	**205,091,907.11**	247,833,649.40
Distributable equity	**85,820,909.16**	128,562,651.45

Company share capital dividend by share series as follows:

		2017		2016
	shares	EUR 1,000	shares	EUR 1,000
Restricted shares (20 votes/share)	**32,503,637**	**5,467**	32,683,091	5,497
Free shares (1 vote/share)	**132,645,393**	**22,309**	132,465,939	22,279
Total	**165,149,030**	**27,776**	165,149,030	27,776

Company shares held by Raisio:

		2017		2016
	shares	Acquisition cost EUR 1,000	shares	Acquisition cost EUR 1,000
Restricted shares (20 votes/share)	**212,696**	**416**	212,696	416
Free shares (1 vote/share)	**7,617,327**	**36,679**	7,462,162	36,701
Total	**7,830,023**	**37,095**	7,674,858	37,117

The probable assignment price of company shares held by the Group on the date of the financial statements was EUR 30.067 thousand (EUR 27.459 thousand in 2016).

14. ACCUMULATED APPROPRIATIONS

Accumulated appropriations consist of the accumulated depreciation difference.

LIABILITIES

15. NON-CURRENT LIABILITIES

(EUR)	2017	2016
Loans from credit institutions	**22,857,142.85**	45,714,285.71
Total non-current liabilities	**22,857,142.85**	45,714,285.71

16. CURRENT LIABILITIES

(EUR)	2017	2016
Loans from credit institutions	**22,857,142.86**	42,566,783.36
Accounts payable	**1,295,512.12**	678,979.52
Liabilities to Group companies		
Accounts payable	**206,949.11**	72,908.67
Other liabilities	**264,261,705.89**	201,604,626.53
Accrued liabilities and deferred income	**4,600.60**	77,789.63
	264,473,255.60	201,755,324.83
Other liabilities	**883,923.20**	1,825,236.89
Accrued liabilities and deferred income	**1,147,388.44**	903,596.65
Total current liabilities	**290,657,222.22**	247,729,921.25
Accrued liabilities and deferred income include accrued business expenses, financial items and taxes.		
Interest-free debts		
Current	**3,538,373.47**	3,558,511.36

Other notes to the parent company accounts

CONTINGENT AND OTHER LIABILITIES AND PLEDGED ASSETS

(EUR)	2017	2016
CONTINGENT OFF-BALANCE SHEET LIABILITIES:		
Leasing liabilities		
Amounts outstanding on leasing contracts		
Falling due in 2018	**93,000.00**	68,000.00
Payables at a later date	**116,000.00**	38,000.00
Total	**209,000.00**	106,000.00
Leasing contracts do not include substantial liabilities related to termination and redemption terms.		
Contingent liabilities for Group companies		
Guarantees	**33,077,000.00**	40,420,000.00

DERIVATIVE CONTRACTS:

(EUR)	2016	2015
The company uses derivative contract for hedging. The values of underlying instruments for derivative contracts, stated below, indicate the scope of hedging measures. The fair values of derivative contracts show the result had the derivative position been closed at market price on the closing day.		
Currency forward contracts:		
Fair value	**191,722.27**	595,000.00
Value of underlying instrument	**82,121,533.00**	190,344,000.00

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

OTHER LIABILITIES:

Long-term incentive scheme

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

Unrecognised cost for the future schemes:

	2015-2017	2016-2018	2017-2019
Grant date	19 January 2015	15 January 2016	16 March 2017
Implementation date	30 April 2018	30 April 2019	30 April 2020
Number of shares at the end of the reporting period	350,000	415,000	725,000
In reserve at the end of the reporting period	650,000	585,000	275,000
Payment method	shares and cash	shares and cash	shares and cash

Board's proposal for the disposal of profit

Shareholders' equity according to the balance sheet at 31 December 2017 is EUR 85,820,909.16.

The Board of Directors proposes that a dividend of EUR 0.17 per share be paid from the parent company's earnings

totalling	EUR 28,075,335.10
carried over on the retained earnings account	EUR 57,745,574.06

No dividends will be paid on the shares held by the company on the record date 23 March 2018. The payment date of the dividend is proposed to be 5 April 2018.

There has not been any essential changes in the Group's financial condition since the end of the financial period. The Group's liquidity is good and the payment of the proposed dividend does not, in our opinion, endanger the company's liquidity.

Raisio, 12 February 2018

Matti Perkonoja

Michael Ramm-Schmidt

Erkki Haavisto

Ilkka Mäkelä

Leena Niemistö

Ann-Christine Sundell

Pekka Kuusniemi
CEO

Auditor's Report

To the Annual General Meeting of Raisio plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Raisio plc (business identity code 0664032-4) for the year ended 31 December 2017. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

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

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

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

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

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 10.1 to the consolidated financial statements.

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

Materiality

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

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

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT

Impairment of goodwill and brands (EUR 47 million and EUR 37 million) and the divestment of the confectionery business (Accounting policies for the consolidated financial statements and notes 4.1.3-5)

- The Group has expanded its activities through the acquisitions of companies and brands. As a result the consolidated balance sheet includes a significant amount of goodwill and brands. These assets are not amortised, but are tested at least annually for impairment.
- In the financial year ended the Group divested its confectionery business that as an one-off transaction materially impacted the book values of the Group's goodwill and brands.
- Impairment testing is based on discounted future cash flow forecasts. Determining the underlying key assumptions requires the management to make judgments over, for example, net sales growth rate, discount rate and long-term growth rate.
- Due to the high level of judgement related to the forecasts used, and the significant carrying amounts involved, impairment of these assets is considered a key audit matter.

Our audit procedures included, among others:

- We inspected the events in respect of the divestment of the confectionery business and the related disclosures provided in the financial statements.
- We assessed the key assumptions used in impairment testing, such as the net sales growth rate and the profitability level, by reference to the budgets approved by the Board of Directors of the parent company and our own views.
- We involved our own valuation specialists that assessed the technical accuracy of the calculations and compared the assumptions used to market and industry information.
- Furthermore, we considered the accounting treatment of the impairment losses recognised and the divestment of the confectionery business in the financial statements, as well the appropriateness of the notes in respect of goodwill and brands.

Accuracy of revenues and accounts receivable (EUR 403 million and EUR 31 million) (Accounting policies for the consolidated financial statements and notes 2.2.1, 3.1 and 5.3.2-3)

- The IT environment of the Group related to revenues is complex consisting of multiple systems. The volume of sales transactions processed in the systems is large containing wide variety of different products, with prices fluctuating during the financial year.
- Due to the large number of sales transactions, the accuracy of revenues and accounts receivable is considered a key audit matter.

Our audit procedures included, among others:

- In respect of those Group companies considered significant, we assessed the IT systems relevant for recording revenues and the functionality of related general IT controls.
- We tested the effectiveness of internal controls over invoicing and recording of sales transactions as well as over recognising related revenues, among others.
- We tested the accuracy of invoicing data of the significant Group companies by comparing with external confirmations.

Accuracy and valuation of inventories (EUR 31 million) (Accounting policies for the consolidated financial statements and note 4.4)

- The Group measures inventories at the lower of cost and net realisable value.
- Measurement of inventories involves management judgements in respect of identifying inventories not fully recoverable and determining net realisable value, among others.
- The Group's inventories are monitored through multiple IT systems.
- Due to the high level of judgement related to inventory valuation and fluctuations in price, the accuracy and valuation of inventories are considered a key audit matter.

Our audit procedures included, among others:

- In respect of the significant Group companies we assessed the IT systems relevant for inventories and the functionality of related general IT controls.
- We tested the effectiveness of internal controls over accuracy of inventory amounts and valuation, and performed substantive procedures to assess the accuracy of inventory measurement.
- We attended inventory counts in significant Group companies.

Impairment of Group company shares in parent company's separate financial statements (EUR 325 million) (Parent company's accounting principles and note 9)

- The Group company shares are a significant balance sheet item in the parent company's separate financial statements.
- The Group company shares are tested for impairment in connection with goodwill impairment tests. Thus, any indication of impairment of goodwill or other assets may also be reflected in the parent company's balance sheet in respect of Group company shares.
- Due to the high level of judgement related to the cash flow forecasts used, and the significant carrying amounts involved, impairment of Group company shares is considered a key audit matter.

Our audit procedures included, among others:

- As part of our year-end audit procedures, we analysed the appropriateness of the measurement of the Group company shares by comparing the book values of the shares to the results of the Group's impairment test of goodwill for the financial year 2017.

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

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

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

Auditor's Responsibilities for the Audit of Financial Statements

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

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

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

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

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

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

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 23 March 2016, and our appointment represents a total period of uninterrupted engagement of 2 years.

Other Information

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

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Raisio, 12 February 2018

Esa Kailiala Authorised Public Accountant, KHT	Kimmo Antonen Authorised Public Accountant, KHT

Statement of the Supervisory Board

At its meeting today, the Supervisory Board studied the financial statement, the consolidated financial statement and auditors' report for the financial period 1 January – 31 December 2017.

The Supervisory Board gives its assent to the approval of the financial statements and the consolidated financial statements and concurs with the Board of Directors' proposal for the allocation of profits.

Helsinki, 15 February 2018

For the Supervisory Board

Paavo Myllymäki
Chairman

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