RAISIO


# Financial Statements

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# Report of the Board of Directors

## Raisio's operating environment

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

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

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

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

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

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

## Financial reporting

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

## Net sales

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

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

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

* Excluding one-off items

## Result

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

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

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

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

## Balance sheet and cash flow

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

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

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

Raisio plc paid EUR 14.0 million in dividends in 2010.

## Investments

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

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

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

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

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

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

## Research and development

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

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

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

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

## Segment information

### Brands division

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

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

### Local brands

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

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

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

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

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

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

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

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

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

### International brands - Benecol

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

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

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

### Targets

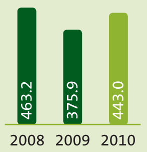
In 2011, Raisio's targets relate to increasing net sales, profitable growth as well as launching new, healthy and ecological snacks. The target is the same in all current and new markets. Volatility in raw material and product prices may impact consumer demand and thus, sales volumes and net sales.

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

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

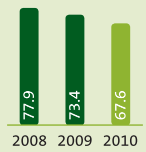
The latest scientific evidence shows that higher than currently recommended daily doses of plant stanol ester further enhance its cholesterol-lowering effect. This effect has been found only in the Benecol products containing plant stanol ester. Raisio uses the latest research data as part of the marketing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

**Net sales (M€)**

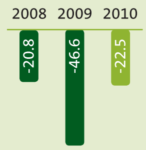



**EBIT (M€)**

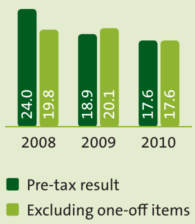

**Equity ratio (%)**



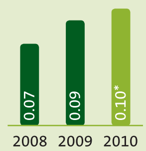

**Net gearing (%)**




**Pre-tax result (M€)**



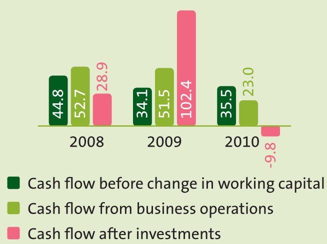

**Dividend/share (€)**




*Board of Directors' proposal

**Net sales by division (%)**


**Cash flow (M€)**



## Business to business division

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

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

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

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

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

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

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

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

**Targets**

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

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

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

## Grain market

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

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

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

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

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

## Management and administration

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

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

## Personnel

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

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

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

## Corporate responsibility

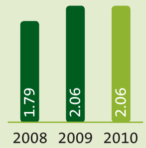
Raisio is committed to taking responsibility for its operating environment, environmental matters and personnel. We regularly monitor the realisation of the predetermined environmental objectives. We aim to continuously improve our activities in line with sustainable development and to reduce the quantities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

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

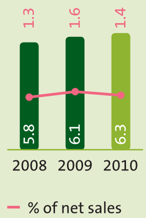
Raisio develops ecological and healthy products and solutions that preserve natural resources and meet the needs of consumers and customers. Raisio is not aware of any significant financial environmental risks related to its operations.

**Earnings/share, EPS (€)**

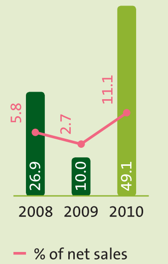

**Equity per share (€)**




**R&D expenses (M€)**

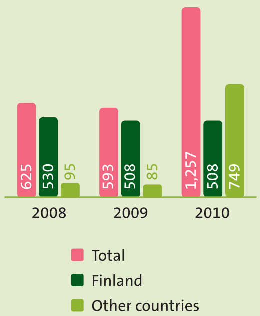



**Investments (M€)**

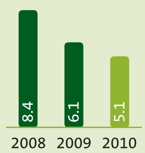



The largest investment in 2010 was the acquisition of Glisten shares.

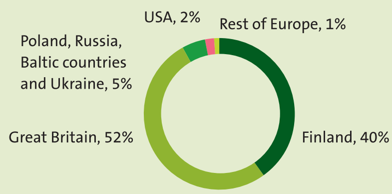
**Personnel, 31 December (persons)**




**Return on investment, ROI (%)**




**Personnel by region**



## Changes in group structure

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

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

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

## Company shares and share issues

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

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

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

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

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

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

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

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

## Events after the review period

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

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

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

## Risks and sources of uncertainty in the near future

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

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

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

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

## Outlook 2011

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

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

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

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

In Raisio, 10 February 2011

Raisio plc

*Board of Directors*

# Consolidated income statement

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

# Comprehensive income statement

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

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

# Consolidated balance sheet

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

Notes are an essential part of the financial statements

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

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

# Consolidated cash flow statement

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

[1] Adjustments resulting from divestment of working capital

# Accounting policies for the consolidated financial statements

## Basic information

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

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

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

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

## Basis of presentation

Raisio's consolidated financial statements have been prepared according to the International Financial Reporting Standards (IFRS) and following the IAS and IFRS standards as well as SIC and IFRIC interpretations in effect on 31 December 2010. The International Accounting Standards refer to the standards and their interpretations approved for application within the EU according to the procedure governed by EU Regulation (EC) No. 1606/2002. Notes to the consolidated financial statements also comply with the Finnish Accounting and Community Legislation that supplements the IFRS provisions. The currency used in the financial statements is the euro, and the statements are shown in EUR millions.

The consolidated financial statements have been prepared based on original purchase costs with the exception of available-for-sale financial assets, financial assets and liabilities entered at fair value through profit or loss, derivative contracts as well as cash-settled share-based payment transactions measured at fair value. Non-current assets held for sale have been valued at the lower of the following: fair value less costs to sell or book value.

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

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

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

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

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

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

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

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

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

## Scope and accounting policies of consolidated financial statements

### Subsidiaries

Raisio's consolidated financial statements include the parent company, Raisio plc, and such directly or indirectly owned subsidiaries over which it has control. Control is acquired when the Group owns more than half of the voting rights or possesses other rights to determine the financial and business principles of a company in order to benefit from its business operations.

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

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

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

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

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

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

#### Company founded for a special purpose

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

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

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

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

#### Associated companies and joint ventures

Associated companies are companies in which the Group owns 20–50% of the voting rights or over which it has considerable influence but no control. Joint ventures are companies where, according to an agreement-based arrangement, the Group is committed to sharing the control of financial and business principles with one or more parties. Associated companies and joint ventures are consolidated using the equity method. A holding equivalent to the Group ownership is eliminated from the unrealised profits between the Group and its associated companies or joint ventures. The Group investment in associated companies and joint ventures includes goodwill generated by the acquisition. The application of the equity method is discontinued when the book value of the investment has decreased to zero, unless the Group has acquired liabilities related to its associated companies or joint ventures or has guaranteed their liabilities. The Group's share of the associated companies and joint ventures' profit for the period, calculated on the basis of its ownership, is presented as a separate item after EBIT. Similarly, the Group's share of the changes recognised in other comprehensive income of associated companies and joint ventures have been recognised in the Group's other comprehensive income. The Group's associated companies and joint ventures have had no such items in this or previous period.

## Segment reporting

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

## Foreign currency transactions and translations

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

#### Business transactions in foreign currency

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

#### Conversion of financial statements in foreign currency

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

According to the exemption allowed by the IFRS 1, any cumulative translation differences accrued prior to the IFRS adoption date, 1 January 2004, have been entered under accrued profits and will not be recognised through profit or loss later when the foreign entity is sold. From the adoption date, the translation difference for foreign entities due to exchange rate changes is entered as a separate item under the translation differences of the Group shareholders' equity. The same process applies to non-current, intra-Group loans which, for their actual contents, are comparable with shareholders' equity.

Goodwill generated by the acquisition of a foreign entity and adjustments related to fair values are treated as assets and liabilities in the local currency of the unit in question and converted to the closing date exchange rate.

## Property, plant and equipment

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

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

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

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

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

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

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

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

## Government grants and assistance

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

## Intangible assets

### Goodwill

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

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

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

### Research and development costs

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

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

### Other intangible assets

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

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

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

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

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

## Inventories

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

## Assets held for sale and discontinued operations

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

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

## Rental agreements

### Group as a lessee

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

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

### Group as lesser

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

## Impairment of tangible and intangible assets

On each closing date, the Group assesses whether there are any indications of impairment of any asset. If indications are found, the recoverable amount of the asset is estimated. For the assessment of impairment, assets are divided into units at the lowest level, which is mostly independent of other units and with a cash flow that can be differentiated. Irrespective of whether or not there are indications of impairment, impairment tests are always carried out annually for goodwill, for intangible assets with an indefinite useful life as well as for unfinished intangible assets.

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

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

## Employee benefits

### Pension obligations

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

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

### Share-based payments

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

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

## Provisions

Provisions are entered when the Group has a legal or actual liability due to a previous transaction, the realisation of the payment liability is likely and the amount of the liability can be reliably estimated. If part of the liability can be compensated by a third party, the compensation is entered as a separate asset, but only when, in practical terms, it is certain that the compensation will be received. Provisions are valued at the present value of expenditure required to settle the liability. The present value is calculated using a discount factor that has been selected to reflect the markets' view of the time value of money at the time of calculation and the risk related to the liability.

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

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

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

## Dividends payable

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

## Income taxes

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

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

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

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

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

## Revenue recognition principles

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

## Income statement by function of expense

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

## Other operating income and expenses

Asset sales profits and losses related to continuing operations, returns unrelated to actual sales of deliverables, such as rental income, and impairments of goodwill and other miscellaneous assets, are presented as other operating income and expenses.

## Financial assets and liabilities

### Financial assets

The Group's financial assets are classified into the following categories: financial assets entered at fair value through profit or loss, loans and other receivables as well as financial assets held for sale. The classification is based on the purpose of acquisition of the financial assets, and it is carried out in connection with the original purchase. Transaction costs are included in the original carrying amount of the financial assets when treating an item not measured at fair value through profit or loss. Financial assets and liabilities, except derivatives, are recognised on the settlement day. The derivatives are recognised on the trade date.

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

*Financial assets recognised at fair value through profit or loss* are financial assets held for trading. This group includes bonds, certificates of deposit and commercial papers, as well as fund units. Derivatives which do not meet the terms of hedge accounting have been classified as held for trading. All assets held for trading are current assets. Financial assets held for trading have been acquired to generate short-term profit from changes in market prices. Items in this group are valued at fair value, and the fair value of all deposits in this group is determined in the active market, which is the closing date bid quotation. Fair values of the interest rate swaps are determined by the present value of future cash flows, whereas forward exchange contracts are valued at the forward exchange rates on the closing date. Unrealised profits and losses due to changes in the fair value are recognised through profit or loss in the period in which they were generated.

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

*Financial assets available for sale* are non-derivative assets that have been specifically allocated to this group. The group consists almost exclusively of companies' shares. They are valued at fair value or, if fair values are not reliably available, acquisition cost. If there are no quoted rates available for the financial assets held for sale, the Group applies, for instance, recent transactions made between independent parties in their valuation.

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

### Liquid funds

Liquid funds consist of cash, bank deposits to be paid on demand and other current, liquid investments. Items classified as liquid funds have a maturity of up to three months from the purchase date.

### Financial liabilities

Financial liabilities are classified as financial liabilities recognised at fair value through profit or loss or as other financial liabilities. Financial liabilities are recognised at fair value on the basis of the compensation originally received. Transaction costs have been included in the original carrying amount of financial liabilities. Financial liabilities recognised at fair value through profit or loss are liabilities from derivative contracts which do not meet the terms of hedge accounting and the debts arising from the purchase price paid to Glisten's management. Other financial liabilities are measured at amortised cost using the effective interest method. Financial debts are included in current and non-current debts and may be either interest-bearing or non-interest-bearing.

### Impairment of financial assets

At each closing date, the Group assesses whether there is objective evidence of impairment of a financial asset or a group of financial assets. The impairment loss for liabilities and other receivables entered at amortised cost in the balance sheet is measured as the difference between the carrying amount of the item and the present value of estimated future cash flows discounted at the initial effective interest rate. The impairment of available-for-sale financial assets is entered through profit or loss if there is objective evidence of impairment. These impairment losses are not reversed through profit or loss.

The Group recognises impairment loss for accounts receivables if there is objective evidence that the receivable cannot be recovered in full. Considerable financial difficulties of a debtor, probability of bankruptcy and payment default are evidence of impairment of accounts receivables. Credit losses are recognised through profit or loss. If an impairment loss decreases in a subsequent period, the recognised loss is reversed through profit or loss.

## Derivative financial instruments and hedge accounting

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

According to its financial risk management policy, the Group may use various derivates to hedge against interest rate, currency and commodity price risks. Interest rate swaps are used to hedge against changes in market rates of interest. Currency forward contracts are used to hedge receivables and debts in foreign currencies as well as future commercial cash flows. Quoted commodity futures can be used to hedge against the price risks caused by temporal differences of the fixed-price raw material purchases and product sales.

Although the hedges meet the requirements for efficient hedging determined in the Group's risk management policy, the Group does not currently comply with the hedging policies of IAS 39 with the exception of the hedging of a net investment in a foreign entity. The changes in the fair values of interest rate swaps are entered under financial income and expenses. The changes in the fair value of forward contracts are entered under other operating income and expenses, and the effects of the contracts' interest rate element are entered under financial income and expenses.

The fair values of derivatives are presented in notes 27.

## Hedges of a net investment in a foreign operation

Net investment in a foreign operation is hedged by the debt in pounds resulted from the purchase price paid to Glisten management. The effective portion of the change in value of the hedge instrument is recognised in other comprehensive income. Profits and losses accumulated from the hedging of a net investment are transferred to profit or loss when the net investment is partially or completely disposed of.

When hedge accounting is initiated, the Group documents the relationship between the net investment and the hedge instrument as well as the targets of the Group's risk management and the initiation of hedging strategy. The Group documents and assesses the effectiveness of the hedging relationship always when initiating the hedging and in connection of all financial statements.

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

When preparing the consolidated financial statements, estimates and assessments must be made concerning the future. These may affect assets and liabilities at the time of balance sheet preparation, as well as income and expenses in the reporting period. Actual figures may differ from those used in the financial statements. The estimates are based on the management's best judgement on the closing date. Any changes to estimates are entered in the period in which the estimates are adjusted. Additionally, judgement is needed in the application of accounting policies for the financial statements.

The Group management may have to make judgement-based decisions relating to the choice and application of accounting policies for the financial statements. This particularly concerns the cases when IFRSs allow alternative valuation, recording and presenting manners. No significant judgement-based decisions have been needed.

Most of the Group management's estimates are related to the valuation and useful lives of assets, the determination of fair values of acquired assets and purchase price debt resulting from the business combination, the amount of obsolete inventories and the use of deferred tax assets against future taxable income.

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

### Impairment testing

The Group performs regular annual tests on goodwill, intangible assets with indefinite useful life and unfinished intangible assets for possible impairment. The value of identifiable tangible and intangible assets and goodwill are also assessed if any event or change in conditions indicates that the recoverable amount no longer corresponds to the book value. The recoverable amount of cash-generating units has been estimated using calculations based on value in use. Estimates are needed in the preparation of such calculations. The main variables in cash flow calculations are the discount rate and number of years that cash flow estimates are based on, as well as the assumptions and estimates used to determine cash flows. The estimated income and expenses may differ considerably from actual figures.

### Determination of fair value of acquired assets and purchase price debt in the business combination

When determining the fair value of tangible assets in the business combination, the Group has compared the market prices of similar assets realised in previous similar acquisitions. The Group has also assessed the impairment of acquired assets due to age, wear and other similar factors. Determination of the fair value of intangible assets is based on estimates on cash flows related to assets since there has not been information available on transactions of similar assets.

Fair value of the purchase price debt has been determined based on the management's best judgement of the future EBIT of the acquired company and net debt. The estimate is reviewed at each closing date and changes in the fair value of the debt are recognised through profit or loss except for changes in exchange rates to the extent that the debt has been determined to hedge the net investment in the foreign operation and is considered to be effective in it. In this case, exchange differences are recognised in other comprehensive income.

The management believes that the estimates and assumptions are sufficiently accurate for the determination of fair value.

#### Deferred tax assets

Management is required to make estimates when calculating the amount of deferred tax assets and the extent to which tax assets can be recognised in the balance sheet. If the estimates differ from the actual figures, the deviations are entered in the profit or loss and deferred tax assets of the period in which the deviation was determined.

#### Amount of obsolete inventories

The Group regularly assesses the amount of obsolete inventories and possible decrease of fair values below original purchase cost. An obsolescence provision is entered if required. These assessments call for estimates of future demand for the company's products. Possible changes in these estimates may result in adjustments to the value of inventories in subsequent periods.

## Application of new and amended IFRS standards

IASB has published the following new or amended standards and interpretations, which have not yet taken effect and which the Group has not yet applied. The Group plans to adopt each standard and interpretation when it enters into effect, or, if the standard or interpretation takes effect during the accounting period, in the accounting period following the entry into effect.

- Amendment to IAS 32 *Financial Instruments: presentation – Classification of Rights issued* (effective in periods beginning on or after 1 February 2010). The amendment concerns the accounting treatment of such issued rights that are issued in a currency other than the issuer's functional currency. When certain conditions are met, the rights of this kind are now classified as equity regardless of the currency in which the exercise price is determined. Earlier these rights were treated as derivative liabilities. The Group estimates that the amendment will not affect the future consolidated financial statements.
- Revised IAS 24 *Related Party Disclosures* (effective in periods beginning on or after 1 January 2011). The revised standard has clarified and simplified the definition of related party. The revision provides an exemption from disclosure requirements for transactions between entities controlled, jointly controlled or significantly influenced by the same state ('state-controlled entities').
- Amendment to IFRS 7 *Disclosures: transfers of financial assets* (effective in periods beginning on or after 1 July 2011). The amendment requires additional disclosures on risk positions arising from transferred assets. The amendment extends the detailed requirements of additional disclosures to also apply to such transfers of financial assets which have been possible to derecognise in the balance sheet in their entirety but to which the transferor has maintained a continuing interest. The amendment has not yet been endorsed in the EU. The Group estimates that the amendment will not affect the future consolidated financial statements.
- IFRS 9 *Financial instruments – Classification and Measurement* (effective in periods beginning on or after 1 January 2013). The standard is the first step in the IASB process to replace IAS 39 *Financial Instruments: Recognition and Measurement with a new standard for financial instruments*. The standard includes new requirements on the classification and measurement of financial assets. The Group management is examining the impact of the standard on the consolidated finance statements. The standard has not yet been endorsed in the EU.

  IFRS 9 *Financial liabilities– Classification and Measurement* (effective in periods beginning on or after 1 January 2013). This complements the first step of the revision of IAS 39 concerning the above mentioned Classification and Measurement of Financial assets. According to the new standard, recognition and measurement of financial liabilities should remain the same except for those liabilities to which an
  option of fair value is applied. The amendment is not expected to affect the accounting treatment of financial liabilities in the Group. The standard has not yet been endorsed in the EU.

  The total effect of IFRS 9 is under assessment. The amendment may impact the accounting treatment of debt available-for-sale financial assets.
- Amended IFRIC 14 *Prepayments of a Minimum Funding Requirement* (effective in periods beginning on or after 1 January 2011). The amendment is aimed at correcting an unintended consequence of the interpretation of IFRIC 14 'IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*'. Without these amendments, the entities would not be allowed to recognise certain voluntary prepayments based on minimum funding requirements as assets in the balance sheet. The amendment will not affect the consolidated financial statements. The interpretation has not yet been endorsed in the EU.
- IFRIC 19 *Extinguishing Financial liabilities with Equity Instruments* (effective in periods beginning on or after 1 July 2010). The interpretation clarifies the accounting treatment in a situation where the terms of a financial liability are renegotiated and as a result of which the company issues equity instruments to the creditor in order to extinguish the financial liability fully or partially. According to the interpretation, any gain or loss, determined as a difference between the carrying amount of the financial liability and the fair value of the equity instruments issued, shall be recognised through profit or loss. The interpretation is not expected to affect the consolidated financial statements.
- Improvements to IFRSs (May 2010) (mostly effective in periods starting on or after 1 July 2010). In the Annual Improvements process, minor or less urgent amendments are compiled and implemented once a year. The amendments have not yet been endorsed in the EU.

# Consolidated notes

## 1. SEGMENT INFORMATION

The Group consists of two reportable segments, Brands and Business to Business, and service functions. Brands and Business to Business segments are the Group's strategic business units that are lead as separate units. Their products are different and require different distribution channels and market strategies. The Brands segment is composed of international brands – Benecol, and local brands. Under the segment, the Group reports Benecol Division, Northern and Eastern European operations of foods as well as Western European operations as of 1 April 2010. Western European operations include the operations of Glisten companies acquired in spring 2010. Business to Business Division includes the feed, malt and feed protein businesses.

The segment information presented by the Group is based on the management's internal reporting prepared according to the IFRS standards.

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

The assets and liabilities of the segments are items that the segment uses for its business operations or that can be allocated to segments on reasonable grounds. Unallocated items include tax and financial items, as well as items common to the Group. Intra-segment pricing is carried out at fair market value. Investments consist of increases in property, plant and equipment and intangible assets used for more than one accounting period.

| (EUR million) | Brands | | Business to Business | | Other operations | | Eliminations | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| External sales | | | | | | | | | | |
| Services | 0.1 | 0.3 | 0.0 | 0.0 | 0.8 | 0.8 | | | 0.9 | 1.1 |
| Goods | 232.8 | 174.1 | 208.3 | 199.7 | 0.1 | 0.1 | | | 441.1 | 373.9 |
| Royalties | 1.0 | 0.9 | 0.0 | 0.0 | | | | | 1.0 | 0.9 |
| Total external sales | 233.9 | 175.3 | 208.3 | 199.7 | 0.9 | 0.9 | | | 443.0 | 375.9 |
| Internal sales | 2.5 | 2.3 | 0.0 | 5.8 | | | −2.5 | −8.1 | 0.0 | 0.0 |
| Net sales | 236.4 | 177.6 | 208.3 | 205.6 | 0.9 | 0.9 | −2.5 | −8.1 | 443.0 | 375.9 |
| Depreciation | 7.8 | 7.1 | 5.3 | 4.9 | 2.8 | 2.8 | | | 15.9 | 14.8 |
| Value impairments | 0.1 | 2.1 | | | 0.0 | | | | 0.1 | 2.1 |
| Segment EBIT | 20.0 | 20.5 | 2.1 | 3.0 | −2.8 | −4.3 | 0.0 | 0.3 | 19.4 | 19.5 |
| Share of associates' results | 0.0 | 0.0 | 0.1 | 0.1 | | | | | 0.0 | 0.1 |
| Segment assets | 179.1 | 91.4 | 132.6 | 104.8 | 16.5 | 16.5 | −1.3 | −2.8 | 326.9 | 209.9 |
| Including: | | | | | | | | | | |
| Shares in associates and joint ventures | 0.1 | 0.1 | 0.7 | 0.7 | | | | | 0.8 | 0.8 |
| Increase in non-current assets | 43.4 | 3.3 | 4.5 | 5.4 | 1.3 | 1.3 | 0.0 | 0.0 | 49.1 | 10.0 |
| Segment liabilities | 35.5 | 21.8 | 48.6 | 25.6 | 5.0 | 6.3 | −1.3 | −2.8 | 87.7 | 50.9 |

| (EUR million) | 2010 | 2009 |
|---|---|---|
| **RECONCILIATION** | | |
| Reconciliation of results | | |
| Segment EBIT | 19.4 | 19.5 |
| Share of the results of associates and joint ventures | 0.0 | 0.1 |
| Financial income and expenses | –1.9 | –0.6 |
| Result before tax and discontinued operations | 17.6 | 18.9 |
| Reconciliation of assets to Group assets | | |
| Segment assets | 326.9 | 209.9 |
| Deferred tax assets | 5.3 | 6.5 |
| Loan receivables | 2.8 | 1.4 |
| Tax assets | 1.5 | 3.1 |
| Financial assets recognised at fair value in profit or loss | 131.8 | 215.3 |
| Liquid funds | 18.9 | 8.0 |
| Recognised assets | 487.2 | 444.2 |
| Reconciliation of liabilities to Group liabilities | | |
| Segment liabilities | 87.7 | 50.9 |
| Deferred tax liability | 7.6 | 7.6 |
| Financial liabilities | 67.2 | 62.8 |
| Financial liabilities recognised at fair value in profit or loss | 0.1 | 0.1 |
| Pension obligation | 0.2 | 0.2 |
| Tax liability | 0.0 | 0.1 |
| Dividend liability | 0.3 | 0.5 |
| Liabilities related to financing | 0.0 | 0.0 |
| Recognised liabilities | 163.2 | 122.1 |
| **GEOGRAPHICAL INFORMATION** | | |
| Revenue from external customers | | |
| Finland | 256.8 | 251.5 |
| Great Britain | 68.4 | 12.5 |
| Rest of Europe | 105.5 | 104.9 |
| Rest of the world | 12.4 | 7.1 |
| Total | 443.0 | 375.9 |
| Non-current assets, excluding deferred tax assets and financial instruments | | |
| Finland | 93.9 | 97.9 |
| Great Britain | 70.4 | 0.0 |
| Rest of Europe | 0.7 | 0.8 |
| Rest of the world | 4.8 | 4.9 |
| Total | 169.7 | 103.6 |

Information about major customers:
In 2010, the Group had no major customers, as defined in IFRS 8, whose revenue to the Group would have exceeded 10% of the Group's net sales. The Group's revenue from one major customer, as defined in IFRS 8, of both the Brands and the Business to Business segments, totalled some EUR 45 million, which accounted for approximately 12% of consolidated net sales in 2009.

## 2. ACQUIRED BUSINESS OPERATIONS

Raisio plc made a public purchase offer for the entire share capital of British Glisten plc. The shareholders of Glisten plc approved Raisio's purchase offer on 12 March 2010, and the deal became legally valid on 8 April 2010. Glisten produces healthy, nutritious, high-quality snack foods. Fruitus, Victoria and The Dormen are the company's well-known brands in their own product categories. The company operates through eight premises across Great-Britain and employs approximately 650 people. With the acquisition, the Group's strategy is to expand its current domestic market in breakfast and snack products. Glisten's result has been reported as part of the figures of Raisio's Brands Division from the beginning of the second quarter.

Raisio UK Ltd, founded for the purpose of the acquisition, acquired the share capital of Glisten plc. After the closing of the deal, Raisio plc owned 85% and the senior management of Glisten 15% of Raisio UK Ltd's share capital. Since Raisio is obligated to redeem the part of the management's shares, the company has been consolidated to the Group according to the shareholding of 100% and the redemption price has been treated as a liability.

The acquisition price was thus comprised of the share paid in cash and the purchase price liability later paid to Glisten management for the ownership of Raisio UK Ltd's. The part of the purchase price paid in cash was EUR 22.2 million (19.5 M£). The amount of the purchase price liability was estimated to be EUR 16.0 million (14.0 M£) at the time of the acquisition and it has been entered on the balance sheet as a liability. The payment time of the purchase price liability is estimated to be during the third quarter of 2012. The undiscounted amount of the purchase price debt was estimated to be EUR 16.5 million at the acquisition date.

Later the shareholder agreement was amended so that Glisten's senior management increased its ownership in Raisio UK Ltd up to 21.27%. On the grounds of the shareholders agreement, this invested amount with interests will be paid to the senior management of Glisten in connection with the payment of purchase price liability. This increased the amount of the debt by EUR 1.0 million (0.9 M£).

EUR –0.3 million of the purchase price debt has been recorded in the statement of comprehensive income for 2010. This is due to two reasons. Firstly, the valuation of the purchase price debt at the rate of the closing date to the extent the debt has not been determined to hedge the investment in a foreign entity. For this part, the exchange rate differences have been recognised in the items of other comprehensive income. Secondly, it is due to the recognition of unwinding of the discount. The Group estimates that other factors affecting the amount of the purchase price debt remain unchanged compared with the acquisition date.

The fees of lawyers, advisors and outside valuators related to the deal amounted to a total of administration costs of EUR 1.1 million recognised in the income statement.

Goodwill resulting from the acquisition was EUR 50.9 million (44.6 M£). Goodwill is resulted from the income expectations of the local operations, based on the business entity's historical earning power and view of maintaining and improving the level of earnings. The goodwill recognised is not deductible for tax purposes in any respect.

Receivables acquired in conjunction of operations do not include items not expected to be collected.

Raisio Group's net sales for January–December 2010 would have been EUR 462.8 million and pre-tax result excluding one-off items EUR 17.7 million if the acquisition of business operations completed during the financial year had been combined with the consolidated financial statement from the beginning of the financial year 2010. The post-acquisition net sales of subgroup Glisten was EUR 65.5 million and pre-tax result EUR 4.3 million.

| (EUR million) | Fair values entered in the business combination |
|---|---|
| **The values of acquired assets and assumed liabilities at the acquisition date were as follows:** | |
| Property, plant and equipment | 14,0 |
| Trade marks | 4,6 |
| Deferred tax assets | 0,2 |
| Inventories | 8,4 |
| Accounts receivables and other receivables | 14,7 |
| Cash in hand and at banks | 0,0 |
| Total assets | 42,0 |
| Deferred tax liabilities | 2,1 |
| Reserves | 0,9 |
| Financial liabilities | 32,3 |
| Financial liabilities at fair value through profit or loss | 5,1 |
| Other liabilities | 14,3 |
| Total liabilities | 54,7 |
| **Net assets** | –12,7 |
| Cash assets paid | 22,2 |
| Contingent purchase price debt | 16,0 |
| Acquisition price | 38,2 |
| **Goodwill** | 50,9 |
| Purchase price paid in cash | 22,2 |
| Financial assets of the acquired subsidiary | 0,0 |
| Cash flow generation | 22,2 |

### 3. NON-CURRENT ASSETS AVAILABLE FOR SALE AND DISCONTINUED OPERATIONS

The Group signed a preliminary agreement on the divestment of its margarine business in May 2009, and the deal was concluded in October 2009. The divestment included the margarine plants in Poland and Finland, as well as some product brands. Raisio will continue to sell margarine as a distributor of Bunge in Finland and Sweden. Margarine sales agreement ended in Estonia at the end of October, 2010.

Discontinued operations in the income statement include the result of the divested Raisio Polska Foods Sp, as well as the impact that the divestment of the margarine business had on results. Depreciations of the fixed assets sold were discontinued on 14 May 2009. The result of the Finnish margarine business is still presented under continuing operations, since Raisio continues to sell margarine.

| (EUR million) | 2010 | 2009 |
|---|---|---|
| **Result for discontinued operations:** | | |
| Income from ordinary operations | 0.0 | 32.7 |
| Expenses | 0.0 | –28.9 |
| Result before taxes | 0.0 | 3.7 |
| Taxes | 0.0 | –0.7 |
| Result after taxes | 0.0 | 3.1 |
| Earnings due to discontinuation | –0.4 | 35.6 |
| Taxes | 0.2 | 1.1 |
| Result after taxes | –0.2 | 36.7 |
| Result for the financial period from discontinued operations | –0.2 | 39.7 |
| **Cash flow for discontinued operations:** | | |
| Cash flow from business operations | –3.6 | 7.3 |
| Cash flow from investments | 3.5 | 70.7 |
| Cash flow from financial operations | 0.0 | –1.0 |
| Total cash flow | –0.2 | 77.0 |
| **Impact of divested operations on the Group's financial position:** | | |
| Non-current assets | | 21.1 |
| Inventories | | 6.3 |
| Current receivables | | 5.8 |
| Liquid funds | | 3.0 |
| | | 36.1 |
| Non-current liabilities | | 0.8 |
| Short-term creditors | | 5.6 |
| | | 6.4 |
| Net assets sold | | 29.7 |
| Accumulated translation differences | | 0.3 |
| Business sales proceeds | | 51.2 |
| Costs allocated to sales | | –1.3 |
| Net income from sales | | 49.9 |
| **Sales price** | | 80.6 |
| Available from the sales price on the closing date | | 1.1 |
| **Cash flow from sales** | | 75.2 |
| **In the cash flow statement:** | | |
| Divestment of subsidiaries less liquid assets at the time of divestment | | 47.1 |
| Disposal income from tangible and intangible assets | | 23.6 |
| Cash flow from business operations | | 4.6 |
| | | 75.2 |

| (EUR million) | 2010 | 2009 |
|---|---|---|
| **4. OTHER INCOME AND EXPENSES FROM BUSINESS OPERATIONS** | | |
| Business interruption insurance compensation | 0.0 | 1.1 |
| Gain on dissolution of joint venture | 1.1 | 2.7 |
| Other income and expenses from business operations | 0.8 | −0.3 |
| Total | 1.9 | 3.5 |
| Auditors' remuneration: | | |
| PwC | | |
| Audit | 0.1 | 0.1 |
| Certificates and reports | 0.0 | 0.0 |
| Tax guidance | 0.0 | 0.0 |
| Other services | 0.8 | 0.4 |
| Total | 1.0 | 0.5 |
| PKF (UK) LL | | |
| Audit | 0.0 | |
| Tax guidance | 0.0 | |
| Other services | 0.1 | |
| Total | 0.2 | 0.0 |
| **5. DEPRECIATION AND IMPAIRMENT** | | |
| **Depreciation by asset group** | | |
| Depreciation on intangible assets | | |
| Intangible rights | 0.9 | 0.9 |
| Other intangible assets | 1.9 | 1.8 |
| Total | 2.9 | 2.7 |
| Depreciation on tangible assets | | |
| Buildings | 4.0 | 4.2 |
| Machinery and equipment | 8.9 | 7.8 |
| Other tangible assets | 0.1 | 0.0 |
| Total | 13.0 | 12.1 |
| Impairment by asset group | | |
| Intangible rights | 0.1 | 0.0 |
| Other long-term expenditure | 0.0 | 0.0 |
| Buildings | 0.0 | 1.1 |
| Machinery and equipment | 0.0 | 0.6 |
| Prepayments and uncompleted acquisitions | 0.0 | 0.4 |
| Total | 0.1 | 2.1 |
| **Total depreciation and impairment** | 16.0 | 17.0 |
| **Depreciation by activity** | | |
| Cost of sales | 12.2 | 11.0 |
| Sales and marketing | 0.2 | 0.2 |
| Administration | 3.1 | 3.1 |
| Research and development | 0.3 | 0.5 |
| Total | 15.9 | 14.8 |
| **Impairment and their returns** | | |
| Expenses corresponding to products sold | 0.0 | 2.1 |
| Administration | 0.1 | 0.0 |
| Total | 0.1 | 2.1 |

| (EUR million) | 2010 | 2009 |
|---|---|---|
| **6. EXPENSES FROM EMPLOYMENT BENEFITS** | | |
| Salaries | 40.1 | 31.1 |
| Pension expenses – defined contribution plans | 4.8 | 5.9 |
| Share-based rewards | 2.1 | 3.0 |
| Other indirect personnel costs | 3.2 | 1.7 |
| Total | 50.2 | 41.7 |

Details about the management's employee benefits are provided in Notes 31 Related party transactions. Details about assigned company shares are provided in Notes 20 Share-based payments.

| AVERAGE NUMBER OF PEOPLE EMPLOYED BY THE GROUP IN THE FINANCIAL PERIOD | 2010 | 2009 |
|---|---|---|
| Brands | 797 | 303 |
| Business to Business | 254 | 261 |
| Joint operations | 60 | 63 |
| Total | 1,111 | 627 |

## 7. FINANCIAL INCOME AND EXPENSES

| | 2010 | 2009 |
|---|---|---|
| Dividend income from available-for-sale financial assets | 0.2 | 0.2 |
| Sales profits/losses of financial assets at fair value through profit or loss | –2.4 | 0.3 |
| Interest income from financial assets at fair value through profit or loss | 0.1 | 0.3 |
| Ineffective portion of hedges of net investments in foreign operations | 0.0 | 0.0 |
| Interest earnings from financial assets recognised at fair value through profit or loss | 1.3 | 1.9 |
| Interest income from loan receivables | 0.0 | 0.0 |
| Other interest income | 1.7 | 0.4 |
| Exchange rate differences, net | 0.1 | 0.0 |
| Other financial income | 0.0 | 0.0 |
| Total financial income | 1.0 | 3.1 |
| | | |
| Interest expenses from loans | –1.1 | –1.1 |
| Other interest expenses | –1.1 | –1.7 |
| Other financial expenses | –0.7 | –0.9 |
| Total financial expenses | –2.9 | –3.7 |

Items comprising the EBIT include exchange rate gains and losses amounting to EUR 0.2 million in 2010 (EUR –0.3 million in 2009).

## 8. INCOME TAXES

| | 2010 | 2009 |
|---|---|---|
| Tax based on the taxable income for the financial period | –3.1 | –3.5 |
| Taxes paid in previous financial periods | –2.6 | 0.0 |
| Deferred taxes | 0.5 | –2.0 |
| Total | –5.1 | –5.6 |

Reconciliation statement for the tax expenses in the income statement and the taxes the basis of the Group's domestic tax rate (26%).

| | 2010 | 2009 |
|---|---|---|
| Taxes calculated on the basis of the domestic tax rate | –4.6 | –4.9 |
| Impact of a deviating tax rate used in foreign subsidiaries | –0.3 | –0.1 |
| Change in tax rate in foreign subsidiaries | 0.1 | |
| Returns exempt from tax | 0.1 | 0.1 |
| Non-deductible expenses | –0.9 | –0.3 |
| Losses for the period, for which no tax assets have been recognised | –0.4 | –0.4 |
| Use of previously unrecognised fiscal losses | 0.8 | 0.1 |
| Tax from previous years | –2.6 | 0.0 |
| Annulment of tax liability related to the above | 2.7 | |
| Other items | 0.0 | –0.1 |
| Total | –5.1 | –5.6 |

| (EUR million) | Before taxes | Tax impact | After taxes |
|---|---|---|---|
| Taxes related to the items of other comprehensive income: | | | |
| Year 2010 | | | |
| Financial assets available for sale | 1.9 | −0.5 | 1.4 |
| Protection of net investments | −0.2 | 0.0 | −0.2 |
| Translation differences | 1.6 | 0.0 | 1.6 |
| | 3.3 | −0.5 | 2.8 |
| Year 2009 | | | |
| Translation differences transferred to the income statement | −0.3 | 0.0 | −0.3 |
| Translation differences | −0.3 | 0.0 | −0.3 |
| | −0.6 | 0.0 | −0.6 |

| (EUR million) | 2010 | 2009 |
|---|---|---|
| **9. EARNINGS PER SHARE** | | |
| Undiluted earnings per share have been calculated by dividing the profit for the period for equity holders of the parent company with the weighted average number of outstanding shares over the financial period. | | |
| Profit for the period for equity holders of the parent company, continuing operations (EUR million) | 12.6 | 13.4 |
| Profit for the period for equity holders of the parent company, discontinued operations (EUR million) | −0.2 | 39.7 |
| Undiluted weighted average of shares in the financial period | 156,023,198 | 155,797,720 |
| Dilution resulting from share-based compensation | 549,219 | 609,336 |
| Diluted weighted average of shares in the financial period | 156,572,417 | 156,407,056 |
| Undiluted earnings per share, continuing operations (EUR/share) | 0.08 | 0.09 |
| Earnings per share adjusted by the dilution effect, continuing operations (EUR/share) | 0.08 | 0.09 |
| Undiluted earnings per share, discontinued operations (EUR/share) | 0.00 | 0.26 |
| Earnings per share adjusted by the dilution effect, discontinued operations (EUR/share) | 0.00 | 0.25 |

When calculating the diluted earnings per share in the weighted average number of shares, the dilutive effect due to change of all dilutive potential shares into shares is taken into account. The Group has dilutive shares related to the share rewards of share-based incentive schemes.

## 10. INTANGIBLE ASSETS 2010

| (EUR million) | Intangible rights | Goodwill | Other long-term expenditure | Advances paid and incomplete acquisitions | Intangible assets total |
|---|---|---|---|---|---|
| Acquisition cost 1.1. | 18.5 | 3.2 | 16.0 | 0.1 | 37.8 |
| Exchange rate differences | 1.0 | 0.9 | 0.0 | 0.0 | 1.9 |
| Increase | 0.7 | | 0.0 | 0.8 | 1.5 |
| Business combination | 4.6 | 50.9 | | 0.0 | 55.6 |
| Divestments and other decreases | 0.0 | | | | 0.0 |
| Reclassifications between items | 0.0 | 0.0 | 0.5 | −0.5 | 0.0 |
| **Acquisition cost 31.12.** | **24.8** | **55.1** | **16.5** | **0.4** | **96.8** |
| Accumulated depreciation and write-downs 1.1. | 15.5 | 3.2 | 11.6 | 0.0 | 30.4 |
| Exchange rate differences | 1.0 | 0.0 | 0.0 | 0.0 | 1.0 |
| Accumulated depreciation of decrease and transfers | 0.0 | 0.0 | | 0.0 | 0.0 |
| Depreciation for the financial period | 0.9 | 0.0 | 1.9 | 0.0 | 2.8 |
| Write-downs and their returns | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 |
| **Accumulated depreciation 31.12.** | **17.4** | **3.2** | **13.6** | **0.0** | **34.2** |
| **Book value 31.12.2009** | **7.4** | **51.9** | **2.9** | **0.4** | **62.6** |

## 10. TANGIBLE ASSETS 2010

| (EUR million) | Land and water areas | Buildings and con-structions | Machinery and equipment | Other tangible assets | Advances paid and incomplete acquisitions | Tangible assets total |
|---|---|---|---|---|---|---|
| Acquisition cost 1.1. | 4.8 | 114.6 | 207.9 | 0.3 | 5.0 | 332.7 |
| Exchange rate differences | 0.1 | 0.4 | 1.3 | 0.0 | 0.0 | 1.9 |
| Increase | | 0.0 | 1.2 | 0.2 | 7.9 | 9.3 |
| Business combination | 0.4 | 3.8 | 25.7 | 0.6 | | 30.5 |
| Divestments and other decreases | 0.0 | | 0.4 | 0.1 | | 0.5 |
| Reclassifications between items | 0.0 | 1.9 | 6.9 | 0.0 | −8.8 | 0.0 |
| **Acquisition cost 31.12.** | **5.2** | **120.7** | **242.7** | **1.0** | **4.2** | **373.9** |
| Accumulated depreciation and write-downs 1.1. | 0.0 | 71.6 | 164.1 | 0.0 | 1.7 | 237.4 |
| Exchange rate differences | 0.0 | 0.3 | 1.1 | 0.0 | 0.0 | 1.4 |
| Business combination | | 1.4 | 14.1 | 0.3 | | 15.8 |
| Accumulated depreciation of decrease and transfers | 0.0 | | | | 0.0 | 0.0 |
| Depreciation for the financial period | 0.0 | 4.0 | 8.9 | 0.1 | 0.0 | 13.0 |
| Write-downs and their returns | 0.0 | | | 0.0 | 0.0 | 0.0 |
| **Accumulated depreciation 31.12.** | **0.0** | **77.2** | **188.1** | **0.4** | **1.7** | **267.5** |
| **Book value 31.12.2010** | **5.2** | **43.5** | **54.6** | **0.6** | **2.5** | **106.4** |
| **Book value of the machinery and equipment 31.12.** | | | **40.6** | | | |

The book value of tangible assets includes machinery and equipment purchased via financial leasing to the value of EUR 0.3 million.

Other intangible items include trademarks whose useful life is considered to be indefinite. Their carrying value was EUR 4.6 million.

### 10. INTANGIBLE ASSETS 2009

| (EUR million) | Intangible rights | Goodwill | Other long-term expenditure | Advances paid and incomplete acquisitions | Intangible assets total |
|---|---|---|---|---|---|
| Acquisition cost 1.1. | 31.5 | 24.2 | 17.1 | 0.1 | 73.0 |
| Exchange rate differences | 0.3 | 6.5 | 0.0 | 0.0 | 6.9 |
| Increase | 0.6 | 0.0 | 0.0 | 0.4 | 0.9 |
| Divestments and other decreases | 13.9 | 27.5 | 1.5 | 0.0 | 43.0 |
| Reclassifications between items | 0.0 | 0.0 | 0.4 | −0.4 | 0.0 |
| **Acquisition cost 31.12.** | **18.5** | **3.2** | **16.0** | **0.1** | **37.8** |
| Accumulated depreciation and write-downs 1.1. | 27.8 | 23.1 | 10.9 | 0.0 | 61.8 |
| Exchange rate differences | 0.4 | 6.2 | 0.0 | 0.0 | 6.5 |
| Accumulated depreciation of decrease and transfers | 13.6 | 26.0 | 1.4 | 0.0 | 41.1 |
| Depreciation for the financial period | 0.9 | 0.0 | 1.8 | 0.0 | 2.7 |
| Write-downs and their returns | 0.0 | 0.0 | 0.3 | 0.0 | 0.3 |
| **Accumulated depreciation 31.12.** | **15.5** | **3.2** | **11.6** | **0.0** | **30.4** |
| **Book value 31.12.2009** | **3.0** | **0.0** | **4.4** | **0.1** | **7.5** |

### 10. TANGIBLE ASSETS 2009

| (EUR million) | Land and water areas | Buildings and con-structions | Machinery and equipment | Other tangible assets | Advances paid and incomplete acquisitions | Tangible assets total |
|---|---|---|---|---|---|---|
| Acquisition cost 1.1. | 5.1 | 137.8 | 266.8 | 1.2 | 6.2 | 417.1 |
| Exchange rate differences | 0.0 | −0.3 | −0.7 | 0.0 | 0.0 | −1.1 |
| Increase | 0.0 | 0.1 | 0.4 | 0.0 | 8.9 | 9.4 |
| Divestments and other decreases | 0.2 | 25.4 | 66.0 | 0.9 | 0.1 | 92.6 |
| Reclassifications between items | 0.0 | 2.5 | 7.5 | 0.0 | −10.0 | 0.0 |
| **Acquisition cost 31.12.** | **4.8** | **114.6** | **207.9** | **0.3** | **5.0** | **332.7** |
| Accumulated depreciation and write-downs 1.1. | 0.0 | 76.6 | 214.2 | 0.8 | 1.2 | 292.8 |
| Exchange rate differences | 0.0 | −0.1 | −0.6 | 0.0 | 0.0 | −0.7 |
| Accumulated depreciation of decrease and transfers | 0.0 | 14.3 | 58.4 | 0.7 | 0.0 | 73.4 |
| Depreciation for the financial period | 0.0 | 4.4 | 8.0 | 0.0 | 0.0 | 12.5 |
| Write-downs and their returns | 0.0 | 5.0 | 0.8 | 0.0 | 0.4 | 6.2 |
| **Accumulated depreciation 31.12.** | **0.0** | **71.6** | **164.1** | **0.0** | **1.7** | **237.4** |
| **Book value 31.12.2009** | **4.8** | **43.1** | **43.9** | **0.3** | **3.3** | **95.3** |
| **Book value of the machinery and equipment 31.12.** | | | **40.3** | | | |

The book value of intangible and tangible assets includes machinery and equipment purchased via financial leasing to the value of EUR 0.2 million.

After the divestment of the margarine business, the Group reassessed the use of its real estate and buildings, and recognised an impairment loss totalling EUR 6.1 million on their overall value.

## 11. IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE

In the Group, goodwill is allocated to the cash-generating units defined by business segments.
A total of EUR 50.9 million was generated in the acquisition of Glisten implemented in the financial year 2010. This goodwill is allocated in its entirety to Western European operations of the Brands Division. The amount of goodwill was EUR 51.9 million at the closing date.

The Group had no goodwill in the income statements for 2009.

The carrying value of the three trademarks acquired through the business combination of Glisten was EUR 4.6 million at the closing date.
The management has considered that the useful lives of these trademarks are indefinite. The trademarks are allocated in their entirety to Western European operations of the Brands Division.

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

The basic assumptions used in the determination of use in value are as follows:

Budgeted EBIT percentage *) 8.0%
Growth percentage **) 2.0%
Discount rate 8.3%

*) Budgeted average EBIT percentage used in calculations
**) In the cash flows after the forecast period

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

Sensitivity analysis of impairment testing:

The entity's recoverable amount clearly exceeds the carrying value of assets. The recoverable amount is less than the carrying value of assets when the discount rate increases to 11.5% or when the EBIT level drops permanently by some 36% from the values used in impairment testing.

| (EUR million) | 2010 | 2009 |
|---|---|---|
| **12. HOLDINGS IN ASSOCIATED COMPANIES AND JOINT VENTURES** | | |
| **JOINT VENTURES** | | |
| Book value 1.1. | 0.1 | 0.1 |
| Share of result for the financial period | 0.0 | 0.0 |
| Book value 31.12. | 0.1 | 0.1 |
| The book value of joint ventures does not include goodwill. | | |
| **ASSOCIATED COMPANIES** | | |
| Book value 1.1. | 0.7 | 0.6 |
| Share of result for the financial period | 0.0 | 0.0 |
| Book value 31.12. | 0.7 | 0.7 |
| The book value of associated companies does not include goodwill. | | |
| **The amounts of the assets and liabilities, net sales and result of joint ventures, corresponding to the Group's holdings:** | | |
| Assets and liabilities related to investments in joint ventures: | | |
| Non-current assets | 0.2 | 0.1 |
| Current assets | 1.0 | 1.1 |
| Non-current liabilities | 0.1 | 0.1 |
| Current liabilities | 1.1 | 1.0 |
| Assets, net | 0.1 | 0.1 |
| Income and expenses related to investments in joint ventures: | | |
| Net sales | 10.3 | 13.6 |
| Expenses | 10.3 | 13.6 |
| Profit/loss | 0.0 | 0.0 |

| (EUR million) | 2010 | 2009 |
|---|---|---|
| **Total assets, liabilities, net sales and profit/loss of associated companies:** | | |
| Assets | 2.2 | 2.2 |
| Liabilities | 0.3 | 0.4 |
| Net sales | 1.1 | 1.1 |
| Profit/loss | 0.1 | 0.2 |

## 13. FINANCIAL ASSETS AVAILABLE FOR SALE

| | | |
|---|---|---|
| Unquoted investments in shares | | |
| Beginning of financial period | 0.6 | 0.6 |
| Increase | 2.0 | 0.0 |
| Decrease | 0.0 | 0.0 |
| End of financial period | 2.5 | 0.6 |

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

Changes in the fair value reserve are presented in notes 19 Shareholders' equity.

## 14. LONG-TERM RECEIVABLES

| | | |
|---|---|---|
| Loan assets from third parties | 0.8 | 0.3 |
| Loan assets from related party | 0.9 | 0.1 |
| Total long-term receivables | 1.7 | 0.4 |

The long-term loans receivable from the third parties presented above mainly consists of USD-denominated, variable rate receivable and EUR-denominated subordinated loan. Loan receivable from related parties are composed of the GBP-denominated loan granted to the member of Glisten management and of the EUR-denominated loan granted to the associated company. The fair values of long-term receivables are presented in Note 27.

The balance sheet values correspond best to the amount equal to the maximum credit risk, excluding the fair value of collateral, in case other contracting parties cannot meet their obligations related to financial instruments. Loans receivable from the third parties constitute a credit risk concentration since the number of liabilities of debtors is significant and part of receivables is equity instrument.

## 15. INVENTORIES

| | | |
|---|---|---|
| Materials and supplies | 63.0 | 33.4 |
| Production in progress | 7.7 | 7.3 |
| Finished products and goods | 17.3 | 14.2 |
| Advances paid | 0.2 | 0.1 |
| Total inventories | 88.2 | 55.0 |

The book value of inventories does not include essential entries, with which the value of inventories would have been reduced to correspond to their net realisation value.

## 16. ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES

| | | |
|---|---|---|
| Accounts receivables | 53.1 | 40.2 |
| Receivables from Group companies | 1.2 | 1.2 |
| Prepaid expenses and accrued income | 6.9 | 7.8 |
| Advance payment receivables | 0.0 | 0.1 |
| Amortisation instalment for long-term loan receivables | 0.3 | 0.3 |
| Current loan receivables | 0.7 | 0.7 |
| Avoir fiscal tax credit receivables | 1.2 | 3.1 |
| Other receivables | 5.5 | 1.5 |
| Total accounts receivable and other receivables | 69.0 | 54.9 |

At the reporting date, about 70 per cent of the Group's accounts receivables were denominated in euro, about 20 per cent in pound and the rest in other currencies.

| (EUR million) | 2010 | 2009 |
|---|---|---|
| At the reporting date, the Group had accounts receivables that had matured over 60 days earlier and whose value had not decreased: EUR 0.1 million (EUR 0.3 million in 2009) The overdue receivables have the following age distribution: | | |
| Overdue 61–180 days | 0.1 | 0.2 |
| Overdue more than 180 days | 0.0 | 0.1 |
| | 0.1 | 0.3 |
| The following items have been deducted from accounts receivables: | | |
| Value on 1.1. | 0.9 | 1.2 |
| Acquired companies | 0.2 | 0.0 |
| Other increase | 0.2 | 0.9 |
| Decrease | –0.4 | –1.2 |
| Value on 31.12. | 0.9 | 0.9 |

The Group recognised a total of EUR 0.1 million (EUR 0.6 million in reporting period 2009) in credit losses from accounts receivables in the reporting period.

Substantial items included in prepaid expenses and accrued income consist of accrued business income and expenses, financial items and taxes. In compliance with IAS 39, the fair values of receivables included in financial assets are presented in Note 28.

The balance sheet values correspond best to the amount equal to the maximum credit risk, excluding the fair value of collateral, in case other contracting parties cannot meet their obligations related to financial instruments. The receivables involve no significant credit risk concentrations.

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

| | 2010 | 2009 |
|---|---|---|
| Securities under financial assets | 131.4 | 215.0 |
| Derivative contracts | 0.5 | 0.2 |
| Total financial assets recognised at fair value in the income statement | 131.8 | 215.3 |

Financial assets recognised at fair value in the income statement include bonds held for trading purposes, fund units, certificates of deposit and commercial papers issued by banks and companies and falling due within 12 months, as well as derivatives held for trading purposes. Financial assets at fair value through profit or loss are denominated in euro.

The balance sheet values correspond best to the amount equal to the maximum credit risk in the event that other contracting parties are unable to meet their obligations related to financial instruments. Investments in items belonging to financial assets recognised at fair value through profit or loss are carefully diversified and involve no significant credit risk concentrations. Changes in the fair value of financial assets held for trading purposes are presented in the income statement under financial income and expenses. The investments made in alternative investment funds are presented under investing activities in the consolidated statement of cash flows.

Principles used in the determination of fair value are presented in Note 28. Profits and losses for these items are presented in Note 7.

## 18. LIQUID FUNDS

| | 2010 | 2009 |
|---|---|---|
| Cash in hand and at bank accounts | 18.9 | 8.0 |

Current bank deposits are mainly denominated in euro and withdrawable on demand.

| (EUR million) | 1,000 shares | Share capital | Company shares |
|---|---|---|---|

## 19, SHAREHOLDERS' EQUITY

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

| | | | |
|---|---|---|---|
| 31 December 2008 | | | |
| Series K (20 votes/share) | 34,474 | 5,8 | |
| Series K, company shares | –198 | | –0,4 |
| Series V (1 vote/share) | 130,675 | 22.0 | |
| Series V, company shares | –9,159 | | –19.0 |
| Total | 155,793 | 27.8 | –19.3 |
| | | | |
| Restricted shares converted into free shares | 22 | | |
| Repurchase of company shares, series V | –3 | | 0.0 |
| Disposal of company shares, series V | 355 | | 0.9 |
| | | | |
| 31 December 2009 | | | |
| Series K (20 votes/share) | 34,452 | 5.8 | |
| Series K, company shares | –201 | | –0.4 |
| Series V (1 vote/share) | 130,697 | 22.0 | |
| Series V, company shares | –8,803 | | –18.1 |
| Total | 156,145 | 27.8 | –18.5 |
| | | | |
| Restricted shares converted into free shares | 197 | | |
| Disposal of company shares, series V | 4,853 | | 10.9 |
| Raisio plc's free shares acquired by Reso Management Oy | –4,483 | | –10.1 |
| | | | |
| 31 December 2010 | | | |
| Series K (20 votes/share) | 34,255 | 5.8 | |
| Series K, company shares | –201 | | –0.4 |
| Series V (1 vote/share) | 130,894 | 22.0 | |
| Series V, company shares | –8,432,6 | | –17.4 |
| Total | 156,515 | 27,8 | –17,8 |

Translation differences:
The translation differences fund includes the translation differences arising from the conversion of financial statements of independent foreign units. Profits and losses arising from the hedging of net investments in independent foreign units are also included in the translation differences when the requirements for hedge accounting is met.

Other funds:
Other funds include fair value fund for assets held for sale.

Company shares:
Company shares include the acquisition cost of shares held by the Group. In 2005–2008, a total of 9,431,795 company shares were acquired on the stock exchange. Of these, 9,230,500 were free shares and 201,295 were restricted shares. In the 2008 accounting period, a total of 72,000 free shares held by the company were assigned to management and key employees as remuneration. In the 2009 accounting period, a total of 334,500 free shares were assigned to management and key personnel as a part of the 2008 share-based incentive scheme, and a total of 20,891 free shares were assigned to Board members as a part of their fees. During the financial year 2010, a total of 553,056 free shares were assigned to the management and key personnel in the share-based scheme of 2009 and 168,000 free shares as a separate share reward, thus a total of 721,056 free shares of which 5,000 were returned at the termination of employment of one person. A total of 17,165 shares were assigned to the members of the Board of Directors as part of their rewards. Furthermore, in the directed share issue against payment a total of 4,120,000 free shares held by the company were assigned to Reso Management Oy.

Raisio plc's shares assigned to Reso Management Oy and other shares acquired by Reso Management Oy, a total of 4,482,740, are all treated as company shares in the consolidated financial statements.

At the end of the financial year 2010, there were a total of 8,633,923 company shares of which 8,432,628 were free shares and 201,295 restricted shares in the consolidated financial statements. The remaining acquisition cost of company shares totals EUR 17.8 million and is presented as a deduction from shareholders' equity.

Dividends:
The per-share dividend in 2010 was EUR 0.09, which amounted to a total of EUR 14.1 million (in 2009 EUR 0.07 per share and a total of EUR 10.9 million). After the date of the financial statements, the parent company's Board of Directors proposed a dividend of EUR 0.10 per share, or a total of EUR 16.5 million.

| (EUR million) | 2010 | 2009 |
|---|---|---|
| Accumulated translation differences: | | |
| Translation differences 1.1. | | |
| Group companies | −3.7 | −3.2 |
| Associated companies | 0.0 | 0.0 |
| | −3.7 | −3.2 |
| Change in translation difference | | |
| Group companies | 1.3 | −0.6 |
| Associated companies | 0.0 | 0.0 |
| | 1.3 | −0.6 |
| Translation differences 31.12. | | |
| Group companies | −2.4 | −3.7 |
| Associated companies | 0.0 | 0.0 |
| | −2.4 | −3.7 |
| Other reserves: | | |
| Fair value reserve 1.1. | 0.0 | |
| Increase | 1.4 | |
| Fair value reserve 31.12. | 1.4 | |

## 20. SHARE-BASED PAYMENTS

On 28 May 2008, the Board of the Directors of Raisio plc decided on the three-year share-based incentive scheme to be a part of the key personnel's incentive and commitment scheme at Raisio Group. The scheme allows, during three years, to assign a maximum total of 1,600,000 Raisio plc's free shares already held by the company. The reward is paid as a combination of the company's shares and cash. The cash payment is made to cover the taxes and fiscal fees arising from share-based rewards.

The first earnings period of the incentive scheme was the financial year 2008. The earnings criteria applied were net sales growth and earnings before taxes excluding one-off items. The number of free shares to be assigned was 400,000 at the most. As a reward from the first earnings period, a total of 334,500 shares were assigned in August 2009 to 13 persons within the scheme. The shares are subject to a disposal restriction and return obligation until 1 September 2011 in case the employment or service contract of the person ends prior to the expiration of the disposal restriction.

In December 2008, the Board decided on the second earnings period which was financial period 2009. Earnings criteria applied were return on restricted capital, result before one-off items and taxes as well as the sales process of margarine business. The number of free shares to be assigned was a maximum total of 600,000. As a reward from the second earnings period, a total of 553,056 shares were assigned in May 2010 to 51 persons within the scheme. The assigned shares are subject to a disposal restriction and return obligation until 31 December 2011 in case the employment or service contract of the person ends prior to the expiration of the disposal restriction.

In December 2009, the Board of Directors decided on the share reward on the basis of which 168,000 free shares were assigned in May 2010 for the successful divestment of the margarine business. The shares are subject to a disposal restriction until March 2013.

In March 2010, the Board of Directors decided on the third earnings period which is financial year 2010. The earnings criterion is operating result in proportion to net sales, in addition to which a prerequisite for receipt of the reward is that a certain amount of net sales during the financial year will be reached. The number of free shares to be assigned is a maximum total of 600,000. The amount of earned rewards will be determined in the spring 2011, and the potential reward will be paid in December 2012. The assigned shares are subject to a disposal restriction and return obligation that are valid until 1 January 2014 in case the employment or job contract of the person ends prior to the expiration of the disposal restriction. There were 59 persons within the scheme at the closing date. At the closing date, it seems probable that no shares will be assigned as rewards on the basis of the scheme.

In June 2010, the Board of Directors cancelled the disposal restriction and return obligation in respect of certain shares held by the Group's Management Team. The cancellation concerned a total of 526,999 shares assigned to 8 persons within the incentive schemes of both 2008 and 2009. The cancellation was related to the Board of Directors' decision on a new incentive scheme for the Group's Management Team. Through the scheme, the management invested in Raisio's free shares. For this purpose, the management acquired a company called Reso Management Oy the share capital of which they own completely. They funded their investment partly by themselves and partly through a loan provided by Raisio. Reso Management Oy holds a total of 4,482,740 Raisio's free shares. Fair value of the share has been determined using the market prices of the directed share issue and valuation date, and it has been EUR 2.59 per share. Expected dividends or other features related to issue of equity linked instruments have not been considered in the determination of fair value. The share-based scheme includes an obligation to work at Raisio plc or at its subsidiaries until 31 March 2014 at least, and this obligation will continue until March 2018, at the latest, if the terms postponing the dissolution are realised. Reso Management Oy will be dissolved in March 2019, at the latest, when the shareholders of the company will receive Raisio plc's shares as consideration for dissolution or merger. The incentives are forfeited when the person leaves the Group before the vesting date.

In June 2010, the Board of Directors decided on two synthetic share-based incentive and commitment schemes for the management of the acquired British subgroup Glisten and key employees. On the basis of the first scheme, a cash reward will be paid by the end of May 2012. Total amount of the reward equals the value of 966,117 Raisio's free shares. A prerequisite for receipt of the reward is that each of the 36 persons now appointed to the scheme will still be employed by the Group on 8 April 2012. On the basis of the second scheme, a cash reward corresponding to the value of 420,000 free shares will be paid in two instalments to two executives of Glisten subgroup. Earnings criterion is a certain EBIT level of Glisten subgroup. Possible reward will be paid at the end of September 2011 and at the end of 2012.

According to the decision made at the Annual General Meetings in spring 2009 and 2010, the members of the Board of Directors have been paid 20% of their reward by assigning them company shares held by the company. During 2009, a total of 20,891 shares were assigned and during 2010, a total of 17,165 shares.

| (EUR million) | Incentive scheme 2010 | Incentive scheme 2009 | Incentive scheme 2008 |
|---|---|---|---|
| Share-based incentive schemes currently in effect: | | | |
| Grant date | 18.3.2010 | 7.1.2009 | 13.6.2008 |
| Nature of plan | Shares and cash | Shares and cash | Shares and cash |
| Maximum number of share-based rewards | 430,334 | 600,000 | 400,000 |
| Number of people | 61 | 55 | 15 |
| Share price at the granting date | 2.74 | 1.52 | 1.71 |
| Earnings period ends | 31.12.2010 | 31.12.2009 | 31.12.2008 |
| Assignment of shares | December 2012 | August 2010 | August 2009 |
| Release of shares | 1.1.2014 | 31.12.2011 | 1.9.2011 |
| Vesting conditions | EBIT %, employment condition | Roce, EBT and divestment of margarine business, employment condition | Net sales and EBT, employment condition |
| Shares assigned: | | | |
| Time and date | | May 2010 | August 2009 |
| Number of shares | | 553,056 | 334,500 |
| Number of people | | 51 | 13 |
| Exempt from disposal and return obligations: | | | |
| Time and date | | June 2010 | June 2010 |
| Number of shares | | 274,999 | 252,000 |
| Number of people | | 8 | 8 |
| Cancelled | | | |
| Time and date | Year 2010 | Year 2010 | |
| Number of shares | 8,500 | 5,000 | |
| Number of people | 2 | 1 | |
| Within the scheme on 31 December 2010: | | | |
| Number of shares | 421,834 | 273,057 | 82,500 |
| Number of people | 59 | 42 | 5 |

| (EUR million) | 2010 | 2009 |
|---|---|---|
| **Costs from employee benefits include cash- and equity-settled share-based payments:** | | |
| Equity-settled | 0.7 | 0.9 |
| Cash-settled | 1.4 | 2.1 |
| | 2.1 | 3.0 |
| Recognised in net income from continuing operations | 1.6 | 1.1 |
| Debt from cash-settled share-based plans | 0.0 | 1.6 |
| **Information about share-based reward schemes:** | | |
| Parameters used in fair value calculations: | | |
| Number of shares granted in the period | | 728,000 |
| Share price at grant date, EUR | | 1.80 |
| Fair value of share at grant date, EUR*) | | 1.64 |
| Share price at closing date, EUR | | 2.66 |
| Shares expected to be returned prior to reward payment, % | | 0.0 |
| Shares expected to be returned in vesting period, % | | 0.0 |
| Expected fulfillment of earnings criteria, %**) | | 100.0 |
| Fair value of share remuneration at grant date, EUR million | | 1.2 |
| Lapsed | | 0.1 |
| Fair value of share remuneration at closing date, EUR million | | 1.9 |

*) Share price less expected, estimated dividends for the earnings period.
**) The amount earned in rewards in the earnings period is determined on the basis of the achievement of targets after the financial statements have been prepared in spring 2011. The table is based on the Group's best possible estimate at the closing date of the expected number of vested shares.

## 21. DEFERRED TAXES

Changes in deferred taxes in 2010:

| (EUR million) | 1.1.2010 | Recognised in the income statement | Recognised in the shareholders' equity | Exchange rate differences | Acquired/ divested subsidiaries | 31.12.2010 |
|---|---|---|---|---|---|---|
| **Deferred tax assets:** | | | | | | |
| Internal margin of inventories | 0.0 | 0.0 | | | | 0.0 |
| Internal margin of fixed assets | 0.0 | 0.0 | | | | 0.0 |
| Reserves | 1.2 | −0.2 | | | | 1.0 |
| Leasing property | 0.0 | 0.0 | | | | 0.0 |
| Confirmed fiscal losses | 0.0 | 0.2 | | | | 0.2 |
| Pension contributions | 0.0 | 0.0 | | | | 0.0 |
| Depreciation not deducted in taxation | 4.8 | −1.2 | | | | 3.5 |
| Other items | 0.4 | −0.2 | | 0.0 | 0.2 | 0.4 |
| Total | 6.5 | −1.4 | 0.0 | 0.0 | 0.2 | 5.3 |
| **Deferred tax liability:** | | | | | | |
| Accumulated depreciation difference | 0.1 | 0.0 | | 0.0 | 0.7 | 0.8 |
| Investments available for sale | 0.0 | | 0.5 | | | 0.5 |
| Financial assets recognised at fair value | 0.1 | 0.0 | | | | 0.1 |
| Impairment on the acquisition costs for group companies | 5.7 | −2.7 | | | | 3.0 |
| Other items | 1.8 | 0.1 | | 0.0 | 1.4 | 3.2 |
| Total | 7.6 | −2.5 | 0.5 | 0.0 | 2.1 | 7.6 |

Changes in deferred taxes in 2009:

| (EUR million) | 1.1.2009 | Recognised in the income statement | Recognised in the shareholders' equity | Exchange rate differences | Acquired/ divested subsidiaries | 31.12.2009 |
|---|---|---|---|---|---|---|
| **Deferred tax assets:** | | | | | | |
| Internal margin of inventories | 0.0 | 0.0 | | | | 0.0 |
| Internal margin of fixed assets | 0.0 | 0.0 | | | | 0.0 |
| Reserves | 0.1 | 1.1 | | | | 1.2 |
| Leasing property | 0.0 | 0.0 | | | | 0.0 |
| Confirmed fiscal losses | 0.0 | 0.0 | | | | 0.0 |
| Pension contributions | 0.0 | 0.0 | | | | 0.0 |
| Depreciation not deducted in taxation | 6.2 | −1.4 | | | | 4.8 |
| Other items | 1.4 | −0.6 | | 0.0 | −0.4 | 0.4 |
| Total | 7.9 | −1.0 | 0.0 | 0.0 | −0.4 | 6.5 |
| **Deferred tax liability:** | | | | | | |
| Accumulated depreciation difference | 0.0 | 0.0 | | 0.0 | | 0.1 |
| Financial assets recognised at fair value | 0.0 | 0.1 | | | | 0.1 |
| Impairment on the acquisition costs for group companies | 5.7 | 0.0 | | | | 5.7 |
| Other items | 1.7 | 0.1 | | | 0.0 | 1.8 |
| Total | 7.4 | 0.2 | 0.0 | 0.0 | 0.0 | 7.6 |

Deferred tax assets corresponding to fiscal losses to be used at a later time have been recognised to the extent that it is probable that a tax benefit will be realised in the future. The Group's accumulated losses totalled EUR 48.7 million (31 December 2009: EUR 46.7 million). Most of the losses will be discounted over a period in excess of five years.

Deferred tax assets and liabilities are mutually deducted when legal off-setting rights exist and when the deferred taxes are related to one and the same individual. Sums netted in the consolidated balance sheet:

| (EUR million) | 2010 | 2009 |
|---|---|---|
| Deferred tax assets | 5.3 | 6.5 |
| Deferred tax liability | 7.6 | 7.6 |
| Deferred net tax assets | −2.4 | −1.1 |

Since the undistributed profits of foreign subsidiaries are negative, no tax liability has recorded for them.

| (EUR million) | 2010 | 2009 |
|---|---|---|
| **22. PENSION CONTRIBUTIONS** | | |
| Changes in the liabilities recorded in the balance sheet: | | |
| Beginning of financial period | 0.2 | 0.2 |
| End of financial period | 0.2 | 0.2 |
| **23. RESERVES** | | |
| Reserves 1.1. | 3.1 | 1.1 |
| Exchange rate differences | 0.0 | |
| Acquired companies | 0.9 | |
| Increase in provisions | 0.2 | 2.3 |
| Provisions used | –1.3 | –0.4 |
| Reserves 31.12. | 2.8 | 3.1 |
| Non-current provisions | 1.1 | 1.4 |
| Current provisions | 1.7 | 1.6 |
| Total | 2.8 | 3.1 |

The most significant provision is related to the provision made in connection of the divestment of the margarine business for unprofitable distribution agreement. Remaining provision totals EUR 1.4 million.

| (EUR million) | 2010 | 2009 |
|---|---|---|
| **24. FINANCIAL LIABILITIES** | | |
| **Non-current financial liabilities at fair value through profit or loss:** | | |
| Purchase price debt recognised in the connection of the business combination | 17.5 | |
| **Long-term financial liabilities valued at amortised acquisition cost:** | | |
| Bank loans | 3.3 | 5.6 |
| Pension loans | 32.1 | 42.8 |
| Financial leasing liabilities | 0.2 | 0.2 |
| Total | 35.6 | 48.6 |
| Total financial liabilities | 53.1 | 48.6 |

Bank and pension loans are denominated in euro.

| (EUR million) | 2010 | 2009 |
|---|---|---|
| **Non-current liabilities (incl. finance leases), will mature as follows:** | | |
| Year 2011 | 14.0 | 3.5 |
| Year 2012 | 13.2 | 3.4 |
| Year 2013 | 11.8 | 2.3 |
| Year 2014 | 8.3 | 1.2 |
| Year 2015 | 2.3 | |
| **Current financial liabilities** | | |
| Amortisation of long-term loans | 13.1 | 13.1 |
| Financial leasing liabilities | 0.0 | 0.1 |
| Other interest-bearing liabilities | 1.0 | 1.0 |
| Total | 14.1 | 14.2 |

The fair values of interest-bearing liabilities are presented in Notes 28.

Financial liabilities are mainly variable-rate and euro-denominated. The interest rates of bank loans are mainly tied to 1–3-month Euribor rates. The interest rates of pension liabilities are linked to TyEL interest rates and are determined for periods ranging from one to three years.

| (EUR million) | 2010 | 2009 |
|---|---|---|
| **Maturity of financial leasing liabilities:** | | |
| Financial leasing liabilities – total of minimum leases | | |
| Within 12 months | 0.1 | 0.1 |
| After 12 months but before five years | 0.2 | 0.3 |
| Gross overall investment | 0.3 | 0.4 |
| Financial leasing liabilities – present value of minimum leases | | |
| Within 12 months | 0.1 | 0.1 |
| After 12 months but before five years | 0.2 | 0.3 |
| Gross overall investment | 0.3 | 0.3 |
| Financial expenses accumulated in the future | 0.0 | 0.1 |
| Total financial liabilities | 0.3 | 0.4 |

## 25. DERIVATIVE CONTRACTS

| | 2010 | 2009 |
|---|---|---|
| 25. DERIVATIVE CONTRACTS | 0.1 | 0.1 |

Derivative contracts are interest rate and currency derivatives held for trading.

## 26. ACCOUNTS PAYABLE AND OTHER LIABILITIES

| | 2010 | 2009 |
|---|---|---|
| **Non-current** | | |
| Other liabilities | 0.1 | 0.0 |
| **Current** | | |
| Accounts payable | 55.4 | 25.2 |
| Liabilities to associated companies | 0.1 | 0.2 |
| Accrued liabilities and deferred income | 14.1 | 13.8 |
| Advances paid | 7.6 | 5.5 |
| Other liabilities | 7.9 | 3.7 |
| Total | 85.1 | 48.3 |

Accrued liabilities include accrued business expenses and financial items. The most significant of these are accrued salaries and fees and other personnel expenses, which totalled EUR 6.3 million in 2010 (EUR 8.7 million in 2009).

## 27. FINANCIAL RISK MANAGEMENT OVERVIEW

Financial risk management aims to protect the Group against unfavourable developments in the financial markets and thus contribute to safeguarding and ensuring the Group's performance. Financing and financial risk management have been assigned to the Group Finance department, operating under the Chief Financial Officer, in order to ensure sufficient expertise, as well as comprehensive and cost-effective operations. The divisions report their key risks to the Finance department. It, in turn, collects all of the Group's risks and reports the risk exposures to finance and business management on a monthly and quarterly basis. The Finance department's operations are governed by the financial risk management policy approved by the Board of Directors. All major borrowing decisions are taken by the Board of Directors based on proposals made by the Finance department.

FINANCIAL RISKS AND THEIR MANAGEMENT

### Credit risks

#### Counterparty risk

Counterparty risk refers to a situation in which a contracting party is unable or unwilling to fulfil its obligations. Raisio exposes itself to counterparty risk when the Finance department makes investments in the financial market and uses derivatives. The Finance department is responsible for the counterparty risk related to investments, loan assets and derivative contracts. The main approaches to managing counterparty risk include a careful selection of counterparties with a good credit rating, the use of counterparty-specific limits, as well as diversification.

#### Investment activities

The financial risk management policy regulates the sum, maturity and counterparties of invested assets. In addition to direct long- or short-term interest-bearing investments, assets can be invested in fixed-income funds, alternative investment funds, as well as shares and equity funds. The CFO has the right to decide on the counterparties for Raisio's investments as defined in the policy. In principle, counterparties may be member states of the European Monetary Union, large Finnish municipalities and alliances formed by them, financial institutions engaged in corporate banking in Finland and companies with a good credit rating, registered in a member state of the European Monetary Union.
At the date of the financial statements EUR 100.8 million (EUR 154.8 million in the comparison year) of the Group's financial assets were invested in Finnish commercial papers and certificates of deposit.

#### Credit risk in sales

Following the guidelines issued by the Group, divisions make independent decisions on counterparty risk, such as the criteria used to approve customers, the applicable terms and conditions for sales and the required collateral. They also assume responsibility for the credit risk related to accounts receivable. Accounts receivable can also be secured with credit insurance policies.

### Liquidity risk

Liquidity risk refers to a situation in which the Group's financial assets and additional financing options do not cover the future needs of business operations. In line with the policy, the Finance department strives to maintain good liquidity in all circumstances, keeping it at a level that guarantees strategic operating freedom to the management. The Group's liquid assets consist of invested financial assets, as well as remaining credits and overdraft facilities agreed with investors. Investments in alternative investment funds or equity funds are not included in liquid financial assets. The liquidity reserve also includes the agreed 90-million-euro commercial paper programme. Funding risks are diversified by acquiring funding from various sources.

### Market risks

#### Interest rate risk

Interest rate risk refers to the impact of interest rate fluctuations on the Group's net financial income and expenses, as well as on the market values of interest-bearing investments and derivatives, over the following 12 months. Interest rate risk is managed by controlling the structure and duration of the loan portfolio and interest-bearing investments within the limits allowed by the policy. The goal is to keep financial expenses as low and financial income as high as possible. The interest rate profile can be modified using interest rate swaps, forward rate agreements and interest rate options.

At the date of the financial statements, the Group had an open euro-denominated interest rate swap with a nominal value of EUR 30.8 million (EUR 39.4 million in the comparison year). Hedge accounting is not applied to these interest rate swaps. The Group's interest rate risk is monitored by calculating the impact that a one-percentage-point change in market rates has on the interest income and expenses of interest-bearing investments and debt over the following 12 months. The maximum interest rate risk is determined in the financial risk management policy.

| Interest rate risk, EUR million | 31.12.2010 | 31.12.2009 |
|---|---|---|
| Impact of 1-ppt increase in market rates: | | |
| Interest income | 1,0 | 1,3 |
| Interest expenses | –0,5 | –0,5 |
| Change in market values | 0,2 | –1,2 |
| Net impact on interest income and expenses | 0,8 | –0,3 |

Raisio's sensitivity to interest rate fluctuations is determined by calculating how much a change of one percentage point, constant over the entire interest rate curve, affects net interest rate expenses and income. The examination takes into account Raisio's interest-bearing investments and liabilities. In the review period, Raisio's interest-bearing investments have focused on investments with a short term to maturity. The interest rates of financial liabilities are tied to the variable Euribor rate (1–3 months) or to variable TyEL interest rate, with interest periods of 1–3 years. At the date of the financial statements, 31 December 2010, Raisio's sensitivity to a one-percentage-point rise in interest rates was approximately EUR +0.8 million (EUR –0.3 million) and to an interest rate decrease of the same size approximately EUR –0.8 million (EUR –0.6 million). Had the interest rate been 1 percentage point higher on the closing date, 31 December 2010, Raisio's result after taxes would have been EUR +0.6 million (EUR –0.2 million) higher. Had the interest rate been 1 percentage point lower on the closing date, 31 December 2010, Raisio's result after taxes would have been EUR –0.6 million (EUR –0.5 million) lower.

### Currency risk

Raisio hedges against currency exposure arising from foreign currency receivables and liabilities, off-balance-sheet purchase and sales agreements and, partly, from budgeted cash flows. Currency risk is managed using currency forwards, which are rarely continuously open for more than 12 months.

The Group's currency risk policy defines the maximum amount for a net position, mainly consisting of the domestic Group companies' commercial and financial items and the derivatives hedging them. Exposure to currency risk arises mainly from items denominated in pounds sterling, Russian ruble, Swedish crown and US dollar.

The Group's currency risk on 31 December 2010 would be EUR 0.1 million (EUR –0.8 million) if other currencies had weakened by 5% against the euro. The impact on Raisio's result after taxes would be EUR 0.0 million (EUR 0.0 million). On the closing date, the Group's 1–12-month currency forward contracts in GBP, RUB, SEK and USD had a nominal value of EUR 58.2 million. The Group companies' currency positions against functional currencies other than the euro are not significant.

| (EUR million) Currency risk 31.12.2010 | | | | Currency risk 31.12.2009 | | | |
|---|---|---|---|---|---|---|---|
| Currency risk, net position | | | | Currency risk, net position | | | |
| GBP | RUB | SEK | USD | GBP | RUB | SEK | USD |
| 0.5 | –0.2 | 0.0 | –0.2 | 0.0 | –0.6 | 0.5 | –0.7 |
| 5% weakening in currency against the euro: | | | | | | | |
| GBP | RUB | SEK | USD | GBP | RUB | SEK | USD |
| 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

## DERIVATIVES

| Nominal values of derivatives (EUR million) | 31.12.2010 | 31.12.2009 |
|---|---|---|
| Interest rate derivatives | 30.8 | 39.4 |
| Currency derivatives | 58.2 | 7.5 |

## CAPITAL MANAGEMENT

The target of the Group's capital management is to use a strong equity structure to safeguard the Group's ability to do business and to increase owner value by aiming at the highest possible return. The development of the equity structure is monitored using the equity ratio. At the end of 2010, the Group's equity was EUR 324.0 million (EUR 322.0 million) and its equity ratio was 67.6% (73.4%). The equity ratio is calculated by dividing shareholders' equity with the balance sheet total less advances received. The equity ratios were as follows:

| | 31.12.2010 | 31.12.2009 |
|---|---|---|
| Equity, EUR million | 324.0 | 322.0 |
| Balance sheet total, EUR million | 487.2 | 444.2 |
| Equity ratio | 67.6% | 73.4% |

## 28. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The following table presents the book values and fair values for each item. The book values correspond to the consolidated balance sheet values. The principles used to calculate the consolidated fair values of all financial instruments are presented below.

| (EUR million) | Note | Book value 2010 | Fair value 2010 | Book value 2009 | Fair value 2009 |
|---|---|---|---|---|---|
| Financial assets | | | | | |
| Financial assets available for sale* | 13 | **2.5** | **2.5** | 0.6 | 0.6 |
| Loan receivables | 14 | **2.8** | **2.5** | 1.4 | 1.4 |
| Sales receivables and other receivables | 16 | **54.5** | **54.5** | 41.6 | 41.6 |
| Investments recognised at fair value in the income statement* | 17 | **131.4** | **131.4** | 215.0 | 215.0 |
| Liquid assets | 18 | **18.9** | **18.9** | 8.0 | 8.0 |
| Derivatives* | 17 | **0.5** | **0.5** | 0.2 | 0.2 |
| Financial liabilities | | | | | |
| Purchase price liability* | 24 | **17.5** | **17.5** | 7.8 | 7.8 |
| Bank loans | 24 | **5.6** | **5.6** | 53.7 | 54.1 |
| Pension loans | 24 | **42.9** | **43.1** | 1.0 | 1.0 |
| Other loans | 24 | **1.0** | **1.0** | 0.0 | 0.0 |
| Financial leasing liabilities | 24 | **0.2** | **0.3** | 0.3 | 0.3 |
| Accounts payable and other liabilities | 26 | **83.6** | **83.6** | 49.3 | 49.3 |
| Derivatives* | 25 | **0.1** | **0.1** | 0.1 | 0.1 |

The above price quotations, assumptions and valuation models have been used to determine the fair values of the financial assets and liabilities presented in the table:

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

Derivatives
The fair values of interest rate, currency and commodity derivatives are determined using publicly quoted market prices at the closing date.

Loan receivables, loans and financial leasing liabilities:
The fair values of loan receivables and bank and pension loans are based on discounted cash flows. The discount rate corresponds to the market rates that correspond to the rates determined in the said contracts. The fair value of financial leasing liabilities has been estimated by discounting future cash flows by the rate that corresponds to the rate of similar leasing contracts.

Accounts payable and other liabilities or sales receivables and other receivables
The original book value of accounts payable and other liabilities or sales receivables and other receivables corresponds to their fair value, because the impact of discounting is not significant taking into consideration the maturity of liabilities or receivables.

Fair value hierarchy for financial assets measured at fair value
Financial assets measured at fair value* belong to tier 1, since they are based on prices determined on active markets for corresponding assets or liabilities, with the exception of available-for-sale financial assets and purchase price liability, which belong to tier 3, because their fair value is not based on observable market prices.

| (EUR million) | |
|---|---|
| **RECONCILIATION STATEMENT ACCORDING TO THE LEVEL 3 FOR FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE** | Financial assets recognisable through the items of other comprehensive income<br>Financial assets available for sale |
| 31.12.2010 | |
| Beginning of financial period | **0.6** |
| Profits and losses | |
| In the items of other comprehensive income | **1.9** |
| Purchases | **0.1** |
| Sales | **0.0** |
| End of financial period | **2.5** |
| 31.12.2009 | |
| Beginning of financial period | 0.6 |
| End of financial period | 0.6 |

| (EUR million) | 2010 | 2009 |
|---|---|---|
| **29. OTHER LEASES** | | |
| Group as lessee: | | |
| Minimum leases paid on the basis of other non-cancellable leasing contracts: | | |
| Within 12 months | 0.5 | 0.4 |
| After 12 months but before five years | 1.2 | 0.4 |
| After five years | 7.4 | 0.5 |
| Total | 9.1 | 1.3 |

The Group has leased cars, production facilities and land areas.

Based on other leases, Raisio's 2010 income statement includes paid leases worth EUR 4.5 million (EUR 4.0 million in 2009).

## 30. CONTINGENT AND OTHER LIABILITIES

| (EUR million) | 2010 | 2009 |
|---|---|---|
| Pledged assets: | | |
| For the company | | |
| Contingent liabilities for associated companies | | |
| Guarantees | 0.0 | 0.0 |
| Other liabilities | | |
| Other financial liabilities | 7.0 | 2.8 |
| Commitment to investment payments | | |
| Commitments to investment payments effective at the reporting date | 0.5 | 0.6 |

## 31. RELATED PARTY TRANSACTIONS

Consolidated subsidiaries, joint ventures and associated companies

| (EUR million) | Group holding, % | Parent company holding, % |
|---|---|---|
| **SUBSIDIARY COMPANIES** | | |
| **Brands** | | |
| Anytime Food and Drink Limited, UK | 100.00 | |
| Bright Foods Limited, UK | 100.00 | |
| Cabin Confectionery Limited, UK | 100.00 | |
| Carlshamn Mejeri Produktion AB, Sweden | 100.00 | |
| Chartnatural Limited, UK | 100.00 | |
| Dormen Foods Limited, UK | 100.00 | |
| OOO Ecomilk, Russia | 100.00 | |
| FDS Informal Foods Limited t/a Snacks Unlimited, UK | 100.00 | |
| F. Fravigar Limited, UK | 100.00 | |
| Food and Drink Solutions Limited, UK | 100.00 | |
| Glisten Ltd, UK | 100.00 | |
| The Glisten Confectionery Company Limited, UK | 100.00 | |
| Glisten Finance Limited, UK | 100.00 | |
| Glisten Snacks Limited, UK | 100.00 | |
| Halo Foods Limited, UK | 100.00 | |
| Health Bars Limited, UK | 100.00 | |
| Holgates Nutritional Foods Limited, UK | 100.00 | |
| Jester Food Products Limited, UK | 100.00 | |
| The Lindum Snack Company Limited, UK | 100.00 | |
| Lyme Regis Fine Foods Limited, UK | 100.00 | |
| Nimbus Foods Limited, UK | 100.00 | |
| Nutti-Bite Limited, UK | 100.00 | |
| The Original Welsh Pantry Company Limited, UK | 100.00 | |
| OOO Raisio, Russia | 100.00 | |
| Raisio Eesti AS, Estonia | 100.00 | |
| SIA Raisio Latvija, Latvia | 100.00 | |
| UAB Raisio Lietuva, Lithuania | 100.00 | |
| OOO Raisio Nutrition, Russia | 100.00 | |
| Raisio Sp. z o.o., Poland | 100.00 | |
| Raisio Staest US Inc., USA | 100.00 | |
| Raisio Sverige Ab, Sweden | 100.00 | |
| Raisio UK Limited, UK | 78.73 | 78.73 |
| TOV Raisio Ukraina, Ukraine | 100.00 | |
| Raisio Nutrition Ltd, Raisio | 100.00 | 100.00 |
| Shepherd Boy Limited, UK | 100.00 | |
| Skinny Candy Limited, UK | 50.00 | |
| ZAO Zolotaya Melnitsa, Russia | 74.90 | |
| **Business to Business** | | |
| Proteinoil Oy, Raisio | 100.00 | 100.00 |
| Raisio Malt Ltd, Raisio | 100.00 | 100.00 |
| Raisio Feed Ltd, Raisio | 100.00 | 100.00 |
| **Others** | | |
| Raisio Finance NV, Belgium | 100.00 | 99.99 |
| Raision Konsernipalvelut Oy, Raisio | 100.00 | 100.00 |
| Raisionkaari Industrial Park Ltd., Raisio | 100.00 | 50.00 |
| Reso Management Oy, Raisio | 0.00 | 0.00 |
| **JOINT VENTURES** | | |
| **Brands** | | |
| Ateriamestarit Oy, Turku | 50.00 | |
| **ASSOCIATED COMPANIES** | | |
| **Business to Business** | | |
| Vihervakka Oy, Pöytyä | 38.50 | 38.50 |

| (EUR million) | 2010 | 2009 |
|---|---|---|
| Business activities involving insiders: | | |
| Sales to associated companies and joint ventures | 10.8 | 12.0 |
| Purchases from associated companies and joint ventures | 0.2 | 0.1 |
| Sales to key employees in management | 0.0 | 0.2 |
| Purchases from key employees in management | 0.8 | 0.7 |
| Long-term receivables from associated companies and joint ventures | 0.1 | 0.1 |
| Short-term receivables from associated companies and joint ventures | 1.2 | 1.2 |
| Liabilities to associated companies and joint ventures | 0.1 | 0.2 |
| Sales to associated companies and joint ventures are carried out at fair market value. | | |
| Management's employee benefits: | | |
| Wages and fees | 2.9 | 2.8 |
| Compensation paid in conjunction with termination of employment | 0.0 | 0.2 |
| Share-based payments | 1.8 | 1.0 |
| Total | 4.7 | 3.9 |
| Members of the Supervisory Board: | 0.0 | 0.0 |
| Members of the Board of Directors: | 0.2 | 0.3 |
| Managing Director and members of Management Team: | | |
| Matti Rihko | 1.2 | 1.0 |
| Other members of Management Team | 3.2 | 2.5 |
| Total | 4.4 | 3.6 |

Pension and other benefits:

Members of the management have the right and obligation to retire at the age of 62.

The Managing Director's contract may be terminated by both sides with six months notice.
If the contract is terminated by the company, the Managing Director is entitled to compensation corresponding to 12 months' pay in addition to the pay for the period of notice.

| (EUR million) | 2010 | 2009 |
|---|---|---|
| Loans to related party: | | |
| Loans to key persons of the management: | | |
| Loans granted during the financial period | 0.9 | |
| Accumulated interests | 0.0 | |
| At the end of the financial period | 0.9 | |
| Loan granted to the member of the Group's Management Team Paul Simmonds. The interest rate is 3.25%. The loan is due on 30 August 2012. The loan is unsecured. | | |
| Loans to Reso Management Oy: | | |
| Loan granted during the financial period | 10.4 | |
| Accumulated interests | 0.2 | |
| At the end of the financial period | 10.6 | |
| The interest rate is 3.25%. The loan will be repaid no later than 31 March 2014. Raisio plc is entitled to demand and accept as pledge the Raisio plc's shares acquired with the loan. | | |
| Loans to associate companies | | |
| At the beginning of the financial period | 0.1 | |
| Loans granted during the financial period | 0.0 | 0.1 |
| Repayments of loans | 0.0 | 0.0 |
| Accumulated interests | 0.0 | 0.0 |
| Interests received | 0.0 | 0.0 |
| At the end of the financial period | 0.1 | 0.1 |
| The interest rate is 2.94%. The loan will be repaid on 1 October 2014 at the latest. The loan is unsecured. | | |
| Loans to the related party in total | 11.6 | 0.1 |

## 32. EVENTS AFTER THE REPORTING PERIOD

On 4 February 2011, Raisio announced its acquisition of British Big Bear Group plc. The acquisition supports Raisio's target to become the leading provider of healthy snacks in Europe. With the acquisition, Raisio will gain a stronger foothold in the branded snack and breakfast markets in Great-Britain and Western Europe and the acquisition will also strengthen the company's position in the UK confectionery market. In breakfast category, the company owns the brands Honey Monster, Honey Waffles and Sugar Puffs, in snack bars Harvest Cheweee and Fox's in confectionery.

The enterprise value of the acquisition is EUR 95.3 million (GBP 82.0 million). Raisio financed the all cash transaction with its cash reserves and a loan of EUR 52 million (GBP 45 million) raised for the acquisition. After the acquisition, Raisio's equity ratio will be around 60%.

Big Bear Group was made part of Western European brand operations from the 4 February 2011 and its operations are reported with the Brands Division's figures from the first quarter of 2011. In conjunction with the acquisition Raisio will incur some EUR 3.5 million one-off cost for the first quarter of 2011.

Both the valuation of fair value of received assets and liabilities assumed and the allocation of the purchase price have been initiated. The work has just been started and there is no detailed information available yet.

# Financial indicators

| (EUR million) | 2010 | 2009 | 2008 |
|---|---|---|---|
| **Result and profitability** | | | |
| Net sales, M€ 1) | 443.0 | 375.9 | 463.2 |
| change, % | 17.9 | –18.8 | 19.7 |
| International net sales, M€ 1) | 186.2 | 124.4 | 162.2 |
| % of net sales | 42.0 | 33.1 | 35.0 |
| Operating margin, M€ 1) | 35.4 | 36.4 | 42.4 |
| % of net sales | 8.0 | 9.7 | 9.1 |
| Depreciation and write-downs, M€ 1) | 15.9 | 17.0 | 18.0 |
| EBIT, M€ 1) | 19.4 | 19.5 | 24.4 |
| % of net sales | 4.4 | 5.2 | 5.3 |
| Result before taxes, M€ 1) | 17.6 | 18.9 | 24.0 |
| % of net sales | 4.0 | 5.0 | 5.2 |
| Return on equity, ROE, % 1) | 3.9 | 4.5 | 7.0 |
| Return on investment, ROI, % 1) | 5.1 | 6.1 | 8.4 |
| **Financial and economical position** | | | |
| Shareholders' equity, M€ | 324.0 | 322.0 | 279.4 |
| Interest-bearing financial liabilities, M€ | 67.2 | 62.8 | 19.7 |
| Net interest-bearing financial liabilities, M€ | –72.9 | –150.2 | –58.2 |
| Balance sheet total, M€ | 487.2 | 444.2 | 364.0 |
| Equity ratio, % | 67.6 | 73.4 | 77.9 |
| Net gearing, % | –22.5 | –46.6 | –20.8 |
| Cash flow from business operations, M€ | 23.0 | 51.5 | 52.7 |
| **Other indicators** | | | |
| Gross investments, M€ 1) | 49.1 | 10.0 | 26.9 |
| % of net sales | 11.1 | 2.7 | 5.8 |
| R&D expenses, M€ 1) | 6.3 | 6.1 | 5.8 |
| % of net sales | 1.4 | 1.6 | 1.3 |
| Average personnel 1) | 1,111 | 627 | 719 |

1) Key figures presented for continuing operations.

# Share indicators

| (EUR million) | 2010 | 2009 | 2008 |
|---|---|---|---|
| Earnings/share, continuing operations (EPS), € [1] | 0.08 | 0.09 | 0.12 |
| Cash flow from business operations/share, € [1] | 0.15 | 0.33 | 0.34 |
| Equity/share, € [1] | 2.06 | 2.06 | 1.79 |
| Dividend/share, € | 0.10 [2] | 0.09 | 0.07 |
| Dividend/earnings, % | 124.2 | 104.9 | 58.3 |
| Effective dividend yield, % | | | |
| Free shares | 3.6 | 3.4 | 4.8 |
| Restricted shares | 3.6 | 3.3 | 4.3 |
| P/E ratio | | | |
| Free shares | 34.9 | 31.0 | 12.3 |
| Restricted shares | 34.7 | 31.7 | 13.7 |
| Adjusted average quotation, € | | | |
| Free shares | 2.75 | 2.06 | 1.56 |
| Restricted shares | 2.76 | 2.04 | 1.66 |
| Adjusted lowest quotation, € | | | |
| Free shares | 2.38 | 1.43 | 1.35 |
| Restricted shares | 2.35 | 1.49 | 1.38 |
| Adjusted highest quotation, € | | | |
| Free shares | 3.00 | 2.72 | 1.87 |
| Restricted shares | 3.00 | 2.78 | 1.85 |
| Adjusted quotation 31.12., € | | | |
| Free shares | 2.81 | 2.66 | 1.47 |
| Restricted shares | 2.79 | 2.72 | 1.64 |
| Market capitalization 31.12., M€ [1] | | | |
| Free shares | 344.1 | 324.2 | 178.6 |
| Restricted shares | 95.0 | 93.2 | 56.2 |
| Total | 439.1 | 417.4 | 234.8 |
| Trading, M€ | | | |
| Free shares | 109.1 | 73.8 | 44.2 |
| Restricted shares | 3.1 | 2.3 | 1.3 |
| Total | 112.2 | 76.1 | 45.5 |
| Number of shares traded | | | |
| Free shares, 1,000 shares | 39,674 | 35,873 | 28,365 |
| % of total | 30.3 | 27.5 | 21.7 |
| Restricted shares, 1,000 shares | 1,106 | 1,114 | 808 |
| % of total | 3.2 | 3.2 | 2.3 |
| Average adjusted number of shares, 1,000 shares [1] | | | |
| Free shares | 122,226 | 121,666 | 122,310 |
| Restricted shares | 34,217 | 34,268 | 34,294 |
| Total | 156,443 | 155,934 | 156,605 |
| Adjusted number of shares 31.12., 1,000 shares [1] | | | |
| Free shares | 122,461 | 121,894 | 121,516 |
| Restricted shares | 34,054 | 34,250 | 34,276 |
| Total | 156,515 | 156,145 | 155,793 |

[1] Number of shares, excluding the shares held by the company and shares held by Reso Management Oy
[2] According to Board's proposal EUR 0.10 per share.

# Calculation of key financial indicators

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

# Calculation of key share 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** | $\dfrac{\text{Equity of parent company shareholders}}{\text{Number of shares 31.12., adjusted for share issue***}}$ | |
| **Dividend per share** | $\dfrac{\text{Dividend distributed in the period}}{\text{Number of shares at period-end}}$ | |
| **Dividend per earnings, %*** | $\dfrac{\text{Dividend per share}}{\text{Profit per share}}$ | x 100 |
| **Effective dividend yield, %** | $\dfrac{\text{Dividend per share, adjusted for share issue}}{\text{Closing price, adjusted for share issue}}$ | x 100 |
| **Price per earnings (P/E ratio)*** | $\dfrac{\text{Closing price, adjusted for share issue}}{\text{Profit per share}}$ | |
| **Market capitalisation** | Closing price, adjusted for issue x number of shares 31.12. without own shares*** | |

* The calculation of key indicators uses continuing operations result.
** Excluding shares with a potential return obligation and shares held by Reso Management Oy
*** Excluding the shares held by Reso Management Oy

# Shares and shareholders

Raisio pls's shares are listed on NASDAQ QMX Helsinki Ltd. Raisio's market value at the end of 2010 was EUR 463.4 million. Overall trading totalled EUR 112.2 million. The closing price of free shares on 30 December 2010 was EUR 2.81, and that of restricted shares EUR 2.79. The Board of Directors will propose a dividend of EUR 0.10 at the Annual General Meeting in spring 2011.

## Share capital and share classes

The fully paid-up share capital of Raisio plc is EUR 27,776,072.91, which on 31 December 2010 was divided into 34,255,057 restricted shares (series K) and 130,893,973 free shares (series V). No nominal value is quoted for the shares. Restricted shares accounted for 20.7% of the share capital and 84.0% of the votes, while the corresponding figures for free shares were 79.3% and 16.0% (on 31 December 2010). The company's minimum share capital is EUR 25,000,000 and maximum share capital EUR 100,000,000. The share capital can be increased or decreased within these limits without amending the Articles of Association. There were no changes in the share capital during 2010. The company has not issued securities that entitle the holder to shares.

Raisio pls's shares are listed on NASDAQ QMX Helsinki Ltd (hereafter referred to as the stock exchange). The company's free shares are quoted in the Mid Cap segment under the Consumer Staples sector, and its restricted shares on the Prelist. The trading code for free shares is RAIVV and the ISIN code FI 0009002943, and for restricted shares RAIKV and FI 0009800395, respectively. The company's shares have been entered into the book-entry system.

Free and restricted shares have an equal entitlement to equity and profits. At Annual General Meetings, each restricted share entitles the holder to 20 votes and each free share to one vote. No shareholder is entitled to exercise more than 1/10 of the total number of votes represented at the Meeting.

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

The Board may also convert restricted shares into free shares on request and likewise give advance notice on whether the applicant will be granted consent to acquire restricted shares. In 2010, a total of 196,666 restricted shares were converted into free shares.

In the book-entry system, restricted shares for which the consent procedure is in progress, or for which consent has not been sought, will be retained on the waiting list until they are entered as restricted shares in the share register following consent, assigned to another shareholder or converted into free shares. The waiting list had 6.4 million restricted shares on 31 December 2010.

## Raisio shares traded on the stock exchange in 2010

The highest price of the series V share was EUR 3.00 and the lowest EUR 2.38. The average price was EUR 2.75. The year-end price of the V share was EUR 2.81. The number of Raisio V shares traded totalled 39.7 million (35.9 million in 2009), which equals some 30% of the total volume of V shares. The value of share trading was EUR 109.1 million (EUR 73.8 million).

The highest price of the series K share was EUR 3.00 and the lowest EUR 2.35. The average price was EUR 2.76. The year-end price of the K share was EUR 2.79. The number of Raisio's K shares traded totalled 1.1 million (1.1 million), and the value of share trading was EUR 3.1 million (EUR 2.3 million).

The share capital had a market value of EUR 463.4 million at the end of 2010 (EUR 441.4 million), and EUR 451.7 million (EUR 417.4 million) excluding the shares held by the company.

## Ownership structure

At the end of 2010, Raisio plc had 36,174 registered shareholders (37,384). With a share of 54.0%, households made up the largest owner group (56.0%).

Raisio plc held 3,949,888 free shares and 201,295 restricted shares on 31 December 2010. Management's holding company Reso Management Oy of which, on the basis of the agreements, Raisio plc is deemed to have control, and which is thus regarded as a subsidiary, holds 4,482,740 free shares. Other Group companies hold no Raisio plc shares. Shares held by the company or its subsidiaries do not entitle the holder to participate in the Annual General Meeting.

In the reporting year, foreign ownership in Raisio amounted to 13.0% at its highest, to 12.2% at its lowest and was 12.2% (13.3%) at the end of the year. Of the company's shares, 0.5% remains outside the book-entry system.

## Disclosure notifications

During 2010, the following notifications on changes in the ownership referred to in the 9 § of Chapter 2 of the Securities Market Act were made:

On 16 November 2010, OP-Keskus Cooperative's notification that the total amount of shares held by OPK and corporations in which OP-Keskus Cooperative exercises influence, its subsidiaries and funds managed by its subsidiaries has exceeded the limit of 5% of the total number of Raisio plc's shares on 10 November 2010.

On 7 December 2010, OP-Keskus Cooperative's notification that the total amount of shares held by OPK and corporations in which OP-Keskus Cooperative exercises influence, its subsidiaries and funds managed by its subsidiaries has fallen below the limit of 5% of the total number of Raisio plc's shares on 30 November 2010.

In consequence of these notifications, the company has published stock exchange releases on 17 November 2010 and on 7 December 2010.

## Dividend policy and dividend

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

Raisio plc's Annual General Meeting, held on 25 March 2010, decided on a dividend of EUR 0.09 per share. The dividend was paid on 8 April 2010. No dividend was paid on the shares held by the company. The Board of Directors will propose a per-share dividend of EUR 0.10 at the Annual General Meeting in spring 2011. The record date is 29 March 2011, and the payable date 5 April 2011.

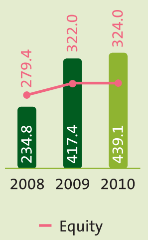
## Shares held by management

The members of the Board of Directors and Supervisory Board and Managing Director as well as the companies and foundations of which they have control held a total of 1,391,290 restricted shares and 4,826,481 free shares on 31 December 2010. This equals 3.76% of all shares and 4.0% of overall votes.

**Structure of share capital on 31 December 2010**

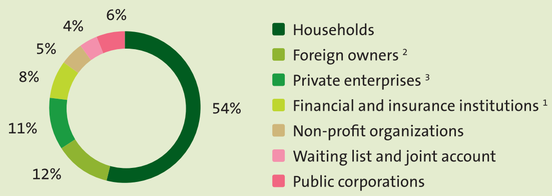
| | Number of shares | % of total shares | % of total votes |
|---|---|---|---|
| Free shares | 130,893,973 | 79.3 | 16.0 |
| Restricted shares | 34,255,057 | 20.7 | 84.0 |
| Total | 165,149,030 | 100.0 | 100.0 |

**Market value (M€)**




Excluding the shares held by the company

**Shareholders on 31 December 2010**




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

Managing Director is included in the Group's share-based incentive scheme (2008–2010), on the basis of which he can be assigned, at the most, 66,667 Raisio plc free shares in December 2012 (the third earnings period). If Managing Director receives the maximum number of free shares from the third earnings period in the incentive scheme, the ownership of the above mentioned group will increase to 3.81% of all shares and 4.01% of overall votes.

## Shareholder agreements

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

## Amendments to the Articles of Association

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

## Amendment to the Articles of Association in 2010

The Annual General Meeting held in spring 2010 approved the Board of Directors' proposal for amending the section 11 of the Articles of Association to read as follows: "The notice of the General Meeting shall be published, at the earliest, three (3) months and at the latest three (3) weeks before the General Meeting on the Company's website and possibly in another manner determined by the Board of Directors. However, the notice of the General Meeting must be published no later than nine (9) days before the record date of the General Meeting."

Furthermore, in respect of the amendment of the section 11 of the Articles of Association, the Annual General Meeting decided to delete the item 5 of the section 12. Consequently, the internal numbering of the items 6–8 under section 12 became one number smaller.

The amendments of the sections 11 and 12 of the Articles of Association have been effective since they were entered in the Trade Register in April 2010.

Moreover, the Annual General Meeting approved the Board of Directors' proposal for amending the 3rd subsection of the section 9 of the Articles of Association to read as follows: "In the General Meeting, no shareholder's shares are entitled to vote with more votes than one tenth of the total number of votes of the shares represented at the Meeting." This amendment will enter into force if it is also approved at the next consecutive General Meeting and after the amendment has then been entered into the Trade Register.

## Corporate Governance system

Raisio's Board of Directors consists of a minimum of five and a maximum of eight members elected by the Annual General Meeting. Their term begins at the end of the General Meeting at which the election takes place and lasts until the end of the following Annual General Meeting.

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

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

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

## Share repurchase authorisation for the Board of Directors

The General Meeting held in spring 2010 authorised the Board of Directors to decide on the repurchase of a maximum of 6,000,000 free shares and 1,500,000 restricted shares through public trading arranged by the stock exchange. The shares may be repurchased in order to develop the capital structure of the company, to finance or carry out acquisitions or other arrangements, to implement share-based incentive schemes or to be otherwise further assigned or annulled. The authorisation will expire, at the latest, on 25 September 2011.

By virtue of the authorisation, the number of repurchased shares is 4.5% of all shares and 4.4% of the votes they represent.

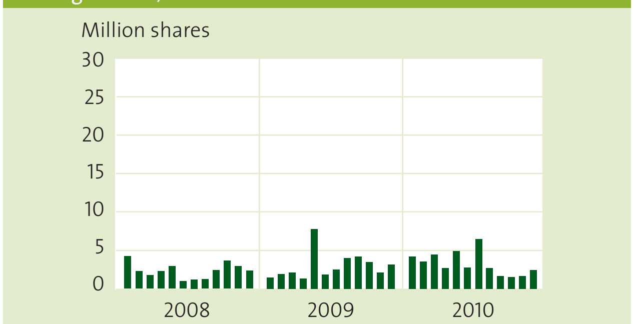
The authorisation granted in the General Meeting of 2010 was not exercised during the financial year.

## Share issue authorisation for the Board of Directors and the exercise of the authorisation

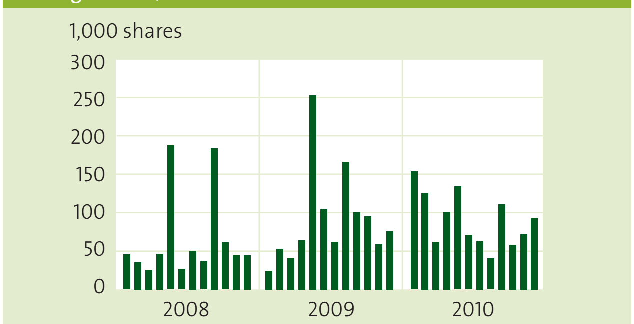
The Annual General Meeting held in spring 2010 authorised the Board of Directors to decide on share issues by (1) disposing all of the company shares held by the company at the time of the decision and any repurchased shares – a maximum total of 16,504,404 shares, 1,701,295 of which can be restricted shares, and by (2) issuing a maximum of 16,500,000 new free shares against payment. The share issue authorisation will be valid until 25 March 2015 at the latest.

By virtue of the authorisation, the number of the shares to be assigned and held by the Company on 31 December 2010 equals 2.5% of the share capital and 1.0% of the votes it represents. By virtue of the authorisation, the number of issued new shares equals 10.0% of the share capital and 2.0% of the votes it represents.

Trading volume, free share




Trading volume, restricted share




Share price development, free share


Share price development, restricted share

The Board of Directors is authorised to decide to whom and in what order the Company's own shares are assigned and new shares given. The Board of Directors can decide on the assignment of the Company's own shares and giving new shares otherwise than in a proportion where the shareholders have a primary right to the Company's shares, if there exists weighty financial reason for a deviation from the Company's point of view. Development of the Company's capital structure, financing or implementation of company acquisitions or other arrangements and realisation of share-based incentive systems can be considered weighty financial reasons from the Company's point of view. The Board of Directors can also decide on assigning the Company's own shares in public trading organised by stock exchange for raising funds for the financing of investments and possible company acquisitions.

The amount of compensation payable for the shares is no less than their market value at the time of assignment, which is determined in the public trading organised by the Stock Exchange, but when implementing share-based incentive schemes, shares can be given gratuitously. The shares can also be assigned against compensation other than money, against acknowledgement or otherwise on certain terms and conditions.

During the financial year, by virtue of the authorisation, 17,165 free shares were assigned to the Chairman of the Board and Board members as part of the compensation for managing their duties, in line with the decisions taken by the Annual General Meetings held in 2009 and 2010.

Furthermore, a total of 553,056 free shares were assigned in May as a reward for the second earnings period of the share-based incentive scheme (financial year 2009) to the 51 persons covered by the scheme as well as a total of 168,000 free shares as recognition of and reward for the successfully completed divestment of the margarine business in 2009, also to 51 persons.

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

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

**Split of shareholdings on 31 December 2010**

| | Free shares | | | | Restricted shares | | | |
|---|---|---|---|---|---|---|---|---|
| Shares | Shareholders | | Shares | | Shareholders | | Shares | |
| no. | no. | % | no. | % | no. | % | no. | % |
| 1–1,000 | 22,038 | 65.1 | 10,467,899 | 8.0 | 3,578 | 58.0 | 1,276,756 | 3.7 |
| 1,001–5,000 | 9,305 | 27.5 | 22,473,967 | 17.2 | 1,665 | 27.0 | 3,980,363 | 11.6 |
| 5,001–10,000 | 1,575 | 4.6 | 11,739,547 | 9.0 | 475 | 7.7 | 3,395,354 | 9.9 |
| 10,001–25,000 | 659 | 1.9 | 10,356,239 | 7.9 | 316 | 5.1 | 4,855,042 | 14.2 |
| 25,001–50,000 | 155 | 0.5 | 5,503,486 | 4.2 | 92 | 1.5 | 2,970,327 | 8.7 |
| 50,001– | 134 | 0.4 | 69,999,165 | 53.5 | 45 | 0.7 | 10,742,516 | 31.4 |
| waiting list | | | 0 | 0.0 | 3,986 | | 6,418,219 | 18.7 |
| joint account | | | 184,770 | 0.1 | | | 616,480 | 1.8 |
| special accounts | | | 168,900 | 0.1 | | | 0 | 0.0 |
| total | 33,866 | 100.0 | 130,893,973 | 100.0 | 6,171 | 100.0 | 34,255,057 | 100.0 |

31 December 2010 Raisio plc had a total of 36,174 registered shareholders.

| Shareholders | | | | | | |
|---|---|---|---|---|---|---|
| 25 major shareholders on 31 December 2010, according to shareholders register | | | | | | |
| | Series K, no. | Series V, no. | Total, no. | % | Votes, no. | % |
| Reso Management Oy | | 4,482,740 | 4,482,740 | 2.71 | 4,482,740 | 0.55 |
| Niemistö Kari | | 4,120,000 | 4,120,000 | 2.49 | 4,120,000 | 0.50 |
| The Central Union of Agricultural Producers and Forest Owners (MTK) | 3,733,980 | 199,000 | 3,932,980 | 2.38 | 74,878,600 | 9.18 |
| OP-Finland Value Fund | | 2,950,000 | 2,950,000 | 1.79 | 2,950,000 | 0.36 |
| OP-Delta Fund | | 2,850,000 | 2,850,000 | 1.73 | 2,850,000 | 0.35 |
| Varma Mutual Pension Insurance Company | | 2,748,500 | 2,748,500 | 1.66 | 2,748,500 | 0.34 |
| Skagen Global Verdipapirfond | | 2,287,300 | 2,287,300 | 1.38 | 2,287,300 | 0.28 |
| Ilmarinen Mutual Pension Insurance Company | | 2,235,245 | 2,235,245 | 1.35 | 2,235,245 | 0.27 |
| OP-Finland Small Firms Fund | | 2,125,353 | 2,125,353 | 1.29 | 2,125,353 | 0.26 |
| Veritas Pension Insurance Company Ltd. | | 1,350,385 | 1,350,385 | 0.82 | 1,350,385 | 0.17 |
| The State Pension Fund | | 1,300,000 | 1,300,000 | 0.79 | 1,300,000 | 0.16 |
| Aktia Capital Fund | | 1,220,475 | 1,220,475 | 0.74 | 1,220,475 | 0.15 |
| Relander Harald | | 1,115,000 | 1,115,000 | 0.68 | 1,115,000 | 0.14 |
| Mutual Insurance Company Pension-Fennia | | 1,000,000 | 1,000,000 | 0.61 | 1,000,000 | 0.12 |
| Maa- ja Vesitekniikan Tuki r.y. | | 1,000,000 | 1,000,000 | 0.61 | 1,000,000 | 0.12 |
| Etra Invest Oy Ab | | 1,000,000 | 1,000,000 | 0.61 | 1,000,000 | 0.12 |
| Taaleritehdas Arvo Markka Osake Value Fund | | 900,000 | 900,000 | 0.54 | 900,000 | 0.11 |
| Skagen Global II Verdipapirfond | | 846,700 | 846,700 | 0.51 | 846,700 | 0.10 |
| Brotherus Ilkka | 42,540 | 784,500 | 827,040 | 0.50 | 1,635,300 | 0.20 |
| Skagen Vekst Verdipapierfond | | 800,000 | 800,000 | 0.48 | 800,000 | 0.10 |
| The central union of Swedish-speaking agricultural producers in Finland (SLC) | 659,500 | | 659,500 | 0.40 | 13,190,000 | 1.62 |
| Nordea Nordic Small Cap Fund | | 661,279 | 661,279 | 0.40 | 661,279 | 0.08 |
| Haavisto Maija Helena | 393,120 | 264,270 | 657,390 | 0.40 | 8,126,670 | 1.00 |
| Langh Hans | 654,480 | | 654,480 | 0.40 | 13,089,600 | 1.60 |
| Haavisto Heikki Johannes | 552,336 | 96,090 | 648,426 | 0.39 | 11,142,810 | 1.37 |

Shares registered under foreign ownership, including nominee registrations, totalled 20,175,505 on 31 December 2010, or 12.2% of the total and 15.4% of free shares.
At the end of the year, Raisio plc owned 4,151,183 company shares, which represents 2.5% of the total.

# Parent company income statement

| (EUR million) | Note | 31.12.2010 | 31.12.2009 |
|---|---|---|---|
| NET SALES | | 1.71 | 2.32 |
| Other income from business operations | | 0.00 | 0.01 |
| Materials and services | 1 | −0.05 | −0.07 |
| Personnel expenses | 2 | −1.63 | −2.70 |
| Depreciation and write-downs | 3 | −0.04 | −0.06 |
| Other expenses from business operations | 4 | −4.36 | −5.32 |
| EBIT | | −4.37 | −5.81 |
| Financial income and expenses | 5 | −0.29 | +4.62 |
| RESULT BEFORE EXTRAORDINARY ITEMS | | −4.65 | −1.19 |
| Extraordinary items | 6 | 11.80 | 14.71 |
| RESULT BEFORE APPROPRIATIONS AND TAXES | | 7.14 | 13.52 |
| Appropriations | 7 | 0.00 | 0.02 |
| Direct taxes | 8 | −1.80 | −3.50 |
| RESULT FOR THE FINANCIAL PERIOD | | 5.35 | 10.04 |

# Parent company balance sheet

| (EUR million) | Note | 31.12.2010 | 31.12.2009 |
|---|---|---|---|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Intangible assets | 9 | 0.03 | 0.04 |
| Tangible assets | 9 | 0.41 | 0.44 |
| Holdings in Group companies | 10 | 169.72 | 103.93 |
| Other investments | 10 | 40.48 | 44.88 |
| | | 210.63 | 149.29 |
| CURRENT ASSETS | | | |
| Inventories | 11 | 0.01 | 0.01 |
| Long-term receivables | | 0.15 | 0.00 |
| Current receivables | 12 | 22.32 | 30.72 |
| Securities under financial assets | 13 | 130.78 | 214.21 |
| Cash in hand and at banks | | 17.26 | 30.73 |
| | | 170.52 | 275.67 |
| TOTAL ASSETS | | 381.15 | 424.96 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| SHAREHOLDERS' EQUITY | 14 | | |
| Share capital | | 27.78 | 27.78 |
| Premium fund | | 2.91 | 2.91 |
| Reserve fund | | 88.59 | 88.59 |
| Invested unrestricted shareholders' equity fund | | 10.62 | 0.00 |
| Retained earnings | | 187.69 | 189.48 |
| Result for the year | | 5.35 | 10.04 |
| | | 322.93 | 318.79 |
| APPROPRIATIONS | 15 | 0.00 | 0.00 |
| LIABILITIES | | | |
| Non-current liabilities | 16 | 19.75 | 26.66 |
| Current liabilities | 17 | 38.47 | 79.51 |
| | | 58.22 | 106.17 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 381.15 | 424.96 |

# Parent company cash flow statement

| (EUR million) | 2010 | 2009 |
|---|---|---|
| CASH FLOW FROM BUSINESS OPERATIONS | | |
| EBIT | −4.37 | −5.81 |
| EBIT adjustments: | | |
| Planned depreciation | 0.04 | 0.06 |
| Other adjustments | 2.00 | 0.73 |
| Cash flow before change in working capital | −2.33 | −5.02 |
| | | |
| Increase (–)/decrease (+) in current receivables | −4.07 | +1.88 |
| Increase (–)/decrease (+) in inventories | 0.00 | +0.01 |
| Increase (+)/decrease (–) in current interest-free liabilities | −0.86 | +0.26 |
| Change in working capital | −4.93 | 2.16 |
| | | |
| Cash flow from business operations before financial items and taxes | −7.25 | −2.87 |
| | | |
| Interest paid and payments for financial expenses from business operations | −2.08 | −3.20 |
| Dividends received | 0.02 | 0.01 |
| Interest and other financial income | 4.10 | 9.48 |
| | | |
| **CASH FLOW FROM BUSINESS OPERATIONS** | −5.21 | 3.43 |
| | | |
| CASH FLOW FROM INVESTMENTS | | |
| Investments in tangible and intangible assets | 0.00 | −0.06 |
| Investments in shares of Group companies | −65.79 | 0.00 |
| Investments on marketable securities | −25.00 | −10.00 |
| Proceeds from sale of securities | 22.39 | |
| Loans granted | −1.02 | −49.00 |
| Repayment of loan receivables | 15.92 | 143.02 |
| | | |
| **CASH FLOW FROM INVESTMENTS** | −53.50 | 83.95 |
| | | |
| Cash flow after investments | −58.71 | 87.38 |
| | | |
| CASH FLOW FROM FINANCIAL OPERATIONS | | |
| Increase (+)/decrease (–) in non-current loans | −6.91 | +23.58 |
| Increase (+)/decrease (–) in current liabilities | −32.20 | +50.20 |
| Increase (–)/decrease (+) in loan receivables | 0.00 | +20.00 |
| Group contributions received and paid | 14.71 | −6.61 |
| Assignment of company shares | 0.18 | −0.01 |
| Dividend paid and other distribution of profit | −13.97 | −10.84 |
| | | |
| **CASH FLOW FROM FINANCIAL OPERATIONS** | −38.20 | 76.33 |
| | | |
| Change in liquid funds | −96.90 | 163.71 |
| | | |
| Liquid funds at the beginning of the period | 234.94 | 71.23 |
| Liquid funds at period-end | 138.03 | 234.94 |

# Parent company accounting principles

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

## Valuation of non-current assets

Planned depreciation has been deducted from the acquisition cost of tangible and intangible assets recognised on the balance sheet. Acquisition cost includes all the variable expenses resulting from the acquisition and manufacturing. Planned depreciation has been calculated using straight line depreciation method based on the useful life of tangible and intangible assets. Depreciation has been made from the month of introduction of the asset.

## The depreciation periods are as follows:

- buildings and structures 10–25 years
- machinery and equipment 4–10 years
- intangible rights 5–10 years
- other long-term expenses 5–20 years

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

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

## Valuation of inventories

Inventories have been recognised in the balance sheet at their acquisition cost or repurchase price lower than that or probable selling price. Acquisition cost is determined by the weighted average cost.

## Valuation of receivables and liabilities

Receivables have been measured at their acquisition cost or at their probable value lower than acquisition cost. Liabilities have been valued at their nominal value.

## Valuation of marketable securities

Marketable securities have been valued at their acquisition cost.

## Pension arrangements

Statutory and voluntary pension security for Raisio's personnel is arranged through pension insurance companies. The company's Managing Director is entitled and obligated to retire upon turning 62.

## Provisions

Provisions are recognised when the company has a legal or actual obligation arising from past events, the realisation of the payment liability is likely and the amount of the obligation can be reliably estimated. If part of the obligation can be compensated by a third party, the compensation is entered as a separate asset, but only when, in practical terms, it is certain that the compensation will be received.

A rearrangement is entered when the company has prepared a detailed rearrangement plan and started the implementation of the plan or a notification of the matter has been issued.

## Net sales

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

## Other income from business operations

Other income from business operations has been included profit from the sale of assets and other regular income not related to actual sales of goods or services, such as rents.

## Extraordinary income and expenses

Extraordinary income and expenses consist of received and paid Group subsidies.

## Income taxes

The taxes in the company's income statement include the taxes paid in the financial period, calculated on the basis of the taxable profit, as well as taxes paid in previous financial periods. The financial statements show accrued appropriations in full on the balance sheet, and the tax liability included in them is not treated as debt. Deferred taxes have not been entered.

## Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

## Foreign currency items

The company's foreign currency receivables and liabilities have been converted into euros at the mean rates on the date of closing. Realised exchange rate differences, as well as gains and losses arising from the valuation of receivables and liabilities, have been entered in the income statement. Exchange rate gains and losses related to actual business operations are treated as adjustment items on sales and purchases, and those related to financing are entered under financing income and expenses.

## Derivative contracts

In line with its risk management policy, Raisio uses derivatives to hedge against foreign exchange and interest rate risks. Currency derivatives are used to hedge foreign currency receivables and liabilities and exchange rate differences arising from them are recorded in the income statement.

The interest rate risk of the portfolio consisting of the Group's interest-bearing receivables and liabilities is reduced using interest rate swaps. The accrued interest from swaps is entered under financial income or expenses to adjust interest expenses or income from the receivables and liabilities portfolio. The market value of the interest rate swaps has not been recorded.

## Company shares

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

## Incentive scheme for management

Expenses related to the management's long-term, share-based i ncentive scheme are recognised as an earnings period expense in the income statement and as liabilities in the balance sheet.

## Cash flow statement

Cash flows for the financial period have been categorised into cash flows from business operations, investments and financing. The statement of cash flows has been prepared using the indirect method.

# Notes to the parent company income statement

| (EUR million) | 2010 | 2009 |
|---|---|---|
| **1. MATERIALS AND SERVICES** | | |
| Materials, supplies and goods | | |
| Purchases in the period | 0.05 | 0.06 |
| Change in inventories | 0.00 | 0.01 |
| Total | 0.05 | 0.07 |
| **2. PERSONNEL EXPENSES** | | |
| Wages and fees | 1.14 | 1.97 |
| Pension expenses | 0.21 | 0.57 |
| Other personnel expenses | 0.28 | 0.16 |
| Total | 1.63 | 2.70 |
| **WAGES AND FEES PAID TO MANAGEMENT** | | |
| Managing Director | 1.25 | 1.00 |
| Members of the Board of Directors | 0.23 | 0.30 |
| Members of the Supervisory Board | 0.03 | 0.02 |
| **AVERAGE NUMBER OF PARENT COMPANY PERSONNEL** | | |
| Office workers | 2 | 2 |
| **PENSION LIABILITY** | | |
| Pension liability for members of the Board of Directors and the Managing Director | | |
| The parent company's Managing Director is entitled and obligated to retire upon turning 62. | | |
| **3. DEPRECIATION AND WRITE-DOWNS** | | |
| Planned depreciation | 0.04 | 0.06 |
| **4. OTHER EXPENSES FROM BUSINESS OPERATIONS** | | |
| Auditors' remuneration: | | |
| PricewaterhouseCoopers Oy | | |
| Audit | 0.06 | 0.05 |
| Certificates and reports | 0.01 | 0.02 |
| Other services | 0.08 | 0.02 |
| Total | 0.16 | 0.09 |

| (EUR million) | 2010 | 2009 |
|---|---|---|
| **5. FINANCIAL INCOME AND EXPENSES** | | |
| Dividend received | | |
| From participating interest companies | 0.02 | 0.01 |
| Total | 0.02 | 0.01 |
| Total interest received from long-term investment | | |
| From Group companies | 1.61 | 4.71 |
| Total income from long-term investment | 1.62 | 4.72 |
| Other interest and financial income | | |
| From Group companies | 0.24 | 0.32 |
| From others | 2.08 | 2.44 |
| Total | 2.32 | 2.76 |
| Total financial income | 3.95 | 7.48 |
| Exchange rate differences | | |
| To Group companies | 0.42 | −0.46 |
| To others | −0.35 | 0.50 |
| Total | 0.08 | 0.04 |
| Interest paid and other financial expenses | | |
| To Group companies | −0.24 | −0.33 |
| To others | −4.08 | −2.57 |
| Total | −4.31 | −2.89 |
| Total financial expenses | −4.23 | −2.85 |
| Total financial income and expenses | −0.29 | 4.62 |
| **6. EXTRAORDINARY INCOME AND EXPENSES** | | |
| Extraordinary income | | |
| Group subsidies received | 12.83 | 23.25 |
| Total | 12.83 | 23.25 |
| Extraordinary expenses | | |
| Group subsidies paid | −1.03 | −8.54 |
| Total | −1.03 | −8.54 |
| Total extraordinary income and expenses | 11.80 | 14.71 |
| **7. APPROPRIATIONS** | | |
| Difference between planned depreciation and depreciation made in taxation | 0.00 | 0.02 |
| **8. INCOME TAXES** | | |
| Income tax on extraordinary items | −3.07 | −3.82 |
| Income tax on ordinary operations | 1.27 | 0.17 |
| Taxes on previous financial years | 0.00 | 0.15 |
| Total | −1.80 | −3.50 |

# Notes to the parent company balance sheet

## 9. INTANGIBLE ASSETS 2010

| (EUR million) | Intangible rights | Other long-term expenditure | Intangible assets total |
|---|---|---|---|
| Acquisition cost 1.1. | 0.25 | 0.37 | 0.62 |
| Increase 1.1.–31.12. | 0.00 | | 0.00 |
| Decrease 1.1.–31.12. | | | 0.00 |
| Reclassifications | | | 0.00 |
| **Acquisition cost 31.12.** | **0.25** | **0.37** | **0.62** |
| Accumulated depreciation and write-downs 1.1. | 0.22 | 0.36 | 0.58 |
| Accumulated depreciation of decrease and transfers | 0.00 | | 0.00 |
| Depreciation for the year | 0.00 | 0.00 | 0.01 |
| **Accumulated depreciation 31.12.** | **0.22** | **0.37** | **0.59** |
| Book value 31.12.2010 | 0.02 | 0.01 | 0.03 |
| Book value 31.12.2009 | 0.03 | 0.01 | 0.04 |

## 9. TANGIBLE ASSETS 2010

| (EUR million) | Buildings and constructions | Machinery and equipment | Other tangible assets | Tangible assets total |
|---|---|---|---|---|
| Acquisition cost 1.1. | 0.70 | 0.26 | 0.26 | 1.23 |
| Increase 1.1.–31.12. | | | | 0.00 |
| Decrease 1.1.–31.12. | | | | 0.00 |
| Reclassifications | | | | 0.00 |
| **Acquisition cost 31.12.** | **0.70** | **0.26** | **0.26** | **1.23** |
| Accumulated depreciation and write-downs 1.1. | 0.58 | 0.21 | | 0.79 |
| Accumulated depreciation of decrease and transfers | | 0.00 | | 0.00 |
| Depreciation for the year | 0.03 | 0.01 | | 0.03 |
| **Accumulated depreciation 31.12.** | 0.61 | 0.21 | 0.00 | 0.82 |
| **Book value 31.12.2010** | **0.09** | **0.05** | **0.26** | **0.41** |
| **Book value 31.12.2009** | **0.12** | **0.06** | **0.26** | **0.44** |
| Book value of the production machinery and equipment | | | | |
| 31.12.2010 | | 0.00 | | |
| 31.12.2009 | | 0.00 | | |

## 10. INVESTMENT 2010

| (EUR million) | Group company shares | Participating interest company shares | Other shares | Receivables, Group companies | Other receivables | Total investment |
|---|---|---|---|---|---|---|
| Acquisition cost 1.1. | 103.93 | 0.03 | 0.03 | 44.81 | 0.00 | 148.81 |
| Increase 1.1.–31.12. | 65.79 | | | 10.66 | 0.87 | 77.32 |
| Decrease 1.1.–31.12. | | | 0.01 | 15.92 | | 15.93 |
| **Acquisition cost 31.12.** | 169.72 | 0.03 | 0.03 | 39.55 | 0.87 | 210.20 |
| **Book value 31.12.2010** | 169.72 | 0.03 | 0.03 | 39.55 | 0.87 | 210.20 |
| **Book value 31.12.2009** | 103.93 | 0.03 | 0.03 | 44.81 | 0.00 | 148.81 |

## SHARES AND HOLDINGS 2010

| (EUR million) | Group holding, % | Parent company holding, % |
|---|---|---|
| **GROUP COMPANIES** | | |
| Proteinoil Oy, Raisio | 100.00 | 100.00 |
| Raisio Finance NV, Belgium | 100.00 | 99.99 |
| Raisio Malt Ltd, Raisio | 100.00 | 100.00 |
| Raision Konsernipalvelut Oy, Raisio | 100.00 | 100.00 |
| Raisionkaari Industrial Park Ltd., Raisio | 100.00 | 50.00 |
| Raisio UK Limited, UK | 78.73 | 78.73 |
| Raisio Nutrition Ltd, Raisio | 100.00 | 100.00 |
| Raisio Feed Ltd, Raisio | 100.00 | 100.00 |
| Reso Management Oy, Raisio | | |
| **ASSOCIATED COMPANIES** | | |
| Vihervakka Oy, Pöytyä | 38.50 | 38.50 |

| (EUR million) | 2010 | 2009 |
|---|---|---|
| **11. INVENTORIES** | | |
| Materials and supplies | 0.01 | 0.01 |
| Finished products and goods | 0.01 | 0.01 |
| | 0.01 | 0.01 |
| **12. RECEIVABLES** | | |
| Long-term receivables | | |
| Loan receivables | 0.15 | 0.00 |
| Total long-term receivables | 0.15 | 0.00 |
| Current receivables | | |
| Accounts receivables | 0.00 | 0.00 |
| Receivables from Group companies | | |
| Accounts receivables | 0.01 | 1.46 |
| Loan receivables | 7.10 | 1.70 |
| Other receivables | 12.87 | 23.30 |
| Prepaid expenses and accrued income | 0.41 | 0.26 |
| | 20.39 | 26.72 |
| Receivables from participating interest companies | | |
| Accounts receivables | 0.00 | 0.00 |
| Other receivables | 1.30 | 3.32 |
| Prepaid expenses and accrued income | 0.62 | 0.68 |
| Total current receivables | 22.32 | 30.72 |

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

| (EUR million) | 2010 | 2009 |
|---|---|---|
| **13. MARKETABLE SECURITIES** | | |
| Repurchase price | 131.39 | 215.02 |
| Book value | 130.78 | 214.21 |
| Difference | 0.61 | 0.81 |

| (EUR million) | 2010 | 2009 |
|---|---|---|

## 14. SHAREHOLDERS' EQUITY

| | | |
|---|---|---|
| Restricted shareholders' equity | | |
| Share capital 1.1. | 27.78 | 27.78 |
| Share capital 31.12. | 27.78 | 27.78 |
| Premium fund 1.1. | 2.91 | 2.91 |
| Premium fund 31.12. | 2.91 | 2.91 |
| Reserve fund 1.1. | 88.59 | 88.59 |
| Reserve fund 31.12. | 88.59 | 88.59 |
| Total restricted shareholders' equity | 119.27 | 119.27 |
| Unrestricted shareholders' equity | | |
| Invested unrestricted shareholders' equity fund 1.1. | 0.00 | |
| Addition, directed share issue against payment | 10.62 | |
| Invested unrestricted shareholders' equity fund 31.12. | 10.62 | |
| Retained earnings 1.1. | 199.52 | 199.65 |
| Dividend distributed | –14.05 | –10.91 |
| Unclaimed dividends | 0.24 | 0.00 |
| Disposal of company shares | 1.99 | 0.74 |
| Repurchase of company shares | 0.00 | –0.01 |
| Retained earnings 31.12. | 187.69 | 189.48 |
| Result for the year | 5.35 | 10.04 |
| Total unrestricted shareholders' equity | 203.66 | 199.52 |
| Total shareholders' equity | 322.93 | 318.79 |
| Distributable equity | 203.66 | 199.52 |

Company share capital dividend by share series as follows:

| | 2010 | | 2009 | |
|---|---|---|---|---|
| | Shares | EUR 1,000 | Shares | EUR 1,000 |
| Series K (20 votes/share) | 34,255,057 | 5,761 | 34,451,723 | 5,794 |
| Series V (1 vote/share) | 130,893,973 | 22,015 | 130,697,307 | 21,982 |
| Total | 165,149,030 | 27,776 | 165,149,030 | 27,776 |

Company shares held by Raisio:

| | 2010 | | 2009 | |
|---|---|---|---|---|
| | Shares | Acquisition cost EUR 1,000 | Shares | Acquisition cost EUR 1,000 |
| Series K (20 votes/share) | 201,295 | 389 | 201,295 | 389 |
| Series V (1 vote/share) | 3,949,888 | 16,381 | 8,803,109 | 18,089 |
| Total | 4,151,183 | 16,770 | 9,004,404 | 18,478 |

The probable assignment price of company shares held by Raisio on the date of the financial statements was EUR 11.7 million (EUR 24.0 million in 2009).

| (EUR million) | 2010 | 2009 |
|---|---|---|
| **15. APPROPRIATIONS** | | |
| Appropriations consist of the accumulated depreciation difference. | | |
| **16. NON-CURRENT LIABILITIES** | | |
| Loans from credit institutions | 3.33 | 5.56 |
| Pension loans | 16.42 | 21.11 |
| Total non-current liabilities | 19.75 | 26.66 |
| Liabilities falling due within a period longer than in five years | | |
| Pension loans | 0.00 | 2.35 |
| Total | 0.00 | 2.35 |
| **17. CURRENT LIABILITIES** | | |
| Loans from credit institutions | 8.13 | 26.56 |
| Pension loans | 4.69 | 4.69 |
| Accounts payable | 0.07 | 0.38 |
| Liabilities to Group companies | | |
| Accounts payable | 0.00 | 0.00 |
| Other liabilities | 23.98 | 45.45 |
| Accrued liabilities and deferred income | 0.13 | 0.05 |
| | 24.11 | 45.50 |
| Other liabilities | 0.38 | 0.76 |
| Accrued liabilities and deferred income | 1.09 | 1.61 |
| Total current liabilities | 38.47 | 79.51 |
| Accrued liabilities and deferred income comprises items related to the periodisation of operational expenses, financial items and taxes. | | |
| Interest-free debts | | |
| Current | 2.70 | 11.34 |

# Other notes to the parent company accounts

| (EUR million) | 2010 | 2009 |
|---|---|---|
| **18. CONTINGENT AND OTHER LIABILITIES AND PLEDGED ASSETS** | | |
| **CONTINGENT OFF-BALANCE SHEET LIABILITIES:** | | |
| Leasing liabilities | | |
| Amounts outstanding on leasing contracts | | |
| Falling due in 2010 | 0.00 | 0.00 |
| Leasing contracts do not include substantial liabilities related to termination and redemption terms. | | |
| Contingent liabilities for Group companies | | |
| Guarantees | 61.98 | 43.09 |
| **19. DERIVATIVE CONTRACTS** | | |
| The company uses derivative contract for hedging. The values of underlying instruments for derivative contracts, stated below, indicate the scope of hedging measures. The fair values of derivative contracts show the result had the derivative position been closed at market price on the closing day. | | |
| Currency forward contracts: | | |
| Fair value | 0.26 | 0.01 |
| Value of underlying instrument | 58.19 | 7.52 |
| The value of the underlying instrument in currency forward contracts is the sum of open forward contracts, converted into euros at the exchange rate of the closing day. | | |
| Interest rate swaps: | | |
| Fair value | 0.09 | 0.13 |
| Value of underlying instrument | 26.67 | 33.58 |

The value of interest rate swaps is the nominal amount of open contracts.

# Board's proposal for the disposal of profit

Shareholders' equity according to the balance sheet at 31 December 2010 is EUR 203,660,575.05. The Board of Directors proposes that a dividend of EUR 0.10 per share be paid from the parent company's earnings

| | | |
|---|---|---|
| totalling | EUR | 16,514,903.00 |
| carried over on the retained earnings account | EUR | 187,145,672.05 |
| Total | EUR | 203,660,575.05 |

However, dividend will not be paid on the shares which are held by the company at the record date 29 March 2011.

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

Raisio, 10 February 2011

Simo Palokangas
Anssi Aapola
Erkki Haavisto
Michael Ramm-Schmidt
Pirkko Rantanen-Kervinen
Matti Rihko,
*CEO*

# Auditors' report

**To the Annual General Meeting of Raisio plc**

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Raisio Oyj for the year ended 31 December, 2010. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

**Responsibility of the Board of Directors and the Managing Director**

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

**Auditors' Responsibility**

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Supervisory Board and the Board of Directors of the parent company and the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

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

**Opinion on the Consolidated Financial Statements**

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

**Opinion on the Company's Financial Statements and the Report of the Board of Directors**

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Raisio, 10 February 2011

Johan Kronberg
*Authorised Public Accountant*

Mika Kaarisalo
*Authorised Public Accountant*

# Statement of the supervisory board

At its meeting today, the Supervisory Board studied the financial statement, the consolidated financial statement and auditors' report for the financial period 1 January – 31 December 2010.

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

Raisio, 17 February 2011

For the Supervisory Board

Michael Hornborg
*Chairman*

RAISIO

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