Annual Review 2020

Raisio plc

On a path to growth

Good healthy food has already been at Raisio's heart for 80 years. We make genuine food for a smooth everyday life. Our goal is growth: the growth of the company, expertise and well-being. We want to become an increasingly international company focusing on healthy food.

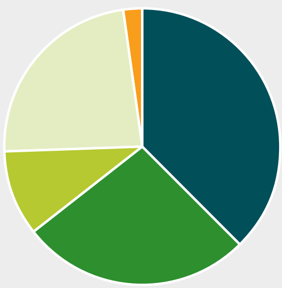
The year of internationalisation of oat products

- Our iconic oat brand Elovena® has taken its first steps towards internationalisation
- Gluten-free oat sales are on the rise in both B2C and B2B segments, in Finland and abroad

Key figures

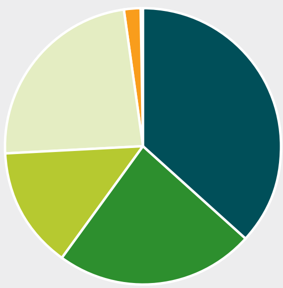
2020	**233.6** meur *Net sales 2020*	**27.7** meur *EBIT 2020*	**28.5** meur *Investments 2020*	**11.1%** *ROIC 2020*
2019	**236.3** meur *Net sales 2019*	**27.3** meur *EBIT 2019*	**19.5** meur *Investments 2019*	**13.9%** *ROIC 2019*
2018	**228.2** meur *Net sales 2018*	**25.6** meur *EBIT 2018*	**5.6** meur *Investments 2018*	**8.1%** *ROIC 2018*

Net sales distribution by market area



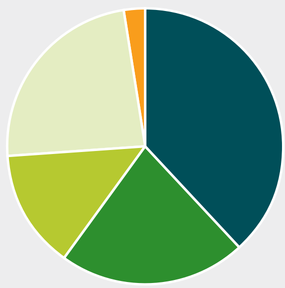
2018

- Finland **37.7%**
- Great Britain **26.9%**
- Russia **10.1%**
- Other Europe **23.3%**
- Rest of the world **2.0%**



2019

- Finland **36.9%**
- Great Britain **23.4%**
- Russia **14.2%**
- Other Europe **23.4%**
- Rest of the world **2.2%**



2020

- Finland **38.3%**
- Great Britain **21.7%**
- Russia **14.1%**
- Other Europe **23.5%**
- Rest of the world **2.4%**

Raisio's years of growth

2019
Secure the growth and profitability of the core business

2020
Oat-based value-added products to be the other pillar for Raisio's international business

2021
Expansion into new markets

Forerunner in responsibility · Acquisitions and partnerships
An attractive employer · Operational agility

HEALTH AS BALANCE
Aiming for holistic well-being with naturally healthy and functional food, "free from" products

CLIMATE CHANGE AND RESOURCE SCARCITY
Focus on environmentally friendly packages, carbon neutrality and natural raw materials

SMALLER WORLD AND CHANGING FOOD TRENDS
Increasing interest in plant-based food and innovative products

Mega-trends supporting Raisio's growth

CONSCIOUS CONSUMERS
Growing demand for transparent food chain and sustainable brands

Our values

- COURAGE
- FAIRNESS
- DRIVE

Together, we are building the new Raisio:
our values – courage, fairness and drive – guide us towards our target culture.

Board of Directors' Report and Financial Statements 2020

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Board of Directors' Report 2020

Taking the driver's seat on the market roller coaster

Financial reporting

The year 2020
Raisio Group's reportable operating segments are Healthy Food, Healthy Ingredients and Other Operations. The reported figures are comparable. The comparison figures in brackets refer to the corresponding period a year earlier unless otherwise stated. The Healthy Food Segment focuses on the consumer brands with Europe as its main market area. The Healthy Food Segment signifies a reporting segment, which consists of Northern Europe, Eastern and Central Europe and Western Europe (previously Northern and Eastern Europe, Western Europe and Rest of the World). The Healthy Ingredients Segment includes the sale of fish feeds and the Benecol® product ingredient as well as the sale of grain-based foods and their ingredients to industrial and catering companies. In addition, Operations, which includes production, procurement and the supply chain, are reported as part of the Healthy Ingredients Segment.

Financial development

Net sales
Raisio Group's net sales totalled EUR 233.6 (236.3) million. The Group's net sales were nearly at the same level as those of the comparison period. The pandemic that began at the start of 2020 affected different markets throughout the year, but the development within different operations and markets varied. Due to the weakening of key currencies, the year 2020 was also more challenging than 2019. The Healthy Food Segment's net sales totalled EUR 135.3 (137.5) million and Health Ingredients Segment's net sales were EUR 125.6 (124.6) million. In terms of consumer products, the development of the Finnish operations was very strong, whereas the export markets were met with challenges throughout the year. On the B2B front, on the other hand, the domestic and export demand for grain-based value-added products continued at an especially good level. Raisioaqua's sales fell below the level of the record year 2019 due to the reduction in orders from a single Nordic company and the challenges presented by the new export markets of Poland and Sweden. As planned, the volumes of external grain trade decreased strongly from the comparison period, which also had a reducing effect on net sales.

The conversion impact on the Group's net sales was EUR -2.5 (1.2) million. The share of the impact caused by the British pound was EUR -0.7 (0.5) million, by the Russian ruble EUR -1.3 (0.2) million and by other currencies EUR -0.5 (0.5) million. The conversion impact refers to the impact arising when the subsidiaries' net sales are converted into euro as part of the consolidated financial statements.

The share of Raisio Group's EBIT representing net sales outside of Finland totalled EUR 144.1 (149.0) million, which accounted for 61.7 (63.1) per cent of net sales. In terms of the breakdown of the Group's net sales, Finnish operations accounted for 38.3 per cent, the UK and the rest of Europe for 21.7 and 37.6 per cent, respectively, and the rest of the world for 2.4 per cent.

Group net sales

	2020	2019
Healthy Food, M€	**135.3**	137.5
Healthy Ingredients, M€	**125.6**	124.6
Other operations, M€	**1.5**	1.5
Between segments, M€	**-28.9**	-27.3
The Group total, M€	**233.6**	236.3
Change in net sales, %	**-1.2**	3.5

Results

Raisio Group's EBIT was EUR 28.9 (27.3) million, which accounted for 12.4 (11.5) per cent of net sales. EBIT for the financial year includes the withdrawal of a EUR 1.1 million provision. The provision concerned to the discontinued confectionery business in 2017. Raisio Group's comparable EBIT was EUR 27.7 (27.3) million, which accounted for 11.9 (11.5) per cent of net sales. Raisio reacted rapidly to the exceptional situation and effectively controlled the expense items in its direct sphere of influence. Savings were achieved particularly in sales and marketing as well as in connection with travel expenses. In terms of market-based expenses, the price development of grain-based raw materials was stable during the year, and availability and quality corresponded with the needs and demands. The currency fluctuations, which decreased the euro-denominated sales, were also reflected negatively in the company's EBIT.

The Healthy Food Segment's comparable EBIT amounted to EUR 18.6 (18.2) million, which accounted for 13.7 (13.2) per cent of net sales. In the UK, the demand for consumer products continued its downward trend throughout the year, but the rate of reduction slowed clearly during the final quarter. Strain was put on the UK market by drawn-out Brexit uncertainty and naturally, from the start of 2020, by the pandemic situation as well, which has been very serious throughout the entire duration of the pandemic in this market area. As a reflection of the relative development of sales, the strong growth in the Finnish market also had a positive impact on the result and profit development, while, again, the negative impact caused by the market currencies and pandemic in Eastern and Central Europe had an adverse effect on the result in these markets.

The Healthy Ingredients Unit's EBIT was EUR 12.6 (12.5) million, which accounted for 10.0 (10.0)% of net sales. The decrease in fish feed sales also had a negative impact on the company's EBIT, but the growth of especially B2B activities in the domestic and export markets along with the improved utilisation rates of the mills supported the overall profitability. The significantly reduced volumes of low-margin external grain trade had a positive impact on EBIT.

The conversion impact on the Group's comparable EBIT and EBIT was EUR -0.4 (0.2) million. The share of the impact caused by the British pound was EUR -0.1 (0.1) million, by the Russian ruble EUR -0.3 (0.0) million and by other currencies EUR 0.0 (0.1) million.

The depreciations and impairments totalled EUR 6.2 (6.4) million. The Group's net financial items were EUR 0.5 (1.2) million. During the review period, the net financial items include a valuation of financial assets totalling EUR -1.0 million recognised at fair value through profit or loss. The Group's pre-tax result was EUR 29.4 (28.5) million. The Group's post-tax result was EUR 23.4 (25.5) million. Taxes for the comparison period included the recognition of a deferred tax asset of EUR 2.3 million. The Group's earnings per share were EUR 0.15 (0.16) and the comparable figure was EUR 0.14 (0.16).

Group EBIT

	2020	2019
Comparable EBIT		
Healthy Food, M€	**18.6**	18.2
Healthy Ingredients, M€	**12.6**	12.5
Other operations, M€	**-3.4**	-3.4
Between segments, M€	**0.0**	0.0
The Group total, M€	**27.7**	27.3
Comparable EBIT of net sales, %	**11.9**	11.5
EBIT		
Healthy Food, M€	**18.6**	18.2
Healthy Ingredients, M€	**12.6**	12.5
Other operations, M€	**-2.3**	-3.4
Between segments, M€	**0.0**	0.0
The Group total, M€	**28.9**	27.3
EBIT of net sales, %	**12.4**	11.5

Balance sheet, cash flow and financing

At the end of December, the Raisio Group's balance sheet totalled EUR 314.6 (308.5) million. Shareholders' equity was EUR 269.5 (271.3) million, while equity per share totalled EUR 1.71 (1.72). Changes in equity are described in detail in the Table section below.

The Group's cash flow from business operations after financial items and taxes totalled EUR 34.7 (23.3) million. Cash flow developed favourably, particularly because of the successful management of the working capital.

At the end of December, working capital amounted to EUR 36.8 (37.0) million.

The Group's interest-bearing debt was EUR 10.2 (1.1) million at the end of December. For the review period, interest-bearing debts include an increase in lease liabilities of EUR 10.2 million in connection with the process equipment required for the new production facility being built in Raisio's industrial area. Net interest-bearing debt was EUR -83.0 (-98.6) million.

At the end of December, Raisio's financial assets recognised at fair value through profit or loss, as well as cash and cash equivalents totalled EUR 93.2 (99.8) million. Cash reserves are primarily invested in low-risk, liquid investment objects. The fair value of financial assets recognised through profit or loss included a cumulative valuation result of EUR 1.8 (1.4) million.

At the end of December, the Group's equity ratio totalled 85.7 (87.9) per cent and net gearing was -30.8 (36.4) per cent. The return on investments (ROIC) was 11.7 (13.9) per cent and the comparable return on investments (ROIC) was 11.1 (13.9) per cent.

Raisio plc paid EUR 20.5 (25.0) million in dividends for 2019. The dividends for 2019 were comprised of a base dividend of EUR 0.13 per share.

Key figures for the balance sheet and financing

	2020	2019
Equity ratio, %	**85.7**	87.9
Net gearing, %	**-30.8**	-36.4
Net-interest bearing debt, M€	**-83.0**	-98.6
Equity per share, €	**1.71**	1.72

Investments

The January–December investments totalled EUR 28.5 (19.5) million, or 12.2 (8.3) per cent of net sales. The most significant investment of the reporting period was the new, modern production facility being built in Raisio's industrial area. This investment will be realised in accordance with the set timetable and budget. As installations were completed according to plan, the production and process equipment was able to be tested at the end of 2020. Once the production facility is ready, it will offer Raisio the possibility to meet the continuous growth in consumer demand for plant-based products, particularly in Europe.

Renewal investments for Raisioaqua's production automation system were also prepared during 2020. The automation system at the factory will be changed during January-February 2021. The new automation system will enable the collection of even more accurate real-time production data, which can be utilised in multiple digital solutions to facilitate the actual work and processes, thereby also having a positive impact on production quality. Furthermore, the functional reliability of the factory will improve significantly.

Investments

	2020	2019
Healthy Food, M€	**0.6**	0.4
Healthy Ingredients, M€	**26.2**	18.6
Other operations, M€	**1.7**	0.6
The Group total, M€	**28.5**	19.5

Research and development

In January-December, R&D expenses were EUR 4.3 (4.2) million, accounting for 1.9 (1.8) per cent of net sales. Raisio's research and development expenses included an acquisition expense of EUR 0.3 million for the new production facility being built in Raisio's industrial area.

In keeping with Raisio's strategic goals, our research and product development investments are focused on achieving even better capabilities and properties in select consumer brands, particularly as concerns gluten-free oats as raw material and the ongoing product and application developments of Benecol. The isolation measures and restrictions on movement brought about by the coronavirus pandemic cause partial delays in research and development projects and the rescheduling of certain projects.

In mid-2020, we decided to amend the goal of the 'Environmentally friendly packages' project included in Raisio's Good Food Plan 2019–2023 and to further prioritise the recyclability of our packaging as one of our top goals. The amended goal for environmentally friendly packages is as follows: 'All of our consumer packaging shall be recyclable by the end of 2023. We will continuously reduce the amount of packaging plastic with the long-term goal of completely ceasing the use of plastic packages.' Our original primary goal remains to ensure that all our consumer packaging is recyclable by the end of 2023. The goal is to continuously reduce the use of plastic in our packaging with the long-term goal of completely eliminating plastic packaging.

Due to the prevailing circumstances, product launches were also timed evenly throughout the year. Gluten-free Elovena® oat flakes were launched during the first quarter, but, during the second and third quarter, consumers were introduced to several new or improved consumer products, for example, under the Benecol, Elovena, Torino® and Sunnuntai® brand names. According to the Brand Value (Brändien arvostus) survey for 2020, published in August, Elovena had risen to be 15th on the list of the most valued brands in Finland. Our traditional Sunnuntai brand also rose dramatically to assume a higher position on the list of valued brands. In November 2020, Benecol celebrated 25 years of contributions to the well-being of consumers through its extensive cholesterol-lowering product range.

Operating environment and COVID-19

Raisio's operating environment changed considerably as the coronavirus and measures to prevent its spread closed down the economy to a large extent at the beginning of 2020. Over the short term, this was reflected in Raisio's operations as a strongly growing demand within nearly all key markets and product areas. Raisio's position and readiness to act as a responsible part of the security of supply chain within the food industry has been tested in a very concrete way as a result of the pandemic. The Group's production and personnel were able to meet the strong and rapid increase in demand in exemplary fashion. Already prior to the rise of the coronavirus pandemic, the Group management had established a working group and drew up guidelines to help assure the health and work ability of Group personnel.

During the second quarter, demand normalised following the rapid, temporary peak in demand in March. Consumers in different markets were forced to change their purchase and shopping behaviours and the role of traditional trade was forced to adapt as the volumes of new sales channels grew. The pandemic gained new strength in the form of a second wave during the third quarter, thereby introducing further restrictions and insecurities to the operating conditions of society and business life. During the final quarter of the year, society was forced to continue to operate within the exceptional environment as the promise of new vaccinations brought hope that the situation would normalise. It appears that the achievement of sufficient vaccination coverage will be pushed far into 2021.

The COVID-19 pandemic particularly had an impact on Raisio's vital UK markets, in which lockdown measures and mobility restrictions affected the possibilities for elderly consumers, in particular, to manage their shopping in the way to which they were accustomed. This change in consumer behaviour strengthened further during the third quarter and was reflected clearly as declined sales in relation to the comparison period also during the final quarter.

Global megatrends continue to support Raisio's growth strategy and its focus on responsibly produced healthy food. As the pandemic withdraws, more permanent changes in consumer behaviour may be seen. According to our estimates, value choices and consumption habits related to health will become even more prevalent. The ultimate duration and impacts of the pandemic continue, however, to be an uncertainty. In response to the pandemic, online sales were strong and will remain a permanently established form of consumer trade. Our strategic choices to focus on fewer but stronger brands support our success at a time when purchase behaviours are changing. Raisio contributes to this development through good co-operation with the chain stores.

Segment information

Healthy Food Segment

The Healthy Food Segment includes Raisio's consumer product businesses in the Western, Eastern, Central and Northern European markets.

Financial development

The Healthy Food Segment's net sales totalled EUR 135.3 (137.5) million. As the pandemic took hold at the beginning of the year, the strong peak in demand led to a natural plateauing period during the second quarter, as customers normalised their stock levels. The new wave of the pandemic strengthened during the third quarter and differences in marketing dynamics were seen in the fact that Northern Europe continued to increase its sales in relation to the comparison period, while Eastern and Central Europe's sales decreased even more dramatically than during the second quarter. Benecol sales in Western Europe declined during the third quarter in relation to its comparison period, but not to the same degree as during the second quarter. During the final quarter of the year, sales in Northern Europe continued their strong growth, the decrease in sales in Western Europe slowed further, but sales in Eastern and Central Europe fell significantly.

Altogether 41 per cent of the Healthy Food Segment's net sales were generated in Northern Europe, where Raisio's well-known brands are Elovena, Benecol, Sunnuntai, Nalle® and Torino. Nearly 44 per cent of net sales were generated from the sale of Benecol products in the Western European markets. The rest of the net sales, more than 15 per cent, were generated in Eastern and Central Europe, where Benecol and Nordic are among Raisio's well-known brands.

The Healthy Food Segment's EBIT amounted to EUR 18.6 (18.2) million, which accounted for 13.7 (13.2) per cent of net sales. Significant cost savings accrued in terms of both marketing and sales, as well as general costs due to, for example, decreased travel as a result of travel restrictions. The price development of key raw materials was fairly uniform throughout the year. For example, oat prices settled close to their long-term averages. Unfavourable currency movements were reflected stronger in the development of euro-denominated sales, but also, to some extent, in EBIT as well.

The currency conversion impact on the Healthy Food Segment's net sales was EUR -2.5 (1.2) million and EUR -0.4 (0.2) million on comparable EBIT and EBIT.

Key figures for the Healthy Food Segment

	2020	2019
Net sales, M€	**135.3**	137.5
Western Europe, M€	**59.1**	63.8
Northern Europe, M€	**55.5**	50.4
Eastern and Central Europe, M€	**20.8**	23.4
EBIT, M€	**18.6**	18.2
EBIT, %	**13.7**	13.2
Net assets, M€	**82.4**	87.6

Business operations

Western Europe

Net sales for the Western European operations amounted to EUR 59.1 (63.8) million and EBIT weakened significantly.

Net sales for the Benecol business in the UK fell clearly short of the comparison period. This also had direct negative impacts on EBIT throughout the financial period. The sales and marketing costs decreased from the level of the comparison period. The primary message concerning the cholesterol-lowering benefit of Benecol is highly emphasised in marketing. According to consumer surveys, the purchase frequency within these markets has reduced and price sensitivity has increased. Additionally, according to studies, the overall consumption of Benecol's primary target consumers has dropped in the UK by 2 per cent during the past year as a result of the strict self-isolation recommendations and regulations.

Consumers in the UK shifted the majority of their shopping to the large markets at the start of the pandemic, but as the situation continued, online trade has grown significantly, reducing the share of traditional trade. Benecol's online sales benefitted greatly from this and grew by more than 66 per cent during 2020, thereby accounting for nearly one fifth of the total Benecol sales in the UK. The smaller convenience shops have also gained popularity among consumers. Raisio's distribution coverage is not at the same level among these shops as it is among the larger chains, a fact that has had a negative impact on the development of overall sales.

Lockdown measures and restrictions in the UK have been extensive in comparison to Raisio's other key markets, with the result that the primary target consumers for Benecol products have found it challenging to make their purchases in the manner to which they have come accustomed, particularly in large markets. As the pandemic has persevered, consumers have shifted their consumption, in part, to product categories that enhance immunity and general well-being, while the cholesterol-lowering product category has been decreasing throughout the duration of the pandemic. The latest studies reflecting consumer interest indicate that cholesterol-lowering themes are nearly as intriguing as they were prior to the pandemic, which predicts a higher demand for this category in the future.

In Ireland, net sales increased slightly in relation to the comparison period, but EBIT weakened. In Belgium, net sales decreased, but EBIT improved significantly in relation to the comparison period. The current pandemic and its second wave have impeded the realisation of new listings and related campaigns. With respect to population, the pandemic situation in Belgium has been among the worst in Europe and, as a result, the sales conditions have naturally been highly exceptional. This was reflected in decreased sales but, on the other hand, also in improved profitability due to minimal investments in sales promotion.

Northern Europe

Net sales for the Northern European operations amounted to EUR 55.5 (50.4) million. EBIT further improved significantly. It was boosted by sales growth, particularly in Benecol, Sunnuntai, Torino and Elovena brands, and lower fixed costs in relation to the comparison period. In terms of percentage on the annual level, the highest increase in demand was seen in the Sunnuntai and Benecol brands. New products, which were well received, were launched evenly throughout the year. Benecol's new yogurt drinks were some of the biggest successes among the company's new launches. The exceptionally large growth in demand for Sunnuntai and Torino products throughout the year reflects the ongoing popularity of dining at home and the strong position of these traditional brands within the market.

The sale of Benecol products increased in Finland by more than 16 per cent during 2020. During the final quarter, the growth in Benecol sales accelerated and increased by 23% in comparison to the corresponding period during the previous year. Sales of Benecol yogurt drinks saw the greatest development, but nearly all other categories increased as well. Sales in Elovena products increased by over 5 per cent. Towards the end of the year, the growth in the demand for Elovena products was also clearly stronger than in the comparison period. This was reflected in the extremely positive sales results for Elovena's main product categories, such as oat flakes, biscuits, drinks and instant porridge, as consumers increased their movement and interest in snack products following the quieter period prevailing at the start of the year. The market for products intended to replace traditional protein sources appears to be continuing to grow as a whole. The company's oat mince, originally marketed under the name Muru, was renamed Elovena Oat Mince. During the review period, the delivery chain for the product experienced problems, which had an adverse impact on sales.

Eastern and Central Europe

Net sales for the Eastern and Central European operations declined significantly to EUR 20.8 (23.4) million. Profitability also declined significantly in relation to the comparison period. The currency rates developed unfavourably in all the Eastern and Central European markets, and particularly in Russia. The negative impact was clearest during the final quarter of the year. Raisio's key export countries within Eastern and Central Europe have experienced a strengthening second wave of the pandemic during the second half of the year, which has had an inevitable impact on the local markets.

Euro-denominated net sales and EBIT in Russia decreased slightly from the figures of the comparison period. Volumes and net sales in local currencies increased significantly, however. Most of sales in Russia come from premium-priced Nordic products. In Russia, the decline in consumers' purchasing power has weakened further and the immediate impact of traditional promotions on sales has also weakened in large cities. As the coronavirus pandemic drags on, the continued need to work and dine at home has further increased the demand also for premium-priced products. As a result of the purchase behaviours of consumers, Raisio's online sales grew in customer channels in large cities, which was in line with the development and change of purchasing behaviour seen within other markets. Within the Russian market, benefits have been derived from the more expansive shop coverage and the increase in brand recognition in areas outside of Moscow and St. Petersburg.

In Ukraine, both net sales and profitability decreased significantly in relation to the comparison period. Ukraine has suffered from occasional and temporary delivery and distribution difficulties, which has naturally had an impact on sales and distribution coverage. Development in terms of volume was already quite positive at the end of the final quarter, but the overall quarter still fell below that of the comparison period. In particular, development in local currencies in relation to the euro has been, during the second half of 2020, a negative external factor that had direct impacts on euro-denominated sales.

In Poland, both net sales and EBIT decreased significantly in relation to the comparison period. A large portion of Poland's Benecol distribution is focused on larger shops, whose operations have been seriously disrupted during the pandemic. During the worst moments of the pandemic, during the spring and end of the year, many of these shopping centres were shut down completely. Raisio's goal is to achieve even broader distribution coverage within the Polish market, which is very fragmented between different retailers. In Poland, as well as in many of Raisio's other markets, sales through the so-called discounter channel have increased, particularly during the pandemic. Raisio's current distribution to actors in these areas is still being built.

In its strategy, Raisio has planned to take over Benecol product markets in Europe in case the situation with a licensing partner changes and the market is important for Raisio. As a result of the previously discussed co-operation with Dr. Schär, Benecol snack products made it onto shelves in Spain for sales testing at the end of 2019. The exceptional conditions were not ideal for launches, so, at the end of 2020, the decision was made to call off the pilot project in this market for the time being. The extension of the exceptional circumstances decelerated the expansion of the Group's partnership with Dr. Schär and the opening of any new markets. The subsequent steps for this co-operation will be dictated largely by the ongoing pandemic situation.

Healthy Ingredients Segment

The Healthy Ingredients Segment includes the sale of fish feeds and the Benecol product ingredient, and the sale of grain-based products to industrial and catering companies.

Financial development

The Healthy Ingredients Segment's net sales totalled EUR 125.6 (124.6) million. Net sales declined due to the clearly lower sales of fish feeds in relation to the record-high comparison period and the reduced volume of external grain trade in accordance with the company's strategy. The openings achieved during 2019 in the Swedish and Polish fish feed markets were met with challenges as a result of unfavourable exchange rate impacts and extreme price competition. Also, deliveries to a significant Nordic customer remained modest during 2020. The domestic and foreign sales of grain products to bakeries and industrial and catering customers, on the other hand, grew dramatically in relation to the comparison period. The export of gluten-free oat products got underway during 2020 and their volume exceeded expectations. The sales of the entire Healthy Ingredients Segment increased slightly in relation to the comparison period.

The Healthy Ingredients Segment's EBIT was EUR 12.6 (12.5) million, which accounted for 10.0 (10.0) per cent of net sales. The decrease in fish feed sales in relation to the comparison period was also reflected negatively in the company's EBIT. The problems that arose within the operating environment of the industrial kitchen sector, as a result of the coronavirus pandemic, only had a minor impact on Raisio's net sales and profitability within this business area during the financial year, with volumes remaining at the level seen during 2019. The significantly reduced volumes of the external grain trade had a positive impact on EBIT.

Key figures for the Healthy Ingredients Segment

	2020	2019
Net sales, M€	**125.6**	124.6
EBIT, M€	**12.6**	12.5
EBIT, %	**10.0**	10.0
Net assets, M€	**91.9**	71.0

Business operations

Fish feeds

The overall sales for the first half of 2020 exceeded the level reached during the first half of the company's record year in 2019. The openings achieved during 2019 in the Swedish and Polish markets met with challenges during the third quarter, for example, in the form of unfavourable currency movements and extreme price competition. As a result, Raisioaqua had a loss in volumes from one significant Nordic customer. Overall profitability decreased along with the reduced volumes during the third quarter, but the relative profitability improved. During the final quarter, which is generally quiet due to the season, sales were again clearly lower than during the comparison period, but profitability was again better. In terms of the annual figures, the sales decreased clearly and the result decreased significantly. The change is primarily explained by one key customer's significantly reduced order volumes in relation to the comparison period. The development was otherwise very positive. The pandemic indirectly affected the business operations of Raisioaqua through difficulties in the foodservice sector. The market price for imported salmon dropped significantly, which also weakened the price competitiveness of Finnish rainbow trout.

Raisioaqua has systematically developed its production and flexibility, thereby drawing an impact both in terms of operational agility and improved profitability control. The investment in the modernisation of the automation system, that will be realised at the start of 2021, improves this even further.

During the second half of the year, Raisioaqua advanced the 'Aalloilta Ateriaksi' project. The project is intended to promote well-being and fishing in the Baltic Sea and to emphasise the benefits of fish farming and human health. We use the sustainably produced Baltic Blend feed, certified in accordance with the ASC standard, for the feeding of rainbow trout that are cultivated in Finland, thereby recycling the nutrients present in the sea. Every kilo of fish that is cultivated using Baltic Blend® feed reduces the phosphorous and nitrogen load that ends up in the Baltic Sea. ASC certification may open up new prospects, also in terms of the foreign market, for Raisioaqua's Baltic Blend feed innovation and fish farmers. Raisioaqua will continue to serve as a Finnish pioneer in the fish farming business and to do its part to put the industry on a path towards significant growth. At the end of the year, Raisio announced it would receive a positive arbitration award for the partial suspension of Raisioaqua's business activities in 2018. Due to the uncertainty concerning receivables, they are not recognised in the 2020 financial statements.

BtoB sales of grain-based products

Raisio's sales to Finnish bakeries and to industrial and catering customers increased dramatically. Sales in oat products and gluten-free oat products developed particularly well. The coronavirus pandemic that escalated during the first quarter also changed the needs of our foodservice customers and, thus, the sales mix that Raisio delivers to these customers. This trend continued throughout the entire year. The overall sales to foodservice customers remained at the same level achieved in 2019, which can be considered an excellent outcome.

Raisio continued its determined efforts to raise awareness of the company's oat products and oat expertise, particularly among international food industry operators. Growth in demand for oat and its ingredients continued in Europe and Asia. In particular, the demand for gluten-free oats within the domestic and export markets has increased to an extremely significant degree. Raisio's export customers are both industrial end-users and distributors. Approximately 20 new export customers were gained during the year despite the pandemic situation. Solid demand from distribution partners supported the positive growth in overall exports. Raisio's goal is to continue to increase the export of its oat-based added-value products also to foodservice customers. Delivery agreements for the coming year were finalised at the end of 2020. On the basis of new prospects and contractual negotiations, the demand for 2021 looks to be very promising.

Benecol product ingredient sales to license partners

Raisio's plant stanol ester deliveries to license partners held at the comparison level. Profitability also remained at the same level as that of the comparison period. The business conditions for Raisio's partners varied greatly, as local pandemic situations affected the sales of products. Partners in Latin America had difficulties in their own business operations, while partners operating in Asia experienced more positive business development. The traditional licensing model will continue to be a way of offering Benecol products in the markets where Raisio does not operate itself.

Grain procurement

Raisio's grain procurement primarily focuses on the acquisition of grain for the manufacturing of its own products. In accordance with our strategy, we are investing in the production and sales of value-added products. Actual external grain trade is part of Raisio's grain trade activities, but because of its low profitability, it is not included as one of the company's strategic areas of focus. The volumes of external grain trade have decreased significantly over the past few years.

During 2020, the acquisitions of milling wheat and food oats from farmers increased strongly. The growth season was exceptional and the extreme period of hot weather during the early summer had a negative effect on the crop yield. The overall grain harvest was lower than usual. The quality of the wheat and oat crops, however, still met the quality standards required by the food industry. Altogether 97% of the oats used by Raisio are grown in Finland.

The grain trade was initiated later than usual due to the delay in the harvest. The grain supply was moderate during the autumn. During the review period, Raisio began to receive food oats in Raisio as well. The reception station is convenient for our contract farmers in the area of southwestern Finland and, for our company, assures the availability of raw materials for future growth. Meetings with farmers, planned for the summer and autumn, were cancelled altogether. Newsletters concerning contract farming were sent a minimum of once per month and, in December, a webinar on the quality of the grain yield was organised. Contract farmer events for spring 2021 will also be held as webinars.

Administration and management

Board of Directors and Supervisory Board

Raisio's Board of Directors had six members from the AGM of 27 April 2020. Erkki Haavisto, Ilkka Mäkelä, Leena Niemistö, Ann-Christine Sundell, Pekka Tennilä and Arto Tiitinen served as Board members throughout the financial period 2020.

As from 27 April 2020 Ilkka Mäkelä was elected as Chairman of the Board and Ann-Christine Sundell as Deputy Chairman.

In 2020, all the Board members were independent of the company and its major shareholders.

Paavo Myllymäki served as Chairman of the Supervisory Board and Holger Falck as Deputy Chairman for the financial year 2020.

Group Executive Committee

As of 1 January 2020, the Group Executive Committee consisted of President and CEO Pekka Kuusniemi, COO of the Healthy Ingredients Unit and operations Jukka Heinänen (until 14 December 2020 and Virpi Aaltonen as of 14 December 2020), Vice President of Legal Affairs and Corporate Responsibility Sari Koivulehto-Mäkitalo, Vice President of HR Merja Lumme, CFO Toni Rannikko and CCO of the Healthy Food Unit Iiro Wester.

Directed share issue

In March 2017, Raisio plc's Board of Directors decided on the Group's key employees' sharebased incentive scheme for the earnings period that started on 1 January 2017 and ended on 31 December 2019. On 19 March 2020, the Board of Directors approved the bonuses paid under the share reward scheme and, in order to convey the part paid in shares to key employees, decided to implement a directed share issue without payment based on the authorisation granted to the Board by the Annual General Meeting of 19 March 2019. In the share issue, a total of 79,313 Raisio plc's free shares held by the company were conveyed without consideration to the key employees within the share reward scheme, with deviation from the shareholders' pre-emptive subscription right. The conveyed 79,313 free shares correspond to 0,05 per cent of all Raisio plc's shares and 0,01 per cent of all votes.

The shares were conveyed to key employees on 7 April 2020.

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

Report on non-financial information

Raisio is an international company specialised in healthy, responsibly produced food and fish feeds. The company's key markets are in Europe and its four production plants are located in Finland. Raisio's purpose "Food for Health, Heart and Earth" guides our operations. Raisio's responsibility programme, the Good Food Plan 2019–2023, is part of the company's Healthy Growth Strategy that aims, among other things, to make Raisio a forerunner in responsibility. The Good Food Plan defines the targets and actions for our responsibility work. Raisio's corporate responsibility report will be published in week 9 on the company's website at www.raisio.com.

Raisio's corporate responsibility programme has five themes: Environmentally Friendly Packaging, Healthy Food, Food Professionals, Climate Change and Carbon Neutrality, and Sustainable Food Chain.

The Raisio Code of Conduct and complementary internal guidelines and policies create a basis for profitable and responsible operations. Raisio is also committed to the UN Global Compact's sustainability initiative and its ten principles concerning human rights, labour practices, environment and corruption. In 2020, a global human rights policy was defined for the Raisio Group. In addition, Raisio's responsible practices are developed in line with the ISO 9001 quality management system, ISO 14001 environmental management system as well as BRC and FSSC product safety certificates for food production plants. Sustainable raw material choices and the commitment of the supply chain to the Raisio Supplier Code of Conduct promote the food chain responsibility.

The second year of the Good Food Programme, 2020, was marked by the COVID-19 pandemic and minimisation of its effects as well as support given to the staff as they, when possible, switched to remote work. Several significant steps were taken to achieve the responsibility programme targets.

Environment

Raisio takes environmental impact into account widely in its operations and focuses especially on carbon neutrality in its production and environmentally friendly packaging. In addition, Raisio advances its material and energy efficiency.

Raisio's key environmental goal is carbon-neutral production by the end of 2023. The company's Raisio-based industrial area has already been carbon-neutral since 2018. Of all the energy used by the Raisio Group, some 91 (92) per cent was produced in a carbon-neutral way in 2020.

In 2019, construction of a new plant began in Raisio's industrial area. The plant will be completed during 2021 and it will also get heat and industrial steam from the company's own bioenergy plant in the industrial area.

At the end of 2020, construction of a new heating plant began at the Nokia mill. As its fuel, the plant will use side streams generated in the mill's production. As the new heating plant is completed in the summer 2021, energy production at all Raisio's own production plants will be carbon neutral. With the Nokia heating plant, carbon dioxide emissions of the Nokia mill energy production will fall from the previous level of some 1,000 tonnes per year to virtually zero. The new heating plant will also bring cost savings. In addition to environmental and cost benefits, the advantage of the new heating plant is that there will be no need to transport fuel over long distances. When side streams, such as oat hulls, are used in energy production, energy costs reduce and the use of fossil fuels can be decreased. In addition, energy production using side streams increases the plant's energy self-sufficiency. As a result, the plant is not dependent on changes in fuel prices. The current plant in the mill area will remain as a reserve and peak energy plant and it will start using biogas as soon as the new plant is completed.

Raisio promotes the use of environmentally friendly packaging. In 2020, the packaging goal was specified; Raisio aims to make all consumer packaging recyclable by the end of 2023.

The target is to continuously reduce the amount of packaging plastic, and the long-term goal is to completely cease the use of plastic packages.

In 2020, we increased cooperation with research institutes, packaging manufacturers and paper industry in order to find new cardboard-based packaging options for both our existing products and new products to be launched. Through various means, we acquired more and deeper information on different materials. During the year, we made several test trials, testing the properties of new packaging materials and their impact on the shelf-life of products. The work will continue in 2021. Processes in packaging changes are lengthy and we do not compromise on the quality or safety of products.

As defined in our guidelines, clear recycling labels are always added on renewed packages and on new products to make packaging recycling easy for consumers.

Raisio's most significant environmental risks are the impacts of climate change on, e.g. energy prices and the quality, availability and prices of Raisio's key raw materials, such as grains. The risk related to the energy price increase is managed by, e.g. investing in the use of renewable energy and using production side streams for energy production in the future. Raisio aims to manage risks related to the procurement of Finnish grains by expanding the procurement area geographically in Finland.

HR and social matters

The Raisio Group's continuing operations employed 342 (319) people at the end of 2020. The Healthy Food Segment had 129 (132), the Healthy Ingredients Segment 167 (139) and service functions 46 (48) employees. At the end of 2020, a total of 19 (21) per cent of the personnel worked outside Finland. Raisio's wages and fees for continuing operations in 2020 totalled EUR 24.8 (23.7) million including other personnel expenses.

According to the Raisio Code of Conduct, the Group complies with the regulations of the International Labour Organisation (ILO) and with local collective agreements, regulations and laws related to work in the countries where the company operates. HR management is also guided by internal policies and plans for, e.g. competence development and equality.

The year 2020 was dominated by the COVID-19 pandemic and its impact on operations. In the exceptional circumstances, we continued to focus on the core of our operations, i.e. securing our production and operations, serving our customers and maintaining the work ability of our personnel.

Raisio's position and readiness to operate as a responsible part of the food industry's security of supply chain was tested concretely. The Group's production and staff were able to meet the sharply increased demand in an exemplary way. Already before the outbreak of the coronavirus pandemic, the Group management set up a working group and drew up guidelines on how to ensure the health and work ability of the staff.

Raisio's strategic goal is to be an attractive employer. This essentially includes the promotion of work ability of the personnel and support in healthy lifestyles. In the COVID-19 pandemic situation, taking care of the staff health became a key matter in 2020. At Raisio, we switched to work remotely in the positions where the nature of duties allowed it. The majority of office personnel have worked remotely since the spring. Remote work accelerated the adoption of new tools and platforms, and Raisio invested in increasing employees' virtual work skills and common practices by renewing the company's intranet and taking Microsoft 365 services into use, among other things. Weekly training in the use of Microsoft 365 tools and virtual working started in the autumn.

Superiors were provided with communication coaching that focused on solving the challenges of virtual work, giving feedback and promoting the common work culture in a remote work situation. In addition, superiors had coaching on wellbeing and safety at work. Staff experiences of working during the COVID-19 pandemic were surveyed by a questionnaire. It showed that working in the exceptional situation was considered functional, both by those who worked remotely and those who worked in the workplace. New smooth operating models were introduced.

Raisio's values defined in 2018 – Courage, Fairness and Drive – have begun to take root in the daily life of the organisation; during the year, the values were highlighted, for example by conducting a value contest.

In terms of work safety, we particularly focused on the development of the common work safety culture in 2020. To unify and develop the safety culture and common practices, we set up a safety steering group with a goal to increase the company's safety cooperation and unity. We also aim to make the safety culture familiar to all Raisio staff and part of their daily work. In 2020, the basic processes and practices related to work safety were unified in the Finnish offices; e.g. the accident investigation process was renewed and standardised so that the same principles are followed in all the company's organisations. The investigation process of each accident includes the definition of corrective actions, open communication within the organisation and peer learning.

Increased emphasis on the work safety culture and unification of the practices also increased reporting activity in the company: more safety observations, near miss cases and safety quarters were recorded. The goal is to further increase the reporting of safety observations and near miss cases with corrective actions, as this is known to clearly reduce the number of accidents at work.

In terms of social and HR matters, Raisio considers serious workplace accidents and the stability and availability of competent employees as its major risks. COVID-19 pandemic continues to pose a risk, also in 2021, to the company's personnel and continuation of production. Risks are managed by developing the occupational safety culture and by determinedly promoting competence management and well-being at work. Raisio's Pandemic Working Group set up in 2020, will continue its work to monitor the situation and instruct the personnel also during 2021.

Respect for human rights

The Raisio Group complies with applicable international and local laws in all of its operating countries. Raisio respects the UN declaration of human rights and the fundamental rights at work as defined by the International Labour Organisation (ILO). These rights cover freedom of association, the right to organise or not to organise, the right to collective bargaining, the prohibition of forced labour and child labour, and the employees' right to equal treatment and opportunities. Raisio is also committed to the ten principles of the UN Global

Compact initiative regarding human rights, labour, environment and anti-corruption.

In 2020, a global human rights policy was defined for the Raisio Group. It complements the company's Code of Conduct and is applied in all Raisio's Group companies globally.

Raisio is not aware of any human right violations related to its operations.

The Sustainable Food Chain project of Raisio's responsibility programme focuses on the responsibility and human rights of the supply chain.

Through the trainings, employees' knowledge and skills on human rights have increased. In 2020, we prepared a guide to manage human rights risks in the supply chain. The guide includes, for example, human rights related questions that are used in the supplier and subcontractor audits. The questions cover the following areas: working conditions, work safety, environmental risks, freedom of assembly, violation of workers' privacy, complaints mechanisms, use of child labour, and discrimination. In addition, the questions reflect the processes of suppliers in their own subcontracting chain.

Raisio's biggest human rights risks are typical for the food industry. The major risks are related to long procurement chains and procurement of labour-intensive raw materials. The risks are managed by the means mentioned in Raisio's Global Human Rights Policy, for example, by taking the risks into account already when selecting a supplier and by more careful monitoring when purchasing from potential risk countries. To ensure the responsibility of the entire procurement chain, all the chain operators have to work together.

Raisio's single largest raw material group is grain, which accounts for 74 (69) per cent of raw materials. 97 per cent of grain is Finnish. The supply chain of grain is short: we procure grains directly from farmers without interim storage. Foreign labour is rarely used on Finnish grain farms, which further reduces the risk of human rights violations. In terms of the production of soy, palm oil and cocoa, Raisio has identified that risks related to, e.g., employees' rights and environmental responsibility are possible. This risk is minimised by procuring responsibility certified soy, palm oil and cocoa.

In terms of responsibility, most of the raw materials are acquired from low-risk regions, such as Finland and the rest of Europe. Some raw materials are only available from the higher-risk countries and then, a special attention is paid to the supplier's procedures and certifications. We also use the BSCI risk country classification that guides to procure from low-risk countries.

The company expects its suppliers to commit to the Raisio Supplier Code of Conduct. By the end of 2020, 95 (92) per cent of our subcontractors and suppliers of raw materials and packaging had confirmed in writing to comply with the Raisio Supplier Code of Conduct. However, all Raisio's suppliers are committed to compliance with ethical principles, for example through their own Code of Conduct.

Matters related to anti-corruption and bribery

Raisio Code of Conduct and anti-corruption policy explicitly prohibit corruption and bribery. Employees are regularly trained in the Code of Conduct and anti-corruption policy, and the training is part of the induction programme of each new employee.

Measures against bribery and corruption are also taken into account in all agreements concluded by Raisio; they are required in the Raisio Supplier Code of Conduct.

Raisio has clear instructions for reporting abuse. The staff can report suspected or actual misconduct to the immediate superior or his/her superior. Employees can also report their suspicions of misconduct using a separate e-mail address; all the reports are investigated with absolute confidentiality, taking into account the requirements of local legislation.

Healthy food

As defined in its strategy, Raisio focuses on healthy and tasty food. Raisio's view on healthy food is based on the generally approved concepts confirmed by the science of nutrition. To support product development, the company has defined healthy criteria for all its product categories. The criteria take issues essential to health into account in each category. Raisio's criteria are available on the company's website.

While developing products, we pay special attention to the good taste of products, the amount of fibre, the quality of fat and the amounts sugar and salt – and strive for the best possible combination of taste and healthiness.

As for the healthiness of food, consumers face information overflow that Raisio identifies as a risk as it may lead to uncertainty about healthy choices. Raisio communicates responsibly on nutrition and product healthiness in line with the nutrition recommendations.

Key goals and results

Goal by the end of 2023	Corporate Governance	Results 2020
Environment		
100% carbon-neutral energy in productions	• Systematic transition to the use of carbon-neutral energy	• Carbon dioxide emissions 1,600 (2019: 1,500, 2018: 1,600) t CO_2e • Of all the energy used by Raisio 91 (2019: 92, 2018: 90)% carbon neutral
Environmentally friendly packaging: • 100% recyclable consumer packaging • continuous reduction of the amount of packaging plastic	• In consumer products, recyclable packaging and reducing the amount of packaging plastic	• Of consumer packaging, 87 (2019: 83)% recyclable • Of consumer packaging, 58 (2019: 56, 2018: 57)% cardboard or paper • Of consumer packaging, 42 (2019: 44, 2018: 43)% plastic packaging
Social and HR matters		
Promotion of wellbeing at work	• Support for the personnel's healthy lifestyles • Development of virtual work skills	• Employee turnover 10 (2019: 11, 2018: 13)%. • 72 (2019: 68)% of employees completed online training on values. • 60 (2019: 43)% of personnel completed healthy food online training
Strengthening of work safety culture	• Development of the common work safety culture and unification of common practices • Encouragement of personnel to use preventive safety tools and to make safety observations	• Accidents (Lost time injury 1) 10 (2019: 4, 2018: 11) • Proactive work safety measures 152 pcs (2019: 135 PCS); including safety observations, near miss cases and safety quarters
Human rights		
Development of procurement responsibility	• Suppliers and subcontractors required to sign the Raisio Supplier Code of Conduct • Raisio only uses responsibility certified palm oil, cocoa and soy	• 95 (2019: 92, 2018: 95)% of subcontractors and suppliers confirmed to comply with the Raisio Supplier Code of Conduct • 100 (2019: 100, 2018: 100)% responsible palm oil • 100 (2019: 100, 2018:100)% responsible soy • 93 (2019: 78, 2018: 80)% responsible cocoa
Increasing human rights expertise	• Defining Human Rights Policy for the Raisio Group • Staff training on human rights	• Raisio's Global Human Rights Policy defined, approved and published both within the company and on the website
Matters related to corruption and bribery		
100% of staff completed the online training on the Raisio Code of Conduct	• Online training, available in three languages, is part of the induction of new employees	• 81 (2019: 81, 2018: 79)% of employees completed online training
Healthy food		
80% of consumer products healthy alternatives in their own product categories	• Raisio has defined health criteria for all its product categories; the criteria are based on European nutrition recommendations • The criteria are used, e.g. to support Raisio's product development • Health criteria also available on the company's website	• 79 (2019: 77, 2018: 69, 2017: 65)% of consumer products were healthy alternatives in their own categories at the end of 2020

Short-term risks and sources of uncertainty

During 2020, significant changes have occurred with regard to the risks and sources of uncertainty presented in Raisio's 2019 Financial Statements and Financial Statements Bulletin. The limitations resulting from the pandemic and possible extensive sick leaves across the production and delivery chains may have an impact on the company's operational ability. Raisio has implemented widescale measures to reduce any possible risks and their impacts. The impacts of the COVID-19 pandemic have also been described in the section of this report entitled 'Operating environment and COVID-19'.

Under normal conditions, Raisio's most significant short-term business risks are related to general economic development and consumer demand. Extreme weather phenomena and changes in the availability, quality and price of the key raw materials, such as grains and sterols, are a major challenge for Raisio's operations. During the past few years, Raisio has assessed the major risks related to Brexit and defined the company's adjustment measures. With the trade agreement finally signed at the end of 2020, it appears that the activities will continue undisturbed, thereby reducing the risks for Raisio in the near future within this key market. Changes in key currencies relevant for Raisio and currency conversions affect Raisio's net sales and EBIT both directly and indirectly. Their overall impact is explained in detail in the financial reports to provide a better and more comprehensive overall picture of the situation and related risks.

Outlook 2021

In 2021, Raisio estimates that net sales will grow from the level of the comparison period (net sales in 2020: EUR 233.6 million). The costs accrued as a result of our front-loaded growth investments will put pressure on our profitability in 2021 compared to the 2020.

Events following the review period

In a stock exchange release issued on 17 December 2020, the Raisio Group announced a positive arbitration award in connection with the partial suspension of Raisioaqua's business in 2018. Due to the uncertainty related to the receivable, Raisio did not recognise the amount to be reimbursed in full or in part in its income statement. In a stock exchange release issued on February 8, 2021, Raisio stated that it had entered into an agreement to sell the receivable and recognised EUR 2.8 million in other operating income.

Board of directors' proposal for the distribution of profits

The parent company's distributable assets based on the balance sheet on 31 December 2020 totalled EUR 111,870,754.69.

The Board of Directors proposes that a dividend of EUR 0.13 per share be paid from the parent company's retained earnings. Hence, the proposed dividend will total EUR 21,469,373.90, and EUR 90,401,380.79 will be left in the profit account. No dividends will be paid on the shares held by the company on the record date 15 April 2021. The payment date of the dividend is proposed to be 22 April 2021.

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

In Raisio, 9 February 2021

Raisio plc
Board of Directors

Information required in the Companies Act and Decree of the Ministry of Finance on the regular duty of disclosure of an issuer of a security, such as information regarding share classes, shareholders and share trading, close associates, company shares held by the company and their acquisitions and transfers as well as key figures, are presented on pages 16–28, part of the official Annual Report, as well as in the Notes to the Financial Statements.

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

Shares and shareholders

Content

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

Shares and shareholders

Raisio plc's shares are listed on Nasdaq Helsinki Ltd. Raisio's market value at the end of 2020 was EUR 528.7 million. Overall trading totalled nearly EUR 120.4 million. The closing price of free shares on 31 December 2020 was EUR 3.19, and that of restricted shares EUR 3.25. The Board of Directors will propose a dividend of EUR 0.13 at the Annual General Meeting in spring 2021.

Share capital and share classes

The fully paid-up share capital of Raisio plc is EUR 27,776,072.91, which on 31 December 2020 was divided into 31,445,385 restricted shares (series K) and 133,703,672 free shares (series V). No nominal value is quoted for the shares. Restricted shares accounted for 19.0% of the share capital and 82.5% of the votes, while the corresponding figures for free shares were 81.0% and 17.5% (on 31 December 2020). The company's minimum share capital is EUR 25,000,000 and maximum share capital EUR 100,000,000. The share capital can be raised or lowered within these limits without amending the Articles of Association. There were no changes in the share capital during 2020. The company has not issued securities that entitle the holder to shares.

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

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

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

The Board may also convert restricted shares into free shares on request and likewise give advance information on whether the applicant will be granted permission to acquire restricted shares. In 2020, a total of 9,610 restricted shares were converted into free shares. In the book-entry system, restricted shares for which the approval procedure is in progress or the approval has not been sought, will be retained on the waiting list until they are entered as restricted shares in the share register following approval, assigned to another shareholder or converted into free shares. There were 8.3 million restricted shares on the waiting list on 31 December 2020.

Ownership structure

At the end of 2020, Raisio plc had 36,879 registered shareholders (31 December 2019: 35,919).

In 2020, foreign ownership in the Company amounted to 22.5 per cent at its highest, to 17.6 per cent at its lowest and was 17.6 per cent at the end of the year (31 December 2019: 22.7%).

0.1 per cent of free shares and 1.9 per cent of restricted shares remain outside the book-entry system.

Shares held by management

The members of the Board of Directors and Supervisory Board and Managing Director as well as the companies and foundations of which they have control held a total of 656,835 restricted shares and 450,793 free shares on 31 December 2020. This equals 0.67 per cent of all shares and 1.78 per cent of overall votes.

Shareholder agreements

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

Flagging notifications

In 2020, the company did not receive any notifications of significant changes in holding and voting rights referred to in section 9 of the Securities Markets Act.

Dividend policy and dividend

Raisio plc aims to pay an annual dividend of 50–100 per cent of earnings per share (EPS) for its continuing operations. In addition, the Board of Directors may propose an extra dividend to be distributed. The payment of dividends under the dividend policy is subject to the condition that the payment does not compromise the company's financial position or the achievement of strategic objectives.

The AGM held in April 2020 decided on a dividend of EUR 0.13 per share, which was paid to shareholders on 7 May 2020. No dividend, however, was paid on the shares held by the company. The Board will propose a per-share dividend of EUR 0,13 at the AGM in spring 2021. The record date is 15 April 2021 and the payable date 22 April 2021.

Raisio shares traded on Stock Exchange in 2020

The highest price of the series V share was EUR 3.87, the lowest EUR 2.43 and the average price EUR 3.22. The year-end price of the V share was EUR 3.19. A total of 35.7 million V shares were traded (27.0 million in 2019), which equals some 27 per cent of the total volume of V shares. The value of share trading was EUR 114.9 million (EUR 77.6 million in 2019).

The highest price of the series K share was EUR 3.86 and the lowest EUR 2.47. The average price was EUR 3.26. The year-end price of the K share was EUR 3.25. A total of 1.7 million K shares were traded (1.2 million in 2019), and the value of share trading was EUR 5.5. million (EUR 3.7 million in 2019).

At the end of 2020, the share capital had a market value of EUR 528.7 million (EUR 560.2 million in 2019) and EUR 504.1 million (EUR 533.8 million in 2019) excluding the shares held by the company.

Company shares

At the end of the review period, Raisio plc held 7,490,445 free shares and 212,696 restricted shares The number of free shares held by Raisio plc accounts for 5.6 per cent of all free shares and the votes they represent, while the corresponding figure for restricted shares is 0.7 per cent. In all, the shares held by the company represent 4.7 per cent of the entire share capital and 1.5 per cent of overall votes. Other Group companies hold no Raisio plc shares.

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

Raisio plc's Research Foundation holds 150,510 restricted shares, which is 0.48 per cent of the restricted shares and the votes they represent and, correspondingly, 0.09 per cent of the entire share capital and 0.39 per cent of the votes it represents.

Acquisition and conveyance of own shares

Based on the authorisation given by the AGM 2020, the Board can acquire and/or accept as pledge in one or more lots a maximum of 6,250,000 shares at a time; a maximum of 5,000,000 free shares and a maximum of 1,250,000 restricted shares. The authorisation will be valid until the conclusion of the following Annual General Meeting and at the latest 30 April 2021. The number of own shares that can be purchased and/or accepted as collateral based on this authorisation totals 3.8 per cent of all shares and 3.9 per cent of the votes they represent.

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

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

During the financial period, the Board has not exercised its authorisation to repurchase own shares or accept own shares as collateral. Furthermore, the Board has not purchased or accepted as collateral any shares during the financial period based on the authorisation granted by AGM 2019 and expired on 27 April 2020.

In the review period, a total of 12,629 free shares were assigned to the Chairman and members of the Board as part of the compensation for managing their duties, in line with the decision taken by the AGM in 2020. The value of free shares assigned as fees to the Board was EUR 41,985 at the time of the assignment.

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

Share issue authorisation

The AGM of 2020 authorised the Board to decide on the share issues by disposing any potentially repurchased own shares, a maximum total of 12,500,000 free shares and 1,460,000 restricted shares, and by issuing a maximum of 20,000,000 new free shares against payment.

Based on the authorisation, the number of the shares to be assigned and held by the Company on 31 December 2020 equals 4.7 per cent of the share capital and 1.5 per cent of the votes it represents. Furthermore, based on the authorisation, the number of issued new shares equals 12.1 per cent of the share capital and 2.6 per cent of the votes it represents.

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

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

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

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

The share issue authorisation will be valid until the conclusion of the following Annual General Meeting and at the latest 30 April 2021.

During the financial period, the Board has not exercised its share issue authorisation of 2020.

Directed share issue

In December 2017, Raisio plc's Board of Directors decided on the Group's key employees' share-based incentive scheme for the period that started on 1 January 2017 and ended on 31 December 2019. On 19 March 2020, the Board of Directors approved the bonuses paid under the share reward scheme and, in order to convey the part paid in shares to key employees, decided to implement a directed share issue without payment based on the authorisation granted to the Board by the AGM of 19 March 2019. In the share issue, a total of 79,313 Raisio plc's free shares held by the company were conveyed without consideration to the key employees within the share reward scheme, with deviation from the shareholders' pre-emptive subscription rights. The conveyed 79,313 free shares correspond to 0.05 per cent of all Raisio plc's shares and 0.01 per cent of all votes.

The shares were conveyed to key employees on 7 April 2020.

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

Corporate Governance

Annual General Meeting and Company Management

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

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

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

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

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

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

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

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

Amendments to the Articles of Association

As a rule, the amendment of the Articles of Association requires that the proposed amendment is supported by at least two-thirds of the votes given and the shares represented at the meeting. In order to change sections 6, 7, 8, 9 and 18 of the Articles of Association, such a decision is required which is made at two successive General Meetings, held with an interval of at least 20 days, by a majority of three fourths of the votes given and of the shares represented. In certain matters, the Companies Act requires a vote by classes of shares and shareholder approval. The Articles of Association have not been amended or proposed to be amended during 2020.

Information on Raisio plc's shares and shareholders

25 major shareholders 31 December 2020 according to shareholders' register

Shareholders	Series K, no.	Series V, no.	Total no.	%	Votes, no.	%
The Central Union of Agricultural Producers and Forest Owners (MTK)	3,733,980	199,000	3,932,980	2.38	74,878,600	9.82
Varma Mutual Pension Insurance Company		3,567,159	3,567,159	2.16	3,567,159	0.47
Ilmarinen Mutual Pension Insurance Company		3,010,907	3,010,907	1.82	3,010,907	0.39
Niemistö Kari		2,840,000	2,840,000	1.72	2,840,000	0.37
Aktia Capital Fund		2,780,000	2,780,000	1.68	2,780,000	0.36
Veritas Pension Insurance Company Ltd.		2,181,387	2,181,387	1.32	2,181,387	0.29
Relander Pär-Gustaf		1,855,068	1,855,068	1.12	1,855,068	0.24
Evli Finland Small Firms Fund		1,765,541	1,765,541	1.07	1,765,541	0.23
Elo Mutual Pension Insurance Company		1,741,793	1,741,793	1.05	1,741,793	0.23
OP Finland Small Firms Fund		1,333,037	1,333,037	0.81	1,333,037	0.17
Nordea Pro Finland Fund		1,321,073	1,321,073	0.80	1,321,073	0.17
The State Pension Fund		1,300,000	1,300,000	0.79	1,300,000	0.17
Maa- ja vesitekniikan tuki r.y.		1,000,000	1,000,000	0.61	1,000,000	0.13
Oy Etra Invest Ab		1,000,000	1,000,000	0.61	1,000,000	0.13
Evli Finland Select Fund		990,709	990,709	0.60	990,709	0.13
Special investment fund Taaleri Mikro Markka Share		850,000	850,000	0.51	850,000	0.11
Laakkonen Mikko		826,823	826,823	0.50	826,823	0.11
Svenska lantbruksproducenternas centralförbund SLC rf.	772,500		772,500	0.47	15,450,000	2.03
Langh Hans	679,980		679,980	0.41	13,599,600	1.78
Keskitien Säätiö	100,000	500,000	600,000	0.36	2,500,000	0.33
Haavisto Maija	393,120	195,099	588,219	0.36	8,057,499	1.06
Haavisto Heikki	579,656		579,656	0.35	11,593,120	1.52
Nordea Finland Fund		573,942	573,942	0.35	573,942	0.08
Aktia Secura Fund		523,000	523,000	0.32	523,000	0.07
OP Life Assurance Company Ltd		518,443	518,443	0.31	518,443	0.07

Shares registered under foreign ownership, including nominee registrations, totalled 29,104,602, or 17.6% of the total and 21.8% of free shares. Raisio plc owned 7,703,141 company shares, which represents 4.7% of the total.

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 656,835 restricted shares and 450,793 free shares on 31 December 2020. This equals 0.67 per cent of all shares and 1.78 per cent of overall votes.

Breakdown of share capital and votes as 31 December 2020

	No. of shares	% of shares	% of votes
Free shares	**133,703,672**	**80.96**	**17.53**
Restricted shares	**31,445,358**	**19.04**	**82.47**
Total	**165,149,030**	**100.00**	**100.00**

Breakdown of ownership structure on 31 December 2020

By owner group

Owner group	%
Households	**46.3**
Foreign owners 2)	**17.6**
Private enterprises 3)	**8.6**
Financial and insurance institutions 1)	**9.2**
Non-profit organisations	**5.4**
Waiting list and joint account	**5.5**
Public corporations	**7.4**

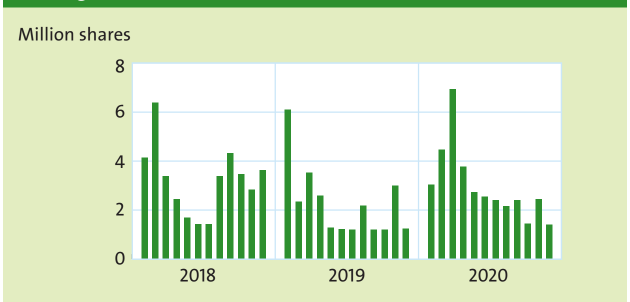
1) excluding nominee-registered
2) including nominee-registered
3) including the shares held by the company

By shares held

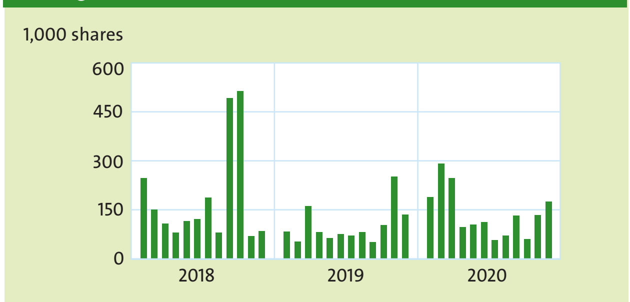
	Free shares				Restricted shares			
Shares	**Shareholders**		**Shares**		**Shareholders**		**Shares**	
no.	**no.**	**%**	**no.**	**%**	**no.**	**%**	**no.**	**%**
1–1 000	24,289	69.2	10,094,841	7.6	2,567	57.7	893,833	2.8
1 001–5 000	8,665	24.7	20,227,445	15.1	1,204	27.1	2,898,295	9.2
5 001–10 000	1,321	3.8	9,805,903	7.3	349	7.8	2,487,089	7.9
10 001–25 000	565	1.6	8,740,594	6.5	224	5.0	3,528,044	11.2
25 001–50 000	156	0.4	5,475,373	4.1	65	1.5	2,105,495	6.7
50 001–	122	0.3	79,181,246	59.2	38	0.9	10,608,469	33.7
waiting list							8,334,853	26.5
joint account			178,270	0.1			589,280	1.9
total	35,118	100.00	133,703,672	100.00	4,447	100.00	31,445,358	100.00

31 December 2020 Raisio plc had a total of 36,879 registered shareholders (31.12.2019 total 35,919).

Trading volume, free share



Trading volume, restricted share



Share price development, EUR, free share

Share price development, EUR, restricted share

Share indicators

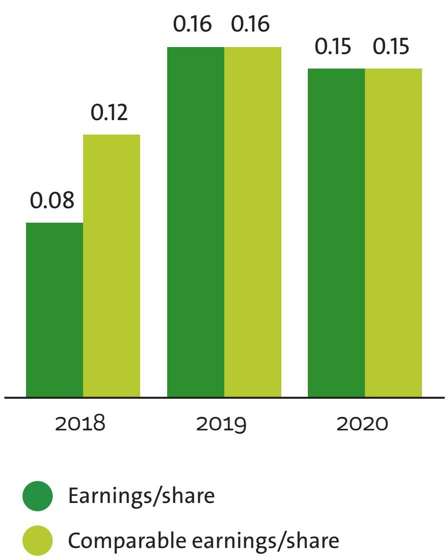
	2020	2019	2018	2017
Undiluted earnings/share (EPS), € [1]	**0.15**	0.16	0.08	0.26
Diluted earnings/shares (EPS), € [1]	**0.15**	0.16	0.08	0.26
Undiluted comparable earnings/share, € [1]	**0.14**	0.16	0.12	0.17
Earnings/share, discontinued operations (EPS), € [1]			0.10	-0.37
Cash flow from business operations/share, € [1]	**0.22**	0.15	0.07	0.21
Equity/share, € [1]	**1.71**	1.72	1.68	1.68
Dividend/share, €	**0.13** [2]	0.13	0.16 [3]	0.17
Dividend/earnings, %	**87.4**	80.1	200.0	65.4
Effective dividend yield, %				
Free shares	**4.1**	3.8	6.8	4.4
Restricted shares	**4.0**	3.9	6.9	4.4
P/E ratio				
Free shares	**21.4**	21.0	29.3	14.8
Restricted shares	**21.9**	20.7	29.0	14.8
Adjusted average quotation, €				
Free shares	**3.22**	2.87	3.41	3.57
Restricted shares	**3.26**	3.03	3.26	3.59
Adjusted lowest quotation, €				
Free shares	**2.43**	2.34	2.33	3.31
Restricted shares	**2.47**	2.31	2.30	3.31
Adjusted highest quotation, €				
Free shares	**3.87**	3.69	4.59	3.88
Restricted shares	**3.86**	3.90	4.54	3.86
Adjusted quotation 31 December, €				
Free shares	**3.19**	3.40	2.35	3.84
Restricted shares	**3.25**	3.36	2.32	3.84
Market capitalisation 31 December, M€ [1]				
Free shares	**402.6**	428.8	294.9	480.1
Restricted shares	**101.5**	105.0	73.3	124.0
Total	**504.1**	533.8	368.2	604.1

[1] Number of shares, excluding the company shares held by the Group
[2] According to the Board of Director's proposal 0.13 per share
[3] Dividend EUR 0.16 per share includes an extra dividend of EUR 0.04

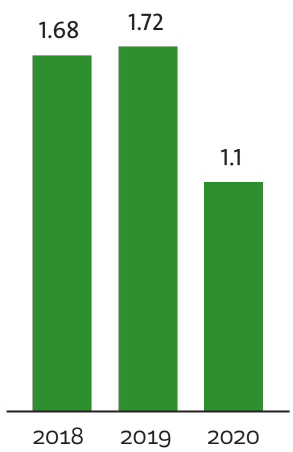
	2020	2019	2018	2017
Trading, EURm				
Free shares	**114.9**	77.6	131.3	122.8
Restricted shares	**5.5**	3.7	7.3	4.6
Total	**120.4**	81.3	138.7	127.4
Number of shares traded				
Free shares, 1,000 shares	**35,731**	27,034	38,482	34,410
% of total	**26.7**	20.2	28.9	25.9
Restricted shares, 1,000 shares	**1,673**	1,214	2,252	1,280
% of total	**5.3**	3.9	7.1	3.9
Average adjusted number of shares, 1,000 shares [1]				
Free shares	**126,180**	125,865	125,413	124,927
Restricted shares	**31,236**	31,480	31,917	32,436
Total	**157,416**	157,345	157,329	157,363
Adjusted number of shares 31 December, 1,000 shares [1]				
Free shares	**126,213**	126,112	125,763	125,028
Restricted shares	**31,233**	31,242	31,578	32,291
Total	**157,446**	157,354	157,341	157,319

[1] Number of shares, excluding the company shares held by the Group

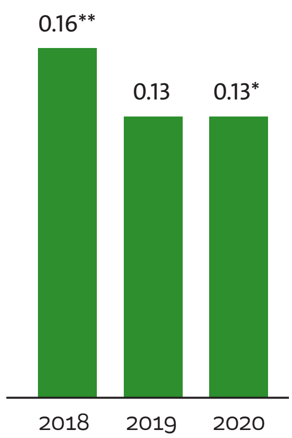
Earnings/share, EPS (€)
2018–2020



Equity per share (€)
2018–2020



Dividend/share (€)
2018–2020



*) Board of Directors' proposal

**) Dividend of EUR 0.16 per share includes an extra dividend of EUR 0.04 per share

Calculation of share indicators

Undiluted earnings per share	$\dfrac{\text{Result from continuing operations for the year of parent company shareholders}}{\text{Average number of shares for the year, adjusted for share issue}}$
Undiluted comparable earnings per share	$\dfrac{\text{Comparable result from continuing operations for the year of parent company shareholders}}{\text{Average number of shares for the year, adjusted for share issue}}$
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	$\dfrac{\text{Equity of parent company shareholders}}{\text{Number of shares at end of period, adjusted for share issue}}$
Dividend per share	$\dfrac{\text{Dividend distributed in the period}}{\text{Number of shares at end of period}}$
Dividend per earnings, %	$\dfrac{\text{Dividend per share}}{\text{Profit per share}} \times 100$
Effective dividend yield, %	$\dfrac{\text{Dividend per share, adjusted for share issue}}{\text{Closing price, adjusted for share issue}} \times 100$
Price per earnings (P/E ratio)	$\dfrac{\text{Closing price, adjusted for share issue}}{\text{Profit per share}}$
Market capitalisation	Closing price, adjusted for issue x number of shares without company shares on 31 December

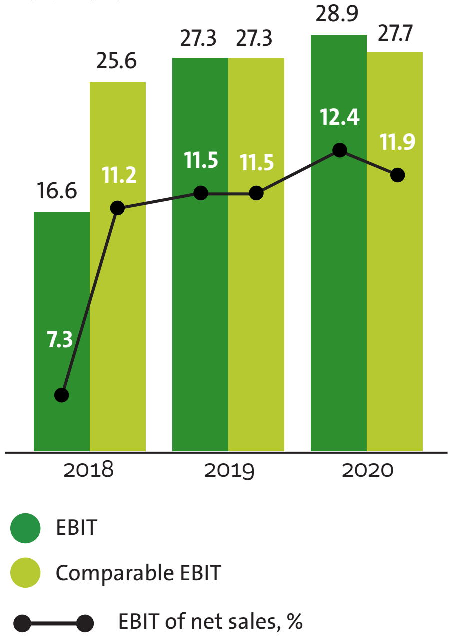
Key financial indicators and reconciliations

Key financial indicators

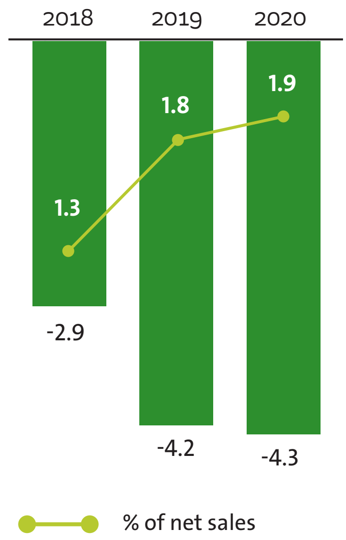
	2020	2019	2018	2017
Result and profitability				
Net sales, M€	**233.6**	236.3	228.2	234.6
change, %	**-1.2**	3.5	-2.7	-9.1
International net sales, M€	**144.1**	149.0	142.1	156.2
% of net sales	**61.7**	63.1	62.3	66.6
Operating margin, M€	**35.1**	33.6	31.0	68.1
% of net sales	**15.0**	14.2	13.6	29.0
Comparable operating margin, M€	**33.9**	33.6	31.3	42.2
% of net sales	**14.5**	14.2	13.7	18.0
Deprecation and write-downs, M€	**6.2**	6.4	14.4	14.0
EBIT, M€	**28.9**	27.3	16.6	54.1
% of net sales	**12.4**	11.5	7.3	23.0
Comparable EBIT, M€	**27.7**	27.3	25.6	35.9
% of net sales	**11.9**	11.5	11.2	15.3
Result before taxes, M€	**29.4**	28.5	15.7	52.7
% of net sales	**12.1**	12.1	6.9	22.5
Return on equity, ROE, %	**8.7**	9.5	4.6	14.0
Return on investment, ROI, %	**11.7**	13.9	8.1	8.5 *
Comparable return on investment, ROI, %	**11.1**	13.9		
Financial and economical position				
Shareholders' equity, M€	**269.5**	271.3	264.8	264.0
Interest-bearing financial liabilities, M€	**10.2**	1.1	23.0	45.9
Net interest-bearing financial liabilities, M€	**-83.0**	-98.6	-119.2	-105.1
Balance sheet total, M€	**314.6**	308.5	324.4	361.3
Equity ratio, %	**85.7**	87.9	81.7	73.4
Net gearing, %	**-30.8**	-36.4	-45.0	-39.8
Cash flow from business operations, M€	**34.7**	23.3	11.5	33.3
Cash flow from business operations per share, M€	**0.22**	0.15	0.07	0.21
Other indicators				
Gross investments, M€	**28.5**	19.5	5.6	10.1
% of net sales	**12.2**	8.3	2.4	4.3
R&D expenses, M€	**-4.3**	-4.2	-2.9	-2.9
% of net sales	**1.9**	1.8	1.3	1.2
Average personnel	**348**	328	335	342

* ROIC of 2017 does not include the sales of the Southall property.

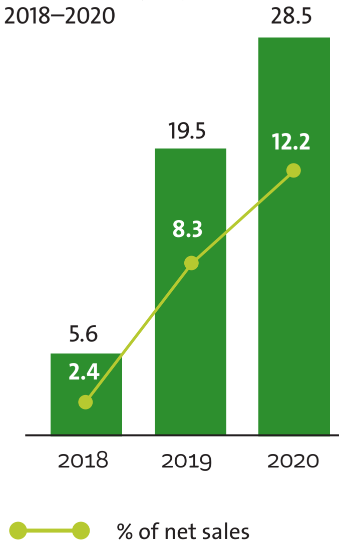
EBIT (M€)
2018–2020



R&D expenses (M€)
2018–2020

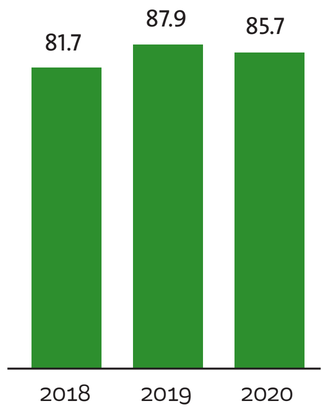


Investments (M€)
2018–2020

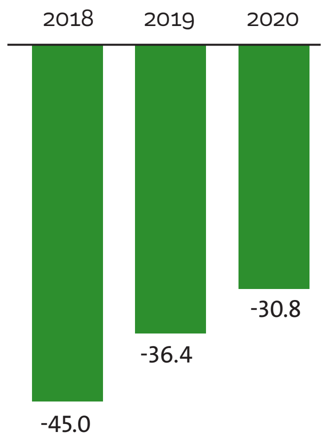


Excluding acquisitions

Equity ratio (%)
2018–2020



Net gearing (%)
2018–2020



Calculation of indicators

Alternative key figures

EBIT

Earnings before income taxes, financial income and expenses presented in the IFRS consolidated income statement.

EBIT illustrates the economic profitability of operations and its development.

Comparable EBIT

EBIT +/- items affecting comparability

Comparable EBIT shows economic profitability of the business operations and its development without items affecting comparability.

EBIT, %

$$\frac{\text{EBIT}}{\text{Net sales}} \times 100$$

The figure shows the relation between EBIT and net sales.

Comparable EBIT, %

$$\frac{\text{Comparable EBIT}}{\text{Comparable net sales}} \times 100$$

The figure shows the relationship between EBIT and net sales without items affecting comparability.

EBITDA

EBIT + depreciations and impairment

EBITDA describes the earnings from business operations before depreciation, financial items and income taxes. It is an important indicator as it shows how much the margin is from net sales after deduction of operating expenses.

Comparable EBITDA

EBIT +/- items affecting comparability
+ depreciations and impairment

Comparable EBITDA represents the earnings from business operations before depreciations, financial items, and income taxes without items affecting comparability.

Earnings before taxes

Earnings before income taxes presented in the IFRS consolidated statements.

Return on equity (ROE), %

$$\frac{\text{Result before taxes – income taxes}}{\text{Shareholders' equity (average over the period)}} \times 100$$

Return on equity measures the earnings for the financial period in proportion to equity. The figure shows the Group's ability to generate profits from the shareholders investments.

Return on investment (ROIC), %

$$\frac{\text{Result after taxes}}{\text{Operating cash* + net working capital + non-current assets}} \times 100$$

(*Operating cash 4% of net sales)

Return on investment (ROIC) is a profitability or performance ratio that measures how much investors earn on the capital invested.

Equity ratio, %

$$\frac{\text{Shareholders' equity}}{\text{Balance sheet total - advances received}} \times 100$$

Net interest-bearing financial liabilities

Interest-bearing financial liabilities - liquid funds and liquid finacial assets at fair value through profit or loss

Net gearing, %

$$\frac{\text{Net interest-bearing financial liabilities}}{\text{Shareholders' equity}} \times 100$$

Reconciliations

Reconciliations related to cash flow statement

Adjustments to business cash flows

Income statement items containing no payment transaction and items presented elsewhere in the cash flow statement are adjusted.

(EUR million)	1–12/2020	1–12/2019
Capital gains and losses of fixed asset	**-0.1**	0.0
Costs of share rewards	**0.6**	0.6
Provisions	**-1.1**	
Other	**0.0**	0.2
Total adjustments in cash flow statement	**-0.6**	0.8

The group Others representing adjustments to business cash flows contains the adjustments to exchange rate gains and losses related to unrealised purchases and sales as well as the adjustment of other non-payment-based items.

Acquisitions and disposals of fixed assets of cash flow from investing

(EUR million)	1–12/2020	1–12/2019
Acquisition of fixed assets total	**-28.5**	-19.5
Payments for investments of earlier periods (change in account payable)	**4.5**	1.9
Agreement on financing of previous years' investments	**3.9**	
Investments funded by lease liability or non-interest-bearing debt	**-0.8**	-0.9
Fixed asset acquisitions funded by cash payments	**-20.9**	-18.5
Capital gain and loss on fixed assets in the income statement	**0.4**	0.0
Balance sheet value of disposed asset	**0.3**	0.0
Consideration received from fixed asset divestments in the cash flow statement	**0.7**	0.0

Reconciliation of liabilities related to financing activities

		Non cash flow influenced changes			
(EUR million)	31 Dec 2019	Cash flows	IFRS 16	Changes in exchange rates	31 Dec 2020
Non-current liabilities	**0.0**				**0.0**
Lease liability	**1.1**	**-0.8**	**9.9**	**0.0**	**10.2**
Total liabilities for financing activities	**1.1**	**-0.8**	**9.9**	**0.0**	**10.2**

Reconciliations of the alternative key figures

Items affecting comparable EBIT

(EUR million)	1–12/2020	1–12/2019
Comparable EBIT	**27.7**	27.3
Release of a provision related to a previously sold business	**1.1**	
Items affecting comparability, in total	**1.1**	
EBIT	**28.9**	27.3

Items affecting comparable EBITDA

(EUR million)	1–12/2020	1–12/2019
Comparable EBITDA	**33.9**	33.6
+/- Items affecting EBIT	**1.1**	
Items affecting comparability, in total	**1.1**	
EBITDA	**35.1**	33.6
+/- Impairment	**0.0**	0.0
+/- Depreciations	**-6.2**	-6.4
EBITDA	**28.9**	27.3

Consolidated income statement (IFRS)

(EUR million)	Note	1–12/2020	1–12/2019
NET SALES	2.2.1	233.6	236.3
Cost of sales		-168.8	-169.3
Gross profit		64.8	67.0
Sales and marketing expenses		-21.6	-23.9
Administration expenses		-11.6	-12.3
Research and development expenses		-4.0	-4.2
Other income and expenses from business operations	9.1.1	1.3	0.7
EBIT		28.9	27.3
Financial income	5.1	2.0	2.9
Financial expenses	5.1	-1.4	-1.7
RESULT BEFORE TAXES		29.4	28.5
Income taxes	6.1	-6.0	-2.9
RESULT FOR THE FINANCIAL PERIOD		23.4	25.5
ATTRIBUTABLE TO:			
Equity holders of the parent company		23.4	25.5
Non-controlling interests			
		23.4	25.5
EARNINGS PER SHARE CALCULATED FROM THE RESULT OF EQUITY HOLDERS OF THE PARENT COMPANY			
Earnings per share (EUR)	7.3		
Undiluted earnings per share		0.15	0.16
Diluted earnings per share		0.15	0.16

Consolidated comprehensive income statement (IFRS)

(EUR million)	Note	1–12/2020	1–12/2019
RESULT FOR THE FINANCIAL PERIOD		23.4	25.5
OTHER COMPREHENSIVE INCOME ITEMS			
Items that will not be reclassified to profit or loss			
Change in equity investments		0.3	0.8
Change in tax impact	6.3	-0.1	-0.2
Items that will not be reclassified to profit or loss		0.2	0.6
Items that may be subsequently transferred to profit or loss			
Change in value of cash flow hedging		0.2	-0.4
Change in translation differences related to foreign companies		-5.8	5.1
Change in tax impact	6.3	0.0	0.1
Items that may be subsequently transferred to profit or loss		-5.6	4.8
TOTAL OTHER COMPREHENSIVE INCOME ITEMS		-5.4	5.4
COMPREHENSIVE INCOME FOR THE PERIOD		18.0	30.9
COMPONENTS OF COMPREHENSIVE INCOME			
Equity holders of the parent company		18.0	30.9
Non-controlling interests			
		18.0	30.9

Consolidated balance sheet

(EUR million)	Note	31.12.2020	31.12.2019
ASSETS			
NON-CURRENT ASSETS			
Goodwill	4.1	**45.9**	48.5
Intangible assets	4.2	**32.0**	33.5
Tangible assets	4.5.1	**73.1**	51.1
Equity investments	4.7	**2.8**	3.0
Deferred tax assets	6.2	**2.3**	4.9
		156.1	140.9
CURRENT ASSETS			
Inventories	4.8	**37.1**	37.6
Accounts receivable and other receivables	5.3.2	**28.0**	30.3
Derivative contracts	5.3.4	**0.1**	
Financial assets at fair value through profit or loss	5.3.4	**71.7**	81.4
Cash in hand and at banks	5.3.5	**21.5**	18.3
		158.5	167.6
TOTAL ASSETS		**314.6**	308.5
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY	7.1		
Equity attributable to equity holders of the parent company			
Share capital		**27.8**	27.8
Premium fund		**2.9**	2.9
Reserve fund		**88.6**	88.6
Invested unrestricted equity fund		**8.0**	8.0
Other funds		**-0.9**	-1.3
Company shares		**-19.6**	-19.8
Translation differences		**-20.6**	-14.8
Retained earnings		**183.2**	179.7
		269.5	271.3
TOTAL SHAREHOLDERS' EQUITY		**269.5**	271.3
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	6.2	**6.3**	5.3
Provisions	9.1.2		1.2
Non-current financial liabilities	5.3.8	**9.6**	0.3
		15.9	6.9
Current liabilities			
Accounts payable and other liabilities	5.3.7	**28.0**	28.5
Tax liability based on the taxable income for the period	6.1	**0.2**	0.8
Provisions	9.1.2		
Derivative contracts	5.3.8	**0.3**	0.3
Current financial liablities	5.3.8	**0.6**	0.8
		29.1	30.4
TOTAL LIABILITIES		**45.0**	37.3
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**314.6**	308.5

Calculation of changes in shareholders' equity

(EUR million)	Share capital	Share premium reserve	Reserve fund	Invested unrestriced equity fund	Other reserves	Company shares	Translation differences	Retained earnings	Equity attributable to equity holders of the parent company
SHAREHOLDERS' EQUITY ON 1 JAN 2020	**27.8**	**2.9**	**88.6**	**8.0**	**-1.3**	**-19.8**	**-14.8**	**179.7**	**271.3**
Comprehensive income for the period									
Result for the period								**23.4**	**23.4**
Other comprehensive income items									
Change in equity investments					**0.3**				**0.3**
Change in value of cash flow hedging					**0.2**				**0.2**
Change in translation differences related to foreign companies							**-5.8**		**-5.8**
Change in tax impact					**-0.1**				**-0.1**
Total comprehensive income for the period	**0.0**	**0.0**	**0.0**	**0.0**	**0.4**	**0.0**	**-5.8**	**23.4**	**18.0**
Business activities involving shareholders									
Dividends								**-20.5**	**-20.5**
Unclaimed dividends								**0.1**	**0.1**
Share-based payments						**0.2**		**0.5**	**0.6**
Total business activities involving shareholders	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.2**	**0.0**	**-19.9**	**-19.7**
SHAREHOLDERS' EQUITY ON 31 DEC 2020	**27.8**	**2.9**	**88.6**	**8.0**	**-0.9**	**-19.6**	**-20.6**	**183.2**	**269.5**

(EUR million)	Share capital	Share premium reserve	Reserve fund	Invested unrestriced equity fund	Other reserves	Company shares	Translation differences	Retained earnings	Equity attributable to equity holders of the parent company
SHAREHOLDERS' EQUITY ON 1 JAN 2019	27.8	2.9	88.6	8.9	-1.6	-19.8	-19.8	177.7	264.8
Comprehensive income for the period									
Result for the period								25.5	25.5
Other comprehensive income items									
Change in equity investments					0.8				0.8
Change in value of cash flow hedging					-0.4				-0.4
Change in translation differences related to foreign companies							5.1		5.1
Change in tax impact					-0.1				-0.1
Total comprehensive income for the period	0.0	0.0	0.0	0.0	0.3	0.0	5.1	25.5	30.9
Business activities involving shareholders									
Dividends								-25.2	-25.2
Unclaimed dividends								0.1	0.1
Transfer from other funds to retained earnings				-0.9				0.9	0.0
Share-based payments						0.0		0.6	0.6
Total business activities involving shareholders	0.0	0.0	0.0	-0.9	0.0	0.0	0.0	-23.6	-24.5
SHAREHOLDERS' EQUITY ON 31 DEC 2019	27.8	2.9	88.6	8.0	-1.3	-19.8	-14.8	179.7	271.3

Consolidated cash flow statement

(EUR million)	Note	1–12/2020	1–12/2019
CASH FLOW FROM BUSINESS OPERATIONS			
Result before taxes		**29.4**	28.5
Adjustments:			
Planned depreciation		**6.2**	6.4
Financial income and expenses		**-0.5**	-1.2
Other adjustments		**-0.6**	0.8
Total adjustments	Page 27	**5.1**	5.9
Cash flow before change in working capital		**34.5**	34.4
Change in working capital			
Increase (-)/decrease (+) in current receivables		**2.1**	-1.9
Increase (-)/decrease (+) in inventories		**0.1**	-2.4
Increase (-)/decrease (+) in current interest-free liabilities		**1.6**	-2.7
		3.8	-7.1
Cash flow from business operations before financial items and taxes		**38.3**	27.3
Interest paid and payments for other financial expenses from business operations		**-0.6**	-1.9
Dividends received from business operations		**0.2**	0.2
Interest received and other financial income from business operations		**0.5**	1.8
Other financial items, net		**0.3**	0.1
Income taxes paid		**-4.0**	-4.2
NET CASH FLOW FROM BUSINESS OPERATIONS		**34.7**	23.3
CASH FLOW FROM INVESTMENTS			
Investments in shares			0.0
Investments in tangible assets	Page 27	**-18.9**	-17.3
Investments in intangible assets	Page 27	**-1.1**	-0.4
Income from intangible and tangible commodities	Page 27	**0.7**	0.0
Investointien nettorahavirta		**-19.4**	-17.6
Net cash flow from investments		**15.3**	5.6
CASH FLOW FROM FINANCIAL OPERATIONS			
Other financial items, net		**-0.3**	-0.1
Payments associated with the reduction in lease liability		**-0.8**	-0.9
Repayment of non-current loans			-22.9
Redemption of non-controlling interests			0.0
Dividends and other profit distribution paid to shareholders		**-20.4**	-25.0
Net cash flow from investments		**-21.6**	-48.8
CHANGE IN LIQUID FUNDS		**-6.2**	-43.2
Liquid funds at the beginning of the period		**99.8**	142.1
Impact of changes in exchange rates		**-0.8**	0.9
Impact of changes in market value on liquid funds		**0.4**	1.4
Impact of the discontinued cattle feed business			-1.4
Liquid funds at end of period	5.3.5	**93.2**	99.8

Notes to the Consolidated Financial Statements

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

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

The symbol for the contents of the section.

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

The symbol for the financial information.

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

1 Accounting policies for the consolidated financial statements

1.1 Raisio Group

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

Raisio Group has three reportable segments, namely Healthy Food, Healthy Ingredients and Other Operations. The Other Operations include service functions that support the operational segments. Raisio Group is a tradition-rich international and European company operating within the food industry whose activities and values are focused on the production of healthy and responsibly produced foods. Raisio Group has operations in eleven countries.

The Healthy Food Segment focuses on consumer brands. The Healthy Food Segment is a reportable segment that combines the operations of Western Europe, Northern Europe and Eastern and Central Europe. Of the consumer brands included in the Healthy Food Segment, the most international is Benecol, whose many different product variants meet the needs of Finnish and international consumers by providing a means of lowering cholesterol in a safe and proven way. The other wellknown consumer brands in this segment, such as Elovena, Nalle and Sunnuntai, emphasise the use of pure and healthy grains. Oat and its many uses are the future focus areas for Raisio.

The Healthy Ingredients Segment includes the sale of fish feeds and the Benecol product ingredient as well as the sale of grain-based foods and their ingredients to industrial and catering companies. In addition, production, procurement and the supply chain are reported as part of the Healthy Ingredients segment.

Raisio's strategy period covers the years 2019–2021. The Group has a clear focus centred on healthy and responsibly produced food. The Raisio Group's new purpose and values outline the kind of future we are building together – Food for Health, Heart and Earth.

The consolidated financial statements have been prepared for the financial year, 12 months, of 1 January–31 December 2020. These financial statements were authorised for issue by Raisio plc's Board of Directors at its meeting on 11 February 2020. Under the Finnish Companies Act, shareholders are entitled to adopt or reject the financial statements at the Annual General Meeting held after the publication of the financial statements. The Annual General Meeting may also decide to amend the financial statements.

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

1.2 Accounting policies for the financial statements

Basis of presentation

Raisio's consolidated financial statements have been prepared according to the International Financial Reporting Standards

(IFRS) and following the IAS and IFRS standards as well as SIC and IFRIC interpretations in effect on 31 December 2020. The Raisio Group has applied the standard requirements and interpretations applicable to the Raisio Group that came into force during the financial period. The changes have not had a material impact on the Group's result of the financial period, its financial position or the presentation of the financial statements. The changes are described in the section 1.6 New and amended standards during the last financial period.

Presentation currency and presentation of figures

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

Income statement by function of expense

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

EBIT

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

Alternative key figures and items affecting comparability

Raisio presents alternative key figures to describe the financial performance and position of its businesses as well as cash flows as a means of improving the comparability between different periods and to increase understanding of the formation of the company's earnings and its financial position. The alternative figure is derived from the IFRS financial statements. It is possible to present items affecting comparability and to calculate alternative key figures without items affecting comparability in the Board of Directors' report, Financial Statements Bulletin, Half-Year Reports and Interim Reports. Items affecting comparability are income or expenses arising as a result of one or rare events. Significant expenses of outside experts related to business acquisitions and business expansion, expenses related to business reorganisation and expenses related to the impairment of assets and their possible repayment are presented as items affecting comparability. Items affecting comparability are recognised in the income statement according to the matching principle under the income or expense category. The management uses these key figures to monitor and analyse business development, profitability and financial position.

Government grants

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

Assets held for sales and discontinued operations

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

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

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

The result from discontinued operations is presented as a separate item in the income statement and in the statement of comprehensive income. The comparative information in the income statement is adjusted for those operations that have been classified as discontinued during the most recent financial period. Assets available for sale together with the related liabilities are presented as a separate item in the balance sheet. If it is subsequently found that criteria for an asset to be classified as held-for-sale are no longer met, the asset in question is transferred back to be presented and measured according to the applicable IFRS standards.

1.3 Consolidation principles

Subsidiaries

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

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

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

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

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

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

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

The preparation of financial statements according to the IFRS requires the management to use estimates and assumptions that affect the amounts of assets and liabilities and of income and expenses during the reporting period. The Group management may have to make judgement-based decisions relating to the choice and application of accounting policies for the financial statements. This particularly concerns the cases when effective IFRSs allow alternative valuation, recording and presenting manners. Although estimates and assumptions are based on the management's best knowledge of current events, actual results may differ from the estimates used in the financial statements.

Judgements and estimates made in the preparation of the financial statements are based on the management's best judgement at the balance sheet date. They are based on previous experience and future expectations considered to be most likely at the balance sheet date. These include, in particular, factors related to the Group's financial operating environment affecting sales and cost levels. 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.

For Raisio Group, the most significant estimates in which management has used discretion relate to the possible impairment of assets of goodwill and intangible assets with indefinite financially useful lives as well as unfinished intangible assets, and to the fair value determination of the assets acquired in the business combination, to the amount of deferred tax asset and to what extent the tax asset can be recognised in the balance sheet, to the determination of depreciation periods, to the assessment of accounts receivable and inventories, and to the classification of lease periods and assets as held for sale or to be discontinued.

Key estimates and areas of discretion 1 January–31 December 2020

Area of discretion	Object of discretion
Impairment testing of goodwill and intangible assets with indefinite useful life	Western Europe's goodwill and trademarks related ri the Healthy Food Segment, item 4.4.
Other receivables	Other receivables of the compensation for damages, item 5.3.2
Financial risk management	Hedging against currency risk, item 4.5
Recognition of deferred tax assets	Deferred tax assets from subsidiary losses, items 6.1 and 6.2
Provisions	Cancelled provision for trade receivables related to the discontinued confectionery and presentation as an alternative indicator, item 9.1.2

1.5 Foreign currency transactions and translations

Items included in the financial statements have initially been recognised in the functional currency determined for each Group company based on the primary economic environment in which they operate. The presentation currency in the financial statements is the euro, which is also the currency of the Group's parent company.

Business transactions in foreign currency

Foreign currency transactions are initially recognised in the functional currency using the transaction date exchange rate. In practice, the rate closest to the transaction date rate is often used. Foreign currency receivables and liabilities outstanding at the end of the financial year are measured using the closing date exchange rates.

Exchange rate gains and losses related to the actual business operations are treated as adjustments to sales or purchases except for the exchange rate differences arising from unrealised derivative contracts taken to hedge foreign currency cash flows. These exchange differences are recognised in other comprehensive income, and accumulated exchange differences are presented as a separate item in equity until they are realised. Foreign currency exchange differences are recognised under financial income and expenses except for the exchange differences of the liabilities that have been determined to hedge the net investments in foreign operations and that are effective in it. These exchange differences are recognised in other comprehensive income, and accumulated foreign exchange differences are presented as a separate line item in equity until the foreign entity is partially or completely disposed of.

Conversion of financial statements in foreign currency

In the consolidated financial statements, income statements of foreign Group companies that do not have the euro as their functional currency are translated into euros using the average rate of the financial period. All balance sheet items, except for the result of the financial year, are translated into euros using the exchange rates at the balance sheet rates. Conversion of the financial year result and comprehensive income by using different exchange rates in the income statement, the statement of comprehensive income and the balance sheet result in a translation difference recorded under shareholders' equity in the balance sheet; the change is recorded in other comprehensive income under "Translation differences". 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 under 'Translation differences'. If a foreign entity is disposed of during the reporting period, the accumulated translation differences are recognised through profit or loss as part of the sales profit or loss when recording the corresponding disposal proceeds.

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

1.6 New and amended standards during the last financial period

Raisio plc has followed the same accounting principles as in the 2019 Financial Statements with the exception of the standard amendments and interpretations concerning Raisio plc that came into effect in 2020. The standard amendments and interpretations that entered into effect on 1 January 2020 have had no material impact on EBIT of the Financial Statements Bulletin, financial position or the presentation of the Financial Statements Bulletin.

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

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

Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance Contracts* and IFRS 16 *Leases* (to be applied from 1 January 2021)

Amendments address issues affecting financial statements when changes are made to contractual cash flows and hedging relationships as a result of interest rate benchmark reform. Amendments assist companies in providing useful information about the effects of interest rate benchmark reform on financial statements.

Above or any other published amendments to standards that are expected do not have any impact on Raisio's consolidated financial statements.

1.8 Impacts of COVID-19 on Raisio's financial reporting

Raisio's operating environment changed considerably as the coronavirus epidemic (COVID-19) and measures to prevent its spread closed down the economy to a significant extent at the beginning of 2020. Raisio Group has assessed the impacts of the epidemic, which broke out at the start of 2020 and spread rapidly, on the company's market environment, employees and business operations. The limitations resulting from the coronavirus epidemic and possible extensive sick leaves across the production and delivery chains may have an impact on the company's operational ability. Within this current operational environment, Raisio Group endeavours to prepare for the identified and likely impacts of the crisis as thoroughly as possible. The company's Board and management will closely monitor the development of the coronavirus situation and update their assessment of the impacts as the situation proceeds.

1.9 Events following the financial period

In a stock exchange release issued on 17 December 2020, the Raisio Group announced a positive arbitration award in connection with the partial suspension of Raisioaqua's business in 2018. Due to the uncertainty related to the receivable, Raisio did not recognise the amount to be reimbursed in full or in part in its income statement. In a stock exchange release issued on February 8, 2021, Raisio stated that it had entered into an agreement to sell the receivable and recognised EUR 2.8 million in other operating income.

2 Income and segment information

Content

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

2.1 Information by segment

Raisio Group's reportable segments, reported as of the start of 2019, are: Healthy Food, Healthy Ingredients and Other Operations.

The products of the Healthy Food Segment and the Healthy Ingredients Segment are different, and the segments are managed as separate units, whose performance is regurlarly reviewed by the top management. The reportable segments are defined in accordance with the customer types and groups for the different products and services. The customers of the reportable segments are different and require different distribution channels and marketing strategies. The reporting for the Healthy Food Segment to the management is carried out also on the basis of geographical distribution: Western Europe, Northern Europe as well as Eastern and Central Europe.

Accounting principles

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

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

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

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

Key estimates and discretionary solutions

The segment information is based on the reporting to management and requires discretion-based solutions concerning, among other things, the application of the aggregation criteria to the segments. Comparison year the management has used discretion when determining that the Healthy Food Segment should be a single reportable segment. The net sales and EBIT of the segment in question is reported to the management, also on the basis of geographic distribution. The aggregation criteria for the segments is considered to have been met, however, since the revenue is comprised of sales of healthy products for consumers in all areas, utilising the same type of central wholesale business and other distribution channels. The long-term financial performance is not considered to differ significantly between the areas.

Income statement information by segments, 2020 and 2019

1.1.–31.12.2020 (EUR million)	Healthy Food	Healthy Ingredients	Other Operations	Eliminations	Total
External sales					
Goods	135.1	96.7			231.8
Services	0.0	0.0	1.1		1.1
Royalties	0.3		0.4		0.7
Total external sales	135.3	96.7	1.5		233.6
Internal sales	0.0	28.8		-28.9	0.0
Net sales	135.3	125.6	1.5	-28.9	233.6
Depreciation	-0.6	-3.7	-1.9		-6.2
Value impairments	0.0				0.0
Total depreciation and value impairment	-0.7	-3.7	-1.9	0.0	-6.2
Segment EBIT	18.6	12.6	-2.3	0.0	28.9
Reconciliation					
Segment EBIT					28.9
Financial income and expenses					0.5
Taxes					-6.0
Discontinued operations					
Result for the period					23.4

The EBIT for the financial year, as achieved by the Other Operations Segment, includes the withdrawal of a EUR 1.1. million provision related to the sale of the confectionery business in 2017. No future events are related to the provision that would affect the fulfilment of liability.

1.1.–31.12.2019 (EUR million)	Healthy Food	Healthy Ingredients	Other Operations	Eliminations	Total
External sales					
Goods	137.5	97.0			234.4
Services		0.2	1.0		1.2
Royalties	0.0	0.3	0.5		0.8
Total external sales	137.5	97.4	1.5		236.4
Internal sales	0.0	27.2		-27.3	0.0
Net sales	137.5	124.6	1.5	-27.3	236.3
Depreciation	-1.1	-3.3	-1.9		-6.4
Value impairments	0.0				0.0
Total depreciation and value impairment	-1.2	-3.3	-1.9	0.0	-6.4
Segment EBIT	18.2	12.5	-3.4	0.0	27.3
Reconciliation					
Segment EBIT					27.3
Financial income and expenses					1.2
Taxes					-2.9
Discontinued operations					
Result for the period					25.5

Balance sheet information by segments, 2020 and 2019

31.12.2020 (EUR million)	Healthy Food	Healthy Ingredients	Other Operations	Eliminations	Total
Segment assets	94.2	105.5	19.6	-1.4	217.8
Including:					
Increase in non-current assets	0.6	26.2	1.7		28.5
Reconciliation of assets to Group assets					
Segment assets total					217.8
Deferred tax assets					2.3
Loans receivable and other receivables related to financing					0.1
Prepaid income taxes					1.1
Derivates					0.1
Financial asssets at fair value through profit or loss					71.7
Liquid funds					21.5
Assets total					314.6
Segment liabilities	11.8	13.6	3.6	-1.4	27.5
Reconciliation of liabilities to Group liabilities					
Segment liabilities					27.5
Deferred tax liability					6.3
Derivates					0.3
Financial liabilities at fair value through profit or loss					10.2
Tax liability					0.2
Dividend liability					0.4
Liability related to financing					0.1
Liabilities total					45.0
Net assets					269.5

31.12.2019 (EUR million)	Healthy Food	Healthy Ingredients	Other Operations	Eliminations	Total
Segment assets	100.9	83.2	20.4	-0.7	203.8
Including:					
Increase in non-current assets	0.4	18.6	0.6		19.5
Reconciliation of assets to Group assets					
Segment assets total					203.8
Deferred tax assets					4.9
Loans receivable and other receivables related to financing					0.0
Financial asssets at fair value through profit or loss					81.4
Liquid funds					18.3
Assets total					308.5
Segment liabilities	13.3	12.2	4.3	-0.7	29.1
Reconciliation of liabilities to Group liabilities					
Segment liabilities					29.1
Deferred tax liability					5.3
Derivates					0.3
Financial liabilities at fair value through profit or loss					1.1
Tax liability					0.8
Dividend liability					0.5
Liability related to financing					0.1
Liabilities total					37.3
Net assets					271.3

Non-current assets that do not include deferred tax assets or financial instruments

Non-current assets include long-term tangible assets and intangible rights, goodwill and other intangible assets. More than 50 per cent of the long-term assets are in the UK, i.e. in the Healthy Food segment's Western European operating segment.

(EUR million)	2020	%	2019	%
Finland	**76.7**	**50.8**	54.2	40.8
UK	**74.2**	**49.1**	78.6	59.1
Rest of Europe	**0.2**	**0.1**	0.2	0.2
Total	**151.0**	**100.0**	133.0	100.0

2.2 Revenue

§ **Accounting principles**

The consideration is recognised as net sales that the Group expects to be entitled to for transferred products and services. Indirect taxes are deducted from sales revenue. The effective portion of currency derivatives is recognised as an adjustment for sales revenue in case of cash flow hedging.

Revenues from the sale of goods are recorded when the customer has gained the ownership and when risks and benefits related to the ownership have been transferred to the purchaser whereby control is deemed to have passed to the customer. Sales revenues are recognised at a point in time and this date is dependent of the delivery terms used in the delivery. When volume discounts are related to the sale of products, they are treated as variable considerations. The amount of the consideration is then recognised either in the probable amount of cash or expected value. Revenue from services is recognised when the service is completed. The considerations from customers do not include any significant financing components.

For the Raisio Group, obtaining a customer contract does not result in significant additional costs that would meet the activation criteria. Any additional costs are recognised as an expense when they have realised, since the asset item to be activated based on them would be entered as an expense no later than one year of the emergence of additional cost.

Individual products or batches of products usually form a performance obligation. The Group utilises the practical aid element included in IFRS 15 and does not disclose any performance obligations outstanding on the reporting date related to contracts with a maximum duration of one year.

Revenues from licences and royalties are recognised as income once the products have been sold to the final customer and the entitlement to the income has been established, as well as on the basis of contracts with customers.

2.2.1 Nets sales

Nets sales

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

Revenue

(EUR million)	1–12/2020	%	1–12/2019	%
Sales of goods	**231.8**	**99.2**	234.4	99.2
Sales of services	**1.1**	**0.5**	1.2	0.5
Royalties	**0.7**	**0.3**	0.7	0.3
Net sales, in total	**233.6**	**100.0**	236.3	100.0

Revenue by segment

(EUR million)	1–12/2020	%	1–12/2019	%
Healthy Food	**135.3**	**57.9**	137.5	58.2
Healthy Ingredients	**125.6**	**53.8**	124.6	52.7
Others	**1.5**	**0.6**	1.5	0.6
Sales between segments	**-28.9**	**-12.4**	-27.3	-11.5
Net sales, in total	**233.6**	**100.0**	236.3	100.0

The Group's customer base consists of a relatively large number of customers in different market areas. In 2020 and 2019, the Group had no major customers, as defined in IFRS 8, whose revenue to the Group would have exceeded 10% of the entire Group's net sales.

The Healthy Food Segment includes Raisio's consumer product businesses in the Western, Northern, Eastern and Central European markets. The main markets for the Western European business of the Healthy Food Segment include the UK, Ireland and Belgium. The main market area for Northern Europe is Finland, Scandinavia and the Baltic countries. The main market areas for Eastern and Central Europe include Poland, Russia, Ukraine, Spain and Hong Kong. The net sales of the Healthy Food Segment are comprised primarily of the sales of products under the Elovena, Benecol, Nordic, Sunnuntai, Nalle and Torino brands.

The Healthy Ingredients Segment includes the sale of fish feeds and the Benecol product ingredient, grain trade and the sale of grain-based products to industrial and catering companies. The main market areas for fish feeds are Finland and Northwest Russia. The markets for Benecol product ingredient are global. The main market area for grain trade and grain-based products is Finland.

Income of the Other Operations operating segment mainly includes rental and royalty income.

Net sales by country

(EUR million)	1–12/2020	%	1–12/2019	%
Finland	**89.5**	**38.3**	87.3	36.9
UK	**50.6**	**21.7**	55.2	23.4
Others	**93.5**	**40.0**	93.8	39.7
Total	**233.6**	**100.0**	236.3	100.0

The international share of the turnover was EUR 144.1 (149.0) million, which accounted for 61.7 (63.1) per cent of the overall turnover.

Net sales in different currencies

The Raisio Group operates internationally and thus its business operations involve risks arising from exchange rate volatility. These risks consist of the income cash flows in different currencies (transaction risk) and the conversion of net sales of foreign subsidiaries into euros (translation risk).

Net sales in local functional currencies

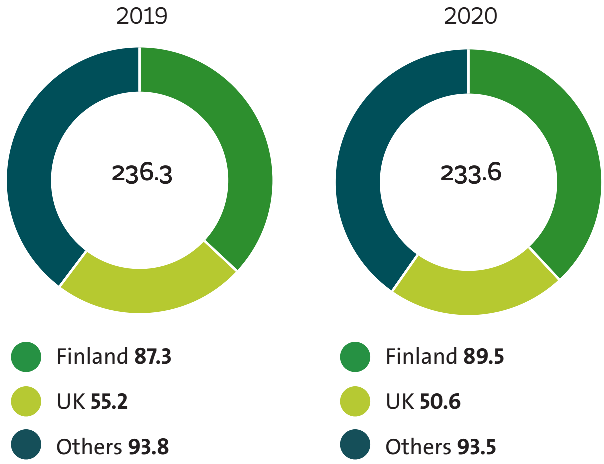
(EUR million)	2020	2019
EUR	**164.2**	157.3
GBP	**50.1**	57.4
RUB	**9.4**	9.6
PLN	**4.6**	6.2
UAH	**4.5**	5.0
USD	**0.8**	0.7
	233.6	236.3

The conversion of net sales of foreign subsidiaries into euros (translation risk)

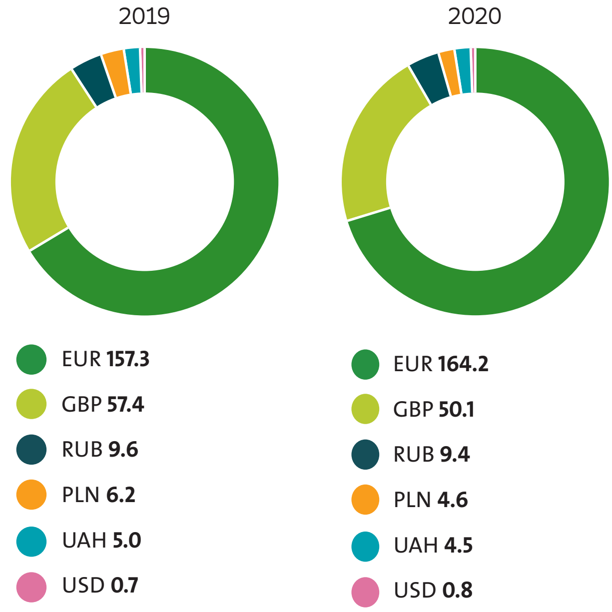
(EUR million)	1–12/2020	1–12/2019
Net sales	**-2.5**	1.2

The conversion impact on the Group's net sales was EUR -2.5 (1.2) million. The share of the impact caused by the British pound was EUR -0.7 (0.5) million, by the Russian ruble EUR -1.3 (0.2) million and by other currencies EUR -0.5 (0.5) million.

Net sales by country (M€)
2019–2020



Net sales in different currencies (M€)
2019–2020



3 Group structure

Content

This section includes the notes to financial statements describing the acquired businesses and the Group structure.

3.1 Business acquisitions and divestments

Business acquisitions and divestments

In 2020 and 2019, no business acquisitions were made.

Accounting principles

The divested subsidiaries are included in the consolidated financial statements until the control has been relinquished. The consolidation principles are presented under 1.3. Consolidation principles.

3.2 Subsidiaries and the non-controlling interest

The Group structure on the balance sheet date

Number of wholly owned subsidiaries

	2020	2019
Healthy Food	9	9
Healthy Ingredients	1	1
Other operations	11	11

Raisio Group did not have any partly-owned subsidiaries or companies in which it had non-controlling interests. In February 2019, Raisio Group agreed with all Benemilk Ltd's minority shareholders to transfer full ownership of Benemilk Ltd and its parent and subsidiary companies to Raisio Group.

Raisio Group Subsidiary companies

	Group holding-%	Parent company holding-%
SUBSIDIARY COMPANIES		
Healthy Food		
Benecol Limited, UK	100.00	
Raisio Eesti AS, Estonia	100.00	
OOO Raisio Nutrition, Russia	100.00	
Raisio Sp. z o.o., Poland	100.00	
Raisio Staest US Inc., USA	100.00	
Raisio Sverige AB, Sweden	100.00	
TOV Raisio Ukraina, Ukraine	100.00	
Ravintoraisio Ltd, Raisio	100.00	100.00
Raisio Ireland Limited, Ireland	100.00	
Healthy Ingredients		
Raisioaqua Ltd, Raisio	100.00	100.00
Others		
Raisionkaari Industrial Park Ltd, Raisio	100.00	50.00
Benemilk Ltd, Turku	100.00	
Big Bear Group Limited, UK	100.00	
CentrIQ Corporation, USA	100.00	
FDS Informal Foods Limited t/a Snacks Unlimited, UK	100.00	
Glisten Limited, UK	100.00	
The Glisten Confectionery Company Limited, UK	100.00	
Honey Monster Foods Limited, UK	100.00	
Nordic Feed Innovations Ltd, Turku	100.00	100.00
Raisio UK Limited, UK	100.00	100.00
Reso Mejeri Produktion AB, Sweden	100.00	

4 Invested capital

Content

This section includes notes on the intangible assets, including goodwill, and tangible assets, current assets, and depreciations and impairment of fixed assets for continuing operations.

4.1 Goodwill

Accounting principles

The business combinations are treated according to the purchase method. In business combinations, goodwill is recognised at the amount by which the acquisition cost exceeds the Group's share of the fair value of the assets and liabilities acquired at the time of acquisition. Goodwill is mainly generated in the most significant acquisitions. Thus, goodwill typically reflects the value of acquired market share, business know-how and synergies. The carrying amount of goodwill is tested using the impairment tests.

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

Possible impairment loss of goodwill is immediately recognised in the income statement. The previously recognised goodwill impairment loss is not reversed.

Goodwill reconciliation

(EUR million)	2020	2019
Acquisition price 1 January	**51.70**	49.3
Translation difference	**-2.6**	2.4
Acquisition cost 31 December	**49.1**	51.7
Accumulated depreciation and impairment 1 January	**3.2**	3.2
Book value 31 December	**3.2**	3.2
Carrying value 31 December	**45.9**	48.5

4.2 Intangible assets

Accounting principles

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

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

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

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

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

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

Estimated useful lives and balance sheet values of assets are reviewed at each balance sheet date and whenever there is an indication of impairment of an asset. The impairment tests assess the recoverable amount of the asset in question. The recoverable amount is the asset's fair value less costs to sell, or a higher value in use. An impairment loss is recognised in the income statement if the carrying amount of the assets exceeds the recoverable amount.

The impairment previously recognised in the income statement is reversed if the values used to determine the recoverable income change substantially. However, the value after the reversal of the impairment may not exceed the value that the asset would have had without the impairment of previous years less accumulated impairment.

Intangible assets 2020

(EUR million)	Intangible rights	Other long-term expenditure	Advances paid and incomplete acquisitions	Intangible assets total
Acquisition cost 1 January	**56.6**	**18.4**	**0.0**	**75.0**
Translation differences	**-2.8**	**0.0**		**-2.8**
Increase	**0.4**	**0.7**	**0.1**	**1.1**
Divestment and other decreases				**0.0**
Reclassification between items	**0.0**	**0.0**	**0.0**	**0.0**
Acquisition cost 31 December	**54.2**	**19.0**	**0.1**	**73.4**
Accumulated depreciation and write-downs 1 January	**-25.7**	**-15.9**		**-41.6**
Translation differences	**1.2**	**0.0**		**1.2**
Accumulated depreciation of decrease and transfers				**0.0**
Depreciation for the financial period	**-0.3**	**-0.7**		**-1.0**
Accumulated depreciation 31 December	**-24.8**	**-16.6**	**0.0**	**-41.4**
Book value 1 January 2020	**30.9**	**2.5**	**0.0**	**33.5**
Book value 31 December 2020	**29.4**	**2.5**	**0.1**	**32.0**

Intangible rights include trademarks, related to the Healthy Food Segment's operations, whose useful lives are considered to be indefinite. Their carrying value was EUR 28.2 million on 31 December 2020.

Carrying amount of trademarks with indefinite useful lives

(EUR million)	31.12.2020	31.12.2019
Honey Monster	**1.0**	1.1
Benecol UK	**27.1**	28.7
Total	**28.2**	29.8

Intangible rights and assets 2019

(EUR million)	Intangible rights	Other long-term expenditure	Advances paid and incomplete acquisitions	Intangible assets total
Acquisition cost 1 January	55.6	18.2	5.2	79.0
Translation differences	2.5	0.0		2.5
Increase	0.3	0.1	0.0	0.4
Divestment and other decreases	-1.7	0.0	-5.1	-6.9
Reclassification between items	0.0	0.1	-0.1	0.0
Acquisition cost 31 December	56.6	18.4	0.0	75.0
Accumulated depreciation and write-downs 1 January	-25.7	-15.2	4.9	-35.9
Translation differences	-1.0	0.0		-1.1
Accumulated depreciation of decrease and transfers	1.7	0.0		1.8
Depreciation for the financial period	-0.7	-0.7	-4.9	-6.3
Accumulated depreciation 31 December	-25.7	-15.9	0.0	-41.6
Book value 1 January 2019	29.9	3.0	0.3	33.3
Book value 31 December 2019	30.9	2.5	0.0	33.5

Intangible rights include trademarks, related to the Healthy Food Segment's operations, whose useful lives are considered to be indefinite. Their carrying value was EUR 29.8 million on 31 December 2019.

Other deductions from intangible rights and unfinished acquisitions are related to the sales of intangible assets related to the Benemilk business and deductions from acquisition costs and cumulative depreciations on intangible assets capitalised in the balance sheet of earlier years. Raisio Group has no future result expectations for the Benemilk business.

4.3 Research and development costs

§ Accounting principles

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

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

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

Research and development costs

(EUR million)	Development cost 2020	Development cost 2019
Acquisition cost 1 January		1.2
Sales and other deductions		-1.2
Acquisition cost 31 December	**0.0**	0.0
Accumulated depreciation and impairment 1 January		-1.2
Accumulated depreciation of decrease and transfers		1.2
Accumulated depreciation 31 December	**0.0**	0.0
Book value 1 January 2020		0.0
Book value 31 December 2020		0.0

There are no capitalised product development expenses in the 2020 Financial Statements. Other deductions in the comparison period relates to the deductions of capitalised acquisition costs and cumulative depreciations for new product development activities entered in the balance sheet of the Benemilk business during earlier years.

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

Goodwill is allocated to the cash generating unit. In the line with the Raisio Group's management system and structure, a cash-generating unit is typically a country-specific unit where the acquired business operates. Goodwill is allocated to the Healthy Food Segment's Western European Benecol business. The value of goodwill was EUR 45.9 million at the balance sheet date on 31 December 2020 (EUR 48.5 million at the balance sheet date on 31 December 2019).

In connection with the business combinations of the acquisitions included in the Healthy Food Segment, the recognised brands have been estimated to have indefinite useful lives. The reputation and long history of the brands support the management's view that the brands will generate cash flows for an indefinite time. The value of brands of the Healthy Food Segment totalled EUR 28.2 million at the balance sheet date on 31 December 2020 (EUR 29.2 million at the balance sheet date on 31 December 2019).

Key estimates and discretionary solutions

The drafting of calculations used for impairment testing requires the management to make forecasts and to determine the components concerning recoverable cash flow. These are related to uncertainties.

Impairments for intangible assets with indefinite useful lives, by operation

During the financial year of 2020 and 2019, the impairment testing of trademarks with indefinite useful lives and goodwill indicated that the recoverable amount of the assets in question was higher than the asset's book value and there was no need for impairment.

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

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

Goodwill/Healty Food	2020	2019
UK operations, Benecol		
Growth percentage *)	**2.0%**	2.0%
Discount rate, before taxes	**5.5%**	5.8%

*) In the cash flows after forecast period

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

Sensitivity analysis of impairment testing:

Goodwill / Healthy Food Segment
UK operations, Western Europe

The entity's recoverable amount is well above the carrying value of assets. The recoverable amount is less than the book value of assets when the discount rate increases above 16.1(16.0 in 2019) per cent (before taxes) or when the EBIT level falls permanently more than 76.5 (77.1 in 2019) per cent of the management's estimates.

4.5 Tangible assets

§ **Accounting principles**

Tangible assets are valued at the original purchase cost minus accumulated depreciation and impairment.

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

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

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

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

Depreciations begin when the asset is available for use, i.e. when it is in a location and condition that it can operate as intended by the management.

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

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

Estimated useful lives are reviewed on each balance sheet date, and the depreciation periods are adjusted accordingly if they differ significantly from the previous estimates. If the carrying amount of a commodity exceeds the amount of cash that is estimated to be recoverable, the carrying amount is immediately reduced to the recoverable amount. An impairment loss is recognised in the income statement if the value of the asset exceeds the recoverable amount.

The impairment previously recognised in the income statement is reversed if the values used to determine the recoverable income change substantially. However, the value after the reversal of the impairment may not exceed the value that the asset would have had without the impairment of previous years less accumulated impairment.

Government grants

Government grants related to the purchase of tangible and intangible fixed assets are recognised as a deduction of the carrying amounts of fixed assets when the Group has reasonable assurance of receiving the grants and the Group complies with the conditions for receiving the grant. Grants are recognised as lower depreciations within the asset's useful life.

Leases

Raisio Group acts primarily only as lessee. The Group has leases concerning storage and office premises as well as vehicles.

The Group also has leases in which the Group is named as the lessor. The significance of these leases to Raisio Group's consolidated financial statements is minimal. The leases are classified as operating leases, since the risks and rewards incidental to ownership of an underlying asset are not seen as transferring to the lessee. Rental income is recognised on a straight-line basis for the duration of the lease. The Group leases business premises to external parties.

When a lease is signed, the Group assesses whether the contract in question is or includes a rental agreement. The lease includes a rental agreement when it concerns an itemised asset and the related right to control the use of the said asset for a specific time period against compensation.

The lease period of the rental agreement is defined as the time period during which the lease cannot be cancelled. A possible extension or termination option will be included in the lease period, if it is reasonably certain that the Group will implement the extension option or not implement the termination option. Leases with a lease period of less than 12 months and for an asset that has a low value will be treated in accordance with the recognition exemption stipulated in the standard. For these leases, the lease payments payable to the contracting party are recognised as expenses on a straight-line basis in the income statement and are not included in the balance sheet.

The Group recognises the lease liability and corresponding right-of-use asset at the commencement date of the lease.

The lease liability is measured at an amount equal to the present value of the lease payments during the lease period that are not yet paid. The lease payments are discounted using the Group's incremental borrowing rate of interest unless the lease already has an applicable internal interest rate. The interest rate is adjusted, if necessary, with consideration for the length of the lease period, the nature of the asset item and country-specific risk.

Right-of-use assets are valued at the acquisition cost on the commencement date of the lease and the acquisition cost includes the amount of the initial valuation of the lease liability, possible initial direct costs and restoration costs estimated for the asset as well as lease payments made to the lessor at or before the commencement date less any lease incentives received.

The lease payments paid by Raisio Group comprise fixed fees and variable lease payments and amounts payable on the basis of the residual value guarantee. Possible residual value guarantees, purchase options and penalties for terminating the lease are only taken into consideration in the amount of the lease liability if it is reasonably certain that the option will be used or if it has been taken into consideration in the lease period that the Group will exercise the option to terminate the lease.

Variable lease payments that depend on an index or a rate are included in the determination of the lease liability. The index or rate that is valid on the commencement date of the lease is applied to the calculation of the amount of the variable lease payments. Other variable lease payments, such as future lease payments due on the basis of the return of the asset, are not included in the measurement of the lease liability.

The right-of-use asset is measured at acquisition cost less depreciations and impairment losses and is adjusted by a possible item resulting from the remeasurement of the lease liability. Right-of-use assets are depreciated within the asset's useful life or during the lease period, depending on whichever is shorter. If the use of the purchase option included in the lease is reasonably certain, the right-of-use asset is depreciated during the asset's useful life. The residual value and useful life of the right-of-use asset are reviewed at least in connection with the financial statements, and any impairment is recognised, if any changes will occur in terms of the expectations of economic benefits.

The Group measures the lease liability for future periods at amortised cost using the effective interest method.

The lease liability is remeasured if the actual lease payments differ essentially from the lease payments included in the lease liability determined in connection with the initial recognition, and if the change in the lease payments is based on clauses that were valid at the commencement date of the lease. Reassessment is carried out, for example, when a change occurs in future lease payments as a result of a change in the index or rate used to determine the payments in question, or if there is a change in the expected amounts payable under a residual value guarantee. Also, changes in the estimates related to the purchase option or extension or termination option for the asset can lead to a reassessment of the lease liability. The carrying amount of the right-of-use asset in question is adjusted by the amount due to the remeasurement of the lease liability, or if the value of the right-of-use asset is zero, it is recognised through profit or loss.

Key estimates and discretionary solutions

The determination of the useful lives of tangible and intangible assets requires the estimates of the management concerning the future. The estimated useful life of right-of-use assets is reviewed at each closing date. During the comparison period, the management has exercised discretion when determining that the useful life of the milling machines related to the modernisation of production and increased capacity of the Nokia mill would be 15 years. The investments related to the modernisation of production and increased capacity of the Nokia mill were completed at the end of 2019.

In accordance with IFRS 16, the lease accounting requires the management to use estimates and assumptions when assessing, among other things, factors related to the determination of the lease period for leases of indefinite duration and leases that contain extension and termination options. The lease period for assets under leases of indefinite duration were determined, at the moment of transfer and in accordance with the discretion of the management, as a three-year lease period that corresponds to the Group's strategy period. The discount rate was determined based on the incremental borrowing rate of interest at the time of the transfer.

4.5.1 Tangible assets

Tangible right-of-use-assets 2020

(EUR million)	Total owned right-of-use assets	Total leased right-of-use assets	Total right-of-use assets
Acquisition cost 1 January	291.7	2.1	293.8
Translation differences	-0.4	9.9	9.5
Increase	17.4	-0.3	17.2
Divestment and other decreases	-2.5	0.0	-2.5
Reclassification between items	0.0		
Acquisition cost 31 December	306.2	11.7	317.9
Accumulated depreciation and write-downs 1 January	-241.7	-1.0	-242.7
Translation differences	0.4	0.0	0.4
Accumulated depreciation of decrease and transfers	2.4	0.3	2.7
Depreciation for the financial period	-4.4	-0.8	-5.2
Accumulated depreciation 31 December	-243.3	-1.5	-244.8
Book value 1 January 2020	50.0	1.1	51.1
Book value 31 December 2020	63.0	10.2	73.1

Owned right-of-use assets

(EUR million)	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Advances paid and incomplete acquisitions	Tangible assets total
Acquisition cost 1 January	3.4	104.6	173.3	0.4	10.1	291.7
Translation differences		-0.2	-0.2	0.0		-0.4
Increase		0.9	2.0		14.5	17.4
Divestment and other decreases			-2.5			-2.5
Reclassification between items		0.1	0.2		-0.4	0.0
Acquisition cost 31 December	3.4	105.4	172.9	0.4	24.3	306.2
Accumulated depreciation and write-downs 1 January		-93.7	-147.9	-0.1		-241.7
Translation differences		0.2	0.1	0.0		0.4
Accumulated depreciation of decrease and transfers			2.4			2.4
Depreciation for the financial period		-1.1	-3.3	0.0		-4.4
Accumulated depreciation 31 December	0.0	-94.6	-148.6	-0.1	0.0	-243.3
Book value 1 January 2020	3.4	10.9	25.4	0.3	10.1	50.0
Book value 31 December 2020	3.4	10.8	24.3	0.3	24.3	63.0

The most significant investment of 2020 is the new, modern production facility being built in Raisio's industrial area. Raisio's research and development expenses included an acquisition expense of EUR 0.3 million for the new production facility. As installations were completed according to plan, the production and process equipment at the facility was able to be tested at the end of 2020. Once the production facility is ready, it will offer Raisio Group the possibility to meet the continuous growth in consumer demand for plant-based products, particularly in Europe. Raisio's research and development expenses included an acquisition expense of EUR 0.2 million for the new production facility being built in Raisio's industrial area. The investment will be completed in accordance with the timetable and budget in 2021.

Renewal investments for Raisioaqua's production automation system were also prepared during 2020. The automation system at the factory will be changed during January-February 2021. The new automation system will enable the collection of even more accurate real-time production data, which can be utilised in multiple digital solutions to facilitate the actual work and processes, thereby also having a positive impact on production quality. Furthermore, the functional reliability of the factory will improve significantly.

The investment acquisition expenditure does not include borrowing costs.

Leased right-of-use-assets

(EUR million)	Buildings leased for own use	Machinery leased for own use	Total right-of-use assets
Acquisition cost 1 January	1.1	1.0	2.1
Translation differences	0.0	9.9	9.9
Increase		-0.3	-0.3
Divestment and other decreases	0.0		0.0
Reclassification between items			
Acquisition cost 31 December	1.0	10.6	11.7
Accumulated depreciation and write-downs 1 January	-0.4	-0.6	-1.0
Translation differences	0.0	0.0	0.0
Accumulated depreciation of decrease and transfers	0.0	0.2	0.3
Depreciation for the financial period	-0.4	-0.4	-0.8
Accumulated depreciation 31 December	-0.7	-0.8	-1.5
Book value 1 January 2020	0.7	0.4	1.1
Book value 31 December 2020	0.3	9.9	10.2

The increases to the right-of-use assets during the 2020 financial year include EUR 9.3 million in acquisitions for process equipment related to the new production facility being built in Raisio's industrial area.

Items from leases recognised in the statement

(EUR million)	2020
Rental income	0.6
Depreciations for right-of-use assets	-0.7
Costs of short-term and low-value leases	0.0
Interest expenses related to leases	0.0
Total	-0.2
Outgoing cash flow resulting from leases	0.8

Tangible right-of-use-assets 2019

(EUR million)	Total owned right-of-use assets	Total leased right-of-use assets	Total right-of-use assets
Acquisition cost 1 January	272.4	0.2	272.6
Adoption of IFRS 16 standard		1.8	1.8
Translation differences	0.2	0.0	0.2
Increase	19.1	0.1	19.2
Divestment and other decreases	0.0	0.0	-0.1
Reclassification between items	0.0		
Acquisition cost 31 December	291.7	2.1	293.8
Accumulated depreciation and write-downs 1 January	-237.4	-0.1	-237.5
Translation differences	-0.2	0.0	-0.2
Accumulated depreciation of decrease and transfers	0.0	0.0	0.0
Depreciation for the financial period	-4.1	-0.9	-4.9
Accumulated depreciation 31 December	-241.7	-1.0	-242.7
Book value 1 January 2019	35.1	0.1	35.1
Book value 31 December 2019	50.0	1.1	51.1

Owned right-of-use assets

(EUR million)	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Advances paid and incomplete acquisitions	Tangible assets total
Acquisition cost 1 January	3.4	103.6	163.6	0.4	1.5	272.4
Translation differences		0.1	0.1	0.0		0.2
Increase		0.8	8.6		9.6	19.1
Divestment and other decreases			0.0			0.0
Reclassification between items		0.0	1.0		-1.0	0.0
Acquisition cost 31 December	3.4	104.6	173.3	0.4	10.1	291.7
Accumulated depreciation and write-downs 1 January		-92.5	-144.9	-0.1		-237.4
Translation differences		-0.1	-0.1			-0.2
Accumulated depreciation of decrease and transfers			0.0			0.0
Depreciation for the financial period		-1.1	-2.9	0.0		-4.1
Write-downs and their returns						0.0
Accumulated depreciation 31 December	0.0	-93.7	-147.9	-0.1	0.0	-241.7
Book value 1 January 2019	3.4	11.1	18.8	0.3	1.5	35.1
Book value 31 December 2019	3.4	10.9	25.4	0.3	10.1	50.0

The most significant investment during 2019 was in the modernisation of production and increase in the capacity of the Nokia oat mill. The investments facilitate the production of gluten-free oat products. Furthermore, the oat mill can produce oat fibre products. The overall investment in gluten-free and oat fibre products totalled EUR 8.1 million. The costs for the new, modern production facility in Raisio’s industrial area totalled EUR 9.4 million during 2019.

The investment acquisition expenditure does not include borrowing costs.

Leased right-of-use-assets

(EUR million)	Buildings leased for own use	Machinery leased for own use	Total right-of-use assets
Acquisition cost 1 January		0.2	0.2
Adoption of IFRS 16 standard	1.1	0.7	1.8
Translation differences		0.0	0.0
Increase		0.1	0.1
Divestment and other decreases		0.0	0.0
Reclassification between items	0.0		
Acquisition cost 31 December	1.1	1.0	2.1
Accumulated depreciation and write-downs 1 January		-0.1	-0.1
Translation differences	0.0	0.0	0.0
Accumulated depreciation of decrease and transfers		0.0	0.0
Depreciation for the financial period	-0.4	-0.5	-0.9
Accumulated depreciation 31 December	-0.4	-0.6	-1.0
Book value 1 January 2019	0.0	0.1	0.1
Book value 31 December 2019	0.7	0.4	1.1

Items from leases recognised in the statement

(EUR million)	2019
Rental income	0.7
Depreciations for right-of-use assets	-0.8
Costs of short-term and low-value leases	0.0
Interest expenses related to leases	0.0
Total	-0.2
Outgoing cash flow resulting from leases	0.9

4.5.2 Depreciation and impairment

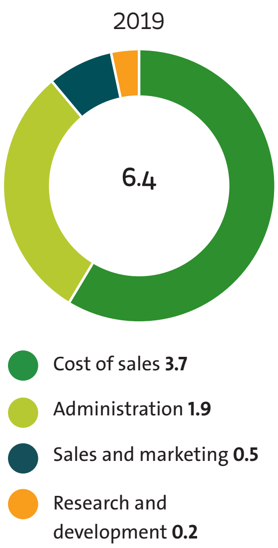
Depreciation and impairment

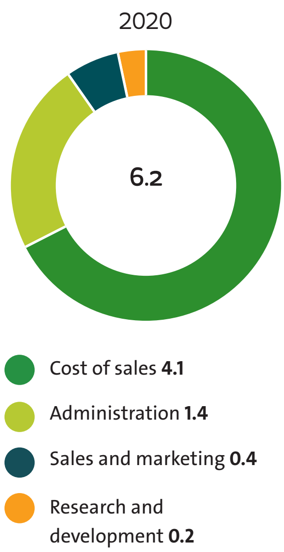
(EUR million)	2020	2019
Depreciation by asset group		
Depreciation on intangible assets, continuing operations		
Intangible rights	**0.3**	0.7
Other intangible assets	**0.7**	0.7
Total	**1.0**	1.4
Depreciation on tangible assets, continuing operations		
Buildings	**1.5**	1.5
Machinery and equipment	**3.7**	3.4
Other tangible assets	**0.0**	0.0
Total	**5.2**	4.9
Impairment by asset group, continuing operations		
Machinery and equipment	**0.0**	0.0
Total	**0.0**	0.0
Total depreciation and impairment, continuing operations	**6.2**	6.4
Depreciation by activity, continuing operations		
Cost of sales	**4.1**	3.7
Sales and marketing	**0.4**	0.5
Administration	**1.4**	1.9
Research and development	**0.2**	0.2
Total	**6.2**	6.4
Impairment, continuing operations		
Sales and marketing	**0.0**	0.0
Administration	**0.0**	
Research and development		
Total	**0.0**	0.0

The total of EUR 6.2 million in depreciation and impairment includes depreciation and impairments from right-of-use assets as follows:

(EUR million)	2020	2019
Depreciation for right-of-use assets by asset group		
Depreciation for right-of-use assets by asset group		
Buildings	**0.4**	0.4
Machinery and equipment	**0.4**	0.5
	0.8	0.9
Impairment for right-of-use assets by asset group		
Machinery and equipment	**0.0**	0.0
Total	**0.0**	0.0
Total depreciation and impairment for right-of-use assets	**0.8**	0.9
Function-based depreciation and impairment for right-of-use assets		
Cost of sales	**0.2**	0.2
Sales and marketing	**0.3**	0.4
Administration	**0.2**	0.2
Research and development	**0.0**	0.0
Total function-based depreciation and impairment for right-of-use assets	**0.8**	0.9

Depreciations (M€)
2019–2020





4.6 Impairment of intangible and tangible assets other than goodwill and assets with indefinite useful lives

Accounting principles

The balance sheet values of long-term intangible and tangible assets are assessed to determine possible impairment at the balance sheet date and whenever there is an indication of impairment of an asset. The impairment tests assess the recoverable amount of the asset in question. The recoverable amount is the asset's fair value less costs to sell, or a higher value in use. An impairment loss is recognised in the income statement if the value of the asset exceeds the recoverable amount.

The impairment previously recognised in the income statement is reversed if the values used to determine the recoverable income change substantially. However, the value after the reversal of the impairment may not exceed the value that the asset would have had without the impairment of previous years less accumulated impairment

Impairment by operations

(EUR million)	2020	2019
Impairment, continuing operations		
Sales and marketing		0.0
Total	**0.0**	0.0

4.7 Equity investments

Accounting principles

Equity investments are classified at fair value in the financial assets recognised through items of other comprehensive income. Of these investments, only dividends are recognised through profit or loss. Possible subsequent sales are not recognised through profit or loss and the fair value changes recognised in the fair value reserve are not reclassified through profit or loss. Certificates of deposits and commercial papers which are, in accordance with Raisio's business model, held for trading and mainly aimed at short-term returns on market price changes, are classified in the financial assets at fair value through profit or loss.

Equity investments, which are publicly quoted, are valued at the bid prices quoted by NASDAQ OMX Helsinki Ltd on the balance sheet date. Part of the 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, equity investments have been valuated at their acquisition cost.

Equity investments

(EUR million)	2020	2019
Equity investments and shares	**2.8**	3.0
	2.8	3.0
At the beginning of financial period	**3.0**	2.2
Changes	**-0.2**	0.8
At the end of financial period	**2.8**	3.0

4.8 Inventories

Accounting principles

Materials and supplies, unfinished and finished goods are recorded in inventories. Inventories are measured at acquisition cost or lower net realisable value. A net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of the completion of the product and the costs of the sale.

The cost of inventories is determined using the FIFO method so that the weighted average price is used for the valuation of materials and equipment and of acquired assets. Standard prices are used for the valuation of self-made products.

The cost of acquired assets comprises all costs of purchase including direct transportation, handling and other costs. The acquisition cost of finished products and work in progress consists of raw materials, direct work-related costs, other direct costs and the appropriate part of variable and fixed production overheads based on the normal capacity of the production facilities.

The acquisition cost does not include borrowing costs.

Key estimates and discretionary solutions

Valuation of inventories requires management's judgment in determining obsolescence or resale prices. There were no significant impairments of inventories in the financial year 2020 and the comparison period.

Inventories

(EUR million)	2020	2019
Materials and supplies	**24.0**	24.4
Unfinished goods	**4.8**	4.1
Finished products/goods	**8.0**	8.9
Other inventories	**0.2**	0.3
Inventory, total	**37.1**	37.6

5 Financial items and risk management

Content

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

5.1 Financial income and expenses

(EUR million)	2020	2019
Finance income		
Dividend income from equity investments	**0.2**	0.2
Interest income from derivatives	**0.2**	0.8
Interest income from accounts receivable	**0.0**	0.0
Other interest income	**0.1**	0.3
Change in value of financial assets at fair value through profit or loss	**0.4**	1.4
Exchange rate differences, net	**0.4**	0.1
Other financial income	**0.7**	0.1
Total	**2.0**	2.9
Finance expenses		
Interest expenses from loans		-0.2
Interest expenses from derivatives	**-0.4**	-1.2
Other interest expenses	**-0.1**	-0.1
Other financial expenses	**-1.0**	-0.1
Total	**-1.4**	-1.7

Other interest expenses include interest expenses of lease liabilities for the financial year 2020 totalling EUR 0.0 million (EUR 0.0 million in the financial period 2019).

5.2 Financial assets and liabilities

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Accounting principles

Raisio classified the **financial assets** in three measurement categories: financial assets recognised at amortised cost, financial assets recognised at fair value in other comprehensive income and financial assets at fair value through profit or loss. The classification of financial assets is made in connection of the initial recognition, based on the cash flow characteristics of the assets.

Financial assets recognised at amortised cost include the financial assets that are to be held until the end of the contract and whose cash flows consist solely of capital and interest. Raisio has classified sales receivables and other held-to-maturity receivables that are non-derivatives assets as financial assets at amortised cost.

Equity investments previously included in the financial assets available-for-sale are classified in the financial assets **at fair value through profit or loss through other comprehensive income items.** The group mainly includes unquoted share investments and similar rights of ownership. They are included in non-current assets. Of these investments, only dividends are recognised through profit or loss. Possible subsequent sales are not recognised through profit or loss and the fair value changes recognised in the fair value reserve are not reclassified through profit or loss.

Liquid investment funds that are used for cash management are classified as financial assets **at fair value through profit or loss.**

The Group's **financial liabilities** are classified at amortised cost and as financial liabilities at fair value through profit or loss.

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

Other financial liabilities are classified to be recorded **at fair value through profit or loss.**

Derivative contracts are classified as financial assets or liabilities at fair value through profit or loss. They are originally recorded at acquisition cost representing their fair value. Following the acquisition, derivative contracts are measured at fair value. Profits and losses generated from the measurement at fair value are treated according to the purpose of use of the derivative contract.

If hedge accounting is applied to derivatives, the change in their fair value is recognised at fair value through other comprehensive income items. Profit effects of changes in value are presented consistently with the hedged item. When a derivative contract is entered into, the Group processes it as hedging of a highly probable forecasted transaction (cash flow hedging). Hedge accounting is discontinued in case its conditions cease to meet the qualifying criteria, the hedged item is derecognised from the balance sheet, the hedging instrument expires or it is sold or exercised, the forecasted transaction is no longer expected to occur or the management decides to discontinue hedge accounting.

When starting hedge accounting, the Group documents the financial and hedging relationship between the hedged item and the hedging instrument and takes into account the impact of the credit risk. When initiating hedging, the Group documents and assesses the effectiveness of hedging relationships by examining the hedging instrument's ability to offset the changes in fair value of the hedged item or in cash flows. Hedge effectiveness is reassessed on a monthly basis.

If the foreign currency derivatives do not meet the conditions of hedge accounting, their fair values are recognised in other operating income and expenses when used to hedge actual business operations, and in financial income and expenses when they are hedging financial items. Effects of the interest element of foreign currency derivatives are recognised in financial income and expenses.

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

The Group has **no hedges of a net investment in a foreign entity.** Profits and losses accumulated from the hedging of a net investment are transferred to profit or loss when net investment is partially or completely disposed of.

Notes

Classification and hierarchy of financial assets and liabilities

(EUR million)	Fair value through profit or loss LEVEL 2 2020	Fair value through other comprehensive income LEVEL 3 2020	Recorded at amortised cost 2020	Total 2020	Fair value through profit or loss LEVEL 2 2019	Fair value through other comprehensive income LEVEL 3 2019	Recorded at amortised cost 2019	Total 2019
Financial assets								
Equity investments		**2.8**		**2.8**		3.0		3.0
Accounts receivable and other receivables			**26.9**	**26.9**			29.3	29.3
Derivatives	**0.1**			**0.1**				0.0
Investments at fair value through profit or loss	**71.7**			**71.7**	81.4			81.4
Liquid funds			**21.5**	**21.5**			18.3	18.3
Total	**71.8**	**2.8**	**48.5**	**123.1**	81.4	3.0	47.6	132.1
Financial liabilities								
Accounts payable and other liabilities			**20.2**	**20.2**			22.3	22.3
Derivatives	**0.3**			**0.3**	0.3			0.3
Other loans, capital loan			**0.0**	**0.0**			0.0	0.0
Lease liabilities			**10.2**	**10.2**			1.1	1.1
Total	**0.3**	**0.0**	**30.4**	**30.7**	0.3	0.0	23.4	23.8

Of the financial assets and liabilities measured at fair value, all belong to level 2 with the exception of equity investments, which are on level 3. There were no items included in level 1. Fair value of the items on the level 2 is defined with valuation techniques using the valuations of an external service provider. Equity investments are on the level 3 as their fair value is not based on observable market data.

The reconciliation for the level 3 financial assets and liabilities

(EUR million)	
Opening balance for the fiscal year 2019	2.2
Additions	0.0
Deductions	0.0
Profits and losses, statement of comprehensive income	0.8
Final balance for the fiscal year 2019	3.0
Opening balance for the fiscal year 2020	**3.0**
Deductions	**-0.5**
Profits and losses, statement of comprehensive income	**0.3**
Final balance for the fiscal year 2020	**2.8**

5.3 Valuation of financial assets

§ **Accounting principles**

At each balance sheet date, the Group assesses whether there is objective evidence of impairment of a financial asset or a group of financial assets. The impairment loss for loans and other receivables entered at amortised cost in the balance sheet is measured as the difference between the carrying amount of the item and the present value of estimated future cash flows discounted at the initial effective interest rate. Equity investments, which are not held for trading, are classified at fair value in the financial assets recognised through items of other comprehensive income. Of these investments, only dividends are recognised through profit or loss. Possible subsequent sales are not recognised through profit or loss and the fair value changes recognised in the fair value reserve are not reclassified through profit or loss.

Raisio assesses the expected credit losses related to assets measured at amortised cost proactively. Credit losses are recognised at an amount corresponding to the expected credit losses for the entire effective period. The Raisio Group recognises the credit loss provision based on the realised credit loss average for the previous three years in relation to the receivables for the end of the financial period preceding each year. Using the management's judgement, it is possible to make, when necessary, a credit loss provision higher than mentioned above in case there is objective evidence of the customer's financial difficulties.

Key estimates and discretionary solutions

The recognition of expected credit losses from assets covered by sales agreements, rental leases and customer contracts requires the estimates of the management. For the receivables due over 60 days, Raisio recognises, using the management's judgment, the items considered uncertain in credit loss provisions.

Key estimates and discretionary solutions

The determination of the fair value of financial instruments requires the management to use estimates, if the instruments do not have available price quotations and values are based on valuation models. Raisio endeavours to utilise as much empirical external market data as possible in its valuations. When determining the fair values of financial assets and liabilities, the Group has used the following price quotations, assumptions and valuation models:

Investments in shares and financial securities

Equity investments, which are publicly quoted, are valued at the bid prices on the balance sheet date. Part of the 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, equity investments have been valuated at their acquisition cost. Assets recognised at fair value through profit or loss are marketable and market prices at closing date or market interests corresponding to the length of the agreement have been used in their valuation.

Derivatives

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

Loan receivables, loans and lease liabilities

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

Accounts payable and other liabilities

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

Notes

5.3.1 Carrying values and fair values of financial assets and liabilities

(EUR million)	Note	Book value 2020	Fair value 2020	Book value 2019	Fair value 2019
Financial assets					
Equity investments		**2.8**	**2.8**	3.0	3.0
Accounts receivable and other receivables	5.3.2	**26.9**	**26.9**	29.3	29.3
Derivatives	5.3.4	**0.1**	**0.1**		
Investments at fair value through profit or loss	5.3.4	**71.7**	**71.7**	81.4	81.4
Liquid funds	5.3.5	**21.5**	**21.5**	18.3	18.3
Financial liabilities					
Accounts payable and other liabilities	5.3.7	**20.2**	**20.2**	22.3	22.3
Derivatives	5.3.8	**0.3**	**0.3**	0.3	0.3
Other loans, capital loan	5.3.8	**0.0**	**0.0**	0.0	0.0
Lease liabilities	5.3.8	**10.2**	**10.2**	1.1	1.1

The carrying amounts in the Table above correspond to the consolidated balance sheet values and they are further specified in the following Tables. Equity investments include unquoted share investments and similar rights of ownership.

5.3.2 Accounts receivable and other receivables

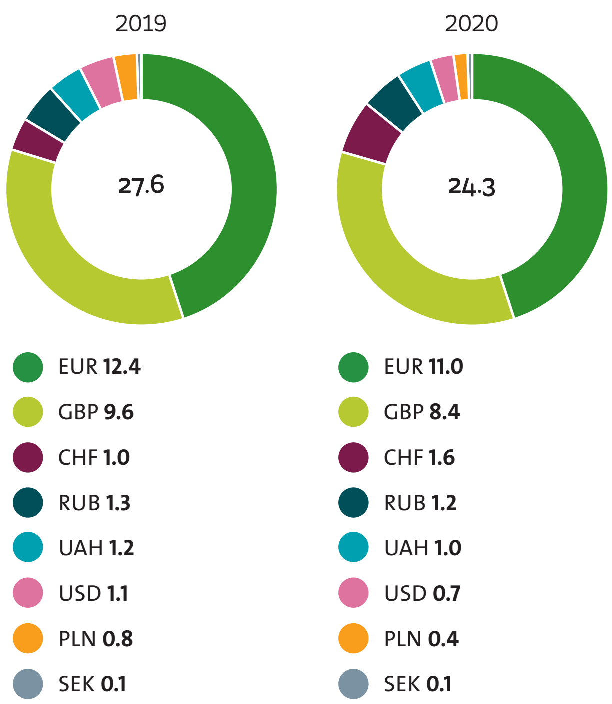
Key estimates and discretionary solutions

At the end of 2020, Raisio Group received a positive arbitration award for the partial suspension of Raisioaqua's business activities in 2018. On the basis of the judgement, the supplier is obligated to pay Raisio Group EUR 2.9 million as compensation for damages including penalty interest. Due to the uncertainty concerning the compensation for damages, they have not been recognised in the 2020 financial statements.

(EUR million)	2020	2019
Accounts receivable and other receivables	**24.3**	27.6
Accrued income	**2.0**	1.0
Other receivables	**1.7**	1.7
Total accounts receivable and other receivables	**28.0**	30.3

Sales receivables in the subsidiaries' risk currencies are specified in Table 'Balance sheet and transaction risk of the currency risk' under 5.4.1. Significant items included in accrued income are amortisations of income, expenses and financing items of business operations. In accordance with IFRS 9, the fair values of receivables classified as financial assets are presented in Table 5.3.1.

Accounts receivable (M€)
2019–2020



5.3.3 Accounts receivable based on age

(EUR million)	2020	2019
Unexpired	**21.9**	22.8
Past due 1–60 days	**2.2**	4.3
Past due 61–180 days	**0.2**	0.5
Past due over 180 days	**0.0**	0.0
Accounts receivable in total	**24.3**	27.6
Impairment of sales receivables:		
Value on 1 January	**0.2**	0.3
Increase	**0.0**	0.0
Decrease	**-0.1**	-0.1
Impairment in total on 31 December	**0.1**	0.2
Accounts receivable and impairment in total	**24.5**	27.8

During the financial period 2020, the Group has recognised EUR 0.1 million (EUR 0.2 million in the financial period 2019) in credit losses. The Group has recognised EUR 0.0 million in credit losses during the financial period 2020 (EUR 0.0 million in the financial period 2019).

5.3.4 Financial assets at fair value through profit or loss

(EUR million)	2020	2019
Derivatives	**0.1**	
Investments at fair value through profit or loss	**71.7**	81.4
Total	**71.8**	81.4

Financial assets at fair value through profit or loss include liquid financial instruments for cash management purposes and derivatives. Table 5.1 in the Notes to the Financial Statements shows the gains, losses and changes in value on financial items at fair value through profit or loss.

5.3.5 Liquid funds in the cash flow statement

(EUR million)	2020	2019
Investments at fair value through profit or loss	**71.7**	81.4
Liquid funds	**21.5**	18.3
Liquid funds on the balance sheet and in cash flow statement	**93.2**	99.8

5.3.6 Non-current loans from financial institutions

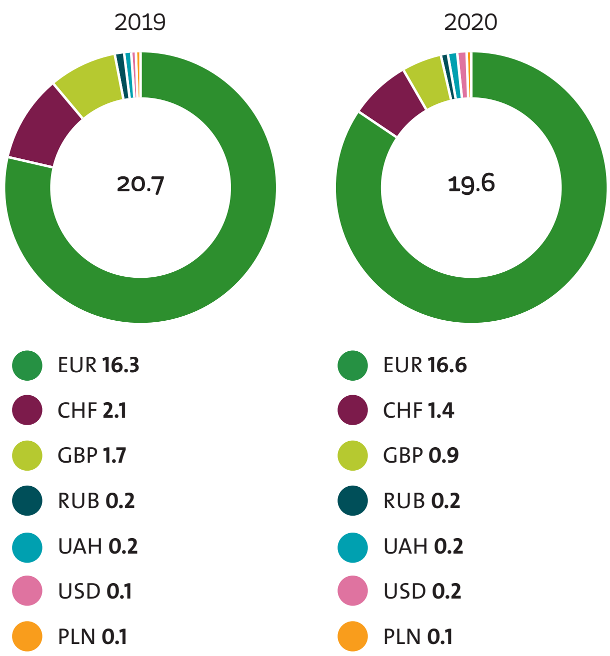
(EUR million)	2020	2019
Non-current loans from financial institutions 1 January		22.9
Change in accrued interest		0.0
Non-current loan payments 1 January - 31 December		-22.9
Total	**0.0**	0.0
Current share of non-current loans 31 December		
Non-current loans from financial institutions 31 December	**0.0**	0.0

5.3.7 Accounts payable and other liabilities

(EUR million)	2020	2019
Current		
Accounts payable	**19.6**	20.7
Accrues liabilities and deferred income	**7.0**	6.5
Advances paid	**0.1**	0.0
Other liabilities	**1.3**	1.3
Total accounts payable and other liabilities	**28.0**	28.5

Accrued liabilities include amortisations of operating expenses and financial items. Of them, the most significant are the amortisations of salaries, rewards and other personnel expenses totalling EUR 3.9 million in 2020 (in 2019: EUR 4.0 million).

Accounts payable (M€)
2019–2020



5.3.8 Financial liabilities

(EUR million)	2020	2019
Long-term financial liabilities		
Other loans, capital loan	**0.0**	0.0
Lease liabilities	**9.5**	0.3
Total	**9.6**	0.3
Short-term financial liabilities		
Accounts payable and other liabilities	**20.2**	22.3
Derivatives	**0.3**	0.3
Lease liabilities	**0.6**	0.8
Yhteensä	**21.1**	23.4

Table 'The maturity breakdown' under 5.4.2 in the Notes to the Financial Statements shows the maturity breakdown of financial liabilities.

5.3.9 Lease liabilities

(EUR million)	2020	2019
Non-current lease liabilities	**1.1**	0.1
Translation difference	**0.0**	0.0
Adoption of IFRS 16 standard		1.8
Increase in lease liabilities	**9.9**	0.1
Payments related to decrease of lease liabilities	**-0.8**	-0.9
Total	**10.2**	1.1
Current share of non-current lease liabilities 31 December	**0.6**	0.8
Non-current lease liabilities 31 December	**9.5**	0.3
Non-current lease liabilities 1 January	**0.3**	0.0
Non-current lease liabilities 31 December	**9.5**	0.3
Current lease liabilities 1 January	**0.8**	0.0
Current lease liabilities 31 December	**0.6**	0.8

The increases to lease liabilities include EUR 9.3 million in right-of-use asset acquisitions for process equipment related to the new production facility being built in Raisio's industrial area. Raisio Group has committed itself to approximately EUR 22 million in lease liabilities in connection with its new production facility. Around EUR 12 million of these lease liabilities have not yet commenced. In the future, the Group will be exposed to an annual outgoing cash flow of approximately EUR 1.8 million in connection with the new production facility.

5.3.10 Contingent liabilities and other commitments and contingent assets

(EUR million)	31.12.2020	31.12.2019
Contingent off-balance sheet liabilities		
Other liabilities	0.7	3.3
Guarantee liabilities on the Group companies' commitments	2.2	26.2
Commitments to investment payments	5.7	20.8
Commitment to right-of-use assets	12.1	
Off-balance sheet contingent assets		
Compensation receivables based on arbitration award	2.9	

Further information about lease liabilities related to the new production facility that have not yet commenced is given in the notes 5.3.9 Lease liabilities.

Information on the compensation receivables based on the arbitration related to contingent assets is presented in the notes 5.3.2 Accounts receivable and other receivables.

The comparison period's guarantee liabilities concerning the Group companies' commitments included a guarantee of EUR 25 million related to derivatives. The commitment was made with the bank in favour of a single subsidiary and was not in use on the balance sheet date of 31 December 2019, because the derivative contracts outside the Group are made on behalf of the parent company. The commitment ended in January 2020.

5.4 Financial risk management

Content

This section covers Raisio Group's currency, liquidity, liquidity reserve, interest rate and counterparty risk and methods for their management. The purpose of risk management is to minimise the unfavourable effects of financial markets on the Group's profits and equity and to maintain liquidity at a good level. The principles for managing financial risk are defined in the treasury policy approved by the Board of Directors of Raisio Group.

Key estimates and discretionary solutions

Raisio Group is exposed to transaction risks and risks that arise when leases made in different currencies are converted to euro amounts. The management has exercised discretion when signing derivative contracts as a means of hedging against currency risk. Hedging transactions are carried out in accordance with the treasury policy approved by the Board of Directors.

Notes

5.4.1 Currency risk

Raisio is an international Group which operates in several currencies. This structure causes foreign exchange risks produced by cash flows in various currencies (Transaction risk) and converting equities, assets, liabilities and income of foreign currency subsidiaries to euro (Translation risk).

Transaction risk refers to the exchange rate risk that arises between the date of agreement and the payment transaction. Raisio Group hedges against foreign currency risks arising from the most significant foreign currency receivables and liabilities, off-balance-sheet purchase and sales agreements and, partly, from budgeted cash flows. The Group currently utilises currency forward contracts and options as a means of managing the transaction risks.

The most significant transaction risks

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

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

Transaction risk of net sales 2020

(EUR million)	USD	CHF	RUB	SEK
+10% change in currency rate	-0.3	-0.9	-0.4	-0.1
-10 % change in currency rate	0.3	0.9	0.4	0.1

Translation risk refers to the risk that arises when foreign currency items are converted to the domestic currency for the purposes of the Financial Statements. In accordance with the treasury policy of the Group, translation risk is not, as a rule, hedged with the currency derivatives. Of Raisio Group's net sales for the financial year of 2020, altogether 29.7 per cent (33.5 per cent in the financial period 2019) were generated in a functional currency other than the euro.

Translation risk of net sales 2020

(EUR million)	USD	GBP	PLN	RUB	UAH
+10% change in currency rate	-0.1	-4.6	-0.4	-0.9	-0.4
-10% change in currency rate	0.1	5.6	0.5	1.0	0.5

Balance sheet and transaction risk of the currency risk 31 December 2020

(EUR million)	EUR	USD	GBP	CHF	PLN	RUB	SEK
Accounts receivable	1.0	0.5	0.0	1.6	0.0	0.1	0.1
Bank accounts	-1.7	-0.2	0.0	-0.4	0.1	0.0	0.3
Accounts payable	-2.9	-0.4	-0.1	-1.4	0.0	0.0	-0.2
Internal loans	-1.0	0.2					
Balance sheet risk, total	-4.6	0.1	-0.1	-0.3	0.1	0.1	0.2
Forecast sales less than one year	0.0	3.0	0.0	9.2	0.0	3.9	1.0
Forecast purchases less than one year	-12.3	-6.1	0.0	-20.0	0.0	0.0	-0.4
Forecast risk, total	-12.3	-3.1	0.0	-10.7	0.0	3.9	0.6
Forward exchange contracts, total	5.9	4.0		5.1		-1.8	
Net risk, total	-11.0	1.0	-0.1	-5.9	0.1	2.1	0.8

Forecasted sales and purchases are based on the forecasts reported by the Group's operating segments. For these, the Table shows foreign currency items that are considerable from the Group's standpoint, but not such income that are offset by a recognisable foreign currency expense. The negative values in the Table refer to purchases or debts while the positive values to sales or assets.

Balance sheet and transaction risk of the currency risk 31 December 2019

(EUR million)	EUR	USD	GBP	CHF	PLN	RUB	SEK
Accounts receivable	0.7	0.8	0.0	1.0	0.1	0.1	0.1
Bank accounts	-0.1	0.4	0.0	-0.7	0.0	0.1	0.0
Accounts payable	-3.1	-0.2	-0.7	-2.1	0.0	0.0	-0.2
Internal loans	-1.0	0.2					
Balance sheet risk, total	-3.5	1.2	-0.7	-1.8	0.1	0.2	0.0
Forecast sales less than one year	0.0	2.0	0.0	11.4	0.0	3.8	1.3
Forecast purchases less than one year	-17.8	-8.6	0.0	-25.3	0.0	0.0	-0.4
Forecast risk, total	-17.8	-6.6	0.0	-13.9	0.0	3.8	0.9
Forward exchange contracts, total	6.7	4.1		4.9		-2.7	
Net risk, total	-14.7	-1.3	-0.7	-10.8	0.1	1.3	0.8

Currency sensitivity analysis in accordance with IFRS 7, 2020

(EUR million)	Business transaction risk (less than one year) +/-10%	Financial risk (less than one year) +/-10%	Translation risk, EBT +10%	Translation risk, EBT -10%	Translation risk, equity +10%	Translation risk, equity -10%
EUR	**0.4**	**0.3**				
USD	**0.4**	**0.0**	**0.0**	**0.0**	**-0.1**	**0.1**
GBP	**0.0**	**0.0**	**-1.0**	**1.2**	**-9.6**	**11.8**
CHF	**0.5**	**0.0**				
PLN	**0.0**	**0.0**	**0.0**	**0.0**	**0.3**	**0.0**
RUB	**0.2**	**0.0**	**-0.2**	**0.2**	**-0.1**	**0.5**
SEK	**0.0**	**0.0**	**0.0**	**0.0**	**-0.1**	**0.4**
UAH	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.3**

The Table includes the currency hedges but no forecasted cash flows. Business transaction risks include sales receivables, accounts payable and currency forward contracts. Financial risks include internal currency loans and foreign currency bank balances. The figures in the Table above show what the risk of each currency is against all other currencies. Utilising the Group's reporting system, the translation risks were defined by determining the foreign exchange rates against one euro at the end of the year and by changing them one at a time by +/-10%. Translation risk, EBT is the exchange rate risk that is allocated to the Group's earnings before tax and translation risk, equity is the exchange rate risk that is allocated to the Group's equity value.

Currency sensitivity analysis in accordance with IFRS 7, 2019

(EUR million)	Business transaction risk (less than one year) +/-10%	Financial risk (less than one year) +/-10%	Translation risk, EBT +10%	Translation risk, EBT -10%	Translation risk, equity +10%	Translation risk, equity -10%
EUR	0.4	0.1				
USD	0.5	0.1	0.0	0.0	-0.1	0.1
GBP	0.1	0.0	-1.2	1.5	-10.4	12.7
CHF	0.4	0.1				
PLN	0.0	0.0	0.0	0.0	0.1	-0.2
RUB	0.3	0.0	-0.2	0.2	-0.3	0.4
SEK	0.0	0.0	0.0	0.0	-0.3	0.3
UAH	0.0	0.0	-0.1	0.1	-0.1	0.2

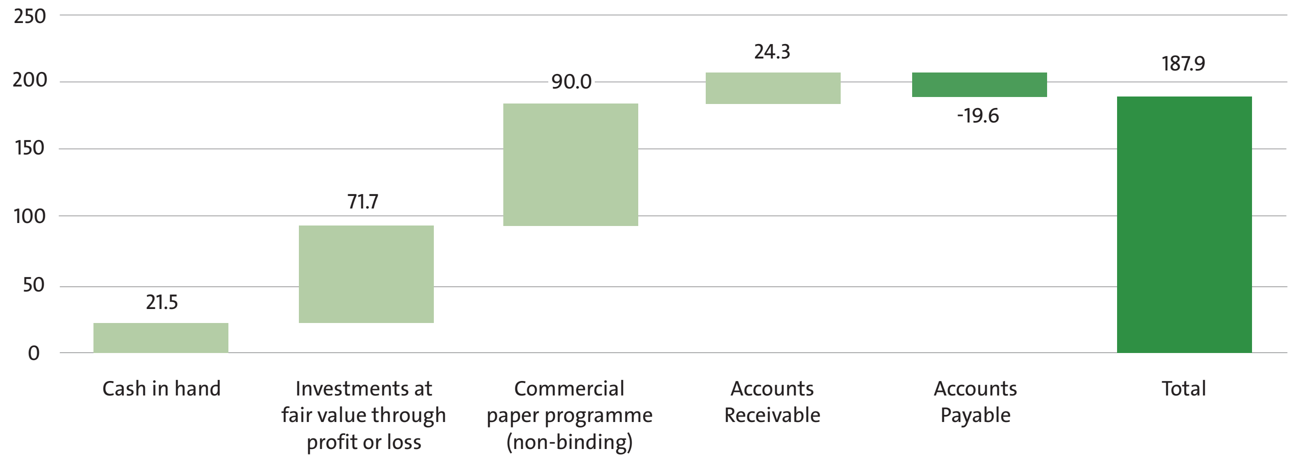
Nominal values of derivatives

(EUR million)	31.12.2020	31.12.2019
Currency derivatives, in hedge accounting	**46.4**	34.7

5.4.2 Liquidity and solvency risk

Liquidity risk refers to a situation in which the financial assets and additional financing options would not cover the future needs of business operations. In line with the risk management policy Raisio Group strives to maintain good liquidity in all circumstances, keeping it at a level that guarantees the strategic operating freedom of the management. At the balance sheet date, the Group's liquidity consisted of financial assets, overdraft facilities and non-binding commercial paper programme. In compliance with the treasury policy, any additional financing needs are covered with leasing, bank loans and financial market instruments. All significant borrowing decisions are taken by the Board.

Short-term liquidity (EUR million)



The Chart shows the Group's short- term liquidity position. The Chart does not include currency derivatives, lease liabilities or signed guarantee contracts. The Group's liquidity is at a good level also with these items.

The maturity breakdown 2020

(EUR million)	Total	under 3 months	3–6 months	6–9 months	9–12 months	1–2 years	over 2 years
Financial liabilities							
Accounts payable	**-19.6**	**-19.6**					
Lease liabilities	**-15.1**	**-0.2**	**-0.4**	**-0.4**	**-0.3**	**-2.2**	**-11.6**
Total	**-34.8**	**-19.8**	**-0.4**	**-0.4**	**-0.3**	**-2.2**	**-11.6**
Currrency derivatives, in hedge accounting							
The amount to be received	**40.1**	**21.4**	**15.9**	**1.5**	**1.5**		
The amount to be paid	**-40.2**	**-21.1**	**-16.1**	**-1.5**	**-1.5**		
Total	**-0.1**	**0.3**	**-0.2**	**-0.1**	**-0.1**	**0.0**	**0.0**
Guarantee contracts							
Guarantees signed	**-1.6**	**-1.6**					

Signed guarantee contracts refer to guarantees signed by the parent company on behalf of the subsidiaries. They are included in the earliest period in which a guarantee may be claimed. The Group does not view their realisation as being probable.

The maturity breakdown 2019

(EUR million)	Total	under 3 months	3–6 months	6–9 months	9–12 months	1–2 years	over 2 years
Financial liabilities							
Accounts payable	-20.7	-20.7					
Lease liabilities	-3.8	-0.2	-0.2	-0.2	-0.2	-1.1	-1.9
Total	-24.5	-20.9	-0.2	-0.2	-0.2	-1.1	-1.9
Currrency derivatives, in hedge accounting							
The amount to be received	34.5	16.8	17.8				
The amount to be paid	-35.3	-17.4	-18.0				
Total	-0.8	-0.6	-0.2	0.0	0.0	0.0	0.0
Guarantee contracts							
Guarantees signed	-0.7	-0.7					

5.4.3 Interest rate risk

Interest rate risk refers to the impact of interest rate fluctuations on Raisio Group's net financial income and expenses, and on the market values of interest investments and interest derivatives over the following 12 months. In accordance with the treasury policy of the Group, the interest rate risk is managed by controlling the structure, maturity and repayment structures of the credit portfolio and interest investments. The interest rate profile can be modified using interest rate swaps, futures and options. The Group has a binding interest rate derivative, which enters into force in autumn 2021 in connection with the repayment of lease liabilities for equipment used in the new production facility. Raisio Group has no bank loans. As a result of the exceptional interest rate environment, the Group has invested its cash reserves in liquid interest rate instruments with a low credit and interest rate risk as a means of avoiding negative interest on deposits. On the balance sheet date, the duration of the investment portfolio was 2.56 years, and together, capital and unrealised change in value totalled EUR 71.6 million. With the aforementioned duration figure incorporated, a 100 basis point increase or decrease in the market interest would have a EUR +/-1.8 million impact on the Group's EBIT before taxes.

5.4.4 Counterparty risk

Counterparty risk refers to a situation in which a contracting party is unable or unwilling to fulfil its obligations. Raisio Group is exposed to counterparty risk through the purchase and sales agreements and other contracts of the business units. Additionally, the Group is exposed to counterparty risk through the Treasury department's derivative trading as well as funding, investment and cash management solutions. A careful selection of counterparties with good credit rating is an important tool in the counterparty risk management.

Investment activities

Raisio Group's investment portfolio is regulated in accordance with treasury policy in terms of its investment allocation, maturity and counterparties. In addition to direct long- or short-term interest-bearing investments, assets can be invested in fixed-income funds. In addition to the aforementioned, a minor part of the Group's overall assets can be invested in alternative investment funds, shares and equity funds. Structured financial products are not permitted. 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. On the balance sheet date, the investment portfolios managed by the Group's two asset managers contained a total value of EUR 71,7 million that are diversified in fixed-income funds.

Credit risk in sales

The principles for managing credit risk in sales are defined in the credit policy approved by the Board of Directors of Raisio Group. The operating segments make independent decisions on the counterparty risk, such as the criteria used to approve customers, the applicable terms and conditions for sales and necessary guarantees within the limits allowed by the Group's credit policy. Sales receivables can also be secured with credit insurance policies.

Raisio Group operates in grocery trade markets and its accumulated credit risks result from the structure of these markets. A significant part of the Group's earnings are generated by the Benecol business and particularly in the UK. A significant part of the revenue from food sales in the UK and Finland is from a few of the most significant retail chains. However, the Group has not detected any deterioration in the creditworthiness of its major customers in the UK or in Finland. The accumulated credit risks due to the market structure have been recognised and considered in the Group's decision-making process.

Credit losses

(EUR million)	Receivables 31.12.2020	Credit losses from previous years with respect to receivables	Calculated mimimum credit loss provision	Credit loss provision 2020	Credit loss provision 2019
All receivables, in total	**24.5**	**0.2%**	**0.0**	**0.1**	0.2
Receivables past due, in total	**2.5**	**1.2%**	**0.0**	**0.1**	0.2
More than 60 days past due receivables	**0.3**	**9.4%**	**0.0**	**0.1**	0.2

The Table shows a comparison between the realised credit losses for the three previous financial periods and receivables at the beginning of each financial period. The result of the comparison is a deferred minimum credit loss provision based on the historical data mentioned above. This calculation method has been implemented in accordance with the requirements of IFRS 9 effective from 1 January 2018.

6 Current taxes and deferred tax

Content

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

6.1 Income taxes

Accounting principles

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

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

Key estimates and discretionary solutions

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

Income taxes

(EUR million)	2020	2019
Tax based on the taxable income for the period	**-2.4**	-4.2
Taxes for previous financial periods	**-0.1**	-0.1
Deferred tax	**-3.5**	1.4
Total	**-6.0**	-2.9

In 2020, the tax based on profit of continuing operations for the financial year totalled EUR 6.0 (in 2019: 2.9) million and effective tax rate was 20.3 per cent (in 2019: 10.3%). The effective tax rate for the comparison period was decreased by the recognition of the deferred tax asset of EUR 2.3 million resulting from the losses of the previous financial periods of the Benemilk business.

A reconciliation between tax expense of the income statement and the Group's tax calculated at the Finnish tax rate 20 per cent (20% in 2019):

(EUR million)	2020	2019
Taxes calculated on the basis of the domestic tax rate	**-5.9**	-5.7
Impact of a deviating tax rate used in foreign subsidiaries	**0.1**	0.1
Change in tax rate	**-0.3**	
Returns exempt from tax	**0.3**	0.1
Non-deductible expenses	**-0.1**	-0.1
Losses for the period, for which no tax assets have been recognised	**0.0**	0.0
Utilisation of tax refund receivable from previously unrecognised tax losses	**0.1**	0.1
Other previously unrecognised tax liabilities		2.7
Adjustment of previously recorded tax assets		0.2
Additional tax deductions		
Tax from previous years	**-0.1**	-0.1
Other items	**-0.1**	-0.2
Total	**-6.0**	-2.9

Incime tax liabilities

(EUR million)	2020	2019
Income tax liability	**0.2**	0.8
Deferred net tax liability	**0.2**	0.8

6.2 Deferred tax

Accounting principles

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

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

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

Key estimates and discretionary solutions

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

Deferred tax asset corresponding to tax losses for later use has been recognised to the extent that it is probable that it can be utilised based on cumulative future profits. The Group's accumulated losses total EUR 41.3 million on 31 December 2019 (31 December 2019: EUR 56.0 million). The majority of them are aging over a period of more than five years. Accumulated losses per 31 December 2020 totalled EUR 0.2 million and were entered as tax assets. The accumulated losses are related to the Raisio Group's foreign units.

(EUR million)	31.12.2020	31.12.2019
Opening balance 1 January	**56.0**	56.6
Translation difference	**-1.8**	0.3
Increase 1 January–31 December	**0.0**	0.6
Decrease 1 January–31 December	**-12.9**	-1.4
31 December	**41.3**	56.0
Deductible losses, able to use	**0.2**	11.8
Deductible losses, unable to use	**41.1**	44.2

Deffered net tax liability

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

(EUR million)	2020	2019
Deferred tax assets	**2.3**	4.9
Deferred tax liabilities	**6.3**	5.3
Deferred net tax liability	**4.0**	0.5

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority. No deferred tax liability has been recognised for undistributed earnings of foreign subsidiaries.

Changes in deferred tax

Changes in deferred tax in the financial period 2020

(EUR million)	1 January 2020	Recognised in the income statement	Recorded in other comprehensive income	Exchange rate differences	31 December 2020
Deferred tax assets:					
Provisions	**0.2**	**0.0**		**0.0**	**0.3**
Confirmed fiscal losses	**2.4**	**-2.3**			**0.1**
Derivative contracts	**0.1**		**0.0**		**0.0**
Depreciation not deducted in taxation	**1.2**	**-0.1**			**1.0**
Other items	**1.0**	**0.0**	**-0.1**	**-0.1**	**0.9**
Total	**4.8**	**-2.4**	**-0.1**	**-0.1**	**2.3**
Deferred tax liabilities:					
Accumulated depreciation difference	**3.1**	**1.0**		**-0.1**	**4.0**
Equity investments	**0.5**		**0.0**		**0.5**
Derivative contracts	**0.0**		**0.0**		**0.0**
Valuation at fair value of intangible and tangible assets in business combination	**0.3**	**0.1**			**0.4**
Other items	**1.4**			**0.0**	**1.4**
Total	**5.3**	**1.1**	**0.0**	**-0.2**	**6.2**

Change in deferred tax asset of EUR 2.3 million in confirmed tax losses relates to the losses of the previous financial periods.

Changes in deferred tax in the financial period 2019

(EUR million)	1 January 2019	Recognised in the income statement	Recorded in other comprehensive income	Exchange rate differences	31 December 2019
Deferred tax assets:					
Provisions	0.3	-0.1		0.0	0.2
Confirmed fiscal losses	0.0	2.3			2.4
Derivative contracts			0.1		0.1
Depreciation not deducted in taxation	1.3	-0.2			1.2
Other items	0.7	0.4		0.0	1.1
Total	2.3	2.5	0.1	0.0	4.8
Deferred tax liabilities:					
Accumulated depreciation difference	2.3	0.8	0.0	0.1	3.2
Equity investments	0.3		0.2		0.5
Derivative contracts	0.0		0.0		0.0
Valuation at fair value of intangible and tangible assets in business combination	0.2			0.0	0.2
Other items	1.2	0.3		0.0	1.5
Total	4.0	1.1	0.1	0.1	5.3

6.3 Taxes related to the items of other comprehensive income

Taxes related to the items of other comprehensive income

(EUR million)	Before taxes	Tax impact	After taxes
Year 2020			
Change in equity investments	**0.3**	**-0.1**	**0.2**
Cash flow hedge	**0.2**	**0.0**	**0.2**
Translation differences	**-5.8**		**-5.8**
	-5.3	**-0.1**	**-5.4**
Year 2019			
Change in equity investments	0.8	-0.2	0.6
Cash flow hedge	-0.4	0.1	-0.3
Translation differences	5.1		5.1
	5.5	-0.1	5.4

7 Equity

Content

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

7.1 Equity and equity funds

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

(EUR million)	1,000 shares	Share capital	Company shares
Restricted shares converted into free shares	712		
Disposal of company shares, free shares	-22		0.0
31 December 2018			
Restricted shares (20 votes/share)	31,791	5.3	
Restricted shares, company shares	-213		-0.4
Free shares (1 vote/share)	133,358	22.4	
Free shares, company shares	-7,595		-19.4
Total	157,341	27.8	-19.8
Restricted shares converted into free shares	336		
Disposal of company shares, free shares	-13		0.0
31 December 2019			
Restricted shares (20 votes/share)	31,455	5.3	
Restricted shares, company shares	-213		-0.4
Free shares (1 vote/share)	133,694	22.5	
Free shares, company shares	-7 582		-19.3
Total	157,354	27.8	-19.8
Restricted shares converted into free shares	**10**		
Disposal of company shares, free shares	**-92**		**-0.2**
31 December 2020			
Restricted shares (20 votes/share)	**31,445**	**5.3**	
Restricted shares, company shares	**-213**		**-0.4**
Free shares (1 vote/share)	**133,704**	**22.5**	
Free shares, company shares	**-7,490**		**-19.2**
Total	**157,446**	**27.8**	**-19.6**

Translation differences

(EUR million)	2020	2019
Translation differences on 1 January	**-14.8**	-19.8
Change in translation difference	**-5.8**	5.1
Translation differences on 31 December	**-20.6**	-14.8

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

Other reserves

(EUR million)	2020	2019
Other funds:		
Equity investments	**2.1**	1.9
Hedge fund	**-3.0**	-3.2
Other funds total	**-0.9**	-1.3

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

Company shares

At the end of the review period, Raisio plc held 7,490,445 free shares and 212,696 restricted shares acquired between 2005 and 2012 based on the authorisation given by the Annual General Meeting or obtained through the subsidiary merger in August 2014 or transferred to the company because the right to receive a merger consideration has expired.

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

7.2 Dividends

§ Accounting principles

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

Dividends

In 2020, a dividend of EUR 0.13 per share was paid for 2019, i.e. a total of EUR 20.5 million (in 2019, EUR 0.16 per share for 2018, i.e. a total of EUR 25.0 million. The dividends for 2018 were comprised of a base dividend of EUR 0.12 per share with an additional supplementary dividend of EUR 0.04 per share).

After the balance sheet date, the parent company's Board of Directors has proposed that a dividend of EUR 0.13 per share is paid, i.e. a total of EUR 21.5 million.

7.3 Earnings per share

Earnings per share

(EUR million)	2020	2019
Profit for the period for equity holders of the parent company, continuing operations (EUR million)	**23.4**	25.5
Profit for the period for equity holders of the parent company, discontinued operations (EUR million)		
Undiluted weighted average of shares in the financial period	**157,415,611**	157,344,934
Dilution resulting from share-based compensation	**543,850**	579,336
Diluted weighted average of shares in the financial period	**157,959,461**	157,924,270
Undiluted earnings per share, continuing operations (EUR/share)	**0.15**	0.16
Earnings per share adjusted by the dillution effect, continuing operations (EUR/share)	**0.15**	0.16
Undiluted earnings per share, discontinued operations (EUR/share)		
Earnings per share adjusted by the dillution effect, discontinued operations (EUR/share)		

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

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

8 Personnel and related parties

Content

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

8.1 Employee benefits

Accounting principles

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

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

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

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

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

Expenses arising from employee benefits

(EUR million)	2020	2019
Salaries	**20.2**	19.1
Termination benefits		
Pension expenses - defined contribution plans	**2.9**	3.0
Share-based rewards	**0.7**	0.6
Other indirect personnel costs	**1.1**	0.9
Total	**24.8**	23.7

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

	2020	2019
Healthy Food	**130**	127
Healthy Ingredients	**169**	146
Other operations	**49**	55
Total	**348**	328

8.2 Share-based payments

Accounting principles

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

Share-based payments

On 31 December 2020, the Raisio Group had four valid share-based incentive schemes approved by Raisio plc's Board of Directors, which were directed at the Group management and designated key persons; the scheme 2018–2020, the scheme 2019–2021, the scheme 2020–2022 and the scheme 2021–2023. For each share-based incentive scheme, the rewards paid based on its earnings period correspond to the value of a maximum of 1,000,000 Raisio plc's free share, including also the part paid in cash.

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

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

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

On 19 March 2020, the Board of Raisio plc approved the bonuses to be paid during 2017–2019 under the share reward scheme and the conveyance of the part paid in shares to key employees. On 7 April 2020, Raisio plc conveyed a total of 79,313 free shares held by the company (RAIVV) to key employees within the share reward scheme.

According to the decision made at the General Meetings, the members of the Board of Directors have been paid some 20% of their reward by assigning them the company's own shares. A total of 1,350,797 shares were assigned during the years 2009–2019, a total of 12,629 shares in 2020.

Share-based schemes:

Share-based incentive scheme (EUR million)	2017–2019	2018–2020	2019–2021	2020–2022	2021–2023
Original number of shares	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Original grant date	16.3.2017	15.3.2018	4.1.2019	21.1.2020	
Exercise date	30.04.2020	30.04.2021	30.04.2022	30.04.2023	30.04.2024
Vesting period, years	3.1	3.1	3.3	3.3	3.3
Remaining vesting period, years		0.3	1.3	2.3	3.3
Number of persons at the end of the period		15	18	20	
Payment method	Shares and cash	Shares and cash	Shares and cash	Shares and cash	Shares and cash

Changes in 2020	2017–2019 Number of shares	2018–2020 Number of shares	2019–2021 Number of shares	2020–2022 Number of shares	2021–2023 Number of shares
1 January 2020					
Number of shares at the beginning of the reporting period					
In reserve at the beginning of the reporting period	620,000	470,000	335,000	1,000,000	
Changes during the reporting period					
Granted				705,000	
Cancelled	5,000	65,000	120,000	120,000	
Realised	114,000				
Expired	886,000				
31 December 2020					
Number of shares at the end of the reporting period	465,000	545,000	585,000		
In reserve at the end of the reporting period		535,000	455,000	415,000	1,000,000

Determination of fair value

Fair value of the part paid in shares and in cash is determined at the grant date and amortised until the implementation date. Fair value of the social costs is determined at each reporting date until the possible reward has been paid. Thus, the amount of social cost debt will change as Raisio's share price changes. Parameters used in the calculation of share-based incentive schemes granted during the period:

(EUR million)	2020	2019
Share price at grant date, euros	**3.74**	2.48
Share price on the closing date, euros	**3.19**	3.40
Share price increase assumption, p.a.	**6.4%**	8.0%
Expected dividends before bonus payment, euros	**0.52**	0.60
Discount rate	**6.4**	6.0
Years to maturity	**3.3**	3.3

Estimate of future cash payments to the tax authorities from share-based payments in shares at the end of the period EUR 1.1 million (EUR 1.2 million).

(EUR million)	2020	2019
Equity-settled	**0.7**	0.6
Cash-settled	**0.0**	0.0
Total	**0.7**	0.6
Debt from cash-settled share-based plans	**0.0**	0.0

Estimate of future cash payments to the tax authorities from share-based payments in shares at the end of the period EUR 1.1 million (EUR 1.2 million).

8.3 Related parties

Related parties

Raisio Group's related parties include its subsidiaries and the members of the Board of Directors and Supervisory Board, the Managing Director and other members of the Management Team, including close family members of the aforementioned as well as entities in which they have control or considerable influence.

8.3.1 Related party transactions

(EUR million)	2020	2019
Sales to key employees in management	**1.0**	0.0
Purchases from key employees in management	**0.9**	1.1
Short-term receivables from key employees in management	**0.1**	0.0
Payables to key management personnel	**0.1**	0.1

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

Auditors' remuneration

(EUR million)	2020	2019
Auditors' remuneration		
Audit	**0.2**	0.2
Other services	**0.0**	0.1
Total	**0.2**	0.2

8.3.2 Management's employee benefits

(EUR million)	2020	2019
Wages and fees	**2.3**	1.7
Share-based payments	**0.3**	
Total	**2.6**	1.7
Members of the Supervisory Board	**0.0**	0.0
Members of the Board of Directors	**0.3**	0.3
Managing Director and members of the Management team		
CEO	**0.7**	0.5
Other members of the Management team	**1.5**	0.9
Total	**2.2**	1.4

8.3.3 Pension and other benefits

The pensions of the CEO and members of the Group Executive Committee are determined in accordance with the employment pension scheme in Finland, and these individuals fall within the sphere of the group pension insurance policy for Raisio Group management. The annual contributions paid for the Group pension insurance policy are 15 per cent of a manager's basic annual salary. From 2020 onward, the statutory pensionable age will be used in executive-level contracts. For members of the Executive Committee and the CEO appointed prior to 2020, the pensionable age is 62 years.

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

Supplementary pension costs

(EUR million)	2020	2019
CEO	**0.1**	0.1
Other members of the Management team	**0.1**	0.1
Total	**0.2**	0.2

For the CEO, the cost of the supplementary pension insurance amounted to EUR 0.1 million in 2020 and for other Management Team members EUR 0.1 million, all totalling EUR 0.2 million. For the CEO, the cost of the supplementary pension insurance amounted to EUR 0.1 million in 2019 and for other Management Team members EUR 0.1 million, all totalling EUR 0.2 million.

Compulsory pension insurance

(EUR million)	2020	2019
CEO	**0.1**	0.1
Other members of the Management team	**0.2**	0.2
Total	**0.2**	0.2

For the CEO, expenditure of the compulsory pension insurance amounted to EUR 0.1 million in 2020 and for other Management Team members EUR 0.2 million, all totalling EUR 0.2 million. For the CEO, expenditure of the compulsory pension insurance amounted to EUR 0.1 million in 2019 and for other Management Team members EUR 0.2 million, all totaling EUR 0.2 million.

9 Other notes

9.1 Other notes

Content

The section Other notes includes the notes for continuing operations on the income and expenses as well as provisions.

9.1.1 Other operating income and expenses

Accounting principles

Gains and losses on the sale of assets related to continuing operations, income related to other than actual sales of goods and services (e.g. rental income) are presented as other operating income and expenses. Other operating income and expenses also include gains and losses on the disposal of tangible and intangible assets, other income or expenses, and realized and unrealized foreign exchange gains and losses related to trade receivables and account payables.

Key estimates and discretionary solutions

Raisio Group presents alternative key figures to describe the financial performance and position of its businesses as well as cash flows as a means of improving the comparability between different periods and to increase understanding of the formation of the company's earnings and its financial position. The financial year's other operating income includes the withdrawal of a EUR 1.1. million provision related to the sale of the confectionery business in 2017. According to the assessment of the management, at the end of the reporting period on 31 December 2020, there are no future events related to the provision that would affect the fulfilment of liabilities. The withdrawal of the EUR 1.1 million provision will be presented as an item affecting comparability in the alternative key figures.

Other operating income and expenses

(EUR million)	2020	2019
Gains and losses on the sale of tangible and intangible fixed assets	**0.1**	0.0
Other income and expenses from business	**1.2**	0.7
Total	**1.3**	0.7

Other operating income includes the realised exchange rate differences in sales and purchases as well as other various income and expenses. Other operating income for the financial period 1 January to 31 December 2020 also includes the release of a provision of EUR 1.1 million affecting comparability.

9.1.2 Provisions

Accounting principles

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

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

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

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

Key estimates and discretionary solutions

The management regularly assesses the amount of the expense recognised as a provision, so that it corresponds to the liabilities needed to fulfil the current obligations at the end of each reporting period. A provision related to the sale of the confectionery business was recognised in the financial statements for 2017. At the end of the reporting period on 31 December 2020, there are no future events related to the provision that would affect the fulfilment of liabilities. The withdrawal of the EUR 1.1 million provision related to other operating income will be presented as an item affecting comparability in the alternative key figures.

Provisions

(EUR million)	2020	2019
Provisions 1 January	**1.2**	1.1
Translation differences	**-0.1**	0.1
Provisions used	**-1.1**	
Provisions 31 December	**0.0**	1.2
Non-current provisions total	**0.0**	1.2

At the end of the financial year 1 January–31 December 2020, the guarantee provision for trade receivables related to the discontinued confectionery business was cancelled, as no future events are related to the provision that would affect the fulfilment of liabilities.

10 Parent company financial statement (FAS)

Parent company income statement

(EUR)	Note	1.1.–31.12.2020	1.1.–31.12.2019
NET SALES		**1,618,205.88**	1,491,974.22
Other income from business operations			1,839.10
Personnel expenses	1.	**-3,527,808.00**	-4,055,239.47
Depreciation and write-downs	2.	**-13,313.99**	-18,840.65
Other expenses from business operations	3.	**-1,476,612.97**	-1,683,172.97
PROFIT (LOSS)		**-3,399,529.08**	-4,263,439.77
Financial income and expenses	4.	**+10,938,592.74**	+33,180,327.98
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES		**7,539,063.66**	28,916,888.21
Appropriations	5.	**+6,453,788.02**	+12,589,249.38
Income taxes	6.	**-574,440.05**	-1,587,442.72
PROFIT (LOSS) FOR THE FINANCIAL PERIOD		**13,418,411.63**	39,918,694.87

Parent company balance sheet

(EUR)	Note	31.12.2020	31.12.2019
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	7.	**39,230.02**	46,036.55
Tangible assets	7.	**375,869.69**	381,396.15
Holdings in Group companies	8.	**198,893,029.60**	198,893,029.60
Receivables from Group companies	8.		
Other investments	8.	**944,978.29**	944,978.29
		200,253,107.60	200,265,440.59
CURRENT ASSETS			
Current receivables	9.	**34,128,292.91**	26,729,857.26
Securities under financial assets	10.	**69,896,000.71**	80,077,447.08
Cash in hand and at banks		**15,834,287.12**	12,582,230.21
		119,858,580.74	119,389,534.55
TOTAL ASSETS		**320,111,688.34**	319,654,975.14
LIABILITIES AND SHAREHOLDERS' EQUITY			
SHAREHOLDERS' EQUITY	11.		
Share capital		**27,776,072.91**	27,776,072.91
Premium fund		**2,908,045.06**	2,908,045.06
Reserve fund		**88,586,879.98**	88,586,879.98
Invested unrestricted shareholders' equity fund		**18,661,145.47**	18,661,145.47
Retained earnings		**79,791,197.59**	59,916,468.78
Profit for the financial period		**13,418,411.63**	39,918,694.87
		231,141,752.64	237,767,307.07
ACCUMULATED APPROPRIATIONS	12.	**20,960.46**	19,448.48
LIABILITIES			
Current liabilities	13.	**88,948,975.24**	81,868,219.59
		88,948,975.24	81,868,219.59
TOTAL LIABILITIES AND SHREHOLDERS' EQUITY		**320,111,688.34**	319,654,975.14

Parent company cash flow statement

(EUR 1.000)	2020	2019
CASH FLOW FROM BUSINESS OPERATIONS		
Profit (loss) before appropriations and taxes	7,539	28,917
Adjustments to EBIT:		
Planned depreciation	13	19
Financial income and expenses	-10,939	-33,180
Other income and expenses not involving disbursement	294	45
Cash flow before change in working capital	-3,092	-4,200
Change in working capital		
Increase (-)/decrease (+) in current receivables	+17	+203
Increase (-)/decrease (+) in inventories	+0	+0
Increase (-)/decrease (+) in current interest-free liabilities	-267	+277
	-250	480
Cash flow from business operations before financial items and taxes	-3,342	-3,720
Interest paid and payments for financial expenses from business operations	-266	-2,022
Dividends received		
Dividends received from Group companies	11,103	33,659
Interest and other financial income	408	1,708
Income taxes paid	-383	-1,252
	7,520	28,374
CASH FLOW FROM BUSINESS OPERATIONS	7,520	28,374
CASH FLOW FROM INVESTMENTS		
Investments in tangible and intangible assets	-1	-5
Investments in other shares		-14
Repayment of loan receivables		230
CASH FLOW FROM INVESTMENTS	-1	210
Cash flow after investments	7,519	28,584
CASH FLOW FROM FINANCIAL OPERATIONS		
Other financial items, net	-349	-99
Increase (-)/decrease (+) in non-current loans	-6,264	-22,857
Increase (-)/decrease (+) in current liabilities		-48,720
Increase (-)/decrease (+) in loan receivables		+6,302
Redemption of non-controlling interest		+0
Group contributions received and paid	12,585	18,200
Dividend paid and other distribution of profit	-20,421	-24,995
CASH FLOW FROM FINANCIAL OPERATIONS	-14,448	-72,168
Change in liquid funds	-6,929	-43,584
Liquid funds at beginning of period	92,660	136,244
Liquid funds at end of period	85,730	92,660

Parent company's accounting principles

Raisio plc's financial statements have been prepared in accordance with the Finnish Accounting Act. The financial statements have been prepared for the financial year, 12 months, 1 January–31 December 2019. The financial statements are presented in euros.

Foreign currency items

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

Changes in the value of foreign currency loans are recorded in the income statement under financial income and expenses. Raisio plc does not currently have foreign currency loans.

Derivative contracts

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

The company has no interest derivatives.

Revenue recognition

The sale of a service is recognised when the service is completed or the work is done.

Pension arrangements

Statutory and voluntary pension security for the company personnel is arranged through pension insurance companies. Pension expenditure is entered as an expense in the year it is accrued. The pensions of the CEO is determined according to the Finnish work pension plan.

Leases

Payments related to leases are amortised in the income statement as an expense over the lease term.

Net sales

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

Other operating income

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

Income taxes

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

Valuation of non-current assets

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

The depreciation periods are as follows:

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

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

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

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

Valuation of receivables and liabilities

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

Provisions

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

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

Management of financial risks and instruments

The parent company's financial risks do not differ materially from the Group's financial risks, see Chapter 5 Financial items and risk management of the consolidated financial statements.

Cash

Cash and bank receivables include money in bank accounts.

Share-based schemes

On 31 December 2020, the Raisio plc had four valid share-based incentive schemes approved by Raisio plc's Board of Directors, which were directed at the Group management and designated key persons; the scheme 2018–2020, the scheme 2019–2021, the scheme 2020–2022 and the scheme 2021–2023.

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

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

Dividends payable

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

Appropriations

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

Borrowing costs

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

Company shares

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

Cash flow statement

Cash flows for the financial period are categorised into cash flows from business operations, investments and financing. The cash flow statement is prepared using the indirect method.

Notes to the parent company income statement

1. Personel expenses

(EUR)	2020	2019
Wages and fees	**2,949,597.02**	3,372,255.60
Pension expenses	**466,970.08**	581,417.50
Other social security expenses	**111,240.90**	101,566.37
Total	**3,527,808.00**	4,055,239.47

Wages and fees paid to management

(EUR)	2020	2019
Payment criteria		
Managing Director	**731,732.42**	528,570.06
Members of the Board of Directors	**267,400.00**	267,200.00
Members of the Supervisory Board	**47,350.00**	44,200.00
Total	**1,046,482.42**	839,970.06

Average number of parent company personnel

	2020	2019
Office workers	**30**	32

Related party liabilities

Pension liability for members of the Board of Directors and Managing Directors.

2. Depreciation and write-downs

(EUR)	2020	2019
Planned depreciation	**13,313.99**	18,840.65

3. Other expenses from business operations

(EUR)	2020	2019
Auditors' remuneration		
KPMG Oy Ab		
Audit	**59,244.79**	68,678.55
Certificates and reports	**0.00**	3,690.00
Other services	**17,645.00**	56,270.00
Total	**76,889.79**	128,638.55

4. Financial income and expenses

(EUR)	2020	2019
Dividend received		
From Group companies	**11,091,326.25**	33,560,179.99
Others	**11,200.00**	
Total	**11,102,526.25**	33,560,179.99
Total interest received from long-term investment		
From Group companies		60,833.33
Total	**0.00**	60,833.33
Total income from long-term investment	**11,102,526.25**	33,621,013.32
Other interest and financial income		
From Group companies	**17,894.40**	42,940.55
Others	**838,257.25**	1,116,402.37
Total other interest and financial icome	**856,151.65**	1,159,342.92
Total financial income	**11,958,677.90**	34,780,356.24
Exchange rate differences		
To Group companies	**-859,635.13**	-382,761.89
To others	**1,136,571.18**	414,530.41
Total exchange rate differences	**276,936.05**	31,768.52
Interest paid and other financial expenses		
To Group companies	**-22,978.95**	-149,081.39
To others	**-1,274,042.26**	-1,482,715.39
Total interest paid and other financial expenses	**-1,297,021.21**	-1,631,796.78
Total financial expenses	**-1,020,085.16**	-1,600,028.26
Total financial income and expenses	**10,938,592.74**	33,180,327.98

5. Appropriations

(EUR)	2020	2019
Difference between planned depreciations and depreciation made in taxation	**-1,511.98**	4,249.38
Group contributions paid	**-11,699,700.00**	-1,180,000.00
Received Group subsidies	**18,155,000.00**	13,765,000.00
Total	**6,453,788.02**	12,589,249.38

6. Income taxes

(EUR)	2020	2019
Income taxes in appropriations	**-1,291,060.00**	-2,517,000.00
Income tax on ordinary operations	**717,491.89**	929,074.88
Taxes on previous financial years	**-871.94**	482.40
Total	**-574,440.05**	-1,587,442.72

Notes to the parent company balance sheet

7. Intangible assets 2020

(EUR)	Intangible rights	Other long-term expenditure	Intangible assets total
Acquisition cost 1 January	**180,227.22**	**24,512.64**	**204,739.86**
Increase 1 January-31 December	**981.00**		**981.00**
Acquistion cost 31 December	**181,208.22**	**24,512.64**	**205,720.86**
Accumulated depreciation and write-downs 1 January	**134,190.67**	**24,512.64**	**158,703.31**
Depreciation for the financial period	**7,787.53**		**7,787.53**
Accumulated depreciation 31 December	**141,978.20**	**24,512.64**	**166,490.84**
Book value 31 December 2020	**39,230.02**	**0.00**	**39,230.02**
Book value 31 December 2019	46,036.55	0.00	46,036.55

7. Tangible assets 2020

(EUR)	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Tangible assets total
Acquisition cost 1 January	**91,000.00**	**749,818.82**	**44,271.23**	**260,527.76**	**1,145,617.81**
Acquistion cost 31 December	**91,000.00**	**749,818.82**	**44,271.23**	**260,527.76**	**1,145,617.81**
Accumulated depreciation and write-downs 1 January		**719,950.43**	**44,271.23**		**764,221.66**
Depreciation for the financial period		**5,526.46**	**0.00**		**5,526.46**
Accumulated depreciation 31 December		**725,476.89**	**44,271.23**		**769,748.12**
Book value 31 December 2020	**91,000.00**	**24,341.93**	**0.00**	**260,527.76**	**375,869.69**
Book value 31 December 2019	91,000.00	29,868.39	0.00	260,527.76	381,396.15

8. Investment 2020

(EUR)	Group company shares	Other shares	Total investment
Acquisition cost 1 January	**198,893,029.60**	**944,978.29**	**199,838,007.89**
Acquisition cost 31 December	**198,893,029.60**	**944,978.29**	**199,838,007.89**
Book value 31 December 2020	**198,893,029.60**	**944,978.29**	**199,838,007.89**
Book value 31 December 2019	198,893,029.60	944,978.29	199,838,007.89

Shares and holdings 2020

	Group holding %	Parent company holding %
GROUP COMPANIES		
Raisionkaari Industrial Park Ltd, Raisio	100.00	50.00
Raisio UK Limited, UK	100.00	100.00
Raisio Nutrition Ltd, Raisio	100.00	100.00
Raisioaqua Ltd, Raisio	100.00	100.00
Nordic Feed Innovations Oy, Turku	100.00	100.00

9. Receivables

(EUR)	2020	2019
Long-term receivables		
Receivables from Group companies		
Capital loan receivables	**11,680,000.00**	11,680,000.00
Total long-term receivables	**11,680,000.00**	11,680,000.00
Current receivable		
Accounts receivable	**220.41**	19,592.00
Receivables from Group companies		
Accounts receivable	**3,735.79**	96,408.93
Loan receivables	**4,020,390.27**	1,038,990.58
Other receivables	**18,178,097.61**	13,788,148.61
Accrued income	**110,467.00**	13,085.00
	22,312,690.67	14,936,633.12
Other receivables	**76,927.66**	10,338.69
Accrued income	**58,454.17**	83,293.45
Total current receivables	**22,448,292.91**	15,049,857.26
Total receivables	**34,128,292.91**	26,729,857.26

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

10. Marketable securites

(EUR)	2020	2019
Market value	**71,675,622.91**	81,443,288.34
Book value	**69,896,000.71**	80,077,447.08
Difference	**1,779,622.20**	1,365,841.26

11. Shareholders' equity

(EUR)	2020	2019
Restricted shareholders' equity		
Share capital 1 January	**27,776,072.91**	27,776,072.91
Share capital 31 December	**27,776,072.91**	27,776,072.91
Premium fund 1 January	**2,908,045.06**	2,908,045.06
Premium fund 31 December	**2,908,045.06**	2,908,045.06
Reserve fund 1 January	**88,586,879.98**	88,586,879.98
Reserve fund 31 December	**88,586,879.98**	88,586,879.98
Total restricted shareholders' equity	**119,270,997.95**	119,270,997.95
Unrestricted shareholders' equity		
Invested unrestricted shareholders' equity fund 1 January	**18,661,145.47**	18,661,145.47
Invested unrestricted shareholders' equity fund 31 December	**18,661,145.47**	18,661,145.47
Retained earnings 1 January	**99,835,163.65**	84,928,730.61
Dividend distributed	**-20,466,323.80**	-25,174,574.08
Unclaimed dividends	**128,419.26**	120,647.66
Disposal of company shares	**293,938.48**	41,664.59
Retained earnings 31 December	**79,791,197.59**	59,916,468.78
Result for the year	**13,418,411.63**	39,918,694.87
Total unrestricted shareholders' equity	**111,870,754.69**	118,496,309.12
Total shareholders' equity	**231,141,752.64**	237,767,307.07
Distributable equity	**111,870,754.69**	118,496,309.12

Parent company share capital

	2020		2019	
	shares	EUR 1,000	shares	EUR 1,000
Restricted shares (20 votes/share)	**31,445,358**	**5,289**	31,454,968	5,290
Free shares (1 vote/share)	**133,703,672**	**22,487**	133,694,062	22,486
Total	**165,149,030**	**27,776**	165,149,030	27,776

Company shares held by parent company

	2020		2019	
	shares	Acquisition cost EUR 1,000	shares	Acquisition cost EUR 1,000
Restricted shares (20 votes/share)	**212,696**	**416**	212,696	416
Free shares (1 vote/share)	**7,490,445**	**36,442**	7,582,387	36,635
Total	**7,703,141**	**36,858**	7,795,083	37,051

The probable assignment price of company shares held by the Group on the date of the financial statements was EUR 24,586 thousand (EUR 26,495 thousand in 2019).

12. Accumulated appropriations

Accumulated appropriations consist of the accumulated depreciation difference.

Liabilities

13. Current liabilities

(EUR)	2020	2019
Accounts payable	**119,943.02**	148,515.81
Liabilities to Group companies		
Accounts payable	**7.82**	21.00
Other liabilities	**11,699,700.00**	1,180,000.00
Other interest-bearing liabilities, cash pool	**75,398,945.93**	78,681,411.92
	87,098,653.75	79,861,432.92
Other liabilities	**638,041.04**	747,793.65
Accrued liabilities	**937,234.16**	1,110,477.21
Total current liabilities	**88,793,871.97**	81,868,219.59
Interest-fee debts	**13,394,926.04**	3,186,807.67

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

Other notes to the parent company accounts

Off-balance sheet guarantees, contingent liabilities and other liabilities

(EUR)	2020	2019
Leasing liabilities		
Amounts outstanding on leasing contracts		
Falling due in started financial year	**90,086.83**	62,310.09
Payables at a later date	**108,752.68**	43,823.71
Total	**198,839.51**	106,133.80
Contingent liabilities for Group companies		
Guarantees	**2,153,614.00**	26,216,208.00
	2,153,614.00	26,216,208.00

Leasing contracts do not include substantial liabilities to termination and redemption terms.

Derivative contract

The company uses derivative contracts 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.

(EUR)	2020	2019
Currency options:		
Fair value	**190,266.00**	
Value of underlying instruments	**11,858,110.00**	
Currency forward contracts::		
Fair value	**116,463.45**	274,681.07
Value of underlying instruments	**34,517,016.00**	34,654,773.00

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

Other liabilities

Long-term incentive scheme

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

On 19 March 2020, the Board of Raisio plc approved the bonuses to be paid during 2017–2019 under the share reward scheme and the conveyance of the part paid in shares to key employees. On 7 April 2020, Raisio plc conveyed a total of 46,947 free shares held by the company (RAIVV) to key employees within the share reward scheme.

Share-based schemes

Share-based incentive scheme (EUR million)	2017–2019	2018–2020	2019–2021	2020–2022	2021–2023
Original number of shares	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Original grant date	16.3.2017	15.3.2018	4.1.2019	21.1.2020	
Exercise date	30.04.2020	30.04.2021	30.04.2022	30.04.2023	30.04.2024
Vesting period, years	3.1	3.1	3.3	3.3	3.3
Remaining vesting period, years	0.3	1.3	2.3	3.3	
Number of persons at the end of the period		15	18	20	
Payment method	Shares and cash	Shares and cash	Shares and cash	Shares and cash	Shares and cash

Changes in 2020	2017–2019 kappaletta	2018–2020 kappaletta	2019–2021 kappaletta	2020–2022 kappaletta	2021–2023 kappaletta
1 January 2020					
Number of shares at the beginning of the reporting period	380,000	530,000	665,000		
31 December 2020					
Number of shares at the end of the reporting period		465,000	545,000	585,000	

Board's proposal for the disposal of profit

Shareholders' equity according to the balance at 31 December 2020 is EUR 111,870,754.69.
The Board of Directors proposal that a dividend of EUR 0.13 per share be paid from the parent company's earnings.

totalling	EUR 21.469.373,90
carried over on the retained earnings accounts	EUR 90.401.380,79

No dividends will be paid on the shares held by the company on the record date 15 April 2021. The payment date of the dividend is proposed to be 22 April 2021.

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, 9 February 2021

Ilkka Mäkelä	Ann-Christine Sundell
Erkki Haavisto	Leena Niemistö
Pekka Tennilä	Arto Tiitinen

Pekka Kuusniemi
CEO

Auditor's Report

To the Annual General Meeting of Raisio plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Raisio plc (business identity code 0664032-4) for the year ended 31 December 2020. The financial statements comprise the consolidated balance sheet, income statement, comprehensive income statement, statement of changes in shareholders' equity, cash flow statement and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, cash flow statement and notes.

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

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

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 8.3.1. to the consolidated financial statements.

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

Materiality

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

Key Audit Matters

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

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

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

Impairment of goodwill and trademarks (EUR 45.9 million and EUR 28.2 million)
(Accounting policies for the consolidated financial statements and note 4.1, 4.2 and 4.4)

- The Group has expanded its activities through the acquisitions of companies and trademarks. As a result the consolidated balance sheet includes a significant amount of goodwill and trademarks. These assets are not amortised, but are tested at least annually for impairment.
- Any indications of a goodwill impairment loss of the Group may also affect the measurement of the shares in subsidiaries held by the parent company. Shares in subsidiaries are tested for impairment in connection with the goodwill impairment tests.
- Impairment testing is based on discounted future cash flow forecasts. Determining the underlying key assumptions requires management make judgments over, for example, net sales growth rate, discount rate and long-term growth rate.
- Due to the high level of judgement related to the forecasts used, and the significant carrying amounts involved, impairment of these assets is considered a key audit matter.

Our audit procedures included, among others:

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

Accuracy of revenues (EUR 233.6 million)
(Accounting policies for the consolidated financial statements and note 2.2)

- The net sales of the Group consists of wide variety of different products, with invoice prices fluctuating during the financial year.
- Due to the large number of sales transactions, the accuracy of revenues is considered a key audit matter.

Our audit procedures included, among others:

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

Accuracy and valuation of inventories (EUR 37.1 million)
(Accounting policies for the consolidated financial statements and note 4.8)

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

Our audit procedures included, among others:

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 23 March 2016, and our appointment represents a total period of uninterrupted engagement of 5 years.

Other Information

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

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

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

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

Raisio, 9 February 2021

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

Statement of the Supervisory Board

At its meeting today, the Supervisory Board studied the financial statement, the consolidated financial statement and auditors' report for the financial period 1 January–31 December 2020.

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, 11 February 2021

For the Supervisory Board

Paavo Myllymäki
Chairman

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