
# Annual Review 2019

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.

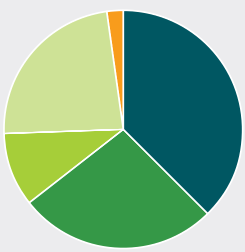
## Growth and profitability of Raisio's core business

- Business profitability shifted to a growth trend in all market areas.
- New consumers were gained for Benecol products.
- Continued sales growth for Elovena products.
- New market areas were achieved for Raisioaqua.

## Key Figures

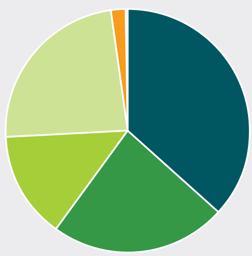
| | | | | |
|---|---|---|---|---|
| 2019 | 236.3 meur<br>Net sales 2019 | 27.3 meur<br>EBIT 2019 | 19.5 meur<br>Investments 2019 | 13.9 %<br>ROIC 2019 |
| 2018 | 228.2 meur<br>Net sales 2018 | 25.6 meur<br>EBIT 2018 | 5.6 meur<br>Investments 2018 | 8.1 %<br>ROIC 2018 |

## 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 %**

## 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 marrkets

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

### Mega-trends supporting Raisio's growth

**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

**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 2019

## Contents

# Board of Directors' Report 2019

## Raisio stabilised its core business operations and achieved profitable growth

### Financial reporting

**The year 2019**

The reportable segments Raisio renewed at the beginning of 2019 are Healthy Food, Healthy Ingredients and Other Operations. Comparative figures for earlier periods have been adjusted in terms of the income statement, cash flow statement and some key figures. For the segment reporting, the previous period figures have been adjusted in essential respects. The reported figures are for continuing operations and they are comparable. The comparison figures in brackets refer to the corresponding period a year earlier unless otherwise stated. The adoption of the IFRS 16 standard did not have a material impact on the Group's EBIT.

The Healthy Food segment focuses on the consumer brands with Europe as its main market area. The Healthy Food segment consists of the following operating segments: 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 including the production, procurement and supply chain functions are reported as part of the Healthy Ingredients segment.

### Financial development

**Net sales**

Raisio Group's net sales totalled EUR 236.3 (228.2) million. The net sales were primarily increased by the record high annual sales in fish feeds, while, on the other hand, the significantly reduced volume of grain trade decreased the Group's net sales. The net sales of the Healthy Food Segment and Healthy Ingredients Segment totalled EUR 137.5 (137.7) million and 124.6 (116.6) million, respectively. The effects of food product price increases resulting from the higher raw material prices during autumn 2018 were not fully shown until the third quarter. International operations accounted for 63.1 (62.3) per cent of the Group's net sales.

The development of the net sales for the Healthy Food Segment fluctuated in the different market areas throughout the financial period. Our price increases caused by the rise in raw material prices were fully implemented during the second quarter. In our key markets, price increases led to decreased sales volumes at the start of the year in the especially competitive product categories. The situation levelled off during the third quarter and several markets were already seeing growth during the final quarter, as declining sales trend in Western Europe slowed towards the end of the year.

The conversion impact of the British pound on the Group's net sales was EUR 0.5 (-0.6) million. The conversion impact refers to the impact arising when the subsidiaries' net sales in pounds 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 149.0 (142.1) million, which accounted for 63.1 (62.3) per cent of net sales. In terms of the breakdown of the Group's net sales, Finnish operations accounted for 37 per cent, the UK and the rest of Europe for 23 and 38 per cent, respectively, and the rest of the world for 2 per cent.

### Group net sales

| | 2019 | 2018 |
|---|---|---|
| Healthy Food, M€ | **137.5** | 137.7 |
| Healthy Ingredients, M€ | **124.6** | 116.6 |
| Other operations, M€ | **1.5** | 1.5 |
| Between segments, M€ | **-27.3** | -27.5 |
| **The Group total, M€** | **236.3** | 228.2 |
| Change in net sales, % | **3.5** | -2.7 |

### Results

Raisio Group's EBIT totalled EUR 27.3 (16.6, and comparable EBIT 25.6) million, which accounted for 11.5 (7.3, and comparable EBIT 11.2) per cent of net sales. Price increases on food products, as carried out by Raisio during the first half of the year, led to a drop in sales volumes for particularly competitive product categories in the Group's key markets. During the second half of the year, after a period of evening out, the sales figures ended up achieving growth in most markets. The demand for consumer products in the UK continued throughout the year with a minor drop resulting from prolonged uncertainty regarding the future of Brexit. This impact was seen most concretely starting in September.

The Healthy Food Segment's comparable EBIT totalled EUR 18.2 (17.1, and comparable EBIT 16.1) million, which accounted for 13.2 (12.4, and comparable EBIT 11.7) per cent of net sales. The negative impact of higher raw material prices was still visible in the first quarter but it levelled off during the second quarter and the normalisation trend continued also during the third and fourth quarters.

The Healthy Ingredients Segment's EBIT was EUR 12.5 (12.9) million, which accounted for 10.0 (11.0)% of net sales. Strong sales growth in fish feeds was also shown as improved EBIT, while the volume of license sales concerning the Benecol product ingredient continued to decline, thereby weakening profitability. The reduced volumes of grain trade were visible in EBIT, albeit marginally.

The conversion impact of the British pound on the Group's EBIT was EUR 0.1 (0.0) million. The conversion impact refers to the impact arising when the subsidiaries' EBIT in pounds are converted into euro as part of the consolidated financial statements. The depreciations and impairment totalled EUR 6.4 (14.4) million. The Group's net financial items were EUR 1.2 (-0.8) million. The Group's pre-tax result was EUR 28.5

(15.7, and with comparable figures 24.8) million. The Group's post-tax result was EUR 25.5 (12.1 and with comparable figures 19.3) million. The Group's earnings per share were EUR 0.16 (0.08, and with comparable figures 0.12).

## Group EBIT

| | 2019 | 2018 |
|---|---|---|
| **Comparable EBIT** | | |
| Healthy Food, M€ | **18.2** | 16.1 |
| Healthy Ingredients, M€ | **12.5** | 12.9 |
| Other operations, M€ | **-3.4** | -13.5 |
| **The Group total, M€** | **27.3** | 25.6 |
| Comparable EBIT of net sales, % | **11.5** | 11.2 |
| **EBIT** | | |
| Healthy Food, M€ | **18.2** | 17.1 |
| Healthy Ingredients, M€ | **12.5** | 12.9 |
| Other operations, M€ | **-3.4** | -13.5 |
| **The Group total, M€** | **27.3** | 16.6 |
| EBIT of net sales, % | **11.5** | 7.25 |

## Items affecting Group's comparable EBIT

| | 2019 | 2018 |
|---|---|---|
| **Comparable EBIT** | **27.3** | 25.6 |
| + capital gain, M€ | | 1.2 |
| - impairment, intangible and tangible assets, M€ | | -8.7 |
| +/- structural arrangements and streamlining projects, M€ | | -1.4 |
| Items affecting comparability, in total, M€ | | -9.0 |
| **EBIT, M€** | **27.3** | 16.6 |

## Balance sheet, cash flow and financing

At the end of December, Raisio Group's balance sheet totalled EUR 308.5 (324.4) million. Shareholders' equity was EUR 271.3 (264.8) million. while equity per share totalled EUR 1.72 (1.68). 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 23.3 (11.5) million. The comparison period's cash flow was reduced due to working capital tied up in inventories and the import ban on fish feeds to Russia at the end of 2018.

At the end of December, working capital amounted to EUR 37.0 (32.2) million.

At the end of December, the Group's interest-bearing debt was EUR 1.1 (23.0) million.

Net interest-bearing debt was EUR -98.6 (-119.2) 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 99.8 (142.1) million. The company's strong cash position enabled the dissolution of the binding, however undrawn, revolving credit facility of EUR 50 million in January 2019. Cash reserves are diversified into deposits in Nordic banks. Cash reserves are also invested in low-risk, liquid investment objects.

At the end of December, the Group's equity ratio totalled 87.9 (81.7) per cent and net gearing was -36.4 (-45.0) per cent. The return on investments (ROIC) was 13.9 (8.1) per cent. As from 1 January 2019, Raisio Group has decided to present the ROIC as its productivity indicator.

In 2019, Raisio plc paid EUR 25.0 (26.6) million in dividends for 2018. 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. The total dividend was, therefore, EUR 0.16 per share for 2018.

## Key figures for the balance sheet and financing

| | 2019 | 2018 |
|---|---|---|
| Equity ratio, % | **87.9** | 81.7 |
| Net gearing, % | **-36.4** | -45.0 |
| Net-interest bearing debt, M€ | **-98.6** | -119.2 |
| Equity per share, € | **1.72** | 1.68 |

## Investments

The January–December investments totalled EUR 19.5 (5.6) million, or 8.3 (2.4) per cent of net sales. The most significant completed investment during the review period was the modernisation of production and an increase in the capacity of the Nokia mill. The overall cost of the development project initiated in 2018 at the Nokia mill totalled EUR 8.1 million. This investment facilitates the production of gluten-free oat products. Furthermore, Raisio's oat mill can produce oat fibre products with a high beta-glucan content. Beta-glucan is an oat fibre that helps to reduce cholesterol and prevents fluctuations in blood sugar levels. Additionally, initial costs for the new, modern production facility for Raisio's industrial area were accrued during the third quarter for a total of EUR 9.4 million during 2019. These investments endeavour to prepare us to manage the continuing growth in demand for plant-based products, especially in Europe.

Raisio set to invest some EUR 45 million in the growth of healthy foods

On 11 June 2019, Raisio announced its intention to invest approximately EUR 45 million in the production facility developing and manufacturing plant-based added-value products. The project is funded by the company's strong cash position and cash flow. The investment strengthens Raisio's position as a specialist in plant-based food and supports growth in line with the company's strategy.

## Investments

| | 2019 | 2018 |
|---|---|---|
| Healthy Food, M€ | **0.4** | 0.3 |
| Healthy Ingredients, M€ | **18.6** | 4.3 |
| Other operations, M€ | **0.6** | 1.0 |
| **The Group total, M€** | **19.5** | 5.6 |

## Research and development

Raisio's research and development expenses in January–December totalled EUR 4.2 (2.9) million, or 1.8 (1.3) per cent of net sales.

Product development in Raisio's Healthy Food Segment is guided by the principles defined for food in the company's purpose: good taste, healthiness, heart health, overall well-being and sustainable development. Raisioaqua focuses on products and services that ensure fish welfare and production efficiency as well as promote responsible fish farming by employing methods that reduce the environmental load on our waterways. In keeping with Raisio's strategical goals, our research and product development investments are focused on achieving even better capabilities in select consumer brands, particularly as concerns the ongoing product and application developments of oats and Benecol.

## Operating environment

There have been no significant changes in Raisio's operating environment during 2019. Global megatrends support Raisio's growth strategy and its focus on responsibly produced healthy food.

Global phenomena, such as climate change, Earth's limited resources, demographic change, technological breakthroughs and faster information flow have an impact on consumers' everyday life and their purchasing decisions. This can be seen in many ways: consumers make responsible choices, invest in health throughout their life and increase their purchases of easy-to-use products suitable for busy everyday life.

When choosing responsibly produced food, consumers pay increasingly more attention to the entire life cycle of the product, including raw materials, production, distribution, how to use the product, package and its recyclability and food waste. Consumers are also more interested in their own health and perceive food as an essential means of ensuring long-term health. Consumers want healthy products that taste good, that make their daily lives easier and that help them to cope with their busy life rhythm without making any compromises.

The consumption of farmed fish is expected to continue strong. The EU aims to increase the production of farmed fish by five per cent annually. Finland's aim is to nearly double its aquaculture production over the next few years. Russia, too, is seeking considerable growth in aquaculture production. At the moment, only about 20 per cent of the fish used in Finland is farmed in Finland.

The investments realised during 2018–2019 for the purpose of modernising and increasing the capacity of the Nokia mill facilitated increased B2B sales within both the domestic and foreign markets. The demand for gluten-free oats, in particular, is growing and Raisio's realised investments will make it possible to meet this increasing demand. In terms of grain procurement, Raisio prioritises the availability and sufficiency of raw materials for its own production. Intermediary trade in grain is not part of the company's strategic focus areas.

## Strategic consumer brands

### Benecol

Benecol is Raisio's most international brand and the original expert in cholesterol-lowering foods. The development of new and updated products continued in 2019. This enabled us to gain new consumers for Benecol products and to help those consumers to lower their cholesterol levels. Benecol yogurts were renewed and now one container of yogurt per day is enough to lower one's cholesterol level. Younger consumer groups are becoming interested in lowering their cholesterol levels with Benecol products and they have increased their willingness to try new products. Raisio continued to invest in marketing to health care professionals. The aim is to encourage them to recommend the proven safe and effective Benecol products to their customers as part of an overall healthy diet. Raisio will continue to develop its cholesterol-lowering product categories by introducing new products and taking advantage of marketing communications.

### Elovena

Elovena is Finland's most valued and well-known oat brand, offering naturally healthy products made from Finnish oats. Elovena's media visibility has been determinedly increased and, as a result, the brand and the Feel Free to Eat consumer marketing are becoming increasingly familiar to a broader spectrum of consumers. The new Elovena products correspond well to consumer needs. In 2019, Raisio developed its Elovena snack biscuit category and enhanced the market with the launch of its new wheat-free Elovena snack biscuits made from 100% oats. As a result of the new products, the growth in the sales of snack biscuits remained strong. Raisio has been taking its oat products abroad already for more than twenty years under the brand names Nordic and Provena, but now Elovena has been selected, according to the strategy, as the focus brand for Raisio's expanding international oat business. Provena products will begin to be manufactured as Elovena Gluten-free products during 2020.

# Segment information

## Healthy Food Segment

Profitable growth is the most important strategic goal for the 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 137.5 (137.7) million. Our price increases caused by the rise in raw material prices were fully implemented during the second quarter. In our key markets, price increases led to decreased sales volumes in the especially competitive product categories. The situation levelled off during the third quarter and several markets were already seeing growth during the final quarter, although reductions in Western Europe continued.

Altogether 36 per cent of the Healthy Food Segment's net sales were generated in Northern Europe, where Raisio's well-known brands include Elovena, Benecol, Nordic, Sunnuntai, Nalle and Torino. Over 46 per cent of net sales were generated from the sale of Benecol products in the Western European markets. More than 17 per cent of the net sales were generated in Eastern and Central Europe, where Benecol and Nordic are among Raisio's well-known brands.

The Healthy Food Segment's EBIT totalled EUR 18.2 (17.1, and comparable EBIT 16.1) million, which accounted for 13.2 (12.4, and comparable EBIT 11.7) per cent of net sales. The negative impact of higher raw material prices was still visible in the first quarter but it levelled off during the second quarter and the normalisation trend continued also during the third and fourth quarters. The conversion impact of the British pound on the Healthy Food Segment's net sales was EUR 0.5 (-0.6) million and EUR 0.1 (0.0) million on EBIT.

## Key figures for the Healthy Food segment

| | 2019 | 2018 |
|---|---|---|
| Net sales, M€ | **137.5** | 137.7 |
| Western Europe, M€ | **63.8** | 66.4 |
| Northern Europe, M€ | **50.4** | 49.4 |
| Eastern and Central Europe, M€ | **23.4** | 21.8 |
| Comparable EBIT, M€ | **18.2** | 16.1 |
| Comparable EBIT, % | **13.2** | 11.7 |
| EBIT, M€ | **18.2** | 17.1 |
| EBIT, % | **13.2** | 12.4 |
| Net assets, M€ | **87.6** | 83.1 |

## Items affecting Healthy Food segment's comparable EBIT

| | 2019 | 2018 |
|---|---|---|
| **Comparable EBIT, M€** | **18.2** | 16.1 |
| + capital gain, M€ | | 1.2 |
| +/- other items, M€ | | -0.2 |
| Items affecting comparability, in total, M€ | | 1.0 |
| **EBIT, M€** | **18.2** | 17.1 |

## Business operations

**Western Europe (market areas including the UK, Ireland and Belgium)**

Net sales for the Benecol business in the UK fell short of the comparison period. EBIT was improved by a better sales margin and reduced marketing investments in relation to the comparison period, since more significant marketing campaigns were postponed due to the Brexit uncertainties shadowing the daily lives of consumers. Fewer product categories or variants were introduced to the UK market than during the comparison period. During the fourth quarter, sales of Benecol yogurt drinks, yogurts and spreads in the UK were clearly down from the comparison period due to price competition and general financial insecurity.

In Ireland, net sales remained at the same level as that of the comparison period. EBIT weakened primarily as a result of the reorganisation of sales and marketing. Raisio took the distribution of the Irish business into its own hands, aiming to turn the declining sales of recent years back to a growth trend. In Belgium, net sales declined in relation to the comparison period and EBIT weakened slightly.

**Northern Europe (market areas including Finland, Scandinavia and the Baltic countries)**

Net sales were improved particularly as a result of the driving force of strong ongoing growth in the sales of new Benecol products in Finland as well as the price increases achieved at the start of the year. EBIT clearly improved. EBIT was improved, in particular, by the growth in the sales of Benecol products in all main product categories, and by the fact that sales and marketing costs were lower than during the comparison period.

The sales of Benecol products increased in Finland by 12 per cent in relation to the comparison period. Positive sales development continued to be seen for the Greek Style Benecol Yogurts launched during the previous summer. In addition, sales grew for Benecol spreads and yogurt drinks, and the new multipacks of yogurt products gained favour among consumers. Raisio continued its long-term co-operation with health care professionals, which has resulted in consumers developing an increasing interest in easy and safe methods for lowering their cholesterol levels.

The sales of Elovena products increased by approximately 4 per cent in relation to the comparison period. The most successful categories were snack biscuits and flakes. The range of plant-based protein products was expanded in the Finnish market. The market for products intended to replace traditional protein sources appears to be continuing to grow as a whole, with Elovena Oat mince included in this category.

Sales of Sunnuntai and Provena products were down. Especially in flours, retailers continued to strongly invest in their own private labels. Sales growth continued in the Torino value-added pastas.

**Eastern and Central Europe (market areas including Russia, Poland, Ukraine, Spain and Hong Kong)**

Net sales for the Eastern and Central European operations increased from the figures of the comparison period. The key goals for the review period were to ensure the profitability in Russia and Ukraine and to reverse the loss-making business in Poland. Development in all of these markets met their targets.

Net sales and volumes increased and EBIT improved in Russia. Most of sales in Russia come from premium-priced Nordic products. Raisio carried out price increases in Russia corresponding to the sharp rise in grain prices in 2018, which resulted, during the current year, as decreased sales volumes but increasing net sales. Volumes were also on the rise during the fourth quarter. The purchasing power of Russian consumers declined further, which is reflected as a moderate transition to lower-priced product variants, but the decline in volumes ended during the final quarter of the year.

In Ukraine, both net sales and profitability improved significantly in relation to the comparison period. The economy and retail sales in Ukraine continued to develop in a positive direction. The Nordic and Provena products sold in the Ukraine market experienced an increase in sales volumes.

Net sales in Poland declined slightly in relation to the comparison period, while profitability improved significantly. In Poland, the cost structure adjustment that began in 2018 was successfully completed and prices were increased. This has enabled Raisio to focus on its core business, Benecol consumer products, with a specifically focused range of products. Raisio will continue its efforts aimed at growth now that the business in Poland has become more profitable.

At the end of 2018, Raisio's licensing agreement with the Spanish partner ended. As a result, Benecol products covered by this agreement have not been available in Spain after the beginning of 2019. In its strategy, Raisio has outlined to take over Benecol product markets in Europe in case the situation with a licensing partner changes and the market is important for Raisio. The previously discussed co-operation with Dr. Schär got underway with the first concrete phase, which placed Benecol snack bars on shelves in Spain during the third quarter. Sales progress within this reopening market were quite moderate and proceeded according to plan.

## Healthy Ingredients Segment

Profitable growth is the most important strategic goal for the Healthy Ingredients Segment. 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.

### Financial development

The Healthy Ingredients Segment's net sales totalled EUR 124.6 (116.6) million. Particularly strong sales growth in fish feeds during the second and third quarters increased net sales. The opening of new market areas in Sweden and Poland increased the volumes and also extended them, through the sales of fish feeds, further towards the end of the year. Good sales growth in oat products to bakeries and to industrial and catering customers continued. On the other hand, grain trade volumes have dramatically decreased during the review period. Raisio's grain procurement focuses very heavily on the acquisition of raw materials for its own production needs, and the role of actual grain trade is particularly minimal and not included in the current core business operations.

The Healthy Ingredients Segment's EBIT was EUR 12.5 (12.9) million, which accounted for 10.0 (11.0) per cent of net sales. Strong sales growth in fish feeds was also shown as improved EBIT, while the volume of license sales concerning the Benecol product ingredient continued to decline, thereby weakening profitability. The weakened volumes of grain trade were visible in EBIT, albeit marginally.

## Healthy Ingredients Segment's key figures

| | 2019 | 2018 |
|---|---|---|
| Net sales, M€ | **124.6** | 116.6 |
| EBIT, M€ | **12.5** | 12.9 |
| EBIT, % | **10.0** | 11.0 |
| Net assets, M€ | **71.0** | 50.5 |

## Business operations

### Fish feeds

The fish feed season started earlier than usual in March-April as Raisioaqua's export customers and distributors replenished their buffer stocks. This ensured timely and sufficient deliveries at the start of the fish growth season. In terms of the conditions, the second and third quarters were, overall, particularly favourable for fish farming. Both the length of the farming season and the achieved fish production exceeded expectations, also during the final quarter.

During the last quarter of the year, the especially positive development in deliveries and net sales continued for Raisioaqua. The final quarter of 2018 was exceptionally challenging for Raisioaqua when export trade to Russia was interrupted from August 2018 as a result of the earlier reported GMO issue. The export of fish feeds to new markets, Poland and Sweden, was initiated during the review period. Raisioaqua's previous record year was 2017, when farming conditions were the same as in 2019. In comparison to the previous record year in 2017, Raisioaqua continued to increase its annual net sales by more than 30 per cent. The positive development was made possible by the favourable fish farming conditions and the new market openings in Poland and Sweden.

Raisioaqua is a major producer of fish feeds that meet the demands of environmentally-friendly and sustainable development; the company's high-quality feeds, Benella fish brand and unique Growth Sonar (Kasvuluotain) application create added value for customers. Systems based on our Growth Sonar were installed for fish farmers, and the functional properties and reliability performance of the Growth Sonar were improved. The system refers to temperature and oxygen sensors that provide real-time data on farming conditions and optimal feed dosing for fish. Additionally, the Growth Sonar is already being used to guide automatic feeders. During spring 2019, Raisioaqua also realised several development projects concerning the external quality of its fish feeds.

### 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, manifold in relation to sales from 2018.

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. Gluten-free oats showed the highest growth of any product area. Raisio's goal is to continue increasing the export of its oat-based added-value products to BtoB customers. At the end of the review period, Raisio successfully finalised delivery agreements for 2020 with its current customers as well as new customers.

### Benecol product ingredient sales to license partners

Raisio's plant stanol ester deliveries to license partners decreased from the comparison period as a result of sales sequencing. Raisio is assessing the functionality of the current Benecol licensing model. The current licensing model will continue to be a way of offering Benecol products in the markets where Raisio does not operate itself.

### Grain procurement and grain trade

For Raisio, grain procurement primarily focuses on the acquisition of grain for the manufacturing of its own products, and, in keeping with our strategy, the company invests in the production and sales of value-added products. Intermediary trade in grain is part of Raisio's grain procurement activities, but because of its low profitability, it is not included as one of the company's strategic areas of focus.

Despite the exceptionally poor harvest in 2018, Raisio was able to source enough grain for its own food production needs. In 2019, the grain harvest was normal, in terms of volume, and corresponded to the levels and quality normally achieved over a longer period of time. Towards the end of the year, grain was purchased to the same extent as during the comparison period. Stock levels correspond to the normal capacity with respect to planned utilisation. During the review period, market prices for grains returned gradually to levels nearing average prices over a longer period of time.

## Administration and management

**Board of Directors and Supervisory Board**

Raisio's Board of Directors had six members from the AGM of 19 March 2019, and five prior to that. Erkki Haavisto, Ilkka Mäkelä, Leena Niemistö and Ann-Christine Sundell served as Board members throughout the financial period 2019. Kari Kauniskangas served as a Board member until the end of the AGM. Pekka Tennilä and Arto Tiitinen served as Board members from the end of the AGM onwards.

As of 19 March 2019, Ilkka Mäkelä was elected as Chairman of the Board and Ann-Christine Sundell as Deputy Chairman.

In 2019, 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 2019.

**Group Executive Committee**

In 2019, the Group Executive Committee included President and CEO Pekka Kuusniemi, COO of the Healthy Ingredients Unit and Operations Jukka Heinänen, Vice President of Legal Affairs Sari Koivulehto-Mäkitalo, Vice President of HR Merja Lumme, CFO Toni Rannikko and CCO of the Healthy Food Unit Iiro Wester.

## Report on non-financial information

Raisio is an international company focusing on healthy food and fish feeds with a strategic goal to be a forerunner in responsibility. The company's main markets are in Europe and its four production plants are located in Finland. The operations are guided by Raisio's purpose: Food for Health, Heart and Earth. Raisio's goal-oriented responsibility programme called Good Food Plan 2019 - 2023 is part of the company's strategy. Raisio's corporate responsibility report will be published in week 10 on the company's website at www.raisio.com.

In 2019, Raisio began the responsibility work in line with the targets defined in the Good Food Plan 2019–2023. The programme includes five themes in which Raisio wants to be a forerunner in responsibility: environmentally friendly packaging, healthy food, healthy food professionals, climate change and carbon neutrality, as well as the sustainable food chain.

The corporate responsibility management model was updated to support the achievement of the Good Food Plan targets. Owners for the programme's five key targets were named from the Group Executive Committee and project managers were appointed for practical project responsibility. Specialists were invited widely from the Group's different units and countries to the project teams. The new management model effectively engaged management and personnel in the responsibility work.

Raisio Code of Conduct and complementary internal guidelines and policies form a solid foundation for profitable and responsible business 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 addition, Raisio's responsible practices are further developed in line with the ISO 9001 quality management system, ISO 14001 environmental management system and BRC product safety certificate for food production plants.

**Environment**

Raisio takes environmental impacts into account widely in its operations with a focus on the carbon-neutrality of production and environmentally friendly packaging. Raisio is also developing its material and energy efficiency.

Carbon-neutral production by the end of 2023 is Raisio's key environmental goal. The company's industrial area in Raisio has been carbon-neutral since 2018. Of all the energy used by the Raisio Group, some 92 (90) per cent was produced in a carbon-neutral manner in 2019. Raisio promotes the use of environmentally friendly packaging. The company aims to stop the use of plastic packaging in consumer products and to ensure the recyclability of all consumer packaging by the end of 2023. In 2019, the company surveyed the recyclability of packaging materials in different markets and looked into new eco-friendly packaging alternatives. In addition, Raisio renewed packaging recycling labels and instructions to make them easier to understand, and conducted several trials with new cardboard-based materials.

Raisio's most significant environmental risks are the impacts of climate change on energy prices and on the quality, availability and prices of Raisio's key raw materials, such as grains.

**HR and social matters**

Raisio's strategic goal is to be an attractive employer. The Raisio Group's continuing operations employed 319 (319) people at the end of 2019. The Healthy Food Unit had 130 (130), the Healthy Ingredients Unit 135 (141) and service functions 54 (48) employees. At the end of 2019, a total of 21 (22) per cent of the personnel worked outside Finland. Raisio's wages and fees for continuing operations in 2019 totalled EUR 23.7 (23.1) million including other personnel expenses.

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

In 2019, Raisio enhanced well-being at work with a number of trainings related to work ability and superior work. The company's project activities were also further developed. 80 per cent of employees responded to the personnel survey conducted in the spring 2019. The survey results, communicated to all employees, served as the base for the teams' development plans. As a company focusing on healthy food, Raisio supported its personnel's expertise in healthy nutrition and lifestyle with, for example, nutrition lectures, online training on healthy food and theme days focusing on health.

A total of 38 value workshops, attended by almost all the employees, contributed to the implementation of Raisio's values – courage, fairness and drive. The workshops dealt with activities based on Raisio's values and the way the values are seen in everyday work. Some initiatives were also made to further develop the activities. In addition, self-assessments on the behaviour based on values and leadership principles were conducted as part of performance appraisals, and they were also assessed in the personnel survey.

Accident prevention is the priority in the Group's safety work. The introduction of preventive safety tools and monitoring of safety indicators helped reduce workplace accidents significantly.

In terms of social and HR matters, Raisio considers workplace accidents and the stability and availability of competent employees as its major risks. Risks are managed by developing the occupational safety culture and by determinedly promoting competence management and well-being at work.

**Respect for human rights**

The Raisio Group respects the UN declaration of human rights, the fundamental principles and rights at work as defined by the International Labour Organization (ILO) and human rights principles of the UN Global Compact initiative. Respecting human rights is an important part of Raisio Code of Conduct and Raisio Supplier Code of Conduct. Raisio is not aware of any human right violations related to its operations.

The Sustainable Food project of Raisio's responsibility programme focuses on the responsibility and human rights of the supply chain. The company arranged training during 2019 to increase the personnel's human rights expertise. Raisio's human rights impact and practices were also discussed in the workshop attended by employees from the company's procurement, legal and sales departments.

The risk survey showed that the company's possible human rights risks are related to the supply chain. For the assessment of its procurement-related human rights risks, Raisio uses BSCI's risk country classification that guides to procure from low-risk countries. Most of Raisio's raw materials and services are purchased from low-risk regions in terms of human rights, such as Finland and Central Europe. Some 70 per cent of the company's raw materials are grains, of which some 96 per cent are purchased from Finland, mainly directly from farmers. Most of other raw materials are purchased from Finland or Central Europe. A small part of Raisio's raw materials are only available from the higher-risk countries and then, a special attention is paid to the supplier's procedures. All Raisio's subcontractors are located in Europe.

In terms of the production of soy, palm oil and cocoa, Raisio has recognised that human rights risks related to, e.g., employees' rights are possible. Raisio's goal is to purchase only responsibility certified soy, palm oil and cocoa to ensure responsibly produced raw materials.

The company expects its suppliers to commit to the Raisio Supplier Code of Conduct. In 2019, measured in value of the procurement, 92 (95) per cent of Raisio's raw materials, subcontracting and packaging were acquired from suppliers who have confirmed in writing to comply with the Raisio Supplier Code of Conduct. Internal guidance on how to commit suppliers to the Supplier Code of Conduct was specified.

**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, and 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 the 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 product category. The criteria were updated in 2019 and they now include the local nutrition recommendations and definitions of all Raisio's markets, such as the requirements of The Heart Symbol and Nutri-Score.

As for the healthiness of food, consumers face information overflow that Raisio identifies as a risk as it can 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 2019 |
|---|---|---|
| **Environment**<br>100% carbon-neutral energy in productions | • Systematic transition to the use of carbon-neutral energy | • Carbon dioxide emissions 1,500 (1,600) t $CO_2e$<br>• Of all the energy used by Raisio, 92 (90)% carbon-neutral |
| Environmentally friendly packaging:<br>• no plastic packaging<br>• 100% recyclable consumer packaging | • In consumer products, replacement of plastic packaging with cardboard-based and recyclable packaging | • 56 (57)% of consumer packaging cardboard or paper<br>• Of consumer packaging, 44 (43)% plastic packaging<br>• Of consumer packaging, 83% recyclable |
| **Social and HR matters**<br>Promotion of well-being at work | • Several development projects launched based on the personnel survey conducted in spring 2019.<br>• Value implementation continued in value workshops and through online training.<br>• Support for the personnel's healthy lifestyle | • Employee turnover 11% (2018:13%, 2017: 13%)<br>• 68% of employees completed online training on values.<br>• Value workshops attended by nearly all employees.<br>• 43% of personnel completed healthy food online training. |
| Strengthening of work safety culture | • Goal-oriented development of the Group's work safety culture<br>• Personnel encouraged to use preventive safety tools and to make safety observations. | • Workplace accidents 2 (15)<br>• Safety observations: 82 (139) and Near miss cases: 19 (24) |
| **Human rights**<br>Development of procurement responsibility | • Suppliers required to sign Raisio Supplier Code of Conduct<br>• Raisio only uses responsibility certified palm oil, cocoa and soy. | • 92 (95)% suppliers/raw material suppliers committed to comply with the Raisio Supplier Code of Conduct<br>• 100 (100)% responsible palm oil<br>• 100 (100)% responsible soy<br>• 78 (80)% responsible cocoa |
| Increasing human rights expertise | • Staff training on human rights<br>• Specification of the procurement procedures related to human rights | • More than half of the personnel attended the workshop on the development of practices |
| **Matters related to corruption and bribery**<br>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 (79)% of employees completed online training |
| **Healthy food**<br>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.<br>• The criteria are used, e.g. to support Raisio's product development. | • 77% (2018: 69%, 2017: 65%) of consumer products were healthy alternatives in their own categories at the end of 2019. |

## Changes in group structure

Raisio plc agreed with all Benemilk Ltd's minority shareholders to transfer full ownership of Benemilk Ltd to Raisio plc as of February 2019.

## Risks and sources of uncertainty in the near future

As an international food chain operator, Raisio's operations are affected by the overall economic development and consumer demand. Raisio estimates that the grocery market will remain fairly stable compared to other sectors in the company's key markets. However, the decline in consumer purchasing power resulting from, e.g. import duties, sanctions and exchange rate changes, may pose challenges for the company's businesses. Changes in the retail sector and intensifying competition are a challenge for the food industry too, through sales prices and sales terms in all Raisio's main markets.

Changes in the availability, quality and price of our key raw materials, such as grains, are a major challenge for Raisio's operations. Extreme weather events linked to climate change have an impact on the grain harvest expectations, supply, demand and price. Changes in supply, demand, quality and price of other key raw materials, such as sterols, are challenges for Raisio's operations. Extreme weather events, such as long heatwaves, are a challenge for Raisioaqua's fish feed business in the company's main markets, Finland and Northwest Russia.

Preparations for Brexit are especially important for Raisio as the UK is the biggest market for Benecol products. Raisio has assessed the primary risks related to alternative Brexit options and necessary adjustment measures. Brexit together with possible changes in the subcontracting chain and licensing expose Benecol business, in particular, to availability, price, currency and market risks that may lead to reorganisation in order to secure the supply chain and business profitability.

Changes in exchange rates have an impact on Raisio's net sales and EBIT, directly and indirectly. They may also affect the utilisation rates of Raisio's production plants through the changes in demand. Changes in the key currencies important to Raisio's operations affect the results of the Group's subsidiaries, largely due to the purchases of the Benecol business. Volatility in the external value of the rouble affects the export of both fish feeds and flake products.

Currency conversions also affect Raisio's reported net sales and EBIT. With the currency conversion, particularly changes in the value of the British pound have a major impact as a significant part of Raisio's net sales and EBIT are generated in the UK-based subsidiaries.

To ensure growth and profitability of its operations, Raisio may carry out corporate restructuring, significant investments and/or other projects that may result in significant items affecting comparability.

## Outlook 2020

In 2020, Raisio expects its net sales for continuing operations to grow (2019: EUR 236.3 million) and comparable EBIT to be over 10 per cent of net sales.

Raisio will continue its investments in the brands, R&D and the company's own production in its most important product categories.

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

The parent company's distributable assets based on the balance sheet on 31 December 2019 totalled EUR 118,496,309.12.

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 97,026,935.22 will be left in the profit account. No dividends will be paid on the shares held by the company on the record date 26 March 2020. The payment date of the dividend is proposed to be 2 April 2020.

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, 11 February 2020
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 14-24, 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.

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

# 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 2019 was EUR 560.2 million. Overall trading totalled nearly EUR 81.3 million. The closing price of free shares on 31 December 2019 was EUR 3.40, and that of restricted shares EUR 3.36. The Board of Director's dividend proposal for the Annual General Meeting, to be held in spring 2020, is EUR 0.13 per share.

### Share capital and share classes

The fully paid-up share capital of Raisio plc is EUR 27,776,072.91, which on 31 December 2019 was divided into 31,454,968 restricted shares (series K) and 133,694,062 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 2019). The company's minimum share capital is EUR 25,000,000 and maximum share capital EUR 100,000,000, within the limits of which the share capital can be increased or decreased without changing the Articles of Association. There were no changes in the share capital during 2019. 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 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. 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 2019, a total of 336,202 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 8.0 milion restricted shares on the waiting list on 31 December 2019.

### Ownership structure

At the end of 2019, Raisio plc had 35,919 registered shareholders (31 December 2018: 36,448).

In 2019, foreign ownership in the company amounted to 22.8 per cent at its highest, to 20.8 per cent at its lowest and was 22.7 per cent at the end of the year (31 December 2018: 23.4%).

A total of 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 the Managing Director as well as the companies and foundations of which they have control held a total of 641,645 restricted shares and 408,843 free shares on 31 December 2019. This equals 0.64 per cent of all shares and 1.74 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 2019, the company did not receive any notifications of significant changes in holding and voting rights as 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 March 2019 decided on a dividend of EUR 0.16 per share, which included a supplementary dividend of EUR 0.04 and was paid to shareholders on 3 April 2019. No dividends were paid, however, to the shares held by the company. The Board presents the Annual General Meeting, to be held in spring 2020, with a proposal for the payment of a dividend of EUR 0.13 per share. The record date is 26 March 2020 and the payable date for dividends is 2 April 2020.

### Raisio shares traded on the Stock Exchange in 2019

The highest price of the series V share was EUR 3.69, the lowest EUR 2.34 and the average price EUR 2.87. The year-end price of the V share was EUR 3.40. A total of 27.0 million V shares were traded (38.5 million in 2018), which equals some 20 per cent of the total volume of V shares. The value of share trading was EUR 77.6 million (EUR 131.3 million in 2018).

The highest price of the series K share was EUR 3.90, the lowest EUR 2.31 and the average price EUR 3.03. The year-end price of the K share was EUR 3.36. A total of 1.2 million K shares were traded (2.3 million in 2018), and the value of share trading was EUR 3.7 million (EUR 7.3 million in 2018).

At the end of 2019, the share capital had a market value of EUR 560.2 million (EUR 386.5 million in 2018) and EUR 533.8 million (EUR 368.2 million in 2018) excluding the shares held by the company.

### Company shares

At the end of the review period, Raisio plc held 7,582,387 free shares and 212,696 restricted shares acquired between 2005 and 2012 based on the authorisation given by the AGM or obtained through the subsidiary merger in August 2014 or transferred to the company as a result of the expiration of the right to receive a merger consideration. The number of free shares held by Raisio plc accounts for 5.7 per cent of all free shares and the votes they represent, while the corresponding figure for restricted shares is 0.7 per cent. In all, the shares held by the company represent 4.7 per cent of the entire share capital and 1.6 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 company shares

Based on the authorisation given by the AGM 2019, the Board can purchase and/or accept as collateral a maximum of 5,000,000 free shares and 1,250,000 restricted shares. The authorisation will be valid until 30 April 2020. 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 authority 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 that was granted by the AGM in 2018 and that expired on 19 March 2019.

In the review period, a total of 12,859 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 2019. The value of free shares assigned as remuneration to the Board was EUR 41,665 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 during the financial period.

### Share issue authorisation

The AGM of 2019 authorised the Board to decide on the share issues by assigning all the shares held by the company and any potentially repurchased own shares, a maximum total of 14,000,000 shares, of which 1,460,000 can be restricted shares at the maximum, and by issuing a maximum of 20,000,000 new free shares against payment.

Based on the authorisation, the number of the shares to be assigned and held by the company on 31 December 2019 equals 4.7 per cent of the share capital and 1.6 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) as a means of raising funds for the financing of investments and possible company acquisitions.

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

The share issue authorisations will expire on 30 April 2020 at the latest.

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

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

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

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

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

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

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

### Amendments to the Articles of Association

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

The Articles of Association have not been amended or proposed to be amended during 2019.

## Information on Raisio plc's shares and shareholders

**25 major shareholders 31 December 2019 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 |
| Sijoitusrahasto Aktia Capital | | 2,500,000 | 2,500,000 | 1.51 | 2,500,000 | 0.33 |
| Elo Mutual Pension Insurance Company | | 1,983,561 | 1,983,561 | 1.20 | 1,983,561 | 0.26 |
| Relander Pär-Gustaf | | 1,855,068 | 1,855,068 | 1.12 | 1,855,068 | 0.24 |
| Veritas Pension Insurance Company Ltd. | | 1,731,882 | 1,731,882 | 1.05 | 1,731,882 | 0.23 |
| The State Pension Fund | | 1,300,000 | 1,300,000 | 0.79 | 1,300,000 | 0.17 |
| Nordea Pro Finland Fund | | 1,091,333 | 1,091,333 | 0.66 | 1,091,333 | 0.14 |
| Oy Etra Invest Ab | | 1,000,000 | 1,000,000 | 0.61 | 1,000,000 | 0.13 |
| Maa- ja Vesitekniikan Tuki r.y. | | 1,000,000 | 1,000,000 | 0.61 | 1,000,000 | 0.13 |
| OP-Finland Small Firms Fund | | 970,899 | 970,899 | 0.59 | 970,899 | 0.13 |
| 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 Tukisäätiö | 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 Fennia Fund | | 561,785 | 561,785 | 0.34 | 561,785 | 0.07 |
| Haavisto Erkki | 364,940 | 150,490 | 515,430 | 0.31 | 7,449,290 | 0.98 |
| OP Life Assurance Company Ltd | | 467,104 | 467,104 | 0.28 | 467,104 | 0.06 |
| Saari Markku | 457,073 | 1,810 | 458,883 | 0.28 | 9,143,270 | 1.20 |
| Brotherus Ilkka | 42,540 | 409,500 | 452,040 | 0.27 | 1,260,300 | 0.17 |
| Myllymäki Erkki | 370,820 | 73,580 | 444,400 | 0.27 | 7,489,980 | 0.98 |

Shares registered under foreign ownership, including nominee registrations, totalled 37,520,665, or 22.7% of the total and 28.1% of free shares. Raisio plc owned 7,795,083 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 641,645 restricted shares and 408,843 free shares on 31 December 2019. This equals 0.64 per cent of all shares and 1.74 per cent of overall votes.

## Breakdown of share capital and votes as 31 December 2019

| | No of shares | % of shares | % of votes |
|---|---|---|---|
| Free shares | **133,694,062** | **80.95** | **17.53** |
| Restricted shares | **31,454,968** | **19.05** | **82.47** |
| **Total** | **165,149,030** | **100.00** | **100.00** |

## Breakdown of ownership structure on 31 December 2019

### By owner group

| Owner group | % |
|---|---|
| Households | 45.9 |
| Foreign owners [2] | 22.7 |
| Private enterprises [3] | 7.9 |
| Financial and insurance institutions [1] | 5.7 |
| Non-profit organizations | 5.3 |
| Waiting list and joint account | 5.3 |
| Public corporations | 7.2 |

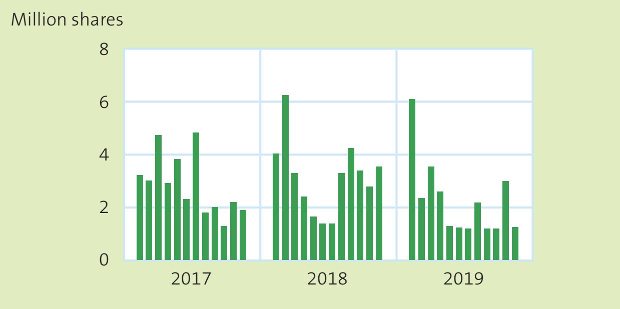
[1] excluding nominee-registered
[2] including nominee-registered
[3] including the shares held by the company

### By shares held

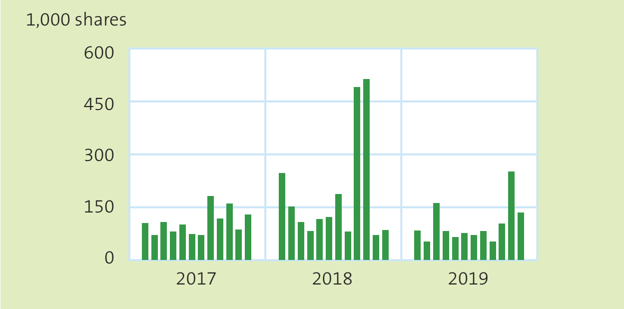
| | Free shares | | | | Restricted shares | | | |
|---|---|---|---|---|---|---|---|---|
| Shares | Shareholdes | | Shares | | Shareholdes | | Shares | |
| no. | no. | % | no. | % | no. | % | no. | % |
| 1–1,000 | 23,394 | 68.6 | 9,931,587 | 7.4 | 2,639 | 57.6 | 923,013 | 2.9 |
| 1,001–5,000 | 8,613 | 25.3 | 20,150,840 | 15.1 | 1,241 | 27.1 | 2,978,714 | 9.5 |
| 5,001–10,000 | 1,293 | 3.8 | 9,572,957 | 7.2 | 356 | 7.8 | 2,540,958 | 8.1 |
| 10,001–25,000 | 552 | 1.6 | 8,546,594 | 6.4 | 239 | 5.2 | 3,739,015 | 11.9 |
| 25,001–50,000 | 151 | 0.4 | 5,331,297 | 4.0 | 67 | 1.5 | 2,166,595 | 6.9 |
| 50,001– | 108 | 0.3 | 79,982,517 | 59.8 | 38 | 0.8 | 10,556,748 | 33.6 |
| waiting list | | | 0 | 0.0 | | | 7,960,495 | 25.3 |
| joint account | | | 178,270 | 0.1 | | | 589,430 | 1.9 |
| total | 34,111 | 100.0 | 133,694,062 | 100.0 | 4,580 | 100.0 | 31,454,968 | 100.0 |

31 December 2019 Raisio plc had a total of 35,919 registered shareholders.

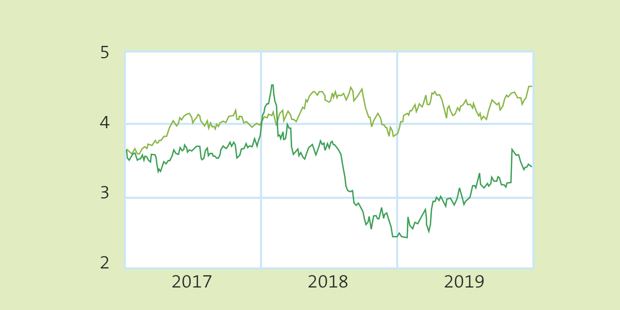
**Trading volume, free share**




**Trading volume, restricted share**




**Share price development, EUR, free share**




**Share price development, EUR, restricted share**


Raisio's free share OMX Helsinki GI

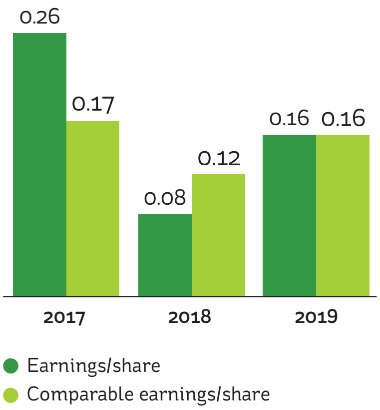
Average quotation

# Share indicators

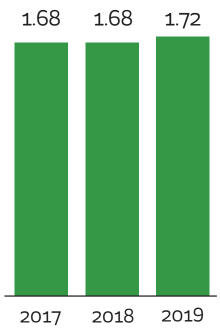
| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Undiluted earnings/share (EPS), € [1] | **0.16** | 0.08 | 0.26 |
| Diluted earnings/share (EPS), € [1] | **0.16** | 0.08 | 0.26 |
| Undiluted comparable earnings/share, € [1] | **0.16** | 0.12 | 0.17 |
| Earnings/share, discontinued operations (EPS), € [1] | | 0.10 | -0.37 |
| Cash flow from business operations/share, € [1] | **0.15** | 0.07 | 0.21 |
| Equity/share, € [1] | **1.72** | 1.68 | 1.68 |
| Dividend/share, € | **0.13,[2]** | 0.16,[3] | 0.17 |
| Dividend/earnings, % | **80.1** | 200.0 | 65.4 |
| Effective dividend yield, % | | | |
| Free shares | **3.8** | 6.8 | 4.4 |
| Restricted shares | **3.9** | 6.9 | 4.4 |
| P/E ratio | | | |
| Free shares | **21.0** | 29.3 | 14.8 |
| Restricted shares | **20.7** | 29.0 | 14.8 |
| Adjusted average quotation, € | | | |
| Free shares | **2.87** | 3.41 | 3.57 |
| Restricted shares | **3.03** | 3.26 | 3.59 |
| Adjusted lowest quotation, € | | | |
| Free shares | **2.34** | 2.33 | 3.31 |
| Restricted shares | **2.31** | 2.30 | 3.31 |
| Adjusted highest quotation, € | | | |
| Free shares | **3.69** | 4.59 | 3.88 |
| Restricted shares | **3.90** | 4.54 | 3.86 |
| Adjusted quotation 31 December, € | | | |
| Free shares | **3.40** | 2.35 | 3.84 |
| Restricted shares | **3.36** | 2.32 | 3.84 |
| Market capitalisation 31 December, M€ [1] | | | |
| Free shares | **428.8** | 294.9 | 480.1 |
| Restricted shares | **105.0** | 73.3 | 124.0 |
| Total | **533.8** | 368.2 | 604.1 |
| Trading, EURm | | | |
| Free shares | **77.6** | 131.3 | 122.8 |
| Restricted shares | **3.7** | 7.3 | 4.6 |
| Total | **81.3** | 138.7 | 127.4 |
| Number of shares traded | | | |
| Free shares, 1.000 shares | **27,034** | 38,482 | 34,410 |
| % of total | **20.2** | 28.9 | 25.9 |
| Restricted shares, 1.000 shares | **1,214** | 2,252 | 1,280 |
| % of total | **3.9** | 7.1 | 3.9 |
| Average adjusted number of shares, 1.000 shares [1] | | | |
| Free shares | **125,865** | 125,413 | 124,927 |
| Restricted shares | **31,480** | 31,917 | 32,436 |
| Total | **157,345** | 157,329 | 157,363 |
| Adjusted number of shares 31 December, 1.000 shares [1] | | | |
| Free shares | **126,112** | 125,763 | 125,028 |
| Restricted shares | **31,242** | 31,578 | 32,291 |
| Total | **157,354** | 157,341 | 157,319 |

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

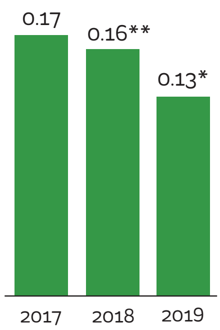
**Earnings/share, EPS (€)**
2017 - 2019




**Equity per share (€)**
2017 - 2019




**Dividend/share (€)**
2017 - 2019




*) 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**

$$\frac{\text{Result from continuing operations for the year of parent company shareholders}}{\text{Average number of shares for the year, adjusted for share issue}}$$

**Undiluted comparable earnings per share**

$$\frac{\text{Comparable result from continuing operations for the year of parent company shareholders}}{\text{Average number of shares for the year, adjusted for share issue}}$$

**Cash flow from business operations per share**

$$\frac{\text{Cash flow from business operations}}{\text{Average number of shares for the year, adjusted for share issue}}$$

**Shareholders' equity per share**

$$\frac{\text{Equity of parent company shareholders}}{\text{Number of shares at end of period adjusted for share issue}}$$

**Dividend per share**

$$\frac{\text{Dividend distributed in the period}}{\text{Number of shares at end of period}}$$

**Dividend per earnings, %**

$$\frac{\text{Dividend per share}}{\text{Profit per share}} \text{ x 100}$$

**Effective dividend yield, %**

$$\frac{\text{Dividend per share, adjusted for share issue}}{\text{Closing price, adjusted for share issue}} \text{ x 100}$$

**Price per earnings (P/E ratio)**

$$\frac{\text{Closing price, adjusted for share issue}}{\text{Profit per share}}$$

**Market capitalization**

Closing price, adjusted for issue
x number of shares without company shares on 31 December

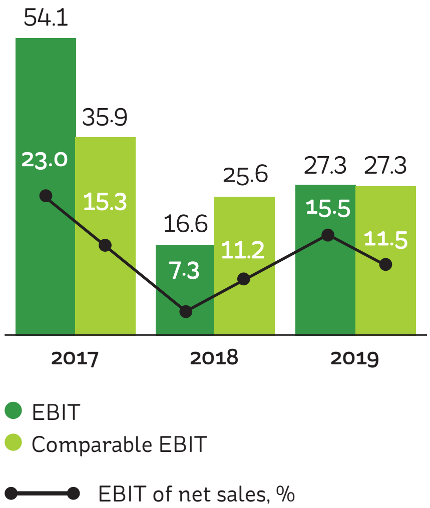
# Key financial indicators and reconciliations

## Key financial indicators

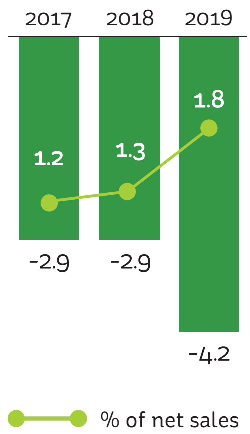
| | 2019 | 2018 | 2017 |
|---|---|---|---|
| **Result and profitability** | | | |
| Net sales, M€ | **236.3** | 228.2 | 234.6 |
| change, % | **3.5** | -2.7 | -9.1 |
| International net sales, M€ | **149.0** | 142.1 | 156.2 |
| % of net sales | **63.1** | 62.3 | 66.6 |
| Operating margin, M€ | **33.6** | 31.0 | 68.1 |
| % of net sales | **14.2** | 13.6 | 29.0 |
| Comparable operating margin, M€ | **33.6** | 31.3 | 42.2 |
| % of net sales | **14.2** | 13.7 | 18.0 |
| Deprecation and write-downs, M€ | **6.4** | 14.4 | 14.0 |
| EBIT, M€ | **27.3** | 16.6 | 54.1 |
| % of net sales | **11.5** | 7.3 | 23.0 |
| Comparable EBIT, M€ | **27.3** | 25.6 | 35.9 |
| % of net sales | **11.5** | 11.2 | 15.3 |
| Result before taxes, M€ | **28.5** | 15.7 | 52.7 |
| % of net sales | **12.1** | 6.9 | 22.5 |
| Return on equity, ROE, % | **9.5** | 4.6 | 14.0 |
| Return on investment, ROI, % | **13.9** | 8.1 | 8.5 * |
| **Financial and economical position** | | | |
| Shareholders' equity, M€ | **271.3** | 264.8 | 264.0 |
| Interest-bearing financial liabilities, M€ | **1.1** | 23.0 | 45.9 |
| Net interest-bearing financial liabilities, M€ | **-98,6** | -119.2 | -105.1 |
| Balance sheet total, M€ | **308.5** | 324.4 | 361.3 |
| Equity ratio, % | **87.9** | 81.7 | 73.4 |
| Net gearing, % | **-36.4** | -45.0 | -39.8 |
| Cash flow from business operations, M€ | **23.3** | 11.5 | 33.3 |
| Cash flow from operations per share, M€ | **0.15** | 0.07 | 0.21 |
| **Other indicators** | | | |
| Gross investments, M€ | **19.5** | 5.6 | 10.1 |
| % of net sales | **8.3** | 2.4 | 4.3 |
| R&D expenses, M€ | **-4.2** | -2.9 | -2.9 |
| % of net sales | **1.8** | 1.3 | 1.2 |
| Average personnel | **328** | 335 | 342 |

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

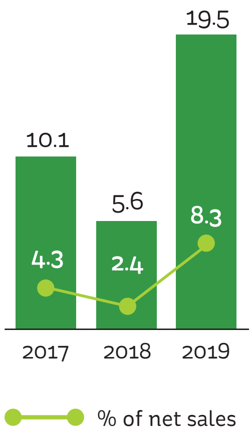
**EBIT (M€)**
2017 - 2019




**R&D expenses (M€)**
2017 - 2019

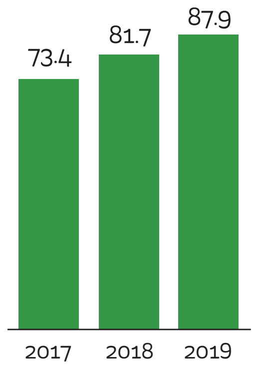



**Investments (M€)**
2017 - 2019

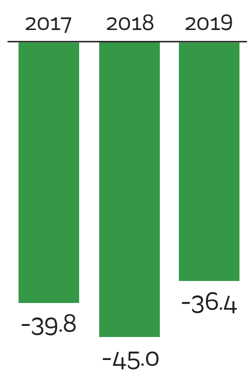



Excluding acquisitions

**Equity ratio (%)**
2017 - 2019




**Net gearing (%)**
2017 - 2019



# Calculation of indicators

## Alternative key figures

| | |
|---|---|
| **EBIT** | Earnings before income taxes, financial income and expenses presented in the IFRS consolidated income statement.<br><br>EBIT illustrates the economic profitability of operations and its development. |
| **Comparable EBIT** | EBIT +/- items affecting comparability<br><br>Comparable EBIT shows economic profitability of the business operations and its development without items affecting comparability. |
| **EBIT, %** | $\frac{\text{EBIT}}{\text{Net sales}} \times 100$<br><br>The figure shows the relation between EBIT and net sales. |
| **Comparable EBIT, %** | $\frac{\text{Comparable EBIT}}{\text{Comparable net sales}} \times 100$<br><br>The figure shows the relationship between EBIT and net sales without items affecting comparability. |
| **EBITDA** | EBIT + depreciations and impairment<br><br>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<br>+ depreciations and impairment<br><br>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), %** | $\frac{\text{Result before taxes – income taxes}}{\text{Shareholders' equity (average over the period)}} \times 100$<br><br>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), %** | $\frac{\text{Result after taxes}}{\text{"Operating cash* + net working capital + non-current assets (*Operating cash 4\% of net sales)"}} \times 100$<br><br>Return on investment (ROIC) is a profitability or performance ratio that measures how much investors earn on the capital invested. |

# Reconciliations

## Reconciliations related to cash flow statement

### Adjustments to business cash flows

| (EUR million) | 2019 | 2018 |
|---|---|---|
| Income statement items containing no payment transaction and items presented elsewhere in the cash flow statement are adjusted: | | |
| Impairment for intangible and tangible fixed assets | | 8.7 |
| Capital gains and losses of fixed assets | **0.0** | -1.2 |
| Costs of share rewards | **0.6** | 0.1 |
| Other | **0.2** | 0.0 |
| Total adjustments in cash flow statement | **0.8** | 7.7 |

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) | 2019 | 2018 |
|---|---|---|
| Acquisition of fixed assets total | **-19.5** | -5.6 |
| Payments for investments of earlier financial periods (change in accounts payable) | **1.9** | -0.5 |
| Investments funded by lease liability or non-interest-bearing debt | **-0.9** | 0.0 |
| Fixed asset acquisitions funded by cash payments | **-18.5** | -6.1 |
| Capital gain and loss on fixed assets in the income statement | **0.0** | 1.2 |
| Balance sheet value of disposed asset | **0.0** | 0.1 |
| Consideration received from fixed asset divestments in the cash flow statement | **0.0** | 1.2 |

### Net asset of divested subsidiaries

| (EUR million) | 2018 |
|---|---|
| Capital gain or loss in the income statement excluding sales expenses directed at sales | 13.2 |
| Non-current assets | 15.7 |
| Inventories | 7.9 |
| Receivables | 5.2 |
| Liquid funds incl. loan receivables (group cash pool) | -4.5 |
| Current liabilities | 7.3 |
| Total net assets sold | 17.0 |
| Sales price | 30.2 |
| Proceeds in the cash flow statement adjusted by cast at the date of transfer | 34.7 |

### Reconciliation of liabilities related to financing activities

| | | | Non cash flow influenced changes | | | |
|---|---|---|---|---|---|---|
| (EUR million) | 31 Dec 2018 | Cash flows | IFRS 16 | Changes in exchange rates | Changes in fair value | 31 Dec 2019 |
| Non-current liabilities | 22.9 | **-22.9** | | | **0.0** | **0.0** |
| Lease liability | 0.1 | **-0.9** | **1.8** | **0.0** | | **1.1** |
| **Total liabilities for financing activities** | 23.0 | **-23.7** | **1.8** | **0.0** | **0.0** | **1.1** |

# Reconciliations of the alternative key figures

## Items affecting comparable EBIT

| (EUR million) | 1–12/2019 | 1–12/2018 |
|---|---|---|
| **Comparable EBIT** | **27.3** | 25.6 |
| + Capital gain | | 1.2 |
| - Impairment, tangible and intangible assets | | -8.7 |
| +/- Structural arrangements and streamlining projects | | -1.4 |
| Items affecting comparability, in total | **0.0** | -9.0 |
| **EBIT** | **27.3** | 16.6 |

## Items affecting comparable EBITDA

| (EUR million) | 1–12/2019 | 1–12/2018 |
|---|---|---|
| **Comparable EBITDA** | **33.6** | 31.3 |
| +/-Depreciations and impairment | | 8.7 |
| +/- Items affecting EBIT | | -9.0 |
| Items affecting comparability, in total | **0.0** | -0.3 |
| **EBITDA** | **33.6** | 31.0 |
| +/- Impairment | **0.0** | -8.8 |
| +/- Depreciations | **-6.4** | -5.6 |
| **EBITDA** | **27.3** | 16.6 |

# Consolidated income statement (IFRS)

| (EUR million) | Note | 1–12/2019 | 1–12/2018 |
|---|---|---|---|
| NET SALES | 2.2.1 | **236.3** | 228.2 |
| Cost of sales | | **-169.3** | -161.0 |
| **Gross profit** | | **67.0** | 67.3 |
| Sales and marketing expenses | | **-23.9** | -37.1 |
| Administration expenses | | **-12.3** | -12.7 |
| Research and development expenses | | **-4.2** | -2.9 |
| Other income and expenses from business operations | 9.1.1 | **0.7** | 2.0 |
| EBIT | | **27.3** | 16.6 |
| Financial income | 5.1 | **2.9** | 1.4 |
| Financial expenses | 5.1 | **-1.7** | -2.2 |
| RESULT BEFORE TAXES | | **28.5** | 15.7 |
| Income taxes | 6.1 | **-2.9** | -3.7 |
| RESULT FOR THE FINANCIAL PERIOD | | **25.5** | 12.1 |
| ATTRIBUTABLE TO: | | | |
| Equity holders of the parent company | | **25.5** | 12.1 |
| Non-controlling interests | | | |
| | | **25.5** | 12.1 |
| EARNINGS PER SHARE CALCULATED FROM THE RESULT OF EQUITY HOLDERS OF THE PARENT COMPANY | | | |
| Earnings per share (EUR) | 7.3 | | |
| Undiluted earnings per share | | **0.16** | 0.08 |
| Diluted earnings per share | | **0.16** | 0.08 |

Raisio Group adopted a new IFRS 16 standard *Leases* on 1 January 2019, utilising a simplified approach of adoption, and the comparison figures of the previous year were not adjusted.

# Consolidated comprehensive income statement (IFRS)

| (EUR million) | Note | 1–12/2019 | 1–12/2018 |
|---|---|---|---|
| RESULT FOR THE FINANCIAL PERIOD | | **25.5** | 12.1 |
| OTHER COMPREHENSIVE INCOME ITEMS | | | |
| Items that will not be reclassified to profit or loss | | | |
| Change in equity investments | | **0.8** | 0.1 |
| Change in tax impact | 6.3 | **-0.2** | 0.0 |
| Items that will not be reclassified to profit or loss | | **0.6** | 0.1 |
| Items that may be subsequently transferred to profit or loss | | | |
| Change in value of cash flow hedging | | **-0.4** | 0.0 |
| Change in translation differences related to foreign companies | | **5.1** | -1.3 |
| Change in tax impact | 6.3 | **0.1** | 0.0 |
| Items that may be subsequently transferred to profit or loss | | **4.8** | -1.3 |
| TOTAL OTHER COMPREHENSIVE INCOME ITEMS | | **5.4** | -1.2 |
| COMPREHENSIVE INCOME FOR THE PERIOD | | **30.9** | 10.7 |
| COMPONENTS OF COMPREHENSIVE INCOME | | | |
| Equity holders of the parent company | | **30.9** | 10.7 |
| Non-controlling interests | | | |
| | | **30.9** | 10.7 |

# Consolidated balance sheet

| (EUR million) | Note | 31.12.2019 | 31.12.2018 |
|---|---|---|---|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Intangible assets | 4.1 | **33.5** | 33.3 |
| Goodwill | 4.3 | **48.5** | 46.1 |
| Tangible assets | 4.5.1 | **51.1** | 35.1 |
| Equity investments | 4.7 | **3.0** | 2.2 |
| Deferred tax assets | 6.2 | **4.9** | 2.3 |
| | | **140.9** | 118.9 |
| CURRENT ASSETS | | | |
| Inventories | 4.8 | **37.6** | 34.9 |
| Accounts receivable and other receivables | 5.3.2 | **30.3** | 28.0 |
| Derivative contracts | 5.3.4 | | 0.3 |
| Financial assets at fair value through profit or loss | 5.3.4 | **81.4** | 89.0 |
| Cash in hand and at banks | 5.3.5 | **18.3** | 53.1 |
| | | **167.6** | 205.5 |
| TOTAL ASSETS | | **308.5** | 324.4 |
| 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** | 8.9 |
| Other funds | | **-1.3** | -1.6 |
| Company shares | | **-19.8** | -19.8 |
| Translation differences | | **-14.8** | -19.8 |
| Retained earnings | | **179.7** | 177.7 |
| | | **271.3** | 264.8 |
| TOTAL SHAREHOLDERS' EQUITY | | **271.3** | 264.8 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Deferred tax liabilities | 6.2 | **5.3** | 4.0 |
| Provisions | 9.1.2 | **1.2** | 1.1 |
| Non-current financial liabilities | 5.3.6 | **0.3** | 0.1 |
| | | **6.9** | 5.2 |
| Current liabilities | | | |
| Accounts payable and other liabilities | 5.3.7 | **28.5** | 30.4 |
| Tax liability based on the taxable income for the period | 6.1 | **0.8** | 1.0 |
| Provisions | 9.1.2 | | |
| Derivative contracts | | **0.3** | 0.0 |
| Current financial liablities | | **0.8** | 22.9 |
| | | **30.4** | 54.4 |
| TOTAL LIABILITIES | | **37.3** | 59.6 |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | | **308.5** | 324.4 |

# Calculation of changes in shareholders' equity

| (EUR million) | Share capital | Share premium reserve | Reserve fund | Invested unrestricted equity fund | Other reserves | Company shares | Translation differences | Retained earnings | Equity attributable to equity holders of the parent company | Non-controlling interests | Total shareholders' equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| SHAREHOLDERS' EQUITY ON 1 JAN 2018 | 27.8 | 2.9 | 88.6 | 8.9 | -1.6 | -19.8 | -18.5 | 175.8 | 264.0 | 0.0 | 264.0 |
| Impact of new IFRS 2 standard | | | | | | | | 0.7 | 0.7 | | 0.7 |
| Adjusted opening balance on 1 Jan 2018 | 27.8 | 2.9 | 88.6 | 8.9 | -1.6 | -19.8 | -18.5 | 176.5 | 264.7 | 0.0 | 264.7 |
| **Comprehensive income for the period** | | | | | | | | | | | |
| Result for the period | | | | | | | | 27.8 | 27.8 | | 27.8 |
| Other comprehensive income items | | | | | | | | | | | |
| Change in equity investments | | | | | 0.1 | | | | 0.1 | | 0.1 |
| Change in value of cash flow hedging | | | | | 0.0 | | | | 0.0 | | 0.0 |
| Change in translation differences related to foreign companies | | | | | | | -1.3 | | -1.3 | | -1.3 |
| Change in tax impact | | | | | 0.0 | | | | 0.0 | | 0.0 |
| **Total comprehensive income for the period** | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | -1.3 | 27.8 | 26.6 | 0.0 | 26.6 |
| **Business activities involving shareholders** | | | | | | | | | | | |
| Dividends | | | | | | | | -26.7 | -26.7 | | -26.7 |
| Unclaimed dividends | | | | | | | | 0.1 | 0.1 | | 0.1 |
| Share-based payments | | | | | | 0.0 | | 0.1 | 0.1 | | 0.1 |
| **Total business activities involving shareholders** | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -26.5 | -26.5 | 0.0 | -26.5 |
| SHAREHOLDERS' EQUITY ON 31 DEC 2018 | 27.8 | 2.9 | 88.6 | 8.9 | -1.6 | -19.8 | -19.8 | 177.7 | 264.8 | 0.0 | 264.8 |
| SHAREHOLDERS' EQUITY ON 1 JAN 2019 | 27.8 | 2.9 | 88.6 | 8.9 | -1.6 | -19.8 | -19.8 | 177.7 | 264.8 | 0.0 | 264.8 |
| **Comprehensive income for the period** | | | | | | | | | | | |
| Result for the period | | | | | | | | 25.5 | 25.5 | | 25.5 |
| Other comprehensive income items | | | | | | | | | | | |
| Change in equity investments | | | | | 0.8 | | | | 0.8 | | 0.8 |
| Change in value of cash flow hedging | | | | | -0.4 | | | | -0.4 | | -0.4 |
| Change in translation differences related to foreign companies | | | | | | | 5.1 | | 5.1 | | 5.1 |
| Change in tax impact | | | | | -0.1 | | | | -0.1 | | -0.1 |
| **Total comprehensive income for the period** | 0.0 | 0.0 | 0.0 | 0.0 | 0.3 | 0.0 | 5.1 | 25.5 | 30.9 | 0.0 | 30.9 |
| **Business activities involving shareholders** | | | | | | | | | | | |
| Dividends | | | | | | | | -25.2 | -25.2 | | -25.2 |
| Unclaimed dividends | | | | | | | | 0.1 | 0.1 | | 0.1 |
| Transfer from other funds to retained earnings | | | | -0.9 | | | | 0.9 | 0.0 | | 0.0 |
| Share-based payments | | | | | | 0.0 | | 0.6 | 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 | 0.0 | -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 | 0.0 | 271.3 |

# Consolidated cash flow statement

| (EUR million) | Note | 1–12/2019 | 1–12/2018 |
|---|---|---|---|
| CASH FLOW FROM BUSINESS OPERATIONS | | | |
| **Result before taxes** | | 28.5 | 15.7 |
| **Adjustments:** | | | |
| Planned depreciation | | 6.4 | 5.6 |
| Financial income and expenses | | -1.2 | 0.8 |
| Other adjustments | | 0.8 | 7.7 |
| Total adjustments | Page 23 | 5.9 | 14.2 |
| **Cash flow before change in working capital** | | 34.4 | 29.9 |
| **Change in working capital** | | | |
| Increase (-)/decrease (+) in current receivables | | -1.9 | 1.3 |
| Increase (-)/decrease (+) in inventories | | -2.4 | -11.8 |
| Increase (-)/decrease (+) in current interest-free liabilities | | -2.7 | -0.1 |
| | | -7.1 | -10.6 |
| **Cash flow from business operations before financial items and taxes** | | 27.3 | 19.4 |
| Interest paid and payments for other financial expenses from business operations | | -1.9 | -1.9 |
| Dividends received from business operations | | 0.2 | 0.2 |
| Interest received and other financial income from business operations | | 1.8 | 0.7 |
| Other financial items, net | | 0.1 | 0.0 |
| Income taxes paid | | -4.2 | -6.8 |
| NET CASH FLOW FROM BUSINESS OPERATIONS | | 23.3 | 11.5 |
| CASH FLOW FROM INVESTMENTS | | | |
| Investments in shares | | 0.0 | 0.0 |
| Investments in tangible assets | Page 23 | -17.3 | -5.2 |
| Investments in intangible assets | Page 23 | -0.4 | -0.9 |
| Income from intangible and tangible commodities | Page 23 | 0.0 | 1.2 |
| **Net cash flow from investments** | | -17.7 | -4.9 |
| Cash flow after investments | | 5.6 | 6.7 |
| CASH FLOW FROM FINANCIAL OPERATIONS | | | |
| Other financial items, net | | -0.1 | 0.0 |
| Payments associated with the reduction in lease liability | | -0.9 | 0.0 |
| Repayment of non-current loans | Page 23 | -22.9 | -22.9 |
| Redemption of non-controlling interests | | 0.0 | |
| Dividends and other profit distribution paid to shareholders | | -25.0 | -26.6 |
| **Net cash flow from investments** | | -48.8 | -49.4 |
| CHANGE IN LIQUID FUNDS | | -43.2 | -42.8 |
| Liquid funds at the beginning of the period | | 142.1 | 151.0 |
| Impact of changes in exchange rates | | 0.9 | -0.7 |
| Impact of changes in market value on liquid funds | | 1.4 | -0.1 |
| Impact of the discontinued cattle feed business | | -1.4 | 34.7 |
| Liquid funds at end of period | 5.3.5 | 99.8 | 142.1 |

The adoption of the IFRS 16 standard has an impact on the presentation of the Group's cash flow statement through the improvement of cash flow from operations before financial items and taxes. According to the IFRS 16, lease liability payments are presented in the cash flow from financing and the related interest as interest expenses in the cash flow from operations. Previously, the leasing payments were presented in full in the cash flow from operations before financial items and taxes.

From January to December 2019, the adoption of the IFRS 16 standard had a positive impact of EUR 0.9 million on the cash flow from operations before financial items and taxes, since the lease liability interest expense of EUR 0.0 million is presented in the cash flow from financial items and taxes and the payment associated with the reduction in lease liability of EUR 0.9 million is presented in the cash flow from financing.

# 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 well-known 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 purpose of the first year of the strategy period was to safeguard the growth and profitability of Raisio's core business. During 2020, the Group will establish its oat-based value-added products as the other strong international pillar of the company alongside its Benecol products, and during 2021, Raisio aims to fulfil its strategy by entering new markets. 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 2019. 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 2019. 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.

### Associates

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

## 1.4 Accounting policies calling for management'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 2019

| Area of discretion | Object of discretion |
|---|---|
| Determination of reportable segments | Healthy Food Segment, item 2.1 |
| Impairment testing of goodwill and intangible assets with indefinite useful life | Western Europe's goodwill and trademarks related to the Healthy Food Segment, item 4.4 |
| Determination of length of leases | Leases of indefinite duration, item 4.5 |
| Financial risk management | Hedging against currency risk, item 5.4.4 |
| Recognition of deferred tax assets | Deferred tax assets from subsidiary losses, items 6.1 and 6.2 |

## 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

### IFRS 16 standard

The Raisio Group has adopted IFRS 16 *Leases*, which was introduced by International Accounting Standards Board and effective from 1 January 2019. The cumulative impact of the adoption is presented in the opening balance sheet on 1 January 2019, and the comparison figures of the year prior to the adoption have not been adjusted.

## Impact of IFRS 16 Leases on the Group's opening balance sheet

| (EUR million) | Balance sheet 31 December 2018 | Adjustments | Opening balance sheet 1 January 2019 |
|---|---|---|---|
| **ASSETS** | | | |
| Non-current assets | | | |
| Tangible assets | 35.1 | 1.8 | **36.9** |
| **Total** | 35.1 | 1.8 | **36.9** |
| **SHAREHOLDER'S EQUITY AND LIABILITIES** | | | |
| Shareholders' equity | 264.8 | - | **264.8** |
| **Total shareholder's equity** | 264.8 | - | **264.8** |
| Long-term lease liabilities | 0.0 | 1.0 | **1.0** |
| Short-term lease liabilities | 0.0 | 0.8 | **0.8** |
| **Total** | 0.0 | 1.8 | **1.8** |

The new standard replaced IAS 17 and related interpretations. As a result of the IFRS 16 standard, almost all leases are recognised in the balance sheet, with the two exemptions included in the standard relating to short-term contracts of less than 12 months and contracts of low value. The classification for operating and finance leases was removed. The lessee recognises on the balance sheet the right-of-use asset based on its right to use the item as well as the lease liability based on its obligation to pay rent. The right-of-use assets are depreciated during the lease period or the useful life of the asset. The lease liability interest expense is presented in the financial expenses. The standard includes voluntary exemptions drafted for short-term contracts and assets of low value.

From the lessor's perspective, the reporting remains similar to the IAS 17, i.e., leases continue to be classified for finance leases and other leases. Raisio Group has no significant leases as a lessor.

In accordance with the IFRS 16 standard, new entries for right-of-use assets and financial liabilities concerning lease agreements relating to warehouses, business premises and vehicles were recognised in the Raisio Group's balance sheet. The Group recognises depreciations on the right-of-use assets and interest expense on the lease debt instead of the rental expense previously linearly recognised.

In the transition, the Raisio Group applied the simplified approach included in the IFRS 16. The right-of-use assets and lease liabilities recognised in the balance sheet are equal at the time of the transfer and, therefore, no adjustment was recognised in the retained earnings of the opening balance sheet and no comparative information was adjusted. Raisio applied both the exemptions of IFRS 16 mentioned above and for these contracts, the company recognised no right-of-use assets or lease liabilities in the balance sheet. In addition, the Group used the practical expedient that allowed the use of hindsight to determine the lease period if the contracts included extension or termination options.

## Right-of-use assets and lease liabilities in the opening balance sheet

| (EUR million) | 1 January 2019 |
|---|---|
| Right-of-use assets, warehouse and commercial premises | 1.1 |
| Right-of-use assets, cars and machines | 0.7 |
| Right-of-use assets, total | 1.8 |
| Long-term lease liabilities | 1.0 |
| Short-term lease liabilities | 0.8 |
| Lease liabilities, total | 1.8 |

The table below shows the lease obligations arising from operating leases presented in the 2018 Financial Statements when applying IAS 17 and the reconciliation between the lease liabilities entered in the balance sheet on 1 January 2019. Any leases classified earlier as finance leases have been entered in transition to the carrying amounts of the right-of-use assets and lease liabilities as stipulated for them in IAS 17. The interest rate of Group's external loan has been used to determine the lease liabilities recognised in the balance sheet. The interest rate was 1.2 per cent.

## Reconciliation of lease liabilities

| (EUR million) | 1 January 2019 |
|---|---|
| Lease obligations related to operating leases on 31 December 2018 | 1.9 |
| Discounted at the interest rate of Group's loan interest of 1.2% | -0.1 |
| Low-cost leases recognised as expenses | -0.1 |
| IFRS 16 lease liability entered on 1 January 2019 | 1.8 |

Thus, the adoption of the IFRS 16 will have no material impact on Raisio Group's consolidated financial statements.

### IFRIC 23 standard

Raisio Group adopted IFRIC 23 standard *Uncertainty over Income Tax Treatments* on 1 January 2019. The interpretation clarifies the accounting treatment in a situation where the entity's tax solution is still waiting for the approval of the tax authority. The key question is to assess whether the tax authority will approve the solution made by the entity. While considering this, it is assumed that the tax authority has access to all relevant information when assessing the solution. The adoption of the standard had no impact on the consolidated financial statements of Raisio Group.

Other standard changes and new IFRIC interpretations adopted as of 1 January 2019 will have no impact on the Raisio Group's consolidated financial statements.

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

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

* = This regulation has not been approved for application in the EU on 31 December 2019.

The amendments to the references concerning the Conceptual Framework included in the IFRS standards (applicable to financial periods starting on or after 1 January 2020)

The revised framework includes the standards taken into use during recent years in accordance with the IASB's intentions. The Conceptual Framework primarily serves as IASB's tool for the development of the standards and supports the IFRS Interpretations Committee in their interpretation of the standards. The framework does not supersede the requirements of the individual IFRS standards.

Amendments to IFRS 3* - *Definition of a Business* (applicable to financial periods starting on or after 1 January 2020).

The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The amendments are not expected to have any significant impact on Raisio's consolidated financial statements.

Amendments to IAS 1 and IAS 8 - *Definition of Material* (applicable to financial periods starting on or after 1 January 2020)

The amendments clarify the definition of material and include instructions to alleviate the consistent adoption of the concept in all IFRS standards Additionally, the explanations related to the definition were improved. The amendments are not expected to have any significant impact on Raisio's consolidated financial statements.

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) (applicable to financial periods starting on or after 1 January 2020)

The amendments were brought about as a means of dealing with uncertainty factors related to the preparation and implementation of the EU benchmarks regulation (IBOR reform). The objective of the amendments is to provide relief in terms of meeting specific hedge accounting requirements during the period prior to the IBOR reform. The amendments are not expected to have any significant impact on Raisio's consolidated financial statements.

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

# 2 Income and segment information

### Content

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

## 2.1 Information by segment

Raisio Group's new reportable segments, reported as of the start of 2019, are: Healthy Food, Healthy Ingredients and Other Operations. In order to implement the new strategy issued at the end of 2018, Raisio renewed its business structure from the beginning of 2019. As a result, the financial reporting of Raisio Group as well as the Group's reportable segments were changed. Comparative figures for earlier periods have been adjusted in terms of the income statement, cash flow statement and some key figures. For the segment reporting, the previous period figures have been adjusted in essential respects.

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 regularly 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. 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.

Intercompany changes were carried out during the comparison period 2018. Reso Mejeri Production AB, Raisio UK Limited, Glisten Limited, The Glisten Confectionery Limited, FDS Informal Foods Limited, Big Bear Group and Honey Monster Limited previously under the Healthy Food segment as well as the companies included in the Benemilk business were transferred to Other Operations. The operations of the transferred companies are not in line with the Raisio Group's strategy or their operations have ended. As a separate segment in accordance with IFRS 8, the operations in question do not exceed the threshold of the reportable segment.

## Income statement information by segments, 2019 and 2018

| 1 January - 31 December 2019 (EUR million) | Healthy Food | Healthy Ingredients | Other Operations | Eliminations | Total |
|---|---|---|---|---|---|
| External sales | | | | | |
| Goods | 137.5 | 97.0 | | | 234.4 |
| Services | 0.0 | 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 |

| 1 January - 31 December 2018 (EUR million) | Healthy Food | Healthy Ingredients | Other Operations | Eliminations | Total |
|---|---|---|---|---|---|
| External sales | | | | | |
| Goods | 137.6 | 88.9 | | | 226.5 |
| Services | | 0.0 | 1.1 | | 1.1 |
| Royalties | 0.0 | 0.2 | 0.4 | | 0.7 |
| Total external sales | 137.6 | 89.1 | 1.5 | | 228.2 |
| Internal sales | 0.0 | 27.4 | | -27.5 | 0.0 |
| **Net sales** | 137.7 | 116.6 | 1.5 | -27.5 | 228.2 |
| Depreciation | -1.0 | -2.9 | -1.8 | | -5.6 |
| Value impairments | 0.0 | | -8.7 | | -8.8 |
| **Total depreciation and value impairment** | -1.0 | -2.9 | -10.5 | 0.0 | -14.4 |
| **Segment EBIT** | 17.1 | 12.9 | -13.5 | 0.0 | 16.6 |
| **Reconciliation** | | | | | |
| Segment EBIT | | | | | 16.6 |
| Financial income and expenses | | | | | -0.8 |
| Taxes | | | | | -3.7 |
| Discontinued operations | | | | | 15.7 |
| **Result for the period** | | | | | 27.8 |

An impairment loss of EUR 8.7 million relates to the impairment of the Honey Monster brand (under 4.1). The cattle feed business was reported in the discontinued operations in the 2018 Financial Statements.

## Balance sheet information by segments, 2019 and 2018

| 1 January - 31 December 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 |

| 1 January - 31 December 2018 (EUR million) | Healthy Food | Healthy Ingredients | Other Operations | Eliminations | Total |
|---|---|---|---|---|---|
| **Segment assets** | 95.3 | 64.1 | 20.7 | -1.0 | 179.1 |
| Including: | | | | | |
| Increase in non-current assets | 0.3 | 4.3 | 1.0 | | 5.6 |
| **Reconciliation of assets to Group assets** | | | | | |
| Segment assets total | | | | | 179.1 |
| Deferred tax assets | | | | | 2.3 |
| Loans receivable and other receivables related to financing | | | | | 0.6 |
| Derivates | | | | | 0.3 |
| Financial asssets at fair value through profit or loss | | | | | 89.0 |
| Liquid funds | | | | | 53.1 |
| **Assets total** | | | | | 324.4 |
| **Segment liabilities** | 12.2 | 13.6 | 6.1 | -1.0 | 30.8 |
| **Reconciliation of liabilities to Group liabilities** | | | | | |
| Segment liabilities | | | | | 30.8 |
| Deferred tax liability | | | | | 4.0 |
| Derivates | | | | | 0.0 |
| Financial liabilities at fair value through profit or loss | | | | | 23.0 |
| Tax liability | | | | | 1.0 |
| Dividend liability | | | | | 0.4 |
| Liability related to financing | | | | | 0.2 |
| **Liabilities total** | | | | | 59.6 |
| **Net assets** | | | | | 264.8 |

### 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 65 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) | 2019 | % | 2018 | % |
|---|---|---|---|---|
| Finland | **54.2** | **40.8** | 38.6 | 33.8 |
| UK | **78.6** | **59.1** | 75.7 | 66.1 |
| Rest of Europe | **0.2** | **0.2** | 0.1 | 0.1 |
| Total | **133.0** | **100.0** | 114.4 | 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 recognized as an adjustment for sales revenue in case of cash flow hedging.

Revenues from the sale of goods are recorded when the customer has gained the ownership 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 Net sales

**Net sales**

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

### Revenue

| (EUR million) | 1–12/2019 | % | 1–12/2018 | % |
|---|---|---|---|---|
| Sales of goods | **234.4** | **99.2** | 226.3 | 99.2 |
| Sales of services | **1.2** | **0.5** | 1.3 | 0.6 |
| Royalties | **0.7** | **0.3** | 0.7 | 0.3 |
| Total net sales | **236.3** | **100.0** | 228.2 | 100.0 |

### Revenue by segment

| (EUR million) | 1–12/2019 | % | 1–12/2018 | % |
|---|---|---|---|---|
| Healthy Food | **137.5** | **58.2** | 137.7 | 60.3 |
| Healthy Ingredients | **124.6** | **52.7** | 116.6 | 51.1 |
| Others | **1.5** | **0.6** | 1.5 | 0.6 |
| Sales between segments | **-27.3** | **-11.5** | -27.5 | -12.0 |
| Net sales, in total | **236.3** | **100.0** | 228.2 | 100.0 |

The Group's customer base consists of a relatively large number of customers in different market areas. In 2019 and 2018, 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) | 1–12/2019 | % | 1–12/2018 | % |
|---|---|---|---|---|
| **Revenue from external customers, Group** | | | | |
| Finland | **87.3** | **36.9** | 86.1 | 37.7 |
| UK | **55.2** | **23.4** | 61.5 | 26.9 |
| Others | **93.8** | **39.7** | 80.6 | 35.3 |
| Total | **236.3** | **100.0** | 228.2 | 100.0 |

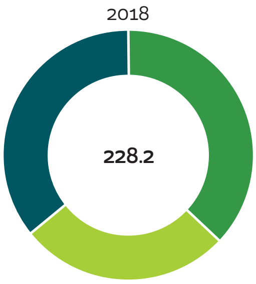
## Net sales in different currencies

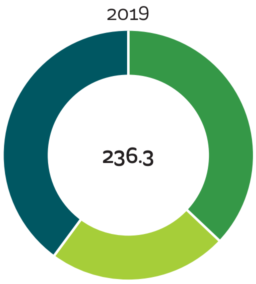
The Raisio Group operates internationally and thus its business operations involve risks arising from exchange rate volatility. These risks consist of the income cash flows in different currencies (transaction risk) and the conversion of net sales of foreign subsidiaries into euros (translation risk). Net sales transaction risk and translation risk are presented under 5.4.

## Net sales in different currencies, local functional currencies

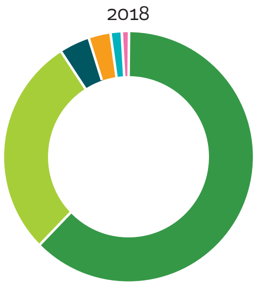
| (EUR million) | 2019 | 2018 |
|---|---|---|
| EUR | **157.3** | 142.6 |
| GBP | **57.4** | 64.8 |
| RUB | **9.6** | 9.1 |
| PLN | **6.2** | 6.8 |
| UAH | **5.0** | 4.1 |
| USD | **0.7** | 0.8 |
| | **236.3** | 228.2 |

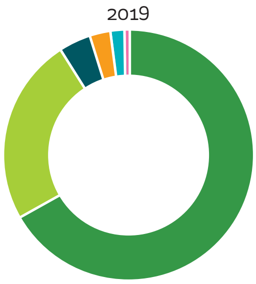
**Net sales by country (M€)**
2018 - 2019




**Net sales in different currencies (M€)**
2018 - 2019



# 3 Group structure

### Content

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

### Key estimates and discretionary solutions

The cattle feed business is presented as a discontinued operation in the 2018 Financial Statements in accordance with IFRS 5.

## 3.1 Business acquisitions and divestments

### Business acquisitions

In 2019 and 2018, 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.

### Business divestments

The Raisio Group's cattle feed business transferred to the new owner, Lantmännen Agro Oy, on 1 November 2018. At the same time, Raisio divested its associate company Vihervakka Oy. The arrangement was conducted as a share transaction and the related fixed assets were sold in a separate transaction. The enterprise value of the whole cattle feed business totalled EUR 34 million. The purchase price of Raisio's divested shares and fixed assets of the cattle feed business totalled EUR 30.2 million. The divestment of the cattle feed business generated a capital gain of EUR 12.5 million. The divested cattle feed business included two production plants in Finland. The cattle feed business is presented as a discontinued operation in these Financial Statements in accordance with IFRS 5.

### Financial statements of discontinued cattle feed business

| (EUR million) | 1–12/2018 |
|---|---|
| Net sales | 57.6 |
| Cost of sales | -49.3 |
| Gross profit | 8.4 |
| Income and expenses from business operations | -4.6 |
| Write-down on goodwill before the transfer | |
| EBIT | 3.8 |
| Financial income and expenses | |
| Share of results of associates and joint ventures | 0.1 |
| Result before taxes | 3.8 |
| Income taxes | -0.8 |
| Result after taxes | 3.1 |
| Result of the transfer of discontinued operations after taxes | 12.7 |
| Result for the period from discontinued operations | 15.7 |
| Taxes of discontinued operations | |
| Taxes from result of discontinued operations | -0.8 |
| Taxes from result of the transfer of discontinued operations | 0.2 |
| Taxes discontinued operations total | -0.6 |

## Cash flow of discontinued cattle feed business

| (EUR million) | 1–12/2019 | 1–12/2018 |
|---|---|---|
| Cash flow from business operations | | -1.0 |
| Cash flow from investments | -1.4 | 31.2 |
| Cash flow from financing activities, change in loan receivables | | 4.5 |
| Cash flow in tolal | -1.4 | 34.7 |

## Impact of the discontinued cattle feed business on the Group's financial position

| (EUR million) | 1–12/2018 |
|---|---|
| Non-current assets | 15.7 |
| Inventories | 7.9 |
| Short-term receivables | 5.2 |
| Loan receivables (cash pool) | -4.5 |
| Liquid funds | |
| Funds in total | 24.3 |
| Current liabilities | 7.3 |
| Liabilities in total | 7.3 |
| Divested net assets | 17.0 |
| Accumulated translation differences | |
| Capital gain/loss on the divested business including accumulated translation differences | 13.2 |
| Transaction expenses allocated to the divestment | -0.8 |
| Profit impact on EBIT | 12.5 |
| Enterprise value | 34.0 |
| Other non-interest-bearing items related to net debt | -0.7 |
| Net interest-bearing debt of the divested subsidiary at the time of transfer | 4.5 |
| Enterprise value of the sales business | 30.2 |
| Enterprise value of the shares | 30.2 |
| Net interest-bearing debt of the divested subsidiary at the time of transfer | -4.5 |
| Business divestment adjusted for cash at the time of transfer | 34.7 |
| Cash flow from sales including expenses | 34.7 |
| In the cash flow statement | |
| Business divestment adjusted for cash at the time of transfer | 34.7 |
| Cash flow from investments | -0.4 |
| Cash flow from business operations | -1.0 |
| Cash flow from investments, value added tax payable | 1.4 |
| Cash flow effect of the divested operation in total and repayments of loan receivables | 34.7 |

## Discontinued cattle feed business EPS

Earnings per share in 2018 were EUR 0.10.

## 3.2 Shares in associates

### Associates

The Group has no associates at the balance sheet date. Raisio's associate Vihervakka Oy was divested at the same time as Raisio's cattle feed business was divested to Lantmännen Agro Oy on 1 November 2018. The associate company related to the cattle feed business is included in the cattle feed business presented as a discontinued operation.

| (EUR million) | 2018 |
|---|---|
| Carrying value 1.1. | 0.7 |
| Additions | |
| Sales and other deductions | -0.8 |
| Share of the financial period profit | 0.1 |
| **Carrying value 31 December** | 0.0 |

The carrying value of the associate does not include goodwill.

### Assets, liabilities, net sales and profit/loss of the associate

| (EUR million) | 2018 |
|---|---|
| Assets | |
| Liabilities | |
| Net sales | 2.0 |
| Profit/loss | 0.0 |

Dividends of EUR 7.9 thousand were received from the associate in 2018.

## 3.3 Subsidiaries and the non-controlling interest

### The Group structure on the balance sheet date

| | Number of wholly owned subsidiaries | | Number of partly owned subsidiaries | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Healthy Food | 9 | 9 | 0 | |
| Healthy Ingredients | 1 | 1 | 0 | |
| Other operations | 11 | 8 | 0 | 3 |

On the balance sheet date of 31 December 2019, Raisio Group did not have any partly-owned subsidiaries or companies holding 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. During the comparison period, the result of partly-owned subsidiaries has not been distributed to non-controlling interest because when the equity of an partly-owned company is negative, the financial period's loss is not allocated to non-controlling interest since it only carries the loss for the amount equalling its investment. The partly-owned subsidiaries are related to the Benemilk business.

### 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 | |
| LLC Raisio Ukraine, Ukraine | 100.00 | |
| Raisio Nutrition 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 | 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 Oy, 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 Intangible assets

### Accounting principles

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

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

Depreciation periods for intangible assets with 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 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.

## Carrying amount of trademarks with indefinite useful lives

| (EUR million) | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Honey Monster | **1.1** | 1.0 |
| Benecol UK | **28.7** | 27.3 |
| Total | **29.8** | 28.3 |

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.

### INTANGIBLE RIGHTS AND ASSETS 2018

| (EUR million) | Intangible rights | Other long-term expenditure | Advances paid and incomplete acquisitions | Intangible assets total |
|---|---|---|---|---|
| Acquisition cost 1 January | 56.2 | 17.9 | 5.2 | 79.3 |
| Translation differences | -0.4 | 0.0 | | -0.4 |
| Increase | 0.3 | 0.4 | 0.2 | 0.9 |
| Divestment and other decreases | -0.4 | -0.3 | | -0.8 |
| Reclassification between items | | 0.2 | -0.2 | 0.0 |
| **Acquisition cost 31 December** | 55.6 | 18.2 | 5.2 | 79.0 |
| Accumulated depreciation and write-downs 1 January | -16.8 | -14.8 | -4.9 | -36.5 |
| Translation differences | 0.2 | 0.0 | | 0.2 |
| Accumulated depreciation of decrease and transfers | 0.4 | 0.3 | | 0.7 |
| Depreciation for the financial period | -0.8 | -0.7 | | -1.5 |
| Write-downs and their returns | -8.7 | | | -8.7 |
| **Accumulated depreciation 31 December** | -25.7 | -15.2 | -4.9 | -45.7 |
| Book value 1 January 2018 | 39.4 | 3.2 | 0.3 | 42.9 |
| **Book value 31 December 2018** | 29.9 | 3.0 | 0.3 | 33.3 |

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 28.3 million on 31 December 2018.

During the comparison period, the test calculation of the balance sheet value for trademarks with indefinite useful lives indicated that the value of the Honey Monster brand was impaired. It resulted in the recognition of the EUR 8.7 million impairment loss in the 2018 Financial Statements. The Honey Monster brand is not in line with the company's new strategy focusing on healthy food and involves no significant revenue expectations.

## 4.2 Research and development costs

### § Accounting principles

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

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

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

### Research and development costs

| (EUR million) | Development cost 2019 | Development cost 2018 |
|---|---|---|
| Acquisition cost 1 January | **1.2** | 1.2 |
| Sales and other deductions | **-1.2** | |
| **Acquisition cost 31 December** | **0.0** | 1.2 |
| Accumulated depreciation and impairment 1 January | **-1.2** | -1.2 |
| Accumulated depreciation of decrease and transfers | **1.2** | |
| **Accumulated depreciation 31 December** | **0.0** | -1.2 |
| Book value 1 January 2019 | **0.0** | 0.0 |
| **Book value 31 December 2019** | **0.0** | 0.0 |

There are no capitalised product development expenses in the 2019 Financial Statements. Other deductions are related 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.

## 4.3 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) | 2019 | 2018 |
|---|---|---|
| Acquisition price 1 January | **49.3** | 49.7 |
| Translation difference | **2.4** | -0.4 |
| Divestments and deductions | **0.0** | 0.0 |
| **Acquisition cost 31 December** | **51.7** | 49.3 |
| Accumulated depreciation and impairment 1 January | **3.2** | 3.2 |
| Translation difference | **0.0** | 0.0 |
| Divestments and deductions | | |
| Impairment and recoveries | **0.0** | 0.0 |
| Accumulated depreciation 31 December | **3.2** | 3.2 |
| **Book value 31 December** | **48.5** | 46.1 |

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

Goodwill is allocated to the cash-generating unit. In 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 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 29.8 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. During the financial year of 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.

**Impairments for intangible assets with indefinite useful lives, by operation**

| (Milj. euroa) | 2019 | 2018 |
|---|---|---|
| **Impairment** | | |
| Sales and marketing | | 8.7 |
| Total | **0.0** | 0.0 |

During the comparison period, the test calculation of the balance sheet value for trademarks with indefinite useful lives indicated that the value of the Honey Monster brand is impaired. It resulted in the recognition of the EUR 8.7 million impairment loss in the 2018 Financial Statements. The Honey Monster brand is not in line with the company's new strategy focusing on healthy food and involves no significant revenue expectations.

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/Healthy Food | 2019 | 2018 |
|---|---|---|
| UK operations, Benecol | | |
| Growth percentage *) | **2.0 %** | 2.0 % |
| Discount rate, before taxes | **5.8 %** | 7.0 % |

*) In the cash flows after the forecast period

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

### Sensitivity analysis of impairment testing:

Goodwill / 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 16.0 (14.7 in 2018) per cent (before taxes) or when the EBIT level falls permanently more than 77.1 (58.5 in 2018) 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. 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 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 |
| Write-downs and their returns | 0.0 | | |
| **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 | 272.6 |
| Translation differences | | 0.1 | 0.1 | 0.0 | | 0.2 |
| Increase | | 0.8 | 8.6 | | 9.6 | 19.2 |
| 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.

## 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 recognized in the income 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 |

## Tangible assets 2018

| (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 | 4.2 | 120.1 | 185.2 | 0.4 | 1.0 | 310.7 |
| Translation differences | | -0.1 | -0.1 | 0.0 | | -0.2 |
| Increase | | 0.6 | 2.8 | | 1.6 | 5.0 |
| Divestment and other decreases | -0.8 | -17.0 | -24.7 | 0.0 | -0.5 | -42.9 |
| Reclassification between items | | 0.0 | 0.6 | | -0.6 | 0.0 |
| **Acquisition cost 31 December** | 3.4 | 103.6 | 163.8 | 0.4 | 1.5 | 272.6 |
| Accumulated depreciation and write-downs 1 January | | -99.9 | -160.6 | -0.1 | | -260.6 |
| Translation differences | | 0.1 | 0.1 | 0.0 | | 0.2 |
| Accumulated depreciation of decrease and transfers | | 8.7 | 18.8 | 0.0 | | 27.5 |
| Depreciation for the financial period | | -1.3 | -3.3 | 0.0 | | -4.6 |
| Write-downs and their returns | | | | | | 0.0 |
| **Accumulated depreciation 31 December** | 0.0 | -92.5 | -145.0 | -0.1 | 0.0 | -237.5 |
| Book value 1 January 2018 | 4.2 | 20.1 | 24.6 | 0.3 | 1.0 | 50.1 |
| **Book value 31 December 2018** | 3.4 | 11.1 | 18.8 | 0.3 | 1.5 | 35.1 |

The most significant investments included the packaging machine and finalisation of the new production line at Raisio's fish feed factory as well as the production development project introduced at the Nokia mill in 2018.

## 4.5.2 Depreciation and impairment

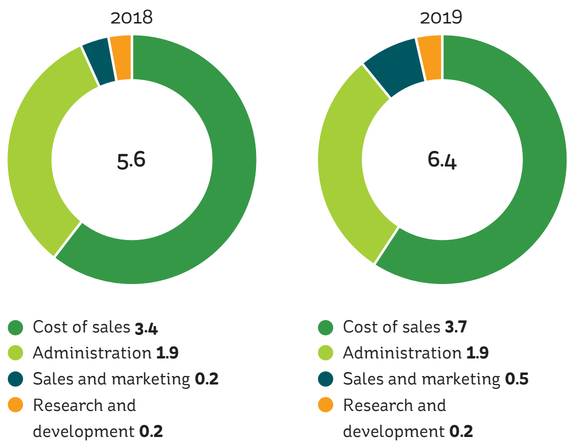
### Depreciation and impairment

| (EUR million) | 2019 | 2018 |
|---|---|---|
| **Depreciation by asset group** | | |
| Depreciation on intangible assets, continuing operations | | |
| Intangible rights | **0.7** | 0.8 |
| Other intangible assets | **0.7** | 0.7 |
| Total | **1.4** | 1.5 |
| Depreciation on intangible assets, discontinued operations | | |
| | **1.4** | 1.5 |
| Depreciation on tangible assets, continuing operations | | |
| Buildings | **1.5** | 1.2 |
| Machinery and equipment | **3.4** | 3.0 |
| Other tangible assets | **0.0** | 0.0 |
| Total | **4.9** | 4.2 |
| Depreciation on tangible assets, discontinued operations | | 0.4 |
| | **4.9** | 4.6 |
| Impairment by asset group, continuing operations | | |
| Intangible rights | | 8.7 |
| Other intangible assets | | 0.0 |
| Buildings | | |
| Machinery and equipment | **0.0** | 0.0 |
| Other tangible assets | | |
| Total | **0.0** | 8.8 |
| Impairment by asset group, discontinued operations | | |
| | **0.0** | 8.8 |
| **Total depreciation and impairment, continuing operations** | **6.4** | 14.4 |
| **Total depreciation and impairment, discontinued operations** | | 0.4 |
| | **6.4** | 14.9 |
| **Depreciation by activity, continuing operations** | | |
| Cost of sales | **3.7** | 3.4 |
| Sales and marketing | **0.5** | 0.2 |
| Administration | **1.9** | 1.9 |
| Research and development | **0.2** | 0.2 |
| Total | **6.4** | 5.6 |
| **Depreciation by activity, discontinued operations** | | 0.4 |
| | **6.4** | 6.1 |
| **Impairment, continuing operations** | | |
| Sales and marketing | **0.0** | 8.7 |
| Administration | | 0.0 |
| Research and development | | |
| Total | **0.0** | 8.8 |
| **Impairment, discontinued operations** | | |
| | **0.0** | 8.8 |

The total of EUR 6.4 million in depreciation and impairment includes depreciation and impairment from right-of-use assets as follows:

| (EUR million) | 2019 | 2018 |
|---|---|---|
| **Depreciation for right-of-use assets by asset group** | | |
| Depreciation for right-of-use assets by asset group | | |
| Buildings | **0.4** | |
| Machinery and equipment | **0.5** | 0.1 |
| | **0.9** | 0.1 |
| Impairment for right-of-use assets by asset group | | |
| Buildings | | |
| Machinery and equipment | **0.0** | |
| Total | **0.0** | 0.0 |
| **Total depreciation and impairment for right-of-use assets** | **0.9** | 0.1 |
| **Function-based depreciation and impairment for right-of-use assets** | | |
| Cost of sales | **0.2** | |
| Sales and marketing | **0.4** | 0.0 |
| Administration | **0.2** | 0.0 |
| Research and product development | **0.0** | |
| **Total function-based depreciation and impairment for right-of-use assets** | **0.9** | 0.1 |

**Depreciations (M€)**
2018 - 2019



## 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) | 2019 | 2018 |
|---|---|---|
| **Impairment** | | |
| Sales and marketing | **0.0** | |
| Administration | | 0.0 |
| Research and product development | | |
| Total | **0.0** | 0.0 |

In 2019 and 2018, there were no significant impairments in the balance sheet values of long-term intangible and tangible assets.

## 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) | 2019 | 2018 |
|---|---|---|
| Equity investments and shares | **3.0** | 2.2 |
| | **3.0** | 2.2 |
| | | |
| At the beginning of financial period | **2.2** | 2.2 |
| Changes | **0.8** | 0.1 |
| At the end of financial period | **3.0** | 2.2 |

## 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. An impairment of EUR 0.4 million was made for the Healthy Ingredients segment's fish feed businesses Finished products item on 31 December 2018. The impairment recognition is related to the fish feeds made by Raisioaqua between 11 June and 10 July 2018. The analyses made by the Russian authorities showed genetically modified soy in the fish feeds delivered by Raisioaqua. This is against Raisio's policy. The soy product Raisioaqua uses in its fish feeds was supplied by a Finnish supplier. Genetically modified material was found in concentrations that exceed the labelling limit established in the EU labelling legislation and the limit established in the Russian legislation. The Russian authorities announced to close the border on 4 August 2018. The border was opened on 6 December 2018.

## Inventories

| (EUR million) | 2019 | 2018 |
|---|---|---|
| Materials and supplies | **24.4** | 23.8 |
| Unfinished goods | **4.1** | 3.1 |
| Finished products/goods | **8.9** | 8.1 |
| Other inventories | **0.2** | 0.0 |
| Advance payments | | 0.0 |
| **Inventory, total** | **37.6** | 34.9 |

# 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) | 2019 | 2018 |
|---|---|---|
| **Financial income** | | |
| Dividend income from equity investments | **0.2** | 0.2 |
| Interest income from derivatives | **0.8** | 0.8 |
| Interest income from accounts receivable | **0.0** | 0.1 |
| Other interest income | **0.3** | 0.3 |
| Change in value of financial assets at fair value through profit or loss | **1.4** | 0.0 |
| Exchange rate differences, net | **0.1** | |
| Other financial income | **0.1** | 0.0 |
| **Total** | **2.9** | 1.4 |
| **Financial expenses** | | |
| Interest expenses from loans | **-0.2** | -0.5 |
| Interest expenses from derivatives | **-1.2** | -1.1 |
| Other interest expenses | **-0.1** | -0.4 |
| Exchange rate differences, net | | -0.1 |
| Other financial expenses | **-0.1** | -0.1 |
| **Total** | **-1.7** | -2.2 |

Other interest expenses includes interest expenses of lease liabilities for the financial year 2019 totalling EUR 0.2 million.

## 5.2 Financial assets and liabilities

### § 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, finance 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, finance 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 derecognized 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 exchange forwards 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 forward contracts 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 2019 | Fair value through other comprehensive income LEVEL 3 2019 | Recorded at amortised cost 2019 | Total 2019 | Fair value through profit or loss LEVEL 2 2018 | Fair value through other comprehensive income LEVEL 3 2018 | Recorded at amortised cost 2018 | Total 2018 |
|---|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | | |
| Equity investments | | **3.0** | | **3.0** | | 2.2 | | 2.2 |
| Accounts receivable and other receivables | | | **29.3** | **29.3** | | | 26.8 | 26.8 |
| Derivatives | **0.0** | | | **0.0** | 0.3 | | | 0.3 |
| Investments at fair value through profit or loss | **81.4** | | | **81.4** | 89.0 | | | 89.0 |
| Liquid funds | | | **18.3** | **18.3** | | | 53.1 | 53.1 |
| **Total** | **81.4** | **3.0** | **47.6** | **132.1** | 89.3 | 2.2 | 79.9 | 171.5 |
| **Financial liabilities** | | | | | | | | |
| Accounts payable and other liabilities | | | **22.3** | **22.3** | | | 23.6 | 23.6 |
| Derivatives | **0.3** | | | **0.3** | 0.0 | | | 0.0 |
| Bank loans | | | **0.0** | **0.0** | | | 22.9 | 22.9 |
| Lease liabilities | | | **1.1** | **1.1** | | | 0.1 | 0.1 |
| **Total** | **0.3** | **0.0** | **23.4** | **23.8** | 0.0 | 0.0 | 46.6 | 46.6 |

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 2018** | 2.2 |
| Financial expenses, change in fair value (unrealised) | 0.0 |
| Financial income, change in fair value (unrealised) | 0.1 |
| **Final balance for the fiscal year 2018** | 2.2 |
| **Opening balance for the fiscal year 2019** | 2.2 |
| Financial expenses, change in fair value (unrealised) | 0.0 |
| Financial income, change in fair value (unrealised) | 0.8 |
| **Final balance for the fiscal year 2019** | 3.0 |

## 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 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 in accordance with IFRS 9. 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 finance lease liabilities

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

### Accounts payable and other liabilities

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 2019 | Fair value 2019 | Book value 2018 | Fair value 2018 |
|---|---|---|---|---|---|
| Financial assets | | | | | |
| Equity investments | | **3.0** | **3.0** | 2.2 | 2.2 |
| Accounts receivable and other receivables | 5.3.2 | **29.3** | **29.3** | 26.8 | 26.8 |
| Derivatives | 5.3.4 | | | 0.3 | 0.3 |
| Investments at fair value through profit or loss | 5.3.4 | **81.4** | **81.4** | 89.0 | 89.0 |
| Liquid funds | 5.3.5 | **18.3** | **18.3** | 53.1 | 53.1 |
| Financial liabilities | | | | | |
| Accounts payable and other liabilities | 5.3.7 | **22.3** | **22.3** | 23.6 | 23.6 |
| Derivatives | 5.3.4 | **0.3** | **0.3** | 0.0 | 0.0 |
| Bank loans | 5.3.8 | **0.0** | **0.0** | 22.9 | 23.1 |
| Lease liabilities | 5.3.9 | **1.1** | **1.1** | 0.1 | 0.1 |

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

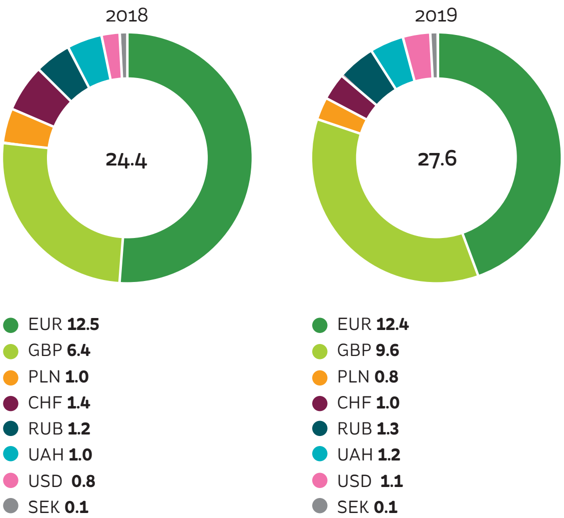
## 5.3.2 Accounts receivable and other receivables

| (EUR million) | 2019 | 2018 |
|---|---|---|
| Accounts receivable and other receivables | **27.6** | 24.4 |
| Accrued income | **1.0** | 1.8 |
| Other receivables | **1.7** | 1.8 |
| **Total accounts receivable and other receivables** | **30.3** | 28.0 |

Sales receivables in the subsidiaries' risk currencies are specified in the Table 5.4.1 Balance sheet and transaction risk of the currency risk.

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€)**
2018 - 2019




## 5.3.3 Accounts receivable based on age

| (EUR million) | 2019 | 2018 |
|---|---|---|
| Unexpired | **22.8** | 20.3 |
| Past due 1-60 days | **4.3** | 3.9 |
| Past due 61-180 days | **0.5** | 0.2 |
| Past due over 180 days | **0.0** | 0.0 |
| **Accounts receivable in total** | **27.6** | 24.4 |
| Impairment of accounts receivable: | | |
| Value on 1 January | **0.3** | 0.4 |
| Increase | **0.0** | 0.2 |
| Decrease | **-0.1** | -0.4 |
| **Impairment in total on 31 December** | **0.2** | 0.2 |
| **Accounts receivable and impairment in total** | **27.8** | 24.6 |

During the financial period 2019, the Group has recognised EUR 0.2 million (EUR 0.3 million in the financial period 2018) in credit losses. The Group has recognised EUR 0.0 million in credit losses during the financial period 2019 (EUR 0.1 million in the financial period 2018).

## 5.3.4 Financial assets at fair value through profit or loss

| (EUR million) | 2019 | 2018 |
|---|---|---|
| Derivatives | | 0.3 |
| Investments at fair value through profit or loss | **81.4** | 89.0 |
| **Total** | **81.4** | 89.3 |

Financial assets at fair value through profit or loss include commercial papers held for trading, matured within 12 months and issued by companies, liquid financial instruments for cash management purposes, as well as 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) | 2019 | 2018 |
|---|---|---|
| Investments at fair value through profit or loss | **81.4** | 89.0 |
| Liquid funds | **18.3** | 53.1 |
| **Liquid funds on the balance sheet and in the cash flow statement** | **99.8** | 142.1 |

## 5.3.6 Non-current loans from financial institutions

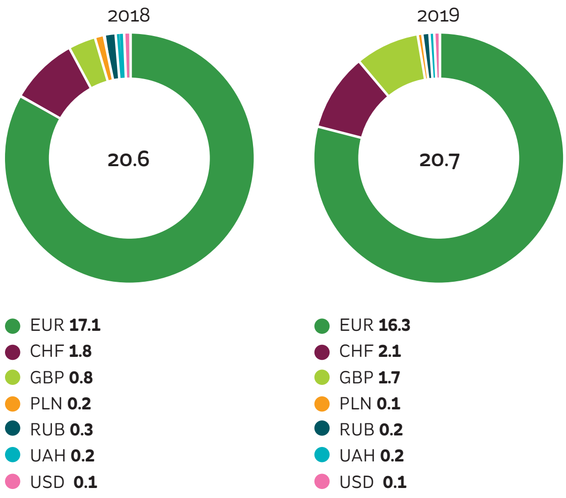
| (EUR million) | 2019 | 2018 |
|---|---|---|
| Non-current loans from financial institutions 1 January | **22.9** | 45.7 |
| Change in accrued interest | **0.0** | 0.0 |
| Non-current loan payments 1 January - 31 December | **-22.9** | -22.9 |
| **Total** | **0.0** | 22.9 |
| Current share of non-current loans 31 December | | 22.9 |
| **Non-current loans from financial institutions 31 December** | **0.0** | 0.0 |

## 5.3.7 Accounts payable and other liabilities

| (EUR million) | 2019 | 2018 |
|---|---|---|
| Current | | |
| Accounts payable | **20.7** | 20.6 |
| Accrued liabilities and deferred income | **6.5** | 7.2 |
| Advances paid | **0.0** | 0.2 |
| Other liabilities | **1.3** | 2.4 |
| **Total accounts payable and other liabilities** | **28.5** | 30.4 |

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 4.0 million in 2019 (in 2018: EUR 2.6 million).

**Accounts payable (M€)**
2018 - 2019




## 5.3.8 Financial liabilities

| (EUR million) | 2019 | 2018 |
|---|---|---|
| Long-term financial liabilities | | |
| Other loans | **0.0** | 0.0 |
| Lease liabilities | **0.3** | 0.0 |
| **Total** | **0.3** | 0.1 |
| Short-term financial liabilities | | |
| Accounts payable and other liabilities | **22.3** | 23.6 |
| Derivatives | **0.3** | 0.0 |
| Bank loans | | 22.9 |
| Lease liabilities | **0.8** | 0.0 |
| **Total** | **23.4** | 46.5 |

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

## 5.3.10 Contingent liabilities and other commitments

§ **Accounting principles**

**Lease liabilities**

The accounting principles for the financial statements changed on 1 January 2019 as a result of the adoption of IFRS 16 as it concerned leases in which the Group serves as lessee. The new accounting principles are described under 4.5 Tangible assets. Leases and the impact of use is presented under 1.6 New and amended standards during the last financial period.

Until 31 December 2018, payments related to operating leases were considered rental expenses, which were amortised over the lease period. Rental leases for machinery and equipment in which the Group has an essential share of the risks and benefits of ownership were classified as finance leases. Finance leases were entered in the balance sheet at the fair value of the leased asset or at the lower current value of rents. Similar lease obligations, less financial expenses, were included in interest-bearing debts. Rental fees related to finance leases were divided to debt deduction and the finance expenses. Machinery and equipment acquired using a finance lease were depreciated either during their useful life or, if shorter, during the lease period.

| (EUR million) | 2019 | 2018 |
|---|---|---|
| Commitments to investment payments | | |
| Commitments to investment payments in force at the balance sheet date | **20.8** | 2.3 |
| Contingent off-balance sheet liabilities | | |
| Non-cancelable other leases | | |
| Minimum lease payments | | 1.9 |
| Other financial liabilities | **3.3** | 2.5 |
| Guarantee liabilities on the Group companies' commitments | **26.2** | 26.3 |

**Guarantee liabilities** on the Group companies' commitments include a guarantee of EUR 25 million related to derivatives. The item in question is also included in the comparison year figure. The commitment has been made with the bank in favour of a single subsidiary. The commitment in question is not in use at the moment, since the derivative contracts outside the Group are made on behalf of the parent company. The commitment has ended after the review period in January 2020.

## 5.4 Financial risk management

### Content

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

### Key estimates and discretionary solutions

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

Currency risk refers to the uncertainty related to result, balance sheet and cash flow as a result of changes in exchange rates. Foreign exchange risk plays a key role in Raisio Group's international business and the management of that risk is regulated by treasury policy. The foreign exchange risk is divided into transaction risk and translation risk.

**Transaction risk** refers to the exchange rate risk that arises between the date of agreement and the payment transaction. Raisio 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 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 the UK | GBP | CHF<br>EUR | Purchases<br>Purchases |
| Benecol consumer product sales in Ireland | EUR | CHF | Purchases |
| Production and sales of plant stanol ester, and sales of snack products | EUR | CHF<br>RUB<br>SEK<br>USD | Sales<br>Sales<br>Sales<br>Purchases |
| Benecol consumer product sales in Poland | PLN | EUR | Purchases |

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

### Transaction risk of net sales 2019

| (EUR million) | USD | CHF | RUB | SEK |
|---|---|---|---|---|
| +10 % change in currency rate | 0.2 | 1.1 | 0.4 | 0.1 |
| -10 % change in currency rate | -0.2 | -1.1 | -0.4 | -0.1 |

Sales involving the foreign currency of subsidiaries result in a transaction risk for the net sales of the Group.

**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 2019, altogether 33.5 per cent were generated in a functional currency other than the euro.

## Translation risk of net sales 2019

| (EUR million) | USD | GBP | PLN | RUB | SEK | UAH |
|---|---|---|---|---|---|---|
| +10 % change in currency rate | 0.1 | 5.2 | 0.6 | 0.9 | 0.0 | 0.5 |
| -10 % change in currency rate | -0.1 | -6.4 | -0.7 | -1.1 | 0.0 | -0.6 |

## 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 |
| Forecasted sales less than one year | 0.0 | 2.0 | 0.0 | 11.4 | 0.0 | 3.8 | 1.3 |
| Forecasted purchases less than one year | -17.8 | -8.6 | 0.0 | -25.3 | 0.0 | 0.0 | -0.4 |
| **Forecasted 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 |

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 2018

| (EUR million) | EUR | USD | GBP | CHF | PLN | RUB | SEK |
|---|---|---|---|---|---|---|---|
| Accounts receivable | 0.9 | 0.6 | 0.0 | 1.4 | 0.0 | 0.2 | 0.1 |
| Bank accounts | -0.1 | -0.2 | 0.3 | -0.4 | 0.0 | 0.1 | 0.0 |
| Accounts payable | -4.0 | -0.3 | -0.1 | -1.8 | 0.0 | 0.0 | -0.2 |
| Internal loans | -1.2 | 0.2 | | | | | |
| **Balance sheet risk, total** | -4.5 | 0.4 | 0.2 | -0.8 | 0.0 | 0.2 | -0.1 |
| Forecasted sales less than one year | 3.3 | 3.7 | 0.0 | 10.5 | 0.0 | 4.0 | 1.3 |
| Forecasted purchases less than one year | -17.7 | -8.3 | 0.0 | -25.4 | 0.0 | 0.0 | -0.3 |
| **Forecasted risk, total** | -14.4 | -4.7 | 0.0 | -14.9 | 0.0 | 4.0 | 1.0 |
| **Forward exchange contracts, total** | 8.0 | 8.8 | | 4.3 | | -2.7 | |
| **Net risk, total** | -10.8 | 4.5 | 0.3 | -11.4 | 0.0 | 1.5 | 0.9 |

## 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 |

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, 2018

| (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 | 0.5 | 0.1 | | | | |
| USD | 0.9 | 0.0 | 0.0 | 0.0 | -0.1 | 0.1 |
| GBP | 0.0 | 0.0 | -0.4 | 0.5 | -16.5 | 20.1 |
| CHF | 0.4 | 0.0 | | | | |
| PLN | 0.0 | 0.0 | 0.1 | -0.2 | 0.1 | -0.2 |
| RUB | 0.3 | 0.0 | -0.2 | 0.3 | -0.3 | 0.4 |
| SEK | 0.0 | 0.0 | 0.0 | 0.0 | -0.3 | 0.3 |
| UAH | 0.0 | 0.0 | 0.0 | 0.1 | -0.1 | 0.1 |

## Nominal values of derivatives

| (EUR million) | 31.12.2019 | 31.12.2018 |
|---|---|---|
| Currrency derivatives, in hedge accounting | 34.7 | 68.9 |
| Currrency derivatives, not in hedge accounting | | 2.8 |

### 5.4.2 Liquidity and solvency risk

Liquidity risk refers to a situation in which the Group's financial assets and additional financing options would not cover the future needs of business operations. In line with the risk management policy, the Treasury Department 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. Funding risks are diversified by acquiring funding from various sources.

### Short-term liquidity (EUR million)


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

### 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 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Financial leasings | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total** | -20.8 | -20.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Currrency derivatives, in hedge accounting | | | | | | | |
| The amount to be received | 34.5 | 16.8 | 17.8 | 0.0 | 0.0 | 0.0 | 0.0 |
| The amount to be paid | -35.3 | -17.4 | -18.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total** | -0.8 | -0.6 | -0.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| Guarantee contracts | | | | | | | |
| Guarantees signed | -0.7 | -0.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

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 2018

| (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 | -20.6 | -20.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Bank loans | -22.9 | 0.0 | -11.4 | 0.0 | -11.4 | 0.0 | 0.0 |
| Bank loan interests | -0.2 | -0.1 | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Financial leasings | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total** | -43.8 | -20.7 | -11.5 | 0.0 | -11.5 | 0.0 | 0.0 |
| Currrency derivatives, in hedge accounting | | | | | | | |
| The amount to be received | 69.3 | 14.2 | 15.8 | 0.0 | 39.2 | 0.0 | 0.0 |
| The amount to be paid | -68.7 | -14.2 | -15.8 | 0.0 | -38.7 | 0.0 | 0.0 |
| **Total** | 0.6 | 0.0 | 0.0 | 0.0 | 0.5 | 0.0 | 0.0 |
| Currrency derivatives, not in hedge accounting | | | | | | | |
| The amount to be received | 2.8 | 0.0 | 0.0 | 0.0 | 2.8 | 0.0 | 0.0 |
| The amount to be paid | -2.7 | 0.0 | 0.0 | 0.0 | -2.7 | 0.0 | 0.0 |
| **Total** | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Guarantee contracts | | | | | | | |
| Guarantees signed | -0.8 | -0.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

### 5.4.3 Interest rate risk

Interest rate risk refers to the impact of interest rate fluctuations on the Group's net financial income and expenses, and on the market values of interest investments and interest derivatives over the following 12 months. Raisio Group's treasury policy determines the aims for the management of the interest rate risk and methods to achieve it. The interest rate risk is managed by controlling the structure and duration of the credit portfolio and interest investments. The interest rate profile can be modified using interest rate swaps, forward rate agreements and interest rate options. On the date of the balance sheet, Raisio Group had no bank loans and, thus, no interest derivatives. 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 2.73 years, and together, capital and unrealised change in value totalled EUR 81.4 million. With the aforementioned duration figure incorporated, a 100 basis point increase or decrease in the market interest would have a EUR +/-2.2 million impact on the Group's EBIT before taxes.

### 5.4.4 Credit and counterparty risk

**Counterparty risk**

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

**Investment activities**

The Group's treasury policy regulates the investment of financial assets in terms of the sum, maturity and counterparties. In addition to direct long- or short-term interest-bearing investments, assets can be invested in fixed-income funds, alternative investment funds, as well as in shares and equity funds. In principle, counterparties may be member states of the European Monetary Union, large Finnish municipalities and alliances formed by them, financial institutions engaged in corporate banking in Finland and companies with a good credit rating, registered in a member state of the European Monetary Union. On the balance sheet date, the investment portfolio managed by the Group's asset manager contained a total of EUR 80 million in investments that are diversified in fixed-income funds.

**Credit risk in sales**

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 the required collateral. They also assume responsibility for the credit risk related to accounts receivable. Sales receivables can also be secured with credit insurance policies.

The Group operates in grocery trade markets and its accumulated credit risks result from the structure of these markets. A significant part of the Group's earnings are generated 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 taken into account in the Group's decision-making process.

## Credit losses

| (EUR million) | Receivables 31 December 2019 | Credit losses from previous years with respect to receivables | Calculated mimimum credit loss provision | Credit loss provision 2019 | Credit loss provision 2018 |
|---|---|---|---|---|---|
| All receivables, in total | **27.8** | **0.3 %** | **0.1** | **0.2** | 0.3 |
| Receivables past due, in total | **5.0** | **1.5 %** | **0.1** | **0.2** | 0.3 |
| More than 60 days past due receivables | **0.7** | **13.3 %** | **0.1** | **0.2** | 0.3 |

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.

No tax receivables have been recognised for an increase in tax losses, EUR 0.5 million, in the financial period 1 January-31 December 2019 (in the financial period 1 January-31 December 2018: EUR 1.5 million). The most significant part of the loss occurred in the Polish unit of the Healthy Food segment's Northern and Eastern European operating segment. The losses of EUR 11.7 million from the previous years of Benemilk business were entered as a deferred tax asset for the financial period of 1 January-31 December 2019.

### Income taxes

| (EUR million) | 2019 | 2018 |
|---|---|---|
| Tax based on the taxable income for the period | **-4.2** | -4.8 |
| Taxes for previous financial periods | **-0.1** | -0.1 |
| Deferred tax | **1.4** | 1.1 |
| **Total** | **-2.9** | **-3.7** |

In 2019, the tax based on profit of continuing operations for the financial year totalled EUR 2.9 (3.7) million and effective tax rate was 10.3 per cent (in 2018: 23.5%). The effective tax rate in 2019 decreased due to the entry of the deferred tax asset of EUR 2.3 million resulting from the losses of the previous financial periods of the Benemilk business. The effective tax rate in 2018 decreased by nearly 2 per cent due to the negative result of the Polish unit of the Healthy Food segment's Northern and Eastern operating segment, for which no deferred tax asset has been recognised.

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 2018)

| (EUR million) | 2019 | 2018 |
|---|---|---|
| Taxes calculated on the basis of the domestic tax rate | **-5.7** | -3.2 |
| Impact of a deviating tax rate used in foreign subsidiaries | **0.1** | -0.2 |
| Change in tax rate | | 0.0 |
| Returns exempt from tax | **0.1** | 0.1 |
| Non-deductible expenses | **-0.1** | -0.2 |
| Losses for the period, for which no tax assets have been recognised | **0.0** | -0.3 |
| Utilisation of tax refund receivable from previously unrecognised tax losses | **0.1** | 0.1 |
| Other previously unrecognised tax liabilities | **2.7** | 0.1 |
| Adjustment of previously recognised tax assets | **0.2** | |
| Additional tax deductions | | 0.0 |
| Tax from previous years | **-0.1** | -0.1 |
| Other items | **-0.2** | -0.1 |
| **Total** | **-2.9** | **-3.7** |

### Income tax liabilities

| (EUR million) | 2019 | 2018 |
|---|---|---|
| Income tax liability | **0.8** | 1.0 |
| **Income tax liability** | **0.8** | **1.0** |

Income tax liabilities for 2019 and 2018 are mainly related to the UK business.

## 6.2 Deferred tax

### § Accounting principles

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

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

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

### 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 recognized 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 56.0 million on 31 December 2019 (31 December 2018: EUR 56.6 million). The majority of them are aging over a period of more than five years. Accumulated losses per 31 December 2019 totalled EUR 11.8 million and were entered as tax assets. The accumulated losses are related to the Raisio Group's foreign units.

| (EUR million) | 31.12.2019 | 31.12.2018 |
|---|---|---|
| Opening balance 1 January | **56.6** | 56.5 |
| Translation difference | **0.3** | 0.5 |
| Increase 1 January - 31 Dececmber | **0.6** | 1.3 |
| Decrease 1 January - 31 December | **-1.4** | -1.6 |
| 31 December | **56.0** | 56.6 |
| Deductible losses, able to use | **11.8** | 0.1 |
| Deductible losses, unable to use | **44.2** | 56.5 |

### Deferred net tax liability

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

| (EUR million) | 2019 | 2018 |
|---|---|---|
| Deferred tax assets | **4.9** | 2.3 |
| Deferred tax liabilities | **5.3** | 4.0 |
| **Deferred net tax liability** | **0.5** | **1.8** |

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 2019

| (EUR million) | 1 January 2019 | Recognised in the income statement | Recognised in other compre-hensive 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** | **4.9** |
| **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** |

Change in deferred tax asset of EUR 2.3 million in confirmed tax losses relates to the losses of the previous financial periods of the Benemilk business for which tax assets have been recognized for the financial year 2019.

Changes in deferred tax in the financial period 2018

| (EUR million) | 1 January 2018 | Recognised in the income statement | Recorded in other com-prehensive income | Exchange rate differences | Acquired/ divested businesses | 31 December 2018 |
|---|---|---|---|---|---|---|
| **Deferred tax assets:** | | | | | | |
| Provisions | 0.7 | -0.4 | | 0.0 | 0.0 | 0.3 |
| Confirmed fiscal losses | 0.0 | 0.0 | | | | 0.0 |
| Depreciation not deducted in taxation | 1.3 | 0.0 | | | | 1.3 |
| Other items | 0.6 | 0.1 | 0.0 | 0.0 | | 0.7 |
| **Total** | 2.7 | -0.4 | 0.0 | 0.0 | 0.0 | 2.3 |
| **Deferred tax liabilities:** | | | | | | |
| Accumulated depreciation difference | 1.9 | 0.4 | | 0.0 | | 2.3 |
| Equity investments | 0.3 | | 0.0 | | 0.0 | 0.3 |
| Derivative contracts | 0.0 | | 0.0 | | | 0.0 |
| Valuation at fair value of intangible and tangible assets in business combination | 1.7 | -1.5 | | 0.0 | | 0.2 |
| Other items | 1.3 | 0.0 | | 0.0 | | 1.2 |
| **Total** | 5.1 | -1.1 | 0.0 | 0.0 | 0.0 | 4.0 |

## 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 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** |
| Year 2018 | | | |
| Change in equity investments | 0.1 | 0.0 | 0.1 |
| Cash flow hedge | 0.0 | 0.0 | 0.0 |
| Translation differences | -1.3 | | -1.3 |
| | -1.2 | 0.0 | -1.2 |

# 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 |
|---|---|---|---|
| **31 December 2017** | | | |
| Restricted shares (20 votes/share) | 32,504 | 5.5 | |
| Restricted shares, company shares | -213 | | -0.4 |
| Free shares (1 vote/share) | 132,645 | 22.3 | |
| Free shares, company shares | -7,617 | | -19.4 |
| **Total** | 157,319 | 27.8 | -19.8 |
| 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) | **133,022** | **22.4** | |
| Free shares, company shares | **-7,582** | | **-19.3** |
| **Total** | **156,682** | **27.7** | **-19.8** |

### Translation differences

| (EUR million) | 2019 | 2018 |
|---|---|---|
| Translation differences on 1 January | **-19.8** | -18.5 |
| Change in translation difference | **5.1** | -1.3 |
| Translation differences on 31 December | **-14.8** | -19.8 |

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) | 2019 | 2018 |
|---|---|---|
| **Other funds:** | | |
| Equity investments | **1.9** | 1.3 |
| Hedge fund | **-3.2** | -2.8 |
| **Other funds total** | **-1.3** | -1.6 |

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 7,582,387 free shares and 212,696 restricted shares acquired between 2005 and 2012 based on the authorisation given by the Annual General Meeting or obtained through the subsidiary merger in August 2014 or transferred to the company because the right to receive a merger consideration has expired.

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

## 7.2 Dividends

### § Accounting principle

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

### Dividends

In 2019, a dividend of EUR 0.16 per share was paid for 2018, i.e. a total of EUR 25.0 million (in 2018, EUR 0.17 per share for 2017, i.e. a total of EUR 26.6 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) | 2019 | 2018 |
|---|---|---|
| Profit for the period for equity holders of the parent company, continuing operations (EUR million) | **25.5** | 12.1 |
| Profit for the period for equity holders of the parent company, discontinued operations (EUR million) | | 15.7 |
| Undiluted weighted average of shares in the financial period | **157,344,934** | 157,329,226 |
| Dilution resulting from share-based compensation | **579,336** | 378,921 |
| Diluted weighted average of shares in the financial period | **157,924,270** | 157,708,147 |
| Undiluted earnings per share, continuing operations (EUR/share) | **0.16** | 0.08 |
| Earnings per share adjusted by the dillution effect, continuing operations (EUR/share) | **0.16** | 0.08 |
| Undiluted earnings per share, discontinued operations (EUR/share) | | 0.10 |
| Earnings per share adjusted by the dillution effect, discontinued operations (EUR/share) | | 0.10 |

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) | 2019 | 2018 |
|---|---|---|
| Salaries | **19.1** | 17.4 |
| Termination benefits | | 1.3 |
| Pension expenses - defined contribution plans | **3.0** | 2.8 |
| Share-based rewards | **0.6** | 0.1 |
| Other indirect personnel costs | **0.9** | 1.4 |
| **Total** | **23.7** | 23.1 |

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

| | 2019 | 2018 |
|---|---|---|
| Healthy Food | **127** | 128 |
| Healthy Ingredients | **146** | 155 |
| Other operations | **55** | 52 |
| **Total** | **328** | 335 |

## 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 2019, 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 2017-2019, the scheme 2018-2020, the scheme 2019-2021 and the scheme 2020-2022. 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 the basis of the earnings period 2016-2018, no fees were paid and, thus, no shares assigned during the financial period ending on 31 December 2019, because the earnings criteria stipulated in the system were not met.

According to the decision made at the General Meetings, the members of the Board of Directors have been paid some 20% of their reward by assigning them the company's own shares. A total of 122,938 shares were assigned during the years 2009-2018, a total of 12,859 shares in 2019.

## Share-based schemes:

| Share-based incentive scheme (EUR million) | 2016–2018 | 2017–2019 | 2018–2020 | 2019–2021 | 2020–2022 |
|---|---|---|---|---|---|
| Original number of shares | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Original grant date | 15.01.2016 | 16.3.2017 | 15.3.2018 | 4.1.2019 | |
| Exercise date | 30.04.2019 | 30.04.2020 | 30.04.2021 | 30.04.2022 | 30.04.2023 |
| Vesting period, years | 3.3 | 3.1 | 3.1 | 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 | | 14 | 17 | 21 | |
| Payment method | Shares and cash | Shares and cash | Shares and cash | Shares and cash | Shares and cash |

| Changes in 2019 | 2016–2018 Number of shares | 2017–2019 Number of shares | 2018–2020 Number of shares | 2019–2021 Number of shares | 2020–2022 Number of shares |
|---|---|---|---|---|---|
| 1 January 2019 | | | | | |
| Number of shares at the beginning of the reporting period | 180,000 | 425,000 | 560,000 | 0 | 0 |
| In reserve at the beginning of the reporting period | 820,000 | 575,000 | 440,000 | 1,000,000 | 1,000,000 |
| Changes during the reporting period | | | | | |
| Granted | 0 | 0 | 0 | 705,000 | 705,000 |
| Cancelled | 0 | 45,000 | 45,000 | 40,000 | 0 |
| Realised | 0 | 0 | 0 | 0 | 0 |
| Expired | 180,000 | 0 | 0 | 0 | 0 |
| 31 December 2019 | | | | | |
| Number of shares at the end of the reporting period | 0 | 380,000 | 515,000 | 665,000 | 705,000 |
| In reserve at the end of the reporting period | 0 | 620,000 | 485,000 | 335,000 | 295,000 |

### 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) | 2019 | 2018 |
|---|---|---|
| Share price at grant date, euros | **2.48** | 3.89 |
| Share price on the balance sheet date, euros | **3.40** | 2.35 |
| Share price increase assumption, p.a., % | **8.0** | 8.0 |
| Expected dividends before bonus payment, euros | **0.60** | 0.66 |
| Discount rate, % | **6.0** | 7.1 |
| Years to maturity | **3.3** | 3.0 |

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

| (EUR million) | 2019 | 2018 |
|---|---|---|
| Equity-settled | **0.6** | 0.1 |
| Cash-settled | **0.6** | 0.1 |
| Total | **1.1** | 0.2 |
| Debt from cash-settled share-based plans | **0.0** | 0.0 |

# 8.3 Related parties

## 8.3.1 Related party transactions

| (EUR million) | 2019 | 2018 |
|---|---|---|
| Sales to key employees in management | **0.0** | 0.2 |
| Purchases from key employees in management | **1.1** | 0.8 |
| Short-term receivables from key employees in management | **0.0** | 0.0 |
| Payables to key management personnel | **0.1** | 0.0 |

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

### Auditors' remuneration

| (EUR million) | 2019 | 2018 |
|---|---|---|
| Auditors' remuneration | | |
| Audit | **0.2** | 0.1 |
| Other services | **0.1** | 0.1 |
| **Total** | **0.2** | 0.3 |

## 8.3.2 Management's employee benefits

| (EUR million) | 2019 | 2018 |
|---|---|---|
| Wages and fees | **1.7** | 1.5 |
| Compensation paid in conjuction with termination of employment | | 1.3 |
| Share-based payments | | 0.1 |
| **Total** | **1.7** | 3.0 |
| Members of the Supervisory Board | **0.0** | 0.0 |
| Members of the Board of Directors | **0.3** | 0.2 |
| Managing Director and members of the Management team | | |
| CEO | **0.5** | 0.6 |
| Other members of the Management team | **0.9** | 1.6 |
| **Total** | **1.4** | 2.2 |

## 8.3.3 Pension and other benefits

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

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

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

### Supplementary pension costs

| (EUR million) | 2019 | 2018 |
|---|---|---|
| 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 2019 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 2018 and for other Management Team members EUR 0.1 million, all totalling EUR 0.2 million.

### Compulsory pension insurance

| (EUR million) | 2019 | 2018 |
|---|---|---|
| CEO | **0.1** | 0.1 |
| Other members of the Management team | **0.2** | 0.2 |
| **Total** | **0.2** | 0.3 |

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 totalling EUR 0.3 million. For the CEO, expenditure of the compulsory pension insurance amounted to EUR 0.1 million in 2018 and for other Management Team members EUR 0.2 million, all totaling EUR 0.3 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**

| (EUR million) | 2019 | 2018 |
|---|---|---|
| Returns of the pension fund surplus | **0.0** | 0.0 |
| Gains and losses on the sale of tangible and intangible fixed assets | **0.0** | 1.2 |
| Compensation for damage | **0.0** | 0.5 |
| Other income and expenses from business | **0.7** | 0.3 |
| **Total** | **0.7** | 2.0 |

Other operating income includes the realised exchange rate differences in sales and purchases as well as other various income and expenses.

The item of capital sales and losses on the tangible and intangible fixed assets from the comparison period contains the capital gain of EUR 1.2 million for the divestment of the margarine factory, vacant since 2007, near Moscow in 2018.

### 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.

**Provisions**

| (EUR million) | 2019 | 2018 |
|---|---|---|
| Provisions 1 January | **1.1** | 3.2 |
| Translation differences | **0.1** | 0.0 |
| Provisions used | | -2.1 |
| **Provisions 31 December** | **1.2** | 1.1 |
| Non-current provisions total | **1.2** | 1.1 |

The long-term provision on the balance sheet date of 31 December 2019 is associated with a guarantee provision for trade receivables related to the discontinued confectionery business. The change in the provisions from the comparison period, totalling EUR 2.1 million in the financial year 2018, is related to the discontinued cattle feed business. The provision change had a cash flow effect.

# 10 Parent company financial statement (FAS)

## Parent company income statement

| (EUR) | Note | 1.1.–31.12.2019 | 1.1.–31.12.2018 |
|---|---|---|---|
| **NET SALES** | | **1,491,974.22** | 1,587,333.42 |
| Other income from business operations | | **1,839.10** | 35,647,980.86 |
| Personnel expenses | 1. | **-4,055,239.47** | -4,969,863.49 |
| Depreciation and write-downs | 2. | **-18,840.65** | -17,868.07 |
| Other expenses from business operations | 3. | **-1,683,172.97** | -3,144,700.74 |
| **PROFIT (LOSS)** | | **-4,263,439.77** | 29,102,881.98 |
| Financial income and expenses | 4. | **+33,180,327.98** | -474,168.58 |
| **PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES** | | **28,916,888.21** | 28,628,713.40 |
| Appropriations | 5. | **+12,589,249.38** | +18,186,653.86 |
| Income taxes | 6. | **-1,587,442.72** | -2,479,807.02 |
| **PROFIT (LOSS) FOR THE FINANCIAL PERIOD** | | **39,918,694.87** | 44,335,560.24 |

# Parent company balance sheet

| (EUR) | Note | 31.12.2019 | 31.12.2018 |
|---|---|---|---|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Intangible assets | 7. | **46,036.55** | 48,101.12 |
| Tangible assets | 7. | **381,396.15** | 392,933.45 |
| Holdings in Group companies | 8. | **198,893,029.60** | 198,893,028.60 |
| Receivables from Group companies | 8. | | 1,730,000.00 |
| Other investments | 8. | **944,978.29** | 930,498.29 |
| | | **200,265,440.59** | 201,994,561.46 |
| CURRENT ASSETS | | | |
| Current receivables | 9. | **26,729,857.26** | 37,920,356.87 |
| Securities under financial assets | 10. | **80,077,447.08** | 88,989,312.31 |
| Cash in hand and at banks | | **12,582,230.21** | 47,254,576.31 |
| | | **119,389,534.55** | 174,164,245.49 |
| TOTAL ASSETS | | **319,654,975.14** | 376,158,806.95 |
| 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 | | **59,916,468.78** | 40,593,170.37 |
| Profit for the financial period | | **39,918,694.87** | 44,335,560.24 |
| | | **237,767,307.07** | 222,860,874.03 |
| ACCUMULATED APPROPRIATIONS | 12. | **19,448.48** | 23,697.86 |
| LIABILITIES | | | |
| Current liabilities | 13. | **81,868,219.59** | 153,274,235.06 |
| | | **81,868,219.59** | 153,274,235.06 |
| TOTAL LIABILITIES AND SHREHOLDERS' EQUITY | | **319,654,975.14** | 376,158,806.95 |

# Parent company cash flow statement

| (EUR 1.000) | 2019 | 2018 |
|---|---|---|
| **CASH FLOW FROM BUSINESS OPERATIONS** | | |
| Profit (loss) before appropriations and taxes | **28,917** | 28,629 |
| Adjustments to EBIT: | | |
| Planned depreciation | **19** | 18 |
| Financial income and expenses | **-33,180** | 474 |
| Other income and expenses not involving disbursement | **45** | 75 |
| Other adjustments | **0** | -35,648 |
| Cash flow before change in working capital | **-4,200** | -6,452 |
| Change in working capital | | |
| Increase (-)/decrease (+) in current receivables | **+203** | +878 |
| Increase (-)/decrease (+) in inventories | **+0** | +0 |
| Increase (-)/decrease (+) in current interest-free liabilities | **+277** | -1,541 |
| | **480** | -663 |
| Cash flow from business operations before financial items and taxes | **-3,720** | -7,115 |
| Interest paid and payments for financial expenses from business operations | **-2,022** | -1,201 |
| Dividends received | | 8 |
| Dividends received from Group companies | **33,659** | |
| Interest and other financial income | **1,708** | 753 |
| Income taxes paid | **-1,252** | -2,951 |
| | **28,374** | -10,506 |
| **CASH FLOW FROM BUSINESS OPERATIONS** | **28,374** | -10,506 |
| **CASH FLOW FROM INVESTMENTS** | | |
| Investments in tangible and intangible assets | **-5** | -10 |
| Proceeds from divestments of tangible and intangible assets | | 18 |
| Investments in other shares | **-14** | -905 |
| Proceeds from sale of associate shares | | 1,000 |
| Proceeds from the dissolution of a company | | 144,177 |
| Proceeds from sale of subsidiary shares | | 16,317 |
| Repayment of loan receivables | **230** | 70 |
| **CASH FLOW FROM INVESTMENTS** | **210** | 160,667 |
| Cash flow after investments | **28,584** | 150,161 |
| **CASH FLOW FROM FINANCIAL OPERATIONS** | | |
| Other financial items, net | **-99** | 37 |
| Increase (-)/decrease (+) in non-current loans | **-22,857** | -22,857 |
| Increase (-)/decrease (+) in current liabilities | **-48,720** | -136,861 |
| Increase (-)/decrease (+) in loan receivables | **+6,302** | +6,724 |
| Redemption of non-controlling interest | **+0** | |
| Group contributions received and paid | **18,200** | 20,065 |
| Dividend paid and other distribution of profit | **-24,995** | -26,614 |
| **CASH FLOW FROM FINANCIAL OPERATIONS** | **-72,168** | -159,506 |
| Change in liquid funds | **-43,584** | -9,345 |
| Liquid funds at beginning of period | **136,244** | 145,589 |
| Liquid funds at end of period | **92,660** | 136,244 |

# 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 recognized 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 company's managing director has the right and obligation to retire at the age of 62.

### Leases

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

### 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.

### Net sales

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

### Other operating income

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

### Dividends payable

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

### Appropriations

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

### 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. PERSONNEL EXPENSES

| (EUR) | 2019 | 2018 |
|---|---|---|
| Wages and fees | **3,372,255.60** | 3,863,812.48 |
| Pension expenses | **581,417.50** | 492,162.95 |
| Other social security expenses | **101,566.37** | 613,888.06 |
| **Total** | **4,055,239.47** | 4,969,863.49 |
| **WAGES AND FEES PAID TO MANAGEMENT** | | |
| Payment criteria | | |
| Managing Director | **528,570.06** | 533,412.72 |
| Members of the Board of Directors | **267,200.00** | 232,600.00 |
| Members of the Supervisory Board | **44,200.00** | 43,850.00 |
| **AVERAGE NUMBER OF PARENT COMPANY PERSONNEL** | | |
| Office workers | **32** | 32 |

### PENSION LIABILITY

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

The parent company's Managing Director is entitled and obligated to retire upon turning 62.

## 2. DEPRECIATION AND WRITE-DOWNS

| (EUR) | 2019 | 2018 |
|---|---|---|
| Planned depreciation | **18,840.65** | 17,868.07 |

## 3. OTHER EXPENSES FROM BUSINESS OPERATIONS

| (EUR) | 2019 | 2018 |
|---|---|---|
| Auditors' remuneration: | | |
| KPMG Oy Ab | | |
| Audit | **68,678.55** | 82,065.00 |
| Certificates and reports | **3,690.00** | 1,713.00 |
| Other services | **56,270.00** | 93,919.05 |
| Total | **128,638.55** | 177,697.05 |

## 4. FINANCIAL INCOME AND EXPENSES

| (EUR) | 2019 | 2018 |
|---|---|---|
| Dividend received | | |
| From Group companies | **33,560,179.99** | 0.00 |
| From participating interest companies | **0.00** | 7,880.00 |
| Total | **33,560,179.99** | 7,880.00 |
| Total interest received from long-term investment | | |
| From Group companies | **60,833.33** | 60,833.33 |
| Total income from long-term investment | **33,621,013.32** | 68,713.33 |
| Other interest and financial income | | |
| From Group companies | **42,940.55** | 172,816.98 |
| From others | **1,116,402.37** | 1,035,226.63 |
| Total other interest and financial icome | **1,159,342.92** | 1,208,043.61 |
| Total financial income | **34,780,356.24** | 1,276,756.94 |
| Exchange rate differences | | |
| To Group companies | **-382,761.89** | 232,891.42 |
| To others | **414,530.41** | 391,496.13 |
| Total exchange rate differences | **31,768.52** | 624,387.55 |
| Interest paid and other financial expenses | | |
| To Group companies | **-149,081.39** | -411,745.03 |
| To others | **-1,482,715.39** | -1,963,568.04 |
| Total interest paid and other financial expenses | **-1,631,796.78** | -2,375,313.07 |
| Total financial income and expenses | **33,180,327.98** | -474,168.58 |

## 5. APPROPRIATIONS

| (EUR) | 2019 | 2018 |
|---|---|---|
| Difference between planned depreciations and depreciation made in taxation | **4,249.38** | -13,346.14 |
| Group contributions paid | **-1,180,000.00** | -1,085,000.00 |
| Received Group subsidies | **13,765,000.00** | 19,285,000.00 |
| Total | **12,589,249.38** | 18,186,653.86 |

## 6. INCOME TAXES

| (EUR) | 2019 | 2018 |
|---|---|---|
| Income taxes in appropriations | **-2,517,000.00** | -3,640,000.00 |
| Income tax on ordinary operations | **929,074.88** | 1,247,003.44 |
| Taxes on previous financial years | **482.40** | -86,810.46 |
| Total | **-1,587,442.72** | -2,479,807.02 |

# Notes to the parent company balance sheet

### 7. INTANGIBLE ASSETS 2019

| (EUR) | Intangible rights | Other long-term expenditure | Intangible assets total |
|---|---|---|---|
| Acquisition cost 1 January | 174,988.44 | 24,512.64 | 199,501.08 |
| Increase 1 January-31 December | 5,238.78 | | 5,238.78 |
| Acquistion cost 31 December | 180,227.22 | 24,512.64 | 204,739.86 |
| Accumulated depreciation and write-downs 1 January | 126,887.32 | 24,512.64 | 151,399.96 |
| Depreciation for the financial period | 7,303.35 | | 7,303.35 |
| Accumulated depreciation 31 December | 134,190.67 | 24,512.64 | 158,703.31 |
| Book value 31 December 2019 | 46,036.55 | 0.00 | 46,036.55 |
| Book value 31 December 2018 | 48,101.12 | 0.00 | 48,101.12 |

### 7. TANGIBLE ASSETS 2019

| (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 | 0.00 | 708,413.13 | 44,271.23 | 0.00 | 752,684.36 |
| Depreciation for the financial period | | 11,537.30 | 0.00 | | 11,537.30 |
| Accumulated depreciation 31 December | 0.00 | 719,950.43 | 44,271.23 | 0.00 | 764,221.66 |
| Book value 31 December 2019 | 91,000.00 | 29,868.39 | 0.00 | 260,527.76 | 381,396.15 |
| Book value 31 December 2018 | 91,000.00 | 41,405.69 | 0.00 | 260,527.76 | 392,933.45 |
| Book value of the production machinery and equipment | | | | | |
| 31 December 2019 | | | 0.00 | | |
| 31 December 2018 | | | 0.00 | | |

### 8. INVESTMENT 2019

| (EUR) | Group company shares | Other shares | Receivables, Group companies | Total investment |
|---|---|---|---|---|
| Acquisition cost 1 January | 198,893,028.60 | 930,498.29 | 1,730,000.00 | 201,553,526.89 |
| Increase 1 January-31 December | 1.00 | 14,480.00 | | 14,481.00 |
| Decrease 1 January-31 December | | | 1,730,000.00 | 1,730,000.00 |
| Acquisition cost 31 December | 198,893,029.60 | 944,978.29 | 0.00 | 199,838,007.89 |
| Book value 31 December 2019 | 198,893,029.60 | 944,978.29 | 0.00 | 199,838,007.89 |
| Book value 31 December 2018 | 198,893,028.60 | 930,498.29 | 1,730,000.00 | 201,553,526.89 |

### SHARES AND HOLDINGS 2019

| | 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) | 2019 | 2018 |
|---|---|---|
| **Long-term receivables** | | |
| Receivables from Group companies | | |
| Capital loan receivables | **11,680,000.00** | 9,800,000.00 |
| **Total long-term receivables** | **11,680,000.00** | 9,800,000.00 |
| **Current receivable** | | |
| Accounts receivable | **19,592.00** | 19,976.18 |
| Receivables from Group companies | | |
| Accounts receivable | **96,408.93** | 143,536.38 |
| Loan receivables | **1,038,990.58** | 7,566,021.61 |
| Other receivables | **13,788,148.61** | 19,307,459.19 |
| Accrued income | **13,085.00** | 96,592.00 |
| | **14,936,633.12** | 27,113,609.18 |
| Other receivables | **10,338.69** | 223,849.52 |
| Accrued income | **83,293.45** | 762,921.99 |
| **Total current receivables** | **15,049,857.26** | 28,120,356.87 |
| **Total receivables** | **26,729,857.26** | 37,920,356.87 |

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

### 10. MARKETABLE SECURITIES

| (EUR) | 2019 | 2018 |
|---|---|---|
| Repurchase price | **81,365,841.26** | 89,000,166.19 |
| Book value | **80,077,447.08** | 88,989,312.31 |
| **Difference** | **1,288,394.18** | 10,853.88 |

### 11. SHAREHOLDERS' EQUITY

| (EUR) | 2019 | 2018 |
|---|---|---|
| **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 | **84,928,730.61** | 67,159,763.69 |
| Dividend distributed | **-25,174,574.08** | -26,744,231.19 |
| Unclaimed dividends | **120,647.66** | 105,601.83 |
| Disposal of company shares | **41,664.59** | 72,036.04 |
| Retained earnings 31 December | **59,916,468.78** | 40,593,170.37 |
| Result for the year | **39,918,694.87** | 44,335,560.24 |
| **Total unrestricted shareholders' equity** | **118,496,309.12** | 103,589,876.08 |
| **Total shareholders' equity** | **237,767,307.07** | 222,860,874.03 |
| **Distributable equity** | **118,496,309.12** | 103,589,876.08 |

### PARENT COMPANY SHARE CAPITAL

| | shares 2019 | EUR 1,000 2019 | shares 2018 | EUR 1,000 2018 |
|---|---|---|---|---|
| Restricted shares (20 votes/share) | **31,454,968** | **5,290** | 31,791,170 | 5,347 |
| Free shares (1 vote/share) | **133,694,062** | **22,486** | 133,357,860 | 22,429 |
| **Total** | **165,149,030** | **27,776** | 165,149,030 | 27,776 |

### COMPANY SHARES HELD BY PARENT COMPANY:

| | shares 2019 | Acquisition cost EUR 1,000 2019 | shares 2018 | Acquisition cost EUR 1,000 2018 |
|---|---|---|---|---|
| Restricted shares (20 votes/share) | **212,696** | **416** | 212,696 | 416 |
| Free shares (1 vote/share) | **7,582,387** | **36,611** | 7,595,246 | 36,635 |
| **Total** | **7,795,083** | **37,027** | 7,807,942 | 37,051 |

The probable assignment price of company shares held by the Group on the date of the financial statements was EUR 26,495 thousand (EUR 18,342 thousand in 2018).

## 12. ACCUMULATED APPROPRIATIONS

Accumulated appropriations consist of the accumulated depreciation difference.

### LIABILITIES

### 13. CURRENT LIABILITIES

| (EUR) | 2019 | 2018 |
|---|---|---|
| Loans from credit institutions | | 22,857,142.85 |
| Accounts payable | **148,515.81** | 275,555.95 |
| Liabilities to Group companies | | |
| Accounts payable | **21.00** | 106,086.86 |
| Other liabilities | **1,180,000.00** | 1,085,000.00 |
| Other interest-bearing liabilities, cash pool | **78,681,411.92** | 127,401,229.83 |
| Accrued liabilities | | 4.25 |
| | **79,861,432.92** | 128,592,320.94 |
| Other liabilities | **747,793.65** | 828,342.76 |
| Accrued liabilities | **1,110,477.21** | 720,872.56 |
| Total current liabilities | **81,868,219.59** | 153,274,235.06 |
| Interest-fee debts | | |
| Current | **3,186,807.67** | 3,015,862.38 |

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) | 2019 | 2018 |
|---|---|---|
| Leasing liabilities | | |
| Amounts outstanding on leasing contracts | | |
| Falling due in 2020 | **62,310.09** | 99,170.88 |
| Payables at a later date | **43,823.71** | 93,398.03 |
| Total | **106,133.80** | 192,568.91 |
| Contingent liabilities for Group companies | | |
| Guarantees | **26,216,208.00** | 26,263,357.00 |

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

## DERIVATIVE CONTRACTS

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) | 2019 | 2018 |
|---|---|---|
| Currency forward contracts: | | |
| Fair value | **274,681.07** | 146,662.43 |
| Value of underlying instruments | **34,654,773.00** | 71,715,536.00 |

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 the basis of the earnings period 2016-2018, no fees were paid and, thus, no shares assigned during the financial period ending on 31 December 2019, because the earnings criteria stipulated in the system were not met.

### SHARE-BASED SCHEMES

| Share-based incentive scheme (EUR million) | 2016–2018 | 2017–2019 | 2018–2020 | 2019–2021 | 2020–2022 |
|---|---|---|---|---|---|
| Original number of shares | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Original grant date | 15.01.2016 | 16.3.2017 | 15.3.2018 | 4.1.2019 | |
| Exercise date | 30.04.2019 | 30.04.2020 | 30.04.2021 | 30.04.2022 | 30.04.2023 |
| Vesting period, years | 3.3 | 3.1 | 3.1 | 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 | | 14 | 17 | 21 | |
| Payment method | Shares and cash | Shares and cash | Shares and cash | Shares and cash | Shares and cash |

| Changes in 2019 | 2016–2018 Number of shares | 2017–2019 Number of shares | 2018–2020 Number of shares | 2019–2021 Number of shares | 2020–2022 Number of shares |
|---|---|---|---|---|---|
| 1 January 2019 Number of shares at the beginning of the reporting period | 180,000 | 425,000 | 560,000 | 0 | 0 |
| 31 December 2019 Number of shares at the end of the reporting period | 0 | 380,000 | 515,000 | 665,000 | 705,000 |

# *Board's proposal for the disposal of profit*

Shareholders' equity according to the balance sheet at 31 December 2019 is EUR 118,496,309.12.
The Board of Directors proposes 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 account | EUR 97,026,935.22. |

No dividends will be paid on the shares held by the company on the record date 26 March 2020. The payment date of the dividend is proposed to be 2 April 2020.

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, 11 February 2020

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

Pekka Kuusniemi
*CEO*

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

# *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 2019. 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 49 million and EUR 30 million) (Accounting policies for the consolidated financial statements and note 4.1 and 4.3)** | |
| • 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.<br>• 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.<br>• 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.<br>• 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:<br>• 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.<br>• We involved our own valuation specialists that assessed the technical accuracy of the calculations and compared the assumptions used to market and industry information.<br>• 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 236 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.<br>• Due to the large number of sales transactions, the accuracy of revenues is considered a key audit matter. | Our audit procedures included, among others:<br>• 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.<br>• We tested the effectiveness of internal controls over invoicing and recording of sales transactions as well as over recognising related revenues, among others.<br>• We tested the accuracy of invoicing data of the significant Group companies by comparing with external confirmations. |
| **Accuracy and valuation of inventories (EUR 38 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.<br>• Measurement of inventories involves management judgements in respect of identifying inventories not fully recoverable, among others.<br>• 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:<br>• In respect of the significant Group companies we assessed the IT systems relevant for inventories and the functionality of related general IT controls.<br>• 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.<br>• 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 4 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, 11 February 2020

| | |
|---|---|
| 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 2019.

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, 13 February 2020

For the Supervisory Board

Paavo Myllymäki
*Chairman*

RAISIO

Raisio plc – Raisionkaari 55 - P.O. Box 101 – FI-21201 Raisio, Finland
Tel. +358 2 443 2111
Business ID 0664032-4 – Domicile Raisio, Finland

www.raisio.com