Interim Report January-September 2019

RAISIO PLC

RAISIO

Raisio plc's Interim Report, 6 November 2019, at 8:30 a.m. Finnish time

Oat and fish feed as the driving force behind Raisio's strong growth

FINANCIAL DEVELOPMENT IN BRIEF

July-September 2019

- The Group's net sales totalled EUR 69.2 (63.1) million, which signified a growth of +9.7%. EBIT was EUR 10.7 (7.8) million, accounting for 15.5 (12.3)% of net sales.
- The Healthy Food Unit's net sales totalled EUR 33.6 (33.6) million. EBIT was EUR 5.6 (3.9) million, accounting for 16.8 (11.6)% of net sales.
- The Healthy Ingredients Unit's net sales totalled EUR 42.3 (35.9) million. EBIT was EUR 5.4 (4.4) million, accounting for 12.8 (12.3)% of net sales.

January-September 2019

- The Group's net sales totalled EUR 181.8 (172.6) million, which signified a growth of +5.3%. EBIT was EUR 23.0 (18.6) million, accounting for 12.6 (10.8)% of net sales. Comparable EBIT was EUR 23.0 (20.6) million, accounting for 12.6 (11.9) % of net sales.
- The Healthy Food Unit's net sales totalled EUR 102.5 (102.3) million. EBIT was EUR 14.1 (12.5) million, accounting for 13.8 (12.2)% of net sales. Comparable EBIT was EUR 14.1 (12.6) million, accounting for 13.8 (12.3)% of net sales.
- The Healthy Ingredients Unit's net sales totalled EUR 98.9 (89.5) million. EBIT was EUR 10.7 (10.1) million, accounting for 10.8 (11.3)% of net sales.
- The Group's cash flow from business operations after financial items and taxes totalled EUR 13.8 (4.0) million.
- The Group's outlook for 2019 remains unchanged.

KEY FIGURES OF THE GROUP

		7-9/2019	7-9/2018	1-9/2019	1-9/2018	1-12/2018
Net sales	M€	69.2	63.1	181.8	172.6	228.2
Change in net sales	%	9.7	-6.7	5.3	-4.6	-2.7
Comparable EBIT	M€	10.7	7.8	23.0	20.6	25.6
Comparable EBIT of net sales	%	15.5	12.3	12.6	11.9	11.2
EBIT	M€	10.7	7.8	23.0	18.6	16.6
EBIT of net sales	%	15.5	12.3	12.6	10.8	7.3
Comparable EBITDA	M€	12.3	9.2	27.8	24.8	31.3
EBITDA	M€	12.3	9.2	27.8	22.9	31.0
Comparable earnings per share	€	0.06	0.04	0.14	0.10	0.12
Earnings per share	€	0.06	0.04	0.14	0.09	0.08

PRESIDENT AND CEO PEKKA KUUSNIEMI:

Raisio’s third quarter was extremely strong, as expected, with net sales increasing by nearly 10 per cent and EBIT by nearly 40 per cent in relation to the comparison period. Our key goals for 2019 focus on securing growth and profitability. We have proceeded well, thus far, and our long-term growth potential remains evident. The current year started with an exceptional situation in which the price of grain raw material had increased by up to 60 per cent in comparison to the conventional prices realised over a longer period of time. As a result, the profitability of all our grain-based products was threatened, but thanks to the determined activities of our organisation, we were able to react to the changing situation commendably. The new grain harvest quality and volume are estimated to represent a normal level over a longer period, which relieves the pressure to increase sales prices for now.

The demand for oat products has developed especially well both in the consumer and BtoB sectors. Despite the increased sales prices, the sales of Elovena products increased further in Finland without affecting the volume. International interest in oat is constantly on the rise.

We are supporting our strategy through focused investments; the long-term modernisation of our oat mill and the building of our new production plant specialising in the development and production of plant-based value-added products, which was initiated during the review period, are progressing as planned. The foundations of the facility were laid in September and the project is proceeding on schedule. Raisio’s investments during the review period totalled EUR 4.1 million, which is more than three times that of the comparison period. Despite the increased investments, Raisio’s cash flow was positive.

The political situation in Great Britain has affected consumer confidence and, in terms of purchasing behaviours, there has been a drop in overall demand towards the end of the review period. Using all means at our disposal, we have prepared for any future changes, some of which cannot be predicted. At the same time, we have responded to heightened political tensions by holding back on some of the planned measures to promote sales, thus avoiding an ineffective use of these resources. We have managed to turn the Russian and Polish consumer markets to a positive trend despite the profitability challenges that arose during the previous fiscal period. In Russia, sales during the review period increased by ten per cent, and the revitalisation of the Polish market is proceeding according to plan.

Raisioaqua continued its excellent performance, as commenced in the spring, and our key markets of Finland and Russia showed a particularly strong result. In terms of future business prospects, the opening of new market areas in Sweden and Poland seem very encouraging. As the season ends, we are turning our focus towards the further development of productivity in preparation for the opening of the new season.

Our strategical policy of ‘fewer but stronger brands’ is proceeding and, during the review period, we continued with the development of the Elovena brand, our international oat brand. We will be consolidating our oat-based Nordic and Provena brands in stages to become part of the Elovena product family in order to achieve economies of scale and comprehensive brand visibility. Additionally, our international super brand Benecol shall be positioned even better to support its unique ability to lower cholesterol.

The achievements of the current year have further confirmed that the strategy we have chosen is working. Raisio Group’s business operations are characterized by internal cyclicity within the year, but they are not fundamentally bound to economic growth perspectives. The consistent and long-term implementation of our strategy will facilitate profitable growth.

FINANCIAL REPORTING

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.

FINANCIAL DEVELOPMENT

July-September

The Raisio Group's net sales totalled EUR 69.2 (63.1) million. The Group's net sales clearly increased during the third quarter. This growth was achieved through clearly better sales of fish feeds in relation to the comparison period and through the good demand for oat products.

Raisio Group's EBIT was EUR 10.7 (7.8) million, which accounted for 15.5 (12.3) per cent of net sales. EBIT improved due to increased net sales, price increases and ongoing measures to maintain cost effectiveness.

The conversion impact of the British pound on the Group's net sales was EUR -0.2 (0.1) million and EUR 0.0 (0.0) million on EBIT. The conversion impact refers to the impact arising when the subsidiaries' net sales and EBIT in pounds are converted into euro as part of the consolidated financial statements.

The Group's net financial items were EUR 0.6 (-0.1) million. The Group's pre-tax result was EUR 11.3 (7.6) million. The Group's post-tax result was EUR 9.0 (5.9) million. The Group's earnings per share were EUR 0.06 (0.04).

January-September

Raisio Group's net sales totalled EUR 181.8 (172.6) million. The net sales were primarily increased by the positive development in fish feed sales. The effects of food product price increases resulting from last autumn's higher raw material prices were not fully shown until the third quarter. International operations accounted for 63.2 (63.2) per cent of the Group's net sales.

Raisio Group's EBIT totalled EUR 23.0 (18.6, and comparable EBIT 20.6) million, which accounted for 12.6 (10.8, and comparable EBIT 11.9) per cent of net sales. Price increases carried out by Raisio with regard to its food products led to a drop in sales volumes for particularly competitive product categories in the Group's key markets. This evened out during the third quarter in most markets.

The conversion impact of the British pound on the Group's net sales was EUR 0.0 (-0.6) million and EUR 0.0 (0.0) million on EBIT. The conversion impact refers to the impact arising when the subsidiaries' net sales and EBIT in pounds are converted into euro as part of the consolidated financial statements.

The Group's net financial items were EUR 1.5 (-0.1) million. The Group's pre-tax result was EUR 24.4 (18.5, and with comparable figures 20.5) million. The Group's post-tax result was EUR 21.6 (14.4 and with comparable figures 15.9 million. The Group's earnings per share were EUR 0.14 (0.09, and with comparable figures 0.10).

Items affecting comparable EBIT

		7-9/2019	7-9/2018	1-9/2019	1-9/2018	1-12/2018
Comparable EBIT	M€	10.7	7.8	23.0	20.6	25.6
+ capital gain	M€	-	-	-	-	1.2
- capital loss	M€	-	-	-	-	-
- impairment, tangible and intangible assets	M€	-	-	-	-	-8.7
- impairment, inventories	M€	-	-	-	-	-
+/- structural arrangements and streamlining projects	M€	-	-	-	-1.9	-1.4
+/- other items	M€	-	-	-	-	-
Items affecting comparability, in total	M€	-	-	-	-1.9	-9.0
EBIT	M€	10.7	7.8	23.0	18.6	16.6

Items affecting comparable EBITDA, reconciliation to EBIT

		7-9/2019	7-9/2018	1-9/2019	1-9/2018	1-12/2018
Comparable EBITDA	M€	12.3	9.2	27.8	24.8	31.3
+/- Depreciations and impairment	M€	-	-	-	-	8.7
+/- Items affecting EBIT	M€	-	-	-	-1.9	-9.0
Items affecting comparability, in total	M€	-	-	-	-1.9	-0.3
EBITDA	M€	12.3	9.2	27.8	22.9	31.0
+/- Impairment	M€	0.0	-	0.0	0.0	-8.8
+/- Depreciations	M€	-1.6	-1.5	-4.8	-4.2	-5.6
EBITDA	M€	10.7	7.8	23.0	18.6	16.6

BALANCE SHEET, CASH FLOW AND FINANCING

At the end of September, Raisio Group’s balance sheet totalled EUR 315.6 (31 December 2018: 324.4) million. Shareholders’ equity was EUR 263.6 (31 December 2018: 264.8) million, while equity per share totalled EUR 1.68 (31 December 2018: 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 13.8 (4.0) million. The comparison period’s cash flow reduced due to working capital tied up in inventories.

At the end of September, working capital amounted to EUR 40.6 (31 December 2018: 32.2) million.

At the end of September, the Group’s interest-bearing debt was EUR 12.8 (31 December 2018: 23.0) million. Net interest-bearing debt was EUR -97.1 (31 December 2018: -119.2) million.

At the end of September, Raisio’s financial assets recognised at fair value through profit or loss, as well as cash and cash equivalents totalled EUR 109.9 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 instruments.

At the end of September, the Group’s equity ratio totalled EUR 83.6 (31 December 2018: 81.7) per cent and net gearing was -36.8 (31 December 2018: -45.0) per cent. The return on investments (ROIC) was 16.3 (31.12.2018: 8.1) per cent. As from 1 January 2019, Raisio Group has decided to present the ROIC as its productivity indicator.

Key figures for the balance sheet and financing

		30/9/2019	30/9/2018	31/12/2018
Cash flow from operations	M€	13.8	4.0	11.5
Equity ratio	%	83.6	76.7	81.7
Net gearing	%	-36.8	-30.0	-45.0
Net interest-bearing debt	M€	-97.1	-76.4	-119.2
Equity per share	€	1.68	1.62	1.68
Investments	M€	10.9	3.7	5.6
Return on investment (ROIC)	%	16.3	16.0*	8.1

* includes discontinued operations

INVESTMENTS

In July-September, Raisio’s investments totalled EUR 4.1 (1.2) million, or 6.0 (1.9) per cent of net sales.

The January-September investments totalled EUR 10.9 (3.7) million, or 6.0 (2.1) per cent of net sales. The most significant investment during the review period was in the modernisation of production and an increase in the capacity of the oat mill, located in the town of Nokia, Finland. The overall cost of the development project at the Nokia Mill, which was initiated last year, was EUR 7.8 million, the last instalments of which were allocated to the third quarter. The first costs for the new, modern production facility for Raisio’s industrial area were accrued during the third quarter. These investments endeavour to prepare us, in particular, 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.

PERSONNEL

At the end of September, Raisio Group employed 326 (336) people. The Healthy Food Unit had 126 (134), Healthy Ingredients Unit 146 (152) and Other Operations 54 (50) employees. 20 (25) per cent of the personnel were working in Raisio's foreign operations.

RESEARCH AND DEVELOPMENT

Raisio’s research and development expenses in July-September totalled EUR 0.9 (0.8) million, or 1.3 (1.3) per cent of net sales.

In January-September, research and development expenses were EUR 3.0 (2.0) million, which accounted for 1.6 (1.2) per cent of net sales.

Product development in Raisio's Healthy Food Unit is guided by the principles defined 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 an even better capability in select consumer brands, particularly oat as raw material and the ongoing product and application developments of 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.

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 coming 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.

SEGMENT INFORMATION

HEALTHY FOOD UNIT

Profitable growth is the most important strategic goal for the Healthy Food Unit. The Healthy Food Unit includes Raisio's consumer product businesses in the Western, Eastern, Central and Northern European markets as well as the Benecol licensing partnerships in Europe.

Financial development, July-September

The Healthy Food Unit's net sales totalled EUR 33.6 (33.6) million. Good sales growth for Benecol and Elovena products continued in Finland. Sales grew in Eastern and Central Europe, but the overall sales of Benecol products in Western Europe decreased.

More than 38 per cent of the Healthy Food Unit's net sales were generated in Northern Europe, where Raisio's brands are Elovena, Benecol, Nordic, Sunnuntai, Nalle and Torino. Nearly 45 per cent of net sales were generated from the sale of Benecol products in the Western European markets. Approximately 17 per cent were generated in Eastern and Central Europe, where Benecol and Nordic are Raisio's brands.

The Healthy Food Unit's EBIT amounted to EUR 5.6 (3.9) million, which accounted for 16.8 (11.6) per cent of net sales. The sales margin developed favourably during the review period. In the UK and Ireland, marketing costs were lower than those resulting from extensive Benecol campaigns carried out in the comparison period.

The conversion impact of the British pound on the Healthy Food Unit's net sales was EUR -0.2 (0.1) million and EUR 0.0 (0.0) million on EBIT.

Financial development, January-September

The Healthy Food Unit's net sales totalled EUR 102.5 (102.3) 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, while volumes in Western Europe continued to decrease.

The Healthy Food Unit's EBIT totalled EUR 14.1 (12.5, and comparable EBIT 12.6) million, which accounted for 13.8 (12.2, and comparable EBIT 12.3) 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 quarter.

The conversion impact of the British pound on the Healthy Food Unit's net sales was EUR 0.0 (-0.6) million and EUR 0.0 (-0.1) million on EBIT.

Key figures for the Healthy Food Unit

		7-9/2019	7-9/2018	1-9/2019	1-9/2018	1-12/2018
Net sales	M€	33.6	33.6	102.5	102.3	137.7
Western Europe	M€	15.1	16.0	47.8	49.4	66.4
Northern Europe	M€	12.9	12.3	37.8	36.8	49.4
Eastern and Central Europe	M€	5.7	5.3	16.9	16.1	21.8
Comparable EBIT	M€	5.6	3.9	14.1	12.6	16.1
Comparable EBIT	%	16.8	11.6	13.8	12.3	11.7
EBIT	M€	5.6	3.9	14.1	12.5	17.1
EBIT	%	16.8	11.6	13.8	12.2	12.4
Net assets	M€	84.8	84.0	84.8	84.0	83.1

Items affecting comparable EBIT

		7-9/2019	7-9/2018	1-9/2019	1-9/2018	1-12/2018
Comparable EBIT		5.6	3.9	14.1	12.6	16.1
+ capital gain	M€	-	-	-	-	1.2
- capital loss	M€	-	-	-	-	-
- impairment, tangible and intangible assets	M€	-	-	-	-	-
- impairment, inventories	M€	-	-	-	-	-
+/- structural arrangements and streamlining projects	M€	-	-	-	-	-
+/- other items	M€	-	-	-	-0.2	-0.2
Items affecting comparability, in total	M€	-	-	-	-0.2	1.0
EBIT	M€	5.6	3.9	14.1	12.5	17.1

Business reviews, July-September

Western Europe

Net sales for the Western European operations amounted to EUR 15.1 (16.0) million and EBIT improved.

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, as marketing campaigns were postponed until the next quarter. During the comparison period, the launch of new products, Greek style Benecol yogurt and Benecol snack bars, was carried out.

In the UK, price increases of the Benecol products took effect in the second quarter, leading to a shift in promotions from the spring to June. During the third quarter, sales of Benecol yogurt drinks, yogurts and spreads were clearly down from the comparison period due to price competition and general financial insecurity. Sales in snack bars launched last year, however, continued to see increased growth.

In Ireland, net sales exceeded the comparison period level, but EBIT weakened, primarily as a result of the reorganizing of sales and marketing. Raisio took the Irish business into its own hands last autumn, aiming to turn the declining sales of recent years back to growth. Over the past two reported quarters, sales have strengthened in relation to the comparison periods. In Belgium, net sales continued to decline in relation to the comparison period and EBIT was down mainly due to the changes occurred in distribution.

Northern Europe

Net sales for the Northern European operations amounted to EUR 12.9 (12.3) million. Net sales were improved particularly as a result of the strong ongoing growth in sales of new Benecol and Elovena products in Finland as well as the price increases at the start of the year. EBIT clearly improved. It was boosted by sales growth in Benecol and Elovena products, and lower costs in relation to the comparison period.

The sale of Benecol products increased in Finland by +17 per cent compared to comparison period. Good sales development was seen in the Greek style Benecol yogurts launched last summer. The visibility of novelties was good, particularly on TV, which increased consumer interest in cholesterol lowering with Benecol products. In addition, sales grew in Benecol spreads and yogurt drinks. Raisio continued its long-term co-operation with health care professionals, which has resulted in consumers' increasing interest in easy and safe methods for lowering cholesterol.

Strong sales growth continued for Elovena products, resulting in a higher than +7 per cent increase compared to comparison period. Sales increased as a result of popularity of Elovena novelties, such as snack biscuits with 100% oats. 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. During the review period, savoury Elovena snack biscuits were also launched in consumer sales in Finland.

Sales of Sunnuntai 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

Net sales for the Eastern and Central European operations totalled EUR 5.7 (5.3) million. 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 was in line with the targets.

In Russia, net sales increased remarkably and EBIT improved. 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. The purchasing power of Russian consumers has declined further, which is reflected as a moderate transition to lower-priced product variants.

In Ukraine, both net sales and profitability improved significantly in relation to the comparison period.

In Poland, net sales decreased in relation to the comparison period, but the business loss was clearly reduced. In Poland, the cost structure adjustment that began in 2018 has been successfully completed. This enables Raisio to focus on its core business, Benecol consumer products, with a specifically focused range of products. Raisio continues its efforts to improve the profitability of the Polish operations and to further develop the business.

At the end of 2018, Raisio's licensing agreement with the Spanish partner ended. As a result of ending this partnership, Benecol products 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 communicated co-operation with Dr. Schär got underway with the first concrete phase, which placed Benecol snack products on shelves in Spain during the third quarter. Progress within this reopening market is, however, quite moderate and gradual.

HEALTHY INGREDIENTS UNIT

Profitable growth is the most important strategic goal for the Healthy Ingredients Unit. The Healthy Ingredients Unit 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, July-September

The Healthy Ingredients Unit's net sales totalled EUR 42.3 (35.9) million. Net sales were increased by the significant sales growth in fish feeds. In addition, sales of oat products to bakeries and to industrial and catering customers increased.

The Healthy Ingredients Unit's EBIT was EUR 5.4 (4.4) million, accounting for 12.8 (12.2) per cent of net sales. EBIT, too, improved as a result of the significant sales growth in fish feeds. Profitability weakened due to the periodic and decreased licensing sales of the Benecol product ingredient.

Financial development, January-September

The Healthy Ingredients Unit's net sales totalled EUR 98.9 (89.5) million. Particularly strong sales growth in fish feeds during the second and third quarters increased net sales. Good sales growth in oat products to bakeries and to industrial and catering customers continued. Grain trade volumes, on the other hand, have dramatically decreased in 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.

The Healthy Ingredients Unit's EBIT was EUR 10.7 (10.1) million, which accounted for 10.8 (11.3) per cent of net sales. Strong sales growth in fish feeds was also shown in 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.

Key figures for the Healthy Ingredients Unit

		7-9/2019	7-9/2018	1-9/2019	1-9/2018	1-12/2018
Net sales	M€	42.3	35.9	98.9	89.5	116.6
EBIT	M€	5.4	4.4	10.7	10.1	12.9
EBIT	%	12.8	12.3	10.8	11.3	11.0
Net assets	M€	66.2	52.6	66.2	52.6	50.5

Business reviews, July-September

Fish feeds

During the third quarter, the especially positive development in deliveries and net sales continued for Raisioaqua. The comparison period in 2018 was exceptionally challenging for Raisioaqua when export trade to Russia was interrupted for several months at the end of the year as a result of the earlier reported GMO issues. The export of fish feeds to new markets, Poland and Sweden, also continued during the review period. Raisioaqua's previous record year was 2017, when farming conditions were the similar to the current year of 2019. In comparison to this record year, Raisioaqua increased its net sales further by more than 20 per cent during the review period.

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 supplies 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.

Raisioaqua is a major producer of sustainable fish feeds for its customers; the company's high-quality feeds, the Benella fish concept and the unique Growth Sonar (Kasvuluotain) application create added value for the customers. The first systems based on our Growth Sonar were installed for fish farmers. The system refers to temperature and oxygen sensors that provide real-time data on farming conditions and optimal feed dosing for the actual fish mass. Additionally, the Growth Sonar is already being used to guide automatic feeders. During spring 2019, Raisioaqua also realised several development projects intended to improve 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 rose over 18 per cent. Sales in oat products and gluten-free oat products developed particularly well.

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. Raisio's goal is to increase export of its oat-based added-value products also to BtoB customers. Based on the good reception that Elovena oat mince received by Finnish consumers, the product was also introduced to the BtoB sector during the review period.

Benecol product ingredient sales to license partners

Raisio’s plant stanol ester deliveries to license partners decreased significantly from the comparison period. Due to the periodic nature of deliveries and partners’ high stock levels, no plant stanol ester was delivered to the European partners, but rather licensing sales were focused on Asia.

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, we invest in the production and sales of value-added products. The actual grain trade has decreased and, due to its low profitability, is not included as one of the company's strategic areas of focus.

Despite the exceptionally poor harvest in 2018, Raisio has been able to source enough grain for its own food production needs and, during the spring, considerably increased the number of farming contracts. As a whole, the grain harvest in 2019 was normal, in terms of volume, and corresponded to the levels normally achieved over a longer period of time. The quality of the grain was good and met the high standards required of food grain. Significantly more grain was sourced during the period of July-September than in the comparison period, and as a result, the stock levels reached a more normal capacity. During the review period, market prices for grains returned to levels gradually nearing to average prices over a longer period of time.

SHARES AND SHAREHOLDERS

The number of Raisio plc’s free shares traded on Nasdaq Helsinki Ltd in January-September totalled 21.6 (28.6) million. The value of trading was EUR 59.2 (105.4) million and the average price EUR 2.74 (3.69). The closing price on 30 September 2019 was EUR 3.26.

A total of 0.7 (1.6) million restricted shares were traded in January-September. The value of trading was EUR 2.0 (5.5) million and the average price EUR 2.81 (3.49). The closing price on 30 September 2019 was EUR 3.22.

On 30 September 2019, the company had a total of 36,093 (31 December 2018: 36,448) registered shareholders. Foreign ownership of the entire share capital was 22.5 (31 December 2018: 23.4) per cent.

Raisio plc’s market capitalisation at the end of September amounted to EUR 537.1 (31 December 2018: 386.5) million and, excluding the company shares held by the Group, to EUR 511.7 (31 December 2018: 368.2) million.

During the review period, a total of 193,000 restricted shares were converted into free shares.

At the end of the review period, the number of issued free shares was 133,550,860 while the number of restricted shares was 31,598,170. The share capital entitled to 765,514,260 votes.

In the review period, a total of 6,721 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 Annual General Meeting in 2019.

At the end of the review period, Raisio plc held 7,588,525 free shares and 212,696 restricted shares. 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, these shares 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.

The Board of Directors has an authority to decide on the repurchase and/or on the acceptance as collateral of a maximum of 5,000,000 free shares and 1,250,000 restricted shares. The authorisation will be valid until 30 April 2020. Furthermore, the Board of Directors has the authority to decide on share issues by disposing of a maximum of 14,000,000 free shares and a maximum of 1,460,000 restricted shares held by the company as well as by issuing a maximum of 20,000,000 new free shares. The share issue authorisation will be valid until 30 April 2020. The authorisations have not so far been exercised and related details on both are available in the Stock Exchange Release published on 12 February 2019.

DECISIONS MADE AT THE ANNUAL GENERAL MEETING

Raisio plc's Annual General Meeting (AGM) approved the financial statements for the financial year 1 January - 31 December 2018 and granted the members of the Board of Directors and the Supervisory Board as well as the CEO discharge from liability.

As proposed by the Board of Directors, the AGM decided to pay a dividend of EUR 0.16, including an extra dividend of EUR 0.04, for each restricted and free share. The dividend was paid on 3 April 2019 to a shareholder who was entered in the shareholders' register on the record date 21 March 2019. No dividend, however, was paid on the shares that were held by the company at that time.

The number of members of the Board of Directors was confirmed to be six, and Erkki Haavisto, Ilkka Mäkelä, Leena Niemistö and Ann-Christine Sundell were reappointed and Pekka Tennilä and Arto Tiitinen were appointed as new members; all for the term commencing at the closing of the AGM. At its meeting held after the AGM, the Board of Directors elected Ilkka Mäkelä as its Chairman and Ann-Christine Sundell as its Vice Chairman. A Stock Exchange Release concerning the decisions made by the Meeting was published on 19 March 2019, in addition to which the decisions were described in the Interim Report for January-March 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.

SHORT-TERM RISKS AND SOURCES OF UNCERTAINTY

No significant changes in the short-term risks and sources of uncertainty presented in the Raisio's 2018 Financial Statements and Financial Statements Bulletin are expected to have occurred during 2019.

Raisio's most significant short-term business risks are related to general economic development and consumer demand. Extreme weather events and changes in the availability, quality and price of the key raw materials, such as grains and sterols, are a major challenge for Raisio's operations. Raisio has assessed major risks related to alternative Brexit options and defined the company's adjustment measures. Changes in key currencies relevant for Raisio and currency conversions affect Raisio's net sales and EBIT both directly and indirectly.

OUTLOOK 2019

The Group's outlook remains unchanged.

In 2019, Raisio expects its net sales for continuing operations to grow (2018: EUR 228.2 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.

In Raisio, Finland 6 November 2019
Raisio Plc
Board of Directors

Further information:
Pekka Kuusniemi, President and CEO, tel. +358 50 537 3883
Toni Rannikko, CFO, tel. +358 40 078 8812
Mika Saarinen, Director of Investor Relations, tel. +358 40 072 6808

The CEO's video in English is available on Raisio's website at www.raisio.com.

The information in this Interim Report is unaudited.

Raisio's Financial Statement release for 2019 will be published on 12 February 2020.

TABLE SECTION

THE GROUP'S INCOME STATEMENT (M€)

	1-9/2019	1-9/2018	1-12/2018
Net sales	181.8	172.6	228.2
Cost of sales	-130.4	-120.8	-161.0
Gross profit	51.4	51.8	67.3
Other operating income and expenses, net	-28.4	-33.1	-50.7
EBIT	23.0	18.6	16.6
Financial income	2.7	1.3	1.4
Financial expenses	-1.2	-1.4	-2.2
Result before taxes	24.4	18.5	15.7
Income taxes	-2.9	-4.2	-3.7
Result for the period	21.6	14.4	12.1
Attributable to			
Equity holders of the parent company	21.6	14.4	12.1
Non-controlling interests	-	-	-
Earnings per share from the profit attributable to equity holders of the parent company (€)			
Undiluted earnings per share	0.14	0.09	0.08
Diluted earnings per share	0.14	0.09	0.08

THE GROUP'S COMPREHENSIVE INCOME STATEMENT (M€)

	1-9/2019	1-9/2018	1-12/2018
Result for the period	21.6	14.4	12.1
Other comprehensive income items			
Items that will not be reclassified to profit or loss			
Change in fair value of equity investments	0.5	0.2	0.1
Tax impact	-0.1	0.0	0.0
Items that may be subsequently transferred to profit or loss			
Change in value of cash flow hedging	0.0	-0.2	0.0
Change in translation differences related to foreign companies	1.6	-0.3	-1.3
Tax impact	0.0	0.0	0.0
Comprehensive income for the period	23.6	14.0	10.8
Components of comprehensive income			
Equity holders of the parent company	23.6	14.0	10.8
Non-controlling interests	-	-	-

THE GROUP'S BALANCE SHEET (M€)

ASSETS	**30/9/2019**	**30/9/2018**	**31/12/2018**
Non-current assets			
Intangible assets	32.7	42.5	33.3
Goodwill	46.6	46.5	46.1
Tangible assets	43.8	34.8	35.1
Equity investments	2.7	2.2	2.2
Deferred tax assets	4.6	2.2	2.3
Total non-current assets	130.3	128.2	118.9
Current assets			
Inventories	37.9	33.9	34.9
Accounts receivables and other receivables	36.9	30.4	28.0
Financial assets at fair value through profit or loss	84.9	21.0	89.3
Cash and bank receivables	25.6	89.8	53.1
Total current assets	185.3	175.1	205.5
Non-current assets available for sale	-	28.8	-
Total assets	315.6	332.1	324.4
SHAREHOLDER'S EQUITY AND LIABILITIES	**30/9/2019**	**30/9/2018**	**31/12/2018**
Equity attributable to equity holders of the parent company			
Share capital	27.8	27.8	27.8
Own shares	-19.8	-19.8	-19.8
Other equity attributable to equity holders of the parent company	255.6	246.7	256.8
Equity attributable to equity holders of the parent company	263.6	254.7	264.8
Non-controlling interests	-	-	-
Total shareholder's equity	263.6	254.7	264.8
Non-current liabilities			
Deferred tax liabilities	4.4	5.7	4.0
Provisions	1.1	1.1	1.1
Non-current financial liabilities	0.5	11.5	0.1
Total non-current liabilities	6.1	18.4	5.2
Current liabilities			
Accounts payable and other liabilities	33.5	28.0	31.4
Derivative contracts	0.1	-	0.0
Current financial liabilities	12.3	22.9	22.9
Total current liabilities	45.9	50.9	54.4
Debts related to non-current assets available for sale	-	8.2	-
Total liabilities	52.0	77.4	59.6
Total shareholder's equity and liabilities	315.6	332.1	324.4

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (M€)

	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	-	-	-	-	-	-	-	16.9	16.9	-	16.9
Other comprehensive income items											
Change in fair value of equity investments	-	-	-	-	0.2	-	-	-	0.2	-	0.2
Change in value of cash flow hedging	-	-	-	-	-0.2	-	-	-	-0.2	-	-0.2
Change in translation differences related to foreign companies	-	-	-	-	-	-	-0.3	-	-0.3	-	-0.3
Tax impact	-	-	-	-	0.0	-	-	-	0.0	-	0.0
Total comprehensive income for the period	0.0	0.0	0.0	0.0	0.0	0.0	-0.3	16.9	16.5	0.0	16.5
Business activities involving shareholders											
Dividends	-	-	-	-	-	-	-	-26.7	-26.7	-	-26.7
Share-based payments	-	-	-	-	-	0.0	-	0.1	0.2	-	0.2
Total business activities involving shareholders	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-26.6	-26.6	0.0	-26.6
Shareholders' equity on 30 September 2018	27.8	2.9	88.6	8.9	-1.7	-19.8	-18.9	166.8	254.7	0.0	254.7
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	-	-	-	-	-	-	-	21.6	21.6	-	21.6
Other comprehensive income items											
Change in fair value of equity investments	-	-	-	-	0.5	-	-	-	0.5	-	0.5
Change in value of cash flow hedging	-	-	-	-	0.0	-	-	-	0.0	-	0.0
Change in translation differences related to foreign companies	-	-	-	-	-	-	1.6	-	1.6	-	1.6
Tax impact	-	-	-	-	-0.1	-	-	-	-0.1	-	-0.1
Total comprehensive income for the period	0.0	0.0	0.0	0.0	0.4	0.0	1.6	21.6	23.6	0.0	23.6
Business activities involving shareholders											
Dividends	-	-	-	-	-	-	-	-25.2	-25.2	-	-25.2
Share-based payments	-	-	-	-	-	0.0	-	0.4	0.5	-	0.5
Total business activities involving shareholders	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-24.7	-24.7	0.0	-24.7
Shareholders' equity on 30 September 2019	27.8	2.9	88.6	8.9	-1.2	-19.8	-18.2	174.6	263.6	0.0	263.6

CONSOLIDATED CASH FLOW STATEMENT (M€)

	1-9/2019	1-9/2018	1-12/2018
CASH FLOW FROM BUSINESS OPERATIONS			
Result before taxes	24.4	18.5	15.7
Adjustments:			
Planned depreciations	4.8	4.3	5.6
Financial income and expenses	-1.5	0.1	0.8
Other adjustments	0.5	0.1	7.7
Total adjustments	3.8	4.6	14.2
Cash flow before change in working capital	28.2	23.1	29.9
Change in working capital			
Increase (-) / decrease (+) in current receivables	-8.4	-0.8	1.3
Increase (-) / decrease (+) in inventories	-2.8	-10.8	-11.8
Increase (+) / decrease (-) in current interest-free liabilities	0.9	-1.3	-0.1
Total change in working capital	-10.3	-12.9	-10.6
Cash flow from business operations before financial items and taxes	17.9	10.2	19.4
Interest paid and payments for other financial expenses from business operations	-0.8	-1.3	-1.9
Dividends received from business operations	0.2	0.2	0.2
Interest received and other financial income from business operations	0.4	0.4	0.7
Other financial items, net	-0.2	0.6	0.0
Income taxes paid	-3.7	-6.0	-6.8
Cash flow from business operations after financial items and taxes	13.8	4.0	11.5
CASH FLOW FROM INVESTMENTS			
Investment in tangible assets	-9.0	-3.6	-5.2
Investment in intangible assets	-0.2	-0.8	-0.9
Income from intangible and tangible commodities	0.0	0.1	1.2
Investments in securities	0.0	-	-
Net cash flow from investments	-9.3	-4.3	-4.9
Cash flow after investments	4.5	-0.3	6.7
CASH FLOW FROM FINANCIAL OPERATIONS			
Other financial items, net	-0.1	0.0	0.0
Lease payments	-0.6	0.0	0.0
Repayment of non-current loans	-11.4	-11.4	-22.9
Dividends and other profit distribution paid to shareholders of the parent company	-25.1	-26.6	-26.6
Net cash flow from financial operations	-37.2	-38.0	-49.4
CHANGE IN LIQUID FUNDS	-32.7	-38.3	-42.8
Liquid funds at the beginning of the period	142.1	151.0	151.0
Impact of changes in exchange rates	0.5	-0.3	-0.7
Impact of changes in market value of the liquid funds	1.3	0.0	-0.1
Impact of the discontinued cattle feed business	-1.4	-1.6	34.7
Liquid funds at the end of the period	109.9	110.8	142.1

NOTES TO THE HALF-YEAR FINANCIAL REPORT

Accounting principles and presentation of figures

Raisio plc's Interim Report Financial Report for January-September 2019 has been prepared in accordance with IAS 34, Interim Financial Reporting regulations. In the preparation of the Interim Financial Report, Raisio plc has followed the same accounting principles as in the 2018 Financial Statements with the exception of the standard amendments and interpretations concerning Raisio plc that came into effect in 2019. These are described in more detail under "Impact of new and revised standards".

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Although these estimates are based on the management's best knowledge of current events, actual results may differ from the estimates.

Compared to the 2018 Financial Statements, there have been no significant changes in the accounting principles or uncertainties included in the estimates requiring management's judgement other than the adoption of IFRS 16. The most important areas where the management has exercised judgement in applying the IFRS 16 are related to the determination of discount rate and the length of leases of indefinite duration.

Interim Report Financial Report is shown in EUR millions for continuing operations unless otherwise stated.

Impact of new and revised standards and interpretations

The Raisio Group has adopted IFRS 16 Leases introduced by International Accounting Standards Board, effective from 1 January 2019. The new standard replaced the IAS 17 and related interpretations. As a result of the IFRS 16 adoption, 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 financial leasing agreements was removed. The lessee recognises on the balance sheet the fixed asset item based on its right to use the item as well as the lease liability based on its obligation to pay rent.

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 asset items and interest expense on the lease debt instead of the rental expense previously linearly recognised.

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

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, when no adjustment was recognised in the retained earnings of the opening balance sheet and no comparative information was adjusted. Raisio applied both the reliefs 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.

Impact of new and amended standards on the Group’s opening balance sheet (M€)

	Balance sheet 31/12/2018	Adjustments	Opening balance 01/01/2019
ASSETS			
Non-current assets			
Tangible assets	35.1	1.8	36.9
Total assets	35.1	1.8	36.9
SHAREHOLDER'S EQUITY AND LIABILITIES			
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 current liabilities	0.0	1.8	1.8

Right-of-use assets and lease liabilities (M€)

	01/01/2019
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. 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 (M€)

	01/01/2019
Operating lease commitments at 31 December 2018	1.9
Discounted on the interest rate of Group's loan interest of 1.2%	-0.1
Low-cost leases recognized as expenses	-0.1
1 January 2019 IFRS 16 lease liability	1.8

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

The IFRS 16 adoption slightly improved the EBIT of the first half-year. Instead of the rental expense recognised under the previous IAS 17 accounting practice, a depreciation of the right-of-use asset and an interest expense on the lease liability presented in the financial expenses have been recognised in the income statement. The adoption of the new standard also affected the presentation of the cash flow statement when, under IFRS 16, payments of the lease liability are presented in the cash flow from financing activities and the related interest expense 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. The change improved the cash flow from operations by EUR 0.4 million.

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.

New and revised standards and interpretations applicable to future financial periods

New or revised standards applicable to future financial periods are not expected to have a significant impact on the Raisio Group's financial statements.

Alternative key figures and items affecting comparability

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

The alternative 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 recorded 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.

SEGMENT INFORMATION

In order to implement the new strategy released at the end of 2018, Raisio renewed its business structure from the beginning of 2019, due to which the reportable segments also changed.
The Raisio Group's new reportable segments, reported as of the Interim Report of January-March 2019, are: Healthy Food, Healthy Ingredients and Other Operations.

The Healthy Food segment focuses on the consumer brands with Europe as its market area.
The Healthy Food segment consists of the following operating segments: Northern Europe, Central and Eastern 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, production, procurement and supply chain are reported as part of the Healthy Ingredients segment. The production plants in Raisio and Nokia, included in the Operations under the Healthy Ingredients segment, make consumer products to the Healthy Food Unit. The Healthy Food Unit purchases its intermediary products directly from subcontractors.

For the continuing operations, comparative figures for previous 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.

Revenue by segment (M€)

	1-9/2019	1-9/2018	1-12/2018
Healthy Food			
Western Europe	47.8	49.4	66.4
Northern Europe	37.8	36.8	49.4
Eastern and Central and Europe	16.9	16.1	21.8
Total Healthy Food	102.5	102.3	137.7
Healthy Ingredients	98.9	89.5	116.6
Other operations	1.0	1.1	1.5
Interdivisional net sales	-20.6	-20.4	-27.5
Total net sales	181.8	172.6	228.2

EBIT by segment (M€)

	1-9/2019	1-9/2018	1-12/2018
Healthy Food	14.1	12.5	17.1
Healthy Ingredients	10.7	10.1	12.9
Other operations	-1.8	-3.9	-13.5
Interdivisional	0.0	0.0	0.0
Total EBIT	23.0	18.6	16.6

Net assets by segment (M€)

	30/9/2019	30/9/2018	31/12/2018
Healthy Food	84.8	84.0	83.1
Healthy Ingredients	66.2	52.6	50.5
Other operations and unallocated items	112.6	118.0	131.2
Total net assets	263.6	254.7	264.8

Investment by segment (M€)

	30/9/2019	30/9/2018	31/12/2018
Healthy Food	0.3	0.2	0.3
Healthy Ingredients	10.1	2.8	4.3
Other operations	0.5	0.8	1.0
Total investments	10.9	3.7	5.6

SALES REVENUE

Revenue by country (M€)

	1-9/2019	1-9/2018	1-12/2018
Finland	67.0	63.5	86.1
Great Britain	41.4	49.7	61.5
Other	73.5	59.4	80.6
Total net sales	181.8	172.6	228.2

Net sales by group (M€)

	1-9/2019	1-9/2018	1-12/2018
Sales of goods	180.5	171.2	226.3
Sales of services	0.9	0.9	1.3
Royalties	0.4	0.5	0.7
Total net sales	181.8	172.6	228.2

ACQUIRED BUSINESSES, DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

Acquired businesses

In the period of 1 January - 30 September 2019 and in 2018, there were no acquired businesses.

Discontinued operations

On 4 May 2018, Raisio announced that it had signed an agreement to sell its cattle feed business to Lantmännen Agro Oy. Raisio’s cattle feed business transferred to the new owner, Lantmännen Agro Oy, on 1 November 2018. At the same time, Raisio divested its associate Vihervakka Oy.

The cattle feed business was presented as a discontinued operation in the 2018 Financial Statements.

Comparative figures for earlier periods have been adjusted in terms of the income statement, cash flow statement and some key figures.

Income statement, discontinued operations (M€)

	1-9/2019 Cattle feed	1-9/2018 Cattle feed	1-12/2018 Cattle feed
Net sales	-	52.0	57.6
Cost of sales	-	-44.5	-49.3
Gross profit	-	7.5	8.4
Income and expenses from business operations	-	-4.4	-4.6
EBIT	-	3.1	3.8
Financial income and expenses	-	-	-
Share of results of associates and joint ventures	-	0.1	0.1
Result before taxes	-	3.2	3.8
Income taxes	-	-0.6	-0.8
Result of discontinued operations after taxes	-	2.6	3.1
Result of the transfer of discontinued operations after taxes	-	-	12.7
Result for the period from discontinued operations	-	2.6	15.7
Taxes of discontinued operations			
Taxes from result of discontinued operations	-	-0.6	-0.8
Taxes from result of the transfer of discontinued operations	-	-	0.2
Taxes of discontinued operations, total	-	-0.6	-0.6
Earnings per share of discontinued operations	-	0.02	0.10

Cash flows, discontinued operations (M€)

	1-9/2019 Cattle feed	1-9/2018 Cattle feed	1-12/2018 Cattle feed
Cash flow from business operations	-	-1.3	-1.0
Cash flow from investments	-1.4	-0.3	31.2
Cash flow from financing activities	-	-	4.5
Cash flow in total	-	-1.6	34.7

Impact of the discontinued cattle feed business on the Group’s financial position 30 September 2018, (M€)

	30/9/2018
Non-current assets	15.3
Inventories	7.8
Short-term receivables	5.7
Assets in total	28.8
Current liabilities	8.2
Liabilities in total	8.2
Discontinued operation, net assets	20.6

Impact of the discontinued cattle feed business on the Group's financial position 31 December 2018, (M€)

	31/12/2018
Non-current assets	15.7
Inventories	7.9
Short-term receivables	5.2
Loans receivables (cash pool)	-4.5
Liquid funds	-
Assets 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
Investment debt related to factories and other non-interest-bearing items related to net debt	-0.7
Interest-bearing net financial liability of the divested subsidiaries at the time of transfer	4.5
Enterprise value of the shares	30.2
Enterprise value of the shares	30.2
Net interest-bearing debt of the divested subsidiaries at the time of transfer	-4.5
Subsidiary divestments adjusted for cash at the time of transfer	34.7
Cash flow from sales including expenses	34.7
In the cash flow statement	
Subsidiary divestments adjusted for cash at the time of transfer	34.7
Cash flow from investments	-0.4
Cash flow from investments, value added tax	1.4
Cash flow from business operations	-1.0
Cash flow effect in total and repayments of loan receivables	34.7

PROPERTY, PLANT AND EQUIPMENT (M€)

	30/9/2019	30/9/2018	31/12/2018
Acquisition cost at the beginning of the period	272.6	310.7	310.7
Translation differences	0.2	-0.2	-0.2
Increase	12.3	3.3	5.0
Decrease	0.0	-0.7	-42.9
Assets held for sale	-	-87.7	-
Acquisition cost at the end of the period	285.2	225.5	272.6
Accumulated depreciation and impairment at the beginning of the period	237.5	260.6	260.6
Translation differences	0.2	-0.1	-0.2
Decrease and transfers	0.0	-0.1	-27.5
Depreciations and impairment for the period	3.7	3.6	4.6
Assets held for sale	-	-73.3	-
Accumulated depreciation and impairment at the end of the period	241.3	190.6	237.5
Book value at the end of the period	43.8	34.8	35.1

PROVISIONS (M€)

	30/9/2019	30/9/2018	31/12/2018
At the beginning of the period	1.1	1.1	1.1
Translation differences	0.0	0.0	0.0
Increase in provisions	-	-	-
Provisions used	-	-	-
At the end of the period	1.1	1.1	1.1

RELATED PARTY TRANSACTIONS (M€)

	30/9/2019	30/9/2018	31/12/2018
Sales to key employees in management	0.0	0.2	0.2
Purchases from key employees in management	0.7	0.9	0.8
Receivables from the key persons in the management	-	0.0	0.0
Payables to key management personnel	-	0.0	0.0

CONTINGENT LIABILITIES (M€)

	30/9/2019	30/9/2018	31/12/2018
Contingent off-balance sheet liabilities			
Non-cancelable other leases			
Minimum lease payments	0.1	1.9	1.9
Other liabilities	3.5	3.2	2.5
Guarantee liabilities on the Group companies' commitments	26.5	29.2	26.3
Commitment to investment payments	28.9	1.4	2.3

DERIVATIVE CONTRACTS (M€)

	30/9/2019	30/9/2018	31/12/2018
Nominal values of derivative contracts			
Currency forward contracts	74.0	84.0	71.7

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (M€)

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

	Carrying amount 30/9/2019	Fair value 30/9/2019	Carrying amount 31/12/2018	Fair value 31/12/2018
Financial assets				
Equity investments*)	2.7	2.7	2.2	2.2
Accounts receivables and other receivables	35.7	35.7	26.8	26.8
Investments recorded at fair value through profit or loss*)	84.4	84.4	89.0	89.0
Liquid funds	25.6	25.6	53.1	53.1
Derivatives*)	0.5	0.5	0.3	0.3
Financial liabilities				
Bank loans	11.5	11.5	22.9	23.1
Lease liabilities	1.4	1.4	0.1	0.1
Accounts payable and other liabilities	24.9	24.9	23.6	23.6
Derivatives*)	0.1	0.1	0.0	0.0

Fair value hierarchy of financial assets and liabilities measured at fair value

Of the financial assets and liabilities measured at fair value *), all except the equity investments are on the level 2. The fair value of the level 2 items is defined by valuation techniques using market pricing valuations provided by the service provider. Equity investments are on the level 3 as their fair value is not based on observable market data.

RECONCILIATIONS RELATED TO CASH FLOW STATEMENT

Other adjustments to cash flows from operations (M€)

	1-9/2019	1-9/2018	1-12/2018
Impairment for intangible and tangible fixed assets	-	-	8.7
Impairment for current assets	-	-	-
Divestment losses of subsidiary shares	-	-	-
Capital gains and losses of fixed assets	0.0	0.0	-1.2
Costs of share rewards	0.5	0.2	0.1
Other	0.0	0.0	0.0
Total adjustments in cash flow statement	0.5	0.1	7.7

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

Acquisitions and disposals of fixed assets of cash flow from investing (M€)

	1-9/2019	1-9/2018	1-12/2018
Acquisitions of fixed assets in total	-10.9	-3.8	-5.6
Payments for investments of earlier financial periods (change in accounts payable)	1.6	-0.6	-0.5
Investments funded by lease commitmenst or other non-interest-bearing debt	-0.6	0.0	0.0
Fixed asset acquisitions funded by cash payments	-9.9	-4.4	-6.1
Capital gain and loss on fixed assets in the income statement	0.0	0.0	1.2
Balance sheet value of disposed asset	0.0	0.1	0.1
Consideration received from fixed asset divestments in the cash flow statement	0.0	0.1	1.2

Net assets of the divested subsidiaries (M€)

	1-12/2018
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. loans receivables (group cash pool)	-4.5
Non-current liabilities	-
Current liabilities	7.3
Total net assets sold	17.0
Sales price	30.2
Proceeds in the cash flow statement adjusted by cash at the date of transfer	34.7

Reconciliation of liabilities related to financing activities (M€)

	31/12/2018	Cash flows	Non cash flow influenced changes			30/9/2019
			IFRS 16	Changes in exchange rates	Changes in fair value	
Non-current liabilities	22.9	-11.4	-	-	0.0	11.5
Lease liability	0.1	-0.6	1.8	0.0	-	1.3
Total liabilities for financing activities	23.0	-12.1	-	-	0.0	12.8

THE GROUP'S QUARTERLY EARNINGS (M€)

	7-9/ 2019	4-6/ 2019	1-3/ 2019	10-12/ 2018	7-9/ 2018	4-6/ 2018	1-3/ 2018
Net sales by segment							
Healthy Food	33.6	34.2	34.7	35.4	33.6	33.7	35.1
Healthy Ingredients	42.3	34.7	21.8	27.0	35.9	32.3	21.3
Other operations	0.3	0.3	0.4	0.4	0.4	0.4	0.4
Interdivisional net sales	-7.0	-6.5	-7.0	-7.1	-6.7	-6.6	-7.1
Total net sales	69.2	62.7	49.9	55.6	63.1	59.7	49.7
EBIT by segment							
Healthy Food	5.6	4.5	4.0	4.7	3.9	3.8	4.8
Healthy Ingredients	5.4	3.9	1.3	2.8	4.4	3.3	2.4
Other operations	-0.3	-1.2	-0.3	-9.6	-0.5	-0.6	-2.8
Total EBIT	10.7	7.3	5.0	-2.1	7.8	6.5	4.4
Financial income and expenses, net	0.6	0.6	0.3	-0.7	-0.1	-0.1	0.1
Share of result of associates	-	-	-	-	-	-	-
Result before taxes	11.3	7.8	5.3	-2.8	7.6	6.4	4.5
Income taxes	-2.3	0.6	-1.1	0.5	-1.7	-1.4	-1.1
Result for the period	9.0	8.4	4.1	-2.3	5.9	5.0	3.4

KEY FIGURES

Key figures have been calculated for continuing operations.

	30/9/2019	30/9/2018	31/12/2018
Net sales, M€	181.8	172.6	228.2
Change of net sales, %	5.3	-4.6	-2.7
Operating margin, M€	27.8	22.9	31.0
Comparable operating margin, M€	27.8	24.8	31.3
Depreciation and impairment, M€	4.8	4.3	14.4
EBIT, M€	23.0	18.6	16.6
% of net sales	12.6	10.8	7.3
Comparable EBIT, M€	23.0	20.6	25.6
% of net sales	12.6	11.9	11.2
Result before taxes, M€	24.4	18.5	15.7
% of net sales	13.4	10.7	6.9
Return on equity, %	10.9	7.4	4.6
Return on investment, %	16.3	16.0*	8.1
Interest-bearing financial liabilities at end of period, M€	12.8	34.4	23.0
Net interest-bearing financial liabilities at end of period, M€	-97.1	-76.4	-119.2
Equity ratio, %	83.6	76.7	81.7
Net gearing, %	-36.8	-30.0	-45.0
Gross investments, M€	10.9	3.7	5.6
% of net sales	6.0	2.1	2.4
R & D expenses, M€	3.0	2.1	2.9
% of net sales	1.6	1.2	1.3
Average personnel	329	340	335
Earnings/share, €	0.14	0.09	0.08
Comparable earnings/share, €	0.14	0.10	0.12
Cash flow from operations, M€	13.8	4.0	11.5
Cash flow from operations/share, €	0.09	0.03	0.07
Equity/share, €	1.68	1.62	1.68
Average number of shares during the period, in 1,000s			
Free shares	125 819	125 338	125 413
Restricted shares	31 524	31 989	31 917
Total	157 344	157 327	157 329
Average number of shares at end of period, in 1,000s			
Free shares	125 962	125 458	125 763
Restricted shares	31 385	31 876	31 578
Total	157 348	157 334	157 341
Market capitalisation of shares at end of period, M€			
Free shares	410.6	353.2	294.9
Restricted shares	101.1	89.3	73.3
Total	511.7	442.4	368.2
Share price at end of period			
Free shares	3.26	2.82	2.35
Restricted shares	3.22	2.80	2.32

* includes discontinued operations

FORMULAS FOR KEY FIGURES

Earnings per share	Result for the year of parent company shareholders / Average number of shares for the year, adjusted for share issue
Earnings per share shows the company's earnings per one share	

Formulas for alternative key figure calculation

EBIT	Earnings before income taxes, financial income and expenses presented in the IFRS consolidated income statement.
EBIT illustrates the economic profitability of operations and its development.	

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

EBIT, %	EBIT / Net sales x 100
The figure shows the relation between EBIT and net sales.	

Comparable EBIT, %	Comparable EBIT / Comparable net sales x 100
The figure shows the relationship between EBIT and net sales without items affecting comparability.	

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

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

Earnings before taxes	Earnings before income taxes presented in the IFRS consolidated statements.

Return on equity (ROE), %	Result before taxes – income taxes / Shareholders' equity (average over the period) x 100
Return on equity measures the earnings for the financial period in proportion to equity. The figure shows the Group's ability to generate profits from the shareholders investments.	

Return on investment (ROIC), %	Result after taxes / Operating cash* + net working capital + non-current assets x 100 (*Operating cash 4% of net sales)
Return on investment (ROIC) is a profitability or performance ratio that measures how much investors earn on the capital invested.	