Board of Directors' Report and Financial Statements 2018

RAISIO PLC

RAISIO

Contents

Board of Directors' report for 2018

Raisio is now an international brand house focusing on healthy food

Financial reporting

Year 2018

Raisio renewed its organisational structure at the beginning of 2018. The reportable segments were Healthy Food (previously Brands), Raisioagro and Other Operations. With the sale of its cattle feed business, Raisio renewed the reportable segments to correspond the Group's continuing operations. As from the 2018 Half-Year Financial Report, Raisio's reportable segments have been Healthy Food, Raisioaqua (previously part of Raisioagro) and Other Operations.

The Healthy Food segment consists of the following operating segments: Northern and Eastern Europe, Western Europe and the Rest of the World (previously Healthy Food, Benecol, Confectionery until 29 December 2017, and Benemilk). As from 1 January 2018, the Grain trade business has been reported as part of the Healthy Food Division's Northern and Eastern European operations.

The Raisioaqua segment consists of fish feed business reported as a continuing operation and as a separate operating segment.

As from 1 January 2018, Benemilk has been reported as part of the Other Operations segment.

On 4 May 2018, Raisio signed an agreement to divest its cattle feed business to Lantmännen Agro. The business was transferred to the new owner on 1 November 2018. Raisio reports the divested business as a discontinued operation in accordance with IFRS 5. Comparative figures for 2017 have been adjusted as regards the income statement, cash flow statement and key figures.

The confectionery business, divested by the Raisio Group at the end of 2017, was reported as a discontinued operation in the 2017 Financial Statements in accordance with IFRS 5.

The financial figures for the comparison periods have been adjusted to correspond to the new structure of Raisio's financial reporting. In this report, the comparison figures in brackets refer to the corresponding date or period one year earlier.

Year 2019

For the implementation of its new strategy published at the end of 2018, Raisio renewed its reportable segments to correspond the Group's business ideas. The new reportable operating segments are Healthy Food and Healthy Ingredients and Other Operations. As of the Interim Report for January-March 2019, Raisio reports according to its new structure and the comparison period figures to the extent they are available.

The Healthy Food segment focuses on the consumer brands with Europe as its key 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 fish feeds, Benecol product ingredient sales and sales of grain-based foods and their ingredients for industrial and catering companies. In addition, operations including the production, procurement and supply chain are reported as part of the Healthy Ingredients segment.

Net sales, continuing operations

Raisio Group's net sales totalled EUR 228.2 (234.6) million. Net sales of the Healthy Food Division totalled EUR 201.1 (201.4) million, those of Raisioaqua EUR 25.9 (31.8) million and those of Other Operations EUR 1.5 (1.3) million. Net sales decreased primarily due to the impact of the Russian fish feed import ban and declined sales volumes in many European markets. On the other hand, sales of novelties increased net sales.

The Healthy Food Division's net sales increased as the grain trade business, transferred to the Northern European operations, increased net sales by EUR 5.6 million from the comparison period, because grain was also purchased to the cattle feed business treated as a divested and discontinued operation and it is reported as external sales. The grain trade business was part of Raisioagro in 2017, so the grain purchased for the production of foods sold in Finland and neighbouring areas was internal trade for the Group.

The conversion impact of the British pound on the net sales of the Group and Healthy Food Division was EUR -0.6 million. This refers to the impact that arises when the subsidiaries' net sales in pounds are converted into euros as part of the consolidated financial statements.

Net sales from outside Finland were EUR 142.1 (156.2) million of the Group's total, representing 62.3 (66.6) per cent of net sales. Finland accounted for over 35 per cent, the UK for more than 25 per cent, the rest of Europe below 35 per cent and the rest of the world clearly below 5 per cent of the Raisio Group's net sales.

Net sales	2018	2017
Healthy Food. M€	201.1	201.4
Raisioaqua. M€	25.9	31.8
Other Operations. M€	1.5	1.3
Between segments. M€	-0.3	0.0
The Group total. M€	**228.2**	**234.6**
Change in net sales, %	-2.7	-9.1

Results, continuing operations

The Raisio Group's comparable EBIT amounted to EUR 25.6 (35.9) million, accounting for 11.2 (15.3) per cent of net sales. EBIT was EUR 16.6 (54.1) million, accounting for 7.3 (23.0) per cent of net sales. The main reasons behind the EBIT decrease were the impact of the Russian import ban on fish feeds, planned investments in the development of the key brands and in the novelty launches, as well as the impact of declined sales volume on EBIT. EBIT for the comparison year includes sales profits of EUR 28.0 million for the Southall factory property.

The Healthy Food Division's comparable EBIT was EUR 29.8 (39.3) and EBIT 30.8 (38.4) million. Raisioaqua's EBIT totalled EUR -0.8 (2.4) million. Comparable EBIT for Other Operations was EUR -3.4 (-5.8) and EBIT -13.5 (13.3) million.

An impairment loss of EUR -8.7 million to the brand value of Honey Monster as well as costs related to the cooperation negotiations and structural arrangements were recognised in the EBIT of Other Operations.

The conversion impact of the British pound on the comparable EBIT of the Group and Healthy Food Division totalled EUR -0.1 million. The conversion refers to the impact arising when subsidiaries' EBIT in pounds is converted into euros as part of the consolidated financial statements.

Depreciations and impairment totalled EUR 14.4 (14.0) million. The Group's net financial expenses were EUR -0.8 (-1.4) million.

The Group's comparable pre-tax result was EUR 24.8 (34.5), and pre-tax result 15.7 (52.7) million. The Group's comparable post-tax result was EUR 19.3 (27.2) and post-tax result 12.1 (40.4) million. The Group's comparable earnings per share were EUR 0.12 (0.17), and earnings per share 0.08 (0.26).

Comparable EBIT and EBIT	2018	2017
Comparable EBIT		
Healthy Food, M€	29.8	39.3
Raisioaqua, M€	-0.8	2.4
Other Operations, M€	-3.4	-5.8
The Group total, M€	**25.6**	**35.9**
Comparable EBIT of net sales, %	11.2	15.3
EBIT		
Healthy Food, M€	30.8	38.4
Raisioaqua, M€	-0.8	2.4
Other Operations, M€	-13.5	13.3
The Group total, M€	**16.6**	**54.1**
EBIT of net sales, %	7.3	23.0

Balance sheet, cash flow and financing, continuing operations

At the end of December, the Raisio Group's balance sheet totalled EUR 324.4 (361.3) million. Shareholders' equity was EUR 264.8 (264.0) million, while equity per share was EUR 1.68 (1.68). Changes in equity are described in detail in the Table section below.

Cash flow from business operations was EUR 11.5 (33.3) million in January-December. At the end of the year, working capital amounted to EUR 32.2 (18.0) million. The increase in working capital was due to the planned increase in current assets related to raw material stocks.

The Group's interest-bearing debt totalled EUR 23.0 (45.9) million at the end of December. Net interest-bearing debt was EUR -119.2 (-105.1) million.

At the end of December, Raisio's financial assets recognised at fair value through profit or loss, and cash and cash equivalents totalled EUR 142.1 million. In addition, the company had a binding, undrawn revolving credit facility of EUR 50 million. The company's strong cash position enabled its dissolution in January 2019 after the review period. Cash reserves are diversified into deposits in Nordic banks or otherwise low-risk investments.

At the end of December, the Group's equity ratio totalled 81.7 (73.4) per cent and net gearing was -45.0 (-39.8) per cent. Comparable return on investment was 8.6 (10.0) per cent, and return on investment 5.6 (15.1) per cent.

In 2018, Raisio plc paid EUR 26.6 (26.6) million in dividends for 2017.

	2018	2017
Equity ratio, %	81.7	73.4
Net gearing, %	-45.0	-39.8
Net-interest bearing debt, M€	-119.2	-105.1
Equity per share, €	1.68	1.68

Investments, continuing operations

The Group's investments totalled EUR 5.6 (10.1) million, or 2.4 (4.3) per cent of net sales. Investments of the Healthy Food Division totalled EUR 3.2 (1.5) million, those of Raisioaqua EUR 1.4 (3.0) million and those of Other Operations EUR 1.0 (5.6) million.

Raisio group's key figures

	2018			2017		
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
Income statement						
Net sales, M€	228.2	57.6	285.8	234.6	168.3	402.8
Change in net sales, %	-2.7	-	-	-9.1	-	-
Comparable EBIT, M€	25.6	3.6	29.2	35.9	10.0	45.9
Comparable EBIT of net sales, %	11.2	6.3	10.2	15.3	5.9	11.4
EBIT, M€	16.6	16.2	32.8	54.1	-57.3	-3.2
EBIT of net sales, %	7.3	28.1	11.5	23.0	-34.1	-0.8
Comparable EBITDA, M€	31.3	4.1	35.3	42.2	14.8	57.0
EBITDA, M€	31.0	16.7	47.6	68.1	-23.7	44.4
Financial income and expenses, M€	-0.8	-	-0.8	-1.4	-0.3	-1.7
Comparable earnings per share, €	0.12	0.02	0.14	0.17	0.05	0.22
Earnings per share, €	0.08	0.10	0.18	0.26	-0.37	-0.11
Balance sheet						
Equity ratio, %	81.7	-	-	73.4	-	-
Net gearing, %	-45.0	-	-	-39.8	-	-
Net interest-bearing debt, M€	-119.2	-	-	-105.1	-	-
Equity per share, €	1.68	-	-	1.68	-	-
Investments, M€	5.6	0.3	5.9	10.1	5.7	15.8

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.

Investments	2018	2017
Healthy Food, M€	3.2	1.5
Raisioaqua, M€	1.4	3.0
Other Operations, M€	1.0	5.6
The Group total, M€	**5.6**	**10.1**

Divestments

Raisio's cattle feed business transferred to the new owner on 1 November 2018

The divestment of Raisio's cattle feed business to Lantmännen Agro Oy was completed and the business transferred to the buyer on 1 November 2018. The transaction was subject to approval by the Finnish Competition and Consumer Authority. The enterprise value was EUR 34 million. Raisio's sales profit was EUR 12.5 million.

Russian factory property divested

On 26 October 2018, Raisio signed an agreement to sell its margarine factory, vacant since 2007, near Moscow in Russia. Raisio recorded sales profits of EUR 1.2 million for the transaction.

Research and development, continuing operations

The Group's research and development expenses were EUR 2.9 (2.9) million, accounting for 1.3 (1.2) per cent of net sales. R&D expenses of the Healthy Food Division totalled EUR 2.0 (2.1) million, those of Raisioaqua EUR 0.8 (0.4) million and those of Other Operations EUR 0.1 (0.3) million.

Healthy Food

The product development in Raisio's consumer brands is guided by the principles defined in Raisio's Purpose: good taste, healthiness, heart health, overall well-being and sustainable development.

The most significant novelty was Raisio's new oat innovation Elovena Muru Oat Mince launched in September. The product can be used quite in the same way as minced meat; it is ideal to anyone who wants to increase the share of vegetarian food in their diet. With its competitive price and ease of use, Elovena Muru is a real plant protein for all. The product is made in Finland.

Raisioaqua

Raisioaqua, Raisio's fish feed business, focuses on products and services that ensure the fish well-being and production efficiency while promoting responsible fish farming. Raisioaqua also continues to use and survey new and responsible raw materials for fish feeds.

Raisioaqua continues its strong investment in the further development of its digital Growth Radar application (Kasvuluotain). Growth Radar with its versatile functions can be called the control system for fish farming plants. It is in use in Finland and Russia.

Reconciliations of the alternative key figures

	2018			2017		
Items affecting comparable EBIT, EUR million	Continuing	Dis-continued	Total	Continuing	Dis-continued	Total
Comparable EBIT	25.6	3.6	29.2	35.9	10.0	45.9
+ capital gain	1.2	12.5	13.6	28.0	-	28.0
- capital loss	-	-	-	-	-38.4	-38.4
- impairment, tangible and intangible assets	-8.7	-	-8.7	-7.8	-28.7	-36.5
- impairment, inventories	-	-	-	-0.7	-	-0.7
+/- structural arrangements and streamlining projects	-1.4	0.1	-1.3	-1.3	-0.1	-1.5
+/- other items	-	-	-	-0.1	-	-0.1
Items affecting comparability, in total	-9.0	12.6	3.6	18.1	-67.3	-49.1
EBIT	16.6	16.2	32.8	54.1	-57.3	-3.2

	2018			2017		
Items affecting comparable EBITDA, EUR million	Continuing	Dis-continued	Total	Continuing	Dis-continued	Total
Comparable EBITDA	31.3	4.1	35.3	42.2	14.8	57.0
+/- Depreciations and impairment	8.7	-	8.7	7.8	28.7	36.5
+/- Items affecting EBIT	-9.0	12.6	3.6	18.1	-67.3	-49.1
Items affecting comparability, in total	-0.3	12.6	12.3	25.9	-38.5	-12.5
EBITDA	31.0	16.7	47.6	68.1	-23.7	44.4
+/- Impairment	-8.8	-	-8.8	-8.0	-28.7	-36.7
+/- Depreciations	-5.6	-0.4	-6.1	-6.0	-4.9	-10.9
EBITDA	16.6	16.2	32.8	54.1	-57.3	-3.2

Segment information

Healthy food division

The Healthy Food Division includes all Raisio's businesses related to food.

Operating environment

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 will be seen in many ways: consumers want to make responsible choices, invest in health throughout the life and prefer easy-to-use products suitable for busy everyday life.

When choosing responsibly produced food, consumers pay attention to the whole product lifecycle: from raw materials to production, distribution and consumption, all the way to the package recycling and food waste. As the proportion of people over the age of 60 continues to grow globally, health care is becoming more and more important. Instead of seeking for short-term solutions, consumers have a holistic approach to their health and well-being.

Food is at the core of Raisio's operations. We make responsible, healthy and tasty food for each moment of the day to make consumers' busy everyday life easier. We determinedly develop our product range healthier taking consumers' changing needs into account. We want to be a forerunner in responsible food, and we have set ambitious goals for our responsibility work. In addition to profitable growth, our Healthy Growth Strategy 2019-2021 emphasises the commitment to healthy food and responsible business operations.

Finnish grain crop

Due to the exceptionally dry growth season, the Finnish grain harvest was only 2.7 million tons, which is about a third less than in a normal year. Grain yields per hectare were below normal levels throughout the country but the situation was the worst in Southern Finland. Grain prices have risen in Finland during the autumn by over 60 per cent, depending on the grain. Harvest levels were clearly down also in Europe. The quality of the 2018 harvest was clearly lower than in previous years.

Raisio is able to acquire Finnish oat and wheat sufficiently for its own use. The most challenging situation is with oat as the production outcome from the lower quality harvest is clearly smaller. Oat is the Raisio's most used grain and its use increased from the comparison year. Oat used by Raisio in its own products accounts for about 40 per cent of all oat processed in Finland for food use.

Healthy Food Division's key figures, continuing operations

	2018	2017
Net sales, M€	201.1	201.4
Northern and Eastern Europe, M€	101.1	98.1
Western Europe, M€	66.4	68.2
Rest of the World, M€	33.6	35.2
Comparable EBIT, M€	29.8	39.3
Comparable EBIT, %	14.8	19.5
Items affecting comparability, M€	1.0	-0.9
EBIT, M€	30.8	38.4
EBIT, %	15.3	19.0
Investments, M€	3.2	1.5
Net assets, M€	121.2	116.7

Financial review, continuing operations

The Healthy Food Division's net sales totalled EUR 201.1 (201.4) million. Net sales for Northern and Eastern Europe were EUR 101.1 (98.1) million, for Western Europe EUR 66.4 (68.2) million and for the Rest of the World EUR 33.6 (35.2) million.

The Healthy Food Division's net sales increased as the grain trade business, transferred to the Northern European operations, increased net sales by EUR 5.6 million from the comparison period, because grain was also purchased to the cattle feed business treated as a divested and discontinued operation and it is reported as external sales. The grain trade business was part of Raisioagro in 2017, so the grain purchased for the production of foods sold in Finland and neighbouring areas was internal trade for the Group.

Over 50 per cent of the Healthy Food Division's net sales were generated in Northern and Eastern Europe, where Raisio's well-known brands are Elovena, Benecol, Nordic, Sunnuntai, Nalle, Torino and Provena. Over 30 per cent of net sales were generated from the sale of Benecol products in Western European markets, the UK, Ireland and Belgium. The rest of net sales, over 15 per cent, came from the Rest of the World business. Its net sales consisted mainly of the sales of plant stanol ester, the Benecol product ingredient.

The Healthy Food Division's comparable EBIT totalled EUR 29.8 (39.3) million, accounting for 14.8 (19.5) per cent of net sales. EBIT was EUR 30.8 (38.4) million, accounting for 15.3 (19.0) per cent of net sales. Raisio invested in the launch of Benecol and Elovena novelties, and increased communications to healthcare professionals. The significant increase in grain prices was challenging to the profitability of grain-based foods even though, with its strong brands, Raisio could pass on the higher raw material costs to the product prices. EBIT also declined as a result of sales challenges faced in Poland and Russia. The comparison year EBIT included the refund of pension payments of some EUR 0.7 million, paid to Raisio's Swedish subsidiary.

Healthy Food Division, reconciliations of the alternative key figures

Items affecting comparable EBIT, continuing operations, EUR million

	2018	2017
Comparable EBIT	29.8	39.3
+ capital gain	1.2	-
- capital loss	-	-
- impairment, tangible and intangible assets	-	-0.2
- impairment, inventories	-	-0.7
+/- structural arrangements and streamlining projects	-0.2	-
+/- other items	-	-
Items affecting comparability, in total	1.0	-0.9
EBIT	30.8	38.4

The conversion impact of the British pound on net sales was EUR -0.6 million and EUR -0.1 million on EBIT. The conversion refers to the impact that arises when the subsidiaries' net sales and EBIT in pounds is converted into euros as part of the consolidated financial statements.

Strategic consumer brands

Benecol

Benecol is Raisio's most international brand. Raisio is responsible for the Benecol product sales and marketing in its own markets in the UK, Ireland, Belgium, Finland, Poland and Hong Kong, and for the sales of plant stanol ester, the Benecol product ingredient, to licensing partners.

In the summer 2018, Raisio launched Benecol novelties into new product categories and sales channels. New Benecol snack bars are available in the UK, Finland and Poland, and Benecol Greek Style yogurts in the UK, Finland and Belgium. At the same time, delicious food was hightlighted in the marketing communications, which inspires consumers to lower their cholesterol with tasty, convenient Benecol products. The new marketing communications have also reached younger consumers; their use of Benecol products in cholesterol lowering has increased.

Furthermore, Raisio established an organisation covering its key markets. The organisation is to increase healthcare professionals' information on the importance of lowering of elevated cholesterol and to encourage them to recommend Benecol products, proven safe and effective, as part of the healthy diet.

Elovena

Elovena products are available only in Finland, but in line with its new strategy, Raisio aims to make Elovena an international oat brand over the next few years. In 2018, Elovena was elected as the most valued oat brand in Finland.

Elovena's media visibility has been determinedly grown since 2017, which have made the brand and its consumer marketing familiar to more and more consumers. Elovena novelties respond well to consumer needs, and the pioneering brand has kept up with the times and is associated with delicious food.

Raisio's latest oat innovation, Elovena Muru Oat Mince, was launched in the autumn 2018. Elovena Muru Oat Mince, made in Finland, is a plant-based alternative to minced meat and suitable for versatile cooking. In just a few months, Elovena Muru has started to compete for the market leadership of the category.

Business operations, January-December, continuing operations

Northern and Eastern Europe (main markets Finland, Poland, Russia and Ukraine)

In the Finnish market, the focus was on novelty launches and, at the end of the year, on the passing on the higher raw material costs to the product prices with Raisio's strong brands. Raisio's most significant novelties were Elovena Muru Oat Mince and Benecol Greek Style Yogurts and Benecol snack bars.

Retailers took Elovena Muru Oat Mince extensively into selections and the nationwide distribution coverage was quickly built. Sales in the Elovena snack biscuits increased by over 15 per cent. As a whole, Elovena product sales remained at the strong comparison year level. Strong sales growth for Benecol products also continued. Sales for the Torino brand grew significantly with the new vegetable pastas. The drop in sales and tightening competition in the baking category resulted in the sales decrease for the Sunnuntai brand. Comparable net sales for the Northern European operations were at the comparison year level.

Nordic flakes are Raisio's main products in Russia and Ukraine. In Russia, sales volume remained almost at the comparison year level. In roubles, net sales were almost at the comparison year level while in euros, net sales were clearly down from the comparison year due to the negative impact of the currency. Price increases were made to meet the grain price rise at the end of 2018. In Ukraine, strong sales growth continued with the Nordic products.

In Poland, Raisio focuses on the Benecol consumer products. The organisation and cost structure have been renewed to support the company's focus on its core business. Net sales were significantly down from the comparison year and EBIT was negative. However, the long-lasting slide has now been stopped. Raisio will continue measures to improve its business profitability in 2019.

Western Europe (markets: the UK, Ireland and Belgium)

In the UK, Benecol snack bars and Benecol Greek Style Yogurts were launched in the summer. Sales of the Benecol snack bars expanded to pharmacies. In addition, sales in the Benecol products expanded into over 5,500 new retail stores. The novelty launches were boosted with advertising campaigns increasing brand awareness and consumer interest to try the products. Sales in the Benecol yogurt drinks were at the comparison year level while in the Benecol spreads, sales were slightly down from the comparison year. In the UK, net sales were almost at the comparison year level.

As planned, Raisio's own sales organisation took over the Irish Benecol business at the beginning of September. In late 2018, the number of promotions was lower than in the comparison period, which in turn resulted in a clear net sales drop. Sales in Benecol spreads remained at the comparison period level while in yogurt drinks sales decreased.

In Belgium, sales in Benecol yogurt drinks and spreads were clearly down on the comparison year. Sales showed a slight increase thanks to the launch and promotions in the Benecol Greek Style Yogurts in late 2018. Net sales for Belgium clearly decreased from the comparison year. After Ireland, Belgium is the next priority area where Raisio aims to turn net sales into clear growth.

Rest of the world

The Rest of the World business includes the deliveries of plant stanol ester, the Benecol product ingredient, for the production of consumer products sold in Raisio's own markets as well as the Benecol product ingredient sales to licensing partners. The figures for the Rest of the World business also include Raisio's food exports to other than the company's own main markets.

Net sales for the Rest of the World totalled EUR 33.6 (35.2) million. Deliveries in the Benecol product ingredient for the production of consumer products sold in Raisio's own markets slightly increased from the comparison year. Deliveries to licensing partner in the US and Asia were significantly down from the comparison period. The trade challenges in the Indonesian market were resolved at the end of the year.

Raisio's licensing agreement with the Spanish partner ended at the end of 2018. In line with its new strategy, Raisio will take over Benecol product markets in Europe in case the situation with a licensing partner changes and the market is important for Raisio.

As part of its strategy work, Raisio has also assessed the functionality of the current licensing model. The licensing model remains one way to provide consumers with cholesterol-lowering Benecol products in the markets where Raisio does not operate, and especially outside Europe. Raisio will continue to further develop its licensing model in 2019.

Raisioaqua division

The Raisioaqua Division includes fish feeds.

Operating environment

The consumption of farmed fish is projected to grow globally by eight per cent by 2025. The EU aims to increase the production of farmed fish by five per cent annually. Finland and Sweden aim to double the aquaculture production over the next few years. Russia's goal is also a clear growth in the aquaculture production.

In Finland, demand for domestic fish continues to increase, but new fish farming licences and licences to increase the current quotas are rarely granted. Thanks to Raisioaqua's environmentally friendly Baltic Blend feeds, farmers still believe in positive licensing processes. In Northwest Russia, Baltic Countries and Sweden, innovative feed producers, such as Raisioaqua, have opportunities to increase their business.

Financial review

Raisioaqua's net sales totalled EUR 25.9 (31.8) million. Net sales declined by about 19 per cent on the comparison year due to the interruption of Russian exports. Fish feed deliveries to Finnish customers were almost the same as in 2017. Finland's share was nearly 45 per cent, Russia's almost 55 per cent and the share other markets was small.

Raisioaqua's EBIT totalled EUR -0.8 (2.4) million. Fish feed export to Russia declined by almost 30 per cent on the comparison year. The decrease in net sales also meant a significant decline in EBIT.

Raisioaqua Division's key figures, continuing operations

	2018	2017
Net sales, M€	25.9	31.8
Comparable EBIT, M€	-0.8	2.4
Comparable EBIT, %	-3.2	7.5
Items affecting comparability, M€	-	-
EBIT, M€	-0.8	2.4
EBIT, %	-3.2	7.5
Investments, M€	1.4	3.0
Net assets, M€	12.4	8.5

Business operations

Exports

The fish feed season had a good start in the spring, and feeds were exported more than in the comparison period. The analysis conducted by the Russian border authorities showed genetically modified soybean in some of the fish feeds made and delivered by Raisioaqua between 11 June and 10 July 2018. The use of genetically modified soybean is against Raisio's policy. 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. This concerned only a part of the transports while most of them were in order. The Russian authorities announced to close the border on 4 August 2018.

On 6 December 2018, the Russian authorities announced the end of the import ban on fish feeds and the opening of the border. The Russian border was closed four months. During the import ban, Raisioaqua could not deliver fish feeds to its Russian customers. When the import ban was lifted, the 2018 fish farming season had already ended. Northwest Russia is Raisioaqua's biggest market for fish feeds, and despite the challenging year, Raisioaqua maintained its market leader position.

The soy product Raisioaqua used in its fish feeds was supplied by a Finnish supplier whose product did not comply with the contract. Raisio continues to negotiate with the supplier on the damage compensation.

Immediately after the border was reopened, Raisioaqua continued to finalise the delivery agreements for the 2019 season with its customers. The impacts of the GMO case were minimal and the most important customers continued with Raisioqua.

Finland

The exceptionally long heat period in the summer 2018 significantly weakened the fish growth conditions in Finland and neighbouring regions, as the water temperature was so high that the fish stopped eating. Warm water also caused fish deaths, particularly in the fish farms of the interior regions of Finland. In the autumn, growth conditions were good and the growth season was longer than usually.

Due to the exceptional summer, the total fish production decreased by some 10-15 per cent. Raisioaqua delivered its Finnish customers nearly as much fish feed as in the comparison year and this way, strengthened its market position. Raisioaqua is the only Finnish fish feed manufacturer.

Benella

Contract producers for the responsibly farmed Benella fish have changed their production cycle so that particularly rainbow trout is available throughout the year. In 2018, Raisioaqua made a wholesale agreement with, for example, Hätälä Oy; this also expanded the availability of the Benella fish.

In Finland, Benella cooperation with Kesko further intensified. The store coverage, visibility and brand awareness of the Benella fish, part of Pirkka Premium Line, have significantly increased in a year. Kesko has also conducted national and local Pirkka Premium Benella campaigns in its stores and media.

In addition, some contract restaurants took Benella into their selections in Finland and Sweden. For example, already some 60 restaurants in Stockholm use Benella as raw material. The Swedish retail chains are also showing interest in Benella, and our work to open retail sales continues.

Administration and management

Board of Directors and Supervisory Board

Raisio's Board of Directors had five members from the AGM of 21 March 2018, and six prior to that. Erkki Haavisto, Ilkka Mäkelä, Leena Niemistö and Ann-Christine Sundell served as Board members throughout the financial period 2018. Michael Ramm-Schmidt was a Board member until the end of the AGM. Kari Kauniskangas started as a Board member after the AGM.

Matti Perkonoja was the Chairman of the Board until 21 March 2018. On the basis of the Articles of Association, he was not eligible to be a Board member for the following term. As from 21 March 2018, Ilkka Mäkelä was elected as Chairman of the Board and Kari Kauniskangas as Deputy Chairman.

In 2018, 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 2018.

Group Executive Committee

As of 1 January 2019, the Group Executive Committee includes President and CEO Pekka Kuusniemi, CCO of the Healthy Food Unit Iiro Wester, COO of the Healthy Ingredients Unit Jukka Heinänen, Vice President of Legal Affairs Sari Koivulehto-Mäkitalo, CFO Toni Rannikko and Vice President of HR Merja Lumme.

The Group's CFO Antti Elevuori, Vice President of Raisioagro Perttu Eerola and Vice President of Benecol business Vincent Poujardieu left Raisio and ended their services as the Group Executive Committee members in 2018.

Report on non-financial information

Raisio is an international company specialised in healthy, responsibly produced food and fish feeds. The company's key markets are in Europe and its own 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 Healthy Growth Strategy.

In Raisio's responsibility work for 2018, the focus was on the implementation of the corporate responsibility programme ended at the end of the year. Furthermore, Raisio's new corporate responsibility programme was outlined. Based on the interest group analysis, Raisio's Divisions worked together on the Good Food Plan 2019 - 2023. The Plan defines five themes in which Raisio wants to become a forerunner of responsibility: eco-friendly packaging, healthy food, healthy food professionals, sustainable food chain, climate change and carbon neutrality.

The key themes of Raisio Group's 2016 - 2018 Corporate Responsibility Programme were sustainable food chain, healthier food, as well as safety and well-being at work. During the three-year Responsibility Programme, Raisio's responsible practices were determinedly developed. The company achieved the most part of the programme targets: for example, sickness absences decreased, more than 2/3 of the products are healthy alternatives in their own categories, and only responsibility certified palm oil and soy are used in the products. Some of the programme objectives were related to long-term development of responsible procedures and, for example, the development of responsible procurement continues.

A more detailed report on the results of the 2016 - 2018 Corporate Responsibility Programme is available in Raisio's Corporate Responsibility Report published with the Annual Report in week 10 at https://annualreview2018.raisio.com.

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 ISO 9001 quality management system, ISO 14001 environmental management system and the BRC product safety certificate for food production plants.

Environment

Raisio takes environmental impacts into account widely in its operations and requires active work from its suppliers in order to minimise the environmental impact. The Group's most essential environmental impacts are energy consumption and carbon dioxide emissions.

Climate change is Raisio's most significant environmental risk. Extreme weather phenomena resulting from climate change affect energy prices as well as the quality, availability and prices of Raisio's key raw materials, such as grains. The climate risk partially realised in 2018 when, due to the exceptionally dry growth season, the Finnish grain harvest was at its lowest in over 30 years. The grain prices increased significantly in Finland. With its strong brands, Raisio was able to shift higher raw material costs to product prices. Raisio assumes its responsibility for climate change and aims at carbon neutral production by 2023.

Improvement of energy efficiency and reduction of carbon dioxide emissions are Raisio's key environmental goals. Raisio is involved in The Finnish Food and Drink Industries' Energy Efficiency Agreement. The company aims to reduce its total energy consumption by four per cent from the 2015 levels by the end of 2020. In terms of carbon dioxide emissions, Raisio's goal is a four per cent reduction from the 2017 levels by the end of 2020 and the carbon neutrality in the productions by the end of 2023.

In 2018, Raisio's industrial site achieved carbon neutrality as a result of the bioenergy plant and carbon neutral electricity. Of all the energy used by the Group, some 90 per cent was produced in a carbon-neutral way in 2018.

Social and HR matters

Raisio's longterm strategic goal is to be an attractive employer. At the end of 2018, the Raisio Group's continuing operations employed 319 (399, the comparison figure including discontinued operations) people. The Healthy Food Division had 251 (248), Raisioaqua 20 (17) and service functions 48 (61) employees. At the end of 2018, a total of 22 (19) per cent of the personnel worked outside Finland. Raisio's wages and fees for continuing operations in 2018 totalled EUR 23.1 (24.0) million including other personnel expenses. With the divestment of Raisio's cattle feed business, 70 employees transferred to the new owner.

At the beginning of the year, the Group's organisational structure and resources were directed to boost growth. In February, the company started statutory cooperation negotiations in Finland, concerning 115 employees, in order to secure its competitiveness and profitability. The cooperation negotiations concerned the Group services as well as the Healthy Food Division's marketing, product development and finance. The negotiations resulted in the termination of 20 employments. The terminations were carried out through retirements, voluntary arrangements and redundancies, and through the termination of fixed-term employment contracts. In addition, eight employments were terminated in connection with the improvement of Polish operations. New recruitments were made to increase marketing for healthcare professionals.

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, e.g. competence development and equality. Raisio promotes workplace well-being by focusing on good leadership practices and supervisory work, effective interaction and internal communications, as well as in the promotion of a good, confidential working environment.

All Raisio employees participated in the work to define the company's new values in 2018. Raisio's new values are courage, fairness and drive. They create the foundation for all our work and guide the decision-making. The implementation of values is annually assessed through, for example, performance appraisals and personnel surveys. Raisio's leadership principles were defined to support value-based activities in practice.

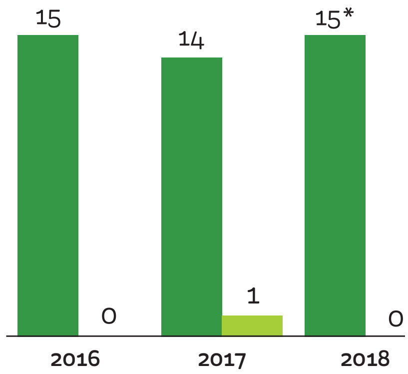
Accident prevention is the priority in the Group's safety work. In 2018, the company organised several safety trainings and introduced a new tool for safety reporting.

In terms of social and HR matters, Raisio considers workplace accidents and the stability and availability of competent workers 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

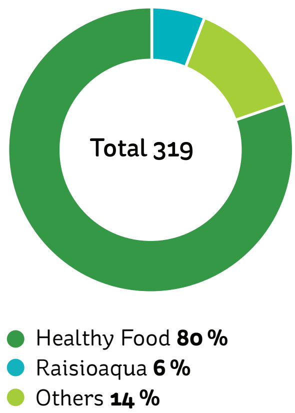
The Raisio Group respects the UN declaration of human rights, the fundamental principles and rights at work as defined by the International Labour Organization (ILO) and human rights principles of the UN Global Compact initiative. Respecting human rights is an important part of the Raisio Code of Conduct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

Accidents at work
2016 - 2018

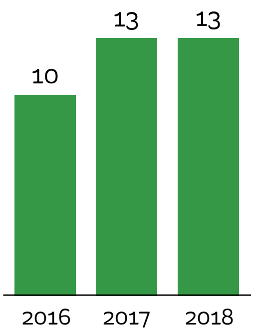


*) The method of calculation to report accidents was revised in 2018 There would have been 11 accidents recorded in 2018 as per prior

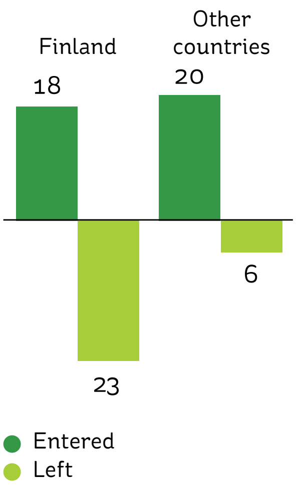
Number of employees by business
2018



Personnel turnover (%)
2016 - 2018



Personnel turnover
2018



is not aware of any human right violations related to its operations. One goal of the Good Food Plan 2019 - 2023 is to carry out a human rights impact assessment.

The company's risk survey showed that there are possible human right risks related to the supply chain. For the assessment of human right risks related to its procurement, Raisio uses BSCI's risk country classification, which guides to procure from low-risk countries. Most of Raisio's raw materials and services are purchased from low-risk regions in Finland and Central Europe. Three quarters of the company's raw materials are grains, of which almost 90 per cent are purchased from Finland, mainly directly from farmers. 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.

The company expects its suppliers to commit to the Raisio Supplier Code of Conduct. In 2018, 95 per cent of Raisio's raw materials, subcontracting and packaging in value were acquired from suppliers who have confirmed in writing to comply with the Raisio Supplier Code of Conduct. In 2018, the environmental and social aspects were more closely integrated to the Raisio's auditing criteria.

Raisio's risk survey showed that major human right risks in raw materials are related to the purchase of soy, palm oil and cocoa. Raisio has decided to use only responsibility certified soy, palm oil and cocoa.

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 policies are part of the induction programme of each new worker.

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

Raisio's strategic focus is on healthy and delicious food. In terms of healthy food, Raisio relies on the generally approved concepts confirmed by the science of nutrition. In the product development, we use the company's own product-group-specific health criteria that take all important health-related aspects into account. The criteria are based on the expert group recommendations, such as the Heart Symbol and Nyckelhålet criteria.

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

Important goals and results

Goal	Corporate Governance	Results 2018
Environment		
Reduction of carbon dioxide emissions	• Goal of the new responsibility programme: carbon-neutral production by 2023 • An interim goal: a 4% reduction in CO_2e emissions by 2020	• Total carbon dioxide emissions 1,600 (6,650) t CO_2e • Carbon dioxide emissions reduced by 75% from 2017
Improved energy efficiency	• Raisio committed to The Finnish Food and Drink Industries' Energy Efficiency Agreement • The goal is to reduce energy consumption 4% by the end of 2020	• The Group's energy efficiency goals renewed • Energy consumption 71,000 (69,200)MWh
Social and HR matters		
Promotion of well-being at work	• Development projects based on the 2017 personnel survey continued • Staff participated in the definition of Raisio's values	• Employee turnover 13% (2017:13%, 2016:10%) • Personnel survey every two years to measure well-being at work; the next survey in 2019
Continuous reduction in the frequency of workplace accidents	• In 2018, the Group's work safety culture further developed; monitoring of proactive safety indicators started (e.g. safety observations and near miss cases)	• Accidents 15 (2017: 14, 2016: 15). Method of calculation of accidents changed in 2018, according to the previous method, there were 11 accidents • Safety observations: 139 Near miss cases: 24
Human rights		
Development of procurement responsibility	• Suppliers are required to sign Raisio Supplier Code of Conduct • Raisio only uses responsibility certified palm oil, cocoa and soy	• In 2018, 95 per cent of Raisio's raw materials, subcontracting and packaging in value were acquired from suppliers who have confirmed in writing to comply with the Raisio Supplier Code of Conduct • 100% responsible palm oil • 100% responsible soy • 80% responsible cocoa
Matters related to corruption and bribery		
100% of staff completed the online training on the Raisio Code of Conduct8	• Online training is part of the induction of new employees and available in three languages	• 79% of employees have completed the online training
Healthy food		
2/3 of foods healthy alternatives in their own categories by the end of 2018	• For all its product groups, Raisio has defined health criteria based on European nutrition recommendations • The criteria are used, e.g. to support Raisio's product development	• 69% (2017: 65%, 2016: 63%) of foods were healthy alternatives in their own categories at the end of 2018

Changes in group structure

During the financial period, two new subsidiaries were established: in Finland, Raisioaqua Oy and in Ireland, Raisio Ireland Ltd. The companies started operating on 1 October 2018. Raisioaqua Oy was founded through the partial division of Raisioagro Oy. In the division, Raisioagro Oy's fish feed business was separated into its own company. The division was carried out in accordance with the paragraph 52 c of the law on taxation of business income.

The company Raisioagro Oy carrying on Raisio's cattle feed business transferred to the new owner, Lantmännen Agro Oy, on 1 November 2018. At the same time, Raisio divested the Group's associate Vihervakka Oy.

The Belgian Raisio Finance NV, a wholly-owned subsidiary of Raisio plc, was dissolved during the financial period.

Renewed dividend policy

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 dividend payment does not compromise the company's financial position or the achievement of strategic objectives.

The group's strategy for 2019–2021

In line with Raisio's new strategy, the company has a clear focus on its core businesses and healthy, responsibly produced food. Our goal is to be an innovative and increasingly international brand house. Strategic growth both organically and through acquisitions is Raisio's key target. Raisio's goal-oriented responsibility programme is also a solid part of the strategy.

The new Healthy Growth strategy is based on two strong pillars. On the other hand, Raisio continues to invest in the growth of the leading, international cholesterol-lowering Benecol brand, and on the other, we will establish a European business based on the company's strong oat expertise. Raisio aims to strengthen its international brands, Benecol and Elovena, and to reduce the number of local brands in a controlled manner.

Raisio also seeks growth by expanding into new markets in Europe and by strengthening the growth and profitability of its core businesses. The future Raisio is a strongly values-led company whose long-term success is enabled by skilled and committed employees.

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 and soy products, 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.

Preparing for Brexit is particularly important for Raisio as the UK is the biggest market for the Benecol products. Raisio has assessed major risks and necessary measures related to the Brexit implementation. Brexit together with possible changes in the sucontracting 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 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 2019

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.

Board of directors' proposal for the distribution of profits

The parent company's distributable assets based on the balance sheet on 31 December 2018 totalled EUR 103,589,876.08.

The Board of Directors proposes that a dividend of EUR 0.16 per share, of which EUR 0.04 as an extra dividend, be paid from the parent company's retained earnings. Hence, the proposed dividend will total EUR 26,423,844.80, and EUR 77,166,031.28 will be left in the profit account. No dividends will be paid on the shares held by the company on the record date 21 March 2019. The payment date of the dividend is proposed to be 3 April 2019.

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 2019

Raisio plc's
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 28 - 42, 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 pls's shares are listed on Nasdaq Helsinki Ltd. Raisio's market value at the end of 2018 was EUR 386.5 million. Overall trading totalled EUR 138.7 million. The closing price of free shares on 31 December 2018 was EUR 2.35, and that of restricted shares EUR 2.32. The Board of Directors will propose a dividend of EUR 0,16, including an extra dividend of EUR 0,04 at the Annual General Meeting in spring 2019.

Share capital and share classes

The fully paid-up share capital of Raisio plc is EUR 27,776,072.91, which on 31 December 2018 was divided into 31,791,170 restricted shares (series K) and 133,357,860 free shares (series V). No nominal value is quoted for the shares. Restricted shares accounted for 19.2% of the share capital and 82,7 % of the votes, while the corresponding figures for free shares were 80.8% and 17.3% (on 31 December 2018). The company's minimum share capital is EUR 25,000,000 and maximum share capital EUR 100,000,000. The share capital can be raised or lowered within these limits without amending the Articles of Association. There were no changes in the share capital during 2018. The company has not issued securities that entitle the holder to shares.

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

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

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

The Board may also convert restricted shares into free shares on request and likewise give advance information on whether the applicant will be granted permission to acquire restricted shares. In 2018, a total of 712,467 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 7.9 million restricted shares on the waiting list on 31 December 2018.

Ownership structure

At the end of 2018, Raisio plc had 36,448 registered shareholders (31 December 2017: 38.532).

In 2018, foreign ownership in the Company amounted to 23.9 per cent at its highest, to 23.0 per cent at its lowest and was 23.4 per cent at the end of the year (31 December 2017: 21.9%).

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

Shares held by management

The members of the Board of Directors and Supervisory Board and Managing Director as well as the companies and foundations of which they have control held a total of 640,685 restricted shares and 382,753 free shares on 31 December 2018. This equals 0.6 per cent of all shares and 1.7 per cent of overall votes.

Shareholder agreements

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

Flagging notifications

In 2018, the company did not receive any notifications of significant changes in holding and voting rights referred to in section 9 of the Securities Markets Act.

Dividend policy and dividend

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

The AGM held in March 2018 decided on a dividend of EUR 0.17 per share, which was paid to shareholders on 5 April 2018. No dividend, however, was paid on the shares held by the company. The Board will propose a per-share dividend of EUR 0.16, which includes an extra dividend of EUR 0.04, at the AGM in spring 2019. The record date is 21 March 2019 and the payable date 3 April 2019.

Raisio shares traded on Stock Exchange in 2018

The highest price of the series V share was EUR 4.59, the lowest EUR 2.33 and the average price EUR 3.41. The year-end price of the V share was EUR 2.35. A total of 38.5 million V shares were traded (34.4 million in 2017), which equals some 29 per cent of the total volume of V shares. The value of share trading was EUR 131.3 million (EUR 122.8 million).

The highest price of the series K share was EUR 4.54 and the lowest EUR 2.30. The average price was EUR 3.26. The year-end price of the K share was EUR 2.32. A total of 2.3 million K shares were traded (1.3 million), and the value of share trading was EUR 7.3 million (EUR 4.6 million).

At the end of 2018, the share capital had a market value of EUR 386.5 million (EUR 634.2 million) and EUR 368.2 million (EUR 604.1 million) excluding the shares held by the company.

Company shares

At the end of the review period, Raisio plc held 7,595,246 free shares and 212,696 restricted shares acquired between 2005 and 2012 based on the authorisation given by the Annual General Meeting (AGM) or obtained through the subsidiary merger in August 2014 or transferred to the company because the right to receive a merger consideration has expired. The number of free shares held by Raisio plc accounts for 5.7 per cent of all free shares and the votes they represent, while the corresponding figure for restricted shares is 0.7 per cent. In all, the shares held by the company represent 4.7 per cent of the entire share capital and 1.5 per cent of overall votes. Other Group companies hold no Raisio plc shares. A share held in Raisio or its subsidiary does not entitle the holder to participate in the AGM.

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

Raisio plc's Research Foundation holds 150,510 restricted shares, which is 0.47 per cent of the restricted shares and the votes they represent and, correspondingly, 0.09 per cent of the entire share capital and 0.39 per cent of the votes it represents.

Acquisition and conveyance of own shares

Based on the authorisation given by the AGM 2018, 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 2019. The number of own shares that can be purchased and/or accepted as collateral based on this authorisation totals 3.8 per cent of all shares and 3.9 per cent of the votes they represent.

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

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

During the financial period, the Board has not exercised its authorisation to repurchase own shares or accept own shares as collateral. Furthermore, the Board has not purchased or accepted as collateral any shares during the financial period based on the authorisation granted by AGM 2017 and expired on 21 March 2018.

In the review period, a total of 11,815 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 2018. The value of free shares assigned as fees to the Board was EUR 35,425 at the time of the assignment.

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

Share issue authorisation

The AGM of 2018 authorised the Board to decide on the share issues by disposing of all the shares held by the Company and any potentially repurchased own shares, a maximum total of 14,000,000 shares, 1,460,000 of which can be restricted shares at the maximum, and by issuing a maximum of 20,000,000 new free shares against payment.

Based on the authorisation, the number of the shares to be assigned and held by the Company on 31 December 2018 equals 4.7 per cent of the share capital and 1.5 per cent of the votes it represents. Furthermore, based on the authorisation, the number of issued new shares equals 12.1 per cent of the share capital and 2.6 per cent of the votes it represents.

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

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

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

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

The share issue authorisations will expire on 30 April 2019 at the latest.

Directed share issue

In December 2014, Raisio plc's Board of Directors decided on the Group's key employees' share-based incentive scheme for the period that started on 1 January 2015 and ended on 31 December 2017.

On 15 March 2018, the Board of Directors approved the bonuses paid under the share reward scheme and, in order to convey the part paid in shares to key employees, decided to implement a directed share issue without payment based on the authorisation granted to the Board by the AGM of 23 March 2017.

In the share issue, a total of 10,266 Raisio plc's free shares held by the company were conveyed without consideration to the key employees within the share reward scheme, with deviation from the shareholders' pre-emptive subscription rights. The conveyed 10,266 free shares correspond to 0,006 per cent of all Raisio plc's shares and 0,001 per cent of all votes.

There is an especially weighty financial reason for the deviation from the shareholders' pre-emptive right in the directed share issue without payment through the assignment of the company's own shares from the company's point of view and taking into account the best interests of all of its shareholders, since the purpose of the share reward scheme is to combine the objectives of owners and key employees in order to increase the company value as well as to commit the key employees to the company through direct share ownership. Direct share ownership is a way to further commit key employees to the company and to strengthen the alignment of shareholders and key employees' goals and interests. The shares were conveyed to key employees on 11 April 2018. The right to dividend and other shareholder rights begin on the day on which the shares have been registered in the key employee's book-entry account.

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

Corporate Governance

Annual General Meeting and Company Management

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

The Board is responsible for the Company's administration and the proper 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 2018..

Information on Raisio plc's shares and shareholders

25 major shareholders 31 December 2018

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	9.73
Varma Mutual Pension Insurance Company		3,567,159	3,567,159	2.16	3,567,159	0.46
Ilmarinen Mutual Pension Insurance Company		3,083,005	3,083,005	1.87	3,083,005	0.40
Niemistö Kari		2,840,000	2,840,000	1.72	2,840,000	0.37
Elo Pension Company		2,396,000	2,396,000	1.45	2,396,000	0.31
Relander Pär-Gustaf		1,855,068	1,855,068	1.12	1,855,068	0.24
Veritas Pension Insurance Company Ltd.		1,797,495	1,797,495	1.09	1,797,495	0.23
Nordea Pro Finland Fund		1,668,079	1,668,079	1.01	1,668,079	0.22
The State Pension Fund		1,300,000	1,300,000	0.79	1,300,000	0.17
Maa- ja Vesitekniikan Tuki r.y.		1,000,000	1,000,000	0.61	1,000,000	0.13
Etra Invest Oy Ab		1,000,000	1,000,000	0.61	1,000,000	0.13
Nordea Fennia Fund		842,193	842,193	0.51	842,193	0.11
Laakkonen Mikko		826,823	826,823	0.50	826,823	0.11
Svenska Lantbruksproducenternas Centralförbund Slc Rf	772,500		772,500	0.47	15,450,000	2.01
Langh Hans	679,980		679,980	0.41	13,599,600	1.77
LähiTapiola Mutual Life Insurance Company		668,332	668,332	0.40	668,332	0.09
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	1.05
Haavisto Heikki	574,374		574,374	0.35	11,487,480	1.49
Haavisto Erkki	364,940	148,653	513,593	0.31	7,447,453	0.97
OP Life Assurance Company Ltd.		491,972	491,972	0.30	491,972	0.06
Brotherus Ilkka	42,540	709,500	752,040	0.46	1,560,300	0.20
Myllymäki Erkki	370,820	73,580	444,400	0.27	7,489,980	0.97
Maataloustuottajain V-S:n liiton tukirahasto	424,980	16,940	441,920	0.27	8,516,540	1.11
Saari Markku Samuel	435,073	1,810	436,883	0.26	8,703,270	1.13

Shares registered under foreign ownership, including nominee registrations, totalled 38,637,828, or 23.4% of the total and 29.0% of free shares. Raisio plc owned 7,807,942 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 640,685 restricted shares and 382,753 free shares on 31 December 2018. This equals 0.6% of all shares and 1.7% of overall votes.

Breakdown of share capital and votes as 31 December 2018

	No of shares	% of total shares	% of total shares
Free shares	133,357,860	80.75	17.34
Restricted shares	31,791,170	19.25	82.66
Total	**165,149,030**	**100.00**	**100.00**

Breakdown of ownership structure on 31 December 2018

By owner group

Shareholders on 31 December 2018	%
Households	**46.5**
Foreign owners [2]	**23.4**
Private enterprises [3]	**8.0**
Financial and insurance institutions [1]	**4.1**
Non-profit organizations	**5.2**
Waiting list and joint account	**5.2**
Public corporations	**7.6**

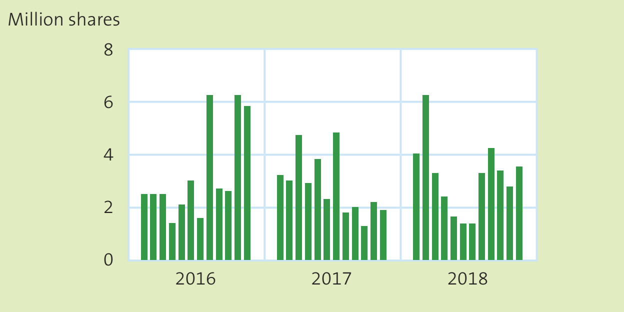
[1] excluding nominee-registered
[2] including nominee-registered
[3] including the shares held by the company

By shares held

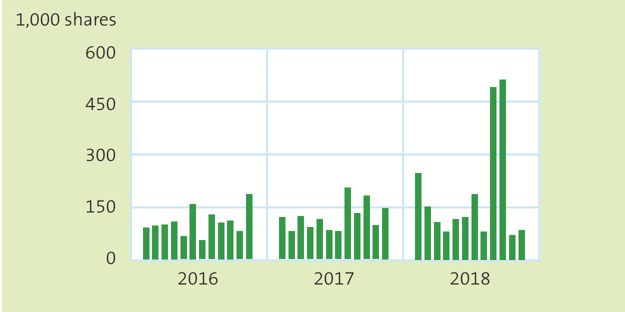
	Free shares				Restricted shares			
Shares	**Shareholdes**		**Shares**		**Shareholdes**		**Shares**	
no.	**no.**	**%**	**no.**	**%**	**no.**	**%**	**no**	**%**
1-1 000	23,800	68.9	10,130,439	7.6	2,777	58.0	969,869	3.1
1 001-5 000	8,635	25.0	20,122,987	15.1	1,294	27.0	3,103,739	9.8
5 001-10 000	1,310	3.8	9,700,906	7.3	371	7.7	2,662,588	8.4
10 001-25 000	553	1.6	8,516,379	6.4	242	5.0	3,806,794	12.0
25 001-50 000	145	0.4	5,109,129	3.8	70	1.5	2,266,753	7.1
50 001-	103	0.3	79,599,600	59.7	38	0.8	10,529,466	33.1
waiting list			0	0.0			7,861,581	24.7
joint account			178,420	0.1			590,380	1.8
total	34,546	100.0	133,357,860	100.0	4,792	100.0	31,791,170	100.0

31 December 2018 Raisio plc had a total of 36,448 registered shareholders.

Trading volume, free share

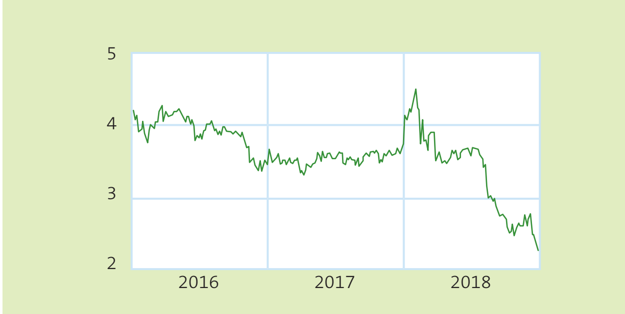


Trading volume, restricted share



Share price development, EUR, free share

Share price development, EUR, restricted share



Raisio's free share — OMX Helsinki GI

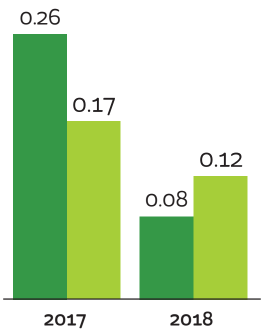
Average quotation

Share indicators

	2018	2017	2016
Earnings/share, continuing operations (EPS), € [1]	**0.08**	0.26	0.12,[3]
Comparable earnings/share, continuing operations, € [1]	**0.12**	0.17	
Earnings/share, discontinued operations (EPS), € [1]	**0.10**	-0.37	
Cash flow from business operations/share, € [1]	**0.07**	0.21	0.30,[3]
Equity/share, € [1]	**1.68**	1.68	1.99
Dividend/share, €	**0.16,[2]**	0.17	0.17
Dividend/earnings, %	**200.0**	65.4	141.7
Effective dividend yield, %			
Free shares	**6.8**	4.4	4.8
Restricted shares	**6.9**	4.4	4.4
P/E ratio			
Free shares	**29.3**	14.8	29.8
Restricted shares	**29.0**	14.8	32.1
Adjusted average quotation, €			
Free shares	**3.41**	3.57	3.85
Restricted shares	**3.26**	3.59	3.93
Adjusted lowest quotation, €			
Free shares	**2.33**	3.31	3.23
Restricted shares	**2.30**	3.31	3.27
Adjusted highest quotation, €			
Free shares	**4.59**	3.88	4.45
Restricted shares	**4.54**	3.86	4.34
Adjusted quotation 31 December, €			
Free shares	**2.35**	3.84	3.57
Restricted shares	**2.32**	3.84	3.85
Market capitalisation 31 December, M€ [1]			
Free shares	**294.9**	480.1	446.3
Restricted shares	**73.3**	124.0	125.0
Total	**368.2**	604.1	571.3
Trading, EURm			
Free shares	**131.3**	122.8	152.2
Restricted shares	**7.3**	4.6	4.6
Total	**138.7**	127.4	156.8
Number of shares traded			
Free shares, 1,000 shares	**38,482**	34,410	39,524
% of total	**28.9**	25.9	29.8
Restricted shares, 1,000 shares	**2,252**	1,280	1,167
% of total	**7.1**	3.9	3.6
Average adjusted number of shares, 1,000 shares [1]			
Free shares	**125,413**	124,927	124,898
Restricted shares	**31,917**	32,436	32,486
Total	**157,329**	157,363	157,384
Adjusted number of shares 31 December, 1,000 shares [1]			
Free shares	**125,763**	125,028	125,004
Restricted shares	**31,578**	32,291	32,470
Total	**157,341**	157,319	157,474

[1] Number of shares, excluding the company shares held by the Group
[2] According to the Board of Directors' proposal EUR 0.16 per share which includes an extra dividend of EUR 0.004.
[3] Earnings per share and cash flow from business operations per share includes continuing and discontinued operations.
The year 2016 has not been divided into continuing and discontinued operations because of the different Group structure.

Earnings/share, EPS (€)
2017 - 2018



● Earnings/share, continuing operations
● Comparable earnings/share, continuing operations

Equity per share (€)
2017 - 2018

Dividend/share (€)
2017 - 2018

*) Board of Directors' proposal

Calculation of share indicators

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

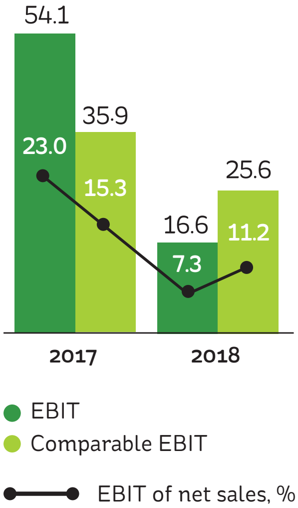
Key financial indicators, continuing operations

	2018	2017	2016	
Result and profitability				
Net sales, M€	**228.2**	234.6	258.2	
change, %	**-2.7**	-9.1		
International net sales, M€	**142.1**	156.2		
% of net sales	**62.3**	66.6		
Operating margin, M€	**31.0**	68.1	56.3	1)
% of net sales	**13.6**	29.0	12.9	
Comparable operating margin, M€	**31.3**	42.2		
% of net sales	**13.7**	18.0		
Deprecation and write-downs, M€	**14.4**	14.0	27.4	1)
EBIT, M€	**16.6**	54.1	28.9	1)
% of net sales	**7.3**	23.0	6.6	
Comparable EBIT, M€	**25.6**	35.9		
% of net sales	**11.2**	15.3		
Result before taxes, M€	**15.7**	52.7	26.8	1)
% of net sales	**6.9**	22.5	6.1	
Return on equity, ROE, %	**4.6**	14.0	5.7	1)
Return on investment, ROI, %	**5.6**	15.1	6.6	1)
Comparable return on investment, %	**8.7**	10.0		
Financial and economical position				
Shareholders' equity, M€	**264.8**	264.0	313.2	
Interest-bearing financial liabilities, M€	**23.0**	45.9	88.6	
Net interest-bearing financial liabilities, M€	**-119.2**	-105.1	26.7	
Balance sheet total, M€	**324.4**	361.3	470.0	
Equity ratio, %	**81.7**	73.4	66.8	
Net gearing, %	**-45.0**	-39.8	8.5	
Cash flow from business operations, M€	**11.5**	33.3	47.6	2)
Cash flow from business operations per share, M€	**0.07**	0.21		
Other indicators				
Gross investments, M€	**5.6**	10.1		
% of net sales	**2.4**	4.3		
R&D expenses, M€	**-2.9**	-2.9		
% of net sales	**1.3**	1.2		
Average personnel	**335**	342		

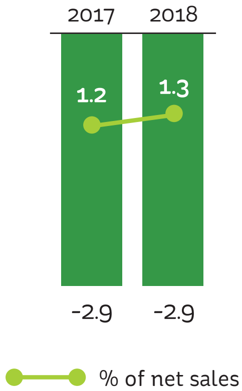
1) Key figures presented for continuing and discontinued operations. Key figures have not been adjusted because the Group structure was very different in 2016.

2) The key figures includes cash flow from discontinued operations.

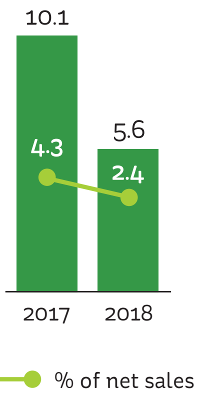
EBIT (M€)
2017 - 2018



Research & Development expenses (M€)
2017 - 2018



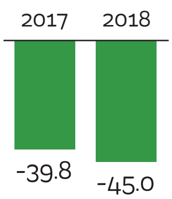
Investments (M€)
2017 - 2018



Excluding acquisitions

Equity ratio (%)
2017 - 2018

Net gearing (%)
2017 - 2018



Calculation of indicators

Earnings per share	$\dfrac{\text{Result for the year of parent company shareholders}}{\text{Average number of shares for the year, adjusted for share issue}}$

Formulas for alternative key figure calculation

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

Reconciliations to the cash flow statements, continuing and discontinued operations in total
Reconciliations related to cash flow statement

Adjustments to business cash flows

(EUR million)	2018	2017
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**	36.5
Impairment of current assets		0.7
Divestment losses of subsidiary shares	**-12.5**	38.4
Capital gains and losses of fixed assets	**-1.2**	-28.1
Costs of share rewards	**0.1**	0.0
Other	**-0.2**	-0.3
Total adjustments in cash flow statement	**-5.0**	47.3

Acquisitions and disposals of fixed assets of cash flow from investing

(EUR million)	2018	2017
Acquisition of fixed assets total	**-5.9**	15.9
Payments for investments of earlier financial periods (change in accounts payable)	**-0.6**	0.7
Investments funded by finance lease or non-interest-bearing debt	**0.0**	0.0
Fixed asset acquisitions funded by cash payments	**-6.6**	16.6
Capital gain and loss on fixed assets in the income statement	**1.2**	28.1
Balance sheet value of disposed asset	**0.1**	11.2
Consideration received from fixed asset divestments in the cash flow statement	**1.2**	39.3

Net assets of divested subsidiaries

(EUR million)	2018	2017
Capital gain or loss in the income statement excluding sales expenses directed at sales	**34.7**	-36.5
Non-current assets	**15.7**	116.4
Inventories	**7.9**	11.8
Receivables	**5.2**	17.5
Liquid funds incl. loans receivables (group cash pool)	**-4.5**	-12.6
Non-current liabilities		2.3
Current liabilities	**7.3**	17.5
Total net assets sold	**17.0**	113.4
Sales price	**30.2**	76.8
Proceeds in the cash flow statement adjusted by cash at the date of transfer	**34.7**	89.4

Cash and cash equivalent in the cash flow statement

(EUR million)	2018	2017
Cash and cash equivalents available for sale	**89.0**	2.0
Liquid funds	**53.1**	149.0
Impact of change in fair value of liquid funds	**142.1**	151.0

In addition to cash and cash equivalents, financial assets at fair value through profit or loss that mature less than one year from the acquisition date are treated as cash and cash equivalents in the cash flow statement.

Reconciliation of liabilities related to financing activities

(EUR million)	2017	Cash flows	Non cash flow influenced changes: Forward exchange contracts	Changes in exchange rates	Changes in fair value	2018
Non-current liabilities	45.7	-22.8			0.0	22.9
Current liabilities	0.0	0.0				0.0
Lease liability	0.1	-0.1				0.1
Net assets / liabilities used to hedge non-current liabilities	0.0	0.0				0.0
Total liabilities for financing activities	45.9	**-22.9**	**0.0**	**0.0**	**0.0**	**23.0**

Reconciliations of the alternative key figures

Items affecting comparable EBIT	1–12/2018			1–12/2017		
(EUR million)	Continuing	Discontinued	Total	Continuing	Discontinued	Total
Comparable EBIT	**25.6**	**3.6**	**29.2**	35.9	10.0	45.9
+ capital gain	**1.2**	**12.5**	**13.6**	28.0	-	28.0
- capital loss	**-**	**-**	**-**	-	-38.4	-38.4
- impairment, tangible and intangible assets	**-8.7**	**-**	**-8.7**	-7.8	-28.7	-36.5
- impairment, inventories	**-**	**-**	**-**	-0.7	-	-0.7
+/- structural arrangements and streamlining projects	**-1.4**	**0.1**	**-1.3**	-1.3	-0.1	-1.5
+/- other items	**-**	**-**	**-**	-0.1	-	-0.1
Items affecting comparability, in total	**-9.0**	**12.6**	**3.6**	18.1	-67.3	-49.1
EBIT	**16.6**	**16.2**	**32.8**	54.1	-57.3	-3.2

Items affecting comparable EBITDA	1–12/2018			1–12/2017		
(EUR million)	Continuing	Discontinued	Total	Continuing	Discontinued	Total
Comparable EBITDA	**31.3**	**4.1**	**35.3**	42.2	14.8	57.0
+/- Depreciations and impairment	**8.7**	**-**	**8.7**	7.8	28.7	36.5
+/- Items affecting EBIT	**-9.0**	**12.6**	**3.6**	18.1	-67.3	-49.1
Items affecting comparability, in total	**-0.3**	**12.6**	**12.3**	25.9	-38.5	-12.5
EBITDA	**31.0**	**16.7**	**47.6**	68.1	-23.7	44.4
+/- Impairment	**-8.8**	**-**	**-8.8**	-8.0	-28.7	-36.7
+/- Depreciations	**-5.6**	**-0.4**	**-6.1**	-6.0	-4.9	-10.9
EBITDA	**16.6**	**16.2**	**32.8**	54.1	-57.3	-3.2

Consolidated Income Statement

(EUR million)	Note	1.1.–31.12.2018 Continuing operations	Dis-continued operations	Total	1.1.–31.12.2017 Continuing operations	Dis-continued operations	Total
CONTINUING AND DISCONTINUED OPERATIONS:							
NET SALES	2.2.1	**228.2**	**57.6**	**285.8**	234.6	168.3	402.8
Cost of sales		**-161.0**	**-49.3**	**-210.2**	-159.0	-142.2	-301.2
Gross profit		**67.3**	**8.4**	**75.6**	75.6	26.0	101.6
Sales and marketing expenses		**-37.1**	**-3.2**	**-40.3**	-25.2	-9.0	-34.3
Administration expenses		**-12.7**	**-1.1**	**-13.8**	-22.3	-6.3	-28.5
Research and development expenses		**-2.9**	**-0.4**	**-3.3**	-2.9	-0.8	-3.6
Other income and expenses from business operations	9.1.1	**2.0**	**12.6**	**14.6**	28.9	-67.3	-38.4
EBIT		**16.6**	**16.2**	**32.8**	54.1	-57.3	-3.2
Financial income	5.1.1	**1.4**		**1.4**	1.3	0.1	1.4
Financial expenses		**-2.2**		**-2.2**	-2.7	-0.4	-3.1
Share of results of associates and joint ventures			**0.1**	**0.1**		0.0	0.0
RESULT BEFORE TAXES		**15.7**	**16.3**	**32.0**	52.7	-57.6	-5.0
Income taxes	6.1	**-3.7**	**-0.6**	**-4.2**	-12.3	0.0	-12.4
RESULT FOR THE FINANCIAL PERIOD		**12.1**	**15.7**	**27.8**	40.4	-57.7	-17.3
ATTRIBUTABLE TO:							
Equity holders of the parent company		**12.1**	**15.7**	**27.8**	40.4	-57.7	-17.3
Non-controlling interests							
		12.1	**15.7**	**27.8**	40.4	-57.7	-17.3
EARNING PER SHARE CALCULATED FROM THE RESULT OF EQUITY HOLDERS OF THE PARENT COMPANY							
Earnings per share (EUR)	7.3						
Undiluted earnings per share		**0.08**	**0.10**	**0.18**	0.26	-0.37	-0.11
Diluted earnings per share		**0.08**	**0.10**	**0.18**	0.26	-0.37	-0.11

Consolidated comprehensive income statement

(EUR million)	Note	1.1.–31.12.2018 Continuing operations	Dis-continued operations	Total	1.1.–31.12.2017 Continuing operations	Dis-continued operations	Total
CONTINUING AND DISCONTINUED OPERATIONS:							
RESULT FOR THE FINANCIAL PERIOD		**12.1**	**15.7**	**27.8**	40.4	-57.7	-17.3
OTHER COMPREHENSIVE INCOME ITEMS							
Items that will not be reclassified to profit or loss							
Change in equity investments		**0.1**		**0.1**	-0.2		-0.2
Change in tax impact	6.3	**0.0**		**0.0**	0.0		0.0
Items that may be subsequently transferred to profit or loss							
Change in value of cash flow hedging		**0.0**		0.0	0.5		0.5
Change in translation differences related to foreign companies		**-1.3**		-1.3	-5.2	-0.2	-5.4
Change in tax impact	6.3	**0.0**		0.0	-0.1		-0.1
TOTAL OTHER COMPREHENSIVE INCOME ITEMS		**-1.2**	**0.0**	**-1.2**	-5.0	-0.2	-5.1
COMPREHENSIVE INCOME FOR THE PERIOD		**10.8**	**15.7**	**26.6**	35.4	-57.9	-22.5
COMPONENTS OF COMPREHENSIVE INCOME							
Equity holders of the parent company		**10.8**	**15.7**	**26.6**	35.4	-57.9	-22.5
Non-controlling interests							
		10.8	**15.7**	**26.6**	35.4	-57.9	-22.5

Consolidated balance sheet

(EUR million)	Note	31.12.2018	31.12.2017
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	4.1	**33.3**	42.9
Goodwill	4.1.2	**46.1**	46.5
Tangible assets	4.2	**35.1**	50.1
Shares in associates	3.2		0.7
Equity investments	4.4	**2.2**	2.2
Deferred tax assets	6.2	**2.3**	2.7
		118.9	145.0
CURRENT ASSETS			
Inventories	4.5	**34.9**	30.5
Accounts receivable and other receivables	5.3.2	**28.0**	34.6
Derivative contracts	5.3.4	**0.3**	0.2
Financial assets at fair value through profit or loss	5.3.4	**89.0**	2.0
Cash in hand and at banks	5.3.5	**53.1**	149.0
		205.5	216.3
TOTAL ASSETS		**324.4**	361.3
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		**8.9**	8.9
Other funds		**-1.6**	-1.6
Company shares		**-19.8**	-19.8
Translation differences		**-19.8**	-18.5
Retained earnings		**177.7**	175.8
		264.8	264.0
Non-controlling interests		**0.0**	0.0
TOTAL SHAREHOLDERS' EQUITY		**264.8**	264.0
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	6.2	**4.0**	5.1
Provisions	9.1.2	**1.1**	1.1
Non-current financial liabilities	5.3.6	**0.1**	23.0
		5.2	29.2
Current liabilities			
Accounts payable and other liabilities	5.3.8	**30.4**	39.8
Tax liability based on the taxable income for the period	6.1	**1.0**	3.0
Provisions	10.1.2		2.1
Derivative contracts	5.3.4	**0.0**	0.2
Current financial liablities	5.3.6	**22.9**	22.9
		54.4	68.1
TOTAL LIABILITIES		**59.6**	97.2
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**324.4**	361.3

Consolidated cash flow statement

(EUR million)	Note	1.1.-31.12.2018 Continuing operations	Discontinued operations	Total	1.1.-31.12.2017 Continuing operations	Discontinued operations	Total
CASH FLOW FROM BUSINESS OPERATIONS							
Result before taxes		**15.7**	**16.3**	**32.0**	52.7	-57.6	-5.0
Adjustments::							
Planned depreciation		**5.6**	**0.4**	**6.1**	6.3	4.9	11.1
Financial income and expenses		**0.8**		**0.8**	1.4	0.3	1.7
Share of results of associates and joint ventures			**-0.1**	**-0.1**	0.0	0.0	0.0
Other adjustments		**7.7**	**-12.7**	**-5.0**	-20.2	67.5	47.3
Total adjustments	Page 24	**14.2**	**-12.3**	**1.8**	-12.5	72.6	60.2
Cash flow before change in working capital		**29.9**	**3.9**	**33.9**	40.2	15.0	55.2
Change in working capital							
Increase (-)/decrease (+) in current receivables		**1.3**	**0.4**	**1.7**	-1.7	-0.5	-2.2
Increase (-)/decrease (+) in inventories		**-11.8**	**-0.6**	**-12.3**	1.1	-1.9	-0.8
Increase (-)/decrease (+) in current interest-free liabilities		**-0.1**	**-4.2**	**-4.3**	0.9	1.4	2.3
		-10.6	**-4.4**	**-14.9**	0.3	-0.9	-0.6
Cash flow from business operations before financial items and taxes		**19.4**	**-0.4**	**18.9**	40.4	14.1	54.5
Interest paid and payments for other financial expenses from business operations		**-1.9**		**-1.9**	-2.0	-0.4	-2.4
Dividends received from business operations		**0.2**		**0.2**	0.2	0.0	0.2
Interest received and other financial income from business operations		**0.7**		**0.7**	0.8	0.0	0.9
Other financial items, net		**0.0**		**0.0**	-0.2	0.0	-0.2
Income taxes paid		**-6.8**	**-0.6**	**-7.3**	-6.0	-1.8	-7.8
NET CASH FLOW FROM BUSINESS OPERATIONS		**11.5**	**-1.0**	**10.5**	33.3	11.8	45.1
CASH FLOW FROM INVESTMENTS							
Additional acquisition of associate shares						0,0	0,0
Investments in tangible assets	Page 24	**-5.2**	**-0.4**	**-5.7**	-9.1	-5.5	-14.6
Investments in intangible assets	Page 24	**-0.9**		**-0.9**	-2.0	-0.1	-2.0
Income from the sale of the Group companies' shares adjusted for cash at the time of transfer	Page 24		**34.7**	**34.7**		89.4	89.4
Income from intangible and tangible commodities	Page 24	**1.2**		**1.2**	39.2	0.1	39.3
Increase in current liability, value added tax payable			**1.4**	**1.4**			
NET CASH FLOW FROM INVESTMENTS		**-4.9**	**35.6**	**30.8**	28.2	83.8	112.0
Cash flow after investments		**6.7**	**34.7**	**41.3**	61.6	95.4	157.1
CASH FLOW FROM FINANCIAL OPERATIONS							
Other financial items, net		**0.0**		**0.0**	0.8		0.8
Repayment of non-current loans	Page 25	**-22.9**		**-22.9**	-42.6		-42.6
Dividends and other profit distribution paid to shareholders		**-26.6**		**-26.6**	-26.6		-26.6
Net cash flow from investments		**-49.4**	**0.0**	**-49.4**	-68.4	0.0	-68.4
CHANGE IN LIQUID FUNDS		**-42.8**	**34.7**	**-8.1**	-6.8	95.4	88.7
Liquid funds at the beginning of the period		**151.0**			61.9		
Impact of changes in exchange rates		**-0.7**			0.5		
Impact of changes in market value on liquid funds		**-0.1**			-0.1		
Liquid funds at end of period	Page 25	**142.1**			151.0		

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 2017	27.8	2.9	88.6	8.9	-1.9	-19.8	-13.1	219.9	313.2	0.0	313.2
Comprehensive income for the period											
Result for the period								-17.3	-17.3		-17.3
Other comprehensive income items											
Change in equity investments					-0.2				-0.2		-0.2
Change in value of cash flow hedging					0.5				0.5		0.5
Change in translation differences related to foreign companies							-5.4		-5.4		-5.4
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	-5.4	-17.3	-22.5	0.0	-22.5
Business activities involving shareholders											
Dividends								-26.8	-26.8		-26.8
Unclaimed dividends								0.1	0.1		0.1
Transfer from retained earnings to other funds				0.1				-0.1	0.0		0.0
Share-based payments						0.0		0.0	0.0		0.0
Total business activities involving shareholders	0.0	0.0	0.0	0.1	0.0	0.0	0.0	-26.8	-26.7	0.0	-26.7
SHAREHOLDERS' EQUITY ON 31 DEC 2017	**27.8**	**2.9**	**88.6**	**8.9**	**-1.6**	**-19.8**	**-18.5**	**175.8**	**264.0**	**0.0**	**264.0**
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

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.

The Raisio Group has two operating segments, Healthy Food and Raisioaqua, as well as Other Operations. The Other Operations include service functions supporting the operating segments. Raisio is an international company focusing on healthy, responsibly produced food. Our well-known brands include, for example, Benecol, Elovena, Nalle and Sunnuntai. In Raisio's products, the focus is on well-being, health, good taste and sustainable development. The Group operates in 11 countries.

The Raisio Group is at the beginning of an inspiring journey. The Group has defined a clear focus: healthy and responsibly produced food. The Raisio Group's new purpose outlines what kind of future we are building together. Food for Health, Heart and Earth.

The consolidated financial statements have been prepared for the 12-month period 1 January - 31 December 2018. These financial statements were authorised for issue by Raisio plc's Board of Directors on 11 February 2019. Under the Finnish Companies Act, shareholders are entitled to adopt or reject the financial statements at the Annual General Meeting held after the publication of the financial statements. The Annual General Meeting may also decide to amend the financial statements.

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

1.2 Accounting policies for the financial statements

Basis of presentation

Raisio's consolidated financial statements have been prepared according to the International Financial Reporting Standards (IFRS) and following the IAS and IFRS standards as well as SIC and IFRIC interpretations in effect on 31 December 2018. 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.

Presentation currency and presentation of figures

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

Income statement by function of expense

The Group's income statement is presented using the function of expense method. Separate functions include sales and marketing, 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

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

Rental agreements

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

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

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

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

Government grants

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 IFRSs. .

1.3 Consolidation principles

Subsidiaries

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

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

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

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

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

Key estimates and discretionary solutions in the financial period 1 January - 31 December 2018

Area of discretion	Harkinnan kohde
Classification of asset as held for sale or discontinued operation	Cattle feed business as discontinued operation, 3.1
Impairment of intangible assets with indefinite life	Brand impairment. 4.1.3
Valuation of inventories	Impairment related to valuation of inventories, 4.5
The amount of deferred tax asset	Deferred tax assets on the subsidiary's loss for the financial year, 6.1
Financial risk management	Hedging against currency risk, 5.5.3

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

The Raisio Group has adopted IFRS 15 *Revenue from Contracts with Customers*, IFRS 9 *Financial Instruments* introduced by International Accounting Standards Board as well as amendments to IFRS2 *Share-based payments*, all effective from 1 January 2018. The adoption of the standards did not have a material impact on Raisio's financial statements. Other new or revised standards and interpretations have no impact on the consolidated financial statement.

The Group's opening balance sheet of 1 January 2018 has been adjusted due to the amendments to IFRS 9 and IFRS 2. Only IFRS 2 has resulted in the adjustment of retained earnings. The IFRS 15 does not have a material impact on the consolidated financial statements and it had no impact on the opening balance sheet of 1 January 2018.

Impact of new and amended standards on the Group's opening balance sheet

	Balance sheet 31 Dec 2017	Adjustment	Opening balance sheet 1 Jan 2018	Standard
Assets				
Non-current assets				
Equity investments	-	-	2.2	IFRS 2
Financial assets available for sale	2.2	-2.2	0.0	IFRS 2
Total	2.2	-2.2	2.2	
ÉQUITY AND LIABILITIES				
Equity	264.0	0.7	264.7	IFRS 9
Total equity	264.0	0.7	264.7	
Current liabilities				
Accounts payable and other liabilities	42.8	-0.7	42.1	IFRS 9
Total	42.8	-0.7	42.1	

IFRS 15 Revenue from Contracts with Customers

The Group adopted IFRS 15 on 1 January 2018. The standard superseded the previous IAS 11 *Construction contracts* and IAS 18 *Revenue as well as related interpretations*. Revenue from Contracts with Customers includes a five-step model for the recognition of sales revenue, for the amount and timing of the recognition of sales revenue. Revenue is recognised when (or as soon as) the customer acquires control over the promised goods or services in an amount that reflects the consideration to which the company expects to be entitled to the products or services concerned.

The Raisio Group's sales to customers are primarily sale of goods. The Group records sales revenue when the customer acquires control over the products. Control is seen to be transferred at a point in time according to the delivery terms. The Raisio Group has no contracts to be recognised as income by reference to the stage of completion. Revenue from services is recognised over a period of time when the service has been completed. Possible variable consideration is recorded to its most likely amount. The transaction price of a product or service does not include a significant financing component since the time between the transfer and payment of the goods or services is no more than one year. The Raisio Group adopted the standard in full retroactively. The adoption of the standard did not have a material impact on the consolidated financial statements. Therefore, the adoption of the standard has had no effect on the volume or timing of sales revenue from customer contracts.

IFRS 9 Financial instruments

The Group has adopted the IFRS 9 as from 1 January 2018. IFRS 9 includes revised guidance for the classification and measurement of financial assets, and a new model based on expected credit loss for the estimation of impairment of financial assets, as well as new requirements for hedge accounting. In addition, IFRS includes extended disclosure and presentation requirements. The Group has adopted the IFRS 9 prospectively. The adoption of IFRS 9 had no impact on the retained earnings of the opening balance sheet of 1 January 2018.

With the adopted IFRS 9, the Group's financial assets have been reclassified in three measurement categories: financial assets recorded at amortised cost, financial assets recorded at fair value in other comprehensive income and financial assets recorded at fair value through profit or loss.

Financial assets recorded at amortised cost include the financial assets that are to be held until the end of the contract and whose cash flow consists solely of capital and interest. Raisio has classified sales receivable as well as other receivables held to maturity that are non-derivatives assets as financial assets recognised at amortised cost. Equity investments previously included in the financial assets available-for-sale have been classified at fair value in the financial assets recorded 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. 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 recognised 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. The Group's financial liabilities recorded at amortised cost consist of interest-bearing loans, finance lease liabilities and non-interest-bearing liabilities. Other financial liabilities are classified to be recorded at fair value through profit or loss. Derivatives are classified either as financial assets recognised at fair value through profit or loss, or as financial liabilities if hedge accounting is applied.

IFRS 9 requires that hedge accounting is in line with the company's risk management strategy and instead of the retrospective hedging relationship efficiency testing of former IAS 39, the effectiveness of hedging is assessed largely forward on the basis of qualitative criteria. In line with its financial risk management policy, the Raisio Group may use various derivatives to hedge against interest rate and currency risks.

The Raisio Group currently uses currency forward contracts to hedge receivables and liabilities in foreign currencies as well as future commercial cash flows. Future foreign currency items are forecast monthly to the following year. On the basis of these items, the Group makes foreign exchange derivative contracts and monitors hedging efficiency. Profit effects of changes in the value of such derivative contracts, to which hedge accounting is applied and which are effective hedging instruments, are presented consistently with the hedged item. When a derivative contract is entered into, the Group processes it as hedging of a highly probable forecast transaction (cash flow hedging). Hedge accounting is discontinued in case its conditions cease to meet the qualifying criteria, the hedged item is derecognized from the balance sheet, the hedging instrument expires or it is sold or exercised or the forecast transaction is no longer expected to occur. When initiating hedge accounting, the Group documents the relationship between the hedged item and hedging instrument as well as the Group's risk management objectives and strategy for undertaking the hedge. When initiating hedging and at least in connection of each financial statements, the Group documents and assesses the effectiveness of hedging relationships by examining the hedging instrument's ability to offset the changes in fair value of hedged item or in cash flows. Change in fair value of the effective portion of derivative instruments meeting the conditions of cash flow hedging are recognised through items of 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.

Classification of financial assets and liabilities

Financial assets	IAS 39	IFRS 9
Currency foreign exchange derivatives	Fair value through profit or loss	Fair value through profit or loss
Commercial papers	Fair value through profit or loss	Fair value through profit or loss
Equity securities	Financial assets available for sale	Fair value through other comprehensive income items
Sales receivables and other receivables	Loans and other receivables	Amortised cost
Liquid funds	Loans and other receivables	Amortised cost
Financial liabilities	**IAS 39**	**IFRS 9**
Currency foreign exchange derivatives	Fair value through profit or loss	Fair value through profit or loss
Bank loans	Amortised cost	Amortised cost
Financial leasing liabilities	Amortised cost	Amortised cost
Accounts payable and other liabilities	Amortised cost	Amortised cost

The impairment model of the IFRS 9 requires that impairments are recognised based on expected credit losses. Earlier, impairments were recognised when there was evidence of impairment. The Raisio Group applies the simplified approach included in the IFRS 9, under which impairments are recognised at an amount corresponding to the expected impairments for the entire effective period. The Raisio Group recognises the credit loss provision based on the continuing operations' 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, the Raisio Group makes, when necessary, a credit loss provision higher than mentioned above in case there is objective evidence of the customer's financial difficulties. The Group does not expect significant increases in credit losses due to the adoption of the standard. IFRS 9 requires that the simplified approach is also applied to possible IFRS 15 assets and lease receivables.

IFRS 2 Share-based payments

The Group has adopted the amendments to IFRS 2 Share-based payments as of 1 January 2018. The amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions clarify the accounting treatment of certain type of arrangements. They concern three areas: measurement of cash-settled payments, share-based payments less withholding tax, and changing of share-based payments from cash-settled to equity-settled.

Due to the amendments, the Raisio Group has reclassified the cash-settled shares under the share reward schemes as part of the share-based payments payable in shares. Changes in the accounting principles have been adjusted to the 1 January 2018 opening balance sheet on retained earnings. The change concerns the following share incentive schemes: the scheme 2015-2017, the scheme 2016-2018, the scheme 2017-2019 and the scheme 2018-2020. Possible rewards of the Group's schemes 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. The amendment had a minor impact on Raisio'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 2018.

IFRS 16 Leases

IFRIC 16 is applicable in periods starting on or after 1 January 2019. The new standard will replace the IAS 17 standard and related interpretations. As a result of IFRS 16, almost all leases will be recognised in the balance sheet, with the two exemptions included in the standard relating to short-term leases of less than 12 months and leases of low value. The classification for operating and financial leasing agreements will be 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. From the lessor's perspective, the reporting remains similar to the current standard, which means that leases continue to be classified for finance lease agreements and other leases. The Raisio Group has no significant leases as a lessor.

The Raisio Group will adopt the IFRS 16 from its effective date. The Group's balance sheet will include new entries for right-of-use assets and financial liabilities related to leases for land, warehouses, business premises and vehicles.

The Raisio Group applies "the simplified approach in transition" included in the IFRS 16. The right-of-use asset item and financial liability recognised in the balance sheet are equal at the time of the transfer when no adjustment is recognised in the retained earnings of the opening balance sheet and no comparative information is adjusted. Raisio will apply both the reliefs of IFRS 16 and for these contracts, the company will not recognise the right-of-use asset or liability to the balance sheet.

IFRS 16 will have no material impact on Raisio's consolidated financial statements. Based on a preliminary assessment, the Raisio Group will recognise an asset of approximately EUR 1.9 million in rental rights and a related lease liability on 1 January 2019.

The adoption of IFRS 16 is expected to slightly improve EBIT due to the fact that according to the current accounting practice for operating leases, instead of the rental expense, a depreciation of the right-of-use asset and an interest expense for the finance lease liability presented in the financial expenses are recognised in the income statement. The adoption of the new standard will also have an impact on the presentation of the Group's cash flow statement, but the change will not significantly affect the cash flow from operations. The assessment will be completed during the first quarter of 2019.

Other new or revised standards and interpretations

IFRIC 23 Uncertainty over Income Tax Treatments (applicable on periods starting on or after 1 January 2019). The interpretation clarifies the accounting treatment in a situation where the entity's tax solution still awaits 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.

Other new or revised standard changes will not have a significant impact on the Raisio's consolidated financial statements.

1.8 Events after the review period

For the implementation of its new strategy published at the end of 2018, Raisio renewed its reportable segments to correspond the Group's business ideas. The new reportable operating segments are Healthy Food and Healthy Ingredients and Other Operations. As from the Interim Report for January-March 2019, the Raisio Group reports according to its new structure and the comparison period figures to the extent they are available.

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

2 *Income and segment information*

Content

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

2.1 Information by segment

Key estimates and discretionary solutions

The Raisio Group renewed its organisational structure at the beginning of 2018. On 4 May 2018, Raisio announced that it had signed an agreement to sell its cattle feed business to Lantmännen Agro Oy, to which the business transferred on 1 November 2018. As a result, the company changed its financial reporting and reportable segments. Raisio's strategic segments reported as continuing operations are Healthy Food (previously Brands), Raisioaqua (previously part of Raisioagro) and Other Operations. The Healthy Food and Raisioaqua segments are the Group's strategic operating units that are managed as separate units and whose performance is regularly reviewed by the top management. The products of the reportable segments are different and require different distribution channels and marketing strategies.

The Healthy Food segment consists of several separate operating segments combined into one reportable segment. Different operating segments of the reportable segment in question have similar products, production processes, customer groups, marketing strategies and risk profiles. The reportable segment's operating segments develop, manufacture, sell and market foods and their ingredients to the retailers and industry; they also license immaterial rights related to foods and their ingredients to external companies. The Healthy Food segment includes the following operating segments: Northern and Eastern Europe, Western Europe and the Rest of the World (previously Healthy Food, Benecol, Confectionery until 29 December 2017, and Benemilk).

The Grain Trade business, reported as part of the Raisioagro segment in 2017, has been reported as part of the Northern and Eastern European operations of the Healthy Food Division from 1 January 2018.

Healthy Food segment

- Northern and Eastern Europe
- Western Europe
- Rest of the world

Raisioaqua forms one operating segment that includes the fish feed business. The fish feed business of the segment makes fish feeds in its production plant located in Raisio. Raisioaqua is a forerunner in environmentally friendly feed innovations and feeding solutions as well as in digital added value services related to fish farming. Fish feeds are sold in Finland and neighbouring regions, mainly in Russia.

Raisioaqua

- Fish feed business

The Other Operations segment includes the Group's shared and serving functions: finance, funding, information management, human resource management, legal affairs, communications as well as property management and maintenance services. As from 1 January 2018, Benemilk has been reported as part of the Other Operations segment.

Raisio's cattle feed business divested to Lantmännen Agro Oy, previously reported in the Raisioagro segment, is reported as a discontinued operation in accordance with IFRS 5 in this financial statements (under 3.1 Business acquisitions and divestments). The confectionery business, divested by the Raisio Group at the end of 2017, was reported as a discontinued operation in the 2017 Financial Statements.

As for the changes, comparative figures for 2017 have been adjusted as regards the income statement, cash flow statement and key figures.

§ Accounting principles

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

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

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

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

Income statement information by segments, 2018 and 2017

1 January - 31 December 2018 EUR million	Healthy Food	Raisioaqua	Other operations	Eliminations	Group total
External sales					
Goods	200.4	25.9			226.3
Services	0.2	0.0	1.1		1.3
Royalties	0.3		0.4		0.7
Total external sales	200.9	25.9	1.5		228.2
Internal sales	0.3			-0.3	0.0
Net sales	201.1	25.9	1.5	-0.3	228.2
Depreciation	-3.2	-0.7	-1.8		-5.6
Value impairments	0.0		-8.7		-8.8
Total depreciation and value impairment	-3.2	-0.7	-10.5	0.0	-14.4
Segment EBIT	30.8	-0.8	-13.5		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 4.1.1).

1 January - 31 December 2017 (EUR million)	Healthy Food	Raisioaqua	Other operations	Eliminations	Group total
External sales					
Goods	200.9	31.8	0.0		232.8
Services	0.2	0.0	0.9		1.1
Royalties	0.3	0.0	0.5		0.8
Total external sales	201.4	31.9	1.3		234.6
Internal sales	0.0			0.0	0.0
Net sales	201.4	31.9	1.3	0.0	234.6
Depreciation	-3.6	-0.5	-1.9		-6.0
Value impairments	-0.5		-7.5		-8.0
Total depreciation and value impairment	-4.1	-0.5	-9.4	0.0	-14.0
Segment EBIT	38.4	2.4	13.3		54.1
Reconciliation					
Segment EBIT					54.1
Financial income and expenses					-1.4
Taxes					-12.3
Discontinued operations					-57.7
Result for the period					-17.3

The Raisio Group's cattle feed business transferred to the new owner on 1 November 2018. The cattle feed business is reported in the discontinued operations in the 2018 Financial Statements. Figures of the comparison period have been altered accordingly. The confectionery business divested on 2017 is included in the discontinued operation in the 2017 Financial Statements.

Balance sheet information by segments, 2018 and 2017

1 January - 31 December 2018 (EUR million)	Healthy Food	Raisioaqua	Other operations	Eliminations	Group total
Segment assets	145.8	13.0	20.7	-0.4	179.1
Including:					
Increase in non-current assets	3.2	1.4	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	24.7	0.6	6.1	-0.4	30.9
Reconciliation of liabilities to Group liabilities					
Segment liabilities					30.9
Deferred tax liability					4.0
Financial liabilities					
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

1 January - 31 December 2017 (EUR million)	Healthy Food	Raisioaqua	Other operations	Eliminations	Group total
Segment assets	139.1	10.1	30.3	-0.3	179.2
Including:					
Increase in non-current assets	1.5	3.0	5.6		10.1
Reconciliation of assets to Group assets					
Segment assets					179.2
Segment assets from discontinued operations					28.2
Deferred tax assets					2.7
Loans receivable and other receivables related to financing					0.0
Derivates					0.2
Financial asssets at fair value through profit or loss					2.0
Liquid funds					149.0
Recognised assets					361.3
Segment liabilities	22.4	1.6	7.2	-0.3	30.9
Reconciliation of liabilities to Group liabilities					
Segment liabilities					30.9
Segment liabilities from discontinued operations					11.7
Deferred tax liability					5.1
Derivates					0.2
Financial liabilities at fair value through profit or loss					45.9
Tax liability					3.0
Dividend liability					0.4
Liability related to financing					0.0
Recognised liabilities					97.3
Net assets					264.0

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)	2018	%	2017	%
Finland	**38.6**	34	45.3	35
UK	**75.7**	66	84.8	65
Rest of Europe	**0.1**	0	0.3	0
Total	**114.4**	100	130.3	100

Geographical information

The Group operates in different geographical areas as follows:

(EUR million)	1–12/2018	%	1–12/2017	%
Revenue from external customers, Group				
Finland	**86.1**	**37.7**	78.3	33.4
UK	**61.5**	**26.9**	57.8	24.6
Rest of Europe	**76.2**	**33.4**	92.4	39.4
Rest of the world	**4.5**	**2.0**	6.1	2.6
Total	**228.2**	**100.0**	234.6	100.0
Revenue from external customers, Healthy Food segment				
Finland	**73.5**	**36.6**	65.9	32.7
UK	**61.1**	**30.4**	57.3	28.5
Rest of Europe	**61.9**	**30.8**	72.4	35.9
Rest of the world	**4.4**	**2.2**	5.8	2.9
Total	**200.9**	**100.0**	201.4	100.0
Revenue from external customers, Raisioaqua segment				
Finland	**11.6**	**44.6**	11.6	36.4
Russia	**14.0**	**54.0**	19.5	61.4
Rest of Europe	**0.3**	**1.2**	0.5	1.5
Rest of the world	**0.1**	**0.2**	0.3	0.8
Total	**25.9**	**100.0**	31.8	100.0
Revenue from external customers, others				
Finland	**1.1**	**73.2**	0.9	68.8
UK	**0.4**	**26.8**	0.4	31.2
Total	**1.5**	**100.0**	1.3	100.0

The markets of the Healthy Food operating segment are Northern and Eastern Europe, Western Europe and Rest of the World. The main markets of the Healthy Food operating segment's Northern and Eastern European operations are Finland, Poland, Russia and Ukraine. Net sales for the operating segment consist mainly of the sales of products of the Benecol, Elovena and Nordic brands. The markets in the Western European business include the UK, Ireland and Belgium. Net sales for these markets consist of the sales of Benecol consumer products. The Rest of the World includes the sales of Benecol product ingredient and food exports to other than the Group's main market areas.
The Raisioaqua operating segment's key market areas are Finland and Northwest Russia.
Income of the Other Operations operating segment mainly includes rental and royalty income.

Net sales by region
Healthy Food Division (M€)

2018

- Finland **73.5**
- UK **61.1**
- Rest of Europe **61.9**
- Rest of the world **4.4**

2017

- Finland **65.9**
- UK **57.3**
- Rest of Europe **72.4**
- Rest of the world **5.8**

Net sales by region
Raisioaqua Division (M€)

2018

- Finland **11.6**
- Russia **14.0**
- Rest of Europe **0.3**
- Rest of the world **0.1**

2017

- Finland **11.6**
- Russia **19.5**
- Rest of Europe **0.5**
- Rest of the world **0.3**

2.2 Revenue

§ Accounting principles

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

Revenues from the sale of goods are recorded when the customer has gained the ownership 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 when the subsequent sale is entered as income.

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.

Sales revenue

(EUR million)	1–12/ 2018	%	1–12/ 2017	%
Sales of goods	**226.3**	99.2	232.8	99.2
Sales of services	**1.3**	0.6	1.1	0.5
Royalties	**0.7**	0.3	0.7	0.3
Net sales, in total	**228.2**	100.0	234.6	100.0

Sales revenue by segment

(EUR million)	1–12/ 2018	%	1–12/ 2017	%
Northern and Eastern Europe	**101.06**		98.09	
Western Europe	**66.42**		68.17	
Rest of the world	**33.64**		35.16	
Healthy Food	**201.1**	88.1	201.4	85.9
Raisioaqua	**25.9**	11.4	31.8	13.6
Others	**1.5**	0.6	1.3	0.6
Sales between segments	**-0.3**	-0.1	-0.0	-0.0
Net sales, in total	**228.2**	100.0	234.6	100.0

The Group's customer base consists of a relatively large number of customers in different market areas. In 2018 and 2017, the Group had no major customers, as defined in IFRS 8, whose revenue to the Group would have exceeded 10% of the entire Group's net sales.

Net sales in different currencies

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

Net sales in different currencies, local functional currencies 2018

(EUR million)	
EUR	142.6
GBP	64.8
RUB	9.1
PLN	6.8
UAH	4.1
USD	0.8

Net sales in different currencies (M€) 2018

Transaction risk

A significant part of the Raisio Group's sale takes place in local functional currencies and thus, does not pose a transaction risk. When sales are made in a currency other than the functional currency, the Raisio Group's policy is to hedge these sales as well as highly probable future sales using a forward exchange contract. The Raisio Group's different business units are responsible for the monitoring and hedging of the transaction risk related to their operations. In hedge accounting, the hedging results of the forward exchange contracts are allocated to the income statement at the same time as the revenue recognition of the exchange rate change of the hedged item. The Raisio Group's most significant sales-related transaction risks are in the US dollar and Swiss franc for the Healthy Food segment's Northern and Eastern European operating segment and in euros for the Western European operating segment.

Transaction risk of net sales 2018

(EUR million)	EUR	USD	CHF	RUB	SEK
a change of +10% in exchange rate	**0.3**	0.4	1.0	0.4	0.1
a change of -10% in exchange rate	**-0.3**	-0.4	-1.0	-0.4	-0.1

Translation risk

Changes in the closing date exchange rates affect the Raisio Group's euro denominated net sales resulting in a translation risk. 37.5 per cent of the Raisio Group's net sales are generated in a functional currency other than the euro, so the translation risk is essential for the Group, particularly in respect of the British pound. However, the translation risk is not, as a rule, hedged with the currency derivatives.

Translation risk of net sales 2018

(EUR million)	USD	GBP	PLN	RUB	SEK	UAH
a change of +10% in exchange rate	**0.1**	5.9	0.6	0.8	0.0	0.4
a change of -10% in exchange rate	**-0.1**	-7.2	-0.8	-1.0	0.0	-0.5

3 Group structure

Content

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

3.1 Business acquisitions and divestments

Business acquisitions

In 2018 and 2017, no business acquisitions were made.

Accounting principles

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

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.

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.

Raisio's confectionery operations in the UK and Czech Republic were partly transferred to become part of Valeo Foods Group in 2017. The arrangement was carried out as a share transaction and its enterprise value was EUR 100 million. The buyer paid an enterprise value of EUR 76.8 million to Raisio for the confectionery business shares. For the divestment of its confectionery business, Raisio recorded divestment loss of EUR 38.4 million. Raisio's divested confectionery business included six production plants in the UK and Czech Republic, as well as the brands, of which Poppets, Fox's, XXX, Just and Pedro are the best-known. The confectionery business was presented as a discontinued operation in the 2017 Financial Statements in accordance with IFRS 5.

Financial statements, discontinued operations

(EUR million)	1–12/2018 Cattle feeds	1–12/2017 Cattle feeds	Confectionery	Total
Net sales	**57.6**	72.3	96.0	168.3
Cost of sales	**-49.3**	-63.9	-78.3	-142.2
Gross profit	**8.4**	8.3	17.7	26.0
Income and expenses from business operations	**7.9**	-6.5	-9.8	-16.2
Write-down on goodwill before the transfer			-28.7	-28.7
EBIT	**16.2**	1.9	-20.8	-18.9
Financial income and expenses		0.0	-0.3	-0.3
Share of results of associates and joint ventures	**0.1**	0.0		0.0
Result before taxes	**16.3**	1.9	-21.1	-19.2
Income taxes	**-0.6**	-0.4	0.3	0.0
Result of discontinued operations after taxes	**15.7**	1.5	-20.8	-19.3
Result of the transfer of discontinued operations after taxes			-38.4	-38.4
Result for the period from discontinued operations	**15.7**	1.5	-59.2	-57.7
Taxes of discontinued operations				
Taxes from result of discontinued operations	**-0.6**	-0.4	-1.3	-1.6
Taxes from result of the transfer of discontinued operations			1.6	1.6
Taxes discontinued operations total	**-0.6**	-0.4	0.3	0.0

Cash flow of discontinued operations

(EUR million)	1–12/2018 Cattle feeds	1–12/2017 Cattle feeds	1–12/2017 Confectionery
Cash flow from business operations	**-1.0**	4.2	7.6
Cash flow from investments	**31.2**	-0.2	71.4
Cash flow from financing activities, change in loan receivables	**4.5**		-5.6
Cash flow in tolal	**34.7**	4.0	73.4

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

(EUR million)	1–12/2018	1–12/2017
Non-current assets	**15.7**	16.2
Inventories	**7.9**	7.3
Short-term receivables	**5.2**	5.5
Loan receivables (cash pool)	**-4.5**	0.6
Liquid funds	**0.0**	0.1
Funds in total	**24.3**	29.7
Current liabilities	**7.3**	11.7
Total liabilities	**7.3**	11.7
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**	

Divested Farms business EPS

Earnings per share in 2018 were EUR 0.10. In 2017 earnings per share were EUR 0.01.

Impact of the discontinued Confectionery business on the Group's financial position

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

Divested Confectionery business EPS

Earnings per share in 2017 were EUR -0.38.

3.2 Shares in associates

Associates

The Group has no associates at the balance sheet date. In 2017, the Group had one associate company, Vihervakka, which was included in Raisio's cattle feed business. 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	2017
Carrying value 1.1.	0.7	0.7
Additions		0.0
Deductions	-0.8	0.0
Share of the financial period profit	0.1	0.0
Carrying value 31 December	0.0	0.7

The carrying value of the associate does not include goodwill.

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

EUR million	2018	2017
Assets		2.6
Liabilities		0.8
Net sales	2.0	1.2
Profit/loss	0.0	-0.1

Dividends of EUR 7.9 thousand were received from the associate in 2018 (EUR 7.7 thousand in 2017).

3.3 Subsidiaries and the non-controlling interest

The Group structure on the closing date:

	Number of wholly owned subsidiaries		Number of partly owned subsidiaries	
	2018	2017	2018	2017
Healthy Food	9	15	0	3
Raisioaqua	1	1		
Other operations	8	2	3	

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

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

Two new subsidiaries were established during the financial year: Raisioaqua Ltd in Finland and Raisio Ireland Limited in Ireland. The companies started their actual operations on 1 October 2018. Raisioaqua was created through the partial division of Raisioagro Ltd. The idea for the division was to separate Raisioagro Ltd's two different businesses, farm feed and fish feed activities, into their own companies. The division was carried out in accordance with the paragraph 52 c of the law on taxation of business income.

Raisioagro Ltd, carrying on Raisio's cattle feed business, transferred to the new owner, Lantmännen Agro Oy, on 1 November 2018.

The Belgian Raisio Finance NV, a wholly-owned subsidiary of Raisio plc, was dissolved during the financial period.

Key estimates and discretionary solutions

Intercompany changes were carried out during the financial period. Reso Mejeri Produktion 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.

	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	
Raisioaqua		
Raisioaqua Ltd, Raisio	100.00	100.00
Other operations		
Raisionkaari Industrial Park Ltd	100.00	50.00
Benemilk Ltd, Turku	57.00	
Big Bear Group Limited, UK	100.00	
CentrIQ Corporation, USA	57.00	
FDS Informal Foods Limited t/a Snacks Unlimited, UK	100.00	
Glisten Limited, UK	100.00	
The Glisten Confectionery Company Limited, UK	100.00	
Honey Monster Foods Limited, UK	100.00	
Nordic Feed Innovations Ltd, Turku	76.00	76.00
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 indefinite useful lives use 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..

4.1.1 Intangible rights and assets

Key estimates and discretionary solutions

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 test calculation of the balance sheet value of the trademarks with indefinite useful lives indicated that the value of Honey Monster trademark was impaired. The Honey Monster brand is not in line with the company's new strategy focusing on healthy food and involves no significant revenue expectations. Raisio licensed the Honey Monster brand in the UK in 2016, and the company itself sells similar products in Sweden and Denmark.

INTANGIBLE ASSETS 2018

(EUR million)	Development expenses	Intangible rights	Other long-term expenditure	Advances paid and incomplete acquisitions	Intangible assets total
Acquisition cost 1 January	1.2	56.2	17.9	5.2	80.6
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	1.2	55.6	18.2	5.2	80.3
Accumulated depreciation and write-downs 1 January	-1.2	-16.8	-14.8	-4.9	-37.7
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	-1.2	-25.7	-15.2	-4.9	-47.0
Book value 1 January 2018	0.0	39.4	3.2	0.3	42.9
Book value 31 December 2018	0.0	29.9	3.0	0.3	33.3

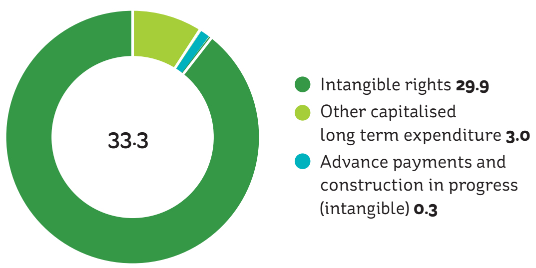
INTANGIBLE ASSETS 2017

(EUR million)	Development expenses	Intangible rights	Other long-term expenditure	Advances paid and incomplete acquisitions	Intangible assets total
Acquisition cost 1 January	1.2	73.8	17.2	6.3	98.5
Translation differences		-2.1	0.0		-2.1
Increase		0.3	1.2	0.5	2.1
Divestment and other decreases		-15.8	-2.1		-17.9
Reclassification between items			1.6	-1.6	0.0
Acquisition cost 31 December	1.2	56.2	17.9	5.2	80.6
Accumulated depreciation and write-downs 1 January	0.0	-20.2	-16.3		-36.5
Translation differences		0.4	0.0		0.5
Accumulated depreciation of decrease and transfers		5.8	2.1		7.9
Depreciation for the financial period	-0.1	-1.2	-0.6		-1.9
Write-downs and their returns	-1.1	-1.7		-4.9	-7.8
Accumulated depreciation 31 December	-1.2	-16.8	-14.8	-4.9	-37.7
Book value 1 January 2017	1.2	53.6	0.9	6.3	62.0
Book value 31 December 2017	0.0	39.4	3.2	0.3	42.9

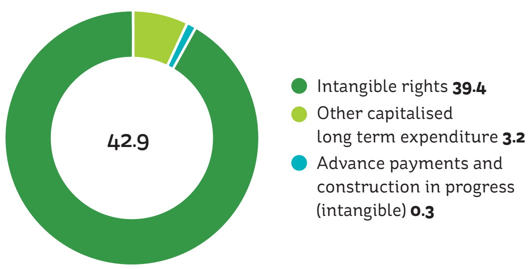
Impairments are mainly related to the Benemilk business, totalling EUR 7.5 million.

Intangible assets (M€)

2018



2017



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. The impairment depreciation of intangible rights, EUR 8.7 million, is related to the impairment of the Honey Monster trademark.

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 37.3 million on 31 December 2017.

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.

There are no capitalised product development expenses in the 2018 Financial Statements.

Key estimates and discretionary solutions

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

4.1.2 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 forecast cash flows. The forecast cash flows are based on the management's estimates. The discount rate of calculations is based on the average cost of capital (WACC) that is applied in the currency area in which the cash flow generating unit can be considered to locate.

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

Goodwill reconciliation

(EUR million)	2018	2017
Acquisition price 1 January	**49.7**	157.3
Translation difference	**-0.4**	-2.2
Divestments and deductions	**0.0**	-105.4
Acquisition cost 31 December	**49.3**	49.7
Accumulated depreciation and impairment 1 January	**3.2**	3.2
Translation difference	**0.0**	0.9
Divestments and deductions		-29.7
Impairment and recoveries	**0.0**	28.7
Accumulated depreciations 31 December	**3.2**	3.2
Book value 31 December	**46.1**	46.5

Impairment depreciation of goodwill is related to the discontinued Confectionery business, totalling EUR 28.7 million.

4.1.3 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 46.1 million at the closing date on 31 December 2018.

In connection with the business combinations of the acquisitions included in the Healthy Food segment, the recognised brands have been estimated to have indefinite useful lives. The reputation and long history of the brands support the management's view that the brands will generate cash flows for an indefinite time. The value of brands of the Healthy Food segment totalled EUR 28.3 million at the closing date on 31 December 2018.

Key estimates and discretionary solutions

The test calculation of the balance sheet value of the trademarks with indefinite useful lives indicated that the value of 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. Raisio licensed the Honey Monster brand in the UK in 2016, and the company sells similar products in Sweden and Denmark.

(EUR million)	31.12.2018	31.12.2017
Honey Monster	1.0	9.8
Benecol UK	27.3	27.5
Total	28.3	37.3

Impairments for the continuing operations with indefinite useful lives, by operation.

(EUR million)	2018	2017
Impairment, continuing operations		
Sales and marketing	**8.7**	
Total	**8.7**	0.0

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	2018	2017
UK operations, Benecol		
Growth percentage *)	**2.0%**	2.0%
Discount rate, before taxes	**7.6%**	7.2%

*) 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 13.3 per cent (before taxes) or when the EBIT level falls permanently more than 58.5 per cent of the management's estimates.

4.2 Property, plant and equipment

Accounting principles

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

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

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

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

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

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

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

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

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.

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.

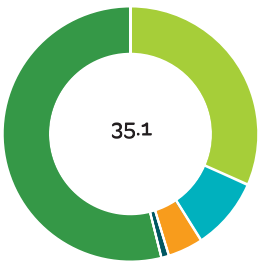
Tangible assets 2017

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

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

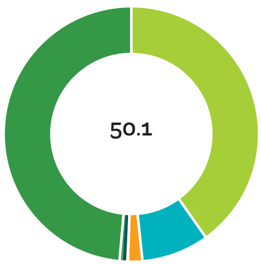
Tangible assets (M€)

2018



- Machinery and equipment **18.8**
- Buildings and structures **11.1**
- Land and Water **3.4**
- Advance payments and construction in progress (tangible) **1.5**
- Other tangible assets **0.3**

2017



- Machinery and equipment **24.6**
- Buildings and structures **20.1**
- Land and Water **4.2**
- Advance payments and construction in progress (tangible) **1.0**
- Other tangible assets **0.3**

4.3 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 recognised 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.

Notes

(EUR million)	2018	2017
Equity investments and shares	**2.2**	2.2
	2.2	2.2
At the beginning of financial period	**2.2**	2.3
Changes	**0.1**	-0.2
At the end of financial period	**2.2**	2.2

4.4 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, continuing operations

(EUR million)	2018	2017
Impairment, continuing operations		
Administration	**0.0**	7.8
Research and product development	**0.0**	0.2
Total	**0.0**	8.0

In 2018, there were no significant impairments in the balance sheet values of long-term intangible and tangible assets. The impairment in 2017, a total of EUR 7.5 million, is primarily related to the Benemilk business.

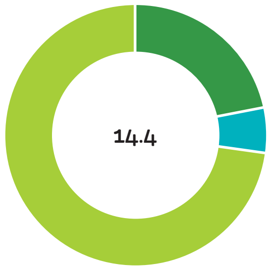
4.4.1 Depreciation and impairment

Depreciation and impairment

(EUR million)	2018	2017
Depreciation by asset group		
Depreciation on intangible assets, continuing operations		
Intangible rights	0.8	1.1
Other intangible assets	0.7	0.7
Total	1.5	1.7
Depreciation on intangible assets, discontinued operations	0.0	0.0
	1.5	1.7
Depreciation on tangible assets, continuing operations		
Buildings	1.2	1.3
Machinery and equipment	3.0	3.0
Other tangible assets	0.0	0.0
Total	4.2	4.3
Depreciation on tangible assets, discontinued operations	0.4	4.9
	4.6	9.2
Impairment by asset group, continuing operations		
Intangible rights	8.7	1.7
Other intangible assets	0.0	6.0
Buildings		0.2
Machinery and equipment	0.0	0.0
Other tangible assets		0.0
Total	8.8	8.0
Impairment by asset group, discontinued operations	0.0	28.7
	8.8	36.7
Total depreciation and impairment, continuing operations	14.4	14.0
Total depreciation and impairment, discontinued operations	0.4	33.6
	14.9	47.6
Depreciation by activity, continuing operations		
Cost of sales	3.4	3.5
Sales and marketing	0.2	0.1
Administration	1.9	1.8
Research and development	0.2	0.6
Total	5.6	6.0
Depreciation by activity, discontinued operations	0.4	4.9
	6.1	10.9
Impairment, continuing operations		
Sales and marketing	8.7	
Administration	0.0	7.8
Research and development		0.2
Total	8.8	8.0
Impairment, discontinued operations		28.7
	8.8	36.7

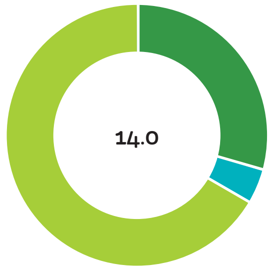
Depreciation and impairment, continuing operations (M€)

2018



- Healthy Food Division **3.2**
- Raisioaqua Division **0.7**
- Other Operations **10.5**

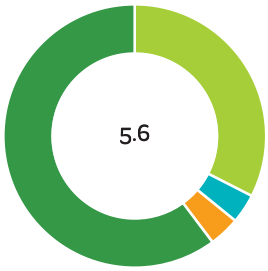
2017



- Healthy Food Division **4.1**
- Raisioaqua Division **0.5**
- Other Operations **9.4**

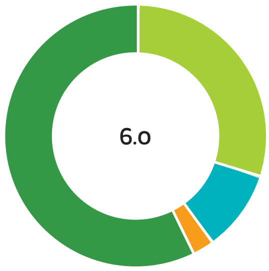
Depreciations continuing operations (M€)

2018



- Cost of sales **3.4**
- Administration **1.9**
- Research and development **0.2**
- Sales and marketing **0.2**

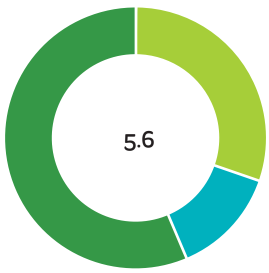
2017



- Cost of sales **3.5**
- Administration **1.8**
- Research and development **0.6**
- Sales and marketing **0.1**

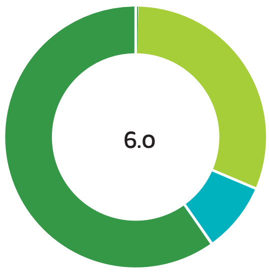
Depreciation by division (M€)

2018



- Healthy Food Division **3.2**
- Raisioaqua Division **0.7**
- Other Operations **1.8**

2017



- Healthy Food Division **3.6**
- Raisioaqua Division **0.5**
- Other Operations **1.9**

4.5 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.

Inventories

(EUR million)	2018	2017
Materials and supplies	**23.8**	18.6
Unfinished goods	**3.1**	2.8
Finished products/goods	**8.1**	8.7
Other inventories	**0.0**	0.1
Advance payments	**0.0**	0.2
Inventory, total	**34.9**	30.5

Key estimates and discretionary solutions

An impairment of EUR 0.4 million was made for the Raisioaqua segment's Finished products item in the Financial Statements of 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. 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. A EUR 0.7 million impairment was made on the Healthy Food segment's Other inventories related to the milling machines held for sale in the spare parts warehouse in the Financial Statements 2017.

5 *Financial items and risk management*

Content

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

5.1 Financial income and expenses

Notes

5.1.1 Financial income and expenses

(EUR million)	2018	2017
Finance income		
Dividend income from equity investments	**0.2**	0.2
Interest earnings from financial assets at fair value through profit or loss	**0.0**	0.1
Interest earnings from derivatives	**0.8**	0.6
Interest earnings from accounts receivable	**0.1**	0.1
Other financial income	**0.3**	0.4
Total	**1.4**	1.3
Finance expenses		
Interest expenses from loans	**-0.5**	-0.8
Interest expenses from derivatives	**-1.1**	-1.5
Other interest expenses	**-0.4**	-0.1
Exchange rate differences, net	**-0.1**	-0.1
Other financial expenses	**-0.1**	-0.2
Total	**-2.2**	-2.7

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 recognised 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 **recognised 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.

Certificates of deposits and commercial papers primarily aimed at short-term returns from changes of prices are classified in the financial assets **recognised at fair value through profit or loss.**

The Group's **financial liabilities** are classified at amortised cost and as financial liabilities recognised 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.**

Derivatives are classified as financial assets or liabilities at fair value through profit or loss. If hedge accounting is applied to derivatives, the change in their fair value is recognised at fair value through other comprehensive income items.

5.2.1 Classification of financial assets and liabilities 2018

(EUR Million)	Fair value through profit and loss	Fair value through other comprehen-sive income	Recorded at amortized cost	Total
Financial assets				
Derivatives	0.3			0.3
Investments recorded at fair value through profit or loss	89.0			89.0
Equity investments		2.2		2.2
Accounts receivable and other receivables			26.8	26.8
Liquid funds			53.1	53.1
Total	89.3	2.2	79.9	171.5
Financial liabilities				
Derivatives	0.0			0.0
Bank loans			22.9	22.9
Financial leasing liabilities			0.1	0.1
Accounts payable and other liabilities			23.6	23.6
Total	0.0	0.0	46.6	46.6

5.2.2 Classification of financial assets and liabilities 2017

(EUR Million)	Fair value through profit and loss	Fair value through other comprehen-sive income	Recorded at amortized cost	Total
Financial assets				
Derivatives	0.2			0.2
Investments recorded at fair value through profit or loss	2.0			2.0
Equity investments		2.2		2.2
Accounts receivable and other receivables			32.7	32.7
Liquid funds			149.0	149.0
Total	2.2	2.2	181.7	186.1
Financial liabilities				
Derivatives	0.2			0.2
Bank loans			45.8	45.8
Financial leasing liabilities			0.1	0.1
Accounts payable and other liabilities			32.5	32.5
Total	0.2	0.0	78.3	78.6

5.2.3 The hierarchy of financial assets and liabilities measured at fair value 2018

(EUR Million)	Level 1	Level 2	Level 3	Total
Financial assets				
Derivatives		0.3		0.3
Investments recorded at fair value through profit or loss		89.0		89.0
Equity investments			2.2	2.2
Total	0.0	89.3	2.2	91.6
Financial liabilities				
Derivatives		0.0		0.0
Total	0.0	0.0	0.0	0.0

Of the financial assets and liabilities measured at fair value, all except the equity investments are on the level 2. 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 level 3 reconciliation is presented in the Table 5.2.5.

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

(EUR Million)	Level 1	Level 2	Level 3	Total
Financial assets				
Derivatives		0.2		0.2
Investments recorded at fair value through profit or loss		2.0		2.0
Equity investments			2.2	2.2
Total	0.0	2.2	2.2	4.4
Financial liabilities				
Derivatives		0.2		0.2
Total	0.0	0.2	0.0	0.2

5.2.5 The reconciliation for the level 3 financial assets and liabilities

(EUR Million)	
Opening balance for the fiscal year 2017	2.3
Financial expenses, change in fair value (unrealised)	-0.1
Final balance for the fiscal year 2017	2.2
Opening balance for the fiscal year 2018	2.2
Financial income, change in fair value (unrealised)	0.1
Final balance for the fiscal year 2018	2.2

See table 5.2.3 for more information on the level 3 valuation principles.

5.3 Valuation of financial assets

§ Accounting principles

At each closing date, the Group assesses whether there is objective evidence of impairment of a financial asset or a group of financial assets. The impairment loss for loans and other receivables entered at amortised cost in the balance sheet is measured as the difference between the carrying amount of the item and the present value of estimated future cash flows discounted at the initial effective interest rate. 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 continuing operations' 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.

Notes

5.3.1 Carrying values and fair values of financial assets and liabilities

(EUR Million)	Note	Book value 2018	Fair value 2018	Book value 2017	Fair value 2017
Financial assets					
Equity investments		**2.2**	**2.2**	2.2	2.2
Accounts receivable and other receivables	5.3.2	**26.8**	**26.8**	32.7	32.7
Investments recorded at fair value through profit or loss	5.3.4	**89.0**	**89.0**	2.0	2.0
Liquid funds	5.3.5	**53.1**	**53.1**	149.0	149.0
Johdannaiset	5.3.4	**0.3**	**0.3**	0.2	0.2
Financial liabilities					
Bank loans	5.3.6	**22.9**	**23.1**	45.8	46.5
Financial leasing liabilities	5.3.6	**0.1**	**0.1**	0.1	0.1
Accounts payable and other liabilities	5.3.8	**23.6**	**23.6**	32.5	32.5
Johdannaiset		**0.0**	**0.0**	0.2	0.2

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)	2018	2017
Accounts receivable and other receivables	**24.4**	31.0
Accrued income	**1.8**	2.0
Other receivables	**1.8**	1.6
Total	**28.0**	34.6

The Group's foreign exchange risk is described in the financial statements under 5.5 Financial risk management, Currency risk. Sales receivables in the subsidiaries' risk currencies are specified in the Table 5.5.3.

Significant items included in accrued income are amortisations of income, expenses and financing items of business operations. In accordance with IFRS 9, the fair values of receivables classified as financial assets are presented in Table 5.3.1.

5.3.3 Accounts receivable based on age

(EUR Million)	2018	2017
Unexpired	**20.3**	25.4
Past due 1-60 days	**3.9**	5.3
Past due 61-180 days	**0.2**	0.2
Past due 180 days	**0.0**	0.0
Accounts receivable in total	**24.4**	31.0
Impairment of sales receivables:		
Value on 1 January	**0.4**	0.7
Increase	**0.2**	0.1
Decrease	**-0.4**	-0.4
Impairment in total on 31 December	**0.2**	0.4
Accounts receivable and impairment in total	**24.6**	31.4

During the financial period 2018, the Group has recognised EUR 0.3 million (EUR 0.2 million in the financial period 2017) in credit losses for the sales receivables of continuing operations. The Group has recognised EUR 0.1 million in credit losses during the financial period 2018 (EUR 0.1 million in the financial period 2017).

Key estimates and discretionary solutions

For the receivables due over 60 days, Raisio recognises, using the management's judgment, the items considered uncertain in credit loss provisions. However, the credit loss provision must always exceed the deferred minimum credit loss provision shown in the Table 5.5.15.

5.3.4 Financial assets at fair value through profit or loss

(EUR Million)	2018	2017
Investments recorded at fair value through profit or loss	**89.0**	2.0
Derivatives	**0.3**	0.2
Total	**0.3**	0.2

Financial assets recognized at fair value through profit or loss include commercial papers held for trading, matured within 12 months and issued by companies, an investment basket managed by the treasurer, which mainly consists of certificates of deposit and commercial papers issued by banks and companies, as well as derivatives. Table 5.1.1 in the Notes to the Financial Statements shows the gains and losses on financial items recorded at fair value through profit or loss. In the Table, changes in fair value are presented in the Table as part of rows Other financial income and Other financial expenses due to their low importance.

Accounts receivables (M€)

2018 **2017**

2018	2017
EUR **12.5**	EUR **18.8**
GBP **6.4**	GBP **6.8**
PLN **1.0**	PLN **1.4**
CHF **1.4**	CHF **1.5**
RUB **1.2**	RUB **1.1**
UAH **1.0**	UAH **0.7**
USD **0.8**	USD **0.6**
SEK **0.1**	SEK **0.1**

5.3.5 Liquid funds

(EUR million)	2018	2017
Liquid funds	**53.1**	149.0
Investments recorded at fair value through profit or loss	**89.0**	2.0
Liquid funds on the balance sheet	**142.1**	151.0
Credit facility agreements used for cash management purposes	**0.0**	0.0
Liquid funds in the cash flow statement	**142.1**	151.0

Short-term investments classified in liquid funds in the cash flow statement have an average maturity of two months on the closing date.

5.3.6 Financial liabilities

(EUR million)	2018	2017
Long-term financial liabilities		
Bank loans	**0.0**	22.9
Other liabilities	**0.0**	0.0
Financial leasing liabilities	**0.0**	0.1
Total	**0.1**	23.0
Short-term financial liabilities		
Derivatives	**0.0**	0.2
Bank loans	**22.9**	22.9
Financial leasing liabilities	**0.0**	0.1
Accounts payable and other liabilities	**23.6**	32.5
Total	**46.5**	55.7

The maturity breakdown of derivatives is presented in the Table 5.4.4 of the Notes and the maturity breakdown of other financial liabilities in the Table 5.5.10 of the Notes.

5.3.7 Interest-bearing financial liabilities 2018

(EUR million)	Currency	Nominal interest rate	Maturity	Nominal value	Book value
Bank loan	EUR	1.21%	2019	22.9	22.9
Financial leasing liabilities	PLN	-	2021	0.1	0.1
Total				**22.9**	**23.0**

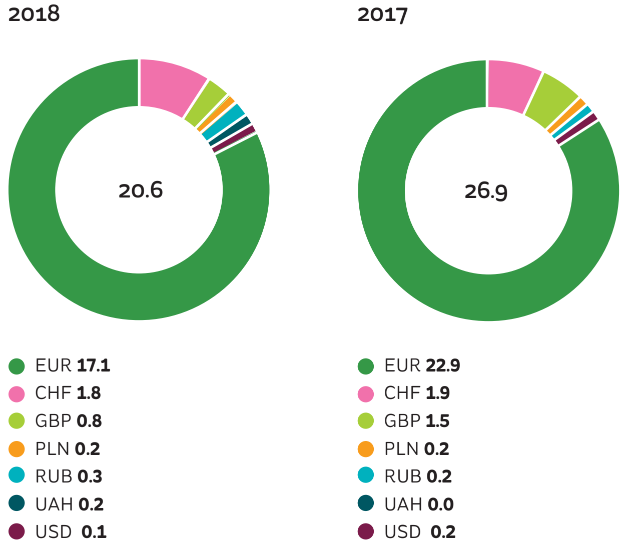
The bank loan in the Table above has a fixed interest rate. The loan interest is shown in more detail under 5.5 Financial risk management, Interest rate risk. Interest rate sensitivity analysis of cash flow is available in Table 5.5.14. Fair values of interest-bearing financial liabilities are shown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

5.3.8 Accounts payable and other liabilities

(EUR Million)	2018	2017
Current		
Accounts payable	**20.6**	26.9
Liabilities to associates		0.0
Accrues liabilities and deferred income	**7.2**	9.4
Advances paid	**0.2**	1.4
Other liabilities	**2.4**	2.1
Total	**30.4**	39.8

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 2.6 million in 2018 (in 2017: EUR 4.2 million).

Accounts payable (M€)



5.3.9 Contingent liabilities and other commitments, continuing operations

(EUR Million)	2018	2017
Commitments to investment payments		
Commitments to investment payments in force at the balance sheet date	**2.3**	1.1
Contingent off-balance sheet liabilities		
Non-cancelable other leases		
Minimum lease payments	**1.9**	1.4
Other financial liabilities	**2.5**	2.3
Guarantee liabilities on the Group companies' commitments	**26.3**	33.1

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

Key estimates and discretionary solutions

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

Investments in shares and financial securities

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. 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.

5.4 Derivative financial instruments and hedge accounting

Content

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

§ Accounting principles

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

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

When 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.

Cash flow hedging

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

Hedges of a net investment in a foreign operation

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

Other hedge instruments to which hedge accounting is not applied

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.

5.4.1 Nominal values of derivatives

(EUR Million)	31.12.2018	31.12.2017
Currrency derivatives, in hedge accounting	**68.9**	76.8
Currrency derivatives, not in hedge accounting	**2.8**	5.3

Table 5.4.2 specifies the nominal values of currency derivatives by currency and Table 5.4.3 shows the comparison figures of 2017. The totals in the tables match the figures in Table 5.4.1

5.4.2 Nominal values of foreign currency derivatives by risk currency 2018

(EUR million)	EUR	USD	GBP	CHF	PLN	RUB	SEK	Total
Currrency derivatives, in hedge accounting	**8.0**	**40.9**	**0.0**	**16.6**	**0.0**	**3.4**	**0.0**	**68.9**
Currrency derivatives, not in hedge accounting	**0.0**	**2.8**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**2.8**

5.4.3 Nominal values of foreign currency derivatives by risk currency 2017

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

5.4.4 The maturity breakdown of currency derivatives 2018

(EUR million)	Total	under 3 months	3-6 months	6-9 months	9-12 months	1-2 years	over 2 years
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**

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

5.4.5 The maturity breakdown of currency derivatives 2017

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

5.5 Financial risk management

Content

This section deals with financial risks to which the Group is exposed and the ways in which these risks are managed. Financial risk management aims to protect the Group against unfavourable developments in the financial markets. Financing and financial risk management are assigned to the Group Finance department, operating under the Chief Financial Officer, in order to ensure sufficient expertise, as well as comprehensive and cost-effective operations. The operating segments inform the Finance department on their key risks; the Finance department brings together the risks of the whole Group, ensuring the implementation of appropriate risk management methods. The Finance department's operations are governed by the financial risk management policy approved by the Board of Directors. The Board of Directors has approved the updated financial policy after the review period in January 2019. All significant borrowing decisions are taken by the Board based on proposals made by the Finance department.

Notes

Market risks

The Group's market risks consist of currencies and raw materials. The most significant currency risks were hedged at the balance sheet date as follows: euro hedge (EUR), Swiss franc hedge (CHF) and Russian rouble hedge (RUB) for the following six months as well as US dollar hedge (USD) until the end of 2019. At the Group level, the price of sterol used in stanol ester is the single most significant risk related to raw materials. Sterols are mainly purchased in dollars. The Table Market risks shows separately the risk of sterol price change and the currency risk of dollar-denominated purchases, which also include the sterol purchases mentioned.

5.5.1 Market risks (NON-IFRS)

(EUR million)	2018
+/- 10% change in sterol price	-/+ 1.2
+/- 10% change in the euro exchange rate	-/+ 1.8
+/- 10% change in the United States dollar exchange rate	-/+ 0.4
+/- 10% change in the Swiss franc exchange rate	-/+ 1.6
+/- 10% change in the Russian rouble exchange rate	+/- 0.4

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

In addition to market risks mentioned in the Table 5.5.1, there are uncertainties in the Group's market areas that are described in more detail in the Board of Directors' Report on page 26, under Risks and uncertainties in business operations. Even though Brexit is not included in the table, preparing for it is especially important for Raisio as the UK is the biggest market for Benecol products. Raisio has made an assessment of the key risks associated to Brexit implementation options and necessary adjustment measures.

Currency risk

Currency risk refers to the uncertainty related to result, balance sheet and cash flow as a result of changes in exchange rates. Raisio hedges against currency exposure arising from foreign currency receivables and liabilities, off-balance-sheet purchase and sales agreements and, partly, from budgeted cash flows. Funding risk is mainly composed of the Group's foreign-currency-denominated financial items. Currency forward contracts are used in order to manage currency risk. They are specified by currency in the Table 5.4.2.

5.5.2 The most significant currency risks

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

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

5.5.3 Balance sheet and transaction risk of the currency risk 31 December 2018

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

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

Key estimates and discretionary solutions

In the financial year 2018, the operating segments have made decisions on the hedging against currency risk using the management's judgment. The financial policy that came into force after the review period in January 2019 specifies that the Group's objective is to hedge the most significant currency risks with appropriate derivative instruments in a rolling manner so that of the annual volume of the hedged item, at least an amount equalling six months is hedged on average.

5.5.4 Exchange rates

	Average rates		Closing rates	
	2018	2017	2018	2017
EUR/USD	**1.181**	1.129	**1.145**	1.199
EUR/GBP	**0.885**	0.876	**0.895**	0.887
EUR/CHF	**1.155**	1.112	**1.127**	1.170
EUR/PLN	**4.261**	4.256	**4.301**	4.177
EUR/RUB	**74.055**	65.888	**79.715**	69.392
EUR/SEK	**10.257**	9.637	**10.255**	9.844
EUR/DKK	**7.453**	7.439	**7.467**	7.445

Description: The Table shows the financial period's average rates and the rates on the last day of the financial period. Exchange rates are based on the rates of the European Central Bank. The average rate of the financial period is determined by calculating the average of the average monthly rates determined by the European Central Bank during 2018.

5.5.5 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	0.0	0.0	0.0	0.0
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	0.0	0.0	0.0	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

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

5.5.6 Business transaction risk and financial risks 2018 (IFRS 7)

(EUR Million)	EUR	USD	GBP	CHF	PLN	RUB	SEK	DKK
Sales receivables	0.9	0.6	0.0	1.4	0.0	0.2	0.1	0.0
Accounts payable	-4.0	-0.3	-0.1	-1.8	0.0	0.0	-0.2	0.0
Forward exchange contracts (less than one year)	8.0	8.8	0.0	4.3	0.0	-2.7	0.0	0.0
Business transaction risk	4.9	9.1	-0.1	3.9	0.0	-2.5	-0.1	0.0
Bank accounts	-0.1	-0.2	0.3	-0.4	0.0	0.1	0.0	0.0
Internal loans	-1.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Financial risks	-1.4	0.0	0.3	-0.4	0.0	0.1	0.0	0.0

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

5.5.7 Currency sensitivity analysis in accordance with IFRS 7, 2017

(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	0.9	0.0	0.0	0.0	0.0	0.0
USD	0.6	0.0	0.0	0.1	-0.1	0.1
GBP	0.0	0.0	1.8	-2.2	-16.3	19.9
CHF	1.1	0.0	0.0	0.0	0.0	0.0
PLN	0.0	0.0	0.0	0.0	0.0	0.0
RUB	0.2	0.0	-0.2	0.2	-0.3	0.4
SEK	0.0	0.0	-0.1	0.1	-0.3	0.3
UAH	0.0	0.0	0.0	0.0	0.0	0.0

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

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

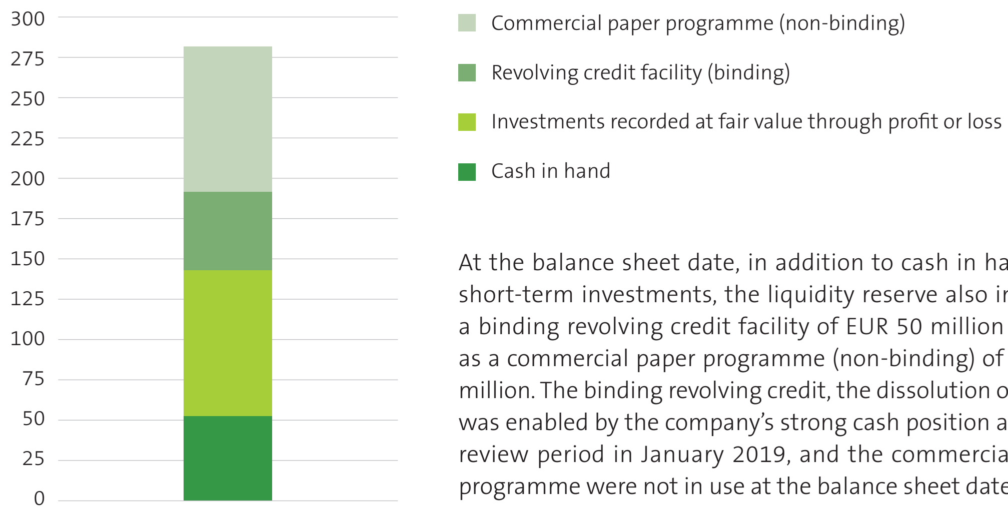
(EUR Million)	EUR	USD	GBP	CHF	PLN	RUB	SEK	DKK
Sales receivables	2.1	0.3	0.0	1.5	0.0	0.1	0.1	0.0
Accounts payable	-5.0	-0.3	-0.4	-1.9	0.0	0.0	-0.2	0.0
Forward exchange contracts (less than one year)	12.0	6.0	0.0	10.9	0.0	-2.0	0.0	0.0
Business transaction risk	9.1	6.0	-0.4	10.5	0.0	-1.9	0.0	0.0
Bank accounts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

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

Liquidity and solvency risk

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

5.5.9 Group's liquidity reserve (EUR million)



At the balance sheet date, in addition to cash in hand and short-term investments, the liquidity reserve also included a binding revolving credit facility of EUR 50 million as well as a commercial paper programme (non-binding) of EUR 90 million. The binding revolving credit, the dissolution of which was enabled by the company's strong cash position after the review period in January 2019, and the commercial paper programme were not in use at the balance sheet date.

5.5.10 The maturity breakdown of financial liabilities 2018

(EUR million)	Total	under 3 months	3-6 months	6-9 months	9-12 months	1-2 years	over 2 years
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**
Accounts payable	**-20.6**	**-20.6**	**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**

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

5.5.11 The maturity breakdown of financial liabilities 2017

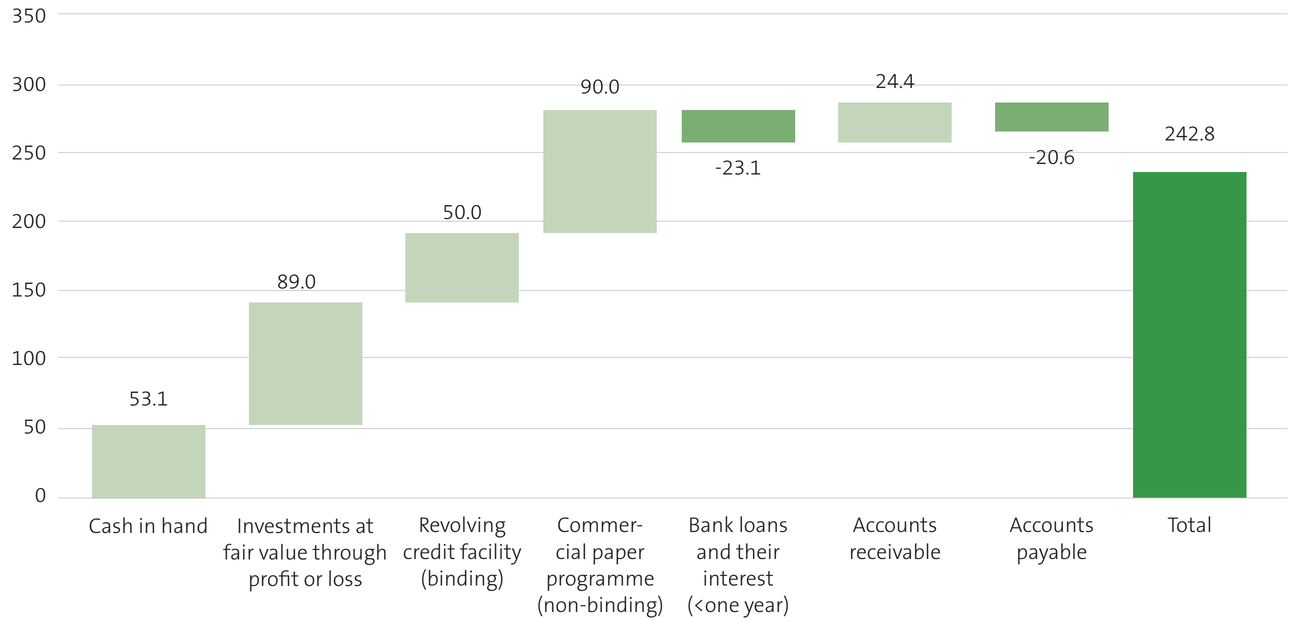
(EUR million)	Total	under 3 months	3-6 months	6-9 months	9-12 months	1-2 years	over 2 years
Bank loans	-45.7	0.0	-11.4	0.0	-11.4	-22.9	0.0
Bank loan interests	-0.7	-0.1	-0.1	-0.1	-0.1	-0.2	0.0
Financial leasings	-0.2	0.0	0.0	0.0	0.0	-0.1	0.0
Accounts payable	27.0	27.0	0.0	0.0	0.0	0.0	0.0
Total	-19.6	26.8	-11.6	-0.1	-11.6	-23.1	0.0

5.5.12 The maturity breakdown of signed guarantee contracts on 31 December 2018

(EUR million)	Total	under 3 months	3-6 months	6-9 months	9-12 months	1-2 years	over 2 years
Guarantees signed	-0.8	-0.8	0.0	0.0	0.0	0.0	0.0

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

5.5.13 Short-term liquidity (EUR million)



Description: The Table shows the Group's short- term liquidity position. The Table does not include currency derivatives (Table 5.4.4), finance lease liabilities (Table 5.5.11) or signed guarantee contracts (Table 5.5.12). These items total approximately EUR -0.2 million. The Group's liquidity is at a good level also with these items.

Interest rate risk

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

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

5.5.14 Interest sensitivity analysis of cash flow

	Income statement		Equity, exclusing tax	
(EUR million)	+100 basis points	-100 basis points	+100 basis points	-100 basis points
Bank loans	0.0	0.0	0.0	0.0
Commercial papers	0.1	-0.1	0.0	0.0
Cash flow sensitivity, net	**0.1**	**-0.1**	**0.0**	**0.0**

Credit and counterparty risk

Counterparty risk

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

Investment activities

The Group's financial policy regulates the investment of financial assets in terms of the sum, maturity and counterparties. In addition to direct long- or short-term interest-bearing investments, assets can be invested in fixed-income funds, alternative investment funds, as well as in shares and equity funds. In principle, counterparties may be member states of the European Monetary Union, large Finnish municipalities and alliances formed by them, financial institutions engaged in corporate banking in Finland and companies with a good credit rating, registered in a member state of the European Monetary Union. At the balance sheet date, EUR 14.0 million (EUR 2.0 million in the comparison year) of the Group's financial assets were invested in Finnish commercial papers. A total of EUR 75.0 million was invested in the basket of investments managed by a treasurer; the vast majority of the basket funds are invested in the investment certificates and commercial papers issued by banks and companies.

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. The Group's financial function monitors the age distribution of sales receivables on a weekly basis. 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. There, the major part of sales revenue is from a few of the most significant retail chains. Also in Finland, most of the sales of the Finnish food business go to the largest Finnish 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.

5.5.15 Credit losses, continuing operations

(EUR million)	Receivables 31/12/2018	Credit losses from previous years with respect to receivables	Calculated mimimum credit loss provision	Credit loss provision 2018	Credit loss provision 2017
All receivables, in total	24.7	0.3%	0.1	0.3	0.2
Receivables past due, in total	4.4	1.6%	0.1	0.3	0.2
More than 60 days past due receivables	0.5	18.9%	0.1	0.3	0.2

Description: The Table shows a comparison between the realised credit losses for the three previous financial periods and receivables at the beginning of each financial period. The comparison figures do not take into account the figures of the divested businesses. 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. At the end of the financial year 2018, the deferred minimum credit loss provision totals EUR 0.1 million.

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

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

Income taxes

(EUR million)	2018	2017
Tax based on the taxable income for the period	-4.8	-10.4
Taxes for previous financial periods	-0.1	0.1
Deferred tax	1.1	-2.0
Total	-3.7	-12.3

In 2018, the tax based on profit of continuing operations for the financial year totalled EUR 3.7 (12.3) million and effective tax rate was 23.5 (in 2017: 23.4)%. The effective tax rate in 2018 increased by almost 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. The effective tax rate of 2017 increased due to the impairment of fixed assets related to Benemilk business, for which no tax asset was recognised.

A reconciliation between tax expense of the income statement and the Group's tax calculated at the Finnish tax rate 20.0% (20% in 2017).

(EUR million)	2018	2017
Taxes calculated on the basis of the domestic tax rate	-3.2	-10.5
Impact of a deviating tax rate used in foreign subsidiaries	-0.2	-0.4
Change in tax rate	0.0	0.0
Returns exempt from tax	0.1	0.1
Non-deductible expenses	-0.2	-0.1
Losses for the period, for which no tax assets have been recognised	-0.3	-1.6
Utilisation of tax refund receivable from previously unrecognised tax losses	0.1	0.1
Other previously unrecognised tax liabilities	0.1	
Adjustment of previously recorded tax assets		-0.7
Additional tax deductions	0.0	0.2
Tax from previous years	-0.1	0.7
Other items	-0.1	0.0
Total	-3.7	-12.3

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 1.5 million, in the financial year 1 January - 31 December 2018. The most significant part of the loss occurred in the Polish unit of the Healthy Food segment's Northern and Eastern European operating segment.

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

Income tax liabilities

(EUR million)	2018	2017
Income tax liability	1.0	3.0
Deferred net tax liability	1.0	3.0

Income tax liabilities for 2018 and 2017 are 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.

Deferred net tax liability

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

(EUR million)	2018	2017
Deferred tax assets	**2.3**	2.7
Deferred tax liabilities	**4.0**	5.1
Deferred net tax liability	**1.8**	2.4

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

Changes in deferred tax

Changes in deferred tax in the financial period 2018

(EUR million)	1 January 2018	Recognised in the income statement	Recorded in other comprehensive 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
Investments available for sale	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

Changes in deferred tax in the financial period 2017

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

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 closing date of each reporting period.

Deferred tax asset corresponding to tax losses for later use has been recognised to the extent that it is probable that it can be utilised based on cumulative future profits. The Group's accumulated losses total EUR 56.6 million on 31 December 2018 (31 December 2017: EUR 56.5 million). The majority of them are aging over a period of more than five years. No deferred tax asset has been recognised for the accumulated losses per 31 December 2018. The accumulated losses are related to the Raisio Group's foreign units and Benemilk business.

(EUR million)	31.12.2018
Opening balance 1 January 2018	56.5
Translation difference	0.5
Increase 1 January - 31 Dececmber 2018	1.3
Decrease 1 January - 31 December 2018	-1.6
31 December 2018	**56.6**

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.

6.3 Taxes related to the items of other comprehensive income

Taxes related to the items of other comprehensive income

Year 2018	Before taxes	Tax impact	After taxes
Year 2018			
Available-for-sale financial assets	0.1	0.0	0.1
Cash flow hedge	0.0	0.0	0.0
Translation differences	-1.3	0.0	-1.3
	-1.2	0.0	-1.2
Year 2017			
Available-for-sale financial assets	-0.2	0.0	-0.1
Cash flow hedge	0.5	-0.1	0.4
Translation differences	-5.2	0.0	-5.2
	-4.9	-0.1	-5.0

7 Equity

Content

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

7.1 Equity and equity funds

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

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

Translation differences

(EUR million)	2018	2017
Translation differences on 1 January	**-18.5**	-13.1
Change in translation difference	**-1.3**	-5.4
Translation differences on 31 December	**-19.8**	-18.5

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)	2018	2017
Other funds:		
Equity investments	**1.3**	1.2
Hedge fund	**-2.8**	-2.8
Other funds total	**-1.6**	**-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 7,595,246 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 2018, a dividend of EUR 0.17 per share was paid for 2017, i.e. a total of EUR 26.6 million (in 2017, EUR 0.17 per share for 2016, i.e. a total of EUR 26.6 million).

After the balance sheet date, the parent company's Board of Directors has proposed that a dividend of EUR 0.16 per share is paid, i.e. a total of EUR 26.4 million. The Board's proposal includes an extra dividend of EUR 0.04 per share.

7.3 Earnings per share

Earnings per share

(EUR million)	2018	2017
Profit for the period for equity holders of the parent company, continuing operations (EUR million)	**12.2**	40.4
Profit for the period for equity holders of the parent company, discontinued operations (EUR million)	**15.7**	-57.7
Undiluted weighted average of shares in the financial period	**157,329,226**	157,362,837
Dilution resulting from share-based compensation	**378,921**	526,577
Diluted weighted average of shares in the financial period	**157,708,147**	157,889,414
Undiluted earnings per share, continuing operations (EUR/share)	**0.08**	0.26
Earnings per share adjusted by the dilution effect, continuing operations (EUR/share)	**0.08**	0.26
Undiluted earnings per share, discontinued operations (EUR/share)	**0.10**	-0.37
Earnings per share adjusted by the dilution effect, discontinued operations (EUR/share)	**0.10**	-0.37

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

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

8 *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 recorded through profit or loss in the accounting period the charge applies to. The Group has no defined benefit schemes.

Expenses arising from employee benefits

(EUR million)	2018	2017
Salaries	**17.4**	18.5
Termination benefits	**1.3**	1.1
Pension expenses - defined contribution plans	**2.8**	3.2
Share-based rewards	**0.1**	0.2
Other indirect personnel costs	**1.4**	1.3
Total	**23.1**	24.2

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

(EUR million)	2018	2017
Healthy Food	**257**	257
Raisioaqua	**26**	23
Other Operations	**52**	62
Total	**335**	342

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 2018, the Raisio Group had three valid share-based incentive schemes approved by Raisio plc's Board of Directors, which were directed at the Group management and designated key persons; the scheme 2016-2018, the scheme 2017-2019, the scheme 2018-2020 and the scheme 2019-2021. 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.

In December 2014, Raisio plc's Board of Directors decided on the Group's key employees' share-based incentive scheme for the earnings period that started on 1 January 2015 and ended on 31 December 2017. On 15 March 2018, the Board of Directors approved the bonuses paid under the share reward scheme and, in order to convey the part paid in shares to key employees, decided to implement a directed share issue without payment based on the authorisation granted to the

Board by the Annual General Meeting of 23 March 2017. In the share issue, a total of 10,266 Raisio plc's free shares held by the company were conveyed without consideration to the key employees within the share reward scheme, with deviation from the shareholders' pre-emptive subscription right. The conveyed 10,266 free shares correspond to 0.006 per cent of all Raisio plc's shares and 0.001 per cent of all votes. The shares were conveyed to key employees on 11 April 2018.

The right to dividend and other shareholder rights begin on the day on which the shares have been registered in the key employee's book-entry account.

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 111,123 shares were assigned during the years 2009-2017, a total of 11,815 shares in 2018.

Share-based payments:

Share-based incentive scheme (EUR million)	2015–2017	2016–2018	2017–2019	2018–2020	2019–2021
Original number of shares	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Original grant date	19.01.2015	15.01.2016	16.3.2017	15.3.2018	
Exercise date	30.04.2018	30.04.2019	30.04.2020	30.04.2021	30.04.2022
Vesting period, years	3.3	3.3	3.1	3.1	3.3
Remaining vesting period, years		0.3	1.3	2.3	3.3
Number of persons at the end of the period		7	16	18	
Payment method	Shares and cash	Shares and cash	Shares and cash	Shares and cash	Shares and cash

Changes in 2018	2015–2017 Number of shares	2016–2018 Number of shares	2017–2019 Number of shares	2018–2020 Number of shares	2019–2021 Number of shares
1 January 2018					
Number of shares at the beginning of the reporting period	**350,000**	**415,000**	**725,000**	**0**	**0**
In reserve at the beginning of the reporting period	**650,000**	**585,000**	**275,000**	**0**	**0**
Changes during the reporting period					
Granted	**0**	**0**	**0**	**735,000**	**0**
Cancelled	**50,000**	**235,000**	**300,000**	**175,000**	**0**
Realised	**17,100**	**0**	**0**	**0**	**0**
Expired	**982,900**	**0**	**0**	**0**	**0**
31 December 2018					
Number of shares at the beginning of the reporting period	**0**	**180,000**	**425,000**	**560,000**	**0**
In reserve at the end of the reporting period	**0**	**820,000**	**575,000**	**440,000**	**1,000,000**

Determination of fair value

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

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

(EUR million)	2018	2017
Share price at grant date, euros	**3.89**	3.58
Share price on the closing date, euros	**2.35**	3.84
Share price increase assumption, p.a.	**8.0%**	8.0%
Expected dividends before bonus payment, euros	**0.66**	0.67
Discount rate	**7.1%**	6.7%
Years to maturity	**3.0**	3.0

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

(EUR million)	2018	2017
Equity-settled	**0.1**	0.0
Cash-settled	**0.1**	0.2
Total	**0.2**	0.2
Debt from cash-settled share-based plans	**0.0**	0.8

8.3 Related parties

8.3.1 Related party transactions

(EUR million)	2018	2017
Sales to key employees in management	**0.2**	0.1
Purchases from key employees in management	**0.8**	1.0
Short-term receivables from key employees in management	**0.0**	0.0
Payables to key management personnel	**0.0**	0.1

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

Auditors' remuneration

(EUR million)	2018	2017
Audit	**0.1**	0.2
Other services	**0.1**	0.1
Total	**0.3**	0.3

8.3.2 Management's employee benefits

(EUR million)	2018	2017
Wages and fees	**1.5**	1.8
Compensation paid in conjunction with termination of employment	**1.3**	1.0
Share-based payments	**0.1**	0.4
Total	**3.0**	3.2
Members of the Supervisory Board:	**0.0**	0.0
Members of the Board of Directors:	**0.2**	0.3
Managing Director and members of Management team		
CEO	**0.6**	1.5
Other members of Management Team	**1.6**	1.5
Total	**2.2**	3.0

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 group pension insurance for the management. Insurance is a contribution-based savings insurance with vested rights. Payment is 15% of basic annual salary.

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

For the CEO, 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 totalling EUR 0.3 million. For the CEO, expenditure of the compulsory pension insurance amounted to EUR 0.1 million in 2017 and for other Management Team members EUR 0.2 million, all 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)	2018	2017
Returns of the pension fund surplus	**0.0**	0.7
Gains and losses on the sale of tangible and intangible fixed assets	**1.2**	28.0
Compensation for damage	**0.5**	0.0
Other income and expenses from business	**0.3**	0.1
Total	**2.0**	28.9

The item of capital sales and losses on the tangible and intangible fixed assets contains the capital gain of EUR 1.2 million for the divestment of the margarine factory, vacant since 2007, near Moscow in 2018 as well as the capital gain of EUR 28.0 million for the divestment of the Southall property in 2017.

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, 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)	2018	2017
Provisions 1 January	**3.2**	2.6
Translation differences	**0.0**	0.0
Transferred companies	**0.0**	-0.1
Increase in provisions	**0.0**	1.1
Provisions used	**-2.1**	-0.4
Provisions 31 December	**1.1**	3.2
Non-current provisions	**1.1**	1.1
Current provisions		2.1
Total	**1.1**	3.2

The long-term provision is a guarantee provision for trade receivables related to the discontinued confectionery business. The change in short-term provisions of 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.

Parent company financial statement (FAS)

Parent company income statement

(EUR)	Note	1.1.–31.12.2018	1.1.–31.12.2017
NET SALES		**1,587,333.42**	2,257,506.36
Other income from business operations		**35,647,980.86**	65,207.38
Materials and services	1.	**0.00**	-4,831.29
Personnel expenses	2.	**-4,969,863.49**	-5,455,850.60
Depreciation and write-downs	3.	**-17,868.07**	-54,716.20
Other expenses from business operations	4.	**-3,144,700.74**	-2,971,530.77
PROFIT (LOSS)		**29,102,881.98**	-6,164,215.12
Financial income and expenses	5.	**-474,168.58**	-27,630,325.76
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES		**28,628,713.40**	-33,794,540.88
Appropriations	6.	**+18,186,653.86**	+20,078,129.99
Income taxes	7.	**-2,479,807.02**	-2,393,726.36
PROFIT (LOSS) FOR THE FINANCIAL PERIOD		**44,335,560.24**	-16,110,137.25

Parent company balance sheet

(EUR)	Note	31.12.2018	31.12.2017
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	8.	**48,101.12**	44,297.57
Tangible assets	8.	**392,933.45**	404,470.77
Holdings in Group companies	9.	**198,893,028.60**	324,718,684.45
Other investments	9.	**2,660,498.29**	1,873,127.28
		201,994,561.46	327,040,580.07
CURRENT ASSETS			
Current receivables	10.	**37,920,356.87**	45,986,739.30
Securities under financial assets	11.	**88,989,312.31**	1,999,655.61
Cash in hand and at banks		**47,254,576.31**	143,589,648.92
		174,164,245.49	191,576,043.83
TOTAL ASSETS		**376,158,806.95**	518,616,623.90
LIABILITIES AND SHAREHOLDERS' EQUITY			
SHAREHOLDERS' EQUITY	12.		
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		**40,593,170.37**	83,269,900.94
Profit for the financial period		**44,335,560.24**	-16,110,137.25
		222,860,874.03	205,091,907.11
ACCUMULATED APPROPRIATIONS	13.	**23,697.86**	10,351.72
LIABILITIES			
Non-current liabilities	14.	**0.00**	22,857,142.85
Current liabilities	15.	**153,274,235.06**	290,657,222.22
		153,274,235.06	313,514,365.07
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**376,158,806.95**	518,616,623.90

Parent company cash flow statement

(EUR 1,000)	2018	2017
CASH FLOW FROM BUSINESS OPERATIONS		
Profit (loss) before appropriations and taxes	**28,629**	-33,794
Adjustments to EBIT:		
Planned depreciation	**18**	55
Unrealised foreign exchange gains and losses	**474**	1,707
Other income and expenses not involving disbursement	**75**	21
Other adjustments	**-35,648**	25,924
Cash flow before change in working capital	**-6,452**	-6,088
Change in working capital		
Increase (–)/decrease (+) in current receivables	**+878**	-1,004
Increase (–)/decrease (+) in inventories	**+0**	+14
Increase (+)/decrease (–) in current interest-free liabilities	**-1,541**	+1,151
	-663	161
Cash flow from business operations before financial items and taxes	**-7,115**	-5,927
Interest paid and payments for financial expenses from business operations	**-1,201**	-1,793
Dividends received	**8**	8
Interest and other financial income	**753**	1,556
Income taxes paid	**-2,951**	-2,050
	-10,506	-8,206
CASH FLOW FROM BUSINESS OPERATIONS	**-10,506**	-8,206
CASH FLOW FROM INVESTMENTS		
Investments in tangible and intangible assets	**-10**	-8
Proceeds from divestments of tangible and intangible assets	**18**	105
Investments in shares of associates	**0**	-17
Investments in other shares	**-905**	
Proceeds from sale of associate shares	**1,000**	0
Proceeds from the dissolution of a company	**144,177**	0
Proceeds from sale of subsidiary shares	**16,317**	0
Repayment of loan receivables	**70**	54,076
CASH FLOW FROM INVESTMENTS	**160,667**	54,156
Cash flow after investments	**150,161**	45,950
CASH FLOW FROM FINANCIAL OPERATIONS		
Other financial items, net	**37**	759
Increase (+)/decrease (–) in non-current loans	**-22,857**	-42,766
Increase (+)/decrease (–) in current liabilities	**-136,861**	+61,910
Increase (–)/decrease (+) in loan receivables	**+6,724**	+28,289
Group contributions received and paid	**20,065**	24,710
Dividend paid and other distribution of profit	**-26,614**	-26,617
CASH FLOW FROM FINANCIAL OPERATIONS	**-159,506**	46,285
Change in liquid funds	**-9,345**	92,235
Liquid funds at beginning of period	**145,589**	53,354
Liquid funds at end of period	**136,244**	145,589

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 2018. 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.

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 contract are initially recognised at fair value at the time of contract and subsequently measured at fair value. Exchange rate differences arising from the derivatives are recognised through profit or loss.

The company has no other interest derivatives on the date of the financial statements.

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

(EUR)	2018	2017
1. MATERIALS AND SERVICES		
Materials, supplies and goods		
Purchases in the period		3,772.48
Change in inventories		1,058.81
	0.00	4,831.29
External services		0.00
Total	0.00	4,831.29

(EUR)	2018	2017
2. PERSONNEL EXPENSES		
Wages and fees	3,863,812.48	4,344,148.69
Pension expenses	492,162.95	754,528.55
Other social security expenses	613,888.06	357,173.36
Total	4,969,863.49	5,455,850.60
WAGES AND FEES PAID TO MANAGEMENT		
Payment criteria		
Managing Director	533,412.72	1,471,322.60
Members of the Board of Directors	232,600.00	282,000.00
Members of the Supervisory Board	43,850.00	43,500.00
AVERAGE NUMBER OF PARENT COMPANY PERSONNEL		
Office workers	32	39
PENSION LIABILITY		
Pension liability for members of the Board of Directors and the Managing Director		
The parent company's Managing Director is entitled and obligated to retire upon turning 62.		

(EUR)	2018	2017
3. DEPRECIATION AND WRITE-DOWNS		
Planned depreciation	17,868.07	54,716.20

(EUR)	2018	2017
4. OTHER EXPENSES FROM BUSINESS OPERATIONS		
Auditors' remuneration:		
KPMG Oy Ab		
Audit	82,065.00	105,902.84
Certificates and reports	1,713.00	21,784.20
Other services	93,919.05	0.00
Total	177,697.05	127,687.04

(EUR)	2018	2017
5. FINANCIAL INCOME AND EXPENSES		
Dividend received		
From participating interest companies	7,880.00	7,700.00
Total	7,880.00	7,700.00
Total interest received from long-term investment		
From Group companies	60,833.33	461,020.99
Total income from long-term investment	68,713.33	468,720.99
Other interest and financial income		
From Group companies	172,816.98	332,622.75
From others	1,035,226.63	743,130.93
Total other interest and financial income	1,208,043.61	1,075,753.68
Total financial income	1,276,756.94	1,544,474.67
Exchange rate differences		
To Group companies	232,891.42	1,021,888.34
To others	391,496.13	-469,759.65
Total exchange rate differences	624,387.55	552,128.69
Impairments of investments		
Impairments of long-term investments	0.00	-25,923,525.60
Total	0.00	-25,923,525.60
Interest paid and other financial expenses		
To Group companies	-411,745.03	-1,268,050.51
To others	-1,963,568.04	-2,535,353.01
Total interest paid and other financial expenses	-2,375,313.07	-3,803,403.52
Total financial income and expenses	-474,168.58	-27,630,325.76

(EUR)	2018	2017
6. APPROPRIATIONS		
Difference between planned depreciation and depreciation made in taxation	-13,346.14	13,129.99
Group contributions paid	-1,085,000.00	0.00
Received Group subsidies	19,285,000.00	20,065,000.00
Total	18,186,653.86	20,078,129.99

(EUR)	2018	2017
7. INCOME TAXES		
Income taxes in appropriations	-3,640,000.00	-4,013,000.00
Income tax on ordinary operations	1,160,192.98	1,619,273.64
Taxes on previous financial years	0.00	0.00
Total	-2,479,807.02	-2,393,726.36

Notes to the parent company balance sheet

8. INTANGIBLE ASSETS 2018

(EUR)	Intangible rights	Other long-term expenditure	Intangible assets total
Acquisition cost 1 January.	**164,854.14**	**24 512.64**	**189,366.78**
Increase 1 January–31 December	**10,134.30**		**10,134.30**
Acquisition cost 31 December	**174,988.44**	**24 512.64**	**199,501.08**
Accumulated depreciation and write-downs 1 January	**120,556.57**	**24 512.64**	**145,069.21**
Depreciation for the financial period	**6,330.75**		**6,330.75**
Accumulated depreciation 31 December	**126,887.32**	**24 512.64**	**151,399.96**
Book value 31 December 2018	**48,101.12**	**0.00**	**48,101.12**
Book value 31 December 2017	44,297.57	0.00	44,297.57

8. TANGIBLE ASSETS 2018

(EUR)	Land and water areas	Buidings and construtions	Machinery and equipment	Other tangible assets	Tangible assets total
Acquisition cost 1 January	**91,000.00**	**749,818.82**	**78,899.68**	**260,527.76**	**1,180,246.26**
Decrease 1 January–31 December			**34,628.45**		**34,628.45**
Acquisition 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**	**696,875.81**	**78,899.68**	**0.00**	**775,775.49**
Accumulated depreciation of decrease and transfers			**34,628.45**		**34,628.45**
Tilikauden poisto		**11,537.32**	**0.00**		**11,537.32**
Accumulated depreciation 31 December	**0.00**	**708,413.13**	**44,271.23**	**0.00**	**752,684.36**
Book value 31 December 2018	**91,000.00**	**41,405.69**	**0.00**	**260,527.76**	**392,933.45**
Book value 31 December 2017	91,000.00	52,943.01	0.00	260,527.76	404,470.77
Book value of the production machinery and equipment					
31 December 2018			**0.00**		
31 December 2017			0.00		

9. INVESTMENT 2018

(EUR)	Group company shares	Participating interest company shares	Other shares	Receivables, Group companies	Total investment
Acquisition cost. 1 January	**324,718,684.45**	**47,628.99**	**25,498.29**	**1,800,000.00**	**326,591,811.73**
Increase 1 January–31 December			**905,000.00**		**905,000.00**
Decrease 1 January–31 December	**125,825,655.85**	**47,628.99**		**70,000.00**	**125,943,284.84**
Acquisition cost 31 December	**198,893,028.60**	**0.00**	**930,498.29**	**1,730,000.00**	**201,553,526.89**
Book value 31 December 2018	**198,893,028.60**	**0.00**	**930,498.29**	**1,730,000.00**	**201,553,526.89**
Book value 31 December 2017	324,718,684.45	47,628.99	25,498.29	1,800,000.00	326,591,811.73

SHARES AND HOLDINGS 2018

	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	**76.00**	76.00

10. RECEIVABLES

(EUR)	2018	2017
Long-term receivables		
Receivables from Group companies		
Capital loan receivables	**9,800,000.00**	9,800,000.00
Total long-term receivables	**9,800,000.00**	9,800,000.00
Current receivables		
Accounts receivables	**19,976.18**	25.38
Receivables from Group companies		
Accounts receivables	**143,536.38**	1,168,189.66
Loan receivables	**7,566,021.61**	14,290,411.82
Other receivables	**19,307,459.19**	20,093,645.35
Accrued income	**96,592.00**	446,199.67
	27,113,609.18	35,998,446.50
Other receivables	**223,849.52**	23,269.13
Accrued income	**762,921.99**	164,998.29
Total current receivables	**28,120,356.87**	36,186,739.30

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

11. MARKETABLE SECURITIES

(EUR)	2018	2017
Repurchase price	**89,000,166.19**	2,000,632.37
Book value	**88,989,312.31**	1,999,655.61
Difference	**10,853.88**	976.76

12. SHAREHOLDERS' EQUITY

(EUR)	2018	2017
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 1.1.	**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	**67,159,763.69**	109,901,505.98
Dividend distributed	**-26,744,231.19**	-26,770,609.24
Unclaimed dividends	**105,601.83**	97,671.60
Disposal of company shares	**72,036.04**	41,332.60
Retained earnings 31 December	**40,593,170.37**	83,269,900.94
Result for the year	**44,335,560.24**	-16,110,137.25
Total unrestricted shareholders' equity	**103,589,876.08**	85,820,909.16
Total shareholders' equity	**222,860,874.03**	205,091,907.11
Distributable equity	**103,589,876.08**	85,820,909.16

Company share capital dividend by share series as follows:

		2018		2017
	shares	EUR 1,000	shares	EUR 1,000
Restricted shares (20 votes/share)	**31,791,170**	**5,347**	32,503,637	5,467
Free shares (1 vote/share)	**133,357,860**	**22,429**	132,645,393	22,309
Total	**165,149,030**	**27,776**	165,149,030	27,776

Company shares held by Raisio:

		2018		2017
	shares	Acquisition cost EUR 1,000	shares	Acquisition cost EUR 1,000
Restricted shares (20 votes/share)	**212,696**	**416**	212,696	416
Free shares (1 vote/share)	**7,595,246**	**36,635**	7,617,327	36,679
Total	**7,807,942**	**37,051**	7,830,023	37,095

The probable assignment price of company shares held by the Group on the date of the financial statements was EUR 18,342 thousand (EUR 30,067 thousand in 2017).

13. ACCUMULATED APPROPRIATIONS

Accumulated appropriations consist of the accumulated depreciation difference.

LIABILITIES

14. NON-CURRENT LIABILITIES

(EUR)	2018	2017
Loans from credit institutions	**0.00**	22,857,142.85
Total non-current liabilities	**0.00**	22,857,142.85

15. CURRENT LIABILITIES

(EUR)	2018	2017
Loans from credit institutions	**22,857,142.85**	22,857,142.86
Accounts payable	**275,555.95**	1,295,512.12
Liabilities to Group companies		
Accounts payable	**106,086.86**	206,949.11
Other liabilities	**1,085,000.00**	80,810,933.59
Other interest-bearing liabilities, cash pool	**127,401,229.83**	183,450,772.30
Accrued liabilities	**4.25**	4,600.60
	128,592,320.94	264,473,255.60
Other liabilities	**828,342.76**	883,923.20
Accrued liabilities	**720,872.56**	1,147,388.44
Total current liabilities	**153,274,235.06**	290,657,222.22
Accrued liabilities include accrued business expenses, financial items and taxes.		
Interest-free debts		
Current	**3,015,862.38**	3,538,373.47

Other notes to the parent company accounts

CONTINGENT AND OTHER LIABILITIES AND PLEDGED ASSETS

(EUR)	2018	2017
CONTINGENT OFF-BALANCE SHEET LIABILITIES:		
Leasing liabilities		
Amounts outstanding on leasing contracts		
Falling due in 2019	**97,000.00**	93,000.00
Payables at a later date	**93,000.00**	116,000.00
Total	**190,000.00**	209,000.00
Leasing contracts do not include substantial liabilities related to termination and redemption terms.		
Contingent liabilities for Group companies		
Guarantees	**26,263,000.00**	33,077,000.00

DERIVATIVE CONTRACTS:

(euroa)	2018	2017
The company uses derivative contract for hedging.		
The values of underlying instruments for derivative contracts, stated below, indicate the scope of hedging measures.		
The fair values of derivative contracts show the result had the derivative position been closed at market price on the closing day.		
Currency forward contracts:		
Fair value	**146,662.43**	191,722.27
Value of underlying instrument	**71,715,536.00**	82,121,533.00

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.

In December 2014, Raisio plc's Board of Directors decided on the Group's key employees' share-based incentive scheme for the earnings period that started on 1 January 2015 and ended on 31 December 2017. On 15 March 2018, the Board of Directors approved the bonuses paid under the share reward scheme and, in order to convey the part paid in shares to key employees, decided to implement a directed share issue without payment based on the authorisation granted to the Board by the Annual General Meeting of 23 March 2017. The shares were conveyed to key employees on 11 April 2018. The right to dividend and other shareholder rights begins on the day on which the shares have been registered in the key employee's book-entry account.

SHARE-BASED SCHEMES IN THE FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 2018

	2015–2017	2016–2018	2017–2019	2018–2020	2019–2021
Grant date	19 January 2015	15 January 2016	16 March 2017	15 March 2018	
Implementation date	30 April 2018	30 April 2019	30 April 2020	30 April 2021	30 April 2022
Number of shares at the end of the reporting period	0	180 000	425 000	560 000	
In reserve at the end of the reporting period	0	820 000	575 000	440 000	1 000 000
Payment method	shares and cash	shares and cash	shares and cash	shares and cash	shares and cash

Board's proposal for the disposal of profit

Shareholders' equity according to the balance sheet at 31 December 2018 is EUR 103,589,876.08.
The Board of Directors proposes that a dividend of EUR 0.16 per share, of which EUR 0.04 as an extra dividend, be paid from the parent company's earnings.

totalling	EUR 26,423,844,80
carried over on the retained earnings account	EUR 77,166,031.28

No dividends will be paid on the shares held by the company on the record date 21 March 2019. The payment date of the dividend is proposed to be 3 April 2019.

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 2019

Ilkka Mäkelä

Kari Kauniskangas

Erkki Haavisto

Leena Niemistö

Ann-Christine Sundell

Pekka Kuusniemi
CEO

Auditor's Report

To the Annual General Meeting of Raisio plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Raisio plc (business identity code 0664032-4) for the year ended 31 December 2018. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

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

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

Basis for Opinion

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

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

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 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 46 million and EUR 28 million)
(Accounting policies for the consolidated financial statements and note 4.1)

- 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.
- Impairment testing is based on discounted future cash flow forecasts. Determining the underlying key assumptions requires management make judgments over, for example, net sales growth rate, discount rate and long-term growth rate.
- Due to the high level of judgement related to the forecasts used, and the significant carrying amounts involved, impairment of these assets is considered a key audit matter.

Our audit procedures included, among others:

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

Accuracy of revenues (EUR 286 million)
(Accounting policies for the consolidated financial statements and note 2.2)

- The net sales of the Group mainly consists of wide variety of different products, with invoice prices fluctuating during the financial year.
- Due to the significance of the revenue amounts included in the consolidated income statement and the large number of sales transactions, the accuracy of revenues is considered a key audit matter.

Our audit procedures included, among others:

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

Accuracy and valuation of inventories (EUR 35 million)
(Accounting policies for the consolidated financial statements and note 4.5)

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

Our audit procedures included, among others:

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

Divestment of cattle feed business
(Accounting policies for the consolidated financial statements and note 3.1)

- The divestment of Raisio Group's cattle feed business was completed on 1 November 2018.
- The divested business was treated as a discontinued operation in the financial statements.
- Since the divestment of cattle feed business as a single transaction accounts for substantial part of the consolidated result for the financial year ended it is considered a key audit matter.

- Our audit procedures included evaluation of the documents as well as terms and conditions related to the divestment.
- We derived the data underpinning the calculation on the gain on sale to the underlying material and assessed the appropriateness of the accounting treatment of the said gain by reference to IFRS.
- Furthermore, we considered the adequacy of the notes and assessed their appropriateness for financial statements.

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 3 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 2019

Esa Kailiala
Authorised Public Accountant, KHT

Kimmo Antonen
Authorised Public Accountant, KHT

Statement of the Supervisory Board

At its meeting today, the Supervisory Board studied the financial statement, the consolidated financial statement and auditors' report for the financial period 1 January – 31 December 2018.

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, 14 February 2019

For the Supervisory Board

Paavo Myllymäki
Chairman

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