Financial Statements Bulletin 2018

RAISIO PLC

RAISIO

RAISIO IS NOW AN INTERNATIONAL BRAND HOUSE FOCUSING ON HEALTHY FOOD

January-December 2018, continuing operations

- The Group's net sales totalled EUR 228.2 (234.6) million.
  Comparable EBIT was EUR 25.6 (35.9) million, accounting for 11.2 (15.3) % of net sales.
  EBIT was EUR 16.6 (54.1) million, accounting for 7.3 (23.0) % of net sales.
  EBIT for the comparison year includes sales profits of EUR 28.0 million for the Southall factory property.
- The Healthy Food Division's net sales totalled EUR 201.1 (201.4) million.
  Comparable EBIT was EUR 29.8 (39.3) million, accounting for 14.8 (19.5) % of net sales.
  EBIT was EUR 30.8 (38.4) million, accounting for 15.3 (19.0) % of net sales.
- The Raisioaqua Division's net sales totalled EUR 25.9 (31.8) million.
  EBIT totalled EUR -0.8 (2.4) million.
- The Board of Directors' dividend proposal to the Annual General Meeting is EUR 0.16 per share, of which EUR 0.04 as an extra dividend.

October-December 2018, continuing operations

- The Group's net sales totalled EUR 55.6 (53.7) million.
  Comparable EBIT was EUR 5.0 (6.7) million, accounting for 9.0 (12.5) % of net sales.
  EBIT totalled EUR -2.1 (-2.4) million.
- The Healthy Food Division's net sales totalled EUR 53.3 (50.6) million.
  Comparable EBIT was EUR 7.4 (9.5) million, accounting for 13.8 (18.7) % of net sales.
  EBIT was EUR 8.5 (8.5) million, accounting for 16.0 (16.9) % of net sales.
- The Raisioaqua Division's net sales totalled EUR 2.0 (2.7) million.
  EBIT totalled EUR -1.1 (-0.7) million.

CEO'S REVIEW

"The year 2018 was a period of strong renewal and construction of the new for Raisio. The company now has a clear focus: healthy food. Our goal is to be an innovative and increasingly international brand house.

We have now built a solid foundation for our next steps. Our purpose and values defined together with the staff create the basis for all our work and guide the decision-making. In line with its strategy, Raisio will focus on securing the growth and profitability of its core operations in 2019.

In 2018, several separate events affected Raisio's sales and profitability. The most significant impacts on EBIT were the EBIT decrease of EUR 2.5 million on the comparison year due to the Russian fish feed import ban, planned growth of marketing costs and challenges faced in the Russian and Polish consumer product markets. EBIT for Russia and Poland declined by EUR 2 million on the comparison year. Raisio has identified the problem areas in these markets, carried out corrective measures and managed to turn the direction of the businesses. Furthermore, exceptionally poor harvest in Finland together with a grain price increase of up to 60 per cent decreased profitability. Raisio promptly reacted to the situation with price changes.

For Raisioaqua, the second half of 2018 was exceptional as the Russian authorities closed the border in August. After the border was reopened in December, Raisioaqua continued to finalise the 2019 fish feed contracts with its Russian customers, whose confidence in Raisioaqua remains very high.

Raisio's most significant novelty was launched in the autumn: Elovena Muru Oat Mince, a plant-based protein product for versatile cooking. Elovena Muru has been very well received by consumers. The product has shown its ability to grow the whole category and to compete for the market leadership.

Our Benecol product range expanded into new categories. We increased our marketing investment to boost the sales of novelties and to gain new Benecol consumers. In our key Benecol product markets, we have started long-term work to increase healthcare professionals' knowledge on cholesterol and on safe and effective Benecol products proven to lower cholesterol.

Raisio's balance sheet has further strengthened, which enables the company to implement its long-term growth strategy."

RAISIO GROUP'S KEY FIGURES

	1-12/2018			**1-12/2017**		
	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	-	-
Investment, M€	5,6	0,3	5,9	10,1	5,7	15,8

	10-12/2018			10-12/2017		
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
Income statement						
Net sales, M€	55,6	5,6	61,2	53,7	43,6	97,3
Change in net sales, %	3,7	-	-	1,0	-	-
Comparable EBIT, M€	5,0	0,3	5,3	6,7	2,5	9,2
Comparable EBIT of net sales, %	9,0	5,9	8,7	12,5	5,7	9,5
EBIT, M€	-2,1	13,1	11,0	-2,4	-35,9	-38,3
EBIT of net sales, %	-3,8	234,8	17,9	-4,4	-82,3	-39,4
Comparable EBITDA, M€	6,4	0,3	6,7	8,4	3,7	12,1
EBITDA, M€	8,1	13,1	21,1	7,1	-34,8	-27,7
Financial income and expenses, M€	-0,7	0,00	-0,7	-0,3	0,0	-0,3
Comparable earnings per share, €	0,02	0,00	0,02	0,03	0,01	0,04
Earnings per share, €	-0,01	0,08	0,07	-0,03	-0,22	-0,25
Balance sheet						
Investments, M€	1,9	0,0	1,9	1,7	2,9	4,6

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

January-December

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.

October-December

Raisio Group's net sales totalled EUR 55.6 (53.7) million. Net sales of the Healthy Food Division totalled EUR 53.3 (50.6) million, those of Raisioaqua EUR 2.0 (2.7) million and those of Other Operations EUR 0.4 (0.4) 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 2.5 million from the comparison period, because grain was also purchased to the cattle feed business treated as a divested and discontinued operation and it was 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 0.0 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.

RESULTS, continuing operations

January-December

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).

October-December

The Group's comparable EBIT amounted to EUR 5.0 (6.7) million, accounting for 9.0 (12.5) per cent of net sales. EBIT totalled EUR -2.1 (-2.4) million.

The Healthy Food Division's comparable EBIT was EUR 7.4 (9.5) and EBIT 8.5 (8.5) million. Raisioaqua's EBIT totalled EUR -1.1 (-0.7) million. Comparable EBIT for Other Operations was EUR -1.3 (-2.1) and EBIT -9.6 (-10.2) million. An impairment loss of EUR -8.7 million to the brand value of Honey Monster was recognised in the EBIT of Other Operations.

The conversion impact of the British pound on EBIT of the Group and Healthy Food Division was EUR 0.0 million. This 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 10.2 (9.9) million. Net financial expenses totalled EUR -0.7 (-0.3) million.

The Group's comparable pre-tax result was EUR 5.0 (6.7), and pre-tax result -2.8 (-2.7) million. The Group's comparable post-tax result was EUR 3.4 (4.9) and post-tax result -2.3 (-4.0) million. The Group's comparable earnings per share were EUR 0.02 (0.03), and earnings per share -0.01 (-0.03).

RECONCILIATION CALCULATIONS OF ALTERNATIVE KEY FIGURES

Items affecting comparable EBIT,continuing and discontinued operations, EUR million

	1-12/2018			1-12/2017		
	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

	10-12/2018			10-12/2017		
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
Comparable EBIT	5,0	0,3	5,3	6,7	2,5	9,2
+ capital gain	1,2	12,7	13,9	-0,2	-	-0,2
- capital loss	-	-	-	-	-38,4	-38,4
- impairment, tangible and intangible assets	-8,7	-	-8,7	-7,8	0,1	-7,6
- impairment, inventories	-	-	-	-0,7	-	-0,7
+/- structural arrangements and streamlining projects	-	-	-	-0,3	-0,1	-0,4
+/- other items	0,5	-	0,5	-0,1	-	-0,1
Items affecting comparability, in total	-7,1	12,7	5,7	-9,1	-38,4	-47,5
EBIT	-2,1	13,1	11,0	-2,4	-35,9	-38,3

Items affecting comparable EBITDA, continuing and discontinued operations, reconciliation to EBIT, EUR million

	1-12/2018			1-12/2017		
	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

	10-12/2018			10-12/2017		
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
Comparable EBITDA	6,4	0,3	6,7	8,4	3,7	12,1
+/- Depreciations and impairment	8,7	-	8,7	7,8	-0,1	7,6
+/- Items affecting EBIT	-7,1	12,7	5,7	-9,1	-38,4	-47,5
Items affecting comparability, in total	1,6	12,7	14,4	-1,3	-38,5	-39,9
EBITDA	8,1	13,1	21,1	7,1	-34,8	-27,7
+/- Impairment	-8,7	-	-8,7	-8,0	0,1	-7,9
+/- Depreciations	-1,4	0,0	-1,4	-1,5	-1,2	-2,7
EBITDA	-2,1	13,1	11,0	-2,4	-35,9	-38,3

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.

INVESTMENTS, continuing operations

January-December

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.

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.

October-December

The Group's investments totalled EUR 1.9 (1.7) million, or 3.4 (3.2) per cent of net sales. Investments of the Healthy Food Division totalled EUR 1.6 (0.5) million, those of Raisioaqua EUR 0.1 (1.0) million and those of Other Operations EUR 0.3 (0.1) million.

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

January-December

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.

October-December

The R&D expenses were EUR 0.9 (1.0) million, accounting for 1.6 (1.8) per cent of net sales. R&D expenses of the Healthy Food Division totalled EUR 0.6 (0.7) million, those of Raisioaqua EUR 0.2 (0.2) million and those of Other Operations EUR 0.0 (0.1) 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 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.

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

	10-12/2018	10-12/2017	1-12/2018	1-12/2017
Net sales, M€	53,3	50,6	201,1	201,4
Northern and Eastern Europe, M€	26,6	23,4	101,1	98,1
Western Europe, M€	17,0	16,8	66,4	68,2
Rest of the World, M€	9,7	10,3	33,6	35,2
Comparable EBIT, M€	7,4	9,5	29,8	39,3
Comparable EBIT, %	13,8	18,7	14,8	19,5
Items affecting comparability, M€	1,2	-0,9	1,0	-0,9
EBIT, M€	8,5	8,5	30,8	38,4
EBIT, %	16,0	16,9	15,3	19,0
Investments, M€	1,6	0,5	3,2	1,5
Net assets, M€	121,2	116,7	121,2	116,7

Items affecting comparable EBIT, continuing operations, EUR million

	10-12/2018	10-12/2017	1-12/2018	1-12/2017
Comparable EBIT	7,4	9,5	29,8	39,3
+ capital gain	1,2	-	1,2	-
- capital loss	-	-	-	-
- impairment, tangible and intangible assets	-	-0,2	-	-0,2
- impairment, inventories	-	-0,7	-	-0,7
+/- structural arrangements and streamlining projects	-	-	-0,2	-
+/- other items	-	-	-	-
Items affecting comparability, in total	1,2	-0,9	1,0	-0,9
EBIT	8,5	8,5	30,8	38,4

Financial review, continuing operations

<u>January-December</u>

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 29.2 (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.

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.

October-December

The Healthy Food Division's net sales totalled EUR 53.3 (50.6) million. Net sales for Northern and Eastern Europe were EUR 26.6 (23.4) million, for Western Europe EUR 17.0 (16.8) million and for the Rest of the World EUR 9.7 (10.3) million.

The Healthy Food Division's comparable EBIT totalled EUR 7.4 (9.5) million, accounting for 13.8 (18.7) per cent of net sales. EBIT was EUR 8.5 (8.5) million, accounting for 16.0 (16.9) per cent of net sales.

The conversion of the British pound had no impact on net sales and EBIT. 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.

Raisioaqua Division's key figures, continuing operations

	10-12/2018	10-12/2017	1-12/2018	1-12/2017
Net sales, M€	2,0	2,7	25,9	31,8
Comparable EBIT, M€	-1,1	-0,7	-0,8	2,4
Comparable EBIT, %	-52,6	-25,5	-3,2	7,5
Items affecting comparability, M€	-	-	-	-
EBIT, M€	-1,1	-0,7	-0,8	2,4
EBIT, %	-52,6	-25,5	-3,2	7,5
Investments, M€	0,1	1,0	1,4	3,0
Net assets, M€	12,4	8,5	12,4	8,5

Financial review

January-December

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.

October-December

Raisioaqua's net sales totalled EUR 2.0 (2.7) million and EBIT was EUR -1.1 (-0.7) million.
In Finland, the fish growing season was longer than usually due to good growth conditions in the autumn.

Business operations, January-December

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, 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 six 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.

<u>Group Executive Committee</u>

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://annualreport2018.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 is not aware of any human right violations related to its operations. One goal of the responsibility programme 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 CO2e emissions by 2020	• Total carbon dioxide emissions 1,600 (6,650) t CO2e • 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 Conduct	• 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, 12 February 2019

Raisio plc's Board of Directors

Further information:
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CEO's video in English will be available on Raisio's web site at www.raisio.com.

Raisio's financial releases in 2019:
- Report of the Board of Directors and Financial Statements for 2018 published 26 February 2019
- Annual Report for 2018 published in week 10 on the company's website at www.raisio.com
- Interim Report for January-March published 8 May 2019,
- Half-Year Financial Report for January-June published 7 August 2019
- Interim Report for January-September published 6 November 2019

The interim report has not been audited.

CONDENSED FINANCIAL STATEMENTS AND NOTES

THE GROUP'S INCOME STATEMENT (M€)

	1-12/2018			1-12/2017		
	Continuing	**Discon-tinued**	**Total**	**Continuing**	**Discon-tinued**	**Total**
Net sales	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
Other operating income and expenses, net	-50,7	7,9	-42,9	-21,5	-83,4	-104,9
EBIT	16,6	16,2	32,8	54,1	-57,3	-3,2
Financial income	1,4	-	1,4	1,3	0,1	1,4
Financial expenses	-2,2	-	-2,2	-2,7	-0,4	-3,1
Share of result 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	-3,7	-0,6	-4,2	-12,3	0,0	-12,4
Result for the 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	0,0	0,0	0,0	0,0	0,0	0,0
Earnings per share from the profit attributable to equity holders of the parent company (€)						
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

THE GROUP'S COMPREHENSIVE INCOME STATEMENT (M€)

	1-12/2018			1-12/2017		
	Continuing	**Discon-tinued***	**Total**	**Continuing**	**Discon-tinued***	**Total**
Result for the 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	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	0,0	-	0,0	-0,1	-	-0,1
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	-	-	-	-	-	-

* The Confectionery business was reported as a discontinued operation in the 2017 Financial Statements. The cattle feed business is reported as a discontinued operation in this Interim Report.

THE GROUP'S BALANCE SHEET (M€)

ASSETS	**31/12/2018**	**31/12/2017**
Non-current assets		
Intangible assets	33,3	42,9
Goodwill	46,1	46,5
Tangible assets	35,1	50,1
Shares in associates and joint ventures	-	0,7
Equity investments	2,2	2,2
Deferred tax assets	2,3	2,7
Total non-current assets	118,9	145,0
Current assets		
Inventories	34,9	30,5
Accounts receivables and other receivables	28,0	34,6
Financial assets at fair value through profit or loss	89,3	2,2
Cash and bank receivables	53,1	149,0
Total current assets	205,5	216,3
Total assets	324,4	361,3
SHAREHOLDER'S EQUITY AND LIABILITIES	**31/12/2018**	**31/12/2017**
Equity attributable to equity holders of the parent company		
Share capital	27,8	27,8
Own shares	-19,8	-19,8
Other equity attributable to equity holders of the parent company	256,8	256,1
Equity attributable to equity holders of the parent company	264,8	264,0
Non-controlling interests	-	-
Total shareholder's equity	264,8	264,0
Non-current liabilities		
Deferred tax liabilities	4,0	5,1
Provisions	1,1	1,1
Non-current financial liabilities	0,1	23,0
Total non-current liabilities	5,2	29,2
Current liabilities		
Accounts payable and other liabilities	31,4	42,8
Provisions	-	2,1
Derivative contracts	0,0	0,2
Current financial liabilities	22,9	22,9
Total current liabilities	54,4	68,1
Total liabilities	59,6	97,2
Total shareholder's equity and liabilities	324,4	361,3

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (M€)

	Share capital	Share premium reserve	Reserve fund	Invested unrestricted equity fund	Other reserves	Company shares	Translation differences	Retained earnings	Equity attributable to equity holders of the parent company	Non-controlling interests	Total shareholders' equity
Shareholders' equity on 1 Jan 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 fund	-	-	-	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

CONSOLIDATED CASH FLOW STATEMENT (M€)

	1-12/2018			1-12/2017		
	Continu-ing	Discon-tinued	Total	Continu-ing	Discon-tinued	Total
CASH FLOW FROM BUSINESS OPERATIONS						
Result before taxes	15,7	16,3	32,0	52,7	-57,6	-5,0
Adjustments:						
Planned depreciations	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
Other adjustments	7,7	-12,7	-5,0	-20,2	67,5	47,3
Total adjustments	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 liablities	-0,1	-4,2	-4,3	0,9	1,4	2,3
Total change in working capital	-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	-	-0,2
Income taxes paid	-6,8	-0,6	-7,3	-6,0	-1,8	-7,8
Cash flow from business operations	11,5	-1,0	10,5	33,3	11,8	45,1
CASH FLOW FROM INVESTMENTS						
Additional acquisition of associates shares	-	-	-	-	0,0	0,0
Investment in tangible assets	-5,2	-0,4	-5,7	-9,1	-5,5	-14,6
Investment in intangible assets	-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	-	34,7	34,7	-	89,4	89,4
Income from intangible and tangible commodities	1,2	-	1,2	39,2	0,1	39,3
Increase in short-term debt, value added tax	-	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	-22,9	-	-22,9	-42,6	-	-42,6
Dividends and other profit distribution paid to shareholders of the parent company	-26,6	-	-26,6	-26,6	-	-26,6
Net cash flow from financial operations	-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	-0,5			0,5		
Impact of changes in market value on liquid funds	-0,1			-0,1		
Liquid funds at end of period	142,1			151,0		

NOTES TO THE FINANCIAL STATEMENTS BULLETIN

Accounting principles and presentation of figures

Raisio plc's Financial Statements Bulletin for January-December 2018 has been prepared in accordance with IAS 34, Interim Financial Reporting regulations. In the preparation of the Interim report, Raisio plc has followed the same accounting principles as in the 2018 Financial Statements. New accounting standards have been applied from the beginning of 2018 as explained under the heading "Impact of new and revised standards".

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

Compared to the 2017 Financial Statements, there have been no significant changes in the uncertainties included in the accounting principles and estimates requiring the management's judgement with the exception of the estimates made when the cattle feed business was classified as a discontinued operation.

The Financial Statements Bulletin is shown in EUR millions.

Impact of new and revised standards

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 has no material impact on the consolidated financial statements and no impact on the opening balance sheet of 1 January 2018.

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

	Balance sheet 31.12.2017	Adjustments	Opening balance 1.1.2018	Standard
ASSETS				
Non-current assets				
Equity investments	-	2,2	2,2	IFRS 2
Avaivable-for-sale finacial assets	2,2	-2,2	0,0	IFRS 2
Total assets	2,2	0,0	2,2	
SHAREHOLDER'S EQUITY AND LIABILITIES				
Equity	264,0	0,7	264,7	IFRS 9
Total shareholder's equity	264,0	0,7	264,7	
Current liabilities				
Accounts payable and other liabilities	42,8	-0,7	42,1	IFRS 9
Total current liabilities	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 flows consist solely of capital and interest. Raisio has classified at amortised cost sales receivable and other receivables held to maturity that are are non-derivatives assets. 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 as financial assets or liabilities to be recorded at fair value through profit or loss. If hedge accounting is applied derivatives are recorded at fair value through other comprehensive income items.

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, Raisio plc may use various derivatives to hedge against interest rate and currency risks.

At present, the Raisio Group has currency foreign exchange derivatives to hedge both foreign currency receivables and liabilities, and 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 follows the hedging's efficiency.

Classification of financial assets and liabilities

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

The new 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, Raisio plc 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 the 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 reveivables.

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 process 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.

New and revised standards 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 will 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 provision 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 contracts of less than 12 months and contracts 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 are classified for finance leases 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.

In the transition, the Raisio Group applies the simplified approach included in the IFRS 16. The right-of-use asset 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 exemptions to IFRS 16 mentioned above and will not recognise the right-of-use asset item or liability in 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, 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 instead of the rental expense. 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

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

Alternative key figures and items affecting comparability

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

The alternative figure is derived from the IFRS financial statements. The alternative key figures should not be considered as substitute indicators compared to the key figures defined in the IFRS. 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 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.

SEGMENT INFORMATION

The reportable segments are Healthy Food (previously Brands), Raisioaqua (previously part of Raisioagro) and other operations. 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 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 Raisioaqua Division includes the fish feed business.

For the continuing operations, comparative figures for previous periods have been adjusted in terms of the income statement, cash flow statement and some key figures.

Net sales by segment, continuing operations (M€)

	1-12/2018	1-12/2017
Healthy Food		
Northern and Eastern Europe	101,1	98,1
Western Europe	66,4	68,2
Rest of the world	33,6	35,2
Total Healthy Food	201,1	201,4
Raisioaqua	25,9	31,8
Other operations*	1,5	1,3
Interdivisional net sales	-0,3	0,0
Total net sales	228,2	234,6

*Also including the net sales from the UK licensed food brand as of 1 January 2018.

EBIT by segment, continuing operations (M€)

	1-12/2018	1-12/2017
Healthy Food	30,8	38,4
Raisioaqua	-0,8	2,4
Other operations*	-13,5	13,3
Total EBIT	16,6	54,1

*Also including the earnings from the UK licensed food brand as of 1 January 2018.

Net assets by segment, continuing operations (M€)

	31/12/2018	31/12/2017
Healthy Food	121,2	116,7
Raisioagro	12,4	8,5
Other operations and unallocated items	131,2	138,8
Total net assets	264,8	264,0

Investment by segment, continuing operations (M€)

	31/12/2018	31/12/2017
Healthy Food	3,2	1,5
Raisioaqua	1,4	3,0
Other operations	1,0	5,6
Total investments	5,6	10,1

REVENUE

Net sales by market, continuing operations (M€)

	1-12/2018	1-12/2017
Finland	86,1	78,3
Great Britain	61,5	57,8
Rest of Europe	76,2	92,4
Rest of world	4,5	6,1
Total	228,2	234,6

Net sales by category, continuing operations (M€)

	1-12/2018	1-12/2017
Sales of goods	226,3	232,8
Sales of services	1,3	1,1
Royalties	0,7	0,7
Total net sales	228,2	234,6

ACQUIRED BUSINESSES, DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

Acquired businesses

In the period of 1 January - 31 December 2018 and in 2017, there were no acquired businesses.

Discontinued operations

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

The cattle feed business is reported as a discontinued operation in this Financial Statements Bulletin.

The Raisio Group’s Confectionery business transferred to Valeo Foods Ltd on 29 December 2017. The Confectionery business included in the Healthy Food (previously Brands) was reported as a discontinued operation in the 2017 Financial Statements.

For the continuing operations, comparative figures for previous periods have been adjusted in terms of the income statement, cash flow statement and some key figures.

Income statement, discontinued operations (M€)

	1-12/2018	1-12/2017		
	Farms	Farms	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 flows, discontinued operations (M€)

	1-12/2018	1-12/2017	1-12/2017
	Farms	Farms	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

The impact of the discontinued operation on the Group's financial position, the cattle food business (M€)

	31/12/2018	31/12/2017
Non-current assets	15,7	16,2
Inventories	7,9	7,3
Short-term receivables	5,2	5,5
Loans receivables (cash pool)	-4,5	0,6
Liquid funds	-	0,1
Assets in total	**24,3**	29,7
Current liabilities	7,3	11,7
Liabilities in total	**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	
Investment debt related to factories and other non-interest-bearing items related to net debt	-0,7	
Interest-bearing net financial liability of the divested subsidiaries at the time of transfer	4,5	
Enterprise value of the shares	**30,2**	
Enterprise value of the shares	30,2	
Net interest-bearing debt of the divested subsidiaries at the time of transfer	-4,5	
Subsidiary divestments adjusted for cash at the time of transfer	**34,7**	
Cash flow from sales including expenses	34,7	
In the cash flow statement		
Subsidiary divestments adjusted for cash at the time of transfer	34,7	
Cash flow from investments	-0,4	
Increase in short-term liability, value added tax		
Cash flow from business operations	-1,0	
Cash flow effect of the divested operation in total and repayments of loan receivables	34,7	

Earnings per share (EPS) for the discontinued cattle feed business

Earnings per share totalled EUR 0.10 in 2018. Earnings per share totalled EUR 0.01 in 2017.

Impact of the discontinued operations on the Group's financial position, the Confectionery business (M€)

	31/12/2017
Non-current assets	116,4
Inventories	11,8
Short-term receivables	17,5
Loans receivables (cash pool)	-15,4
Liquid funds	2,8
Assets 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

Earnings per share (EPS) for the discontinued Confectionery business

Earnings per share totalled EUR -0.38 in 2017.

PROPERTY, PLANT AND EQUIPMENT (M€)

	31/12/2018	31/12/2017
Acquisition cost at the beginning of the period	310,7	371,8
Translation differences	-0,2	-0,1
Increase	5,0	13,8
Decrease	-42,9	-74,7
Acquisition cost at end of period	272,6	310,7
Accumulated depreciation and impairment at the beginning of the period	260,6	283,3
Translation differences	-0,2	-0,4
Decrease and transfers	-27,5	-31,3
Depreciations and impairment for the period	4,6	9,0
Accumulated depreciation and impairment at end of period	237,5	260,6
Book value at end of period	35,1	50,1

PROVISIONS (M€)

	31/12/2018	31/12/2017
At the beginning of the period	3,2	2,6
Increase in provisions	0,0	1,1
Provisions used	-2,1	-0,5
At end of period	1,1	3,2

RELATED PARTY TRANSACTIONS (M€)

	31/12/2018	31/12/2017
Sales to key employees in management	0,2	0,1
Purchases from key employees in management	0,8	1,0
Receivables from the key persons in the management	0,0	0,0
Payables to key management personnel	0,0	0,1

CONTINGENT LIABILITIES (M€)

	31/12/2018	31/12/2017
Contingent off-balance sheet liabilities		
Non-cancelable other leases		
Minimum lease payments	1,9	1,4
Other liabilities	2,5	2,3
Guarantee liabilities on the Group companies' commitments	26,3	33,1
Commitment to investment payments	2,3	1,1

DERIVATIVE CONTRACTS (M€)

	31/12/2018	31/12/2017
Nominal values of derivative contracts		
Currency forward contracts	71,7	82,1

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES, EUR million

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

	Carrying amount 31/12/2018	Fair value 31/12/2018	Carrying amount 31/12/2017	Fair value 31/12/2017
Financial assets				
Equity investments*)	2,2	2,2	2,2	2,2
Accounts receivables and other receivables	26,8	26,8	32,7	32,7
Investments recorded at fair value through profit or loss*)	89,0	89,0	2,0	2,0
Liquid funds	53,1	53,1	149,0	149,0
Derivatives*)	0,3	0,3	0,2	0,2
Financial liabilities				
Bank loans	22,9	23,1	45,8	46,5
Financial leasing liabilities	0,1	0,1	0,1	0,1
Accounts payable and other liabilities	23,6	23,6	32,5	32,5
Derivatives*)	0,0	0,0	0,2	0,2

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

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

RECONCILIATIONS RELATED TO CASH FLOW STATEMENT

Adjustments to business cash flows, continuing and discontinued operations (M€)

	1-12/2018	1-12/2017
Impairment for intangible and tangible fixed assets	8,7	36,5
Impairment for 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

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

Acquisitions and disposals of fixed assets of cash flow from investing, continuing and discontinued operations (M€)

	1-12/2018	1-12/2017
Acquisitions of fixed assets in 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 other 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, continuing and discontinued operations (M€)

	1-12/2018	1-12/2017
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

Reconciliation of liabilities related to financing activities (M€)

	31/12/2017	Cash flows	Non cash flow influenced changes			31/12/2018
			Forward exchange contracts	Changes in exchange rates	Changes in fair value	
Non-current liabilities	45,7	-22,8	-	-	0,0	22,9
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	23,0

QUARTERLY EARNINGS FROM CONTINUING OPERATIONS (M€)

	10-12/ 2018	7-9/ 2018	4-6/ 2018	1-3/ 2018	10-12/ 2017	7-9/ 2017	4-6/ 2017	1-3/ 2017
Net sales by segment								
Healthy Food	53,3	51,9	47,8	48,1	50,6	48,9	51,6	50,3
Raisioaqua	2,0	10,9	11,7	1,3	2,7	18,4	9,4	1,3
Other operations	0,4	0,4	0,4	0,4	0,4	0,3	0,3	0,3
Interdivisional net sales	0,0	0,0	-0,2	0,0	0,0	0,0	0,0	0,0
Total net sales	55,6	63,1	59,7	49,7	53,7	67,7	61,4	51,8
EBIT by segment								
Healthy Food	8,5	7,3	6,8	8,1	8,5	9,3	10,7	9,8
Raisioaqua	-1,1	0,9	0,3	-1,0	-0,7	2,7	1,1	-0,7
Other operations	-9,6	-0,5	-0,6	-2,8	-10,2	-1,7	27,8	-2,6
Total EBIT	-2,1	7,8	6,5	4,4	-2,4	10,3	39,6	6,5
Financial income and expenses, net	-0,7	-0,1	-0,1	0,1	-0,3	-0,7	-0,3	0,0
Share of result of associates	-	-	-	-	-	-	-	-
Result before taxes	-2,8	7,6	6,4	4,5	-2,7	9,6	39,3	6,5
Income tax	0,5	-1,7	-1,4	-1,1	-1,3	-2,0	-7,8	-1,2
Result for the period	-2,3	5,9	5,0	3,4	-4,0	7,6	31,5	5,3

KEY FIGURES

Key figures have been calculated from continuing operations.

	31/12/2018	31/12/2017
Net sales, M€	228,2	234,6
Change of net sales, %	-2,7	-9,1
Operating margin, M€	31,0	68,1
Comparable operating margin, M€	31,3	42,2
Depreciation and impairment, M€	14,4	14,0
EBIT, M€	16,6	54,1
% of net sales	7,3	23,0
Comparable EBIT, M€	25,6	35,9
% of net sales	11,2	15,3
Result before taxes, M€	15,7	52,7
% of net sales	6,9	22,5
Return on equity, ROE, %	4,6	14,0
Return on investment, ROI, %	5,6	15,1
Comparable return on investment, ROI, %	8,6	10,0
Interest-bearing financial liabilities at end of period, M€	23,0	45,9
Net interest-bearing financial liabilities at end of period, M€	-119,2	-105,1
Equity ratio, %	81,7	73,4
Net gearing, %	-45,0	-39,8
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
Earnings/share, €	0,08	0,26
Comparable earnings/share, €	0,12	0,17
Cash flow from operations/share, €	0,07	0,21
Equity/share, €	1,68	1,68
Average number of shares during the period, in 1,000s		
Free shares	125 413	124 927
Restricted shares	31 917	32 436
Total	157 329	157 363
Average number of shares at end of period, in 1,000s		
Free shares	125 763	125 028
Restricted shares	31 578	32 291
Total	157 341	157 319
Market capitalisation of shares at end of period, M€		
Free shares	294,9	480,1
Restricted shares	73,3	124,0
Total	368,2	604,1
Share price at end of period		
Free shares	2,35	3,84
Restricted shares	2,32	3,84

FORMULAS FOR KEY FIGURES

Earnings per share	Result for the year of parent company shareholders / Average number of shares for the year, adjusted for share issue
Formulas for alternative key figure calculation	
Return on equity (ROE), %	Result before taxes – income taxes / Shareholders' equity (average over the period x 100
Return on investment (ROI), %	Result before taxes + financial expenses / Shareholders' equity + interest-bearing financ (average over the period) x 100
Equity ratio, %	Shareholders' equity / Balance sheet total – advances received x 100
Net interest-bearing financial liabilities	Interest-bearing financial liabilities - liquid funds and liquid financial assets at fair value through profit or loss
Net gearing, %	Net interest-bearing fir / Shareholders' equity x 100
Comparable earnings per share	Profit for the period attributable to the parent company shareholders +/- items affecting comparability / Average number of shares during the period adjusted for issues
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
Comparable net sales	Net sales +/-items affecting comparability
Comparable EBIT	EBIT +/-items affecting comparability
Comparable EBIT, %	Comparable EBIT / Comparable net sales x 100
EBITDA	EBIT + depreciations and impairment
Comparable EBITDA	EBIT +/- items affecting comparability + depreciations and impairment
Market capitalisation	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