Q2/2014

RAISIO PLC

Interim Report

1 January –
30 June 2014

RAISIO'S EBIT EUR 8.5 MILLION; FULL YEAR FORECAST LOWERED

April-June 2014, excluding one-off items

- The Group EBIT was EUR 8.5 (11.0) million, accounting for 6.4 (7.4)% of net sales.
- Brands Division's EBIT was EUR 8.2 (11.1) million, accounting for 11.1 (14.2)% of net sales.
- Raisioagro's EBIT was EUR 1.4 (1.3) million, accounting for 2.2 (1.9)% of net sales.
- The Group net sales totalled EUR 132.5 (148.6) million.
- Guidance changed: Raisio estimates its EBIT for 2014 to remain below the level of 2013.

January-June 2014, excluding one-off items

- The Group EBIT was EUR 13.8 million (EUR 19.0 million) accounting for 5.6 (6.9)% of net sales.
- EBIT for the Brands Division totalled EUR 14.6 million (EUR 20.5 million).
- Raisioagro's EBIT was EUR 1.4 million (EUR 0.7 million).
- The Group net sales totalled EUR 249.1 million (EUR 276.9 million).

Raisio Group's key figures excluding one-off items

		4-6/ 2014	4-6/ 2013	1-6/ 2014	1-6/ 2013	1-12/ 2013
Results from continuing operations						
Net sales	M€	132.5	148.6	249.1	276.9	557.6
Change in net sales	%	-10.9	-1.3	-10.0	-3.0	-4.5
EBIT	M€	8.5	11.0	13.8	19.0	39.3
EBIT	%	6.4	7.4	5.6	6.9	7.1
Depreciation and impairment	M€	3.6	3.7	7.5	7.6	14.9
EBITDA	M€	12.1	14.7	21.4	26.6	54.3
Net financial expenses	M€	0.0	-0.8	-0.3	-1.2	-1.8
Earnings per share (EPS)	€	0.04	0.05	0.07	0.09	0.20
Balance sheet						
Equity ratio	%	-	-	68.1	63.9	68.2
Gearing	%	-	-	2.0	8.0	-8.6
Net interest-bearing debt	M€	-	-	6.4	25.5	-28.5
Equity per share	€	-	-	2.03	2.04	2.13
Gross investments	M€	6.0	3.0	10.8	4.8	16.5
Share						
Market capitalisation*	M€	-	-	688.2	542.1	683.1
Enterprise value (EV)	M€	-	-	694.6	567.6	654.6
EV/EBITDA		-	-	14.8	10.9	12.1

* Excluding the company shares held by the Group

CEO Matti Rihko's review

"Raisio Group improved its second-quarter EBIT from the previous year by 600,000 euros, excluding the UK's cereals and snacks business, which also showed improvement and the loss was cut in half compared to the first quarter of this year. The extended snack bar factory in Newport was able to improve its service level in June. Sales decline in Honey Monster cereals compared to the beginning of the year was stopped, but net sales were lower than a year before. Raisio has taken steps to renew the Honey Monster brand but the recovery in cereal sales expected to be slow.

Raisio's brand activities in Russia and Ukraine are using a flexible business model, which proved effective in the current situation. In Russia, sales volume was stable, EBIT improved and was clearly positive. In Ukraine, volume declined considerably, but EBIT was not negative. In Finland, retail sales of Raisio's branded products continued to grow.

Benemilk Ltd's operations entered a new phase when a permanent organisation was built for the company and Tim Londergan was appointed as its CEO. He came to Benemilk Ltd from Intellectual Ventures and has been working with the Benemilk innovation since the beginning of our cooperation. R&D of Benemilk feeds will continue in Finland, but the commercial team will be managed from Seattle, USA. Tim Londergan as well as Connie Wan, Chief Technology Officer, and Mark Handfelt, General Counsel, will be working from Seattle.

At Raisioagro, an extensive restructuring of activities will be carried out during the end of this year. The company will focus on cattle and fish feeds, grain trade as well as online sales of farming supplies, and will terminate the production of pig and poultry feeds. The company doubled its EBIT from last year during the first half of 2014. Raisioagro aims to be the leading operator in the agricultural sectors where success is based on feeding and plant cultivation expertise and on innovations."

OPERATING ENVIRONMENT IN APRIL-JUNE

High currency volatility continued in Russia and Ukraine due to the economic situation and political crisis. During the period, the rouble was strengthening, but the hryvnia continued to deteriorate. Tightening sanctions are prolonging uncertainty, reducing investments and, with delay, also private consumption. Prices of Raisio's export products sold in local currencies have been raised to maintain margins, and activities have been further adjusted to the situation.

Economic situation in Europe continued unstable and it was challenging for the companies to maintain margins. Strong brands were still not subject of the strongest pressure. Finnish retail trade has expanded its offering of private label products made of Finnish raw materials to meet the growing demand for local food.

The consolidation in the Nordic agricultural sector continued and the effects were seen widely also in Finland. Intense competition continued in the Finnish feed market and agricultural trade.

Export restrictions imposed by Russia weakened profitability of the farms and increased feed operators' credit loss risk. Possible expansion of these restrictions may further weaken profitability of the entire chain. Raisioagro's decision to discontinue the production of pig and poultry feeds at the end of September 2014 is reducing the company's risks in these segments.

FINANCIAL REPORTING

Raisio Group reports on its performance in line with the continuing operations and all figures mentioned in this review are comparable. The Divisions that are reported in line with continuing operations include Brands and Raisioagro.

The Brands Division includes Consumer brands and Licensed brands units. In the text, Consumer brands unit is examined by key market areas that are Western Europe, Northern Europe and Eastern Europe. Non-dairy business is included in Northern European operations' comparison period figures until 9 May 2013. Licensed brands unit includes Benecol business and a joint venture called Benemilk Ltd from 1 July 2013.

The Raisioagro Division includes feeds, farming supplies, grain trade, protein meals and vegetable oils.

Comparison figures in brackets refer to the corresponding date or period one year earlier unless otherwise stated.

FINANCIAL REVIEW, APRIL-JUNE 2014

Net sales

Raisio Group's net sales in *April-June* were EUR 132.5 (148.6) million. Net sales for the Brands Division totalled EUR 73.7 (78.1) million and for the Raisioagro Division EUR 62.6 (70.9) million. Net sales for other operations amounted to EUR 0.3 (0.3) million.

Result

In *April-June*, Raisio Group's EBIT totalled EUR 0.8 (10.4) and, excluding one-off items, 8.5 (11.0) million, which is 0.6 (7.0) and, excluding one-off items, 6.4 (7.4) per cent of net sales. EBIT for the Brands Division totalled EUR 8.2 (10.5 and, excluding one-off items, 11.1) million. Raisioagro's EBIT was EUR -6.1 and, excluding one-off items 1.4 (1.3) million. EBIT for other operations was EUR -1.2 and, excluding one-off items, -1.1 (-1.4) million. One-off items affecting EBIT are specified under the heading One-off items.

Depreciations and impairment, allocated to operations in the income statement, amounted to EUR 9.8, excluding one-off items, 3.6 (3.7) million.

The Group's net financial expenses totalled EUR 0.0 (-0.8) million. The pre-tax result was EUR 0.8 (9.5) and, excluding one-off items, 8.5 (10.2) million. The Group's post-tax result was EUR 0.7 (7.3) and, excluding one-off items, 6.8 (7.8) million. The Group's earnings per share were EUR 0.00 and, excluding one-off items, 0.04 (0.05).

FINANCIAL REVIEW, JANUARY-JUNE 2014

Net sales

The Group's *January-June* net sales were EUR 249.1 (276.9) million. Net sales for the Brands Division totalled EUR 146.0 (153.3) million and for the Raisioagro Division EUR 111.6 (124.4) million. Net sales for other operations amounted to EUR 0.6 (0.6) million.

The Brands Division accounted for some 58 per cent and Raisioagro for some 42 per cent of Raisio's net sales. Net sales from outside Finland represented 51.4 (49.5) per cent of the Group's total in January-June, amounting to EUR 128.0 (137.1) million.

Result

In *January-June*, the Group's EBIT amounted to EUR 4.7 (18.4) and, excluding one-off items, 13.8 (19.0) million, which is 1.9 (6.6) and, excluding one-off items, 5.6 (6.9) per cent of net sales. EBIT for the Brands Division totalled EUR 13.1 (19.9) and, excluding one-off items, 14.6 (20.5) million. EBIT for the Raisioagro Division was EUR -6.1 and, excluding one-off items, 1.4 (0.7) million and for other operations EUR -2.3 and, excluding one-off items, -2.1 (-2.3) million.

Depreciations and impairment, allocated to operations in the income statement, amounted to EUR 13.7 and, excluding one-off items, 7.5 (7.6) million.

The Group's net financial expenses totalled EUR -0.3 (-1.2) million. The pre-tax result was EUR 4.4 (17.2) and, excluding one-off items, 13.6 (17.9) million. The Group's post-tax result was EUR 3.4 (13.2) and, excluding one-off items, 10.7 (13.7) million. The Group's earnings per share were EUR 0.02 and, excluding one-off items, 0.07 (0.09).

One-off items, million euros

	4-6/2014	4-6/2013	1-6/2014	1-6/2013
Brands				
Divestment of Non-dairy business		0.6		0.6
Streamlining projects UK			1.5	
Raisioagro				
Restructuring of activities	7.5		7.5	
Other operations				
Growth projects	0.2		0.2	
Impact on EBIT	7.7	0.6	9.2	0.6

Balance sheet, cash flow and financing

At the end of June, Raisio Group's balance sheet totalled EUR 470.1 (31 December 2013: 491.2) million. Shareholders' equity was EUR 318.4 (31 December 2013: 331.7) million, while equity per share was EUR 2.03 (31 December 2013: 2.13).

At the end of June, the Group's interest-bearing debt was EUR 45.7 (31 December 2013: 55.4) million. Net interest-bearing debt was EUR 6.4 (31 December 2013: -28.5) million.

On 30 June 2014, the Group's equity ratio totalled 68.1 (31 December 2013: 68.2) per cent and net gearing 2.0 (31 December 2013: -8.6) per cent. Return on investment was 2.8 and, excluding one-off items, 7.7 (31 December 2013: 8.6 and, excluding one-off items, 10.0) per cent.

Cash flow from business operations in January-June was EUR -5.1 (6.6) million.

At the end of June, working capital amounted to EUR 66.4 million and all working capital items developed favourably. A year earlier, the amount of working capital was EUR 97.9 million. Working capital has been released from current assets in particular, but non-interest bearing receivables were also lower and non-interest bearing liabilities higher.

INVESTMENTS

The Group's gross investments in *April-June* totalled EUR 6.0 (3.0) million. Gross investments of the Brands Division were EUR 5.5 (1.9) million, those of Raisioagro EUR 0.4 (0.7) million and those of other operations EUR 0.1 (0.5) million.

Streamlining of the confectionery business and Newport snack bar production were the largest investments.

In the review period, Raisioagro enhanced the production process of fish feeds, which allows the production of higher quality feeds. Packaging line capacity was increased at the Nokia flake factory.

The Group's gross investments in *January-June* totalled EUR 10.8 (4.8) million, or 4.3 (1.7) per cent of net sales.

DISPUTES

In 2013, Raisio initiated arbitration proceedings related to the termination of a contractual relationship with a foreign company. The counterparty made a counterclaim to be dealt with in the same arbitral proceedings. Raisio regards the claim for damages entirely unfounded and has recorded no reserve due to it. The arbitral tribunal's decision is expected during the autumn 2014.

RESEARCH AND DEVELOPMENT

The Group's *April-June* research and development expenses were EUR 1.7 (2.1) million. In *January-June*, R&D expenses totalled EUR 3.3 (3.5) million, or 1.3 (1.3) per cent of net sales.

In the review period, the R&D focus was on the Benemilk® feed innovation. Two studies conducted by the University of Helsinki confirmed the efficacy of the Benemilk concept with various feed mixes. The company continued the development of new products complementing the Benemilk product line. Furthermore, production monitoring was continued on hundreds of dairy farms using Benemilk feeds. The impacts of results obtained in scientific studies were also shown on the farm monitoring.

In 2013, Raisioagro launched a feeding programme called Hercules LP Opti ensuring the formation of wholesome fatty acids, essential for human body, in salmon. In addition, the programme enables to considerably improve the fish farming profitability and to reduce the use of wild fish oil in feeds. Hercules LP Opti feeding programme has been well received and it already feeds more than half of rainbow trout farmed in Finland. Fish farms have reported good results with the feeding concept and because of this, WWF Finland added farmed rainbow trout on the green list of its Seafood Guide. Raisioagro will continue its research cooperation with the Finnish Game and Fisheries Research Institute. New studies focus on the nutrient use efficiency, which has a direct and positive impact on both the environment and profitability of fish farming.

In the review period, R&D in the Northern European operations focused on the development of future new products. New instant porridges and snack biscuits launched during the review period complement successfully the Elovena product line.

R&D in the Western European operations focused on product quality assurance related to the production transfers. To take advantage of the potential provided by the investments, the focus was also on the new product development.

PERSONNEL AND ADMINISTRATION

Raisio Group employed 1,937 people at the end of June (31 December 2013: 1,896 people). 80 (31 December 2013: 79) per cent of the personnel were working outside Finland. At the end of the review period, the Brands Division had 1,719, Raisioagro Division 160 and service functions 58 employees. The figures include summer workers.

Raisioagro's cooperation negotiations, completed in June, resulted in the termination of 43 employments, of which 27 through redundancies. Some of the ended employments were temporary and some cuts were made through natural attrition. The redundancies concerned all personnel groups. Approximately 150 employees were in scope of the negotiations, which concerned all Raisioagro's activities except the Ylivieska feed factory, fish feed sales and feed export. The company expects that these personnel reductions will result in annual savings of approximately EUR 2.5 million.

Jarmo Mäntyharju, a member of the Supervisory Board, resigned on 17 June 2014.

SEGMENT INFORMATION

BRANDS DIVISION

		4-6/ 2014	4-6/ 2013	1-6/ 2014	1-6/ 2013	1-12/ 2013
Net sales	M€	73.7	78.1	146.0	153.3	304.7
Consumer brands	M€	64.8	68.8	129.3	135.6	271.4
Licensed brands	M€	11.0	10.8	20.7	21.0	41.3
EBIT	M€	8.2	10.5	13.1	19.9	35.7
One-off items	M€	0.0	-0.6	-1.5	-0.6	-5.7
EBIT, excluding one-off items	M€	8.2	11.1	14.6	20.5	41.4
EBIT, excluding one-off items	%	11.1	14.2	10.0	13.4	13.6
Investments	M€	5.5	1.9	9.8	2.7	13.4
Net assets	M€	-	-	271.6	254.8	254.2

Financial review

<u>April-June</u>

Net sales for the Brands Division totalled EUR 73.7 (78.1) million in April-June. Net sales for the Consumer brands unit were EUR 64.8 (68.8) million. Net sales for the Licensed brands unit, or Benecol business, were EUR 11.0 (10.8) million.

Second-quarter EBIT for the Brands Division amounted to EUR 8.2 (10.5 and, excluding one-off items,11.1) million, which is 11.1 (13.4 and, excluding one-off items, 14.2) per cent of net sales. The Brands Division's EBIT was burdened by the UK's breakfast and snack products, otherwise the Division's performance was improving.

EBIT for the Western European confectionery business was up from the comparison period and net sales were almost at the comparison period level. In soft gums, sales increased considerably while net sales fell due to the termination of a significant manufacturing agreement.

Net sales of UK's cereals and snacks business were down on the comparison period and EBIT was negative. However, the loss was cut in half compared to the first quarter of this year.

In the Northern European operations, EBIT improved due to the product range in line with consumer needs and moderate cost structure. Net sales were at the comparison period level. Comparable net sales, excluding the non-dairy business transferred to a new owner in May 2013, were clearly higher than in the comparison period. Retail sales of Raisio's branded products, in particular, developed well in Finland.

Russia and Ukraine both achieved positive EBIT. Moreover, EBIT for the Eastern European operations as a whole was higher than in the comparison period. Net sales for Eastern Europe were down from the comparison period because Raisio reduced its export to Ukraine as a result of the crisis broken out in the country. This way, the company could also lower its credit loss risk.

EBIT for the Benecol business was nearly at the comparison period level. Net sales were slightly up from the comparison period. Significant differences between the countries in the sales development of Benecol products continued. For example, net sales increased in the new market area Hong Kong as a result of enhanced product distribution and the marketing and advertising campaign carried out by Raisio.

January-June

Net sales for the Brands Division were EUR 146.0 (153.3) million in January-June. Net sales for the Consumer brands unit totalled EUR 129.3 (135.6) million and for the Licensed brands unit, or Benecol business, EUR 20.7 (21.0) million. Brands Division's largest market area, the UK, accounts for approximately 42 per cent, Finland for some 20 per cent and the rest of the world for less than 38 per cent of the Division's net sales.

In January-June, EBIT for the Brands Division amounted to EUR 13.1 (19.9) and, excluding one-off items, 14.6 (20.5) million, which is 9.0 (13.0) and, excluding one-off items, 10.0 (13.4) per cent of net sales.

Business operations

Consumer brands, Western Europe

Consumer demand for confectionery was steady and stable in mature markets where Raisio operates. Good sales growth in soft gums continued. Demand for soft confectionery for children is growing and Raisio's investments to enhance production provide good opportunities to offer new products matching consumer needs. Sales in confectionery produced under our partners' brands also continued at good levels.

Intense competition in the UK's confectionery market continued. British consumers prefer smaller one-time purchases than before and continue to favour affordable prices and impulse buying.

Promotional sale has changed its form since the traditional way of selling large quantities at low price no longer interests consumers like before. With advertising and marketing activities related to our own brands, Raisio is aiming for considerable sales growth, taking consumers' needs and purchasing behaviour into account.

The production transfer from Skegness to the Leicester factory in the UK and to the Czech Rohatec factory proceeded as planned. Production of boils and toffees moved to Leicester. Soft gum production was transferred to Rohatec. The production has started in the lines moved to Leicester. For Rohatec, we aim to have the new capacity in use during September. Production transfers have proceeded as planned, in terms of both schedules and costs.

The second quarter of 2014 was challenging for the cereals and snacks business. At the Newport snack bar factory, we continued to ramp up the transferred lines and managed to improve the service level at the end of the review period. Cost structure is still higher than normally but measures to remedy the situation are already under way. With the investment, Raisio will improve its position as a major manufacturer of snack bars. Demand for healthy snack bars, in particular, is clearly on the rise and Raisio, together with its partners, is well positioned to respond to the consumer demand with its new products.

Intense competition in the cereal market continued and the overall market was still slightly declining. Sales were up in cereals sold under the Good Grain brand as consumers' interest was in healthy products. Raisio is continuing the re-launch process of its branded products.

Consumer brands, Northern Europe

Product range of the Elovena brand was expanded as protein-rich Elovena Plus instant porridges, a new flavour of Elovena snack biscuits as well as Moumin instant porridges and snack biscuits were launched under the Elovena brand in Finland. Retail sales developed well in Raisio's branded products. The strongest sales growth was seen in Elovena and Benecol products, Raisio's focus brands. Furthermore, sales in gluten-free Provena products and Sunnuntai baking products were up from the comparison period.

In June, Raisio unveiled an extensive Elovena campaign, with the aim of making porridge a phenomenon. Elovena Porridge Bar is the first Finnish food truck of a major food company. Elovena Porridge Bar will start its operation in mid-August in the centre of Helsinki and will be open seven days a week. The first operating period will last until the end of September. Elovena porridge meets brilliantly today's trends emphasising local food, purity and authenticity. Elovena Porridge Bar provides consumers with a convenient way to enjoy Finnish oat porridge in takeaway portions boosted with classic ingredients and international flavour trends.

Consumer brands, Eastern Europe

In Poland, Raisio renewed its product range successfully. We launched a spread called Benecol Tasty and it was well-received by consumers. Sale of Benecol yogurt drinks was discontinued as consumer demand focused on the spreads. Benecol's market share rose to well over 40 per cent so it has strengthened its market leader position in cholesterol-lowering functional foods. Sales in gluten-free Provena products also developed well.

In Russia, sale of Nordic premium flakes continued at its normal levels, although the volatile rouble increased the need to raise prices for margin maintenance. Prices will be reassessed to maintain profitability and Raisio will carefully monitor the development of the situation.

Export of Nordic flakes to Ukraine decreased as Raisio supplied products only to customers whose liquidity was at a good level. Raisio has managed to reduce significantly the amount of sales receivables.

Licensed brands, Benecol

The market as a whole for cholesterol-lowering functional foods was steady. However, there are still significant differences between the countries in the sales development of Benecol products. In Spain, the market position of Benecol products improved considerably as they got new shelf space. In Thailand, sales in Benecol products were down due to the unstable political situation in the country.

Raisio continues its active efforts to boost the Benecol brand and product sales in all market areas. Approximately 90 per cent of Benecol product sales still come from Europe, but particularly Asia and America are showing good opportunities for sales growth. Benecol product sales basically grow when advertising and marketing investments are carried out.

Licensed brands, Benemilk Ltd

Our partner candidates around the world have shown extremely high interest toward the Benemilk innovation; in order to respond, Benemilk Ltd had to move from a project organisation into a permanent one. This is a significant step for the Benemilk business. Raisio and IV strongly believe in Benemilk's ability to decisively improve the productivity of dairy sector globally.

Raisio and Intellectual Ventures (IV) are enhancing business and licensing activities related to the Benemilk innovation. Benemilk Ltd's activities entered a new phase when a permanent organisation was built for the company and PhD Tim Londergan was appointed as its CEO. Under Tim's leadership, we will be building a top organisation, with Connie Wan as Chief Technology Officer (CTO) and Mark Handfelt as General Counsel. Each team member also has a direct business responsibility for the geographical region assigned to him or her. Our aim is to internationalise Benemilk and make it succeed.

Prior to this assignment, Tim Londergan was leading Portfolio Management for the Invention Development Fund (IDF) at Intellectual Ventures. The Portfolio Management Group is responsible for coordinating and driving IDF's global monetisation strategies, structures, and partner programs. Tim Londergan has earned a bachelor's degree in chemistry from St. Bonaventure University and a doctorate in organic chemistry from the University of Southern California. Before starting at Benemilk Ltd, Connie Wan, PhD and JD, has worked as a director and patent attorney at IDF. She holds a doctorate in organic chemistry, in addition to which she has a degree in medicine and law. Mark Handfelt, JD, has been, a partner in the law firm specialising in technologies, life sciences and growth companies worldwide.

At the moment, Benemilk Ltd is conducting several commercial negotiations in many countries and continents with parties interested in the Benemilk innovation. According to the best current estimate, the first Benemilk launches could take place at the end of 2015.

RAISIOAGRO DIVISION

The Raisioagro Division includes feeds, farming supplies, grain trade, protein meals and vegetable oils.

		4-6/ 2014	4-6/ 2013	1-6/ 2014	1-6/ 2013	1-12/ 2013
Net sales	M€	62.6	70.9	111.6	124.4	254.2
EBIT	M€	-6.1	1.3	-6.1	0.7	3.1
One-off items	M€	-7.5	0.0	-7.5	0.0	0.0
EBIT, excluding one-off items	M€	1.4	1.3	1.4	0.7	3.1
EBIT, excluding one-off items	%	2.2	1.9	1.2	0.6	1.2
Investments	M€	0.4	0.7	0.8	1.3	2.3
Net assets	M€	-	-	57.0	88.8	52.4

Financial development

April-June

Raisioagro's net sales totalled EUR 62.6 (70.9) million. Despite the clearly declined total net sales, sales volume of Benemilk feeds grew in Finland and fish feed export to Russia increased. Sales developed especially well in fuels, fertilisers and grass seeds. The most significant factor decreasing net sales from the comparison period was the lower sales volume in pig and poultry feeds. Decline in raw material prices affected feed prices.

Raisioagro's EBIT, excluding one-off items, was EUR 1.4 (1.3) and, including one-off items, -6.1 million. EBIT excluding one-off items was 2.2 (1.9) per cent of net sales. Declined sales of low-margin feeds improved the relative profitability of the whole Division.

A total of EUR 7.5 million has been recorded in Raisioagro's EBIT as expenses related to the restructuring of activities. The write-downs include expenses related to the termination of pig and poultry feed production and to the reorganisation carried out.

In the second quarter, Raisioagro's working capital decreased by about EUR 23 million compared to the same period last year, mainly due to the active inventory reduction.

January-June

Raisioagro's net sales totalled EUR 111.6 (124.4) million. Feeds and farming supplies accounted for some 85 per cent of Raisioagro's net sales while protein meals, vegetable oils and grains accounted for some 15 per cent.

In January-June, the Division's EBIT excluding one-off items totalled EUR 1.4 (0.7) million and, including one-off ítems, EUR -6.1 million. EBIT excluding one-off items was 1.2 (0.6) per cent of net sales.

Business operations

Last spring, Raisioagro started cooperation negotiations for the restructuring of its operations; the negotiations were completed on 10 June 2014. As a result, Raisioagro will focus its activities on cattle and fish feeds and plant cultivation, which are the company's core competencies.

Through its expertise and innovations, Raisioagro improves its customers' possibilities to produce healthy food economically and sustainably. Sustainable production chain aims to ensure human, animal and environmental well-being and to use natural resources in a sustainable manner. Raisioagro will continue to be a major grain buyer that purchases grain for its own use and to be resold both in Finland and abroad.

Raisioagro will stop the production of pig and poultry feeds at its Raisio-based factory by the end of September 2014. In recent years, new capacity has been built in Finland for the production of pig and poultry feeds and the business model has become more slaughterhouse-driven. As a result, Raisioagro, an independent operator, has less opportunity for profitable business. Raisio's feed factory will continue to produce fish feeds and feed premixes.

Farm feeds

Raisioagro maintained its market share of approximately 40 per cent in the Finnish cattle feed market. Cattle feeds are one of Raisioagro's focus areas in line with the new business model. The company aims to complement its product range to suit the component feeding increasingly used on livestock farms. Customers appreciate Raisioagro's strong feeding expertise; through the feeding plans adapted to the farm needs, it is possible to ensure the correct feeds as well as cost-effectiveness and profitability of operations. Raisio is also enhancing its cattle feed export to the neighbouring areas.

Sales volume of Benemilk feeds increased considerably from the comparison period. Production monitoring carried out on hundreds of Finnish dairy farms provided excellent results and extensive statistical material from the farms using Benemilk confirms the results of studies carried out earlier. Raisioagro aims to further increase the market share of Benemilk feeds in the Finnish dairy cattle feeds. Raisioagro has developed new Benemilk feeds that complement the current product range. New products will be launched during the autumn. The company aims to offer suitable products for all feeding forms, including the growing component feeding, and to make accurate feeding planning easier for the farmers. Several Benemilk events, responding to potential customers' information needs, have been scheduled for the autumn.

In pig and poultry feeds, sales fell substantially from the comparison period. This was partly due to the intense competition caused by the overcapacity of feed production and partly to Raisioagro's announcement, made at the start of the cooperation negotiations, regarding the possible termination of the pig and poultry feed production. In Finland, it has become increasingly common that the cooperation between slaughterhouses, feed manufacturers and livestock producers is closely controlled. This has clearly weakened the opportunities of an independent operator, like Raisioagro, to make profitable business.

Fish feeds

Fish feed export to Northwest Russia increased significantly from the comparison period and Raisioagro maintained its market leader position. Cold spring in Finland delayed the start of the fish farming season. Raisioagro, with a market share of more than 50 per cent, is the only Finnish fish feed producer. Our Hercules LP Opti feeding concept has been well received by the customers. With the concept, it is possible to significantly reduce the phosphorus emissions as well as fish oil used in fish feeds, which protects wild fish stocks. Rainbow trout fed using the Hercules LP Opti concept is high-quality health food, which has the fatty acid composition recommended in nutritional guidelines. WWF Finland updated its Seafood Guide for consumers and added Finnish rainbow trout in the green list of recommended and sustainable fish choices.

Heat wave after the review period has been challenging for fish farming, because the fish stop eating if the water temperature rises above normal.

Grains

Sales volume in grain trade fell from the comparison period, mainly due to the timing of export shipments. Raisioagro continues to buy, both for its own use and to be resold, traditional contract plants, such as wheat, rye and oat for food use as well as malting barley, oil plant seeds and feed grains.

Harvest prospects are exceptionally good both in Finland and globally. Good harvest forecasts boosted grain market confidence in the summer in terms of crop sufficiency, which in turn brought down world market grain prices.

Farming supplies and online store

Raisioagro’s investments in the development and marketing of comprehensive solutions for dairy farm customers resulted in strong online sales growth in products supporting customer relationships. In June, our online store achieved a new sales record and also the number of customers increased. Sales developed especially well in grass seeds, fuels and fertilisers.

Raisio will continue its efforts to increase and improve the features of its online store as well as to develop other online services as part of good customer services.

SHARES AND SHAREHOLDERS

The number of Raisio plc’s free shares traded on NASDAQ OMX Helsinki Ltd in January-June totalled EUR 14.5 (16.2) million. The value of trading was EUR 66.0 (53.7) million and the average price EUR 4.54 (3.31). The closing price on 30 June 2014 was EUR 4.40.

A total of 0.8 (0.6) million restricted shares were traded in January-June. The value of trading was EUR 3.6 (1.9) million and the average price EUR 4.50 (3.27). The closing price on 30 June 2014 was EUR 4.30.

On 30 June 2014, the company had a total of 35,411 (31 December 2013: 35,007) registered shareholders. Foreign ownership of the entire share capital was 16.9 (31 December 2013: 16.1) per cent.

Raisio plc’s market capitalisation at the end of June amounted to EUR 723.3 (31 December 2013: 725.7) million and, excluding the company shares held by the company, to EUR 707.9 (31 December 2013: 702.7) million.

During the review period, a total of 145,281 restricted shares were converted into free shares.

At the end of the review period, the number of issued free shares was 131,561,640 while the number of restricted shares was 33,587,390. The share capital entitled to 803,309,440 votes.

On 25 February 2014, Raisio plc, on the one side, and Raisio plc's CEO and five members of the Group’s management team (hereinafter: Management), on the other, agreed on and completed a share exchange, through which Raisio plc acquired the management-owned Reso Management Oy’s shares held by Management and the shareholders of Reso Management Oy received Raisio plc free shares as consideration. To implement the share exchange, Raisio plc’s Board of Directors decided, 25 February 2014, on a targeted share issue where the company offered, in deviation from the shareholders' pre-emptive subscription rights,1,751,330 free shares held by the company against share consideration to Management as the shareholders of Reso Management Oy. The subscription price (assignment price) of a free share was the trade volume weighted average quotation of the company's free share on the NASDAQ OMX Helsinki Ltd in the period between 27 January - 21 February 2014, i.e. EUR 4.589.

The 1,751,330 free shares transferred in connection of the share exchange have entitled to the use of shareholder rights in the company since the shares were registered in the subscriber's book-entry account, which took place on 25 February 2014.

The decision to issue shares is based on the authorisation granted to the Board of Directors by the Annual General Meeting (AGM) of 27 March 2013. Prior to the implementation of the share exchange, Raisio plc held 22.2 per cent of the Reso Management Oy shares and Management 77.8 per cent; after the implementation, Raisio plc is the sole owner of the Reso Management Oy's share capital. A stock exchange release concerning the share exchange, through which an incentive scheme established in the summer 2010 for Management was decided, was published on 25 February 2014.

In the review period, a total of 3,434 free shares were assigned to the Chairman and members of the Board as part of the compensation for managing their duties, in line with the decision taken by the AGM in 2014.

At the end of the review period, Raisio plc held 3,296,956 free shares and 212,696 restricted shares acquired between 2005 and 2012 based on the authorisation given by the Annual General Meeting (AGM). The subsidiary Reso Management Oy holds 4,482,740 free shares. The number of free shares held by Raisio plc and Reso Management Oy accounts for 5.9 per cent of all free shares and the votes they represent, while the corresponding figure for restricted shares is 0.6 per cent. In all, the company shares held by these companies represent 4.8 per cent of the entire share capital and 1.5 per cent of overall votes. Other Group companies hold no Raisio plc shares. A share in Raisio or its subsidiary does not entitle the holder to participate in the AGM.

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

The Raisio Group Research Foundation holds 150,510 restricted shares, which is 0.45 per cent of the restricted shares and the votes they represent and, correspondingly, 0.09 per cent of the entire share capital and 0.37 per cent of the votes it represents.

The authorisation to repurchase own shares and to issue shares given by the AGM in 2013 expired on 27 March 2014.

The Board of Directors has an authority to decide on the repurchase and/or on the acceptance as collateral of a maximum of 5,000,000 free shares and 1,250,000 restricted shares. The authorisation will be valid until 30 April 2015.

Furthermore, the Board of Directors has the authority to decide on share issues by disposing of a maximum of 11,500,000 free shares and a maximum of 1,460,000 restricted shares held by the company as well as by issuing a maximum of 20,000,000 new free shares. The authorisation will expire, at the latest, on 27 March 2019. The authorisations have not so far been exercised and related details on both are available in the stock exchange release published on 13 February 2014.

DECISIONS MADE AT THE ANNUAL GENERAL MEETING

Raisio plc’s Annual General Meeting (AGM) held on 27 March 2014 approved the financial statements for the financial year 1 January - 31 December 2013 and granted the members of the Board of Directors and the Supervisory Board as well as the Chief Executive Officer discharge from liability. The AGM approved the Board of Directors' proposal to pay a dividend of EUR 0.13 per share, which was paid to the shareholders on 8 April 2014.

The number of members of the Board of Directors was confirmed to be five, and Erkki Haavisto, Matti Perkonoja, Michael Ramm-Schmidt and Pirkko Rantanen-Kervinen were reappointed and Antti Tiitola was appointed as a new member; all for the term commencing at the closing of the AGM. At its meeting held after the AGM, the Board of Directors elected Perkonoja as its Chairman and Ramm-Schmidt as its Vice Chairman.

A Stock Exchange Release was published on 27 March 2014 concerning the decisions made by the AGM, in addition to which the decisions are described in the January-March Interim Report.

CHANGES IN GROUP STRUCTURE

In March 2014, a plan of merger was signed; the subsidiaries entirely owned by Raisio plc, called Reso Management Oy and Raision Konsernipalvelut Oy, will be merged into Raisio plc. The mergers are expected to come into effect during the third quarter of 2014. No merger consideration is paid in subsidiary mergers.

EVENTS AFTER THE REVIEW PERIOD

<u>The first Benemilk feed shipment to Russia</u>

In August 2014, Raisioagro will deliver the first shipment of Benemilk concentrate to a Russian dairy farm near St. Petersburg. This is a major step for Benemilk as it will be the first time that Benemilk feeds are in commercial use outside Finland.

Raisioagro has a license to operate with Benemilk in the area of Northwest Russia. Raisiagro has increased its activity there with the aim to increase cattle feed export. Raisioagro is a well-known and trusted supplier of high-quality fish feeds in Northwest Russia.

RISKS AND SOURCES OF UNCERTAINTY IN THE NEAR FUTURE

Last week, Russia banned food imports, which has a negative effect on the Finnish food industry. In its current extent, however, the ban is not estimated to impact Raisio’s operations.

Russia and Ukraine are important, growing market areas for Raisio. Raisio has long managed to operate profitably in Russia by responding quickly to market changes. As volatility in the economic growth and currencies in Russia and Ukraine is continuing, the amount of credit risk has also increased. Raisio is closely monitoring the development of the situation; the company has the ability to adjust its operations to rapidly changing situations.

The EU zone’s milk quota system will come to an end in 2015. The milk quota regulates the total quantity of milk produced in Europe keeping the milk price volatility under control. The current milk quota system is considered to be a major obstacle for the competitiveness, development and efficiency in the EU dairy sector in the situation where demand for dairy products is growing globally. Reports by various parties have introduced scenarios of the impacts of the quota system removal on the Finnish milk production.

Raisio sees that the dairy chain operators' ability to innovate products in line with consumer needs and to improve the efficiency of milk production will be an essential success factor in the future. Raisio is an active innovator that develops solutions for the global challenges of the food chain. Raisio's top innovation Benemilk increases milk yields and improves the contents of milk. In addition, it enhances the efficiency of milk production by some 10 per cent. Raisioagro is continuing its determined efforts in Finland to promote Benemilk feeds, whereas the joint venture Benemilk Ltd is responsible for international commercialisation of the innovation.

The development of the global economy has been cautiously hopeful. The clearest growth is seen in the US economy, supported by loose monetary policy. Eurozone economy started to rise at the beginning of 2014, but the development driven by Germany has been particularly uneven. The UK economy is also on the rise, driven by upward trend in house prices, and optimism is gradually gaining ground in the UK economy. Ukraine crisis, competitiveness issues caused by the strengthening euro and slowness in resolving sovereign debt problems will, however, maintain the uncertainty during the rest of the year. Despite the generally uncertain situation, we believe that the grocery trade will remain relatively stable compared to many other industries.

Volatility in raw material prices is estimated to remain at a high level. Low economic growth and potentially good harvests may calm down the price development but, on the other hand, extreme weather events resulting from climate warming may cause sudden changes in harvest expectations and price levels of various agricultural commodities. Importance of risk management, both for value and volume, will remain significant in terms of profitability also in future.

Raisio's growth phase is a period of changes, during which several of the company's activities are developed and business management is considerably more challenging than in ordinary circumstances. Growth and rationalisation projects may still cause substantial costs in relation to the company size.

GUIDANCE

Raisio estimates its EBIT for 2014 to remain below the level of 2013.

Previous guidance in May 2014

Raisio's aim to continue the improvement of its EBIT through organic growth seems more challenging than expected, although the improvement was estimated to focus on the second half of 2014 when the ongoing streamlining projects are completed.

In Raisio, 12 August 2014

RAISIO PLC

Board of Directors

Further information:
Matti Rihko, CEO, tel. +358 400 830 727
Jyrki Paappa, CFO, tel. +358 50 556 6512
Heidi Hirvonen, Communications and IR Manager, tel. +358 50 567 3060

An analyst event in Finnish will be arranged on Tuesday 12 August 2014 at 1:30 p.m. Finnish time in Helsinki. It will be held at Hotel Scandic Simonkenttä, in the Espa meeting room. The address is Simonkatu 9, Helsinki.

Chief Executive's video in English will be available on Raisio's web site at www.raisio.com**.**

The interim report has not been audited.

CONDENSED FINANCIAL STATEMENTS AND NOTES

INCOME STATEMENT (M€)

	4-6/ 2014	4-6/ 2013	1-6/ 2014	1-6/ 2013	2013
Net sales	132.5	148.6	249.1	276.9	557.6
Expenses corresponding to products sold	-115.3	-122.1	-210.0	-226.7	-456.8
Gross profit	17.2	26.5	39.2	50.2	100.8
Other operating income and expenses, net	-16.4	-16.2	-34.5	-31.8	-67.2
EBIT	0.8	10.4	4.7	18.4	33.6
Financial income	0.5	0.0	0.7	0.5	1.0
Financial expenses	-0.5	-0.8	-1.0	-1.6	-2.8
Share of result of associates and joint ventures	0.0	0.0	0.0	0.0	0.0
Result before taxes	0.8	9.5	4.4	17.2	31.8
Income taxes	-0.1	-2.2	-1.0	-4.0	-6.0
RESULT FOR THE PERIOD	0.7	7.3	3.4	13.2	25.9
Attributable to:					
Equity holders of the parent company	0.7	7.4	3.4	13.4	26.2
Non-controlling interests	0.0	-0.1	0.0	-0.2	-0.3
Earnings per share from the profit attributable to equity holders of the parent company (€)					
Undiluted earnings per share	0.00	0.05	0.02	0.09	0.17
Diluted earnings per share	0.00	0.05	0.02	0.09	0.17

COMPREHENSIVE INCOME STATEMENT (M€)

	4-6/ 2014	4-6/ 2013	1-6/ 2014	1-6/ 2013	2013
Result for the period	0.7	7.3	3.4	13.2	25.9
Other comprehensive income items after taxes					
Items that may be subsequently transferred to profit or loss					
Hedging of net investments	0.0	0.0	0.0	0.0	0.0
Available-for-sale financial assets	0.0	0.0	0.0	0.0	0.1
Cash flow hedge	0.1	0.1	0.2	0.5	0.4
Translation differences	3.0	-1.6	3.2	-4.3	-3.6
Comprehensive income for the period	3.8	5.8	6.8	9.4	22.8
Components of comprehensive income:					
Equity holders of the parent company	3.8	5.8	6.8	9.5	23.1
Non-controlling interests	0.0	-0.1	0.0	-0.2	-0.3

BALANCE SHEET (M€)

	30.6.2014	30.6.2013	31.12.2013
ASSETS			
Non-current assets			
Intangible assets	45.5	37.4	41.3
Goodwill	112.7	106.0	108.5
Property, plant and equipment	110.0	113.3	114.5
Shares in associates and joint ventures	0.8	0.8	0.8
Available-for-sale financial assets	2.6	2.7	2.6
Receivables	0.0	0.1	0.1
Deferred tax assets	3.4	2.8	2.2
Total non-current assets	275.0	263.0	269.9
Current assets			
Inventories	79.9	94.1	70.9
Accounts receivables and other receivables	75.7	80.7	66.5
Financial assets at fair value through profit or loss	31.0	48.2	73.6
Cash in hand and at banks	8.5	15.0	10.3
Total current assets	195.1	238.0	221.3
Total assets	470.1	501.0	491.2
SHAREHOLDER'S EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent company			
Share capital	27.8	27.8	27.8
Company shares	-20.4	-20.5	-20.4
Other equity attributable to equity holders of the parent company	311.1	309.6	323.3
Equity attributable to equity holders of the parent company	318.4	316.9	330.6
Non-controlling interests	0.0	1.2	1.1
Total shareholder's equity	318.4	318.1	331.7
Non-current liabilities			
Deferred tax liabilities	13.2	13.7	12.6
Pension contributions	0.0	0.2	0.0
Provisions	0.0	0.2	0.2
Non-current financial liabilities	24.5	43.8	34.2
Derivative contracts	0.6	1.2	0.9
Other non-current liabilities	0.1	0.1	0.1
Total non-current liabilities	38.5	59.1	48.0
Current liabilities			
Accounts payable and other liabilities	87.5	82.4	88.2
Provisions	1.1	0.0	1.2
Derivative contracts	3.4	0.2	0.9
Current financial liabilities	21.2	41.2	21.1
Total current liabilities	113.2	123.8	111.4
Total liabilities	151.7	182.9	159.5
Total shareholder's equity and liabilities	470.1	501.0	491.2

CHANGES IN GROUP EQUITY (M€)

	Share capital	Share premium reserve	Re-serve fund	Com-pany shares	Trans-lation diffe-rences	Other re-serves	Re-tained ear-nings	Total	Non-con-trolling interests	Total equity
Equity on 31.12.2012	27.8	2.9	88.6	-20.5	0.2	0.2	227.0	326.3	1.0	327.3
Comprehensive income for the period										
Result for the period	-	-	-	-	-	-	13.4	13.4	-0.2	13.2
Other comprehensive income items (adjusted for tax effects)										
Financial assets available for sale	-	-	-	-	-	0.0	-	0.0	-	0.0
Cash flow hedge	-	-	-	-	-	0.5	-	0.5	-	0.5
Translation differences	-	-	-	-	-4.3	-	-	-4.3	-	-4.3
Total comprehensive income for the period	0.0	0.0	0.0	0.0	-4.3	0.5	13.4	9.5	-0.2	9.4
Business activities involving shareholders										
Dividends	-	-	-	-	-	-	-19.1	-19.1	0.4	-18.6
The share acquired from the non-controlling interest	-	-	-	-	-	-	-	0.0	0.0	0.0
Share-based payment	-	-	-	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	-19.0	-19.0	0.4	-18.5
Equity on 30.6.2013	27.8	2.9	88.6	-20.5	-4.1	0.7	221.5	316.9	1.2	318.1
Equity on 31.12.2013	27.8	2.9	88.6	-20.4	-3.4	0.7	234.5	330.6	1.1	331.7
Comprehensive income for the period										
Result for the period	-	-	-	-	-	-	3.4	3.4	0.0	3.4
Other comprehensive income items (adjusted for tax effects)										
Available-for-sale financial assets	-	-	-	-	-	0.0	-	0.0	-	0.0
Cash flow hedge	-	-	-	-	-	0.2	-	0.2	-	0.2
Translation differences	-	-	-	-	3.2	-	-	3.2	-	3.2
Total comprehensive income for the period	0.0	0.0	0.0	0.0	3.2	0.3	3.4	6.8	0.0	6.8
Business activities involving shareholders										
Dividends	-	-	-	-	-	-	-20.4	-20.4	-	-20.4
The share acquired from the non- controlling interest	-	-	-	-	-	8.0	-6.9	1.1	-1.1	0.0
Share-based payment	-	-	-	0.0	-	-	0.3	0.3	-	0.3
Total business activities involving shareholders	0.0	0.0	0.0	0.0	0.0	8.0	-27.0	-19.0	-1.1	-20.1
Equity on 30.6.2014	27.8	2.9	88.6	-20.4	-0.2	9.0	210.8	318.4	0.0	318.4

CASH FLOW STATEMENT (M€)

	1-6/2014	1-6/2013	2013
Result before taxes	4.4	17.2	31.8
Adjustments	14.3	8.6	19.4
Cash flow before change in working capital	18.6	25.8	51.2
Change in accounts receivables and other receivables	-8.6	-1.1	13.3
Change in inventories	-8.4	-2.4	21.0
Change in current non-interest-bearing liabilities	-3.6	-10.9	-7.3
Total change in working capital	-20.5	-14.4	27.0
Financial items and taxes	-3.2	-4.8	-6.4
Cash flow from business operations	-5.1	6.6	71.8
Investments in fixed assets	-8.8	-5.0	-15.0
Proceeds from sale of fixed assets	0.1	5.6	5.6
Investments on marketable securities	0.0	-0.3	-0.3
Repayment of loan receivables	0.1	0.1	0.1
Cash flow from investments	-8.6	0.4	-9.5
Change in non-current loans	-10.3	-11.5	-21.9
Change in current loans	-0.4	20.5	0.1
Repurchase of company shares	0.0	0.0	0.0
Dividend paid to equity holders of the parent company	-20.3	-18.5	-18.5
Cash flow from financial operations	-31.0	-9.5	-40.3
Change in liquid funds	-44.7	-2.5	22.0
Liquid funds at the beginning of the period	83.9	61.9	61.9
Effects of changes in foreign exchange rates	0.4	0.1	0.0
Impact of change in market value on liquid funds	-0.3	-0.1	0.1
Liquid funds at end of period	39.3	59.4	83.9

NOTES TO THE INTERIM REPORT

This interim report has been prepared in compliance with IAS 34 Interim Financial Reporting according to the same principles and calculation methods as used in financial statements 2013 with the exception of the EU approved amendments to existing IFRS standards introduced on 1 January 2014. The standard amendments have not had a material impact on the consolidated financial statements.

IFRS 10 Consolidated financial statements
IFRS 11 Corporate restructuring
IFRS 12 Disclosure of Interests in Other Entities
Revised IAS 27 Separate Financial Statements
Revised IAS 28 Shares in associates and joint ventures
Amendment to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
Amendment to IAS 36: Impairment of Assets - The recoverable amount
Amendment to IAS 39 Financial Instruments: Recognition and Measurement - Novation of derivatives
Amendment to IFRS 10, 11 and 12 on transition guidance
Amendment to IFRS 10, IFRS 12 and IAS 27 on controlled investees

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. Actual figures may differ from these estimates.

Interim report is shown in EUR millions.

SEGMENT INFORMATION

The reported segments are Brands and Raisioagro. Brands segment consists of Licensed brands unit and Consumer brands unit. Under the segment, the Group reports Benecol business and Benemilk Ltd as well as Northern, Western and Eastern European food operations. Raisioagro includes feeds, grain trade, protein meals, vegetable oils as well as farming supplies.

NET SALES BY SEGMENT (M€)

	4-6/2014	4-6/2013	1-6/2014	1-6/2013	2013
Brands	73.7	78.1	146.0	153.3	304.7
Raisioagro	62.6	70.9	111.6	124.4	254.2
Other operations	0.3	0.3	0.6	0.6	1.3
Interdivisional net sales	-4.2	-0.7	-9.1	-1.5	-2.6
Total net sales	132.5	148.6	249.1	276.9	557.6

EBIT BY SEGMENT (M€)

	4-6/2014	4-6/2013	1-6/2014	1-6/2013	2013
Brands	8.2	10.5	13.1	19.9	35.7
Raisioagro	-6.1	1.3	-6.1	0.7	3.1
Other operations	-1.2	-1.4	-2.3	-2.3	-5.1
Total EBIT	0.8	10.4	4.7	18.4	33.6

NET ASSETS BY SEGMENT (M€)

	30.6.2014	30.6.2013	31.12.2013
Brands	271.6	254.8	254.2
Raisioagro	57.0	88.8	52.4
Other operations and unallocated items	-10.2	-25.5	25.2
Total net assets	318.4	318.1	331.7

INVESTMENTS BY SEGMENT (M€)

	4-6/2014	4-6/2013	1-6/2014	1-6/2013	2013
Brands	5.5	1.9	9.8	2.7	13.4
Raisioagro	0.4	0.7	0.8	1.3	2.3
Other operations	0.1	0.5	0.2	0.7	1.0
Eliminations	0.0	0.0	0.0	0.0	-0.1
Total investments	6.0	3.0	10.8	4.8	16.5

NET SALES BY MARKET AREA (M€)

	4-6/2014	4-6/2013	1-6/2014	1-6/2013	2013
Finland	65.4	73.0	121.1	139.7	283.7
Great Britain	31.0	34.2	60.2	65.0	132.5
Rest of Europe	33.4	38.7	61.7	66.3	130.6
ROW	2.6	2.6	6.1	5.9	10.8
Total	132.5	148.6	249.1	276.9	557.6

TANGIBLE ASSETS (M€)

	30.6.2014	30.6.2013	31.12.2013
Acquisition cost at the beginning of the period	386.6	410.7	410.7
Conversion differences	2.7	-3.9	-3.4
Increase	7.4	4.3	12.6
Decrease	-1.3	-32.6	-33.3
Acquisition cost at end of period	395.4	378.4	386.6
Accumulated depreciation and impairment at the beginning of the period	272.2	287.3	287.3
Conversion difference	1.4	-1.9	-1.6
Decrease and transfers	-1.0	-27.3	-27.8
Depreciation for the period	12.9	6.9	14.2
Accumulated depreciation and impairment at end of period	285.4	265.0	272.2
Book value at end of period	110.0	113.3	114.5

PROVISIONS (M€)

	30.6.2014	30.6.2013	31.12.2013
At the beginning of the period	1.4	0.2	0.2
Increase in provisions	0.5	0.0	1.2
Provisions used	-0.9	0.0	0.0
At end of period	1.1	0.2	1.4

BUSINESS ACTIVITIES INVOLVING INSIDERS (M€)

	30.6.2014	30.6.2013	31.12.2013
Sales to associates and joint ventures	0.0	0.0	0.0
Purchases from associates and joint ventures	0.1	0.0	0.1
Sales to key employees in management	0.1	0.1	0.3
Purchases from key employees in management	0.4	0.5	0.8
Receivables from associates and joint ventures	0.0	0.0	0.0
Liabilities to associates and joint ventures	0.0	0.0	0.0
Receivables from the key persons in the management		10.8	10.6

CONTINGENT LIABILITIES (M€)

	30.6.2014	30.6.2013	31.12.2013
Contingent off-balance sheet liabilities			
Non-cancelable other leases			
Minimum lease payments	7.1	6.5	7.1
Other liabilities	4.7	2.5	3.5
Commitment to investment payments	0.2	0.2	0.7

DERIVATIVE CONTRACTS (M€)

	30.6.2014	30.6.2013	31.12.2013
Nominal values of derivative contracts			
Currency forward contracts	89.5	94.6	73.6
Interest rate swaps	28.1	39.4	33.7
Raw material futures		0.8	0.0

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

	Carrying amount 30.6.2014	Fair value 30.6.2014	Carrying amount 31.12.2013	Fair value 31.12.2013
Financial assets				
Financial assets available for sale*)	2.6	2.6	2.6	2.6
Loan receivables	0.0	0.0	0.1	0.1
Accounts receivables and other receivables	67.8	67.8	60.5	60.5
Investments recorded at fair value through profit or loss*)	30.9	30.9	73.6	73.6
Liquid funds	8.5	8.5	10.3	10.3
Derivatives*)	0.1	0.1	0.0	0.0
Financial liabilities				
Bank loans	45.7	46.6	54.9	56.1
Financial liabilities recorded at fair value through profit or loss	0.0	0.0	0.0	0.0
Other loans	0.0	0.0	0.4	0.4
Financial leasing liabilities	0.0	0.0	0.0	0.0
Accounts payable and other liabilities	78.9	78.9	76.0	76.0
Derivatives*)	4.0	4.0	1.8	1.8

Fair value hierarchy of financial assets and liabilities measured at fair value
With the exception of the financial assets available for sale, all other financial assets and liabilities measured at fair value *) are on level 2. Fair value of the items on level 2 is defined by valuation techniques using valuations provided by the service provider’s market pricing. Financial assets available for sale are on level 3 because their fair value is not based on observable market data.

QUARTERLY PERFORMANCE (M€)

	4-6/ 2014	1-3/ 2014	10-12/ 2013	7-9/ 2013	4-6/ 2013	1-3/ 2013
Net sales by segment						
Brands	73.7	72.3	78.0	73.3	78.1	75.2
Raisioagro	62.6	49.1	53.4	76.4	70.9	53.5
Other operations	0.3	0.3	0.3	0.3	0.3	0.3
Interdivisional net sales	-4.2	-5.0	-0.5	-0.6	-0.7	-0.8
Total net sales	132.5	116.7	131.2	149.5	148.6	128.3
EBIT by segment						
Brands	8.2	4.9	7.9	7.9	10.5	9.4
Raisioagro	-6.1	0.0	-0.3	2.6	1.3	-0.6
Other operations	-1.2	-1.1	-1.4	-1.5	-1.4	-0.8
Total EBIT	0.8	3.9	6.3	9.0	10.4	8.0
Financial income and expenses, net	0.0	-0.3	-0.4	-0.2	-0.8	-0.4
Share of result of associates	0.0	0.0	0.0	0.0	0.0	0.0
Result before taxes	0.8	3.6	5.9	8.8	9.5	7.7
Income tax	-0.1	-0.9	-0.1	-1.8	-2.2	-1.8
Result for the period from continuing operations	0.7	2.7	5.7	6.9	7.3	5.9

KEY INDICATORS

	30.6.2014	30.6.2013	31.12.2013
Net sales, M€	249.1	276.9	557.6
Change of net sales, %	-10.0	-3.0	-4.5
Operating margin, M€	18.4	25.9	49.1
Depreciation and impairment, M€	13.7	7.6	15.5
EBIT, M€	4.7	18.4	33.6
% of net sales	1.9	6.6	6.0
Result before taxes, M€	4.4	17.2	31.8
% of net sales	1.8	6.2	5.7
Return on equity, ROE, %	2.1	8.2	7.9
Return on investment, ROI, %	2.8	9.1	8.6
Interest-bearing financial liabilities at end of period, M€	45.7	85.0	55.4
Net interest-bearing financial liabilities at end of period, M€	6.4	25.5	-28.5
Equity ratio, %	68.1	63.9	68.2
Net gearing, %	2.0	8.0	-8.6
Gross investments, M€	10.8	4.8	16.5
% of net sales	4.3	1.7	3.0
R & D expenses, M€	3.3	3.5	6.3
% of net sales	1.3	1.3	1.1
Average personnel	1,934	1,962	1,946
Earnings/share from continuing operations, €	0.02	0.09	0.17
Cash flow from operations/share, €	-0.03	0.04	0.46
Equity/share, €	2.03	2.04	2.13
Average number of shares during the period, in 1,000s*)			
Free shares	123,157	121,575	121,619
Restricted shares	33,458	33,819	33,778
Total	156,615	155,395	155,397
Average number of shares at end of period, in 1,000s*)			
Free shares	123,782	121,584	121,882
Restricted shares	33,375	33,815	33,520
Total	157,157	155,399	155,402
Market capitalisation of shares at end of period, M€*)			
Free shares	544.6	426.8	532.6
Restricted shares	143.5	115.3	150.5
Total	688.2	542.1	683.1
Share price at end of period			
Free shares	4.40	3.51	4.37
Restricted shares	4.30	3.41	4.49

*) Number of shares, excluding the shares held by the company and shares held by Reso Management Oy

CALCULATION OF INDICATORS

Return on equity (ROE), %	Result before taxes – income taxes*) -- x 100 Shareholders' equity (average over the period)
Return on investment (ROI), %	Result before taxes + financial expenses*) -- x 100 Shareholders' equity + interest-bearing financial liabilities (average over the period)
Equity ratio, %	Shareholders' equity --- x 100 Balance sheet total – advances received
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 financial liabilities --- x 100 Shareholders' equity
Earnings per share*)	Result for the year of parent company shareholders --- Average number of shares for the year, adjusted for share issue**)
Cash flow from business operations per share	Cash flow from business operations --- Average number of shares for the year, adjusted for share issue
Shareholders' equity per share	Equity of parent company shareholders --- Number of shares at end of period adjusted for share issue***)
Market capitalisation	Closing price, adjusted for issue x number of shares without company shares at the end of the period***)

*)The calculation of key indicators uses continuing operations result
**)Excluding shares with a potential return obligation and shares held by Reso Management Oy
***)Shares held by Reso Management Oy have been subtracted from the total number of shares