Following the introduction of the new strategy and the divestment of Raisio Chemicals, we are now developing our corporate responsibility reporting from a food industry pioneer’s perspective. In the case of environmental issues, we found it natural to adopt the environmental responsibility reporting model for the food industry published in 2004. Overall, corporate responsibility reporting will be developed in line with the GRI principles. For the first time, this report also includes a section on financial responsibility. The reporting will be expanded in parallel to the development of indicators and reporting systems.

The corporate responsibility report contains information on subsidiaries that engage in production and in which the Group’s holding exceeded over 50% in the review period. Raisio Chemicals is included in the report up to the time of divestment (2 June 2004). The comparison figures are presented according to the organisation structure in place at the time. As a rule, the report is restricted to responsibility considerations of the Group’s own business operations.
2004: A year of significant changes

Year 2004 brought significant changes to the strategic priorities, structures and businesses. Raisio chose to build its strategy on more clearly focused business operations and to develop the Group as a life science-oriented food and feed company. This meant giving up Raisio Chemicals. The purchase of Raisio Chemicals by Ciba Specialty Chemicals made the Raisio Group net debt-free and clearly increased its market value. At the same time, the turnover of Raisio halved and the business portfolio became more Finnish and European. 42% of the personnel transferred to the employment of Ciba Specialty Chemicals with previous benefits.

In the Annual Report the financial impacts of the divestment are broadly described. Impacts on other aspects of corporate responsibility – i.e. environmental and social – reflect to this report.

Well-being is our target

Raisio has all the tools to promote consumer well-being with its current business portfolio. Increasing health problems and consumer interest in nutrition and its effects on well-being provide Raisio with an excellent platform for growth as an expert and innovator in plant-based nutritional products. Furthermore, diagnostics ensuring food safety back up Raisio’s intentions.

Increased input in Research and development

To ensure the renewal of Raisio we have decided to increase our input in Research and development. When developing food and feed products we take the environmental and sustainability issues into consideration.

New research areas and the investments on modern production technology provide our personnel with opportunities for further development. New recruitments have been made to the nutrition research unit and to the food diagnostics research unit.

Common values show us the direction

Raisio’s fundamental objectives – profitability, customer satisfaction and well-being – are supported by our common values: expertise, responsibility and open co-operation. The competent and responsible personnel co-operating closely with different stakeholders, ensures the profitable growth and serves customers, who can be pleased with our products and services. The ethical principles of Raisio build the platform for our business and the development of it as well as give help in everyday choices.

Today, we have good resources to co-operate and create well-being to all our stakeholders, responsibly and competently.

Rabbe Klemets
65 years of Finnish food expertise

Raisio Group has been an important part of the Finnish dining table for 65 years, since wheat farmers in south western Finland founded Oy Vehnä Ab to mill and market their wheat. Raisio’s first mill came on stream on a Sunday in the autumn of 1942, giving rise to one of the company’s best-known brands: Sunnuntai, Finnish for Sunday. Production expanded to animal feed, malt, vegetable oil and margarine in the 1940s and 1950s, and the manufacturing of processed potato products began in Vihanti in the 1960s.

The Group’s chemical business got underway in the 1970s, leading to Raisio’s strong internationalisation in the 1990s. The company’s Chemical Division developed into an important international supplier of paper chemicals.

Raisio was listed on the Helsinki Stock Exchange in 1989. In 1995 the Finnish markets saw the first product containing stanol ester, Raisio’s cholesterol-lowering Benecol margarine. Benecol is Raisio’s most significant innovation and a pioneer in functional products.

In the spring of 2004 the Group made a significant strategic decision to divest its chemicals business and focus on the production of plant-based nutrition and on ensuring food safety.

Responsible well-being from Raisio

- Raisio generates added value for its customers and success to its shareholders by creating advanced solutions for foods that promote well-being.
- Our values — responsibility, open co-operation and competence — help us to reach our basic targets profitability, customer satisfaction and well-being.
- Financial responsibility refers to Raisio Group’s impact on the financial well-being of its stakeholders.
- For Raisio, environmental responsibility means effective and economical use of natural resources; protection of air, water and soil; responsibility for environmental impacts throughout the product life cycle and the value chain of operations.
- Social responsibility emphasises the well-being and skills development of our personnel; safe work environment; product responsibility issues and good practices in co-operation networks and social relations.

Responsible progress

Following the introduction of the new strategy and the divestment of Raisio Chemicals, Raisio is now developing its corporate responsibility reporting from a food industry pioneer’s perspective. The strong improvement in our balance sheet enables us to further improve various aspects of corporate responsibility. A product portfolio that promotes consumer well-being provides an excellent basis for responsible operations. In addition to changing the nature of our business operations, the divestment of the chemical business had a great impact on Raisio’s geographical focus: its operations ended in many countries categorised as high-risk areas in terms of bribery and corruption and several other social and environmental indicators. Raisio’s production is currently restricted to Finland, Poland, Russia, USA, France and Italy. Even so, the operating environment calls for continued and active management of responsibility issues.
Products
- tasty and healthy foods for consumers, the catering business and food industry
- functional ingredients and food diagnostics for food industry companies
- effective feeds for farm animals
- high-quality malts for breweries

Raisio Group worldwide
- Raisio’s products are sold in some 30 countries. The Group has production units in 11 localities in 6 countries
- Raisio employs approximately 1,400 people, 68% of whom work in Finland

Personnel by geographical area

Raisio Nutrition
- food, feed and malt for the Finnish markets and the Baltic region
- core skills, overall management of the processing chain of plant-based raw materials: grain, oil plants and potato
- turnover EUR 399.6 million and operating result excluding one-off items EUR 5.6 million in 2004
- employs some 1,050 people

Raisio Life Sciences
- functional ingredients and diagnostics for food companies worldwide
- the main product is the Benecol ingredient, stanol ester, which, as research shows, lowers cholesterol levels, by an average of 1.5%
- turnover EUR 53.3 million and operating result excluding one-off items EUR 3.3 million in 2004
- employs some 140 people

Research and development
- increasing input in research and development ensures Raisio’s renewal
- the goal is to increase the added value of products and introduce new product and technology innovations
- research centres in Raisio, Turku and Helsinki (Finland), Lyon (France) and Rome (Italy)
- R&D expenses in ongoing businesses EUR 7.9 million, or 1.8% of their turnover in 2004
- employs some 100 people

Key figures

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<tr>
<td>Turnover, EUR million</td>
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Strategy and management
Vision
A leading specialist in plant-based products and in ensuring food safety

Strategy
Raisio’s new strategy was introduced in June 2004. The main strategic targets are growth and improved profitability. R&D is a key focus area and growth will be searched in Russia and Poland.

Values and targets
Our values – responsibility, open co-operation and expertise – help us to reach our basic targets (profitability, customer satisfaction and well-being).

Values are tools which assist us in achieving the goals related to our vision and strategy. The jointly defined values serve as a tool to guide us in our everyday work and help us to make choices in situations where there are no precise instructions.

There is a clear link between responsible operations and continued financial success.

For Raisio and its employees, responsibility means:
- keeping promises both within the work community and to customers and other partners in matters small and big
- accepting responsibility for making decisions and carrying them through
- consideration for the surrounding community and environmental matters
- commitment to jointly agreed goals and targets
- stepping in when things are moving in the wrong direction
- trust and respect

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New vision, strategy, financial targets and values were broadly presented to the entire personnel in several occasions both in Finland and abroad. Operational planning and updating of the balanced scorecards were also immediately commenced. Implementation of the new strategy was started by increasing the investments in R&D. The renewal of the Raisio, which will create well-being, has begun.

Case: Strategy process
In 2004 the governing bodies of Raisio made a significant decision to divest the chemicals business and to focus on plant-based nutrition and on ensuring the safety of food.

Raisio management and the Board of Directors processed a new vision and strategy with its cornerstone in well-being. After finalising the strategic plan, the management initiated the value discussions. The former four values were crystallized into three: expertise, responsibility and open co-operation. Of the former ones, open-mindedness and enjoyment in working together thus got a new formation. The three values support both the fulfilment of our mission to create well-being and the improvement of customer satisfaction and profitability.

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The Group’s Board of Directors has approved the company’s vision, strategy and values, as well as the ethical principles and EHS and risk management policies for Raisio Group. In addition, the Executive Committee has defined the Group’s GMO policy and internal human resources policy.

The divisions set their own EHS targets as part of their management systems and monitor their realisation. As part of Raisio’s management system, nearly all business operations have certified ISO 9001 quality management systems and ISO 14001 environmental systems.

Balanced scorecard use was expanded in 2004 to cover all of Raisio’s operations. This is one way to ensure that personnel, quality and environmental issues are systematically taken into consideration in all of our operations.

Major corporate customers also carry out quality, environmental and safety audits on our production facilities, using the ISO 9001 and 14001 standards, as well as international product safety standards. Approximately ten customer audits were carried out in 2004.

To ensure customer satisfaction and reduce the need for customer audits, the margarine factories in Raisio and Poland have adopted the international BRC Food standard in their development of product safety. It is also planned to introduce international food safety standards on a broader scale in other production facilities. Owing to customer requirements, some plants are also Kosher certified.

During the period under review, production plants prepared for the traceability requirements taking effect in 2005, as well as the audits concerning these requirements.

The challenge for 2005 is to upgrade quality management systems to correspond to the new corporate and organisation structure.

The following table shows Raisio’s certified quality and environmental systems. Our Russian production facilities came on line in 2004, and with production volumes still relatively small, the adoption of certified quality and environmental systems is not considered necessary for the time being. Monäs Feed Oy Ab in Uusikaarlepyy also operates on such a small scale that certified systems have not been created for the facilities.
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ISO 9001:2000 International quality system standard
ISO 14001 International environmental management standard
BRC Food British Retail Consortium Global Standard Food
Key principles and policies

ETHICAL PRINCIPLES

Raisio Group obeys the principles of sustainability including social, environmental and economic aspects. Our most basic targets are profitability, customer satisfaction and well-being, while valuing expertise, responsibility and open cooperation.

Acting according to our values enables us to commit ourselves to good corporate citizenship all over the world. Raisio is committed to full compliance with all applicable national and international laws, regulations and generally accepted practices.

In addition to these ethical principles, basic targets and values, the Board of Raisio Group has approved environmental, health and safety policies. These important guidelines governing our operations and actions are communicated effectively to all employees. All at Raisio Group are required to adapt and take these principles into practice.

When choosing suppliers Raisio Group strives to select partners and contractors that apply similarly high ethical principles. Furthermore, the traceability of raw materials is important to us.

Human rights, equal opportunities and non-discrimination

Raisio Group respects the UN Declaration of Human Rights and the basic labour rights as described by the International Labour Organisation (ILO). The basic labour rights include freedom of association, the right to organise and the right not to be organized, collective bargaining, abolition of forced labour or child labour as well as equality of opportunity and treatment.

All personnel are entitled to safe working environment. Psychologically or physically coercive, threatening or abusive behaviour is not accepted.

Diversification of the personnel is considered one of Raisio Group strengths. We select employees according to their personal qualifications and skills. Lifelong learning and continuous professional development are enabled through internal and external education. Discrimination based on e.g. race, gender, sexual orientation, religion or political affiliation is forbidden.

We strive to enlarge the current equality plan and well-being plan to cover all Raisio employees around the world.

Fair business practices

Raisio’s management and employees are expected to act in the company’s best interest. Conflicts of company’s and personal interest need to be avoided at all times.

Raisio Group management or employees may not pay, give or accept gifts that exceed normal standards of hospitality to or from their business partners or any other stakeholders.

Raisio appreciates the creation and protection of intellectual capital. Innovations are important to Raisio Group, which encourages and rewards the employees systematically for their innovations and creativity. We safeguard Raisio’s intellectual capital and we respect the intellectual property held by outsiders.

All Raisio Group transactions are shown clearly and correctly in company’s financial information. This information is reported simultaneously, honestly and transparently to all stakeholders obeying the rules and recommendations for a Finnish publicly listed company. Internationally the local companies obey their relevant reporting rules and recommendations as well.

Community involvement

Raisio Group cooperates locally and on group level with many stakeholders in the fields of science and research, education, sports and culture as well as health care. Raisio Group Research Foundation supports scientific research through annual awards.

Continuous dialogue with authorities, trade unions and nongovernmental organisations enables direct and well functioning connections within our communities. Listening to the different stakeholders and responding to their needs is essential to all Raisio employees. Raisio Group encourages its units and personnel to participate in local community work to promote the common good.

EHS POLICY

Raisio Group is a growing international industrial group. It develops, produces and markets foods and functional food ingredients, animal feeds and malts as well food diagnostics. We are expanding our product range by putting competitive, innovative and safe products onto the market.

We want to be a reliable and preferred partner for our customers and other stakeholders, taking full responsibility for our actions in society and in the use of natural resources. We use renewable natural resources as raw material whenever possible.

Our aim is to be a successful company at the forefront of our sector and to be known for our first-class environmental and quality work. To achieve our targets, our business sectors define annual objectives for environmental and safety issues and monitor their fulfilment.

We comply with all local, national and international laws and regulations that concern our operations. We are committed to the principles of sustainable development laid down by the International Chamber of Commerce.

By acting safely and investing in better safety we promote the quality and economy of our operations. We are constantly improving the environmental friendliness and safety of our operating processes, utilizing the know-how of our international resources and partners. Environmental, health and safety issues are part of our management policy.

Raisio personnel receive regular training in environmental, health and safety matters and apply the principles involved in their daily work. We provide our various stakeholders with open and honest information about our operations.

RISK MANAGEMENT

The aims, principles and responsibilities of risk management at Raisio Group are defined in the risk management policy approved by the Board of Directors. The key principle is to try to recognise and assess significant internal and external risk factors which
could threaten the implementation of strategy or the achievement of targets. The aim is to remove, reduce or transfer recognized risks. Special effort is put into risk prevention and ways of improving it.

Risk management is coordinated by the Vice President, Finance and Treasury, who reports to the Chief Financial Officer. Key tasks for the Group’s risk management include identifying and applying commensurate methods to assess the risk management level of business operations, as well as deciding on the scope of and priorities for annual measures. Risk management is also responsible for Group-wide insurance schemes. Insurance coverage is determined annually among other things in conjunction with a survey of the risks present at each site.

Raisio Nutrition and Raisio Life Sciences, and subsidiaries that belong to them, carry out practical risk management work themselves, in accordance with corporate risk management policy and Group guidelines. Operational responsibility lies with the management of each individual business operation. Each individual business operation carries out a review and recognition of risks and assesses the necessary action to be taken in conjunction with annual planning, for example.

Risk management is also being evolved in collaboration with outside insurance brokers. Action intended to increase safety precautions and raise protection levels at production plants has been carried out at different sites in the form of risk management assessments. A programme has been drawn up on the basis of the results obtained to guide improvements in risk management assessment. The aim is to continue to perform commensurable surveys in all major production plants in Finland and abroad.

Attention has been paid to activities and communications in the event of crises. Safety and environmental risks include work-related accidents, fires, emissions, as well as chemical and other accidents. Personnel risks include the resignation or death of a key employee, as well as discrimination and harassment of personnel.

Data security risks have been under the lens at Raisio especially in the past few years. Work related to data security has aimed to influence the attitude of employees to ensure that all individuals understand their role in ensuring data security. The company has arranged annual data security training events dealing with possible risks and the methods to prevent them.

The Group has also prepared for changes in the operating environment, legislation or authority regulations, as well as for crime-related risks and product safety and product responsibility risks.

Seeing that Raisio Group operates in the food and feed industries, we have put a special emphasis on the management of hygiene risks. Food and feed hygiene includes all the necessary actions that contribute to ensuring the safety, healthiness and purity of our products from primary production to consumption. The safety of our products is based on a tight hygiene control of raw materials, production plants and transports. The skills of employees working in the production chain also affect hygienic conditions. In view of this, Raisio provides all of its employees in production with training that complies with the hygiene proficiency requirements of the Ministry of Social Affairs and Health, although the requirements statutorily apply to only a small part of them. Hygiene certificate training offered by the Group has already been attended by over 1,300 individuals. Participants have included the company’s own personnel from food and feed operations, as well as customers and representatives of other stakeholders. Co-operation between stakeholders is of primary importance to ensure food hygiene.

Financial and business risks are described in more detail in the annual report.

**GMO POLICY**

Raisio Group develops and manufactures foods and animal feeds of high nutritional and ethical quality.

We process the seed of oil plants to make oils for food and protein feeds for animals. We prefer to use Finnish rapeseed because of its advantageous fatty acid composition. Soy is also used in protein feeds for animals and in foods. It is an excellent and very versatile raw material. There are hundreds of foods on the market where soy is a raw material.

The United States is the biggest soy producer in the world, and the food and feed industries would not manage without US soy. Like many other companies, Raisio Group acquires the soy it uses from the Americas. However, soy that has been proven free of genetic modification is becoming increasingly difficult and expensive to obtain, as land under genetically modified soy comprises almost 80% of the total in the US and over 50% globally. Genetically modified varieties are also widely used in South America. Farmers prefer the new varieties for their better yield. The new varieties also require less herbicide, which cuts costs and limits environmental load.

Genetically modified varieties have been pronounced safe by the authorities. In 2003 and 2004 the EU adopted new regulations that further improve the safety assessment and traceability of genetically modified ingredients. The labelling requirements for product descriptions are now very comprehensive and also cover feed products.

Raisio Group closely follows research and development in the field. Our opinion on the quality and safety of genetically modified soy is invariably based on the latest research and the views of the authorities. To the best of Raisio Group’s knowledge, approved, genetically modified soy varieties are entirely safe and of prime quality.

However, because some consumers are opposed to the use of gene technology in food production, the products Raisio Group sells in Finland contain only traditional varieties that have not been genetically modified. To acquire traditional soy, we have set up a separate purchasing chain that is completely traceable. We buy soy using this separate and controlled chain outside the main sources of soy. We supervise the acquisition of non-genetically modified soy from farmers and each stage of transportation is monitored. We require both certificates of origin for the soy we buy and analyses of each delivery that show that their genetically modified content is below 0.9%.

We respect the opinion of consumers and will obtain traditional soy for use as a raw material as long as it is possible and our customers expect it.
Stakeholders
Throughout its 65 years of existence, Raisio Group has worked in close cooperation with many stakeholders and become a widely trusted partner among them.

We work as a part of local associations and society in 13 countries. Our main stakeholders are our customers and personnel, product and service suppliers and subcontractors, investors and financiers.

We engage in active dialogue with our stakeholders and take their views into account when developing our business operations. At times, different stakeholders have conflicting demands. As a responsible actor we aim at the best possible balance between varying expectations.

Customers
Raisio aims to be a good and reliable partner. We contribute to the profitable growth of our customers and ensure the satisfaction of end customers, that is, consumers, by producing high-quality products that promote health and well-being. Our product development also monitors its operations to ensure that they correspond to customer needs and demands at all times. Customers are paying increasingly more attention to the safety and traceability of products. Many of our customers use audits to ensure that we operate in a responsible manner.

Personnel
Professional, skilled, motivated and committed personnel is essential for Raisio Group to carry out its vision and strategy. The Group employs around 1,400 people in 13 countries. The personnel value a safe workplace with a good atmosphere. In addition to competitive terms of employment and continuity of livelihood, employees also expect opportunities for development. We are now focusing, for example, on developing leadership and management, expertise, wellbeing at work and co-operation.

Suppliers
Product suppliers and subcontractors are an important part of the customer service chain. Our cooperation with suppliers is based on mutual trust and fair play. The goal is to maximize the flexibility of operations, find cost-effective solutions, offer quick problem solving and actively observe environmental aspects. We are also involved in extensive product development cooperation with our suppliers. Environmental, traceability and personnel policies are important aspects when approving new suppliers and carrying out audits. Long-term supplier relations pave the way for the best possible development of cooperation.

Investors and financiers
Raisio Group has been a listed company since 1989. On 31 December 2004, Raisio had some 44,000 shareholders, 88% of them in Finland and 12% abroad. The role of financiers decreased over the past year since the divestment of Raisio Chemicals made the Group a net debt-free company.

Investors expect us to offer a competitive return on their investment. Both investors and financiers also want to see transparent operations, appropriately arranged risk management and good corporate governance. Raisio Group’s investor relations aim to provide all market participants, on equal terms, with accurate, sufficient and up-to-date information to be used as the basis for share price determination.

Other stakeholders
Raisio is an important member of the local community in many of its locations, both as an employer and a taxpayer. Continuous interaction with authorities and non-governmental organisations on local and international levels is based on openness and trust. In line with its ethical principles, Raisio cooperates at local and Group levels with various stakeholders, such as scientific communities, the school system, universities, providers of sports and cultural activities, and the health services.
Products
Foods and ingredients

Good food is tasty, healthy and safe. Most of the grain, potato and vegetable oil-based raw materials used in our products are cultivated by our own contract farmers. Raisio’s products provide a good basis for a healthy life.

Know-how in grain and vegetable oil offers Raisio good opportunities for developing new products by merging some of the beneficial properties of vegetable-based products, such as the essential fatty acids of vegetable oils and grain fibres. One of the goals of our product development is to give people the chance to adopt healthier eating habits.

Consumers’ increasing interest in the link between nutrition and health, as well as the aging of the population, make a good basis for the development of functional, healthy foods. Raisio will answer this challenge by offering more products that prevent and treat cardiovascular diseases and adult diabetes, as well as help lower cholesterol. Many of our products also slow down the post-meal rise in blood sugar, promote well-being of the intestines and have a positive effect on blood pressure and metabolism.

Many of Raisio’s products have received the heart symbol awarded by the Finnish Heart Association and the Finnish Diabetes Association, indicating that the products are a better alternative in their product group in terms of fat and salt.

Food diagnostics

Confidence in the safety of food has been shaken in many countries. Raisio’s profound expertise in the entire food chain, from raw material procurement through the production process to store shelves, supports our efforts to develop food diagnostics. Our focus in 2004 was on strengthening the foundation of our diagnostics business, and we created prerequisites for the development of fast-testing methods. Facing good growth prospects, this business area will contribute to ensuring the

Case: Benecol

Cholesterol is essential to humans; it is used as a building block for cell membranes and for the formation of hormones. However, if the blood cholesterol level rises too high it hinders the normal functioning of our organism. One of the main risk factors for cardiovascular diseases is a high overall cholesterol level, especially that of LDL cholesterol. 68% of Finns have blood cholesterol levels that exceed the recommended level of 5 mmol/l.

Plant sterols and stanols are compounds found in all plants in small amounts, making them a natural part of our daily nutrition. Especially plant stanols have been proved to be safe and effective alternatives for lowering blood cholesterol levels. However, the amount of plant stanols obtained from food is too small to considerably lower blood cholesterol levels. As a result of systematic research, Raisio Group developed a method for making plant stanol ester from plant stanols and vegetable oils. The fat-soluble plant stanol ester can be used as an ingredient in numerous foods to obtain a sufficient plant stanol content. This also enhances the preventive effect that plant stanol has on cholesterol absorption. Plant stanols are extremely safe since they are virtually unabsorbed and pass unchanged through the digestive system. Sufficient amounts of plant stanol can be easily consumed in meals and snacks containing it as one of the ingredients. Raisio Group launched the first food product containing plant stanol, the Benecol margarine, in 1995. Markets now offer a variety of Benecol products, recommended as part of a versatile diet for people with high cholesterol levels.
quality of production of Raisio’s industrial customers and consequently the safety of food enjoyed by consumers.

Feed and malt

“Effective feeds, healthy animals” is a good description of Raisio Feed’s operations. Raisio Feed aims to be a safe partner, offering livestock producers pure and competitive feed mixes and professional service for the planning of feeding.

Feeds and feeding methods shall improve the financial performance of farms and the wise and effective completion of their own feeds, as well as reduce environmental emissions.

Raisio Malt produces and markets high-quality brewing malts for both the domestic and export markets. Raisio Malt’s strengths are its expertise in highquality northern malting barley, its control of logistics and its knowledge of the markets.

Product traceability

Customers are showing increasing interest in the origin of products to ensure that the products are healthy, safe and produced in an ethical manner, animals have been treated well and environmental issues taken into consideration. The entire chain from supplier to customer must act responsibly for us to earn the customers’ trust. As of the beginning of 2005, the EU food industry legislation also requires all food products to be traceable.

It is important for us to know the background and operating methods of our suppliers. Co-operation with suppliers is based on both parties playing by the agreed rules. Raw and other materials must meet the quality requirements set for them. Inventory accounting of raw material flows ensures that we always know what raw materials are available.

We keep track of events and conditions at all stages of our process and follow the process through a self-control system created on the basis of HACCP principles. We manage our product inventory and only supply products that meet our quality criteria. We can always tell who our products have been delivered to.

We aim at continuously improving customer satisfaction. Our products feature clear product information and instructions for use. The Best Before date of products enables us to track all the information related to their production. Traceability is essential also in the production and delivery process of feeds and malts. We also serve consumer customers through our skilled consumer service.

Case: Fish feeds

The environmental impact of fish farming has seen a considerable decrease in the past decade. The development of feed mixes has clearly reduced the load on water systems.

The main nutrients carried from fish feeds into the water system include nitrogen, which results from the decomposition of proteins (aminoacids) in feeds, and phosphorus, contained in the fish meal used for feeds.

REDOUCING PHOSPHORUS AND NITROGEN CONTENT

A variety of plant-based protein sources have been identified as alternatives for fish meal. This has lowered the overall phosphorus contents in fish feeds by some 30% in the past decade.

The phosphorus requirement for salmon is 5–8 grams of biologically usable phosphorus per each kilogram of weight. As a result of a reduction in the overall phosphorus content and the development seen in feeding, the fish nowadays utilise nearly all of the usable phosphorus in feeds.

The optimised amounts of aminoacids have enabled a reduction in the overall protein content of feeds, which has decreased their nitrogen content by 15–20% in the past decade.

REFORMS REDUCING THE ENVIRONMENTAL IMPACTS OF RAISIO’S FISH FEEDS

- 1992: First high-energy feed in Finland (crude fat level 30%)
- 1993: Finland’s first low-phosphorus feed (phosphorus content 0.8%)
- 1997: Considerable improvement in the efficiency of feed (crude fat level 33%)
- 1997: Launch of low-nitrogen feeds with optimised aminoacids
- 2002: Further improvement in the efficiency of feed (crude fat level 35%)
- 2004: Revision to feeding recommendations, taking into consideration fish farming conditions
Animal testing

FOODSTUFFS AND ANIMAL TESTING

Food safety in Finland comes under various pieces of legislation such as the hygiene act, the health protection act, and the foodstuffs act, and EU provisions. The guiding principle is that the foodstuffs available to consumers should be of the highest quality, in terms of both food hygiene and health impacts. Food should not contain any pathogens, or foreign substances, and should not endanger human health in any other way. Due to the regulatory requirements, specific animal tests may be needed in order to guarantee the food safety.

The act on novel foods contains criteria for safety checks on what are called novel foods. In order to meet the requirements laid down in the act, it may sometimes be necessary to use animal testing for novel foods and foods comparable to them.

RAISIO’S VIEW ON ANIMAL TESTING

Raisio Group keeps test animal use to a bare minimum in its product development and manufacturing. Animal use follows legislation and is approved by the authorities. The safety of stanol ester has been verified using animal tests that comply with authority requirements. The Group also participates in national and international nutrition studies that may include components with animal testing.

Raisio Group’s diagnostics business develops and sells new alternative tests that enable the elimination of animal tests from analyses.

Raw material supplies

Contract farming involving Finnish farmers is the cornerstone of Raisio’s raw material procurement. Raisio is Finland’s largest industrial processor of grain.

The environmental impact of the grain chain is smaller when the food originates close by. Food production must be based on the capacity of the environment and be in harmony with nature. Domestic food and feed production also employs and helps preserve local population and cultivated landscape.

The Quality Grain system developed by Raisio Group ensures that the grain meets its quality requirements: pure, safe and produced in an environmentally friendly way. The system also contributes to the versatile use of grain. The most appropriate purpose is determined for all grain batches that have been approved but display variable properties. This ensures that nothing is wasted and that the quality remains even.

Quality is not just a matter of taste; it can be clearly measured. The quality of our raw materials, as well as our products, is verified in laboratory analyses.

RAISIO’S VIEW ON GENETIC MODIFICATION

Most of Raisio’s raw material originates from Finnish grain and oil plants. North and South American soy is used as a protein source especially in pig and poultry feeds, while important soy ingredients, though to a lesser extent, are used in food production.

After a long preparation, the new EU regulations on the traceability of genetically modified products and raw material, as well as package labelling, took effect in April 2004. As a result of the new, more extensive and detailed legislation, European consumers are expected to adopt a more positive attitude towards gene technology.

Feeds are now also governed by labelling provisions similar to those of food and come under the GMO control carried out by authorities. Contrary to expectations, additives produced using genetically modified microbes, such as certain aminoacids, enzymes and vitamins used in feeds, did not come under the labelling provisions at this time.

Raisio still refrained from using genetically modified raw materials in its products in 2004. For the time being, purchases for 2005 will also keep to traditional, genetically unmodified soy. The situation may change in the feed business over the year, depending on the availability and price levels of unmodified soy. The amount of soy used in the food business is so much smaller compared to that used for feeds that the availability of genetically unmodified soy is easier to secure also in the future.
Research and development
Raisio Group has defined research and development as one of its strategic priorities. Research and development supports Raisio’s strategic goals by expanding and deepening Raisio’s existing technology skills and by quickly and flexibly developing new products and technologies.

Strategic priorities and key measures in food and ingredients R&D

- **Market-oriented differentiation of basic products**
  The convenience of existing dry products will be improved by developing pre-seasoned products that are quick to prepare. Taste and consistency, as well as health aspects, will also be emphasised. The level of service will be improved, for example, by providing more nutritional information.

- **Development of fresh products and packaging**
  Fresh products and processes required for their production will be developed to complement dry products. Innovative packaging solutions will also be emphasised.

- **Development of functional ingredients**
  The Benecol ingredient will be further processed for new food applications. Development will also target new functional ingredients that promote, for example, heart health, weight management, the treatment of diabetes and the well-being of the intestines.

Strategic priorities and key measures in food diagnostics R&D

- **Rapid diagnostics solutions**
  The primary focus is on developing rapid pathogen screening methods. Development activities will later be expanded to mycotoxin and allergen diagnostics. New technology will be used in this work.

- **Comprehensive analytic solutions to ensure product safety**
  New combinations of technology will be developed and procedural entities optimised. The pre-treatment of samples will also be enhanced.

- **Integration of Raisio’s food diagnostics R&D**
  Cooperation between R&D centres in Turku, Rome and Lyon will be developed and the utilisation of synergies enhanced.

- **Networking**
  Concrete research and development projects will be launched jointly with national and international partners.

**Case: Camelina**

The Beneviva Omega-3 light margarine contains many essential fatty acids. The fatty acids come from oil extracted from the Camelina plant, making the product 100-percent plant based.

Raisio Group, which previously had a 20% interest in Camelina Ltd., acquired the remainder of the company’s share capital in October 2004. Camelina Ltd. has engaged in the contract farming of the Camelina sativa oil plant in Finland since 1999. The oil content of the Camelina plant’s seed is more than 40%, and as much as 40% of the fatty acids are of the Omega-3 type. Just like vitamins, Omega-3 and Omega-6 fatty acids are essential to the health and well-being of humans. Our organism, however, cannot produce them, which is why they need to be obtained from our daily food. Essential fatty acids are involved in many functions important to the human body: they reduce blood cholesterol and in this way promote heart and arterial health. Studies show that Omega-3 fatty acids reduce the risk for sudden deaths by 25%, lower blood triglycerides by 15–30% and prevent blood clots. They also work against depression, improve eyesight, boost immunity and improve the condition of the skin.

Raisio Group also plans to expand the use of Camelina oil to new food applications.
Financial responsibility
Financial responsibility refers to Raisio’s impact on the financial well-being of its stakeholders.

Our balance sheet has strengthened considerably, enabling us to invest more heavily in research and product development. The aim is to develop increasingly healthy, safe, tasty and easy-to-use foods and feeds, as well as faster and more accurate food diagnostics equipment. We have also started to invest in new production technology that will enable us to produce new kinds of products and ensure growth for existing production.

A financially successful Raisio can offer opportunities for development, as well as competitive job conditions and benefits, for its optimally-sized, skilled personnel. Shareholders were rewarded in autumn 2004 with an extra dividend payment, and plans include another one in spring 2005.

Financial success creates the prerequisites for responsible business operations and sustained development.

The following table gives a rough, overall description of the financial cash flows that affect our stakeholders.

<table>
<thead>
<tr>
<th>Financial cash flows affecting stakeholders</th>
<th>2004 (EURm)</th>
<th>% of total income</th>
<th>2003 (EURm)</th>
<th>% of total income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover Customers</td>
<td>627</td>
<td>861</td>
<td>869</td>
<td></td>
</tr>
<tr>
<td>Other income from business operations</td>
<td>231</td>
<td>8</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>Total income</td>
<td>858</td>
<td>43</td>
<td>869</td>
<td>58</td>
</tr>
<tr>
<td>Purchases Suppliers</td>
<td>-367</td>
<td>43</td>
<td>-505</td>
<td>58</td>
</tr>
<tr>
<td>Other expenses from business operations*</td>
<td>-115</td>
<td>13</td>
<td>-161</td>
<td>19</td>
</tr>
<tr>
<td>Wages, salaries Personnel</td>
<td>-63</td>
<td>7</td>
<td>-89</td>
<td>10</td>
</tr>
<tr>
<td>Taxes and social expenses Public sector</td>
<td>-21</td>
<td>2</td>
<td>-32</td>
<td>4</td>
</tr>
<tr>
<td>Financial expenses Financiers</td>
<td>-5</td>
<td>1</td>
<td>-13</td>
<td>1</td>
</tr>
<tr>
<td>Dividend Shareholders</td>
<td>-22</td>
<td>3</td>
<td>-4</td>
<td></td>
</tr>
<tr>
<td>Development of business operations</td>
<td>265</td>
<td>31</td>
<td>65</td>
<td>7</td>
</tr>
</tbody>
</table>

*Includes production, sales and marketing and administration costs.

Case: Kempen SRI index

Raisio Group has been tracked on the Kempen/SNS Smaller Europe SRI index since its first publication on 1 October 2003.

The SRI index includes a total of 69 European companies from 12 different countries, the operations of which are considered to meet high ethical, social and environmental criteria.

The index, launched by Kempen Capital Management and SNS Asset Management, tracks the performance of small European companies in the field of sustained development and supports companies’ efforts to apply the principles of sustained development in their operations.
Environmental responsibility
Raisio’s total load on the environment was significantly influenced by the changes made to the organisation structure during the review period. Raisio Group’s environmental impact has decreased after the divestment of Raisio Chemicals, the share of which is included in the monitoring index for the first five months of 2004. The effects of the discontinuation of grain starch operations show after 1 September 2004. Operations at the Carlshamn margarine plant in Sweden ended in spring 2004, and production moved to Finland. A new margarine plant began operations in the early part of the year in Istra, Russia.

Following the introduction of the new strategy and the divestment of Raisio Chemicals, we are now developing our corporate responsibility reporting from a food industry pioneer’s perspective. In the case of environmental issues, we found it natural to adopt the environmental responsibility reporting model for the food industry published in June 2004, which is available in Finnish at www.laatuketju.fi. The reporting model indicators are closely related to the Sustainability Reporting Guidelines drawn up by Global Reporting Initiative (GRI), which have been partially revised from the perspective of players in the food product chain. We have paid special attention to the indicators that play a key role in the development of our operations.

Environmental aspects are also taken into consideration in the Quality Grain system as part of procurement and quality control. Apart from raw material procurement, environmental impacts in food, food ingredients and malt production result from the energy used in processes and transports, as well as from packaging and other waste. Water use and wastewater also have a significant impact especially in the malt, margarine and potato businesses.

The nitrogen and phosphorus load is the main environmental consideration in the feed business. Optimised nutrient content and good efficiency of feeds reduce the load produced per kilogram of feed and food.

Raisio Malt participates in a Finnish research project that aims to develop a tool for assessing the environmental impact of the malt barley chain throughout production. The project was launched in 2004 and will continue until the end of 2005.

No significant environmental impacts can be attributed to the diagnostics business.

Environmental objectives and targets

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Environmental impacts

Raisio uses renewable raw materials, and the load it causes on the environment is very small in relation to its big production volumes. As a rule, cultivated raw material is used up in its entirety and the resulting waste flows are notably small. The processes and environmental technology are selected according to the BAT (Best Available Technology) approach.

The most significant environmental impacts resulting from the procurement of the Group’s main raw materials – grain and oil plants – are related to the use of farming inputs in primary production, as well as to transports. Increasingly more emphasis is put on the assessment of external raw materials and service providers and on the traceability of raw materials and products.
FOLLOW-UP ON ENVIRONMENTAL TARGETS

Follow-up on the examples of environmental targets for 2004, published in the 2003 report:

<table>
<thead>
<tr>
<th>Environmental target</th>
<th>Situation</th>
</tr>
</thead>
<tbody>
<tr>
<td>amount of landfill waste from Raisio Margarine to be cut from 300 tons/year to 100 tons/year by improved sorting</td>
<td>not achieved*</td>
</tr>
<tr>
<td>separation of grease to be improved in Raisio’s margarine business</td>
<td>ongoing, partly achieved</td>
</tr>
<tr>
<td>grain waste at Nokia to be recycled</td>
<td>ongoing, partly achieved</td>
</tr>
<tr>
<td>volume of water used at Vihanti to be cut from 1,500 m³ per day to 1,300 m³ per day</td>
<td>achieved</td>
</tr>
<tr>
<td>centrifuge slurry at Vihanti to be used as a binding agent for bio-fuel</td>
<td>achieved**</td>
</tr>
<tr>
<td>EHS training at margarine plants in Poland and Russia</td>
<td>achieved</td>
</tr>
<tr>
<td>minerals in pig feeds to be adjusted as part of animal feed improvements</td>
<td>achieved</td>
</tr>
<tr>
<td>cleaning of barley to be improved prior to malting in order to cut solids in wastewater</td>
<td>not achieved ***</td>
</tr>
<tr>
<td>the amount of grease in wastewater to be reduced by 20% at Raisio’s esterification plant</td>
<td>not achieved****</td>
</tr>
<tr>
<td>Raisio Benecol Oy: ISO 14001 compliant environmental system to be certified in Finland</td>
<td>not achieved*****</td>
</tr>
<tr>
<td>Raisio Staest Us Inc to be certified in compliance with ISO 9001:2000</td>
<td>achieved</td>
</tr>
<tr>
<td>hazardous waste delivered to Ekokem to be reduced</td>
<td>achieved</td>
</tr>
</tbody>
</table>

* significant impact from the discontinued Swedish business operations
** preliminary survey carried out as planned
*** reassessment carried out
**** implementation linked to the expansion of the production plant initiated at the end of 2004
***** over the year, emphasis moved to the development of areas belonging to the BRC Food standard

EXAMPLES OF RAISIO’S ENVIRONMENTAL TARGETS FOR 2005

- implementation of a quality and environmental cost project
- personnel training in product safety, safety and environmental issues, eg. HACCP, Safety Card and ISO 14001:2004
- certification of the ISO 14001-compliant environmental system for the ingredients business of Raisio Life Sciences
- reuse of the grain waste from the Nokia mill
- landscaping of the old reservoir at the Vihanti food potato factory
- reduction of the amount of waste for final disposal (kg/tonne produced) at Raisio margarine plant
- 95% fill rate of outgoing bulk feed transports in vehicle combinations
- utilisation of new energy-saving milling method in the feed business
- improvement in the treatment of poultry manure through a modification to the feed composition
- reduction of steam use in dryers and enhancement of heat recovery in the malt industry
- reduction of water use in the malt industry to less than 4 m³/tonne of malt
- effective guidance project for contract farmers in cooperation with Pro Agria Farma to reduce the environmental load caused by cultivation
Materials and other production inputs (1*)

Raisio uses renewable natural resources as its raw material. Material transfers between plants are included in the raw material amounts reported in the following table, leading to a partial multiplication in volumes.

<table>
<thead>
<tr>
<th>Production volumes, consumption of raw materials</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>Production volumes (1,000 tonnes)</td>
</tr>
<tr>
<td>Raw materials (1,000 tonnes)</td>
</tr>
<tr>
<td>Raw materials (tonnes/output in tonnes)</td>
</tr>
<tr>
<td>Additives (1,000 tonnes)</td>
</tr>
<tr>
<td>Packaging materials (1,000 tonnes)</td>
</tr>
</tbody>
</table>

Energy (2*)

Raisio Group processes use electricity and heat energy and Group purchases all of its electricity and most of its heat energy from outside suppliers. Pollution caused by outsourced energy suppliers has not been reported.

Water (3*)

The reuse of cooling water and a variety of recycling systems have had an impact on the overall water consumption.

Land use and biodiversity (4*)

Raisio Group’s production is located in six countries. At the end of 2004, the administered land area amounted to some 200 hectares.

Raisio facilities are located near the town centre, approximately two kilometres from Raisio bay area, one of Finland’s most valuable bird wetlands. Raisio bay is included in the national conservation programme for bird wetlands.

The Vihanti food potato factory is located in the Vihanninkangas groundwater area. The catchment areas of pumping plants nearby do not, however, reach the factory site. The feed factory in Kaipiainen, Anjalankoski, is located in a Category I groundwater area. Although the feed factories have not, in general, been detected to have an impact on the quality of groundwater, groundwater protection has been taken into consideration in the factory’s technical solutions. In Kaipiainen, groundwater quality is monitored by the chemical plants in the same industrial area, which were taken over by Ciba Specialty Chemicals in early June.

The operations of other industrial facilities are not considered to have a direct impact on biodiversity, or they are not located in sensitive areas in terms of nature conservation.
Emissions, wastewater and waste (5*)

No continuous quantitative measurements are made of noise, odorous or dust emissions; they are only monitored by spot checks. This means that no continuous indicator data is available. Sustained action during investments and repairs helps reduce environmental hazards. Regular measurements of volatile organic compounds (VOCs) are made at certain plants to comply with the terms of the environmental permits.

The hexane emissions from Raisio oil milling plant dropped by 35% per tonne of raw material from the figures in 2003, thanks to the revamped absorber equipment. The emissions fell clearly below the EU restrictions that will take effect in 2007.

Wastewater is a considerable process emission especially in the malt, margarine and potato businesses. The water is treated in either Raisio’s or its cooperation partners’ purifying plants. In the latter case, Raisio Group’s wastewater load on the water system cannot be calculated or estimated in an appropriate manner. Instead, the chosen indicator is the amount of wastewater.

Raisio uses up nearly all of its raw materials. The amount of waste is still considered to be an important environmental consideration, which is why the waste amounts assigned for reuse, final disposal and hazardous waste treatment are reported in environmental indicators. Reducing the amount of waste and increasing reuse are also statutory obligations. To simplify waste sorting at the place of origin, increasing amounts are being turned into energy fraction. Sorting has been enhanced by collecting higher-quality reusable waste in separate batches for raw material.

The use of packaging materials is reported as an indicator of environmental responsibility because Raisio’s food business mainly produces packaged consumer products. On the other hand, monitoring the use of packaging materials is statutory in the EU, and increasingly strict goals have been set for recycling.

Waste Utilization of packaging material

Emissions to air

Wastewater
Compliance with regulations (8*)

Most of Raisio Group’s Finnish production plants required to have permits submitted their applications for environmental permits in 2003. Environmental permits were granted to the feed factory in Anjalankoski and the food potato factory in Vihanti in 2004. Other applications are still being processed. The Town of Raisio and Raisio Group made a joint announcement of experimental activities aiming to determine the operating conditions of the town’s purifying plant for nitrogen removal using Raisio Group’s wastewater as a carbon source. The permit for activities was granted until the end of 2006, by which time each party will apply for an environmental permit for their own wastewater treatment plant.

All of Raisio Group’s sites comply with local law and regulations, as well as generally approved operating models.

The capacity of boilers at the power plant in Raisio is slightly less than 57 MW, which required the company to apply for pollution rights and permits. Most of the heat used at Raisio site is supplied by Fortum Power and Heat Oy from Naantali. The Group’s own power plant is used as an auxiliary plant ensuring full or partial power supply during Fortum’s maintenance operations and possible interruptions in power production or transfer. In 2004, around 1.5% of the overall heat consumption was produced by the Group’s own power plant. Owing to the nature of the auxiliary power plant, annual production volumes vary. Pollution rights and permits were granted to the plant in December 2004.

There is no litigation in progress linked to environmental issues.

Transports (9*)

Raisio Group’s own transport fleet is very small. Most of the transports are arranged in cooperation with service companies in the field. The environmental load of purchased transport services has not yet been assessed.

A new indicator for transports is tonne kilometres per year. There is no monitoring in the case of raw material and other such transports. In terms of tonne kilometres product transports totalled 183 million during 2004.

The fill rate of raw material transports is close to 100% and that of product transports around 90%. The goal is to make use of return transports where possible. Factors related to hygiene and product safety cause some restrictions in this respect.

About 90% of Raisio’s transports take place by road. The remainder are handled by means of ship and railroad freight.

<table>
<thead>
<tr>
<th>The use and share of recycled and returned transport units</th>
<th>2004</th>
<th>Share %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disposable wooden pallets, units</td>
<td>233,278</td>
<td>52</td>
</tr>
<tr>
<td>Recycled plastic pallets, units</td>
<td>206,608</td>
<td>46</td>
</tr>
<tr>
<td>Recycled woodens, units</td>
<td>8,190</td>
<td>2</td>
</tr>
<tr>
<td>Total, units</td>
<td>448,076</td>
<td></td>
</tr>
</tbody>
</table>

EHS investments and costs (10.2*)

The financially most significant EHS investments in 2004 targeted the reduction of wastewater load, enhancement of energy use and reduction of waste amounts. Raisio also invested in occupational health and safety, as well as in general improvement of air quality. Making material use as effective as possible was also considered to be an important issue. Environmental and safety investments amounted to some EUR 1.7 million (EUR 3.2 million).

Environment-related running costs consist of expenses related to operations, such as wages of the environmental staff, waste transport and handling expenses, wastewater pre-treatment expenses, wastewater invoicing from cooperation partners, as well as maintenance and renewal of air filters. The running costs of waste treatment, air and water pollution control, and occupational safety amounted to some EUR 2.2 million (EUR 4.1 million).

Raisio Group has no significant quantities of waste in storage, nor is the company under any obligation to clean any contaminated sites.

* Numbering in accordance with the environmental responsibility reporting model for the food industry. The figures for part 6 of the reporting model (Subcontractors, product suppliers and contract manufacturers) are presented in the Stakeholders and Products sections, the figures for part 7 (Products and services) in the Products section, the figures for 10.1 (Environmental management) in the Management section, and the figures for 10.3 (Environmental cooperation) in the Stakeholders and Social responsibility sections. The comparability of the figures from the environmental responsibility reporting model for the food industry and the GRI indicators is presented in appendix 2 of the environmental responsibility reporting manual, which is available at www.laatuketju.fi.
Social responsibility
Social responsibility emphasises the well-being and skills development of our personnel; a safe work environment; product responsibility issues and good practices in co-operation networks and social relations.

Personnel

- A professional, skilled, motivated and committed personnel is essential for Raisio Group to carry out its vision and strategy. In 2004, recruitment broadened Raisio's skills especially in R&D and new technologies, as well as expanded production abroad. Raisio Group Global HR policy & guidelines were drawn up in late 2004. They include, among other things, common guidelines for HR planning and reporting, recruitment, personnel development and rewarding. The Group’s common rules for the termination of employment relationships comply with local legislation.

- Raisio Group’s management system was developed further, and scorecard use was implemented throughout the Group.

- 2004 was a year of big changes for the personnel. Following the divestment of Raisio Chemicals, 1,176 people transferred to the employment of Ciba Specialty Chemicals at the beginning of June. This led to a considerable change in the geographic split of Raisio Group’s personnel.

- On 31 December 2004 Raisio Group had 1,412 (2,735) employees, of whom 32% (45%) worked abroad.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Raisio Nutrition</td>
<td>1,190</td>
<td>1,312</td>
</tr>
<tr>
<td>Raisio Life Sciences</td>
<td>177</td>
<td>199</td>
</tr>
<tr>
<td>Group administration</td>
<td>45</td>
<td>73</td>
</tr>
<tr>
<td>Raisio Chemicals</td>
<td>–</td>
<td>1,151</td>
</tr>
<tr>
<td>Total</td>
<td>1,412</td>
<td>2,735</td>
</tr>
</tbody>
</table>

Personnel by geographical area

- Finland 68%
- Poland 15%
- Russia 8%
- Rest of Europe 7%
- Rest of the world 2%

Personnel 31.12.2004

<table>
<thead>
<tr>
<th>Year</th>
<th>Finland</th>
<th>Abroad</th>
</tr>
</thead>
<tbody>
<tr>
<td>00</td>
<td>2,495</td>
<td>1,012</td>
</tr>
<tr>
<td>01</td>
<td>2,462</td>
<td>1,001</td>
</tr>
<tr>
<td>02</td>
<td>2,416</td>
<td>989</td>
</tr>
<tr>
<td>03</td>
<td>2,747</td>
<td>969</td>
</tr>
<tr>
<td>04</td>
<td>2,753</td>
<td>1,412</td>
</tr>
</tbody>
</table>
The increase in the number of employees in 2004 resulted from Raisio Nutrition’s margarine production starting in Russia and from R&D recruiting. Personnel decreases were caused by the divestment of Raisio Chemicals, termination of the last margarine operations in Sweden, discontinuation of the grain starch business in Raisio and the activities taken to improve operative efficiency. As a result of restructuring, Raisio Chemicals’ personnel worldwide came to be employed by the new owner on 2 June 2004. With Raisio’s turnover dropping to half after the divestment of Raisio Chemicals, the Group also needed to reduce the expenses of group administration and service functions. Raisio Group’s administration and services were made into Group-level operations and overlaps were eliminated. The streamlining programme resulted in 23 jobs being cut in Finland and 16 abroad.

The rationalisation programme carried out at Raisio Nutrition at the end of 2003 reduced the business area’s personnel in Finland by some 80 employees over the course of 2004. The discontinuation of margarine production in Sweden led to a loss of 50 jobs. In addition, grain starch operations were discontinued as planned in August. The plant had some 40 employees.

Some of the personnel cuts were carried out as internal job transfers, natural redundancies and pension arrangements. Certain activities were taken to support employees in the relocation and change process.

**Incentives**

One principle of Raisio Group is to offer competitive remuneration to personnel according to country and business. Pay systems, incentive schemes and social and other benefits are assessed on a regular basis. The aim is to maintain and improve country-specific and business-specific schemes that are fair and motivating and that reward good performance. These schemes help us to reach our targets. Raisio Group regularly monitors salaries on the open market to ensure it maintains its competitiveness.

**Initiatives**

The target of Raisio’s initiative scheme is to increase the number of suggestions aimed at improving business or working conditions. In 2004 181 initiatives were made. 28% of the initiatives were environment, health and safety initiatives. Safety initiatives are defined as those that improve safety at work and decrease the risk of accident. Environmental initiatives in 2004 included, for example, several proposals related to energy saving.
Health and safety

RAISIO GROUP SAFETY OBJECTIVES

- developing safe, healthy and environmentally friendly products and manufacturing them by sparing natural resources
- preventing operational hazards and accident risks and their consequences
- promoting open debate and interaction on environmental, health and safety issues among customers, authorities, stakeholders, personnel and the entire procurement chain

FOLLOW-UP ON SAFETY TARGETS

Follow-up on the examples of safety targets for 2004, published in the 2003 report:

<table>
<thead>
<tr>
<th>Safety target</th>
<th>Situation</th>
</tr>
</thead>
<tbody>
<tr>
<td>trainings in safety and protection planning for the personnel and some of the subcontractors</td>
<td>achieved</td>
</tr>
<tr>
<td>monitoring of accident and sick leave modelling to be included in management systems</td>
<td>achieved</td>
</tr>
</tbody>
</table>

EXAMPLES OF RAISIO’S SAFETY TARGETS FOR 2005

- number of occupational accidents less than the industry average
- personnel training in product safety, safety and environmental issues, e.g. HACCP, Safety Card and ISO 14001:2004
- comprehensive hazard and risk assessments at all feed factories

ACCIDENTS AND THEIR PREVENTION

There were a total of 2 safety accidents in 2004, none of which caused personal injuries. Financial and material losses were relatively small.

Raisio Group has very few transport vehicles of its own, so most of its transportation is carried out in partnership with transport contractors. The units involved in the road transport of dangerous substances have appointed safety advisors who have passed the appropriate examinations.

OCCUPATIONAL SAFETY

Raisio Group personnel receive regular training and guidance in occupational health and safety issues. Accident frequency is used as a safety indicator. The accident figures do not include accidents occurring on journeys to and from work, deaths and invalidity. In 2004, 54 accidents were logged (84).

WORK SAFETY TRAINING AND DEVELOPMENT

Work safety at Raisio Group’s subsidiaries in Finland has been organized so that each division has its own work safety committee. The committee consists of the work safety manager and employee representatives. Employees that have been elected to represent the workers and office personnel in work safety issues, as well as members of personnel working in work-related health care, are also invited to take part in meetings. There are 11 work safety managers along with 9 personnel-elected work safety representatives who serve for a term of two years.

Raisio Group provides both in-house and externally organized training for employees involved in promoting occupational safety. This training offers an opportunity to get up-to-date information on occupational safety and provides employees with appropriate skills for improving the working environment.

The basic course on internal safety at work is organized at Raisio every two years. The objective has been to get all employees responsible for work safety, both supervisors and work safety representatives, to participate in the training. Other employees who have been interested in work safety have also been able to participate.

Raisio complies with local national legislation on occupational health and safety at all its plants worldwide and provides related training for local employees.

In the initial training of new employees and in developing on-the-job training methods, the work-safety aspect plays a key role.
Development of well-being at work

Improving wellbeing at work covers all activities associated with the health, well-being and competence of the individual employee and with work, the working community and working conditions.

Activities aiming to improve wellbeing at work have long traditions in Raisio Group’s Finnish units and are also arranged at Raisio’s international offices. The idea is to increase motivation, benefit systematically from the Group’s internal expertise, reduce sick leave and discourage people from taking early retirement. The methods used include work community training, free-time activities supported by the company, rehabilitation and other services linked with health. The state of affairs is monitored through surveys and work community assessments. Occupational health care was also outsourced in Finland in 2004. This enables the related services and skills to be continuously developed in cooperation with experts in the field.

Raisio Group’s management is based on the company’s values. The company actively promotes the wellbeing and motivation of its personnel and provides opportunities for development. In October–November 2004, the company carried out a survey aiming to chart the personnel’s opinions, ideas and experiences concerning information flow and interaction, goals, development of skills and operations, workload distribution and the working community, as well as Raisio’s basic targets, values and strategy. The results will be used by individual units to discuss their significance for the specific unit and jointly consider the measures that can be taken to maintain the situation or to develop operations. This will bring out both the issues that work well, as well as those that need to be developed. The survey will be carried out again in autumn 2005. In the previous survey, the best grades at Group-level were given to awareness of one’s targets, own competence and the opportunities to develop it. Information flow and interaction were the areas that most needed to be developed.

Expertise

In managing human resources, Raisio takes a close look at organization and management, and the competence of individual employees and their personal development targets. Achieving the strategic targets and budgeted targets is backed up by developing competence including job rotation, induction, training, networking and sharing experiences. Personal targets and ways of developing competence are agreed individually between employee and supervisor according to the performance appraisal practice.

Case: Family day

In early autumn 2004, family members had a chance to visit their parents’ workplace when Raisio arranged its first family day on Saturday 4 September. A total of 300 people took part in the event.

The programme included visits to the malting plant, mill and feed factory. Children got to draw, bake coffeebread and cookies, participate in competitions and play the wheel of fortune. The museum, health centre and shop were also busy all day.

The children’s definite favourite was the train driven by CEO Rabbe Klemets, which people could board to move between all the different sites. The harvest pie feast offered a pleasant break with pies, coffee and juice.

The event elicited a great deal of positive feedback from employees and their families.

“We had a wonderful time at the family day. We did some drawing, spun the “wheel of fortune” and baked cakes and cookies. The cream of it all was the “moomin train” that we ran to catch – and just made it. Three-year-old Niko said the train was tops, something our 18-month-old Tomi would surely agree on. Nea, 6, praised everything: Your workplace is great fun!”

Sanna Niemelä, Raisio Nutrition
Raisio Group trains and motivates its employees to maintain their professional skills. Competence development in 2004 focused on professional training and internal operations, as well as language, information security and IT training and quality and environmental issues. A long-term development project concentrating on manager-employee work relations (YTYÄ) was launched in Finland. It will continue until spring 2006. The project will involve either directly or indirectly all of Raisio Nutrition’s production personnel in Finland. In 2004 Raisio Group invested 605,000 euros in personnel training. Internal training is not included in this figure.

The second group in the “Leading Raisio” management training scheme launched in autumn 2002 completed its studies in summer 2004, and the programme will be further developed based on the feedback received. A new group of 20 supervisors and experts has been selected and it will begin studies in January 2005, the aim being to learn how to put the vision, values and strategy into practice, increase business skills, and develop personal skills, internal networking and, consequently, supervisory practices.

Employees are encouraged to take environmental, health and safety aspects into consideration as best they can in their own work. Training in these matters is arranged to improve the personnel’s competence and keep it up to date. Raisio Nutrition and Raisio Life Sciences emphasised occupational safety training in 2004, and some 200 employees obtained the national occupational safety card. This figure does not include the employees who transferred to Ciba Specialty Chemicals after the divestment of Raisio Chemicals. Our occupational safety card training has also been attended by employees from the service companies we use. Raisio continued its hygiene training for its personnel, customers and representatives of other stakeholders. To clarify the environmental impact of the whole production chain, Raisio Malt organised a training day in the form of a farm visit. Participants learned about the management of environmental issues at farms and their environmental support system.

Human rights and equal opportunities

Raisio Group follows its ethical principles in matters related to human rights and equality.

Raisio Group’s Finnish units have at their disposal a specially drawn up equality plan, which determines the measures taken to prevent gender-based discrimination, promote equality between men and women, improve the integration of work and family life, and prevent sexual harassment and molestation. The current state of equality was charted in a personnel survey, which was used as the basis for defining targets in Raisio Group’s equality plan and determining the measures for solving any problematic issues. Adherence to the plan will be monitored annually, with future development also extending to international operations. One of the targets in the equality plan is to increase the share of women in managerial posts and management teams. Raisio Group’s Executive Committee had 2 women and 5 men in 2004.
Targets and emphasis of personnel strategy

EMPHASIS IN PERSONNEL STRATEGY

1. Management
   - further development of leadership & management and manager-employee work relations
   - age management
   - change management

2. Competence
   - focus on expertise
   - development of competence through career planning and job rotation
   - recruiting
   - development of international skills

3. Well-being at work
   - emphasis on preventive occupational health care
   - further development of the work environment and conditions

4. Operating culture
   - customer and consumer-oriented approach
   - co-operation between business areas
   - co-operation between the personnel and employer
   - cost and result awareness
   - renewal and continuous learning

EXAMPLES OF RAISIO’S PERSONNEL TARGETS FOR 2005

- implementation of an international personnel database in early 2005
- implementation of the measures based on the 2004 personnel survey
- new personnel survey in autumn 2005
- development projects for leadership & management and manager-employee work relations: YTYÄ and Leading Raisio (change and age management included in projects)
- improved cost and result awareness through internal training, scorecards, action plans and other internal communications

KEY INDICATORS FOR PERSONNEL OPERATIONS IN 2005

- scope of performance appraisals: 100%
- positive trend in employee satisfaction

The indicators and monitoring of personnel issues will be further developed, the goal being to implement an international personnel database to support personnel reporting in early 2005.

Community involvement

Continuous dialogue with the authorities and non-governmental organizations means that Raisio Group has good relations with the surrounding community. In the review period, Raisio Group worked in close co-operation with authorities, for example, in the wastewater treatment project carried out jointly with the town of Raisio. It is important to everyone at Raisio to listen to different stakeholders and take their needs into account. Briefings and opportunities to visit Raisio sites are arranged for local residents. Raisio Group encourages units and employees to take part in activities that contribute to the local community.

According to Raisio Group’s ethical principles, the company cooperates with various bodies in the fields of science and research, education, sports and culture as well as health-care, at both the Group and local level. For the third year in a row, Raisio Group supports UNICEF’s international Girls’ Education campaign. It now also supports the Hyvä Joulumieli (Christmas Spirit) fundraising event jointly organised by the Mannerheim League for Child Welfare and the Finnish Red Cross, the goal of which is to give poor families with children food vouchers for a Christmas meal. The natural disaster in Asia at the end of 2004 also came as a shock to Raisio. The Group and many of its employees took part in the support activities for earthquake and tsunami victims through the Red Cross Disaster Relief Fund.

In 2005 Raisio will participate in the Heart bus tour organised by the Finnish Heart Association. The tour aims to improve the heart health of Finns by encouraging them to choose foods that promote the heart’s well-being and to monitor their health.

The Millennium Technology Prize

As of 2005 Raisio Group will also support the Millennium Prize project. The world’s largest technology prize, Millennium, is awarded for innovations that significantly improve the quality of life, are based on humane values and encourage sustainable economic development. The Millennium Prize was set up and is financed in a unique way by the Finnish industry and the Finnish Government. Worth one million euros, the prize is awarded every other year.

Raisio Group Research Foundation, established in 1958, supports scientific research with annual grants. The purpose of the foundation is to promote the conditions for improving oil plant, grain and potato production and to support scientific research aimed at improving food, animal feed and chemical industry products and production methods. In 2004, the foundation distributed in total around EUR 125,000 to 11 researchers.
Glossary

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>BRC Food</td>
<td>British Retail Consortium Global Standard Food</td>
</tr>
<tr>
<td>CO2</td>
<td>Carbon dioxide. Main component of flue gases; formed during combustion through oxidation of carbon in fuels. The most important ‘greenhouse gas’.</td>
</tr>
<tr>
<td>EHS</td>
<td>Environment, Health and Safety</td>
</tr>
<tr>
<td>GRI</td>
<td>Global Reporting Initiative. International guidelines for reporting related to the economic, social and environmental operations of companies and associations.</td>
</tr>
<tr>
<td>HACCP</td>
<td>Hazard Analysis and Critical Control Point. A systematic method for analysing food production and handling processes, identifying hazards and determining critical control points to guarantee safe products for consumers.</td>
</tr>
<tr>
<td>Hazardous waste</td>
<td>Waste which is dangerous or harmful to human health or the environment and must be treated or disposed of separately from other waste.</td>
</tr>
<tr>
<td>ICC</td>
<td>International Chamber of Commerce</td>
</tr>
<tr>
<td>ISO 9001:2000</td>
<td>An international quality management standard</td>
</tr>
<tr>
<td>ISO 14001</td>
<td>An international environmental management system standard</td>
</tr>
<tr>
<td>Kosher</td>
<td>A concept used to refer to Jewish food laws. Kosher translates as “appropriate”. Its significance in terms of food customs is a religious one and calls for compliance with Jewish food laws.</td>
</tr>
<tr>
<td>LDL-cholesterol</td>
<td>“Bad cholesterol”. Form of cholesterol that is carried by LDL lipoproteins in the blood serum to other body tissues and that builds up on the inner walls of arteries, causing arterial sclerosis.</td>
</tr>
<tr>
<td>NO2</td>
<td>Products of the combustion of nitrogen, formed from the nitrogen contained in fuel and in combustion air. Emissions of nitrogen compounds to air are calculated and reported as nitrogen dioxide (NO2).</td>
</tr>
<tr>
<td>P</td>
<td>Total amount of phosphorus</td>
</tr>
<tr>
<td>Pro Agria Farma</td>
<td>A consulting organisation for agriculture and rural areas</td>
</tr>
<tr>
<td>Quality Grain</td>
<td>Raisio Group’s quality and development system for grain raw material that ensures that the grain meets the industry’s and consumers’ quality requirements, is safe and healthy and produced in an environmentally friendly way.</td>
</tr>
<tr>
<td>Recoverable waste</td>
<td>The reusable waste produced by the company’s operations (other than that bought from outside the company for reuse)</td>
</tr>
<tr>
<td>Ripesca</td>
<td>Reuse of industrial waste and wastewater to prevent eutrophication by a new environmentally sustainable and cost effective approach</td>
</tr>
<tr>
<td>SO2, sulphur dioxide</td>
<td>A product of the combustion of fuel containing sulphur</td>
</tr>
<tr>
<td>Stanol ester</td>
<td>Plant stanol fatty acid ester, i.e. the compound formed in the reaction between stanol and fatty acid, the functional ingredient in Benecol products, an innovation patented by Raisio</td>
</tr>
<tr>
<td>Triglyceride</td>
<td>Triglyceride is a common fat found, among other things, in food. It consists of glycerol and fatty acids, the latter of which determine the quality of fat in food. Fats can be either saturated (hard fats) or unsaturated (soft fats).</td>
</tr>
<tr>
<td>VOC</td>
<td>Volatile organic compounds</td>
</tr>
<tr>
<td>Waste for final disposal</td>
<td>Waste taken to landfills, including municipal waste but excluding hazardous waste</td>
</tr>
</tbody>
</table>

Contact persons

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Tel.</th>
</tr>
</thead>
<tbody>
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<td>Merija Lumme</td>
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</table>

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