

Q3 figures released

Company Update

Raisio Group

Much remains to be done

- ▶ Q3 was something of a non-event. For the full year, management expects EBIT to reach around EUR200m on sales of around EUR620m.
- ▶ The share price has been boosted by the sale of Raisio Chemicals, enabling the company to pay another extra dividend, of EUR0.18. Although Raisio has the attributes of a turnaround case, visibility is still low. Following the introduction of new tax legislation, the tax on the gain on the sale of Raisio Chemicals, which would have been EUR70m, should be zero, but this is not certain. Also, the targets set appear ambitious (see back page). New products are due to be launched from Q2(05) and acquisitions are likely to be made but the earnings benefits from these are likely to be realised later rather than sooner.

UNDERPERFORM
HIGH RISK

EUR1.83

High/Low (12M)

EUR2/1.1

Sector view: Positive

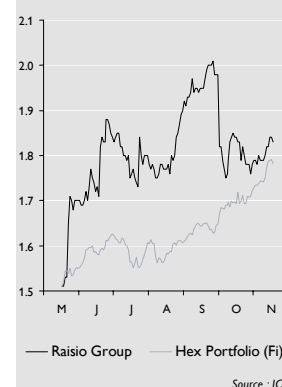
Key figures (EUR)	2003	2004e	2005e	2006e
Sales (m)	860	624	455	475
EBITA (m)	-6	232	15	18
Pre-tax profit (m)	-27	196	15	18
EPS	-0.16	1.19	0.06	0.07
EPS adj.	-0.11	1.37	0.07	0.08
Sales growth Y/Y	2%	-27%	-27%	5%
EPS adj. growth Y/Y	-chg	+chg	-95%	19%
EBITA margin	-0.8%	37.1%	3.3%	3.8%
P/E	neg.	1.5	29.9	24.6
P/E adj.	neg.	1.3	26.7	22.4
EV/EBITA	neg.	0.5	7.7	6.0
P/BV	1.56	0.82	0.87	0.86
Dividend yield	7.1%	10.9%	2.2%	2.2%
FCF yield	10.9%	100.5%	11.5%	5.0%

Source : Carnegie Research

Other key figures	
No. shares (m)	165.1
Market cap. (EURm)	302
EV (2004e)	118
Avg. daily vol. ('000)	274
Free float	94.8%
ROE adj. (2004e)	80.2%
NIBD / Equity (2004e)	-48.1%

What's changed		
(EUR)	From	To
EPS(04e)	0.00	1.19
EPS(05e)	0.04	0.06
EPS(06e)	0.05	0.07

Share price



Research

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Please see disclosures at the back of this report

Performance & valuation

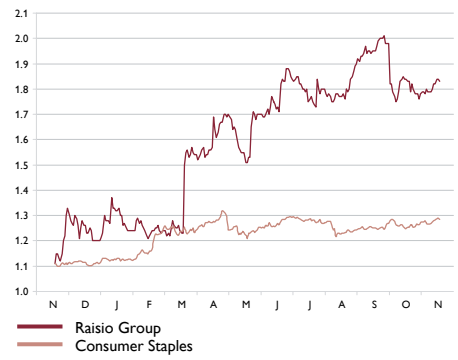
Share price jumped on announcements of sale of Raisio Chemicals (March), extra dividends (June) and tax-free capital gain (July)

Price relative to market – 1Y



Source: JCF

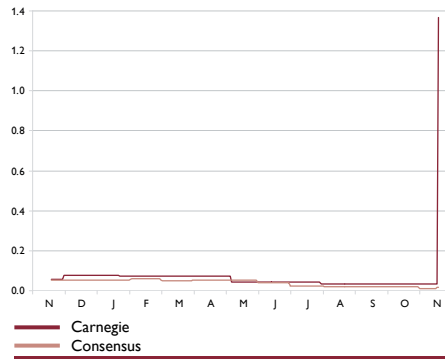
Price relative to sector – 1Y



Source: JCF

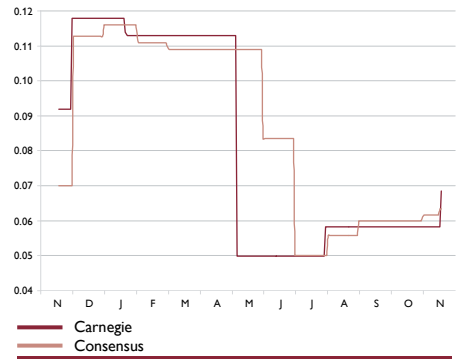
EPS reflects capital gain from Raisio Chemicals offset only partially by writedowns and charges

adj. EPS expectations - 2004e



Source: Carnegie Research - JCF

adj. EPS expectations - 2005e



Source: Carnegie Research - JCF

Valuation still challenging; EV reflects strong cash position

Performance snapshot	1M	3M	12M	YTD
Raisio Group %	-0.5	3.4	66.4	52.5
Peer group %	-0.5	3.4	66.4	52.5
Carnegie Consumer Staples %	2.7	4.7	15.2	15.4
Hex Portfolio %	5.0	13.5	11.2	14.0
MSCI Nordic %	10.3	25.3	27.1	19.7
MSCI Europe %	8.7	15.9	23.9	11.4
S&P 500 %	2.1	5.9	2.3	3.3
MSCI World %	1.1	6.6	4.4	5.1

Source: JCF

Valuation snapshot	2003	2004e	2005e	2006e
P/E	neg.	1.5	29.9	24.6
P/E adj.	neg.	1.3	26.7	22.4
EV/EBITDA	12.4	0.4	2.9	2.5
EV/EBITA	neg.	0.5	7.7	6.0
P/BV	1.56	0.82	0.87	0.86
P/BV ex. GW	2.87	0.88	0.94	0.92
Dividend yield	7.1%	10.9%	2.2%	2.2%
FCF yield	10.9%	100.5%	11.5%	5.0%

Source: Carnegie Research

Financial statements

Profit & loss	1997	1998	1999	2000	2001	2002	2003	2004e	2005e	2006e
Sales	na	833	763	800	823	843	860	624	455	475
COGS	na	na	na	na	na	na	na	na	na	na
Gross profit	na	na	na	na	na	na	na	na	na	na
Other income & costs	na	-735	-703	-781	-750	-772	-815	-356	-415	-433
EBITDA	na	98	60	19	72	71	46	268	40	43
Depreciation PPE	-42	-45	-44	-48	-44	-48	-52	-36	-25	-25
Other amortisation	0	0	0	0	0	0	0	0	0	0
EBITA	na	52	16	-29	28	23	-6	232	15	18
GW amortisation & Impairment	0	0	0	-3	-3	-2	-8	-29	-1	-1
EBIT	na	52	16	-32	25	21	-14	202	14	17
Net interest	-6	-10	-10	-15	-16	-12	-13	-6	1	1
Other financial items	0	0	0	0	-1	1	0	0	0	0
Net financial items	-6	-10	-10	-14	-17	-11	-13	-6	1	1
Share of earnings in ass. comp.	0	0	0	0	0	0	0	0	0	0
EAFI	na	42	6	-47	8	9	-27	196	15	18
Other EO items	0	0	0	0	0	0	0	0	0	0
Pre-tax profit	na	42	6	-47	8	9	-27	196	15	18
Taxes	-12	-14	0	5	-4	-3	1	1	-4	-5
Post-tax minorities interest	-4	-2	0	1	2	-1	-1	0	0	0
Net profit	na	26	6	-41	7	5	-27	196	10	12
Adj.Net profit	na	26	6	-38	10	8	-19	226	11	13

EO items	0	0	0	0	0	0	0	0	0	0
Tax on EO items	0	0	0	0	0	0	0	0	0	0
Sales growth Y/Y	na	na	-8.5%	4.9%	2.9%	2.5%	2.1%	-27.5%	-27.1%	4.6%
EBITA growth Y/Y	na	na	-69.3%	-chg	+chg	-18.1%	-chg	+chg	-93.5%	19.4%
EBITDA margin	na	11.7%	7.9%	2.3%	8.8%	8.4%	5.3%	42.9%	8.8%	9.0%
EBITA margin	na	6.3%	2.1%	-3.7%	3.4%	2.7%	-0.8%	37.1%	3.3%	3.8%
Tax rate	na	33.6%	1.7%	9.9%	43.2%	31.5%	5.3%	-0.4%	29.0%	29.0%

Cash flow	1997	1998	1999	2000	2001	2002	2003	2004e	2005e	2006e
EBITDA	na	98	60	19	72	71	46	268	40	43
Net financial items	-6	-10	-10	-14	-17	-11	-13	-6	1	1
Non cash adjustments	0	0	0	0	0	0	0	0	0	0
Change in NWC	-10	-29	-57	4	-1	4	42	70	19	-2
Paid taxes	-12	-14	0	5	-4	-3	1	1	-4	-5
Operating cash flow (OCF)	na	45	-8	13	51	60	77	332	55	36
CAPEX PPE	-65	-76	-62	-50	-29	-19	-44	-28	-20	-21
CAPEX other intang. assets	na	na	na	na	na	na	na	na	na	na
Net cash flow (NCF)	na	-31	-69	-37	22	42	33	304	35	15
Other investments/Divestments	0	0	0	0	0	-62	-20	435	0	0
Dividend paid	-1	-1	-10	-6	0	-3	-3	-21	-33	-7
Share issues & buybacks	0	0	0	0	0	0	0	0	0	0
Other non-cash adjustments	na	-4	-21	39	-6	-18	-2	-267	0	0
Change in LT non-IB liabilities	0	0	0	0	0	0	0	0	0	0
Decrease in net IB debt	na	-37	-100	-3	16	-41	8	450	1	8

Balance sheet	1997	1998	1999	2000	2001	2002	2003	2004e	2005e	2006e
Goodwill	89	85	81	84	76	86	89	25	25	25
Other fixed intangible assets	0	0	0	0	0	0	0	0	0	0
PPE	271	302	320	274	258	290	277	121	115	111
Shares & participations	0	0	0	0	0	0	0	0	0	0
Other fixed financial assets	0	0	0	0	0	0	0	0	0	0
Other fixed assets	0	0	0	0	0	0	0	0	0	0
Fixed assets	360	387	400	358	334	375	366	146	140	135
Inventories	130	133	164	142	144	154	118	71	52	54
Receivables	112	129	142	174	154	165	144	87	64	67
Other current assets	0	0	0	0	0	0	0	0	0	0
Cash & cash equivalents	42	41	38	76	56	55	47	247	221	229
Current assets	284	303	343	393	354	374	309	406	336	349
Total assets	643	690	744	750	689	749	675	551	476	485
Shareholders' equity	271	288	279	235	240	234	194	369	346	352
Minorities	27	29	26	25	22	24	23	15	15	15
Sub-ordinated loans	0	0	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0	0	0
Deferred tax	0	0	0	0	0	0	0	0	0	0
Other IB & Non IB provisions	0	0	0	0	0	0	0	0	0	0
LT IB debt	98	79	113	148	129	95	235	35	35	35
LT non-IB liabilities	0	0	0	0	0	0	0	0	0	0
LT liabilities	98	79	113	148	129	95	235	35	35	35
ST IB debt	52	108	170	177	159	233	78	28	0	0
Payables	140	131	118	132	113	138	123	89	65	68
Other ST non-IB liabilities	56	56	39	34	26	26	22	15	15	15
Current liabilities	247	294	326	342	298	397	223	132	80	83
Total liabilities	643	690	744	750	689	749	675	551	476	485

Source : Carnegie Research

16 November 2004

Share data & key ratios

Per share data (EUR)	1997	1998	1999	2000	2001	2002	2003	2004e	2005e	2006e
Adj. no. of shares in issue YE (m)	163.0	163.0	165.1	165.1	165.1	165.1	165.1	165.1	165.1	165.1
Diluted no. of Shares YE (m)	163.0	163.0	165.1	165.1	165.1	165.1	165.1	165.1	165.1	165.1
EPS	na	0.16	0.04	-0.25	0.04	0.03	-0.16	1.19	0.06	0.07
EPS adj.	na	0.16	0.04	-0.23	0.06	0.05	-0.11	1.37	0.07	0.08
CEPS	na	0.44	0.30	0.06	0.33	0.34	0.20	1.59	0.22	0.23
DPS	0.01	0.06	0.03	0.00	0.02	0.02	0.13	0.20	0.04	0.04
BVPS	1.66	1.77	1.69	1.42	1.45	1.41	1.17	2.23	2.10	2.13
BVPS ex. GW	1.12	1.24	1.20	0.91	0.99	0.90	0.64	2.09	1.95	1.98
NAVPS	1.66	1.77	1.69	1.42	1.45	1.41	1.17	2.23	2.10	2.13
NIBDPS	0.67	0.89	1.48	1.50	1.41	1.65	1.61	-1.12	-1.13	-1.18
Valuation	1997	1998	1999	2000	2001	2002	2003	2004e	2005e	2006e
P/E YE	na	>50	>50	neg.	23.2	32.5	neg.	1.5	29.9	24.6
P/E adj. YE	na	>50	>50	neg.	15.8	22.5	neg.	1.3	26.7	22.4
P/E average	na	>50	>50	neg.	31.3	38.4	neg.	1.5	29.9	24.6
P/E adj. average	na	>50	>50	neg.	21.2	26.6	neg.	1.3	26.7	22.4
P/CEPS YE	na	21.5	13.0	32.1	2.8	3.2	5.9	1.2	8.4	7.9
P/BV YE	6.54	5.32	2.33	1.38	0.64	0.76	1.02	0.82	0.87	0.86
P/BV ex. GW YE	9.73	7.56	3.28	2.15	0.94	1.19	1.88	0.88	0.94	0.92
Dividend yield YE	0.1%	0.6%	0.9%	0.0%	1.8%	1.9%	10.8%	10.9%	2.2%	2.2%
Dividend Payout Ratio	na	37.1%	96.6%	0.0%	42.5%	60.8%	-80.5%	16.8%	65.3%	53.9%
EV/EBIT YE	na	32.2	>50	neg.	15.5	21.9	neg.	0.6	8.4	6.4
EV/EBITA YE	na	32.2	>50	neg.	13.7	19.6	neg.	0.5	7.7	6.0
EV/EBITA adj. YE	na	32.2	>50	neg.	13.7	19.6	neg.	0.5	7.7	6.0
EV/Sales YE	na	2.0	1.2	0.7	0.5	0.5	0.5	0.2	0.3	0.2
EV/EBITDA YE	na	17.2	14.9	30.6	5.3	6.4	10.1	0.4	2.9	2.5
Share price YE	10.9	9.40	3.93	1.96	0.93	1.07	1.20	1.83		
Share price high	10.9	16.9	12.0	4.12	2.50	1.64	1.33	2.01		
Share price low	6.09	9.40	3.93	1.73	0.91	0.95	0.84	1.21		
Share price average	8.72	13.7	7.84	2.36	1.25	1.26	1.03	1.64		
Margins	1997	1998	1999	2000	2001	2002	2003	2004e	2005e	2006e
Gross margin	na	na	na	na	na	na	na	na	na	na
EBITDA margin	na	11.7%	7.9%	2.3%	8.8%	8.4%	5.3%	42.9%	8.8%	9.0%
Adj. EBITDA margin	na	11.7%	7.9%	2.3%	8.8%	8.4%	5.3%	42.9%	8.8%	9.0%
EBITA margin	na	6.3%	2.1%	-3.7%	3.4%	2.7%	-0.8%	37.1%	3.3%	3.8%
Adj. EBITA margin	na	6.3%	2.1%	-3.7%	3.4%	2.7%	-0.8%	37.1%	3.3%	3.8%
Pre-tax margin	na	5.1%	0.8%	-5.8%	1.0%	1.1%	-3.2%	31.5%	3.3%	3.8%
Net margin	na	3.1%	0.8%	-5.1%	0.8%	0.6%	-3.1%	31.5%	2.2%	2.6%
Adj. net margin	na	3.1%	0.8%	-4.7%	1.2%	0.9%	-2.2%	36.2%	2.5%	2.8%
Profitability	1997	1998	1999	2000	2001	2002	2003	2004e	2005e	2006e
ROE	na	9.2%	2.1%	-15.9%	2.8%	2.3%	-12.5%	69.8%	2.8%	3.5%
Adj. ROE	na	9.2%	2.1%	-14.7%	4.1%	3.3%	-8.8%	80.2%	3.2%	3.9%
Adj. ROCE pre-tax	na	11.2%	3.1%	-3.7%	5.8%	5.0%	-0.4%	48.4%	4.2%	5.2%
Adj. ROIC aft-tax	na	7.1%	2.8%	-4.7%	3.0%	2.9%	-1.2%	64.6%	5.3%	6.7%
Adj. ROA pre-tax	na	8.0%	2.3%	-2.9%	4.6%	3.9%	-0.3%	38.6%	3.5%	4.3%
FCF yield	na	-10.4%	-22.9%	-12.2%	7.3%	13.9%	10.9%	100.5%	11.5%	5.0%
Capital eff./Solv.	1997	1998	1999	2000	2001	2002	2003	2004e	2005e	2006e
Inventories / Sales	na	15.8%	19.4%	19.1%	17.4%	17.6%	15.8%	15.1%	13.5%	11.2%
Receivables / Sales	na	14.4%	17.8%	19.8%	20.0%	19.0%	18.0%	18.6%	16.6%	13.7%
Payables / Sales	na	15.7%	15.4%	16.5%	13.7%	16.3%	14.3%	14.3%	14.3%	14.3%
NWC / Sales	na	14.0%	20.9%	23.3%	22.5%	21.7%	18.6%	16.7%	13.2%	10.9%
Asset turnover	na	1.25	1.06	1.07	1.14	1.17	1.21	1.02	0.89	0.99
Sales / Capital invested	na	1.70	1.38	1.41	1.55	1.57	1.62	1.73	2.24	2.51
OCF / Capex	na	0.59	-0.13	0.26	1.76	3.25	1.75	11.82	2.71	1.70
Capex / Sales	na	9.2%	8.1%	6.2%	3.5%	2.2%	5.1%	4.5%	4.5%	4.5%
Capex / Depreciation PPE	1.54	1.68	1.40	1.03	0.65	0.39	0.84	0.78	0.83	0.86
Dividend payout ratio	na	37.1%	96.6%	0.0%	42.5%	60.8%	-80.5%	16.8%	65.3%	53.9%
Equity / Total assets	46.3%	45.9%	40.9%	34.6%	38.0%	34.3%	32.2%	69.7%	75.9%	75.7%
Net IB debt / Equity	36.4%	45.8%	80.5%	95.7%	88.6%	106.2%	122.0%	-48.1%	-51.5%	-52.9%
Net IB debt / EBITDA	na	1.5	4.1	13.3	3.2	3.9	5.8	-0.7	-4.7	-4.5
EBITDA / Net interest	na	10.1	5.9	1.3	4.6	5.9	3.5	44.2	n.m.	n.m.
EBITA / Net interest	na	5.4	1.6	n.m.	1.8	1.9	n.m.	38.2	n.m.	n.m.
Balance sheet data	1997	1998	1999	2000	2001	2002	2003	2004e	2005e	2006e
Net IB debt	108	145	245	248	232	273	265	-185	-186	-194
Net working capital (NWC)	102	131	188	184	185	181	139	69	50	53
Capital employed (CE)	448	504	587	585	550	585	530	447	396	401
Capital invested (CI)	462	518	589	542	520	557	505	215	190	188
Enterprise value YE (EV)	1,879	1,677	894	572	386	450	463	118	116	108

Source : Carnegie Research

Disclosures and disclaimers

The Carnegie Group

Carnegie is an independent Nordic investment bank operating in Securities, Investment Banking and Asset Management & Private Banking. Carnegie provides a wide array of financial products and services to Nordic and international clients from offices in eight countries: Sweden, Denmark, Norway, Finland, Luxembourg, Switzerland, the UK and the US. Carnegie Investment Banking is the leading independent corporate finance advisor in the Nordic countries. Carnegie Asset Management and Private Banking provide financial services including asset management for selected institutions and private investors. The Carnegie Group was listed on the Stockholm Bourse on 1 June 2001.

Ratings and risk assessment structure

Current rating system (as of 10 June 2003)

Stock ratings

Carnegie stock ratings are relative to Carnegie's coverage universe on a Nordic sector basis.

- OP=Outperform The stock is expected to outperform the return on the Carnegie coverage universe of the Nordic Sector over the next 6 months.
- N=Neutral The stock is expected to perform in line with the return on the Carnegie coverage universe of the Nordic Sector over the next 6 months.
- U=Underperform The stock is expected to underperform the return on the Carnegie coverage universe of the Nordic Sector over the next 6 months.

Sector View

Carnegie's coverage universe on a Nordic sector basis is rated relative to the total Nordic market. Carnegie's strategists, in co-operation with the sector heads, set the sector recommendations.

- Positive The sector is expected to outperform the return on the total Nordic market over the next 6 months.
- Neutral The sector is expected to perform in line with the return on the total Nordic market over the next 6 months.
- Negative The sector is expected to underperform the return on the total Nordic market over the next 6 months.

Other ratings

- NR=Not rated The investment rating, if any, has been suspended temporarily.
- UR=Under review The investment rating, if any, has been suspended temporarily.
- UB=Under bid The investment rating, if any, has been suspended temporarily.

Risk assessment

The risk assessment is based on the analyst's evaluation of the company's equity beta based on the business risk (asset beta) and financial risk (gearing).

- Low risk Estimated equity beta <0.75
- Medium risk Estimated equity beta 0.75 to 1.25
- High risk Estimated equity beta >1.25

Previous rating system

- SB=Strong buy The stock is expected to provide a return of greater than 20% over the next 6 months.
- B=Buy The stock is expected to provide a return of between 10% and 20% over the next 6 months.
- Acc=Accumulate The stock is expected to provide a return of between 5% and 10% over the next 6 months.
- R=Reduce The stock is expected to provide a return of between 0% and 5% over the next 6 months.
- S=Sell The stock is expected to provide a return of less than 0% over the next 6 months.

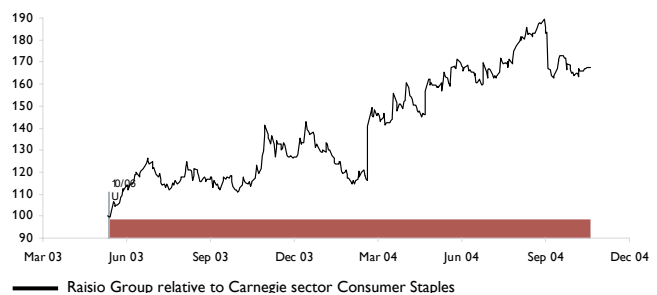
Stock rating distribution for sector Consumer Staples

Rating	No. of stocks
Outperform	8
Neutral	8
Underperform	7
Not Rated	0
Under Bid	0
Under Review	0
Total	23

Price and company rating history (RAIVV.HE)
Old rating structure until 9 June 2003



Price relative to sector and company rating history (RAIVV.HE)
New rating structure from 10 June 2003



Source: Carnegie Research

Analyst certification

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Raisio Group Company Summary

Profit & loss	2002	2003	2004e	2005e	2006e
Sales	843	860	624	455	475
EBITDA	71	46	268	40	43
EBITA	23	-6	232	15	18
EBIT	21	-14	202	14	17
Pre-tax profit	9	-27	196	15	18
Net profit	5	-27	196	10	12
EO items	0	0	0	0	0

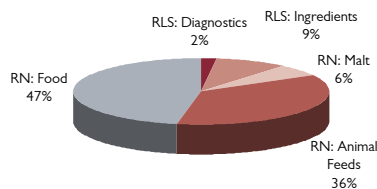
Balance sheet	2002	2003	2004e	2005e	2006e
Total assets	749	675	551	476	485
Shareholders' equity	234	194	369	346	352
Goodwill	86	89	25	25	25
Net IB debt	273	265	-185	-186	-194

Cash flow	2002	2003	2004e	2005e	2006e
EBITDA	71	46	268	40	43
Operating cash flow	60	77	332	55	36
Net cash flow (NCF)	42	33	304	35	15
Decrease in net IB debt	-41	8	450	1	8

Per share data	2002	2003	2004e	2005e	2006e
EPS	0.03	-0.16	1.19	0.06	0.07
EPS adj.	0.05	-0.11	1.37	0.07	0.08
EPS adj. Growth	-19.4%	-chg	+chg	-95.0%	19.0%
CEPS	0.34	0.20	1.59	0.22	0.23
DPS	0.02	0.13	0.20	0.04	0.04
BVPS ex. GW	0.90	0.64	2.09	1.95	1.98
NIBDPS	1.65	1.61	-1.12	-1.13	-1.18

Ratios	2002	2003	2004e	2005e	2006e
P/E	>50	neg.	1.5	29.9	24.6
P/E adj.	38.5	neg.	1.3	26.7	22.4
P/BVPS	1.3	1.6	0.8	0.9	0.9
P/BVPS ex. GW	2.0	2.9	0.9	0.9	0.9
P/CEPS	5.4	9.1	1.2	8.4	7.9
EV/Sales	0.7	0.7	0.2	0.3	0.2
EV/EBITDA	8.1	12.4	0.4	2.9	2.5
EV/EBITA	25.0	neg.	0.5	7.7	6.0
Dividend yield	1.1%	7.1%	10.9%	2.2%	2.2%
FCF yield	13.9%	10.9%	100.5%	11.5%	5.0%

Sales by business area



Geographic areas



Company description

Source: Carnegie Research

Raisio's remaining businesses are Raisio Nutrition and Raisio Life Sciences following the sale of Raisio Chemicals (2 June 2004). Raisio Nutrition comprises business areas in Food (Milling, Margarine and Potato Processing), Animal Feeds (feed products for farm and fur animals and fish) & Malt (barley for brewing). Raisio Life Sciences is a global supplier of proprietary food ingredients, with Benecol (stanol ester for lowering cholesterol) being the main product, as well as diagnostic testing systems, through Diffchamb, for food products and animal feeds e.g. salmonella and listeria. Targets within the next couple of years include: Raisio Nutrition to reach organic growth of 2% in Finland and 5% in Russia & Poland and an EBIT margin of 6%, Raisio Life Sciences to reach organic growth of 15-20% and an EBIT margin of 10%, and group ROCE of 12%. By 2010, the aim is to double share of value-added products to 50%.

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Company miscellaneous

Source: Carnegie Research

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 Next report: 10 Feb 2005

Major shareholders

	Capital	Votes		Capital	Votes
Centr. Un. of Agr. Pr	2.4%	0.3%	Investment Fund Sar	1.1%	0.2%
Etra-Invest Oy	2.1%	0.3%	Special Investment Ft	0.8%	0.2%
Brotherus Ilkka & Sin	1.8%	0.4%	Nominee Registratio	11.1%	2.2%

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