PAULIG GROUP

Exploring Great Taste

Annual Report 2017


Exploring Great Taste
In Paulig Group, everything we do is about exploring great taste. It is our promise and the core of our identity.

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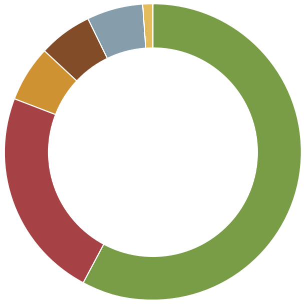
Paulig Group in brief

Family-owned company, founded by Gustav Paulig in

Net sales per market



- 58% Nordic countries
- 23% Continental Europe
- 6% UK
- 6% Baltics
- 6% Russia
- 1% Others

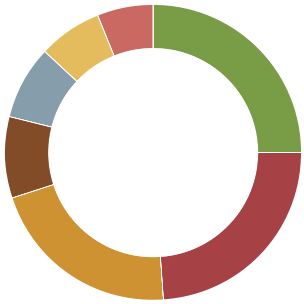
Values

Stay Curious

Strive for Excellence

Grow Together

Personnel by country



- 25% Belgium
- 24% Sweden
- 21% Finland
- 9% Estonia
- 8% Russia
- 7% UK
- 6% Others

Mission

Exploring Great Taste

Net sales per division

Coffee

World Foods & Flavouring

Snack Food

Naturally Healthy Food

Brands

Paulig · Santa Maria · Risenta · GOLD&GREEN OF HELSINKI · Poco Loco

Net sales

929 MEUR

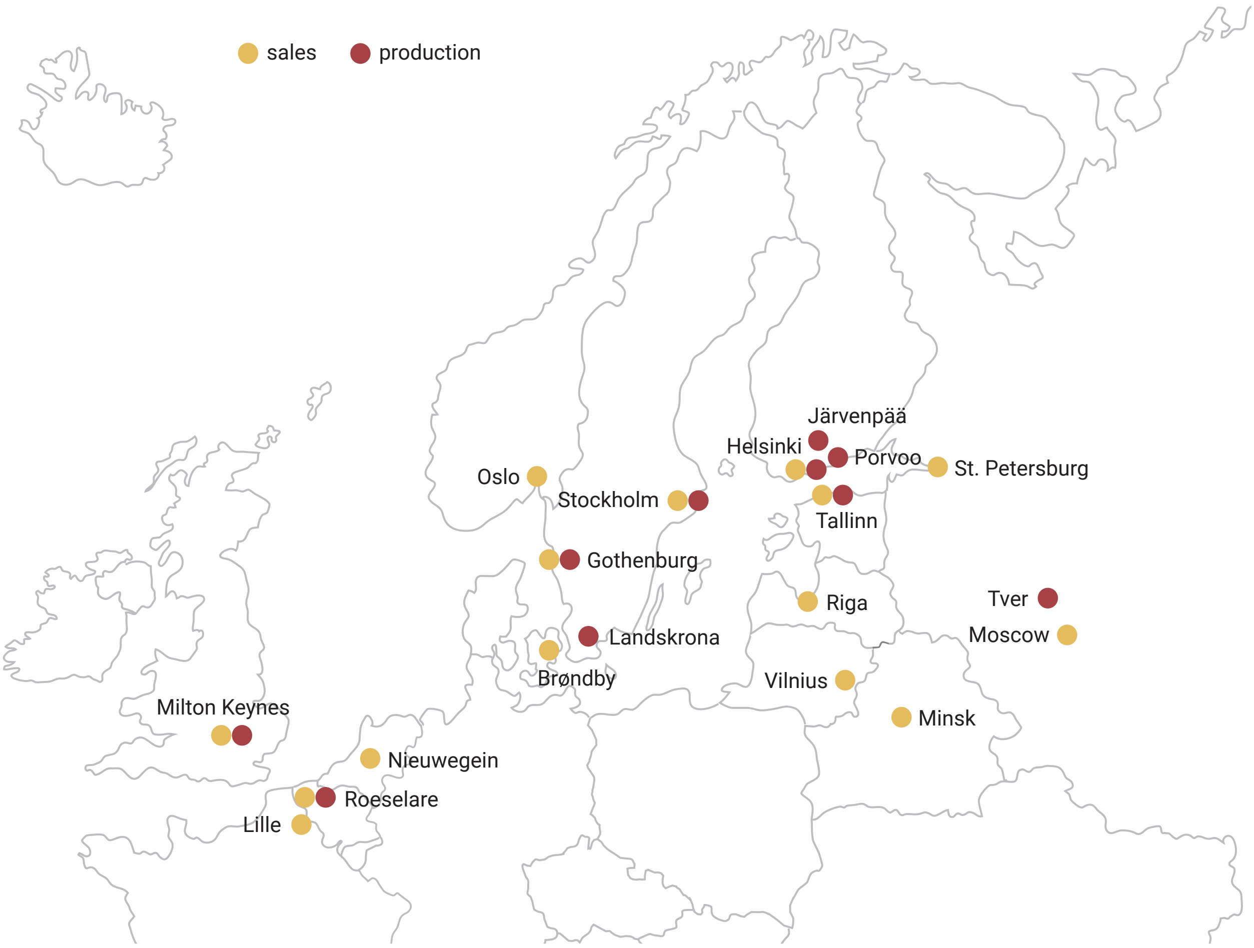
EBIT

62,3 MEUR

Personnel

2 042

Operations in 13 countries



CEO's review

I look back on an eventful and interesting year. Finland, where Paulig was founded 142 years ago, celebrated 100 years of independence. In 1917, the world looked different than it does today, but even then Paulig was characterised by a strong spirit of ambition and pioneering. The company was directed by Bertha Paulig, who can be considered as a forerunner for female business executives in Northern Europe.
Today we are a family-owned company that wishes to be an active player in the development of the food industry's future.
2017 has seen an increase in net sales by 1.3 per cent compared with the previous year. Operating income was somewhat below the objective, which mainly depends on investment in future growth within the Naturally Healthy Food division.

Paulig Group's operations were divided into four divisions during the year: Coffee, World Foods & Flavouring, Snack Food and Naturally Healthy Food. The Group has operations in 13 markets in Northern Europe, the Baltic states and Russia with neighbouring areas, as well as in Central Europe and the United Kingdom. Products are sold in over 60 countries. The Group includes well-known brands such as Paulig, Santa Maria, Risenta and Gold&Green, as well as Poco Loco.

Today, 58 per cent of Paulig Group's sales are in the Nordic countries and 42 per cent in the Group's other markets. The Group's net sales were EUR 928.9 million (916.9). Net sales for the Snack Food division rose by 3.9 per cent and by 2 per cent for the Coffee division.

The operating profit was EUR 62.3 million (76.9), which is somewhat under the objective. Despite a challenging business environment, the three largest divisions reached their result objectives. The Naturally Healthy Food division's result was burdened by significant market investments as well as extra costs for upscaling of Gold&Green Foods Oy's production activities and product development.

Changes in the Group structure

In December, the decision was made to combine the Coffee and the World Foods & Flavouring division's Russian activities into one Paulig Russia organisation. During 2017, the Coffee sales volume increased by 8 per cent in the Russian market and Paulig is one of the leading brands in the coffee sector in St. Petersburg and Moscow. With the new organisational arrangement, we strive to create conditions for also strengthening the Santa Maria brand's position in this emerging market.

In the middle of December, Paulig's Coffee division acquired 51 per cent of the shares of the Swedish start-up coffee company Mode Cold Brew. With the investment, Paulig strengthens

You will find Paulig Group's Sustainability Report 2017 on our website www.pauliggroup.com

its position in Sweden and increases its product range with a unique cold-brew coffee beverage. Mode Cold Brew contains neither sugar nor additives. The product is sold mainly in Sweden today. Paulig functions as distributor for Mode Cold Brew in Finland and the Baltic countries. Cold-brew coffee has huge growth in markets in the USA and Asia. In the last year, sales in these markets have more than doubled and cold-brew coffee today belongs to one of the fastest growing beverage sectors. Partnership of this variety gives Paulig an opportunity to grow and quickly deliver new products in a more international market.

New innovation platform for future expansion

The rate of change in society increases exponentially. The fourth industrial revolution will open new doors for technology. Digital development means a clear shift in the whole of society, with many opportunities, but also a greater demand for responsibility. We see that climate issues are perhaps the most important of all issues in this ongoing change. In August last year, we had already used up the year's natural resources and every year this limit comes at us one week sooner. This is a fact that demands that all actors in the global arena take on their responsibility. We explain our work on sustainability in our Sustainability Report, which is published at the same time as this report on the Group's website.

During the past year we launched our Vision 2030 for Paulig. It is about being an active player in the development of the food industry's future and about forming new taste experiences.

Driven by our vision, we initiated our work with founding an innovation incubator for radical innovation and future growth. I am proud that this work in spring 2018 has led to us being able to present PINC – Paulig's incubator – within which we will work together with future innovations on issues that involve taste, well-being, sustainability and experiences.

New Managing Director and CEO in June

I initiated this review by stating that the year was eventful and interesting. I want to thank all our employees in the Group, who with great commitment work to develop the company and our offerings with the consumer in focus.

The year has been specially eventful, also for me personally. In September I was appointed acting CEO when Jaana Tuominen left the company. I want to thank her for her vital contributions for the Group's development.

I now look forward to returning to my role as responsible for the Group's strategy and business development. Herewith I would like to warmly welcome to Paulig our new Managing Director and CEO, Rolf Ladau, starting from the first of June.

In conclusion, I want to thank all our partners for the very good collaboration during 2017.

Helsinki, March 2018

Tina Andersson
Acting CEO
Paulig Group




We create meaningful Coffee Moments

A world of tastes

Paulig Group consisted during the year of four divisions – Coffee, World Foods & Flavouring, Snack Food and Naturally Healthy Food.

Coffee

The business operations of the Coffee division performed well in 2017. Net sales were EUR 352.5 million (342.2). The increase in the net sales figure is mainly the result of good performance in Russia and the Baltic countries compared to 2016. The total sales volume of the division declined slightly compared to the previous year due to less sales in the retail business in Finland. A total of 590 employees worked in the Coffee division.

During the year, several successful new products were launched in Finland, the most popular ones being Café Barcelona in the City Coffee range, Mundo Reilusti Tumma, Presidentti Origin Blend Indonesia and Frezza Mint. Paulig is the leading coffee brand in Finland, Estonia and Lithuania and number three in Latvia.

In Russia, sales volume showed an increase of 8 per cent compared with the previous year. During 2017 Paulig launched the City Coffee range as a new product category in the market and the launch was well received. Today, Paulig is one of the leading coffee brands in both Moscow and St. Petersburg in the roasted coffee segment.

Paulig Professional's sales to the foodservice and office sectors stayed at the same level as the previous year. In Finland, concepts such as Premium Office and Cold Brew emerged as an important part of coffee culture and major events. In Sweden Paulig launched a new and unique coffee concept called This Cup Counts.

In 2017 Paulig launched a mobile app and a new site for passionate coffee enthusiasts. The Paulig Barista Institute's new international coffee site Baristainstitute.com is the home of all coffee trends and the meeting place of star baristas, beginners and anyone in between. In Finland Paulig's Paula launched new styles and had a very lively discussion in different social media channels and influencers. Paulig Kulma celebrated its 1st birthday and the coffee house in the heart of Helsinki has become a very popular meeting place for coffee lovers.

Paulig's Coffee division's aim is a bright future of coffee so that coffee will continue to be a source of livelihood and enjoyment for future generations. Paulig has worked systematically over the years to ensure the responsible sourcing of coffee. The division has made a commitment: By the end of 2018, all Paulig coffee will come from sustainable sources. This means that Paulig in its products uses certified coffees, such as Fair Trade, UTZ Certified, Rainforest Alliance and Organic Coffee combined with these certificates. In addition, Paulig buys coffee from the countries of origin through carefully selected partnership programmes. Our sustainability work is described more thoroughly in the Group's Sustainability Report.

Facts about the division

Head of Division: Elisa Markula
Net sales 2017: EUR 352.5 million
Number of employees 31 December 2017: 590
Master Brands: Paulig and Mode Cold Brew
Roasteries: Helsinki and Porvoo, Finland and Tver, Russia

World Foods & Flavouring

In 2017, the net sales of the World Foods & Flavouring division were EUR 310.1 million (309.4). A total of 627 employees worked in the division in 14 countries. The main market areas are the Nordic, the Baltic countries, the UK and the Benelux countries. The World Foods & Flavouring division has several product categories under the Santa Maria brand: Tex Mex, Asia, India, Spices and BBQ.

Santa Maria is a very well-known brand in most of our markets. In the beginning of 2017 a completely new category was introduced: Street Food, which was well-received in the largest market Sweden. During the year, new spices were introduced in tubes, which is a new segment in the spices category. The new items consisted of five pastes in tubes: Garlic, Ginger, Oregano, Dill and Herbes de Provence. In the beginning of 2018, the product family was expanded with the tastes of Basil and Chili. During 2017, Santa Maria's entire spices assortment was relaunched within food service.

Sales developed well in Finland, Norway and the Benelux countries. In Sweden sales increased and market shares were acquired within the Tex Mex category, but the total development of the category was somewhat lower than the previous year. In the Baltic countries sales were somewhat lower than in the previous year. The competition in the UK continues to be hard and sales have decreased compared with the previous year, despite the Latin American concept being well-received, which was developed specifically for the market. The division's export market, where sales occur via sales agents, developed well.

During the year, the division's new distribution centre was inaugurated in Kungsbacka with space for 30,000 pallets. The six-football-field-large warehouse provides the whole of Northern Europe with Santa Maria products.

In the middle of September, Henrik Samuelson took the helm as Head of Division. He previously worked as Commercial Director for the division.

In the beginning of 2018 we informed about the intention to gather the brands Santa Maria, Risenta and Gold&Green into one new division Paulig Foods. The objective is to create a strong platform, with good conditions for profitable growth and international expansion.

Facts about the division

Head of Division: Henrik Samuelson
Net sales 2017: EUR 310.1 million
Number of employees 31 December 2017: 627
Master Brand: Santa Maria
Production: Mölndal and Landskrona, Sweden and Saue, Estonia

Naturally Healthy Food

In 2017, net sales were to EUR 37.3 million (38.1). A total of 117 employees worked in the division. The division includes the brands Risenta and Gold&Green. Risenta is a market leader in naturally healthy food in Sweden. The assortment includes seeds, kernels, muesli and granola, special flour, cereals and grain, rice, beans and lentils, snack products as well as bean pasta, dried fruit and nuts. Besides in Sweden, the products are also sold in Finland and Norway.

During the year, Risenta introduced, among other things, lentil cakes, which in form resemble rice cakes, but are based on lentil flour, corn flour, potato flour, corn kernels and pea protein. The products that were launched were Sea Salt, Tomato & Paprika and Dill & Chives – all with natural spices, without additives and completely gluten free.

Risenta was named winner of Axfood's award, Garant Eco-Star 2017, which aims to increase the sales of organic food. "Risenta is innovative and with the times," the jury stated in its statement.

Interest in good and healthy food is one of the fastest growing consumer trends, and Paulig bought 51 percent of Gold&Green Foods Oy's shares in 2016. Gold&Green Pulled Oats® is a vegan protein product made of Nordic oats and legumes, thought to be used as an alternative protein in food preparation. Thanks to good taste, high protein content and minimal environmental impact, the product has become well-known in Finland in just a short time. Gold&Green Pulled Oats® Pure was chosen as Finnish Food of the Year 2017.

During the year, production capacity was scaled up in the factory in Järvenpää in Finland and new product varieties were launched into the market.

After the summer, Pulled Oats® was also introduced in Sweden. At the same time, the building of a Gold&Green Pulled Oats® factory was initiated in Mölnlycke, Sweden. The factory is expected to be finished in the summer of 2018, and will deliver products to the Swedish market, as well as, at a later stage, to other European countries.

In the beginning of 2018 we informed about the intention to gather the brands Santa Maria, Risenta and Gold&Green into one new division Paulig Foods. The objective is to create a strong platform, with good conditions for profitable growth and international expansion.

Facts about the division

Head of Division: Niklas Truedsson
Net sales 2017: EUR 37.3 million
Number of employees 31 December 2017: 117
Master Brands: Risenta and Gold&Green
Production: Rotebro (Stockholm), Sweden and Järvenpää, Finland

Snack Food

The Snack Food division performed well in 2017 and net sales totalled to EUR 257.0 million (247.4). The division produces tortillas, taco chips, taco shells, sauces, dips and dinner kits for customers' own brands of over 700 customers in more than 60 countries. The main market areas are France, Germany, the UK and the Nordic countries. In 2017, the division has continued to successfully develop its basic selection and simplify the overall offering of snack and Tex Mex products.

In early 2017, a new tortilla production line was installed to meet the growing demand for tortillas. To fully engage the potential of the organic products, the organic range was relaunched mid-2017. In September, a new ERP system was successfully implemented. This new ERP system will allow to streamline the business flows more effectively. During the year, the construction of the new high bay warehouse – started in August 2016 – progressed according to plan and the test phase was successfully completed, preparing for start-up in January 2018. The new fully automated warehouse is located opposite the Roeselare office and factory. A bridge of 100 metres physically connects the two sites. Via automatic transport lanes in this bridge, the warehouse, and the production halls, raw materials are taken from the warehouse to the production lines and finished products are taken from the production site to the warehouse. This operation will save about 25,000 lorry journeys each year and thereby reduce carbon dioxide emissions annually by 365 tonnes.

In line with the expansion of the business, the division has also continued to focus on the development of its employer image. During the year, 68 new employees were hired for existing and new roles. At the year-end 618 employees worked in the division. As a safe working environment is central to our growth, throughout the year, focus on safety remained a priority.

Facts about the division

Head of Division: Peter Denolf
Net sales 2017: EUR 257.0 million
Number of employees 31 December 2017: 618
Manufactures customers' own brands
Production: Roeselare, Belgium and Milton Keynes, UK

Corporate governance

Paulig Ltd, the parent company of Paulig Group, is a Finnish family-owned company incorporated under the Finnish law. Corporate governance is based on its Articles of Association, the Limited Liability Companies Act, applicable codes and standards, ethical principles and other instructions and policies. Paulig Group also follows applicable parts of the recommendations for listed and family-owned companies.

Annual General Meeting

Paulig Group's highest decision-making organ is the parent company's Annual General Meeting (AGM). The AGM deals with matters that are covered by legislation and by the articles of association, such as adoption of the financial statements, dividend distribution and the election of members of the Board and auditor as well as their remuneration.

Board of Directors

Composition and tasks of the Board

According to the Articles of Association of Paulig Ltd, the AGM elects a minimum of four and a maximum of eight persons as members of the Board. Under the Limited Liability Companies Act, the Board is responsible for the administration of the company and the appropriate organisation of operations. It is also the Board's responsibility to ensure that the supervision of accounting and asset management has been organised appropriately. The tasks also include determining the Group's strategy and the annual business plan and deciding on acquisitions and strategic investments. The Board oversees the Group's financial performance and financial position.

The Board also appoints the Managing Director and CEO, and approves the appointment of members of the Group management. The Board decides on the remunerations of the Group management. The Board undertakes regular reviews of its own operations and of its cooperation with the management.

Meetings

In 2017, the Board convened seven times. The Board deals with the financial statements in March, finalises the Group strategy in June and decides on the business plan and financial plans for the following year in December.

Chairman of the Board

The Chairman of the Board is appointed by the AGM. The Chairman's role is to lead the activities of the Board, convene the Board and prepare the meetings together with the CEO. The Chairman is in active dialogue with the CEO and keeps him/herself informed about events in the company and the operating environment. Together with the CEO, the Chairman ensures that the notice, agenda and any necessary material for a meeting are delivered to the members of the Board as agreed before the meeting.

Board committees

The members of the Board decide on the appointment of committees and their members. The committees prepare matters for the decision of the Board. Paulig Ltd's Board has appointed a HR and Remuneration Committee and an Audit Committee.

CEO and Management Team

Paulig Ltd's Board appoints the Managing Director, who also serves as the CEO. The Managing Director's task is to manage the company's current affairs according to the Board's instructions and to ensure that the company's accounting is managed responsibly and by law.

The Managing Director reports to the Board and keeps the Board informed about the company's business environment, financial situation and development.

The Group's Management Team consists of the Managing Director, who is also the chairman, Heads of Division and the directors of certain corporate functions. Together with the Group's Management Team, the Managing Director prepares and implements the strategy and steers the business operations. The Management Team also coordinates the Group's various functions and ensures efficient operations at the Group level.

Risk management

The principles for the Paulig Group's enterprise risk management have been determined in the risk management policy approved by Paulig Ltd's Board. Under these principles, risks are identified, evaluated and handled systematically. The objective is to attain strategic and operating targets and to secure the continuity of the business.

Auditing

The AGM appoints an auditor. The auditor's task is to audit the corporate accounts, financial statements and administration. The tasks are defined in legislation and in generally accepted auditing practices.

Paulig Group's ethical principles

The purpose of the Paulig Group's ethical principles is to promote responsible entrepreneurship and sustainable development as well as to support decision-making. Based on strong, shared values, the ethical principles guide the Group's employees in their cooperation with colleagues, customers, suppliers and other business partners.




No More Boring Meals

Review by the Board of Directors for 1 January–31 December 2017

In 2017, Paulig Group's net sales were EUR 928.9 million (916.9), an increase of 1.3 per cent on the previous year. The Group's operating profit was EUR 62.3 million (76.9), which was 6.7 per cent (8.4) of net sales. Paulig Group employed 2 042 people on average in 2017 (1 903).

Changes in the Group structure during the financial year

The following changes took place in the Group structure in 2017:

- Kaffesystem Nordic AB was sold in February 2017
- Discovery Holdings Ltd was dissolved in April 2017
- The majority (51%) of the shares of Mode Cold Brew AB was acquired in December 2017

Net sales

In 2017, Paulig Group's net sales were EUR 928.9 million (916.9), an increase of 1.3 per cent on the previous year. When only the companies that were part of the Group during both full financial years are included, net sales grew by 0.9 per cent.

Of Paulig Group's EUR 928.9 million net sales, 58 per cent came from the Nordic countries and 42 per cent from other countries. The Coffee division's net sales were 38 per cent of the external net sales, World Foods & Flavouring division's 32 per cent, Snack Food division's 26 per cent and Naturally Healthy Food division's 4 per cent.

Result for the financial year

The Coffee, World Foods & Flavouring, and Snack Food divisions achieved their performance targets. The result of the Naturally Healthy Food division was burdened by the significant market efforts for the Risenta brand and the additional costs of Gold&Green Foods Oy for launching a new plant and for developing new products. The associated company's (Fuchs Gewürze GmbH & Co) contribution to the consolidated result was EUR -3.7 million (+1.5), including EUR 5.8 million in goodwill depreciation (5.8).

The Group's operating profit, EUR 62.3 million (76.9), and its ratio to net sales, 6.7 per cent (8.4), remained slightly below targets. Operating profit without the associated company's impact was, however, consistent with the targets.

The operating profit is not directly comparable to the 2016 figure because of the acquisition of Gold&Green Foods Oy in 2016.

The consolidated result for the financial year, EUR 42.2 million (55.1), includes profit from real estate sales, with EUR 4.3 million (5.6) coming from the sale of the land areas in Vuosaari where the old roastery was located. Depreciation and impairments were EUR 44.4 million (48.6), of which goodwill depreciation was EUR 17.3 million (21.9).

Financial position

Because of the good result for the financial year and the continued measures taken to improve the management of working capital, the Group's financial position remained good for the entire financial year. Cash flow was positive during the financial year with net cash flow from operations being EUR 88.0 million (120.7). At the end of the financial year, the Group's net debt was EUR -164.5 million (-147.2). The Group's solvency was at a good level throughout the year.

Investments

Investments during the financial year came to a total of EUR 63.4 million (59.3), including the acquisition of subsidiary shares. The most important investments involved the increase in production capacity and a new warehouse in Belgium.

Risks

In its risk management Paulig Group observes the risk management policy adopted by Paulig Ltd's Board of Directors. Risks are systematically identified and assessed based on this policy.

In the management of liability risks the Group follows the insurance policy adopted by the Board of Directors. The insurance coverage against damage related to property and business, such as product liability and interruption of operations, is comprehensive in accordance with the policy.

The Group's main strategic and operative risks remained the same during the financial year as in the previous years. The principal strategic risks were changes in competition and consumer behaviour in different market areas. The principal operative risk

Net sales per division (MEUR)

	2017	2016	Change
Coffee	**350.6**	343.8	2.0%
World Foods & Flavouring	**310.1**	309.4	0.2%
Snack Food	**257.0**	247.4	3.9%
Naturally Healthy Food	**37.3**	38.1	-2.2%
Eliminations	**-26.1**	-21.7	-
Total	**928.9**	916.9	1.3%

Key indicators of Paulig Group's financial status and result

	2017	2016	2015
Net sales, MEUR	**928.9**	916.9	905.2
Other operating income, MEUR	**5.2**	6.2	5.5
Share of results in associated companies, MEUR	**-3.7**	1.5	-2.2
Operating profit, MEUR	**62.3**	76.9	63.6
Operating profit, % of net sales	**6.7**	8.4	7.0
Operating profit before depreciation, MEUR	**106.7**	125.4	114.6
Net profit for the year, MEUR	**42.2**	55.1	84.8
Shareholders' equity, MEUR	**597.6**	580.9	547.2
Return on equity, %	**7.2**	9.8	16.6
Equity ratio, %	**74.2**	71.6	73.8
Liquid assets, MEUR	**172.0**	154.3	108.6
Interest-bearing debt, MEUR	**7.5**	7.1	6.8
Investments, MEUR	**63.4**	59.3	64.7

involves raw materials, the availability and quality of which may vary significantly. In addition, speculative trading of raw materials can cause unexpected changes to their prices. In the management of risks associated with acquisition of coffee raw materials, the Group follows the policy adopted by the Board of Directors.

In the management of financial risks the Group follows the treasury policy adopted by the Board of Directors. Availability of sufficient financing for the business in the future has been guaranteed with credit facilities also in the current solvent situation. The treasury policy also covers hedging of currency and interest rate risks. The most significant of these risks is the currency risk associated with the US dollar, as a substantial share of raw materials is paid for in dollars.

Personnel

Paulig Group's average number of personnel increased by 139 persons from the previous year.

Most of the Group's average personnel figure of 2 042 were positioned in Belgium (25 per cent), Sweden (24 per cent) and Finland (20 per cent).

Innovation and product development

In 2016, a decision was made to increase the Group's investments in future growth opportunities. In February 2017, Paulig launched a project to set up an innovation incubator for the Group. The project was completed during 2017, and the innovation incubator was named PINC. The aim of PINC, which opened in spring 2018 in the A House in Stockholm, Sweden, is to develop so-called radical innovations around four basic pillars: taste, wellbeing, sustainability and experiences.

Innovation and product development work continues unchanged also in all Paulig Group divisions, with product development playing an important role in managing the product portfolio and securing growth. Good knowledge of consumer behaviour and market trends is essential for successful product development based on consumer views.

During the year, all divisions introduced several new products to the market under the Group's various brands. Product development also focused on updating existing products and improving recipes.

Besides taste, content and concept, product development focuses on packaging, which must be kept up to date and have a strong profile in order to be valued by customers.

Sustainability

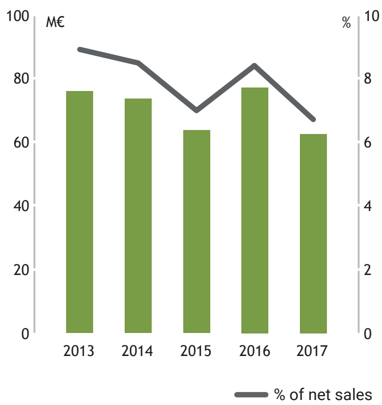
Paulig's sustainability work is based on the Group's values and ethical principles. During the year, corporate sustainability was separated from the communications organisation into its own corporate function, and the Group's Sustainability Director started in May.

There are three focus areas that steer the Group's sustainability work: Fostering social responsibility, Caring for the environ-

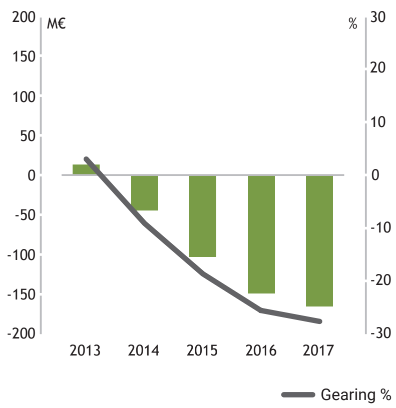
Key personnel indicators

	2017	2016	2015
Average number of personnel	**2 042**	1 903	1 890
Wages and salaries for the financial year, MEUR	**120.1**	117.4	112.8

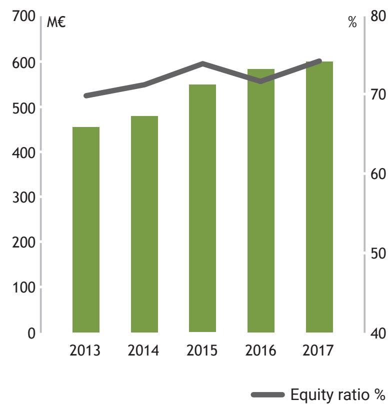
EBIT



Net debt



Shareholders' equity



ment, and Supporting consumers' health and wellbeing.

During the year, work was started to update the Group's long-term sustainability targets. The work continues in 2018.

Paulig Group will publish a corporate sustainability report in April 2018 and it will be available at >> www.pauliggroup.com/responsibility/.

Management and auditors

At the end of the financial year, Paulig Ltd's Board of Directors had seven members: Mikael Aru (chairman), Robin Hallberg (from April 2017), Christian Köhler, Eduard Paulig, Harri Pulli, Jon Sundén and Sanna Suvanto-Harsaae. Christian Hallberg was a member of the Board until April 2017.

The auditor has been Ernst & Young Oy, with Authorised Public Accountant Bengt Nyholm as principal auditor.

The Group's CEO was Jaana Tuominen until the end of September 2017, with Tina Andersson as acting CEO after that.

Joachim Borgström was an observer member of the Board.

Shares

The company's stock is divided as follows:

	2017	2016
A shares	**487 765 shares**	487 765 shares
B shares	**15 000 shares**	15 000 shares

The Articles of Association contain restrictions specific to share series that concern entitlement to dividend and company assets, as well as a series-specific redemption clause.

Proposal by the Board of Directors for distribution of profit

The consolidated profit for 2017 was EUR 42 244 422.08. The parent company's distributable shareholders' equity was EUR 190 692 336.23 according to the financial statements on 31 December 2017. The Board of Directors proposes that a dividend of EUR 32.00 per share be paid, amounting to EUR 16 088 480.00 in total. The parent company's distributable shareholders' equity will then be EUR 174 603 856.23.

There have been no fundamental changes in the company's financial position since the end of the financial year. Liquidity is at a good level, and the proposed disposal of profits will not, in the Board's view, endanger the company's solvency.

Outlook for the current financial year

Net sales are expected to increase somewhat in 2018 while net result is expected to remain lower than in 2017.

Events following the end of the financial year

There have been no significant events following the end of the financial year.





Sharing
more
pleasure

Consolidated income statement

EUR 1 000	Note	1 January 2017 — 31 December 2017	1 January 2016 — 31 December 2016
Net sales	1	**928 939**	916 865
Increase (+), decrease (-) in inventories of finished goods		**2 816**	8 140
Other operating income	2	**5 241**	6 230
Materials and services			
Materials and supplies			
Purchases during the financial year		**-481 075**	-499 819
Increase (+), decrease (-) in inventories		**-7 561**	8 450
External services		**-13 912**	-14 008
Personnel expenses	3	**-120 146**	-117 413
Depreciation and value adjustments	4	**-44 409**	-48 553
Other operating expenses	5	**-203 901**	-184 498
Share of results in associated companies		**-3 710**	1 486
Operating profit		**62 282**	76 882
Financial income and expenses	6		
Dividend income on long-term financial assets		**137**	166
Interest income and other financial income		**4 980**	3 932
Interest expenses and other financial expenses		**-4 718**	-3 714
		400	383
Profit before taxes and minority interest		**62 682**	77 266
Income taxes	7	**-20 447**	-22 240
Minority interest		**10**	28
Net profit for the financial year		**42 244**	55 054

Consolidated balance sheet

EUR 1 000	Note	**31 December 2017**	31 December 2016
Assets			
Fixed assets	8		
Intangible assets			
Intangible rights		**1 851**	2 198
Goodwill		**71 085**	89 821
Other long-term expenses		**19 660**	16 330
		92 596	108 349
Tangible assets			
Land and water		**21 288**	22 803
Buildings and constructions		**43 213**	45 806
Machinery and equipment		**88 948**	89 042
Advance payments and construction in progress		**47 462**	16 219
		200 912	173 871
Long-term financial assets	9		
Shares in associated companies		**75 461**	102 686
Other shares		**1 653**	1 670
Other receivables		**3 653**	4 244
		80 767	108 600
Total fixed assets		**374 275**	390 820
Current assets			
Inventories			
Materials and supplies		**48 969**	56 847
Finished goods		**53 554**	54 100
		102 523	110 947
Long-term receivables			
Deferred tax receivables	16	**1 762**	3 392
		1 762	3 392
Short-term receivables			
Accounts receivable		**136 614**	126 572
Receivables from associated companies		**154**	195
Other receivables		**7 518**	6 508
Accruals and deferred income	10	**11 353**	18 085
		155 638	151 360
Cash and bank		**171 987**	154 300
Total current assets		**431 910**	419 999
Total		**806 186**	810 819

Consolidated balance sheet

EUR 1 000	Note	31 December 2017	31 December 2016
Shareholders' equity and liabilities			
Shareholders' equity	11		
Share capital		**8 204**	8 204
Premium fund		**3 744**	3 743
Revaluation fund		**161**	394
Reserve fund		**424**	328
Reserve for invested non-restricted equity		**4 324**	4 316
Fair value fund		**1 255**	3 667
Retained earnings		**537 200**	505 216
Net profit for the financial year		**42 244**	55 054
Total shareholders' equity		**597 555**	580 922
Minority interest	12	**391**	14
Mandatory reserves	13	**16**	2 023
Liabilities	14		
Long-term liabilities			
Interest bearing liabilities		**7 497**	7 138
Other non-interest bearing liabilities		**14**	602
Deferred tax liabilities	16	**9 646**	11 798
		17 157	19 537
Short-term liabilities			
Advances received		**91**	21
Accounts payable		**134 279**	142 559
Other liabilities		**12 821**	11 827
Accruals and deferred expenses		**43 876**	53 917
		191 067	208 324
Total liabilities		**208 224**	227 861
Total		**806 186**	810 819

Consolidated cash flow statement

EUR 1 000	Note	**2017**	2016
Cash flow from operating activities			
Profit after financial income and expenses		**62 682**	77 266
Adjustments, total	17	**37 281**	45 223
Operating profit before change in net working capital		**99 963**	122 489
Change in net working capital	17	**-11 482**	17 052
Cash generated from operations		**88 481**	139 541
Dividends received		**23 515**	0
Interest received		**4 974**	3 798
Interest paid		**-5 033**	-3 714
Income taxes paid		**-23 894**	-18 951
Net cash flow from operating activities		**88 042**	120 674
Cash flow from investing activities			
Capital expenditures		**-62 632**	-51 366
Proceeds from sale of fixed assets		**7 843**	6 333
Acquisition of subsidiary shares		**-780**	-7 918
Disposal of subsidiary shares		**10**	0
Dividends received		**137**	166
Net cash flow from investing activities		**-55 421**	-52 786
Cash flow from financing activities			
Increase (+), decrease (-) in long-term liabilities		**582**	279
Increase (-), decrease (+) in long-term receivables		**582**	-45
Dividends paid		**-16 099**	-22 373
Net cash flow from financing activities		**-14 935**	-22 139
Change in liquid funds		**17 686**	45 749
Liquid funds on 1 January		**154 300**	108 551
Liquid funds on 31 December		**171 987**	154 300

The figures above cannot be directly traced from the balance sheet without additional information.

Accounting principles

Consolidation principles

The consolidated financial statements include all subsidiaries in which the parent company owns over 50% of the voting rights, either directly or indirectly. Companies acquired during the financial year are consolidated from the time of acquisition and the companies divested during the financial year are consolidated as at the date of disposal.

All of the Group's internal business transactions, distribution of profits, receivables and debts, together with unrealized margins on internal transactions, have been eliminated. Internal shareholdings have been eliminated using the purchase method. In the elimination, reserves at the acquisition time less deferred tax liability are also regarded as shareholders' equity.

Of the difference between the cost of the acquisition and the equity of a subsidiary at the date of acquisition, that amount which can be considered to exceed the fair value of fixed assets has been entered under fixed assets. The remainder of the difference has been treated as the group goodwill, which will be written off during its economic lifetime up to a maximum of 10 years. For the acquisition of subsidiaries that operate in the field of the Group's core business areas and that are strategically significant, the depreciation time of 10 years is applied. How well the business is established and its development potential, affect the assessment of the depreciation time. The residual values of the group goodwill are assessed by impairment tests, which are carried out annually.

Minority interest is separated from the results and the shareholders' equity, and is presented as a distinct item in the income statement and the balance sheet respectively.

Associated companies

The Group's share of the associated companies' results is calculated in proportion to the Group's interest in the company, taking into account depreciation of goodwill arising from the acquisition. Dividends received from the associated companies are eliminated. Unrealized margins from business transactions between associated and Group companies are eliminated in proportion to share ownership.

The Group's share of the net assets accumulated after the acquisition less the accrued goodwill depreciation is included in the acquisition cost of the associated company and in the Group's retained earnings in the balance sheet.

Goodwill arising in connection with the acquisition of the associated companies' shares will be written off during its economic lifetime up to a maximum of 20 years. For the acquisition of associated companies that support the Group's core business areas and that are strategically significant, the depreciation time of 20 years is applied. How well the business is established and its development potential, affect the assessment of the depreciation time. The residual values of the group goodwill are assessed by impairment tests, which are carried out annually.

The Group's share of the results in the associated companies related to the core business are posted in the operating profit.

Foreign currency items

Foreign exchange gains and losses related to operative business are recognised as adjustments to sales, purchases and investments. Foreign exchange gains and losses associated with financing are recognised as financial income and expenses.

Receivables and liabilities in foreign currency are valued at the rate at the closing date.

The income statements of the foreign subsidiaries are translated into the euro at the average rates for the financial year and the balance sheets at the rates determined by the European Central Bank (ECB) at the closing date. In the consolidation, the translation differences caused by changes in exchange rates have been included in the retained earnings.

Net sales

Net sales are calculated as gross sales less indirect taxes, discounts and exchange rate differences.

Pension expenditures

The pension cover of the personnel of the Finnish subsidiaries is based on pension insurance. The pension cover of the foreign subsidiaries is administered according to local practice.

Income taxes

Taxes calculated based on the Group companies' results for the financial year and tax adjustments for the previous financial years have been entered as direct taxes in the consolidated income statement.

Deferred tax liabilities and tax receivables are calculated for all accrual differences between the taxation and the bookkeeping using the tax base for the following years confirmed at the closing date.

The balance sheet includes deferred tax liabilities in full and deferred tax receivables in the amount of the estimated tax benefits. Deferred tax liability has been separated from the revaluations included in the real estate book values.

Fixed assets and depreciation

Fixed assets are reported in the balance sheet at their original acquisition cost less planned accumulated depreciation. Planned depreciation is based on the following estimated lifetimes:

Intangible rights	3 – 10 yrs
Goodwill	5 – 10 yrs
Group goodwill	5 – 10 yrs
Other long-term expenses	5 – 10 yrs
Buildings and constructions	25 yrs
Machinery and equipment	3 – 10 yrs

No depreciation is made on land.

Securities included in fixed assets and other long term investments are valued at their acquisition cost or, if their current value has been permanently depreciated, at the depreciated value.

The revaluations of land area were entered in the financial statements on 30 April 1985, and based on a statement of a land area agency. Equivalent entries for the land area revaluations are included in the share capital and the revaluation fund. No depreciation is made on revaluations.

Financial assets

Securities included in financial assets are valued at the acquisition cost or, if their market value is lower than that, at the lower value.

Inventories

Inventories are valued at their acquisition cost, which includes direct production costs as well as a proportion of indirect acquisition costs and production overheads. The upper value for the inventory valuation is the probable sales price.

Derivative financial instruments

According to the Paulig Group's risk management principles, derivative financial instruments are used for the purpose to hedge against fluctuations in the values of commodities, foreign currencies and interest rates.

The Group applies hedge accounting to a part of the derivatives and handles them as cash flow hedging. The Group applies hedge accounting according to the Finnish Accounting Act 5:2a §.The derivatives within the hedge accounting and outside hedge accounting are reported in the notes. Also the nominal value and the fair value are reported in the notes.

The realized gains and losses and changes in the fair value of the derivatives within hedge accounting are recognized in the income statement concurrently with the underlying item. Otherwise the realized gains and losses and changes in the fair value are recognized in the fair value fund.

The realized gains and losses and changes in the fair value of the derivatives outside hedge accounting are recognized in the income statement.

In the balance sheet the derivatives are recognized in short-term receivables and liabilities.

Provisions

Provisions comprise items which the Group has committed to cover either through agreements or otherwise, but which have not yet materialized. In the income statement, the change in provisions is included in the appropriate expense item.

Appropriations

The appropriations consist of depreciation difference. The change in deferred tax liability caused by the change in appropriations is reported in taxes in the consolidated financial statements. Accumulated appropriations are divided into deferred tax liability and retained earnings in the consolidated balance sheet.

Notes to the financial statements

EUR 1 000	2017	2016

1. Net sales

Net sales by market area		
Nordic countries	**537 067**	540 836
Continental Europe	**212 237**	199 476
United Kingdom and Ireland	**60 147**	68 310
Baltic countries	**59 098**	57 389
Russia	**55 320**	46 586
Other countries	**5 072**	4 269
Total	**928 939**	916 865

2. Other operating income

Profit on sales of fixed assets	**4 852**	5 599
Other income	**388**	631
Total	**5 241**	6 230

3. Notes concerning the personnel and the members of administrative bodies

Personnel expenses		
Salaries and remuneration for Managing Directors and the members of the Board of Directors	**931**	905
Other wages and salaries	**88 219**	87 041
Pension expenses	**9 537**	8 451
Other personnel expenses	**21 460**	21 016
Total	**120 146**	117 413

Salaries and remuneration for Managing Directors	**582**	557
Salaries and remuneration for the members of the Board of Directors	**349**	349

The figures for 2016 have been regrouped to match with the specification in 2017.

Average number of personnel		
Nordic countries	**969**	920
Central Europe	**525**	454
United Kingdom and Ireland	**133**	131
Baltic countries	**251**	243
Russia	**164**	155
Total	**2 042**	1 903

Number of personnel in associated companies	**3 104**	2 911

EUR 1 000	2017	2016

4. Depreciation and value adjustments

Depreciation on tangible assets	**23 069**	23 942
Depreciation on intangible assets	**21 339**	24 611
Total	**44 409**	48 553

5. Fees for auditing companies

Ernst & Young		
Statutory auditing fees	**439**	416
Statements and other certificates	**23**	12
Tax consulting	**18**	21
Other fees	**19**	113
Others		
Statutory auditing fees	**0**	1
Tax consulting	**24**	32
Other fees	**111**	444
Total	**633**	1 038

6. Financial income and expenses

Dividend income	**137**	166
Interest income and other financial income	**4 980**	3 932
Interest income and other financial income include currency rate gains	**0**	47
Interest expenses and other financial expenses	**4 718**	3 714
Interest expenses and other financial expenses include currency losses	**-469**	0

7. Income taxes

Income tax on ordinary business	**-20 975**	-20 992
Change in deferred tax receivables and payables	**528**	-1 248
Total	**-20 447**	-22 240

8. Fixed assets

Intangible rights		
Acquisition cost on 1 January	**36 264**	35 946
Translation difference	**-552**	-643
Increase	**406**	977
Decrease	**0**	-16
Transfers between items	**9**	0
Acquisition cost on 31 December	**36 127**	36 264

EUR 1 000	2017	2016
Accumulated depreciation on 1 January	-34 066	-33 573
Translation difference	551	642
Depreciation of the financial year	-754	-1 151
Accumulated depreciation and value adjustments related to decreases and transfers	0	16
Transfers between items	-7	0
Accumulated depreciation on 31 December	-34 277	-34 066
Book value on 31 December	1 851	2 198

Goodwill

Acquisition cost on 1 January	291 615	296 153
Correction to opening balance	0	78
Translation difference	-6 838	-12 218
Increase	373	7 602
Acquisition cost on 31 December	285 150	291 615
Accumulated depreciation on 1 January	-201 794	-188 418
Correction to opening balance	0	-78
Translation difference	5 075	8 558
Depreciation of the financial year	-17 345	-21 857
Accumulated depreciation on 31 December	-214 065	-201 794
Book value on 31 December	71 085	89 821

The goodwill in Robert Paulig Roastery Ltd is depreciated in 10 years because the acquisition is related to the Coffee division's strategy and the estimated lifetime is over 10 years.

Other long-term expenses

Acquisition cost on 1 January	20 640	16 303
Translation difference	-413	-419
Increase	2 012	4 850
Decrease	0	-31
Transfers between items	5 520	-63
Acquisition cost on 31 December	27 758	20 640
Accumulated depreciation on 1 January	-4 309	-2 730
Translation difference	88	-8
Depreciation of the financial year	-3 240	-1 602
Accumulated depreciation and value adjustments related to decreases and transfers	0	32
Transfers between items	-637	0
Accumulated depreciation on 31 December	-8 098	-4 309
Book value on 31 December	19 660	16 330

Land and water

Acquisition cost on 1 January	22 803	12 576
Translation difference	-50	79
Increase	60	11 082
Decrease	-1 525	-934
Book value on 31 December	21 288	22 803

EUR 1 000	2017	2016
Buildings and constructions		
Acquisition cost on 1 January	79 396	75 494
Translation difference	-1 059	1 309
Increase	2 371	2 882
Decrease	-6 417	-341
Transfers between items	120	52
Acquisition cost on 31 December	74 410	79 396
Accumulated depreciation on 1 January	-33 590	-31 312
Translation difference	239	-181
Depreciation of the financial year	-2 556	-2 432
Accumulated depreciation and value adjustments related to decreases and transfers	4 710	334
Accumulated depreciation on 31 December	-31 197	-33 590
Book value on 31 December	43 213	45 806

Machinery and equipment

Acquisition cost on 1 January	312 071	300 440
Translation difference	-3 479	-4 870
Increase	13 285	14 060
Due to acquired companies	7	145
Decrease	-16 026	-4 797
Transfers between items	8 012	7 093
Acquisition cost on 31 December	313 871	312 071
Accumulated depreciation on 1 January	-223 028	-209 071
Translation difference	2 209	3 405
Depreciation of the financial year	-20 513	-21 511
Due to acquired companies	0	-12
Accumulated depreciation and value adjustments related to decreases and transfers	15 765	4 160
Transfers between items	644	0
Accumulated depreciation on 31 December	-224 923	-223 028
Book value on 31 December	88 948	89 042
The book value of production machinery and equipment on 31 December	71 348	74 048

Advance payments and construction in progress

Acquisition cost on 1 January	16 219	5 677
Translation difference	-129	-158
Increase	45 033	17 731
Due to acquired companies	0	50
Transfers between items	-13 660	-7 082
Book value on 31 December	47 462	16 219

Revaluations

Above mentioned book values include revaluations as follows:

Land and water

Value on 1 January	3 770	4 555
Decrease	-606	-785
Value on 31 December	3 164	3 770

9. Financial assets

EUR 1 000	2017	2016
Shares in associated companies		
Acquisition cost on 1 January	**102 686**	101 200
Share of results in associated companies *)	**-27 225**	1 486
Book value on 31 December	**75 461**	102 686
Book value includes goodwill	**20 602**	26 403

*) adjusted by received dividends

Other shares		
Acquisition cost on 1 January	**1 670**	1 682
Translation difference	**-9**	-12
Decrease	**-7**	0
Book value on 31 December	**1 653**	1 670

Other receivables		
Pension insurances	**2 930**	2 930
Other receivables	**723**	1 314
Total	**3 653**	4 244

Pension insurances relate to Mandatum Life pension insurances		
Acquisition cost	**2 930**	2 930
Market value	**3 726**	3 549

10. Receivables

Main items included in accruals and deferred income		
Income tax receivables	**3 693**	2 904
Accrued personnel expenses	**198**	69
Green coffee and currency hedgings	**2 140**	9 871
Other	**5 322**	5 241
Total	**11 353**	18 085

11. Shareholders' equity

EUR 1 000	2017	2016
Share capital on 1 January	**8 204**	8 204
Share capital on 31 December	**8 204**	8 204
Premium fund on 1 January	**3 743**	3 743
Premium fund on 31 December	**3 744**	3 743
Reserve fund on 1 January	**328**	201
Translation difference	**96**	128
Reserve fund on 31 December	**424**	328
Revaluation fund on 1 January	**394**	394
Change for the financial year	**-232**	0
Revaluation fund on 31 December	**161**	394
Reserve for invested non-restricted equity on 1 January	**4 316**	4 276
Transfers between items	**8**	40
Reserve for invested non-restricted equity on 31 December	**4 324**	4 316
Fair value fund on 1 January	**3 667**	0
Change for the financial year	**-2 413**	3 667
Fair value fund on 31 December	**1 255**	3 667
Retained earnings on 1 January	**560 270**	530 360
Correction to net profit from previous periods	**0**	-1
Profit distribution	**-16 099**	-22 373
Translation difference	**-6 963**	-2 731
Transfers between items	**-8**	-40
Retained earnings on 31 December	**537 200**	505 216
Net profit for the financial year	**42 244**	55 054
Retained earnings from previous periods	**579 444**	560 270
Total shareholders' equity	**597 555**	580 922

12. Minority interest

Minority interest on 1 January	**15**	15
Translation difference	**1**	-1
Increase	**385**	28
Change for the financial year	**-10**	-28
Minority interest on 31 December	**391**	14

13. Provisions

Other mandatory provisions	**16**	2 023

14. Liabilities

Long-term liabilities		
Pension loan	**7 497**	7 138
Other liabilities	**14**	602
Total	**7 511**	7 739

Short-term liabilities		
Advances received	**91**	21
Accounts payable	**134 279**	142 559
Other liabilities	**12 821**	11 827
Accruals and deferred expenses	**43 876**	53 917
Total	**191 067**	208 324

Main items included in accruals and deferred expenses		
Accrued personnel expenses	**18 339**	23 224
Annual discounts to customers	**13 317**	13 824
Income tax liability	**1 261**	3 363
Green coffee and currency hedgings	**2 014**	3 635
Other	**8 945**	9 872
Total	**43 876**	53 917

EUR 1 000	2017	2016

15. Contingent liabilities

Other guarantees for own commitments	**1 936**	15

Other liabilities		
Pension loan liabilities	**152**	144
Coffee machine liabilities	**400**	437
Other	**0**	29
Total	**551**	611

Leasing liabilities		
Leasing liabilities, which mature within one year	**15 976**	16 699
Leasing liabilities, which mature after one year	**92 784**	114 830
Total	**108 760**	131 529

The rent liabilities for the coffee roastery in Helsinki:
The rent agreement was signed during year 2009 and has been made for 25 years with the option to continue the rent period by 15 years. The yearly rent is about 4,3 million euros.

Derivatives
The consolidated cash flow comes mainly from euro, Swedish krona, US dollar, Pound sterling, Russian ruble and Norwegian krona. The Group is exposed to transaction risk which comes from the cash flows of the income and the expenses in different currencies. The Group companies are responsible for the following and hedging of the transaction risk related to their own business according to the Group's treasury policy. The most significant part of the transaction risk comes from the purchases of the raw material in USD.The Group is hedging the significant transaction risks by using currency swaps and options.

The Group is exposed also to the changes of the raw material prices. Hedging of the changes in the coffee market price is done by using coffee futures and options.

Fair value		
Commodity derivatives		
Within hedge accounting	**47**	3 469
Not in hedge accounting	**36**	0
Currency derivatives		
Within hedge accounting	**0**	1 336
Not in hedge accounting	**-474**	569

Nominal value		
Commodity derivatives		
Within hedge accounting	**23 463**	31 785
Not in hedge accounting	**1 954**	0
Currency derivatives		
Within hedge accounting	**0**	114 365
Not in hedge accounting	**165 569**	52 054

EUR 1 000	2017	2016

The fair value of the derivatives equals the net present value of the derivative contracts at the closing date. The fair value of the commodity derivatives is based on the quoted prices in functioning market. The fair value of the currency derivatives is based on the valuation models that are using input data that is directly observable. The nominal value is specified as the nominal gross principal of the underlying liabilities and assets.

16. Deferred tax receivables and liabilities

Deferred tax receivables		
From tax losses carry forward	**0**	275
From internal margins	**122**	52
From differences between taxable income and reported income	**1 639**	3 066
Total	**1 762**	3 392

Deferred tax liabilities		
From appropriations	**4 275**	5 236
From differences between taxable expenses and reported expenses	**4 747**	5 818
From revaluations	**624**	743
Total	**9 646**	11 798

17. Cash flow statement

The items in the consolidated income statement on accrual basis are adjusted to cash based items and the items presented elsewhere in the cash flow statement are cancelled by the following transactions:

Depreciation	**44 409**	48 553
Elimination of foreign exchange gains and losses	**-263**	771
Share of associated companies' results	**3 710**	-1 486
Sales gains and losses on fixed assets	**-4 529**	-5 599
Value adjustments of fixed assets	**245**	524
Dividend income	**-137**	-166
Interest income	**-4 933**	-3 798
Other financial items	**4 671**	3 523
Other income and expenses	**-5 890**	2 901
Total	**37 281**	45 223

Change in net working capital		
Increase (-), decrease (+) in short-term receivables	**-6 216**	-3 446
Increase (-), decrease (+) in inventories	**6 293**	-22 006
Increase (+), decrease (-) in non interest bearing short-term liabilities	**-11 560**	42 504
Total	**-11 482**	17 052

18. Shares and securities

Subsidiary shares

Subsidiary	Group ownership %	Book value EUR 1 000 Parent ownership	Subsidiary ownership
In Finland			
Euroleasing Ltd	100.0	878	
Gold&Green Foods Oy	51.3		7 384
Gustav Paulig Ltd	100.0		7 144
Robert Paulig Roastery Ltd	100.0		1 950
Santa Maria Finland Ltd	100.0		63
Total		878	16 541
Abroad			
AS Paulig Baltic, Estonia	100.0		1 470
AS Santa Maria, Estonia	100.0		24
Bruce Foods Europe B.V., Holland	100.0		2 997
Färska Örter på Neongatan AB, Sweden	99.7		1 005
Mode Cold Brew AB, Sweden	51.0		770
Nordfalks AB, Sweden	100.0		10
NV Snack Food Poco Loco, Belgium	100.0		129 683
OOO Paulig RUS, Russia	100.0		20 432
Paulig Coffee A/S, Denmark	100.0	8 002	
Paulig Coffee Estonia AS, Estonia	100.0		2 187
Paulig Coffee Latvia SIA, Latvia	100.0		0
Paulig Coffee Lietuva UAB, Lithuania	100.0		568
Paulig Coffee Norway AS, Norway	100.0		1 375
Paulig Coffee Sweden AB, Sweden	100.0		5 246
Poco Loco France SARL, France	100.0		11
Risenta AB, Sweden	100.0		37 209
Risenta Norway AS, Norway	100.0		5
Saffron Holding A/S, Denmark	100.0	303 825	
Santa Maria A/S, Denmark	100.0		1 350
Santa Maria AB, Sweden	100.0		202 955
Santa Maria B.V., Holland	100.0		0
Santa Maria Norge AS, Norway	100.0		62
Santa Maria NV, Belgium	100.0		205
Santa Maria UK Ltd, United Kingdom	100.0		21 272
Sauerklee A/S, Denmark	100.0		2 017
Snack Food Poco Loco UK Ltd, United Kingdom	100.0		17
Taljegården Fastighets AB, Sweden	100.0		374
Total		311 827	431 244
Shares in associated companies			150 305
Other shares and securities		1 441	212
Total shares and securities		314 146	598 302

The Board’s proposal to the Shareholders’ Meeting

The distributable equity of the parent company according to the financial statements of 31 December 2017, is EUR 190 692 336.23 including retained earnings for the previous years EUR 171 768 872.13, reserve for invested non restricted equity EUR 4 050 000.00 and result for the financial year EUR 14 873 464.10.

The Board proposes that a dividend of EUR 32.00 per share on 502 765 shares be paid, totalling EUR 16 088 480.00. The parent company’s distributable shareholders’ equity will then be EUR 174 603 856.23.

Signature of the financial statements and the review of the Board of Directors

Helsinki, 22 March 2018

Mikael Aru
Chairman of the Board

Robin Hallberg

Christian Köhler

Eduard Paulig

Harri Pulli

Jon Sundén

Sanna Suvanto-Harsaae

Tina Andersson
Managing Director

Auditor’s report To the Annual General Meeting of Paulig Ltd (Translation of the Swedish original)

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Paulig Ltd (business identity code 0112563-0) for the year ended 31 December, 2017. The financial statements comprise the balance sheets, the income statements, cash flow statements and notes for the group as well as for the parent company.

In our opinion, the financial statements give a true and fair view of the group’s and the company’s financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor’s Responsibilities for the Audit of Financial Statements section of our report. We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland an comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company’s and the group’s ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor’s Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company’s or the group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors’ and the Managing Director’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company’s or the group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other reporting requirements

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor’s report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor’s report, and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 22 March 2018

Ernst & Young Oy
Authorized Public Accountant Firm
Bengt Nyholm
Authorized Public Accountant

Contents

Board of Directors

Mikael Aru
b. 1953
BBA
Member of the Board
since 2013
Chairman of the Board
since 2014

Joachim Borgström
b. 1971
Observer of the Board
since 2016

Robin Hallberg
b. 1974
BBA
Member of the Board
since 2017

Berndt Heikel
b. 1952
LL.M.
Secretary of the Board
since 1983

Christian Köhler
b. 1958
M.Sc. (Eng.),
M.Sc. (Mktg)
Member of the Board
since 2009

Eduard Paulig
b. 1962
M.Pol.Sc.
Member of the Board
since 2016

Harri Pulli
b. 1960
M.Sc. (Econ.)
Member of the Board
since 2015

Jon Sundén
b. 1971
M.Sc. (Agr. & For.)
Member of the Board
since 2014

Sanna Suvanto-Harsaae
b. 1966
M.Sc. (Econ.)
Member of the Board
since 2008

Management team

Tina Andersson
b. 1969
Acting CEO and MD
from 1 September 2017
SVP, Strategy & Growth
Working for Paulig Group
since 2016

Mats Danielsson
b. 1969
SVP and CFO
Working for Paulig Group
since 2010

Peter Denolf
b. 1970
SVP and MD
Snack Food
Working for Paulig Group
since 2011

Niklas Lindholm
b. 1968
Vice President
Human Resources
Working for Paulig Group
since 2008

Elisa Markula
b. 1966
SVP and MD
Coffee
Working for Paulig Group
since 2009

Henrik Samuelson
b. 1971
SVP and MD
World Foods & Flavouring
Working for Paulig Group
since 2014

Niklas Truedsson
b. 1972
SVP and MD
Naturally Healthy Food
Working for Paulig Group
since 2015

Sarah Tähkälä
b. 1969
Vice President, Legal
Working for Paulig Group
since 2010

Contents

Definitions

Operating profit %	$\frac{\text{Operating profit}}{\text{Net Sales}}$	x 100
Return on equity %	$\frac{\text{Result before taxes and minority interest}}{\text{Shareholders' equity + minority interest (average)}}$	x 100
Equity ratio %	$\frac{\text{Shareholders' equity + minority interest}}{\text{Net assets – advances received}}$	x 100
Net debt	Interest-bearing liabilities – cash and bank	
Gearing %	$\frac{\text{Interest-bearing liabilities + advances received – cash and bank}}{\text{Shareholders' equity + minority interest}}$	x 100

Contact information

Paulig Ltd
Communications
Telephone +358 9 319 81
communications@paulig.com
www.pauliggroup.com

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We make natural food more colourful

The Nordic challenger loved and valued for reshaping the world of pure taste experiences.

Our vision 2030

PAULIG GROUP

Exploring Great Taste