Annual Report 2014

PAULIG GROUP

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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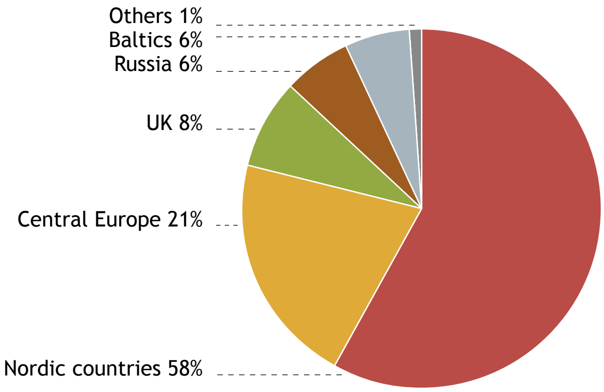
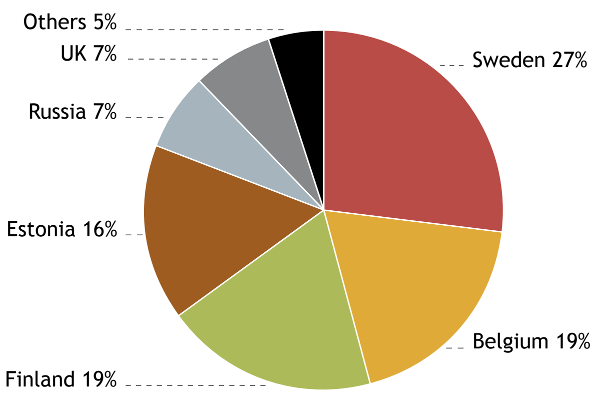
Paulig Group in brief

Family-owned company, founded by Gustav Paulig in

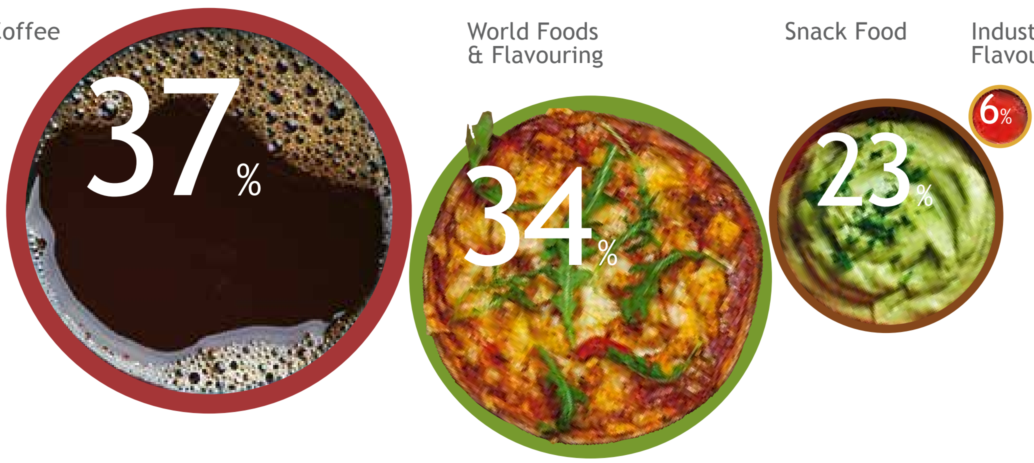
Net sales per market



Personnel by country



Net sales per division



Net sales

867 MEUR

Mission

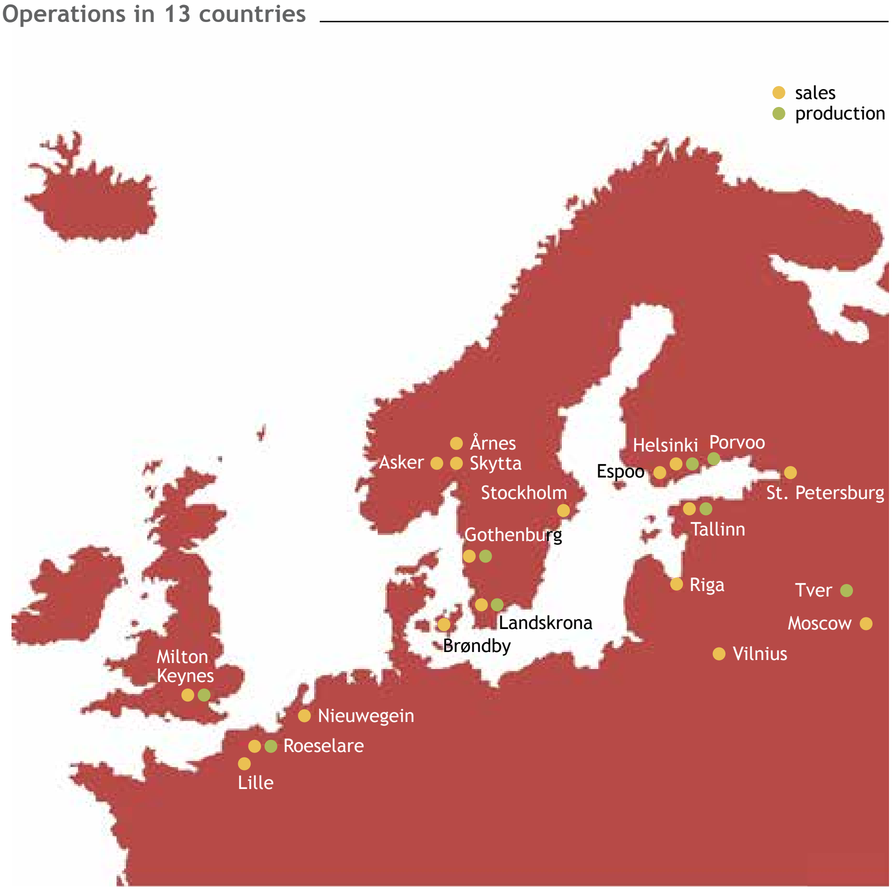
Exploring Great Taste

Strong brands

Paulig

Santa Maria

Operations in 13 countries



Personnel

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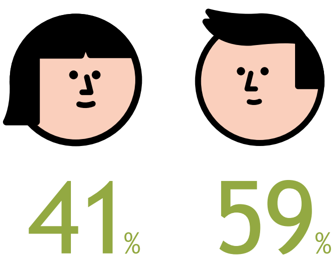


CEO's review

Paulig Group's performance was solid in 2014 in spite of significant challenges in the business environment. All four divisions of the Group achieved or exceeded the targets set for the year. Our personnel worked intensively to develop products and concepts on the basis of consumer trends and needs.

Paulig Group's business is divided into four divisions: Coffee, World Foods & Flavouring, Snack Food and Industrial Flavouring. The Group has operations in 13 markets in the following regions: the Nordic and Baltic countries, Russia and its neighbouring areas, Central Europe and the United Kingdom. Its products are sold in over 40 markets.

The Group's well-known brands are Paulig and Santa Maria. The service business includes Paulig Professional, Poco Loco as well as Lihel and Nordfalks.

Solid development in a challenging environment

Despite major challenges in the business environment caused by economic instability in the market and the Ukraine crisis, which is creating insecurity in many of the Group's markets, Paulig Group posted a result in 2014 that is nearly at the same level as the record achieved in 2013. Each division either achieved or exceeded its set operating targets.

The high volatility of raw material prices also had an impact on our business operations. The price of green coffee in particular soared in the first months of the year only to remain unstable for the rest of the year.

The Group's net sales increased somewhat compared to the previous year, and the Group's financial position is good. The good result and the continuing work to improve the efficiency of working capital resulted in a strong cash flow.

Active internationalisation of the business

Currently, 58 per cent of Paulig Group's sales are in the Nordic countries and 42 per cent are in other markets. Our goal is to reverse this so that by 2020, 60 per cent of sales will come from outside the Nordic countries, but without compromising our strong Nordic position in coffee, spices and international food concepts.

In 2014, sales in Russia increased particularly in speciality coffees and industrial flavourings. In the Baltic countries, the sales of coffee, spices and international food concepts grew. The organisation worked intensively to open up new growth opportunities, which in World Foods & Flavouring resulted in new customer agreements and a good result in the Nordic countries and the Baltics.

In the United Kingdom, the brand switch from Discovery to Santa Maria was completed, and long-term efforts continue to establish the Santa Maria brand in the British market.

The Snack Food division made several agreements with major European customers, which increased sales in all the main product groups: tortillas, tacos, salsas and wraps.

Small and special produced

Small lots of speciality coffees from minor coffee roasteries have become a strong trend among coffee lovers in recent years. Paulig extended its selection to this segment when in May 2014 Gustav Paulig Ltd acquired the Robert Paulig coffee roastery and coffee brands.

Robert Paulig established his coffee roastery in Katajanokka,

In spite of significant challenges in the business environment, Paulig Group's performance was solid. All four divisions of the Group achieved or exceeded the targets set for the year.

Helsinki, in 1987. Today the roastery is located in Tolkkinen, Porvoo, where it moved to the new premises in 2011.

With the acquisition, the Robert Paulig roastery was transferred to a separate subsidiary of Gustav Paulig Ltd called Robert Paulig Roastery Ltd. Robert Paulig's brand will remain in the products in the future. During the year, packaging was renewed and the selection of speciality coffees will be widened in 2015.

Strong values and leadership culture

In autumn, the Group's employee engagement survey TellUs was conducted. This was the third such survey since 2010. The total response rate was 92.4 per cent. Especially pleasing were the responses about the Group's shared values. A total of 91 per cent of staff felt that the people in the company work in accordance with our values. People also felt that there had been significant and positive development in the company's leadership culture and employer image.

Our purpose in Paulig Group is to *explore great tastes* and to always do this leaving a satisfying aftertaste.

During the year, we also actively developed our work on corporate responsibility, which is described in this Annual Report on pages 13–15. I particularly wish to highlight our commitment to the new children's hospital that will be completed in Helsinki in 2017. Children and the young are an important target group in Paulig Group's social commitments. Both our employees and owners wished that we participate in the 'New Children's Hospital 2017' project, and our donation of EUR 1.5 million is the biggest in the company's history.

I want to thank all our employees for the past year. I would also like to thank all of our partners for good cooperation in 2014.

Helsinki, March 2015

Jaana Tuominen
CEO
Paulig Group

A world of tastes

Paulig Group consists of four business divisions – Coffee, World Foods & Flavouring, Snack Food and Industrial Flavouring – which offer inspiring tastes for enjoyable moments.

Coffee

The Coffee division's net sales in 2014 came to EUR 319.0 million (322.6). A total of 562 employees worked in the division. The main market areas are Finland, the Baltic countries and Russia together with its neighbouring areas. In Russia sales volume increased by 9 per cent. The crisis in Ukraine affected the local sales of Paulig coffee, which almost ceased. In the Baltic countries sales increased somewhat.

During the year, the business was affected by the high volatility of the price of green coffee, which soared in the first months of the year and then remained unstable for the rest of the year.

Sales of coffee outside the home, i.e. in offices, restaurants, hotels and cafés, form an increasingly more important part of the Coffee division's business which is run by Paulig Professional. The sales in this segment were positive in Sweden and Norway, where a number of significant customer agreements were made. In Finland, the business did not develop as planned, which is largely due to the fact that many of Paulig Professional's customers have introduced cost-saving measures.

In mid-May, the Robert Paulig coffee roastery and coffee brands were acquired. Small batches of speciality coffees from minor coffee roasteries have become a strong trend among coffee lovers in recent years. The roastery is located in Tolkkinen, Porvoo. Robert Paulig packaging was renewed at the end of 2014, and the selection of speciality coffees will be widened in 2015.

The jubilee year of the 85-year-old Juhla Mokka coffee was celebrated throughout 2014 in various channels. The development of the Paulig Muki cup attracted widespread interest in traditional and social media around the world. The Paulig Muki cup has an e-Ink display powered by hot coffee, and it is possible to upload your own pictures on the cup. Paulig Muki will be launched in 2015.

In Russia, the Paulig brand has established itself strongly in consumers' minds. Paulig coffee was voted Coffee of the year in the coffee beans category and Brand of the year in the ground coffee category.

World Foods & Flavouring

Net sales of the World Foods & Flavouring division in 2014 came to EUR 308.0 million (301.0). A total of 849 employees worked in the division in 13 countries.

The year was marked by positive sales growth particularly in the Nordic and Baltic countries. Santa Maria's brand communication was updated, and taste is now even more central in the brand message. More investments were made in product development and marketing, and besides Tex Mex, the Thai and flavouring segments were developed further. This, combined with active marketing campaigns, led to a growth of 25 per cent in Santa Maria's Thai segment.

In the UK the brand switch from Discovery to Santa Maria was supported by strong campaigns in the media and shops. Sales show that the company did not lose its consumers because of the brand switch. The spice segment was also launched in the UK in addition to the already established Tex Mex segment. Long-term efforts continue to establish the Santa Maria brand in the British market, and the organisation is focusing on creating growth in the market.

During the year, sales of Santa Maria Foodservice developed well in most of the markets. The organisation has created a number of successful lunch concepts in recent years. The Street Food concept that offers people healthy and sophisticated lunches has been received particularly well by customers.

A lot of effort was made in strengthening a way of working that is result-oriented and allows for great individual freedom. These efforts produced good business results and gave a real boost to the results of the TellUs employee engagement survey compared to the previous results.

The World Foods & Flavouring division has five production facilities of which three are in Sweden (spice, tortilla and Tex Mex chips). A spice factory is in Estonia and a tortilla factory in the UK.

Snack Food

The Snack Food division's net sales in 2014 came to EUR 203.1 million (185.2). A total of 362 employees worked in the division.

The Snack Food division, based in Belgium, produces snack and Tex Mex products for our customers' own labels. The division has more than 700 customers in over 60 countries. During the year, a number of new, significant customer agreements were signed. All the top products – tortillas, tacos, salsas and wraps – contributed to the positive performance.

The Snack Food division's biggest markets are France, Germany and the UK.

Industrial Flavouring

The Industrial Flavouring division's net sales in 2014 came to EUR 54.7 million (53.2). A total of 144 employees worked in the division.

The division cooperates with companies in the Nordic and Baltic countries and Russia to develop flavouring products for the food industry. During the year, sales performance was particularly good in Russia, while sales in the other market areas remained at the previous year's level.

The division's production plant is located in Saue, Estonia.


Exploring Great Taste
The ingredients of good taste

In Paulig Group, an essential ingredient of good taste is responsibility – we want you to taste and see it in what we do, in our products and in our services. Quality and long-termism have been cornerstone concepts ever since the days of our company founder, Gustav Paulig, and they are still for us the foundation of sustainable business. A flourishing environment and communities throughout our value chain are a prerequisite for our future success. We are strongly bound to raw materials which are produced far from our domestic markets. Global challenges – like climate change with all its consequences and the urbanisation of labour – affect us, too.

In Paulig Group, responsibility work is systematically promoted together with the business divisions and stakeholders, with our values and ethical principles leading the way. The creation of joint objectives and benchmarks is moving ahead fast. In 2014, among the key projects in corporate responsibility work were a development project for responsibility in sourcing, in which all the business sectors took part, and training sessions in corporate responsibility and ethical principles for the entire personnel.

Responsible sourcing is good for the environment and for people

Responsible sourcing procedures and product origin data are increasingly important to the various players in the supply chain. In obtaining and verifying these, collaboration throughout the chain is of key importance.

In the Responsible Sourcing project, a standardised operating model for procurement and tools were created for Paulig Group, including the Supplier Code of Conduct and supplier questionnaires, which will be adopted in the divisions in the course of 2015. These will help us better to understand and handle the social and environmental risks of our raw materials and sub suppliers related to the supply chain in particular. The next stage of the Responsible Sourcing project began in early 2015. This will ensure the successful implementation of the previous stage and will further enhance the code and tools.

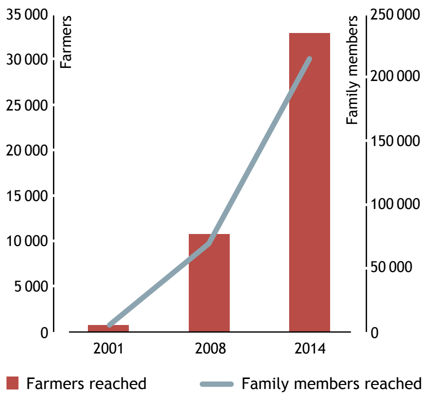
Palm oil is a widely used raw material within the food industry. Paulig Group uses somewhat less than 6,000 tonnes of certified palm oil annually. The World Food & Flavouring division will give up using palm oil entirely in Santa Maria products in the course of this year replacing it with sunflower and rapeseed oil. The trend is the same for Snack Food, where the share of these healthier fats is already 55 per cent.

Understanding and internalising corporate responsibility and ethical principles at all levels of the organisation are key factors in fostering a responsible corporate culture and implementing responsibilities. Last year, most of the Group's personnel attended Values and ethical principles training. From now on the training will be part of the induction programme for new recruits.

Paulig Group helping to build the new Children's Hospital

A new, first-class unit for paediatric treatment is under construction in Helsinki. Donations from private individuals and corporate donors totalling more than 30 million euros have made a fast start possible for the project, and the hospital is scheduled for completion in 2017. Paulig Group supports this project with a donation of 1.5 million euros. The personnel and the owners alike wished for this participation.

Participation in ICP projects (Accumulative numbers)



International Coffee Partners backing coffee farmers

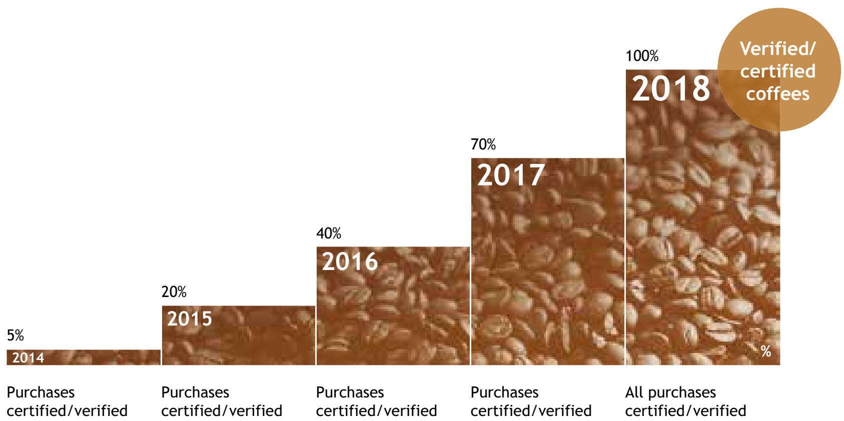
These public private ICP-projects by Paulig and partners have promoted coffee expertise and the welfare of coffee farmer communities since 2001 in 12 countries and 23 projects in South and Central America, Africa and Asia. www.coffee-partners.org

Attention to social and environmental perspectives in the sourcing chain

In 2014, the most important project in the Group's responsibility programme was Responsible Sourcing. This project developed a joint operating model, procedures and tools for identifying the social and environmental risks of our supply chain as well as improving their management and surveillance. The rollout began in February and success will be verified with a follow-up project, which will also deal with further development.

For us, the project is more current than ever. Customers are demanding traceability for our products as well as action to improve it. Consumers want to know where and in what conditions our products are produced. Although there are already many good practices in our divisions, there is a need for improvements and new elements.

Sustainable coffee program improves responsibility



Step by step towards more sustainable coffee

All of Paulig's coffee blends will be roasted with certified or verified raw materials by the end of 2018. CO_2 emissions from packaging will be reduced through more efficient use of packaging materials, and they will be replaced with aluminium-free and recyclable alternatives.

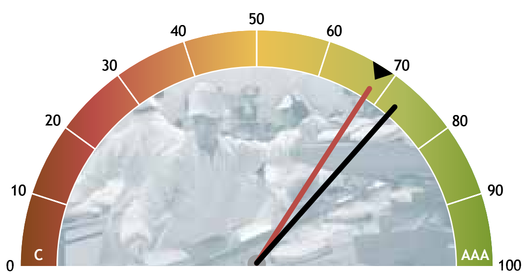
“We are all parts in a collaborative effort that applies not only to ourselves and our company, but also to the whole of modern society with all its many operating procedures”

Eduard Paulig in the 1948

A responsible corporate culture demands dialogue
Last year, almost the entire personnel underwent a training programme in the ethical principles. Self-teaching materials were augmented with team discussions under the leadership of supervisors, with the aim of deepening understanding of the ethical challenges and the importance of spotlighting these.

Palm oil superseded by healthier alternatives
Palm oil will be eliminated from Santa Maria products by the end of 2015, and consumers will be able to enjoy healthier tacos, nachos and tortillas. They will be made with sunflower seed and rapeseed oil, which contain good fatty acids. The oil blend was submitted to careful testing to ensure the products’ delicious flavour, crispiness and shelf life.

TellUs employee engagement survey



People power® rating (PP rating)

AAA	Excellent	Paulig Group PP 2012
AA+	Good+	Paulig Group PP 2014
AA	Good	average of European companies
A+	Satisfactory+	
A	Satisfactory	
B	Sufficient	
C	Poor	

TellUs results are proof of engagement
The Group’s TellUs employee engagement survey has a 92.4 per cent response rate, indicating that the employees are interested in developing the corporate culture. The results are better in all sectors than they were in 2012, exceeding the average for European companies. The index for commitment rose to a good level (A+ ->AA). The main positive changes were seen in leadership culture and employer image.

Corporate governance

Paulig Ltd, the parent company of Paulig Group, is a Finnish family-owned company incorporated under Finnish law. Corporate governance is based on its articles of association, the Limited Liability Companies Act, applicable codes and standards, ethical principles as well as 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 auditors 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 2014, 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 Remuneration Committee.

CEO and Management Team

Paulig Ltd's Board appoints the Managing Director, who also serves as the CEO. 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 CEO, who is also the chairman, Heads of Division and the directors of certain corporate functions. Together with the Group's Management Team, the CEO 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 of Directors. 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.


Review by the Board of Directors for 1 January – 31 December 2014

The net sales of Paulig Group were EUR 867.0 million (849.7) in 2014, an increase of 2.0 per cent. The Group's operating profit decreased and was EUR 73.7 million (75.9), or 8.5 per cent (8.9) of net sales. During the year, Paulig Group employed 1 951 people on average (1 881).

Changes in Group structure during the financial year

The following changes took place in the Group's structure in 2014:

- The following mergers took place in the Coffee division:
  - Vendor Eesti OÜ was merged with Paulig Coffee Estonia AS in January 2014
  - Vendor Latvia SIA was merged with Paulig Coffee Latvia SIA in June 2014
  - Vendor Lietuva UAB was merged with Paulig Coffee Lietuva UAB in June 2014
- The following name changes took place during the year: Vendor Norge AS was renamed Paulig Coffee Norway AS, Vendor Sverige AB was renamed Paulig Coffee Sweden AB and Discovery Foods Ltd was renamed Santa Maria UK Ltd
- Aqua Purity OÜ was sold in April 2014
- S.C. Flexfoil S.R.L. was sold in June 2014
- The company name Paulig Export Ltd was changed to Robert Paulig Roastery Ltd in connection with the acquisition of the Robert Paulig coffee roastery assets and brands in May 2014

Net sales and result

The net sales of Paulig Group were EUR 867.0 million (849.7) in 2014, an increase of 2.0 per cent. Of total net sales, 58 per cent are in the Nordic region and 42 per cent in other markets.

The Group's operating profit decreased and was EUR 73.7 million (75.9), which was 8.5 per cent (8.9) of the net sales. All divisions achieved or exceeded their set operating targets. This contributed to a solid consolidated result.

The result includes profit from real estate sales EUR 5.9 million (2.7) coming mainly from the sale of land in the area where the Vuosaari roastery used to be located. Total depreciation came to EUR 48.8 million (50.8), of which goodwill depreciation was EUR 23.5 million (23.4).

The Group's share of the associated company's (Fuchs Gewürze GmbH & Co) result was EUR 5.6 million. Depreciation on the goodwill of the associated company amounted to EUR 5.8 million. As a result, the associated company's contribution to the consolidated result was EUR -0.2 million (-0.4).

The consolidated net profit for the year was EUR 46.8 million (45.5).

Financial position

The Group's financial position is good. The good result and the continuing work to enhance the effectiveness of working capital have resulted in strong cash flow. Net cash flow from operations was EUR 84.5 million (113.9). At the end of the review period, interest-bearing debt was EUR 6.2 million (32.7) and net debt was EUR -43.4 million (12.6). The Group's solvency was at a good level, with shareholders' equity at 71.2 per cent (69.8) of the balance sheet.

Investments

The Group's investments totalled EUR 32.7 million (18.8). They were mainly made up of new procurements and replacement investments in production processes, and investments in IT solutions. The investments also include the acquisition of the Robert Paulig coffee roastery assets and brands.

Business risks

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

Strategic risks

The principal strategic risks of the Group concern changes in competition and consumer behaviour. The most challenging market is Russia and its neighbouring regions where recent geopoliti-

Net sales per division

	2014	2013	Change
Coffee	**319.0**	322.6	-1.1%
World Foods & Flavouring	**308.0**	301.0	2.3%
Snack Food	**203.1**	185.2	9.7%
Industrial Flavouring	**54.7**	53.2	2.8%
Elimination	**-17.8**	-12.2	45.9%
Total	**867.0**	849.7	2.0%

Key indicators of Paulig Group's financial status and result

	2014	2013	2012
Net sales, MEUR	**867.0**	849.7	858.3
Other operating income, MEUR	**7.5**	3.6	7.9
Share of results in associated company, MEUR	**-0.2**	-0.4	-3.2
Operating profit, MEUR	**73.7**	75.9	70.0
Operating profit, % of net sales	**8.5**	8.9	8.1
Operating profit before depreciation, MEUR	**122.5**	126.7	122.0
Net profit for the year, MEUR	**46.8**	45.5	37.3
Shareholders' equity, MEUR	**477.2**	452.9	424.0
Return on equity, %	**10.0**	10.4	9.2
Equity ratio, %	**71.2**	69.8	57.8
Liquid assets, MEUR	**49.4**	19.9	33.8
Interest-bearing debt, MEUR	**6.2**	32.7	132.6
Investments, MEUR	**32.7**	18.8	27.2

cal events have affected the stability of the business environment.

Corporate responsibility, values and the compliance of the ethical principles are essential in the Group's risk management. Responsible sourcing was a special focus area during the year.

Operating risks

The Group's principal operating risk relates to availability, quality and price of raw materials. Crops have been increasingly affected by unexpected weather conditions, in addition to which prices are influenced by speculative trading. Uncertainty regarding the development of prices is expected to continue. The principles for the risk management of green coffee sourcing have been determined in the commodity risk management policy approved by Paulig Ltd's Board of Directors.

Financial risks

Paulig Group's strong balance sheet and long-term credit facilities secure the availability of sufficient financing for the business. Since a significant proportion of raw materials is paid for in US dollars this constitutes the principal currency risk. The company hedges against currency and interest rate risks in accordance with the treasury policy approved by the Paulig Ltd's Board of Directors.

Hazard risks

Paulig Group has insured its property and business comprehensively against property damage, business interruption, product liability and other similar risks. Paulig Ltd's Board of Directors has approved the insurance policy that establishes the principles of the Group's insurance coverage.

Personnel

Paulig Group employed 1 951 people on average. Most of the Group's personnel are in Sweden, Belgium, Finland and Estonia.

Product development

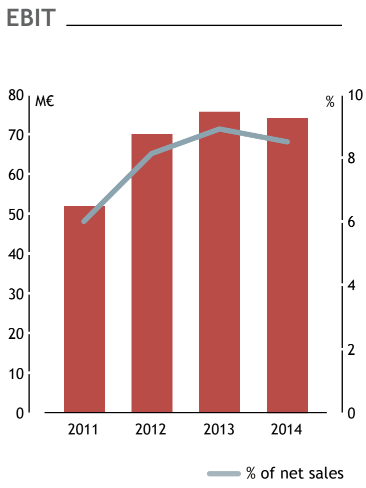
Product development is an important element which takes care of our product selection and ensures future growth. Good knowledge of consumer behaviour and market trends is essential for successful product development based on consumer views. Resources in Consumer Insight were strengthened during the year. Several new products were launched under Paulig Group's strong brands Paulig and Santa Maria. The Paulig Presidentti Special Blend 2014 vintage coffee and new flavours for the Paulig Cupsolo capsule machine were introduced. During the year Paulig Presidentti brand's profile was updated. The Paulig Muki cup with an e-Ink display for your own pictures, powered by hot coffee, attracted widespread interest in traditional and social media around the world. Developed in cooperation with consumers in 2014 and 2015, Paulig Muki will be launched in 2015. Under the Santa Maria brand, the Street Food concept gained popularity within the food service sector, and the organisation worked intensively to update the product strategy. The Snack Food division also launched a number of new products under customers' own brands. Besides flavour, content and concept, product development also deals to a large degree with packaging, which must be kept up-to-date and have a strong profile in order to be valued by customers.

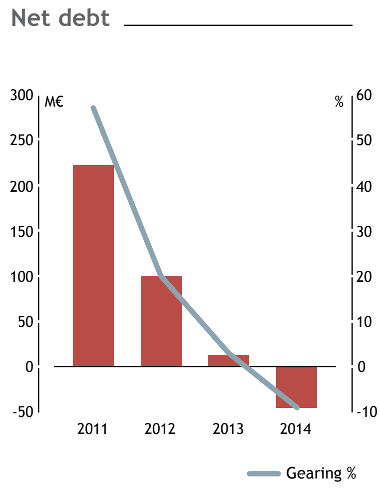
Corporate responsibility, the environment and quality

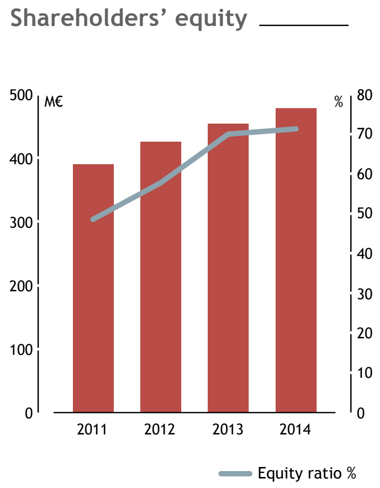
Paulig Group's corporate responsibility work is based on the Group's values and ethical principles and managed by the cor-

Key personnel indicators

	2014	2013	2012
Average number of personnel during the financial year	**1 951**	1 881	1 846
Wages and salaries for the financial year, MEUR	**107.8**	111.7	96.5







porate responsibility management team. There are six focus areas that steer the corporate responsibility work at the Group and the division level: successful business, exceeding consumers' expectations, responsible procurement, reduced environmental impact, employee well-being and dialogue with stakeholders.

In 2014, the Group's ethical principles were implemented through online training and group discussions. Moreover, an extensive project was carried out to develop the sustainability of the entire supply chain and the environmental work in the Group.

For a family-owned business it is natural to think far ahead, and children and the young are an important target group in Paulig Group's social commitments. In June, the Group donated EUR 1.5 million for the construction of the new children's hospital in Helsinki. It is the biggest donation in the company's history.

The Coffee division publishes an annual corporate responsibility report on the web in which various subjects, including procurement, quality and the environment, are dealt with in detail.

Management and auditors

Paulig Ltd's Board of Directors had seven members: Mikael Aru (Chairman), Mathias Bergman, Christian Hallberg, Eero Heliövaara, Christian Köhler, Jon Sundén and Sanna Suvanto-Harsaae. Ernst & Young Oy has operated as the auditor with Authorized Public Accountant Bengt Nyholm as principal auditor. The Group's CEO is Jaana Tuominen.

Shares

The company's stock is divided as follows:

	2014	2013
A shares	**487 765 shares**	487 765 shares
B shares	**15 000 shares**	15 000 shares

The Articles of Association contain special conditions concerning dividend entitlement and rights to company assets, as well as specific share related redemption clauses.

Proposal by the Board of Directors for distribution of profit

Consolidated profit for 2014 was EUR 46 834 312.09. On 31 December 2014, the parent company's distributable shareholders' equity was EUR 181 431 972.27 according to the financial statements. The Board of Directors proposes that a dividend of EUR 28.60 per share be paid, amounting to EUR 14 379 079.00 in total. The parent company will retain profits totalling EUR 167 052 893.27.

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 distribution of profits will not, in the Board's view, jeopardise the company's solvency.

Outlook for the current financial year

Forecasting the global market prices of raw materials will continue to be difficult in 2015. Managing the fluctuating prices of the Group's key raw materials – coffee, wheat, maize and spices – will continue to be a significant challenge.

The political and economic uncertainty is expected to continue in Russia, where the weakened rouble and a possible decrease in demand for our products will pose challenges for the Group's investments in the country.

Our expectations for 2015 are that net sales will increase somewhat and the net result will be at a slightly lower level than in 2014.

Events following the end of the financial year

In January 2015, the Coffee division decided to discontinue the operation of the Polish subsidiary Paulig Coffee Poland sp. z o.o.

On 6 February 2015, Paulig Group announced that it had acquired 100 per cent of the shares of Risenta AB. Risenta is a Swedish company and a leading producer of healthy staple foods in Sweden. The acquisition was implemented as planned on 27 February 2015.

Consolidated income statement

EUR 1 000	Note	1 January 2014 — 31 December 2014	1 January 2013 — 31 December 2013
Net sales	1	**867 033**	849 717
Increase (+), decrease (-) in inventories of finished goods		**4 729**	-3 275
Other operating income	2	**7 493**	3 612
Materials and services			
Materials and supplies			
Purchases during the financial year		**465 380**	424 423
Increase (-), decrease (+) in inventories		**-4 964**	7 424
External services		**12 381**	12 697
Personnel expenses	3	**107 767**	111 699
Depreciation and value adjustments	4	**48 785**	50 808
Other operating expenses	5	**176 024**	166 691
Share of results in associated companies		**-165**	-383
Operating profit		**73 716**	75 929
Financial income and expenses	6		
Dividend income on long-term financial assets		**101**	83
Interest income and other financial income		**1 230**	1 061
Interest expenses and other financial expenses		**5 832**	9 486
		-4 501	-8 342
Profit before taxes and minority interest		**69 216**	67 587
Income taxes	7	**-22 382**	-21 816
Minority interest		**0**	-259
Net profit for the financial year		**46 834**	45 513

Consolidated balance sheet

EUR 1 000	Note	**31 December 2014**	31 December 2013
Assets			
Fixed assets	8		
Intangible assets			
Intangible rights		**2 018**	2 268
Goodwill		**99 179**	119 172
Other long-term expenses		**5 263**	1 682
		106 460	123 122
Tangible assets			
Land and water		**13 387**	15 878
Buildings and constructions		**46 039**	59 034
Machinery and equipment		**93 922**	105 534
Advance payments and construction in progress		**9 311**	3 406
		162 659	183 852
Long-term financial assets	9		
Shares in associated companies		**103 424**	103 589
Other shares		**1 680**	1 635
Other receivables		**3 511**	3 706
		108 615	108 930
Total fixed assets		**377 734**	415 903
Current assets			
Inventories			
Materials and supplies		**45 491**	41 822
Finished goods		**47 724**	40 002
		93 216	81 824
Long-term receivables			
Loan receivables		**71**	98
Deferred tax receivables	15	**3 071**	3 369
		3 142	3 467
Short-term receivables			
Accounts receivable		**121 328**	112 612
Loan receivables		**39**	80
Other receivables		**5 801**	5 591
Accruals and deferred income	10	**19 575**	10 196
		146 742	128 479
Cash and bank		**49 424**	19 897
Total current assets		**292 524**	233 667
Total		**670 258**	649 570

Consolidated balance sheet

EUR 1 000	Note	**31 December 2014**	31 December 2013
Shareholders' equity and liabilities			
Shareholders' equity	11		
Share capital		**8 204**	8 204
Premium fund		**3 748**	3 747
Reserve fund		**274**	76
Revaluation fund		**394**	525
Reserve for invested non-restricted equity		**4 276**	4 276
Retained earnings		**413 484**	390 582
Net profit for the financial year		**46 834**	45 513
Total shareholders' equity		**477 213**	452 922
Minority interest		**14**	15
Mandatory reserves	12	**33**	41
Liabilities	13		
Long-term liabilities			
Interest bearing liabilities		**6 172**	32 697
Advances received		**390**	426
Other non-interest bearing liabilities		**496**	716
Deferred tax liabilities	15	**10 731**	10 661
		17 789	44 500
Short-term liabilities			
Accounts payable		**109 146**	95 099
Other liabilities		**10 756**	6 956
Accruals and deferred expenses		**55 306**	50 037
		175 208	152 092
Total liabilities		**192 997**	196 592
Total		**670 258**	649 570

Consolidated cash flow statement

EUR 1 000	Note	2014	2013
Cash flow from operating activities			
Profit after financial income and expenses		**69 216**	67 587
Adjustments, total	16	**54 380**	62 880
Operating profit before change in net working capital		**123 596**	130 468
Change in net working capital	16	**-11 709**	16 173
Cash generated from operations		**111 886**	146 640
Interest received		**1 241**	1 038
Interest paid		**-5 866**	-9 404
Income taxes paid		**-22 732**	-24 332
Net cash flow from operating activities		**84 530**	113 942
Cash flow from investing activities			
Capital expenditures		**-32 742**	-18 825
Proceeds from sale of fixed assets		**15 678**	5 655
Acquisition of subsidiary shares		**0**	-8 482
Disposal of subsidiary shares		**1 895**	0
Proceeds from repayments of loans		**76**	1 761
Acquisition of other shares		**-64**	-339
Dividends received		**101**	83
Net cash flow from investing activities		**-15 056**	-20 147
Cash flow from financing activities			
Increase (+), decrease (-) in long-term liabilities		**-26 389**	-96 651
Increase (+), decrease (-) in short-term liabilities		**52**	-637
Increase (-), decrease (+) in long-term receivables		**105**	0
Donations paid		**-1 500**	0
Dividends paid		**-12 217**	-10 458
Net cash flow from financing activities		**-39 948**	-107 746
Change in liquid funds		**29 526**	-13 950
Liquid funds on 1 January		**19 899**	33 848
Change in liquid funds due to changes in group structure		**0**	1
Liquid funds on 31 December		**49 424**	19 899

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 the 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 on 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.

Extraordinary income and expenses

Substantial income and expenses not pertaining to actual business operations are presented as extraordinary income and expenses.

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 on 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
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 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 realized gains and losses and changes in the fair value of the currency derivatives designated as hedges 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 balance sheet. In addition the nominal and fair value of the unrealized currency derivatives are reported in the notes.

The realized gains and losses and changes in the fair value of the commodity derivatives designated as hedges 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 balance sheet. In addition the nominal and fair value of the unrealized commodity derivatives are reported in the notes.

Interest rate swaps are used to convert floating interest rates of the external loans to fixed interest rates. The interest income and expense of interest rate swaps are recognized as adjustments to external interest expenses. The nominal and fair value of the interest rate swaps are reported in the notes and a possible negative change in the fair value is also recognized in the income statement in accordance with the principle of prudence.

Internal loan receivables in the foreign currency are hedged by the external loans in the same currency or with derivatives. The realized gains and losses and changes in the fair value of these derivatives are recognized in the income statement concurrently with the underlying item.

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	2014	2013

1. Net sales

Net sales by market area		
Nordic countries	**504 296**	509 886
Central Europe	**179 220**	165 947
United Kingdom and Ireland	**70 320**	61 563
Baltic countries	**53 860**	51 554
Russia	**54 904**	55 358
Other countries	**4 433**	5 409
Total	**867 033**	849 717

2. Other operating income

Profit on sales of fixed assets	**6 151**	2 802
Other income	**1 342**	810
Total	**7 493**	3 612

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

Personnel expenses		
Salaries and remuneration for Managing Directors and the Board of Directors	**4 065**	4 579
Other wages and salaries	**81 843**	85 574
Pension expenses	**8 340**	8 809
Other personnel expenses	**13 519**	12 736
Total	**107 767**	111 699

Average number of personnel		
Nordic countries	**934**	897
Central Europe	**373**	362
United Kingdom and Ireland	**140**	143
Baltic countries	**350**	345
Russia	**153**	134
Total	**1 951**	1 881

Number of personnel in associated companies	**2 840**	2 635

Loans granted to related parties		
Loans granted to employees	**39**	80

No extraordinary transactions have been carried out with the related parties.

EUR 1 000	2014	2013

4. Depreciation and value adjustments

Depreciation on tangible assets	**23 989**	26 322
Depreciation on intangible assets	**24 796**	24 486
Total	**48 785**	50 808

5. Fees for auditing companies

KPMG		
Statutory auditing fees	**0**	6
Statements and other certificates	**0**	5
Other fees	**42**	63
Ernst & Young		
Statutory auditing fees	**405**	321
Statements and other certificates	**15**	1
Tax consulting	**43**	77
Other fees	**33**	1
Others		
Statutory auditing fees	**1**	66
Tax consulting	**5**	5
Other fees	**24**	22
Total	**569**	566

6. Financial income and expenses

Income on long-term financial assets		
Dividend income from others	**101**	83
Interest income and other financial income		
From others	**1 230**	1 061
Interest expenses and other financial expenses		
To others	**5 832**	9 486
Interest expenses and other financial expenses include currency losses	**774**	598

7. Income taxes

Income tax on ordinary business	**21 980**	25 076
Change in deferred tax receivables and payables	**401**	-3 260
Total	**22 382**	21 816

EUR 1 000	2014	2013

8. Fixed assets

Intangible rights

Acquisition cost on 1 January	**35 814**	38 821
Translation difference	**-1 271**	-792
Increase	**1 102**	539
Decrease	**-985**	-3 645
Transfers between items	**0**	891
Acquisition cost on 31 December	**34 660**	35 814
Accumulated depreciation on 1 January	**-33 546**	-36 907
Translation difference	**1 220**	685
Accumulated depreciation and value adjustments related to decreases and transfers	**755**	3 651
Depreciation of the financial year	**-1 072**	-974
Accumulated depreciation on 31 December	**-32 643**	-33 546
Book value on 31 December	**2 018**	2 268

Goodwill

Acquisition cost on 1 January	**277 592**	279 558
Correction to opening balance	**-225**	-254
Translation difference	**-8 898**	-6 985
Increase	**7 994**	0
Increase due to change in group structure	**0**	5 399
Decrease	**-781**	-126
Acquisition cost on 31 December	**275 682**	277 592
Accumulated depreciation on 1 January	**-158 420**	-138 992
Correction to opening balance	**225**	0
Translation difference	**5 183**	3 730
Accumulated depreciation and value adjustments related to decreases and transfers	**686**	224
Depreciation of the financial year	**-24 177**	-23 382
Accumulated depreciation on 31 December	**-176 503**	-158 420
Book value on 31 December	**99 179**	119 172

Other long-term expenses

Acquisition cost on 1 January	**4 013**	3 339
Translation difference	**-59**	-3
Increase	**3 561**	822
Decrease	**-108**	-8
Transfers between items	**319**	-136
Acquisition cost on 31 December	**7 726**	4 013
Accumulated depreciation on 1 January	**-2 331**	-2 208
Translation difference	**18**	3
Accumulated depreciation and value adjustments related to decreases and transfers	**82**	5
Depreciation of the financial year	**-233**	-130

EUR 1 000	2014	2013
Accumulated depreciation on 31 December	**-2 464**	-2 331
Book value on 31 December	**5 263**	1 682

Land and water

Acquisition cost on 1 January	**15 878**	14 677
Translation difference	**-300**	-114
Increase	**0**	2 132
Decrease	**-2 191**	-765
Decrease, sold companies	**0**	-52
Book value on 31 December	**13 387**	15 878

Buildings and constructions

Acquisition cost on 1 January	**89 905**	85 415
Translation difference	**-5 860**	-2 026
Increase	**1 257**	6 584
Decrease	**-11 896**	-174
Transfers between items	**1 635**	106
Acquisition cost on 31 December	**75 042**	89 905
Accumulated depreciation on 1 January	**-30 872**	-27 707
Translation difference	**648**	232
Accumulated depreciation and value adjustments related to decreases and transfers	**0**	52
Depreciation of the financial year	**-2 585**	-2 717
Decrease	**3 806**	-717
Transfers between items	**0**	-15
Accumulated depreciation on 31 December	**-29 003**	-30 872
Book value on 31 December	**46 039**	59 034

Machinery and equipment

Acquisition cost on 1 January	**291 897**	297 128
Correction to opening balance	**-7 524**	-5 365
Translation difference	**-5 459**	-3 616
Increase	**10 644**	9 893
Decrease	**-4 934**	-12 049
Decrease, sold companies	**-3**	0
Transfers between items	**1 945**	5 451
Transfers from inventory	**0**	454
Acquisition cost on 31 December	**286 567**	291 897
Accumulated depreciation on 1 January	**-186 362**	-175 140
Correction to opening balance	**7 524**	0
Translation difference	**3 017**	1 879
Accumulated depreciation and value adjustments related to decreases and transfers	**4 710**	10 504
Depreciation of the financial year	**-21 404**	-23 605
Decrease, sold companies	**2**	0
Transfers between items	**-132**	0
Accumulated depreciation on 31 December	**-192 645**	-186 362
Book value on 31 December	**93 922**	105 534

EUR 1 000	2014	2013
The book value of production machinery and equipment on 31 December	**81 710**	94 610
Advance payments and construction in progress		
Acquisition cost on 1 January	**3 405**	8 937
Translation difference	**-193**	-273
Increase	**9 866**	987
Transfers between items	**-3 767**	-6 245
Book value on 31 December	**9 311**	3 406

Revaluations

Above mentioned book values include revaluations as follows:

Land and water		
Value on 1 January	**5 765**	6 164
Decrease	**-638**	-399
Value on 31 December	**5 127**	5 765

9. Financial assets

Shares in associated companies		
Acquisition cost on 1 January	**103 589**	103 972
Share of results in associated companies *)	**-165**	-383
Book value on 31 December	**103 424**	103 589
Book value includes goodwill	**38 006**	43 807

*) adjusted by received dividends

Other shares		
Acquisition cost on 1 January	**1 635**	1 531
Translation difference	**-19**	-12
Increase	**64**	347
Decrease	**0**	-231
Book value on 31 December	**1 680**	1 635

Other receivables		
Pension insurances	**2 930**	2 930
Other receivables	**581**	776
Total	**3 511**	3 706

Pension insurances relate to Mandatum Life pension insurances		
Acquisition cost	**2 930**	2 930
Market value	**3 272**	3 238

10. Receivables

Main items included in accruals and deferred income		
Income tax receivable	**982**	2 596
Accrued personnel expenses	**263**	165
Other	**18 330**	7 435
Total	**19 575**	10 196

EUR 1 000 | 2014 | 2013

11. Shareholders' equity

EUR 1 000	2014	2013
Share capital on 1 January	**8 204**	8 204
Share capital on 31 December	**8 204**	8 204
Premium fund on 1 January	**3 747**	3 748
Translation difference	**0**	-1
Premium fund on 31 December	**3 748**	3 747
Reserve fund on 1 January	**76**	1 813
Translation difference	**198**	57
Transfers between items	**0**	-1 794
Reserve fund on 31 December	**274**	76
Revaluation fund on 1 January	**525**	716
Decrease	**-132**	-192
Revaluation fund on 31 December	**394**	525
Reserve for invested non-restricted equity on 1 January	**4 276**	4 109
Increase due to changes in group structure	**0**	167
Reserve for invested non-restricted equity on 31 December	**4 276**	4 276
Retained earnings on 1 January	**436 095**	405 362
Correction to opening balance	**217**	-2 079
Profit distribution	**-12 217**	-10 458
Translation difference	**-9 111**	-3 780
Transfers between items	**0**	1 794
Other change	**-1 500**	-258
Retained earnings on 31 December	**413 484**	390 582
Net profit for the financial year	**46 834**	45 513
Retained earnings from previous periods	**460 319**	436 095
Total shareholders' equity	**477 213**	452 922

12. Provisions

Other provisions	**33**	41

13. Liabilities

Long-term liabilities to others		
Loans from financial institutions	**0**	26 799
Pension loan	**6 172**	5 898
Advances received	**390**	426
Other liabilities	**496**	716
Total	**7 058**	33 839

EUR 1 000	**2014**	2013
Short-term liabilities to others		
Accounts payable	**109 146**	95 099
Other liabilities	**10 756**	6 956
Accruals and deferred expenses	**55 306**	50 037
Total	**175 208**	152 092

Main items included in accruals and deferred expenses		
Personnel expenses	**20 102**	20 334
Annual discounts to customers	**7 019**	8 038
Income tax liability	**3 538**	4 997
Interest expenses	**220**	163
Green coffee and currency hedgings	**8 619**	928
Restructuring of the operational business	**0**	82
Other	**15 808**	15 496
Total	**55 306**	50 037

14. Contingent liabilities

Guarantees for own commitments	**66**	34
Other liabilities		
Pension loan liabilities	**125**	119
Coffee machine liabilities	**595**	553
Total	**720**	672
Leasing liabilities		
Maturing within one year	**8 996**	9 909
Maturing after one year	**105 317**	109 649
Total	**114 313**	119 558

The figures for 2013 have been changed to match with the specification in 2014.
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		
Commodity derivatives		
Fair value	**113**	-128
Nominal value	**8 856**	8 029
Currency derivatives		
Fair value	**5 926**	-206
Nominal value	**98 675**	60 258
Interest rate swaps		
Fair value	**-716**	7
Nominal value	**10 000**	10 000
Interest rate and currency swaps		
Fair value	**4 984**	522
Nominal value	**13 824**	22 063

The fair value of the derivatives at the closing date equals the net present value of the derivative contracts.
The nominal amount is specified as the nominal gross principal amount of the underlying liabilities and assets.

EUR 1 000	**2014**	2013

15. Deferred tax receivables and tax liabilities

Deferred tax receivables		
From differences between taxable income and reported income	**3 071**	3 369
Deferred tax liabilities		
From depreciation difference	**5 440**	5 719
From differences between taxable expenses and reported expenses	**4 169**	3 820
From consolidation entries	**9**	10
From revaluations	**1 112**	1 113
Total	**10 731**	10 661

16. 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	**48 785**	50 808
Eliminated foreign exchange gains and losses	**7 451**	4 111
Share of associated companies' results	**165**	383
Sales gains on fixed assets	**-6 151**	-2 802
Value adjustments of fixed assets	**200**	1 809
Dividend income	**-101**	-83
Interest income	**-1 241**	-1 081
Interest expenses	**5 860**	9 524
Other income and expenses	**-588**	211
Total adjustments	**54 380**	62 880
Change in net working capital		
Increase (-), decrease (+) in short-term receivables	**-27 050**	8 357
Increase (-), decrease (+) in inventories	**-13 951**	16 187
Increase (+), decrease (-) in non interest bearing short-term liabilities	**29 291**	-8 371
Change in net working capital	**-11 709**	16 173

17. Shares and securities

Subsidiary shares

Subsidiary	Group ownership %	Book value EUR 1 000 Parent ownership	Subsidiary ownership
In Finland			
Euroleasing Ltd	100.0	878	
Gustav Paulig Ltd	100.0		7 144
Hotel Dolphin Ltd	100.0	1 983	
Lihel Ltd	100.0		6 530
Robert Paulig Roastery Ltd	100.0		1 950
Santa Maria Finland Ltd	100.0		66
Total		2 861	15 689
Abroad			
AS Paulig Baltic, Estonia	100.0		1 470
AS Santa Maria, Estonia	100.0		26
Bruce Foods Europe BV, Holland	100.0		3 330
Discovery Holdings Ltd, United Kingdom	100.0		0
Färska Örter på Neongatan AB, Sweden	99.7		1 052
Kaffesystem Nordic AB, Sweden	100.0		0
Nordfalks AB, Sweden	100.0		11
Nordfalks AS, Norway	100.0		295
Nordfalks Industri AB, Sweden	100.0		717
NV Snack Food Poco Loco, Belgium	100.0		136 105
OOO Paulig RUS, Russia	100.0		3 702
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		750
Paulig Coffee Lietuva UAB, Lithuania	100.0		568
Paulig Coffee Norway AS, Norway	100.0		0
Paulig Coffee Poland sp. z o.o., Poland	100.0		0
Paulig Coffee Sweden AB, Sweden	100.0		3 712
Paulig Finance SA, Switzerland	100.0	0	
Poco Loco France SARL, France	100.0		11
Saffron Holding A/S, Denmark	100.0	303 825	
Santa Maria A/S, Denmark	100.0		1 415
Santa Maria AB, Sweden	100.0		202 955
Santa Maria BV, Holland	100.0		0
Santa Maria Norge AS, Norway	100.0		65
Santa Maria NV, Belgium	100.0		215
Santa Maria UK Ltd, United Kingdom	100.0		22 293
Saue Production OÜ, Estonia	100.0		1 001
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		392
Total		311 827	384 306
Shares in associated companies			150 305
Other shares and securities		1 449	231
Total shares and securities		316 137	550 531

The Board's proposal to the Shareholders' Meeting

The distributable shareholders' equity of the parent company according to the financial statements of 31 December 2014, is EUR 181 431 972.27 including retained profit for the previous years EUR 163 708 762.34, reserve for invested non-restricted equity EUR 4 050 000.00 and result for the financial year EUR 13 673 209.93.

The Board proposes that a dividend of EUR 28.60 per share on 502 765 shares be paid, totalling EUR 14 379 079.00. The parent company will retain profits of EUR 167 052 893.27.

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

Helsinki, 26 March 2015

Mikael Aru
Chairman of the Board

Mathias Bergman

Christian Hallberg

Eero Heliövaara

Christian Köhler

Jon Sundén

Sanna Suvanto-Harsaae

Jaana Tuominen
Managing Director

Auditors' statement

The financial information of the consolidated Paulig Group set out on pages 19–34 is an extract from the annual financial statements of the Group as at 31 December 2014 to be adopted at the Shareholders´ Meeting. On these financial statements and the review of the Board of Directors which have been prepared in accordance with prevailing regulations in Finland, we have issued an unqualified auditors´ report on 26 March 2015.

Helsinki, 26 March 2015

Ernst & Young Oy

Bengt Nyholm
Authorized Public Accountant

Board of Directors

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

Robin Hallberg
b. 1974
BBA
Observer of the
Board since 2014

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

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

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

Mathias Bergman
b. 1956
Ph.D.
Member of the
Board since 2013

Eero Heliövaara
b. 1956
M.Sc. (Eng.),
M.Sc. (Econ.)
Member of the
Board since 2009

Christian Hallberg
b. 1969
B.Sc. (Econ.)
Member of the
Board since 2011

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

Management Team

Johan Sundelin
b. 1969
Senior Vice President
and MD
World Foods & Flavouring
Working for Paulig
Group since 2013

Peter Denolf
b. 1970
Senior Vice President
and MD
Snack Food
Working for Paulig
Group since 2011

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

Mats Danielsson
b. 1969
Senior Vice President
and CFO
Working for Paulig
Group since 2010

Elisa Markula
b. 1966
Senior Vice President
and MD
Coffee
Working for Paulig
Group since 2009

Jaana Tuominen
b. 1960
Chief Executive Officer
and MD
Working for Paulig
Group since 2008

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

Dave Knaster
b. 1956
Senior Vice President
and MD
Industrial Flavouring
Working for Paulig
Group since 1988

Anita Laxén
b. 1966
Vice President
Communications
Working for Paulig
Group since 2010

Definitions

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

Contact information

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Made of paper awarded
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The Manifesto

At Paulig Group we travel the world to find new flavours. Through the combination of five basic tastes, we create new experiences of far away places and cultures. Seeking out the best ideas and ingredients to trigger your appetite.

To us, great taste is also about leading the way as a business. We are committed to nurturing uncompromised quality and a sustainable way of working. In everything we do, we always aim to leave a sense of good taste behind.

We brand as many, but stand as one. Empowering our people to grow and sharing knowledge to make us stronger and more innovative together.

We are always looking for new inspiration. Driven by our passion, curiosity and constant strive for excellence we are united in our quest – Exploring Great Taste.

Exploring Great Taste

Stay
Curious

Strive for
Excellence

Grow
Together

PAULIG
GROUP
Exploring Great Taste