Annual Report 2015

PAULIG GROUP
Exploring Great Taste

1994

Snack Food Poco Loco is established by Patrick Maselis and Gèrard de Brandere in Roeselare, Belgium. The company produces tacos and tortillas for the private label market. Since 2010, Poco Loco has been part of Paulig Group and forms its Snack Food division.

1940

Uno Grindby establishes a company called Risenta in Stockholm. His business idea is simple: to offer delicious and healthy food to people who want to lead a healthy lifestyle. In the 1970s, Risenta's yellow packaging is launched. Delicious and healthy food is one of the fastest-growing consumer trends today. In February 2015, Paulig acquires Risenta, which becomes the new Naturally Healthy Food division in Paulig Group.

1911

C. Leon Berg opens a small shop selling tea and spices in Gothenburg. In the 1940s, Armin Mattsson and his colleague Hugo Lundgren acquire the shop and establish a limited company. In the 1980s, Paulig and Santa Maria start cooperation, so Paulig's spices now sail to dinner tables under the Santa Maria flag. In the early 1990s, Santa Maria introduces the Tex Mex category to the Nordic countries. In 2010 Santa Maria officially becomes a part of Paulig Group and today this forms the World Foods & Flavouring division.

1876

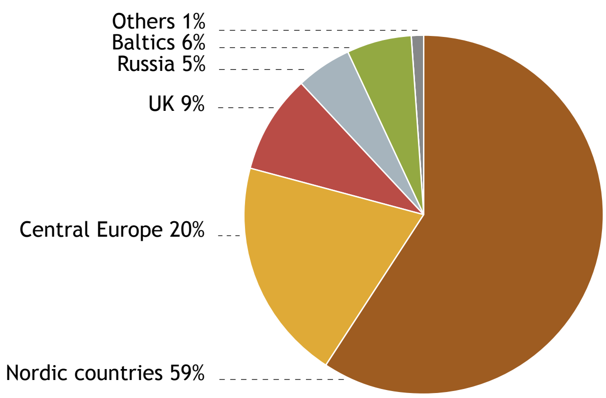
Gustav Paulig opens a shop in the heart of Helsinki. The business idea is to offer people flavours from all over the world. The selection includes coffee, spices, salt, flour, dried fruit, port wine and cognac. In 1929, Paulig launches its first coffee brands – Juhla blend and Presidentti blend – which are predecessors to today's strong brands, Paulig Juhla Mokka and Presidentti.

Contents

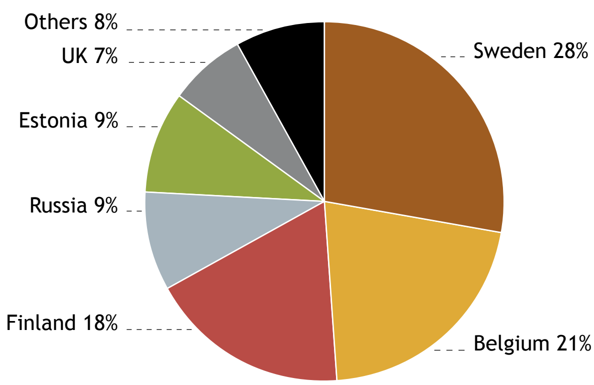
Paulig Group in brief

Family-owned company, founded by Gustav Paulig in

Net sales per market



Personnel by country



Net sales per division

Coffee

38 %

World Foods
& Flavouring

34 %

Snack Food

24 %

Naturally
Healthy Food

4 %

Net sales

905 MEUR

Mission

Exploring Great Taste

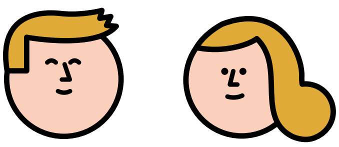
Strong brands

Paulig
Santa Maria
Risenta

Operations in 13 countries

Personnel

1 890



58 % 42 %

CEO's review

Within Paulig Group we strive to meet consumer demand based on our knowledge of the way in which consumers make their choices. By getting close to the consumers you are able to answer to peoples' needs and wishes even before they realise them themselves. We strive to be the category leader in coffee, international food concepts, spices, snacks and naturally healthy food in our chosen markets. 2015 was an eventful and profitable year for the Group. For the first time in the company's history, net sales exceeded EUR 900 million.

During the year, we made changes in the Group's structure. In February we announced the acquisition of Risenta AB, a company that offers tasty and healthy food to people who want to lead a healthy lifestyle. This is currently one of the fastest-growing consumer trends. Risenta's growth continued for the seventh consecutive year, owing to factors such as the success of Chia seeds, bean pasta and muesli products. Risenta makes up the Group's new Naturally Healthy Food division.

In April we announced the sale of the Industrial Flavouring division to Solina Group, a company specialising in flavouring solutions for the food industry. This was the result of our decision to focus Paulig Group's business on consumer products and food services.

In order to optimise the production of maize-based taco and chips products, a decision was made in 2015 to consolidate operations to the Group's production unit in Belgium. This decision means that production at the taco plant in Mölndal will be gradually shutdown in the beginning of 2017.

Paulig Group's business is divided into four divisions: Coffee, World Foods & Flavouring, Snack Food and Naturally Healthy Food. 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 60 countries. The Group's brands are Paulig, Santa Maria and Risenta. Customers' own labels in the Tex Mex category are produced in Belgium.

Consolidation and niche segments

Strong consolidation is taking place among both customers and competitors in our business environment, leading to increased price pressure and fierce competition in the market. At the same time, the number of smaller players specialising in niche segments with loyal consumer groups is on the rise.

We focus on being close to people in their everyday lives, on constantly having our finger on the pulse and development. In order to ensure this we further developed our consumer insights process during the year. This has produced ideas that will surely appear in our products and concepts in the coming years. Employees from all the divisions have participated in this work.

Despite a challenging business environment with intense competition and high volatility in raw material prices and exchange rates, all divisions achieved their goals for operative results. The Group's net sales exceeded EUR 900 million for the first time, and the Group's financial position is good. The good result and the continuing work to improve the efficiency of working capital also resulted in a strong cash flow.

International growth

Currently, 59 per cent of Paulig Group's sales are in the Nordic countries and 41 per cent are in other markets. Our goal is for 60 per cent of sales to take place outside the Nordic countries in 2020, without compromising our strong Nordic position in coffee, spices, international food concepts and naturally healthy food.

In 2015, the Group's sales volume for coffee increased by nine per cent in Russia and its neighbouring areas. In the Baltic countries, the sales of coffee, spices and international food concepts grew. The UK is a challenging market where we are continuing to increase brand awareness of Santa Maria and define the right offering for the market.

The Naturally Healthy Food division grew strongly both in Sweden and Finland. This is mainly due to the organisation's ability to launch relevant new products for consumers. During the year, we established an organisation that markets and sells the Risenta brand in Finland.

The Snack Food division made several significant agreements with major European customers, which increased sales in the division's main product groups: tortillas, chips and tacos.

It's not what we do, it's the way that we do it

At Paulig, we have always believed that a strong and inspiring business culture is paramount to the company's success. Therefore we continuously work to develop our business culture side by side with our strategy and growth targets. For us, it is not just what we do but also very much the way that we do it.

I started this review by explaining that we focus on being close to the consumers. I want to finish it by saying that at the core of all our operations is our mission, Exploring Great Taste. Our primary duty, every day, is to explore great tastes and make sure that our products and services always leave a satisfying taste behind in the form of our sustainable way of working. We describe our sustainability work in detail on pages 13–15 of this Annual Report.

Today, Paulig is a company with 140 years of history. We regard the future with great curiosity. I am often asked which of our categories I think will develop strongest in the future. We regard this question in a different way though – I am convinced that great taste will never go out of fashion or become untrendy. What matters in the end is how we manage to develop with the times. Together with our owners we have already set our sights on the next 140 years – so you can say that we really are planning for the long term.

I want to thank all our employees for the past year. I would also like to thank all of our partners for their very good cooperation in 2015.

Helsinki, March 2016

Jaana Tuominen
CEO
Paulig Group

”Today, Paulig is a company with 140 years of history. We regard the future with great curiosity.”

A world of tastes

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

Coffee

The business operations of the Coffee division performed well in 2015. Net sales increased to EUR 346.3 million (319.0) and the total sales volume grew by 4 per cent from the previous year. A total of 531 employees work in the Coffee division. The main market areas are Finland, the Baltic countries and Russia together with neighbouring areas.

In Finland, sales volume increased by 3 per cent. Successful campaigns for Mother's Day and Christmas led by the Juhla Mokka brand contributed to the increase in retail sales. Paulig is the leading brand in the Finnish market.

Robert Paulig Roastery also achieved considerable growth during the year as a result of its renewed and extended special coffee selection.

In the Baltic countries, sales volume increased somewhat in the retail trade. Paulig Classic secured its position further. Paulig is the leading coffee brand in Estonia and Lithuania and number three in Latvia.

In Russia, sales volume increased 9 per cent compared with the previous year. However, the weakness of the rouble continued to affect profitability in Russia. The organisation has worked hard and successfully to create growth and to increase awareness of the Paulig brand in Russia and the nearby markets. Today Paulig is one of the leading coffee brands in both Moscow and St. Petersburg.

Paulig Professional's sales to the food service and office sector were slightly lower than planned for the year. The main reason for this was the difficult financial situation within the sector that had a negative effect on the division's performance. In Finland and the Baltic countries Paulig Professional made a number of new customer agreements towards the end of the year. In Sweden and Norway, the organisation is still working on the establishment of Paulig Professional in the market.

An essential part of Paulig's sustainability work is how the company buys its coffee. Paulig's goal is to buy all green coffee from traceable and verified sources by the end of 2018. Paulig purchases about 0.7 per cent of the world's annual coffee production. In 2015 Paulig invested in renewable energy, and now all the coffee in Vuosaari is roasted with domestic biogas. Read more about our sustainability work for coffee on page 13.

Facts about the division

Head of Division: Elisa Markula
Net sales 2015: EUR 346.3 million
Number of employees: 531
Master Brands: Paulig, Robert Paulig
Roasteries: Helsinki and Tolkkinen, Finland, and Tver, Russia

World Foods & Flavouring

In 2015, the net sales of the World Foods & Flavouring division totalled EUR 307.8 million (308.0). A total of 859 employees worked in the division in 12 countries. The main market areas are the Nordic and Baltic countries, the UK and the Benelux countries.

World Foods & Flavouring has four product categories under the Santa Maria brand: Tex Mex, Asia, Spices and BBQ. During the year, the organisation worked on the development and update of the Asia, BBQ and Spices categories. Product recipes, packaging and marketing communications were updated.

Asian food is increasing in popularity in many markets, and Santa Maria reached a growth rate of over 8 per cent in the category.

Santa Maria Extra Fine Selection of Spices, with its unique flavours, was also updated during 2015. The range includes several spices displaying both the Fair Trade and the ecolabel symbols. The goal is to triple the number of ecological products in the Santa Maria brand by 2020.

The BBQ category was negatively affected by the cold summer weather in many of the largest markets, which meant that less BBQ food was prepared during the summer.

The biggest product category, Santa Maria Tex Mex will be updated during the first half of 2016.

The division's food service operations continued to develop well. 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.

In 2015, efforts were made to clarify the brand's customer promise and marketing. Under its slogan "No More Boring Meals" Santa Maria promises to take up the challenge to make meals more exciting. This will also mean further investments in Santa Maria's product range in 2016.

The World Foods & Flavouring division has five production facilities of which three are in Sweden (spices, tortillas and Tex Mex chips). A spice facility is in Estonia and a tortilla facility in the UK. In 2015, a decision was made to concentrate all Tex Mex chips production in the facility in Belgium. This means that Tex Mex chips production in Mölndal will be closed down at the beginning of 2017.

Facts about the division

Head of Division: Johan Sundelin
Net sales 2015: EUR 307.8 million
Number of employees: 859
Master Brand: Santa Maria
Production: Mölndal and Landskrona, Sweden, Saue, Estonia and Milton Keynes, the UK

Snack Food

The Snack Food division's net sales in 2015 came to EUR 218.9 million (203.1) and sales volume increased 7.8 per cent. A total of 394 employees worked in the division. Based in Belgium, the Snack Food division produces snack and Tex Mex products for customers' own brands. The division's large product segment – tacos, chips, tortillas and salsa products – contributed to the positive development. During the year, the taco recipes were updated so that the products are now completely gluten-free.

The division has more than 700 customers in over 60 countries. During the year, a number of new, significant customer agreements were made. The Snack Food division's main market areas are France, Germany and the UK.

During the year, two new tortilla production lines were installed to cope with the growth in the tortilla category.

Facts about the division

Head of Division: Peter Denolf
Net sales 2015: EUR 218.9 million
Number of employees: 394
Manufactures customers' own labels
Production: Roeselare, Belgium

Naturally Healthy Food

The Naturally Healthy Food division was established in connection with the Paulig Group's acquisition of Risenta AB in February 2015. Net sales in 2015 grew to EUR 31.1 million, which is an increase of 21 per cent compared with the previous year. The division employs 38 members of staff.

The headquarters are in Rotebro, Stockholm, and the brand Risenta is the market leader in naturally healthy foods in Sweden. The range includes seeds, muesli and granola, special flour, cereals, rice, beans, lentils, snack food, bean pasta, dried fruit and nuts. Besides Sweden, the products are sold in Finland and Norway.

Interest in delicious and healthy food is currently one of the fastest-growing consumer trends. One of the most popular Risenta products is chia seeds. In 2015, product sales doubled. Risenta also achieved strong growth in the muesli category with a number of trendy product options. During the year, two new muesli products with no added sugar were introduced. Risenta's bean pasta was voted the product of the year 2015 at the Dagligvarugalan retail trade gala in Sweden in September. According to the jury, Risenta's bean pasta has boosted the healthiness and growth of the pasta category in an innovative way. Three gluten-free chickpea pasta product varieties were also launched: Macaroni, Fusilli and Rigatoni. The short pasta shapes are high in protein and the pasta is made from 100 per cent organic chickpea flour.

The division's production and warehouse are in Rotebro, Stockholm.

Facts about the division

Head of Division: Niklas Truedsson
Net sales 2015: EUR 31.1 million
Number of employees: 38
Master Brand: Risenta
Production: Rotebro (Stockholm), Sweden




Responsible taste experiences

In Paulig Group quality, a long-term approach and responsibility have been sustaining ideas dating back to the times of Gustav Paulig, the company's founder, and they continue to apply. Responsibility now extends far beyond our European home markets. Our business is based on nature's products and our raw material chain includes almost all continents. In many areas, climate change is already affecting both agriculture and people's everyday life and livelihoods. This has a direct bearing on our company's ability to succeed in the next 140 years. Success will only be possible if we take care of the wellbeing of the environment and people throughout our value chain.

Responsibility is one of the Group's strategic cornerstones and we work systematically with our stakeholders to instil it in our daily decision making and activities. In 2015 we updated the foundation of our responsibility work based on materiality assessment and initiated preparations for Group level corporate responsibility reporting. We also continued to improve the responsibility of procurement together with the business units. We continued our work to strengthen ethical culture, and created the groundwork for an environmental programme.

A long supply chain is a challenge for responsible procurement

Responsible sourcing practices and product origin information is becoming more and more important for all parties in the chain. For a few years now we have already been developing new shared procurement procedures for all Group units through Responsible Sourcing projects. Last year we implemented a new operating model and tools, including renewed supplier code of conduct and questionnaires and carried out the first audits in risk countries. This helps us understand and take better care of the social and environmental risks associated with our raw materials and subcontractor supply chains and to take essential corrective action. As the chains can vary considerably depending on the products and countries, the challenges also vary.

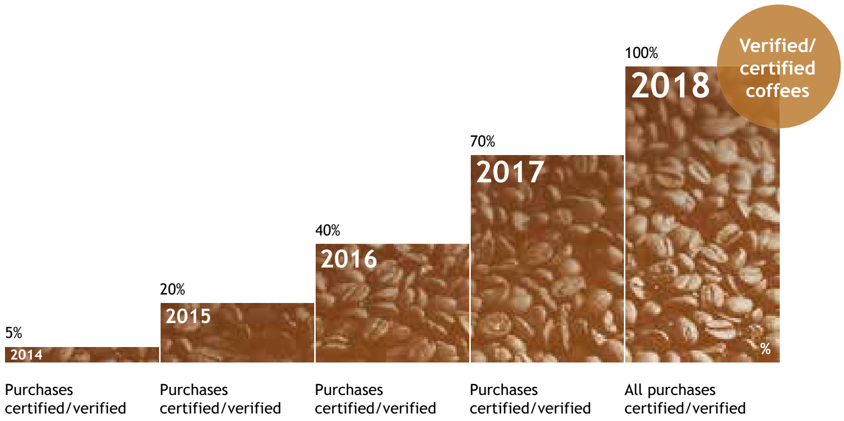
Use of palm oil declined – only certified oil is used

Paulig Group is a member of the Roundtable of Sustainable Palm Oil (RSPO) and approves only certified palm oil. Last year, Paulig Group used just under 4 600 tonnes of palm oil.

In 2015, the World Foods & Flavouring division launched a product strategy until 2020. It covers the health, product safety and environmental and social issues associated with products, concepts and services. Under the new strategy, palm oil was replaced with a sunflower and rapeseed oil mix in Santa Maria products.

The Snack Food division, which operates in Belgium, also increasingly uses the same oil mix in its products. As of December 2015, the company has exclusively used certified, segregated palm oil in all products.

Sustainable coffee programme improves responsibility



The Sustainable Coffee programme is making progress
The Coffee division's goal is to procure all green coffee from sustainable sources by 2018. The project is on schedule: in 2015 the proportion of verifiable coffees increased to just over 20 per cent and the goal for this year is 40 per cent.

Support for the sustainable future of coffee cultivation

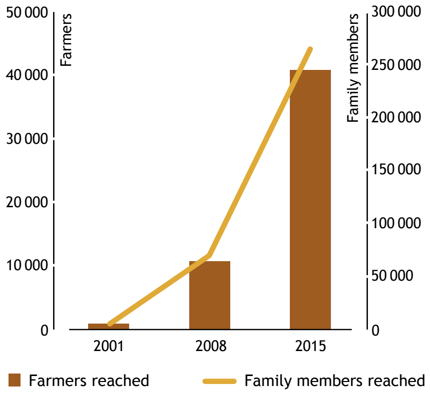
Climate change is a threat to coffee cultivation and the livelihood of millions of farmers. The Coffee & Climate project started by a small group of pioneers, including Paulig, in 2011 has grown rapidly and now has the support of 60 per cent of the global trade in coffee. The project supports farmers' adjustment to changes brought about by changing weather conditions to enable them to continue farming. The project uses support projects and a browser-based toolbox to distribute the methods tested with supporters and farmers and the test results as widely as possible.

The 15 years of work by the International Coffee Partners community (ICP) to improve coffee farmers' skills and livelihood has brought good results. More than 20 multi-year projects in 12 different countries have already helped over 40 000 farmers. When the farmers' families are also included in this figure, the projects have helped nearly 265 000 people.

Photo: ICP

Our audit team in Ethiopia

Participation in ICP projects (Accumulative numbers)



"We focus in particular on our important raw materials and manufacturers in countries designated as risk countries by BSCI."*

Sourcing Development Manager Marika Korpilaakso

** The Business Social Compliance Initiative*

Reduce the carbon footprint

Paulig Group's goal is to reduce its carbon footprint in both its own operation and where possible, in its supply chain. 70 per cent of the Group's production facilities already have an environmental system under the ISO 14001 standard. To reduce its footprint, the roastery in Vuosaari changed from natural gas to biogas last year and started to use wind-generated power. The share of renewable energy is now 92 per cent. As of 2016, the World Foods & Flavouring division will only use energy from renewable sources in its Swedish operations.

Wind power and renewable energy in India

Since 2012, the World Foods & Flavouring division has reduced its carbon dioxide emissions by 39 per cent by improving its energy efficiency and transferring to wind power. The company also compensates its carbon dioxide emissions by supporting the production of biogas from agricultural waste, introduction of irrigation pumps driven by non-fossil fuels and using biogas in cooking in India, an important producer country.

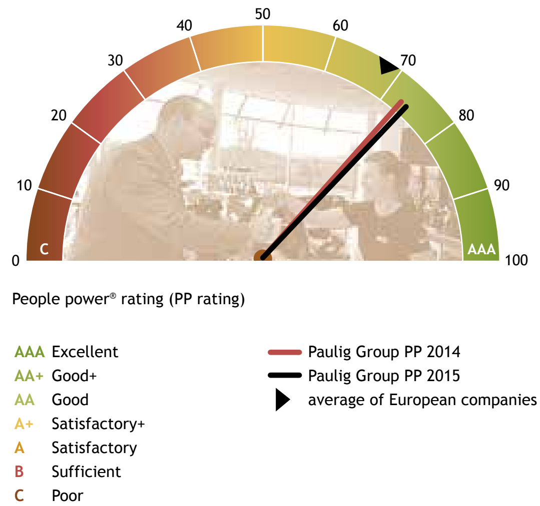
Good employer performance and management reinforce commitment

The results of the TellUs employee engagement survey continued to be good in the 2015 study and above the average for European companies. The response percentage was high, nearly 90 per cent. The results were slightly better than in 2014. Employer perception remains strong and the personnel are confident in the company's management. The way the results of the study are processed was already improved after the 2014 study in order to have better access to matters that are as concrete as possible. All teams analyse their own results and agree on how to improve the teams way of working.

Mitt Liv opens doors for immigrants

In Sweden, Santa Maria has been a partner of the social enterprise Mitt Liv since 2010. Mitt Liv supports an open and multicultural society by increasing the appreciation of immigrants' experience and skills on the Swedish job market. The Mitt Liv Chans mentoring programme offers immigrants opportunities to build a valuable network of professionals and make new contacts in work life with the help of companies' person-nel. More than ten Santa Maria employees have already taken part in the programme as mentors.

TellUs employee engagement survey



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 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 2015, the Board convened six 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. 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 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 2015

In 2015 Paulig Group's net sales were EUR 905.2 million (867.0), an increase of 4.4 per cent on 2014. The Group's operating profit was EUR 63.6 million (73.7), which is 7.0 per cent (8.5) of net sales. Paulig Group employed 1 890 people on average in 2015 (1 951).

Changes in Group structure during the financial year

The following changes took place in the Group's structure in 2015:

- In February 2015 Risenta AB was acquired and the Naturally Healthy Food division was founded
- The Industrial Flavouring division was sold in April 2015, as a result of which Lihel Ltd, Nordfalks AS, Nordfalks Industri AB and Saue Production OÜ are no longer part of Paulig Group
- Paulig Coffee Poland Sp. z o.o. was discontinued in October 2015
- Paulig Finance S.A. was discontinued in December 2015

Risenta AB was founded in Sweden in 1940. Risenta's business idea is to offer delicious and healthy food to people who want to lead a healthy lifestyle. Its selection includes seeds, muesli, special flours, cereals, rice, beans, lentils, snack foods, bean pasta, dried fruit and nuts.

Paulig Group acquired Risenta AB in February 2015 and the business forms the Group's Naturally Healthy Food division.

Net sales

In 2015 Paulig Group's net sales were EUR 905.2 million (867.0), an increase of 4.4 per cent on 2014. The net sales figure is not fully comparable to the previous year's figure due to the changes that took place in the Group structure. When only the divisions that were part of the Group during both full financial years are included, net sales grew 5.7 per cent.

Of Paulig Group's EUR 905.2 million net sales, 59 per cent came from the Nordic countries and 41 per cent from other countries. Of the divisions, the largest contributor to net sales was the Coffee division (38 per cent), followed by the World Foods & Flavouring division (34 per cent) and the Snack Food division (24 per cent).

Result for the financial year

All divisions attained or exceeded their targets for the year and as a result. The consolidated operating profit was EUR 63.6 million (73.7) and its ratio to net sales was 7.0 per cent (8.5). The 2015 operating profit is not directly comparable to the 2014 figure because of the sale of the Industrial Flavouring Division and the acquisition of Risenta AB.

The consolidated result for the financial year of EUR 84.8 million (46.8) includes profit from real estate sales EUR 5.1 million (5.9) coming mainly from the sale of land in the area where the Vuosaari roastery used to be located. The result also includes EUR 41.8 million in non-recurring profit from the sale of the Industrial Flavouring division. Depreciation and impairments totalled EUR 51.0 million (48.8), of which goodwill depreciation was EUR 25.0 million (23.5).

The associated company's (Fuchs Gewürze GmbH & Co) contribution to the consolidated result came to EUR -2.2 million (-0.2), including EUR 5.8 million in goodwill depreciation (5.8).

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 coming to EUR 78.1 million (84.5). At the end of the review period, the Group's net debt was EUR -101.7 million (-43.4). The Group's solvency was at a good level throughout the year.

Net sales per division (MEUR)

	2015	2014	Change
Coffee	**346.3**	319.0	8.6%
World Foods & Flavouring	**307.8**	308.0	-0.1%
Snack Food	**218.9**	203.1	7.8%
Industrial Flavouring	**12.6**	54.7	-77.0%
Naturally Healthy Food	**31.1**	0.0	-
Elimination	**-11.5**	-17.8	-35.4%
Total	**905.2**	867.0	4.4%

Key indicators of Paulig Group's financial status and result

	2015	2014	2013
Net sales, MEUR	**905.2**	867.0	849.7
Other operating income, MEUR	**5.5**	7.5	3.6
Share of results in associated company, MEUR	**-2.2**	-0.2	-0.4
Operating profit, MEUR	**63.6**	73.7	75.9
Operating profit, % of net sales	**7.0**	8.5	8.9
Operating profit before depreciation, MEUR	**114.6**	122.5	126.7
Net profit for the year, MEUR	**84.8**	46.8	45.5
Shareholders' equity, MEUR	**547.2**	477.2	452.9
Return on equity, %	**16.6**	10.0	10.4
Equity ratio, %	**73.8**	71.2	69.8
Liquid assets, MEUR	**108.6**	49.4	19.9
Interest-bearing debt, MEUR	**6.8**	6.2	32.7
Investments, MEUR	**64.7**	32.7	18.8

Investments

Investments during the financial year came to a total of EUR 64.7 million (32.7), including the acquisition of the shares of Risenta AB. Investments were mainly made up of new procurements in production processes in Snack Food division, and investments in IT solutions.

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 policies 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 these policies.

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 market in Russia remained as challenging as the year before. The principal operative risk involved raw materials, the availability and quality of which may vary significantly between different crops. 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 material the Group follows the policies adopted by the Board of Directors.

In the management of financial risks the Group follows the financial policies 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 financial policy also covers hedging from 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

The average number of Paulig Group's personnel decreased by approximately 60 persons from 2014. This was partly due to the sale of the Industrial Flavouring division, which reduced personnel by more than 100 persons. In contrast, the acquisition of Risenta AB and adding production capacity in the Snack Food division increased personnel more than 30 persons each.

Most of the Group's average personnel figure of 1 890 are in Sweden (28 per cent), Belgium (21 per cent) and Finland (18 per cent).

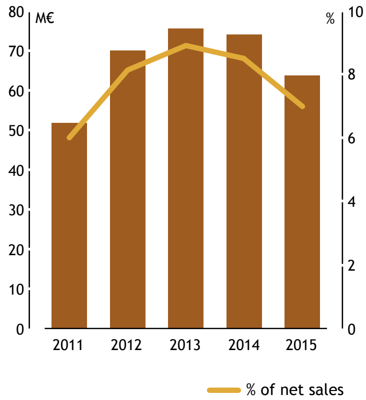
Product development

Product development is an important element of taking care of our product selection and ensuring future growth. Good knowledge of consumer behaviour and market trends is essential for successful product development based on consumer views. During the financial year people working in marketing and innovation units took part in common Consumer Insight training.

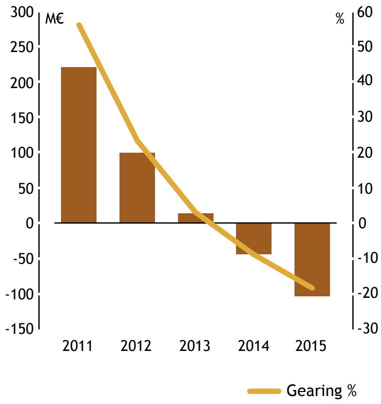
Key personnel indicators

	2015	2014	2013
Average number of personnel during the financial year	**1 890**	1 951	1 881
Wages and salaries for the financial year, MEUR	**112.8**	107.8	111.7

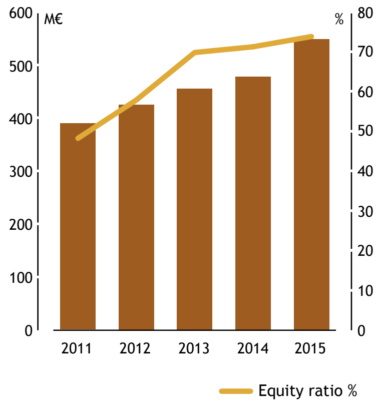
EBIT



Net debt



Shareholders' equity



As a result of the training, a common consumer insight process was implemented in all divisions.

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 flavour, 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.

Corporate responsibility, the environment and quality

Paulig Group's corporate responsibility work is based on the Group's values and ethical principles and is managed by the corporate responsibility management team. There are four focus areas that steer the corporate responsibility work at the Group and the division level.

In 2015, the foundation of the Group's responsibility work was updated based on materiality assessment and preparations for the Group level corporate responsibility reporting were initiated. The measures to improve the responsibility of procurement were continued together with the business units. The work to strengthen ethical culture progressed: ethical principles and familiarisation with our corporate responsibility work are part of the programme that new employees follow. The groundwork for an environmental programme shared by the entire Group was also created.

Management and auditors

Paulig Ltd's Board of Directors has seven members: Mikael Aru (Chairman), Mathias Bergman, Christian Hallberg, Christian Köhler, Harri Pulli, Jon Sundén and Sanna Suvanto-Harsaae. The auditor has been Ernst & Young Oy, 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:

	2015	2014
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 2015 was EUR 84 828 359.15. The parent company's distributable shareholders' equity was EUR 198 721 066.86 according to the financial statements on 31 December 2015. The Board of Directors proposes that a dividend of EUR 44.50 per share be paid, amounting to EUR 22 373 042.50 in total. The parent company will retain profits totalling EUR 176 348 024.36.

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

Net sales are expected to increase somewhat in 2016 while net result excluding non-recurring items is expected to remain on the 2015 level.

Events following the end of the financial year

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




Consolidated income statement

EUR 1 000	Note	1 January 2015 — 31 December 2015	1 January 2014 — 31 December 2014
Net sales	1	**905 165**	867 033
Increase (+), decrease (-) in inventories of finished goods		**1 564**	4 729
Other operating income	2	**5 521**	7 493
Materials and services			
Materials and supplies			
Purchases during the financial year		**-492 735**	-465 380
Increase (+), decrease (-) in inventories		**1 828**	4 964
External services		**-13 685**	-12 381
Personnel expenses	3	**-112 797**	-107 767
Depreciation and value adjustments	4	**-50 969**	-48 785
Other operating expenses	5	**-178 038**	-176 024
Share of results in associated companies		**-2 224**	-165
Operating profit		**63 629**	73 716
Financial income and expenses	6		
Dividend income on long-term financial assets		**41 944**	101
Interest income and other financial income		**2 324**	1 230
Interest expenses and other financial expenses		**-3 500**	-5 832
		40 768	-4 501
Profit before taxes and minority interest		**104 397**	69 216
Income taxes	7	**-19 569**	-22 382
Net profit for the financial year		**84 828**	46 834

Consolidated balance sheet

EUR 1 000	Note	**31 December 2015**	31 December 2014
Assets			
Fixed assets	8		
Intangible assets			
Intangible rights		**2 374**	2 018
Goodwill		**107 736**	99 179
Other long-term expenses		**13 573**	5 263
		123 682	106 460
Tangible assets			
Land and water		**12 576**	13 387
Buildings and constructions		**44 182**	46 039
Machinery and equipment		**91 370**	93 922
Advance payments and construction in progress		**5 677**	9 311
		153 804	162 659
Long-term financial assets	9		
Shares in associated companies		**101 200**	103 424
Other shares		**1 682**	1 680
Other receivables		**3 605**	3 511
		106 487	108 615
Total fixed assets		**383 973**	377 734
Current assets			
Inventories			
Materials and supplies		**47 794**	45 491
Finished goods		**42 661**	47 724
		90 454	93 216
Long-term receivables			
Loan receivables		**7**	71
Deferred tax receivables	15	**3 444**	3 071
		3 451	3 142
Short-term receivables			
Accounts receivable		**126 208**	121 328
Loan receivables		**0**	39
Other receivables		**6 042**	5 801
Accruals and deferred income	10	**22 602**	19 575
		154 852	146 742
Cash and bank		**108 551**	49 424
Total current assets		**357 309**	292 524
Total		**741 282**	670 258

Consolidated balance sheet

EUR 1 000	Note	**31 December 2015**	31 December 2014
Shareholders' equity and liabilities			
Shareholders' equity	11		
Share capital		**8 204**	8 204
Premium fund		**3 743**	3 748
Reserve fund		**201**	274
Revaluation fund		**394**	394
Reserve for invested non-restricted equity		**4 276**	4 276
Retained earnings		**445 531**	413 484
Net profit for the financial year		**84 828**	46 834
Total shareholders' equity		**547 177**	477 213
Minority interest		**15**	14
Mandatory reserves	12	**2 975**	33
Liabilities	13		
Long-term liabilities			
Interest bearing liabilities		**6 810**	6 172
Advances received		**0**	390
Other non-interest bearing liabilities		**570**	496
Deferred tax liabilities	15	**10 838**	10 731
		18 218	17 789
Short-term liabilities			
Advances received		**189**	0
Accounts payable		**101 995**	109 146
Other liabilities		**10 690**	10 756
Accruals and deferred expenses		**60 024**	55 306
		172 898	175 208
Total liabilities		**191 116**	192 997
Total		**741 282**	670 258

Consolidated cash flow statement

EUR 1 000	Note	2015	2014
Cash flow from operating activities			
Profit after financial income and expenses		**104 397**	69 216
Adjustments, total	16	**2 598**	54 380
Operating profit before change in net working capital		**106 995**	123 596
Change in net working capital	16	**-3 061**	-11 709
Cash generated from operations		**103 934**	111 886
Interest received		**2 241**	1 241
Interest paid		**-3 379**	-5 866
Income taxes paid		**-24 713**	-22 732
Net cash flow from operating activities		**78 083**	84 530
Cash flow from investing activities			
Capital expenditures		**-27 654**	-32 742
Proceeds from sale of fixed assets		**6 083**	15 678
Acquisition of subsidiary shares		**-37 090**	0
Disposal of subsidiary shares		**53 515**	1 895
Proceeds from repayments of loans		**0**	76
Acquisition of other shares		**0**	-64
Dividends received		**121**	101
Net cash flow from investing activities		**-5 025**	-15 056
Cash flow from financing activities			
Increase (+), decrease (-) in long-term liabilities		**493**	-26 389
Increase (+), decrease (-) in short-term liabilities		**0**	52
Increase (-), decrease (+) in long-term receivables		**-46**	105
Donations paid		**0**	-1 500
Dividends paid		**-14 379**	-12 217
Net cash flow from financing activities		**-13 932**	-39 948
Change in liquid funds		**59 127**	29 526
Liquid funds on 1 January		**49 424**	19 899
Liquid funds on 31 December		**108 551**	49 424

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	2015	2014

1. Net sales

Net sales by market area		
Nordic countries	**538 496**	504 296
Continental Europe	**184 726**	179 220
United Kingdom and Ireland	**78 388**	70 320
Baltic countries	**55 994**	53 860
Russia	**43 235**	54 904
Other countries	**4 326**	4 433
Total	**905 165**	867 033

2. Other operating income

Profit on sales of fixed assets	**5 153**	6 151
Other income	**368**	1 342
Total	**5 521**	7 493

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	**4 120**	4 065
Other wages and salaries	**86 672**	81 843
Pension expenses	**8 113**	8 340
Other personnel expenses	**13 892**	13 519
Total	**112 797**	107 767

Average number of personnel		
Nordic countries	**929**	934
Central Europe	**407**	373
United Kingdom and Ireland	**126**	140
Baltic countries	**283**	350
Russia	**145**	153
Total	**1 890**	1 951

Number of personnel in associated companies	**2 914**	2 840

4. Depreciation and value adjustments

Depreciation on tangible assets	**24 661**	23 989
Depreciation on intangible assets	**26 308**	24 796
Total	**50 969**	48 785

EUR 1 000	2015	2014

5. Fees for auditing companies

KPMG		
Tax consulting	**21**	0
Other fees	**17**	42
Ernst & Young		
Statutory auditing fees	**413**	405
Statements and other certificates	**7**	15
Tax consulting	**68**	43
Other fees	**19**	33
Others		
Statutory auditing fees	**0**	1
Tax consulting	**66**	5
Other fees	**0**	24
Total	**611**	569

6. Financial income and expenses

Income on long-term financial assets		
Profit on sale of assets	**41 823**	0
Dividend income	**121**	101
Interest income and other financial income	**2 324**	1 230
Interest expenses and other financial expenses	**3 500**	5 832
Interest expenses and other financial expenses include currency losses	**122**	774

7. Income taxes

Income tax on ordinary business	**-20 235**	21 980
Change in deferred tax receivables and payables	**666**	401
Total	**-19 569**	22 382

8. Fixed assets

EUR 1 000	2015	2014
Intangible rights		
Acquisition cost on 1 January	**34 660**	35 814
Translation difference	**368**	-1 271
Increase	**1 929**	1 102
Decrease	**-1 011**	-985
Acquisition cost on 31 December	**35 946**	34 660
Accumulated depreciation on 1 January	**-32 643**	-33 546
Translation difference	**-368**	1 220
Depreciation of the financial year	**-997**	-1 072
Due to acquired companies	**-161**	0
Accumulated depreciation and value adjustments related to decreases and transfers	**596**	755
Accumulated depreciation on 31 December	**-33 573**	-32 643
Book value on 31 December	**2 374**	2 018
Goodwill		
Acquisition cost on 1 January	**275 682**	277 592
Correction to opening balance	**-378**	-225
Translation difference	**5 995**	-8 898
Increase	**33 493**	7 994
Decrease	**-18 639**	-781
Acquisition cost on 31 December	**296 153**	275 682
Accumulated depreciation on 1 January	**-176 503**	-158 420
Correction to opening balance	**722**	225
Translation difference	**-4 238**	5 183
Depreciation of the financial year	**-25 025**	-24 177
Accumulated depreciation and value adjustments related to decreases and transfers	**16 626**	686
Accumulated depreciation on 31 December	**-188 418**	-176 503
Book value on 31 December	**107 736**	99 179

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.

EUR 1 000	2015	2014
Other long-term expenses		
Acquisition cost on 1 January	**7 726**	4 013
Translation difference	**71**	-59
Increase	**8 284**	3 561
Decrease	**-27**	-108
Transfers between items	**248**	319
Acquisition cost on 31 December	**16 303**	7 726
Accumulated depreciation on 1 January	**-2 464**	-2 331
Translation difference	**7**	18
Depreciation of the financial year	**-286**	-233
Accumulated depreciation and value adjustments related to decreases and transfers	**12**	82
Accumulated depreciation on 31 December	**-2 730**	-2 464
Book value on 31 December	**13 573**	5 263
Land and water		
Acquisition cost on 1 January	**13 387**	15 878
Translation difference	**-34**	-300
Increase	**45**	0
Decrease	**-823**	-2 191
Book value on 31 December	**12 576**	13 387
Buildings and constructions		
Acquisition cost on 1 January	**75 042**	89 905
Translation difference	**-532**	-5 860
Increase	**1 061**	1 257
Decrease	**-154**	-11 896
Transfers between items	**77**	1 635
Acquisition cost on 31 December	**75 494**	75 042
Accumulated depreciation on 1 January	**-29 003**	-30 872
Translation difference	**71**	648
Depreciation of the financial year	**-2 407**	-2 585
Accumulated depreciation and value adjustments related to decreases and transfers	**26**	0
Decrease	**0**	3 806
Accumulated depreciation on 31 December	**-31 312**	-29 003
Book value on 31 December	**44 182**	46 039
Machinery and equipment		
Acquisition cost on 1 January	**286 567**	291 897
Correction to opening balance	**0**	-7 524
Translation difference	**2 273**	-5 459
Increase	**12 582**	10 644
Decrease	**-7 314**	-4 937
Transfers between items	**6 333**	1 945
Acquisition cost on 31 December	**300 440**	286 567
Accumulated depreciation on 1 January	**-192 645**	-186 362
Correction to opening balance	**0**	7 524
Translation difference	**2 410**	3 017
Depreciation of the financial year	**-22 255**	-21 404
Due to acquired companies	**-2 242**	0
Accumulated depreciation and value adjustments related to decreases and transfers	**5 660**	4 712
Transfers between items	**0**	-132
Accumulated depreciation on 31 December	**-209 071**	-192 645
Book value on 31 December	**91 370**	93 922
The book value of production machinery and equipment on 31 December	**79 725**	81 710

EUR 1 000	2015	2014
Advance payments and construction in progress		
Acquisition cost on 1 January	**9 311**	3 405
Translation difference	**15**	-193
Increase	**3 041**	9 866
Decrease	**-33**	0
Transfers between items	**-6 658**	-3 767
Book value on 31 December	**5 677**	9 311

Revaluations

Above mentioned book values include revaluations as follows:

Land and water		
Value on 1 January	**5 127**	5 765
Decrease	**-572**	-638
Value on 31 December	**4 555**	5 127

9. Financial assets

Shares in associated companies		
Acquisition cost on 1 January	**103 424**	103 589
Share of results in associated companies *)	**-2 224**	-165
Book value on 31 December	**101 200**	103 424
Book value includes goodwill	**32 205**	38 006

*) adjusted by received dividends

Other shares		
Acquisition cost on 1 January	**1 680**	1 635
Translation difference	**7**	-19
Increase	**0**	64
Decrease	**-5**	0
Book value on 31 December	**1 682**	1 680

Other receivables		
Pension insurances	**2 930**	2 930
Other receivables	**675**	581
Total	**3 605**	3 511

Pension insurances relate to Mandatum Life pension insurances

Acquisition cost	**2 930**	2 930
Market value	**3 411**	3 272

10. Receivables

Main items included in accruals and deferred income		
Income tax receivables	**8 073**	982
Accrued personnel expenses	**1 898**	263
Green coffee and currency hedgings	**8 430**	13 871
Other	**4 200**	4 458
Total	**22 602**	19 575

EUR 1 000	2015	2014

11. Shareholders' equity

Share capital on 1 January	**8 204**	8 204
Share capital on 31 December	**8 204**	8 204
Premium fund on 1 January	**3 748**	3 747
Due to changes in group structure	**-5**	0
Premium fund on 31 December	**3 743**	3 748
Reserve fund on 1 January	**274**	76
Translation difference	**-73**	198
Reserve fund on 31 December	**201**	274
Revaluation fund on 1 January	**394**	525
Decrease	**0**	-132
Revaluation fund on 31 December	**394**	394
Reserve for invested non-restricted equity on 1 January	**4 276**	4 276
Reserve for invested non-restricted equity on 31 December	**4 276**	4 276
Retained earnings on 1 January	**460 319**	436 095
Correction to net profit from previous periods	**370**	217
Profit distribution	**-14 379**	-12 217
Translation difference	**-778**	-9 111
Other change	**0**	-1 500
Retained earnings on 31 December	**445 531**	413 484
Net profit for the financial year	**84 828**	46 834
Retained earnings from previous periods	**530 360**	460 319
Total shareholders' equity	**547 177**	477 213

Correction to previous years' net profit is mainly related to the corrections done to group goodwill.

12. Provisions

Other mandatory provisions	**2 975**	33

13. Liabilities

Long-term liabilities		
Pension loan	**6 810**	6 172
Advances received	**0**	390
Other liabilities	**570**	496
Total	**7 380**	7 058

Short-term liabilities		
Advances received	**189**	0
Accounts payable	**101 995**	109 146
Other liabilities	**10 690**	10 756
Accruals and deferred expenses	**60 024**	55 306
Total	**172 898**	175 208

EUR 1 000	**2015**	2014
Main items included in accruals and deferred expenses		
Accrued personnel expenses	**21 167**	20 102
Annual discounts to customers	**14 311**	7 019
Income tax liability	**6 423**	3 538
Green coffee and currency hedgings	**8 624**	8 619
Other	**9 500**	16 028
Total	**60 024**	55 306

14. Contingent liabilities

Guarantees for own commitments	9	66
Other liabilities		
Pension loan liabilities	**138**	125
Coffee machine liabilities	**480**	595
Total	**618**	720
Leasing liabilities		
Maturing within one year	**10 331**	8 996
Maturing after one year	**108 293**	105 317
Total	**118 624**	114 313

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	**554**	113
Nominal value	**38 988**	8 856
Currency derivatives		
Fair value	**3 413**	5 926
Nominal value	**110 001**	98 675
Interest rate swaps		
Fair value	**0**	-716
Nominal value	**0**	10 000
Interest rate and currency swaps		
Fair value	**0**	4 984
Nominal value	**0**	13 824

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.

15. Deferred tax receivables and tax liabilities

Deferred tax receivables		
From tax losses carry forward	**479**	106
From internal margins	**22**	54
From differences between taxable income and reported income	**2 943**	2 911
Total	**3 444**	3 071

EUR 1 000	**2015**	2014
Deferred tax liabilities		
From depreciation difference	**5 117**	5 440
From differences between taxable expenses and reported expenses	**4 609**	4 179
From revaluations	**1 112**	1 112
Total	**10 838**	10 731

The figures for 2014 have been regrouped to match with the specification in 2015.

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	**49 446**	48 785
Eliminated foreign exchange gains and losses	**-172**	7 451
Share of associated companies' results	**2 224**	165
Sales gains and losses on fixed assets	**-5 070**	-6 151
Value adjustments of fixed assets	**1 594**	200
Dividend income	**-121**	-101
Interest income	**-2 241**	-1 241
Other financial items	**-38 406**	5 860
Other income and expenses	**-4 657**	-588
Total	**2 598**	54 380
Change in net working capital		
Increase (-), decrease (+) in short-term receivables	**-3 192**	-27 050
Increase (-), decrease (+) in inventories	**1 335**	-13 951
Increase (+), decrease (-) in non interest bearing short-term liabilities	**-1 203**	29 291
Total	**-3 061**	-11 709

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	
Robert Paulig Roastery Ltd	100.0		1 950
Santa Maria Finland Ltd	100.0		66
Total		2 861	9 160
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
NV Snack Food Poco Loco, Belgium	100.0		136 105
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 Lietuva UAB, Lithuania	100.0		568
Paulig Coffee Norway AS, Norway	100.0		0
Paulig Coffee SIA, Latvia	100.0		950
Paulig Coffee Sweden AB, Sweden	100.0		5 246
Poco Loco France SARL, France	100.0		11
Risenta AB, Sweden	100.0		37 209
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
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	437 966
Shares in associated companies			150 305
Other shares and securities		1 449	233
Total shares and securities		316 137	597 664

The Board's proposal to the Shareholders' Meeting

The distributable shareholders' equity of the parent company according to the financial statements of 31 December 2015, is EUR 198 721 066.86 including retained profit for the previous years EUR 163 002 893.27, reserve for invested non-restricted equity EUR 4 050 000.00 and result for the financial year EUR 31 668 173.59.

The Board proposes that a dividend of EUR 44.50 per share on 502 765 shares be paid, totalling EUR 22 373 042.50. The parent company will retain profits of EUR 176 348 024.36.

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

Sollentuna, 31 March 2016

Mikael Aru
Chairman of the Board

Mathias Bergman

Christian Hallberg

Christian Köhler

Harri Pulli

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 2015 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 1 April 2016.

Helsinki, 1 April 2016

Ernst & Young Oy

Bengt Nyholm
Authorized Public Accountant

Board of Directors

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

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

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

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

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

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

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

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

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

Management team

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

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

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

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

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

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

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

Sarah Tähkälä
b. 1969
Vice President, Legal
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

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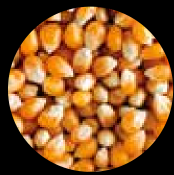

1876–2016
140
YEARS

2016

Paulig celebrates its 140th anniversary as a family-owned international company with operations in 13 countries. Our journey to explore great taste continues.

Exploring Great Taste

Stay
Curious

Strive for
Excellence

Grow
Together

PAULIG
GROUP
Exploring Great Taste