Annual Report 2016

PAULIG GROUP
Exploring Great Taste

Exploring Great Taste

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

Contents

4 Paulig Group in brief
6 CEO's review
8 A world of tastes
12 Corporate governance
14 Financial statements
- 15 Review by the Board of Directors
- 19 Consolidated income statement
- 20 Consolidated balance sheet
- 22 Consolidated cash flow statement
- 23 Accounting principles
- 25 Notes to the financial statements
- 30 The Board's proposal to the Shareholders' Meeting
- 31 Definitions

32 Board of Directors
33 Management team
35 Contact information

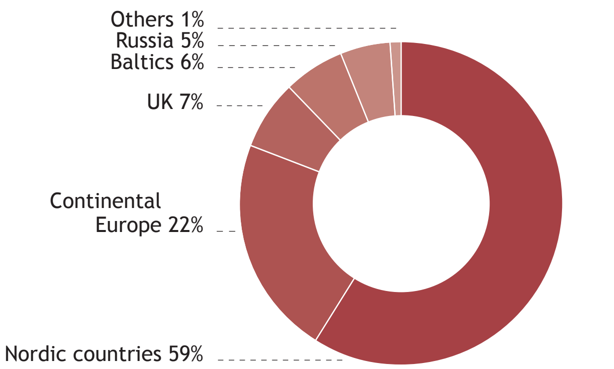
Contents

Paulig Group in brief

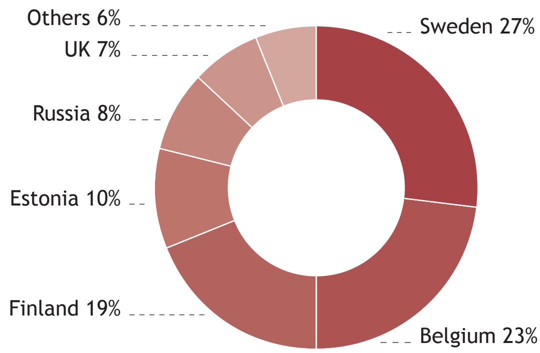
Family-owned company, founded by Gustav Paulig in

1876

Net sales per market



Personnel by country



Net sales per division

Mission

Exploring Great Taste

Net sales

917 MEUR

EBIT

76,9 MEUR

Personnel

1903

Brands

Paulig
Santa Maria
Risenta
gold&green
Poco Loco

Operations in 13 countries

sales

production

CEO's review

Paulig Group celebrated its 140th anniversary in 2016. It was an exciting year, not only because of the chance to celebrate our long history, but also because of various events. During the year, Paulig Group acquired the majority of the shares of Gold&Green Foods. The company's innovation, Pulled Oats™ was the most discussed food in Finland in 2016. The anniversary year was crowned off with a good result: all four divisions of the Group attained or exceeded their set targets. Net sales increased on the previous year and were EUR 916.9 million.

"The ability to renew ourselves and the courage to implement changes will have an important role in future success"

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 has well-known brands, such as Paulig, Santa Maria, Risenta and Gold&Green as well as Poco Loco.

Changes in Group structure

During the year, we made changes in the Group's structure. In March, Finance, IT, HR, Legal Affairs and Indirect Sourcing as well as Sourcing Development became the centralised functions of the Group. In order to strengthen our growth and strategy work, we established a new function – Strategy & Growth – that comprises strategic and growth initiatives, the brand portfolio and market intelligence, communications and sustainability.

In late August, we announced that Paulig Group had acquired 51 per cent of the shares of Gold&Green Foods, a company that develops innovative and healthy vegetarian foods using oats and beans. It is best known for its innovation Pulled Oats™, an alternative protein in cooking. Pulled Oats™ contains as much as 30 per cent protein and has a superior amino acid composition. It is also rich in beta-glucan, the healthy oat fibre. Invented by the Gold&Green team, its industrial rights have been protected.

The partnership between Paulig Group and Gold&Green Foods will combine the resources and competence to increase the production of Pulled Oats™ in Finland. By the end of the year, production capacity had already quadrupled from the level at the start of production in summer 2016. Demand among Finnish consumers grew in line with the increased availability. Pulled Oats™ has also attracted great interest abroad.

In October, the Norwegian subsidiary Risenta Norway AS was founded to establish the Risenta brand, which was already available in Sweden and Finland, in the Norwegian market.

Paulig Kulma, our coffee house in the centre of Helsinki, was also opened in October. Besides a coffee shop, Paulig Kulma also

You will find Paulig Group's Sustainability Report 2016 on our website www.pauliggroup.com

contains a micro roastery and the Paulig Barista Institute. Paulig's new flagship, Paulig Kulma, serves craft coffee that is roasted on site.

Brand update and platform for further growth

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 markets for 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 on development, so that our products will also be relevant in future. In 2016, we developed and updated our Paulig and Santa Maria brands. Furthermore, we created a platform for further growth by acquiring Risenta and Gold&Green Foods.

International growth

Currently, 59 per cent of the Paulig Group's sales are in the Nordic countries and 41 per cent are in the Group's other markets. Despite a challenging business environment with high volatility in raw material prices and exchange rates, all our divisions achieved their goals for operative results. Group sales exceeded EUR 900 million for the second year in a row, and net sales increased by 1.3 per cent on the previous year.

The continuing work to improve the efficiency of working capital combined with the good result also led to a strong cash flow.

Sales in the Coffee and World Foods & Flavouring divisions remained at the previous year's level. The Snack Food division's net sales increased by 13 per cent (including an increased internal sales) and the Naturally Healthy Food division's by just over 22 per cent.

The ability to renew ourselves

During the anniversary year, I was often asked what the foundation of our 140-year-old company is and how we will ensure that Paulig will remain close to people in their everyday lives in future. I am convinced that the ability to renew ourselves and the courage to implement changes will have an important role in this.

During the year, we actively continued to develop our corporate culture, since an engaging culture is one of the main prerequisites for the company's success.

We organised a digital brainstorming event to ask our employees how they would like Paulig to develop in the coming years. The areas that our employees want to be particularly proud of in 2020 are: attractive brands and a strong consumer focus, a good place to work, active innovation work and growth as well as genuine sustainability work.

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. As regards our sustainability efforts, from now on they will be described in a separate sustainability report that will be published on the Paulig Group website.

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 2016.

Helsinki, March 2017

Jaana Tuominen
CEO
Paulig Group

A world of tastes

Paulig Group has four divisions – Coffee, World Foods & Flavouring, Snack Food and Naturally Healthy Food.

Coffee

The business operations of the Coffee division performed well in 2016. Net sales were EUR 343.8 million (346.3). The slight reduction in the net sales figure is the result of the lower price of green coffee in 2016 compared to 2015. The sales volume grew by one per cent compared to the previous year.

A total of 586 employees work in the Coffee division. The main market areas are Finland, the Baltic countries and Russia together with its neighbouring areas.

During the year, several successful new products were launched in Finland, the most popular ones being the Café New York in the City Coffee range, Juhla Mokka Tosi Tumma and Presidentti Origin Blends.

In October, the new coffee house Paulig Kulma was opened in the heart of Helsinki, which serves craft coffee that is roasted on site. The coffee house also has a micro roastery and the Paulig Barista Institute. The café is operated in cooperation with Pure Hero, which is based in Turku and known for its delicacies, such as healthy raw cakes.

Robert Paulig Roastery expanded its selection of special coffees, and among others the Tom of Finland coffees were launched successfully in 2016.

In the Baltic countries, sales volume increased somewhat. Paulig is the leading coffee brand in Estonia and Lithuania and number three in Latvia.

In Russia, sales volume showed an increase of 13 per cent compared with the previous year. 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 foodservice and office sectors increased on the previous year. In Finland, concepts such as Premium Office and Cold Brew emerged as an important part of coffee culture and major events. Sales increased in Finland, the Baltic countries and Norway.

An essential part of Paulig's sustainability work is how the company sources its green coffee. Paulig's goal is to buy all green coffee from certified or otherwise verified sources by the end of 2018. The work is progressing according to plan. Our sustainability work is described more thoroughly in the Group's sustainability report.

Facts about the division

Head of Division: Elisa Markula
Net sales 2016: EUR 343.8 million
Number of employees: 586
Master Brands: Paulig, Robert Paulig
Roasteries: Helsinki and Tolkkinen, Finland and Tver, Russia

World Foods & Flavouring

In 2016, the net sales of the World Foods & Flavouring division were EUR 309.4 million (307.8). A total of 780 employees work 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 several product categories under the Santa Maria brand: Tex Mex, Asia, India, Spices and BBQ. In early 2017 an entirely new category was launched: Street Food.

During the year, the organisation worked on the development and update of the Tex Mex, Asia and Spices categories. Product recipes, packaging and marketing communications were updated.

The biggest category, Santa Maria Tex Mex, was updated in the first half of 2016. Changes included reducing the salt and sugar content, improving the taste and creating new packaging designs with clearer typography. Asian food is gaining popularity in several market areas, and Santa Maria continued the renewal of the product range.

The Santa Maria Extra Fine Selection of Spices provides unique flavours, and new organic spices were launched in 2016. The range includes several spices displaying the ecolabel symbol.

The division has set a goal that by 2020, the organic range will make up ten per cent of net sales.

The Santa Maria Foodservice business continued its positive development. The organisation has created a number of successful lunch concepts in recent years that have been well received by customers and consumers alike.

All in all, sales developed well in the various market areas. Business was particularly good in Sweden, Finland and the Benelux countries. In the UK, Santa Maria Foodservice continued to grow while sales decreased in retail trade.

In 2016, the new brand promise "No More Boring Meals" was launched. With this slogan, 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 2017.

The division worked hard on the implementation of new ERP system. A new activity-based office was opened in Mölndal in March. The construction of a new distribution centre in Kungsbacka was started, and the opening ceremony was held in March 2017.

Facts about the division

Head of Division: Johan Sundelin
Net sales 2016: EUR 309.4 million
Number of employees: 780
Master Brand: Santa Maria
Production: Mölndal and Landskrona, Sweden, Saue, Estonia, and Milton Keynes, UK

Snack Food

The Snack Food division performed well in 2016, and net sales were EUR 247.4 million (218.9). A total of 445 employees work in the division. Based in Belgium, the Snack Food division produces snack and Tex Mex products for customers' own brands. The division has more than 700 customers in over 60 countries. The main market areas are France, Germany and the UK.

The organisation has been successfully developing its basic selection and simplifying the overall offering.

The division's large product segment – tacos, chips, tortillas and salsa products – contributed to the positive development.

During the year, a project was started to develop a new ERP system. The system will be implemented in 2017. In August, the foundation stone was laid for the division's new warehouse. It is being built next to the Roeselare office and factory, and will be completed in early 2018. During the year, two new production lines were also installed to meet the increased demand for tacos and tortillas. The fully automated production lines also produce dinner kits.

In line with the expansion of the business, the division has also been focusing on the development of its employer image. During the year, new employees were hired for existing and new roles.

Facts about the division

Head of Division: Peter Denolf
Net sales 2016: EUR 247.4 million
Number of employees: 445
Manufactures customers' own brands
Production: Roeselare, Belgium

Naturally Healthy Food

The Naturally Healthy Food division was established in connection with the Paulig Group's acquisition of Risenta in February 2015. Net sales in 2016 were EUR 38.1 million (31.1). A total of 53 employees work in the division.

The division's headquarters are in Rotebro, Stockholm, and the Risenta brand 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. In 2016, Paulig Group acquired 51 per cent of the shares of the Finnish start-up company Gold&Green Foods. The company's innovation, Pulled Oats™, was the most discussed food in Finland in 2016. Gold&Green Foods will continue as an entrepreneur-driven and independent unit also after the acquisition, with a natural link to the Naturally Healthy Food division.

The health trend and desire to eat "greener" food continue, and Risenta's new product range Vegorätt makes it easy to cook delicious vegetarian dishes from natural ingredients. Vegorätt includes four organic bean and cereal mixtures that are excellent for chickpea balls, quinoa burgers and chickpea patties in two different flavours. Vegorätt is made of 100 per cent natural ingredients and is both organic and vegan. New product launches in 2016 also included for example granola products with no added sugar.

The division describes its sustainability efforts in its Sustainability Programme "Green Steps". It is about environmentally friendly food, offset of the carbon footprint by 100 per cent and cooperation with the suppliers to promote sustainable working environments and cultivation.

Facts about the division

Head of Division: Niklas Truedsson
Net sales 2016: EUR 38.1 million
Number of employees: 53
Master Brands: Risenta, Gold&Green
Production: Rotebro (Stockholm), Sweden and Järvenpää, Finland

Corporate governance

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

Annual General Meeting

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

Board of Directors

Composition and tasks of the Board

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

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

Meetings

In 2016, 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 Managing Director, who is also the chairman, Heads of Division and the directors of certain corporate functions. Together with the Group's Management Team, the Managing Director prepares and implements the strategy and steers the business operations. The Management Team also coordinates the Group's various functions and ensures efficient operations at the Group level.

Risk management

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

Auditing

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

Paulig Group's ethical principles

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

Financial statements

Review by the Board of Directors for 1 January – 31 December 2016

In 2016 Paulig Group's net sales were EUR 916.9 million (905.2), an increase of 1.3 per cent on 2015. The Group's operating profit was EUR 76.9 million (63.6), which is 8.4 per cent (7.0) of net sales. Paulig Group employed 1 903 people on average in 2016 (1 890).

Changes in the Group's structure during the financial year

The following changes took place in the Group's structure in 2016:

- Majority (51%) of the shares of Gold&Green Foods Oy was acquired in August
- Risenta Norway AS was founded in October
- Hotel Dolphin Ltd was merged with Paulig Ltd in November

Founded in 2015, Gold&Green Foods Oy is a company that develops innovative, ecological and healthy foods using oats and legumes. Its business idea is based on clean Nordic oats and a unique production method.

Net sales

In 2016 Paulig Group's net sales were EUR 916.9 million (905.2), an increase of 1.3 per cent on 2015. When only the divisions that were part of the Group during both full financial years are included, net sales grew 2.0 per cent.

Of Paulig Group's EUR 916.9 million net sales, 59 per cent came from the Nordic countries and 41 per cent from other countries. The Coffee Division's net sales were 38 per cent of the external net sales, World Foods & Flavouring division's 33 per cent, Snack Food division's 25 per cent and Naturally Healthy Food division's 4 per cent.

Result for the financial year

All divisions attained or exceeded their targets for the year. The consolidated operating profit was EUR 76.9 million (63.6) and its ratio to net sales was 8.4 per cent (7.0). The 2016 operating profit is not directly comparable to the 2015 figure because of the sale of the Industrial Flavouring division and the acquisition of Risenta AB in 2015 and the acquisition of Gold&Green Foods Oy in 2016.

The consolidated result for the financial year of EUR 55.1 million (84.8) includes profit from real estate sales EUR 5.6 million (5.1) coming mainly from the sale of the land areas where the old roastery in Vuosaari was located. The previous financial year's result also included EUR 41.8 million in non-recurring profit from the sale of the Industrial Flavouring division. Depreciation and impairments totalled EUR 48.6 million (51.0), of which goodwill depreciation was EUR 21.9 million (25.0).

The associated company's (Fuchs Gewürze GmbH & Co) contribution to the consolidated result was EUR 1.5 million (-2.2), 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 being EUR 120.7 million (78.1). At the end of the review period, the Group's net debt was EUR -147.2 million (-101.7). The Group's solvency was at a good level throughout the year.

Investments

Investments during the financial year came to a total of EUR 59.3 million (64.7), including the acquisition of the subsidiary shares. The most important investments involved the increase in production capacity and a new warehouse in Belgium.

Risks

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

In the management of liability risks the Group follows the in-

Net sales per division (MEUR)

	2016	2015	Change
Coffee	343.8	346.3	-0,7%
World Foods & Flavouring	309.4	307.8	0,5%
Snack Food	247.4	218.9	13,0%
Naturally Healthy Food	38.1	31.1	22,3%
Industrial Flavouring	-	12.6	-
Eliminations	-21.7	-11.5	-
Total	916.9	905.2	1,3%

Key indicators of Paulig Group's financial status and result

	2016	2015	2014
Net sales, MEUR	**916.9**	905.2	867.0
Other operating income, MEUR	**6.2**	5.5	7.5
Share of results in associated companies, MEUR	**1.5**	-2.2	-0.2
Operating profit, MEUR	**76.9**	63.6	73.7
Operating profit, % of net sales	**8.4**	7.0	8.5
Operating profit before depreciation, MEUR	**125.4**	114.6	122.5
Net profit for the year, MEUR	**55.1**	84.8	46.8
Shareholders' equity, MEUR	**580.9**	547.2	477.2
Return on equity, %	**9.8**	16.6	10.0
Equity ratio, %	**71.6**	73.8	71.2
Liquid assets, MEUR	**154.3**	108.6	49.4
Interest-bearing debt, MEUR	**7.1**	6.8	6.2
Investments, MEUR	**59.3**	64.7	32.7

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

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

Personnel

Paulig Group's average number of personnel increased by 13 persons from 2015.

Most of the Group's average personnel figure of 1 903 are in Sweden (27 per cent), Belgium (23 per cent) and Finland (19 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 year, all divisions introduced several new products to the market under the Group's various brands. The Paulig City Coffee range is a good example of the successful new launches in 2016.

Product development also focused on updating existing products and improving recipes. As a result, the sugar content of the consumer portions of Santa Maria products decreased by 250 tonnes and salt content by 75 tonnes at an annual level.

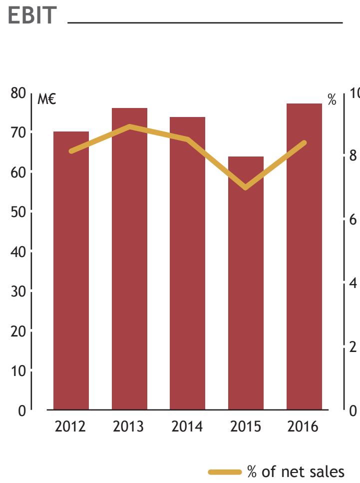
Besides flavour, content and concept, product development focuses on packaging, which must be kept up to date and have a strong profile in order to be valued by customers.

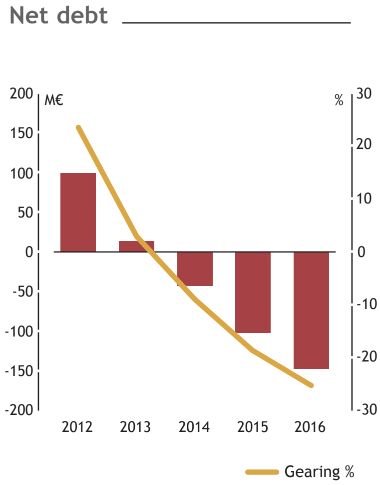
Sustainability

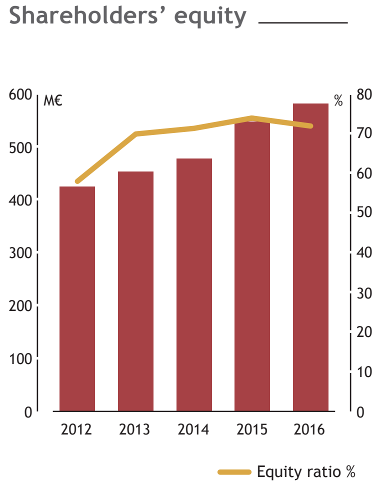
Paulig Group's sustainability work is based on the Group's values and ethical principles and is managed by the sustainability management team. There are four focus areas that steer the corporate responsibility work at the Group and the division level: Fostering social responsibility, Acting as a constructive part of society, Car-

Key personnel indicators

	2016	2015	2014
Average number of personnel	**1 903**	1 890	1 951
Wages and salaries for the financial year, MEUR	**117.4**	112.8	107.8







ing for the environment and Supporting consumers' health and wellbeing.

In 2016, the Group's sustainability programmes were reviewed, and the preparation of corporate responsibility reporting progressed as planned. In 2017, Paulig Group will publish its first Group-wide sustainability report.

Good progress was made in creating common goals and indicators. The measures to improve the responsibility of sourcing 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 Group's environmental and wellbeing programmes progressed as well.

Management and auditors

At the end of the financial year, Paulig Ltd's Board of Directors had seven members: Mikael Aru (chairman), Christian Hallberg, Christian Köhler, Eduard Paulig (from April 2016), Harri Pulli, Jon Sundén and Sanna Suvanto-Harsaae. Mathias Bergman was a member of the Board until April 2016. The auditor has been Ernst & Young Oy, with Authorized Public Accountant Bengt Nyholm as principal auditor. The Group's CEO is Jaana Tuominen.

During the financial year, Board observers were Robin Hallberg until April 2016 and Joachim Borgström from April 2016.

Shares

The company's stock is divided as follows:

	2016	2015
A shares	**487 765 shares**	487 765 shares
B shares	**15 000 shares**	15 000 shares

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

Proposal by the Board of Directors for distribution of profit

The consolidated profit for 2016 was EUR 55 053 931.87. The parent company's distributable shareholders' equity was EUR 191 917 407.43 according to the financial statements on 31 December 2016. The Board of Directors proposes that a dividend of EUR 32.02 per share be paid, amounting to EUR 16 098 535.30 in total. The parent company will retain profits totalling EUR 175 818 872.13.

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

Outlook for the current financial year

Net sales are expected to increase somewhat in 2017 while net result is expected to remain lower than in 2016.

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 2016 — 31 December 2016	1 January 2015 — 31 December 2015
Net sales	1	**916 865**	905 165
Increase (+), decrease (-) in inventories of finished goods		**8 140**	1 564
Other operating income	2	**6 230**	5 521
Materials and services			
Materials and supplies			
Purchases during the financial year		**-499 819**	-492 735
Increase (+), decrease (-) in inventories		**8 450**	1 828
External services		**-14 008**	-13 685
Personnel expenses	3	**-117 413**	-112 797
Depreciation and value adjustments	4	**-48 553**	-50 969
Other operating expenses	5	**-184 498**	-178 038
Share of results in associated companies		**1 486**	-2 224
Operating profit		**76 882**	63 629
Financial income and expenses	6		
Income on long-term financial assets		**166**	41 944
Interest income and other financial income		**3 932**	2 324
Interest expenses and other financial expenses		**-3 714**	-3 500
		383	40 768
Profit before taxes and minority interest		**77 266**	104 397
Income taxes	7	**-22 240**	-19 569
Minority interest		**28**	0
Net profit for the financial year		**55 054**	84 828

Consolidated balance sheet

EUR 1 000	Note	**31 December 2016**	31 December 2015
Assets			
Fixed assets	8		
Intangible assets			
Intangible rights		**2 198**	2 374
Goodwill		**89 821**	107 736
Other long-term expenses		**16 330**	13 573
		108 349	123 682
Tangible assets			
Land and water		**22 803**	12 576
Buildings and constructions		**45 806**	44 182
Machinery and equipment		**89 042**	91 370
Advance payments and construction in progress		**16 219**	5 677
		173 871	153 804
Long-term financial assets	9		
Shares in associated companies		**102 686**	101 200
Other shares		**1 670**	1 682
Other receivables		**4 244**	3 605
		108 600	106 487
Total fixed assets		**390 820**	383 973
Current assets			
Inventories			
Materials and supplies		**56 847**	47 794
Finished goods		**54 100**	42 661
		110 947	90 454
Long-term receivables			
Loan receivables		**0**	7
Deferred tax receivables	16	**3 392**	3 444
		3 392	3 451
Short-term receivables			
Accounts receivable		**126 767**	126 208
Other receivables		**6 508**	6 042
Accruals and deferred income	10	**18 085**	22 602
		151 360	154 852
Cash and bank		**154 300**	108 551
Total current assets		**419 999**	357 309
Total		**810 819**	741 282

Consolidated balance sheet

EUR 1 000	Note	**31 December 2016**	31 December 2015
Shareholders' equity and liabilities			
Shareholders' equity	11		
Share capital		**8 204**	8 204
Premium fund		**3 743**	3 743
Reserve fund		**328**	201
Revaluation fund		**394**	394
Reserve for invested non-restricted equity		**4 316**	4 276
Fair value fund		**3 667**	0
Retained earnings		**505 216**	445 531
Net profit for the financial year		**55 054**	84 828
Total shareholders' equity		**580 922**	547 177
Minority interest	12	**14**	15
Mandatory reserves	13	**2 023**	2 975
Liabilities	14		
Long-term liabilities			
Interest bearing liabilities		**7 138**	6 810
Other non-interest bearing liabilities		**602**	570
Deferred tax liabilities	16	**11 798**	10 838
		19 537	18 218
Short-term liabilities			
Advances received		**21**	189
Accounts payable		**142 559**	101 995
Other liabilities		**11 827**	10 690
Accruals and deferred expenses		**53 917**	60 024
		208 324	172 898
Total liabilities		**227 861**	191 116
Total		**810 819**	741 282

Consolidated cash flow statement

EUR 1 000	Note	2016	2015
Cash flow from operating activities			
Profit after financial income and expenses		**77 266**	104 397
Adjustments, total	17	**45 223**	2 598
Operating profit before change in net working capital		**122 489**	106 995
Change in net working capital	17	**17 052**	-3 061
Cash generated from operations		**139 541**	103 934
Interest received		**3 798**	2 241
Interest paid		**-3 714**	-3 379
Income taxes paid		**-18 951**	-24 713
Net cash flow from operating activities		**120 674**	78 083
Cash flow from investing activities			
Capital expenditures		**-51 366**	-27 654
Proceeds from sale of fixed assets		**6 333**	6 083
Acquisition of subsidiary shares		**-7 918**	-37 090
Disposal of subsidiary shares		**0**	53 515
Dividends received		**166**	121
Net cash flow from investing activities		**-52 786**	-5 025
Cash flow from financing activities			
Increase (+), decrease (-) in long-term liabilities		**279**	493
Increase (-), decrease (+) in long-term receivables		**-45**	-46
Dividends paid		**-22 373**	-14 379
Net cash flow from financing activities		**-22 139**	-13 932
Change in liquid funds		**45 749**	59 127
Liquid funds on 1 January		**108 551**	49 424
Liquid funds on 31 December		**154 300**	108 551

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

Accounting principles

Consolidation principles

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

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

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

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

Associated companies

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

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

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

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

Foreign currency items

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

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

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

Net sales

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

Pension expenditures

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

Income taxes

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

Deferred tax liabilities and tax receivables are calculated for all accrual differences between the taxation and the bookkeeping using the tax base for the following years confirmed 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
Group goodwill	5 – 10 yrs
Other long-term expenses	5 – 10 yrs
Buildings and constructions	25 yrs
Machinery and equipment	3 – 10 yrs

No depreciation is made on land.

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

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

Financial assets

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

Inventories

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

Derivative financial instruments

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

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

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

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

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

Provisions

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

Appropriations

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

Notes to the financial statements

EUR 1 000	2016	2015

1. Net sales

Net sales by market area		
Nordic countries	**540 836**	538 496
Continental Europe	**199 476**	184 726
United Kingdom and Ireland	**68 310**	78 388
Baltic countries	**57 389**	55 994
Russia	**46 586**	43 235
Other countries	**4 269**	4 326
Total	**916 865**	905 165

2. Other operating income

Profit on sales of fixed assets	**5 599**	5 153
Other income	**631**	368
Total	**6 230**	5 521

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	**4 047**	3 805
Other wages and salaries	**90 167**	86 987
Pension expenses	**8 109**	8 113
Other personnel expenses	**15 091**	13 892
Total	**117 413**	112 797

Salaries and remuneration for Managing Directors	**3 698**	3 452
Salaries and remuneration for the members of the Board of Directors	**349**	353

The figures for 2015 have been regrouped to match with the specification in 2016.

Average number of personnel		
Nordic countries	**920**	929
Central Europe	**454**	407
United Kingdom and Ireland	**131**	126
Baltic countries	**243**	283
Russia	**155**	145
Total	**1 903**	1 890

Number of personnel in associated companies	**2 911**	2 914

4. Depreciation and value adjustments

Depreciation on tangible assets	**23 942**	24 661
Depreciation on intangible assets	**24 611**	26 308
Total	**48 553**	50 969

EUR 1 000	2016	2015

5. Fees for auditing companies

Ernst & Young		
Statutory auditing fees	**416**	413
Statements and other certificates	**12**	7
Tax consulting	**21**	68
Other fees	**113**	19
Others		
Statutory auditing fees	**1**	0
Tax consulting	**32**	87
Other fees	**444**	18
Total	**1 038**	611

6. Financial income and expenses

Profit on sale of assets	**0**	41 823
Dividend income	**166**	121
Interest income and other financial income	**3 932**	2 324
Interest income and other financial income include currency rate gains	**47**	0
Interest expenses and other financial expenses	**3 714**	3 500
Interest expenses and other financial expenses include currency losses	**0**	122

7. Income taxes

Income tax on ordinary business	**-20 992**	-20 235
Change in deferred tax receivables and payables	**-1 248**	666
Total	**-22 240**	-19 569

8. Fixed assets

Intangible rights		
Acquisition cost on 1 January	**35 946**	34 660
Translation difference	**-643**	368
Increase	**977**	1 929
Decrease	**-16**	-1 011
Acquisition cost on 31 December	**36 264**	35 946
Accumulated depreciation on 1 January	**-33 573**	-32 643
Translation difference	**642**	-368
Depreciation of the financial year	**-1 151**	-997
Due to acquired companies	**0**	-161
Accumulated depreciation and value adjustments related to decreases and transfers	**16**	596
Accumulated depreciation on 31 December	**-34 066**	-33 573
Book value on 31 December	**2 198**	2 374

EUR 1 000	2016	2015
Goodwill		
Acquisition cost on 1 January	**296 153**	275 682
Correction to opening balance	**78**	-378
Translation difference	**-12 218**	5 995
Increase	**7 602**	33 493
Decrease	**0**	-18 639
Acquisition cost on 31 December	**291 615**	296 153
Accumulated depreciation on 1 January	**-188 418**	-176 503
Correction to opening balance	**-78**	722
Translation difference	**8 558**	-4 238
Depreciation of the financial year	**-21 857**	-25 025
Accumulated depreciation and value adjustments related to decreases and transfers	**0**	16 626
Accumulated depreciation on 31 December	**-201 794**	-188 418
Book value on 31 December	**89 821**	107 736

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	2016	2015
Other long-term expenses		
Acquisition cost on 1 January	**16 303**	7 726
Translation difference	**-419**	71
Increase	**4 850**	8 284
Decrease	**-31**	-27
Transfers between items	**-63**	248
Acquisition cost on 31 December	**20 640**	16 303
Accumulated depreciation on 1 January	**-2 730**	-2 464
Translation difference	**-8**	7
Depreciation of the financial year	**-1 602**	-286
Accumulated depreciation and value adjustments related to decreases and transfers	**32**	12
Accumulated depreciation on 31 December	**-4 309**	-2 730
Book value on 31 December	**16 330**	13 573
Land and water		
Acquisition cost on 1 January	**12 576**	13 387
Translation difference	**79**	-34
Increase	**11 082**	45
Decrease	**-934**	-823
Book value on 31 December	**22 803**	12 576
Buildings and constructions		
Acquisition cost on 1 January	**75 494**	75 042
Translation difference	**1 309**	-532
Increase	**2 882**	1 061
Decrease	**-341**	-154
Transfers between items	**52**	77
Acquisition cost on 31 December	**79 396**	75 494
Accumulated depreciation on 1 January	**-31 312**	-29 003
Translation difference	**-181**	71
Depreciation of the financial year	**-2 432**	-2 407
Accumulated depreciation and value adjustments related to decreases and transfers	**334**	26
Accumulated depreciation on 31 December	**-33 590**	-31 312
Book value on 31 December	**45 806**	44 182
Machinery and equipment		
Acquisition cost on 1 January	**300 440**	286 567
Translation difference	**-4 870**	2 273
Increase	**14 060**	12 582
Due to acquired companies	**145**	0
Decrease	**-4 797**	-7 314
Transfers between items	**7 093**	6 333
Acquisition cost on 31 December	**312 071**	300 440
Accumulated depreciation on 1 January	**-209 071**	-192 645
Translation difference	**3 405**	2 410
Depreciation of the financial year	**-21 511**	-22 255
Due to acquired companies	**-12**	-2 242
Accumulated depreciation and value adjustments related to decreases and transfers	**4 160**	5 660
Accumulated depreciation on 31 December	**-223 028**	-209 071
Book value on 31 December	**89 043**	91 370
The book value of production machinery and equipment on 31 December	**74 048**	79 725
Advance payments and construction in progress		
Acquisition cost on 1 January	**5 677**	9 311
Translation difference	**-158**	15
Increase	**17 731**	3 041
Due to acquired companies	**50**	0
Decrease	**0**	-33
Transfers between items	**-7 082**	-6 658
Book value on 31 December	**16 219**	5 677

Revaluations

Above mentioned book values include revaluations as follows:

EUR 1 000	2016	2015
Land and water		
Value on 1 January	**4 555**	5 127
Decrease	**-785**	-572
Value on 31 December	**3 770**	4 555

9. Financial assets

EUR 1 000	2016	2015
Shares in associated companies		
Acquisition cost on 1 January	**101 200**	103 424
Share of results in associated companies *)	**1 486**	-2 224
Book value on 31 December	**102 686**	101 200
Book value includes goodwill	**26 403**	32 205

*) adjusted by received dividends

EUR 1 000	2016	2015
Other shares		
Acquisition cost on 1 January	1 682	1 680
Translation difference	-12	7
Decrease	0	-5
Book value on 31 December	1 670	1 682
Other receivables		
Pension insurances	2 930	2 930
Other receivables	1 314	675
Total	4 244	3 605
Pension insurances relate to Mandatum Life pension insurances		
Acquisition cost	2 930	2 930
Market value	3 549	3 411

10. Receivables

Main items included in accruals and deferred income		
Income tax receivables	2 904	8 073
Accrued personnel expenses	69	1 898
Green coffee and currency hedgings	9 871	8 430
Other	5 241	4 200
Total	18 085	22 602

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	3 743	3 748
Translation difference	1	0
Due to changes in group structure	0	-5
Premium fund on 31 December	3 743	3 743
Reserve fund on 1 January	201	274
Translation difference	128	-73
Reserve fund on 31 December	328	201
Revaluation fund on 1 January	394	394
Revaluation fund on 31 December	394	394
Reserve for invested non-restricted equity on 1 January	4 276	4 276
Transfers between items	40	0
Reserve for invested non-restricted equity on 31 December	4 316	4 276
Fair value fund on 1 January	0	0
Change for the financial year	3 667	0
Fair value fund on 31 December	3 667	0
Retained earnings on 1 January	530 360	460 319
Correction to net profit from previous periods	-1	370
Profit distribution	-22 373	-14 379
Translation difference	-2 731	-778
Transfers between items	-40	0
Retained earnings on 31 December	505 216	445 531

EUR 1 000	2016	2015
Net profit for the financial year	55 054	84 828
Retained earnings from previous periods	560 270	530 360
Total shareholders' equity	580 922	547 177

12. Minority interest

Minority interest on 1 January	15	14
Translation difference	-1	1
Increase	28	0
Change for the financial year	-28	0
Minority interest on 31 December	14	15

13. Provisions

Other mandatory provisions	2 023	2 975

14. Liabilities

Long-term liabilities		
Pension loan	7 138	6 810
Other liabilities	602	570
Total	7 739	7 380
Short-term liabilities		
Advances received	21	189
Accounts payable	142 559	101 995
Other liabilities	11 827	10 690
Accruals and deferred expenses	53 917	60 024
Total	208 324	172 898
Main items included in accruals and deferred expenses		
Accrued personnel expenses	23 224	21 167
Annual discounts to customers	13 824	14 311
Income tax liability	3 363	6 423
Green coffee and currency hedgings	3 635	8 624
Other	9 872	9 500
Total	53 917	60 024

15. Contingent liabilities

Guarantees for own commitments	15	9
Other liabilities		
Pension loan liabilities	144	138
Coffee machine liabilities	437	480
Other	29	0
Total	611	618
Leasing liabilities		
Leasing liabilities, which mature within one year	16 699	10 331
Leasing liabilities, which mature after one year	114 830	108 293
Total	131 529	118 624

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.

EUR 1 000	2016	2015

Derivatives

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

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

Fair value		
Commodity derivatives		
Hedges within hedging accounting	**3 469**	554
Hedges outside hedging accounting	**0**	0
Currency derivatives		
Hedges within hedging accounting	**1 336**	3 391
Hedges outside hedging accounting	**569**	22
Nominal value		
Commodity derivatives		
Hedges within hedging accounting	**26 468**	38 988
Hedges outside hedging accounting	**0**	0
Currency derivatives		
Hedges within hedging accounting	**114 365**	131 843
Hedges outside hedging accounting	**52 054**	18 160

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

16. Deferred tax receivables and tax liabilities

Deferred tax receivables		
From tax losses carry forward	**275**	479
From internal margins	**52**	22
From differences between taxable income and reported income	**3 066**	2 943
Total	**3 392**	3 444

EUR 1 000	2016	2015
Deferred tax liabilities		
From appropriations	**5 236**	5 117
From differences between taxable expenses and reported expenses	**5 818**	4 609
From revaluations	**743**	1 112
Total	**11 798**	10 838

17. Cash flow statement

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

Depreciation	**48 553**	49 446
Eliminated foreign exchange gains and losses	**771**	-172
Share of associated companies' results	**-1 486**	2 224
Sales gains and losses on fixed assets	**-5 599**	-5 070
Value adjustments of fixed assets	**524**	1 594
Dividend income	**-166**	-121
Interest income	**-3 798**	-2 241
Other financial items	**3 523**	-38 406
Other income and expenses	**2 901**	-4 657
Total	**45 223**	2 598

Change in net working capital		
Increase (-), decrease (+) in short-term receivables	**-3 446**	-3 192
Increase (-), decrease (+) in inventories	**-22 006**	1 335
Increase (+), decrease (-) in non interest bearing short-term liabilities	**42 504**	-1 203
Total	**17 052**	-3 061

18. Shares and securities

Subsidiary shares

Subsidiary	Group ownership %	Book value EUR 1 000 Parent ownership	 Subsidiary ownership
In Finland			
Euroleasing Ltd	100.0	878	
Gold&Green Foods Oy	51.3		7 630
Gustav Paulig Ltd	100.0		7 144
Robert Paulig Roastery Ltd	100.0		1 950
Santa Maria Finland Ltd	100.0		66
Total		878	16 790
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
Risenta Norway AS, Norway	100.0		6
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	437 972
Shares in associated companies			150 305
Other shares and securities		1 449	221
Total shares and securities		314 154	605 288

The Board's proposal to the Shareholders' Meeting

The distributable shareholders' equity of the parent company according to the financial statements of 31 December 2016, is EUR 191 917 407.43 including retained profit for the previous years EUR 172 298 024.36, reserve for invested non-restricted equity EUR 4 050 000.00 and result for the financial year EUR 15 569 383.07.

The Board proposes that a dividend of EUR 32.02 per share on 502 765 shares be paid, totalling EUR 16 098 535.30. The parent company will retain profits of EUR 175 818 872.13.

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

Helsinki, 30 March 2017

Mikael Aru
Chairman of the Board

Christian Hallberg

Christian Köhler

Eduard Paulig

Harri Pulli

Jon Sundén

Sanna Suvanto-Harsaae

Jaana Tuominen
Managing Director

Definitions

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

Board of Directors

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

Joachim Borgström
b. 1971
Observer of the Board
since 2016

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

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

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

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

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

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

Management team

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

Tina Andersson
b. 1969
Senior Vice President
Strategy & Growth
Working for Paulig Group
since 2016

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

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

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

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

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

In March 2016 Paulig's employees in different countries celebrated the 140-year anniversary of the company. The theme for the celebration was Exploring Great Taste.

Contact information

Paulig Ltd
Communications
Telephone +358 9 319 81
Telefax +358 9 753 0195
communications@paulig.com
www.pauliggroup.com

<< Contents

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