Annual Report 2018

PAULIG
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

Paulig Group in brief

Family-owned company, founded by Gustav Paulig in

1876

Values

Stay Curious

Strive for Excellence

Grow Together

Mission

Exploring Great Taste

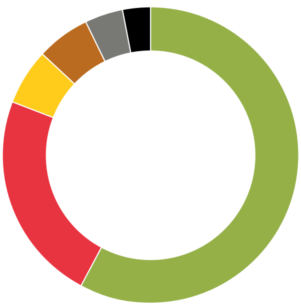
Net sales

907 MEUR

EBIT

50.0 MEUR

Net sales per market



- 58% Nordic countries
- 23% Continental Europe
- 6% Baltics
- 6% Russia
- 4% UK
- 3% Others

Net sales per division

Paulig Coffee 36%

Paulig Foods 36%

Paulig Snacks 28%

Brands

Paulig

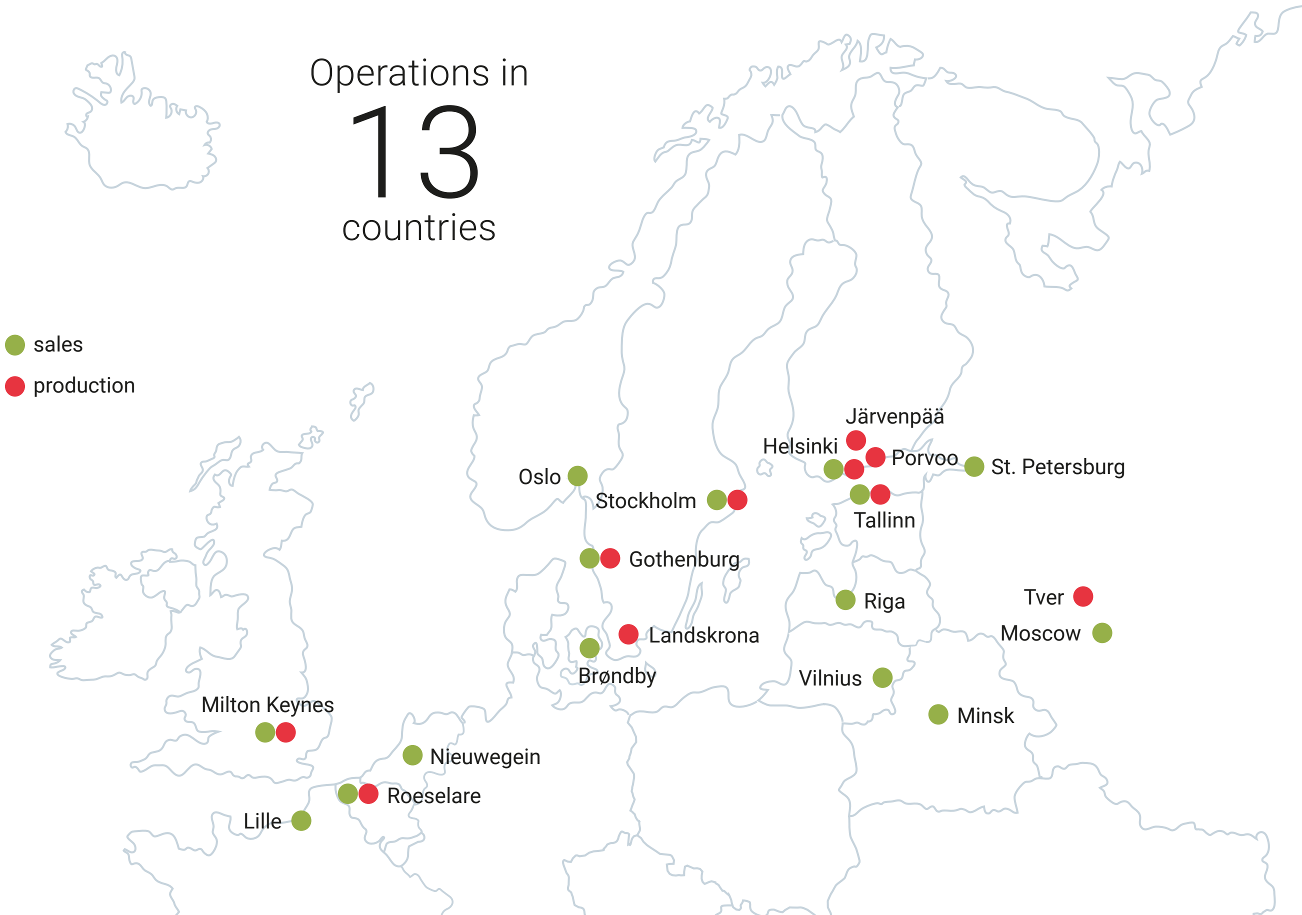
Santa Maria

Poco Loco

Risenta

Gold&Green of Helsinki

Operations in 13 countries



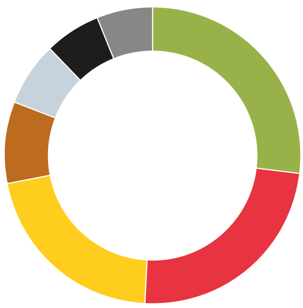
Personnel

2 140

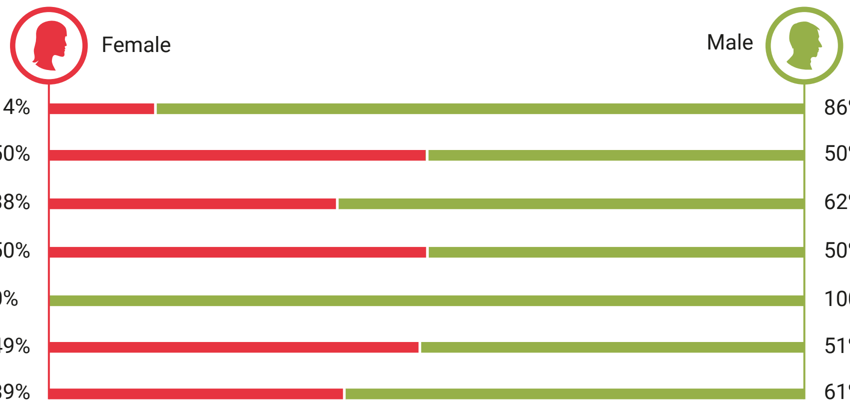
Male 57%

Female 43%

Personnel by country



Gender distribution in Paulig Group in 2018



	Female	Male
Board of Directors	14%	86%
Paulig Group Management Team	50%	50%
Paulig Coffee Management Team	38%	62%
Paulig Foods Management Team	50%	50%
Paulig Snacks Management Team	0%	100%
Personnel (white collar)	49%	51%
Personnel (blue collar)	39%	61%

CEO's review

The year 2018 was important to Paulig. Our promise that all coffee beans we use will come from verified sustainable sources by the end of 2018 was fulfilled. In a changing business environment, we have set focus on innovations, building organisational capabilities and securing future growth. We also successfully launched new products in growing segments. Internally we continue to remove complexities and align our ways of working.

During the year, we continued to make structural changes within the group and moved from four divisions down to three: Paulig Coffee, Paulig Foods and Paulig Snacks. We also combined the Paulig and Santa Maria activities in Russia into one organisation.

The group has operations in 13 markets in Northern Europe, the Baltics, Russia including the neighbouring areas, as well as in Central Europe and the United Kingdom. Products are sold in more than 70 countries. The group includes well-known brands such as Paulig, Santa Maria, Poco Loco, Risenta as well as Gold&Green.

Today, 58% of Paulig Group's sales are in the Nordic countries and 42% in the group's other markets. Net sales were EUR 907.5 million, which was a decrease of 2.3% compared with the previous year. The net sales were affected by a lower green coffee price and headwinds from weak exchange rates.

The operating profit of EUR 50.0 million was below the previous year. However, the operating profit, excluding the impact of the group's associated company Fuchs Gewürze GmbH & Co, was higher than the set targets.

Both Paulig Coffee and Paulig Foods exceeded their profit objectives by strengthening the core of the business through innovative and relevant products. Paulig Snacks' result was burdened in particular by one time costs related to the implementation of a new automated high-bay warehouse and a new ERP system.

Brands with a clear role in the consumers' lives

The main driver of our business is the promise we give to our consumers. Our offering is based on good taste, convenience, sustainability and health & wellbeing.

Within the food industry, sustainability is today a key focus area and at Paulig we know that people expect us to help them make responsible choices. During 2018 we reached an important milestone in our work: as of the beginning of 2019 we source 100% of our coffee from verified sustainable sources. This is a

One of the things that has enabled Paulig to thrive as a company is that we have always been able to adapt to change and stay relevant.

You will find Paulig Group's Sustainability Report 2018 on our website
>> www.pauliggroup.com

major achievement and – as one of the first large coffee roasteries in the world to exclusively use sustainable coffee beans – Paulig is a coffee industry forerunner in terms of its sourcing principles. In 2018, Paulig Foods set three themes for reshaping the future: Caring for the environment, Healthy & sustainable lifestyles and Social responsibility.

In 2018, we also launched many successful novelties. The Paulig City Coffee product portfolio expanded with Café Sydney and the whole product range more than doubled in sales volume. The product family is a good example of our work to grow our share in the premium segment and build value to the category. Furthermore, our new vegan Frezza Almond Latte and Frezza Oat Latte coffee range clearly tapped into consumer need and exceeded the sales expectations.

The new Santa Maria spice jars are a significant change to our spice range. The jars spice up a rather conservative category with a new lid concept as well as a clearer and tastier visual outlook.

In Finland, Gold&Green has in two years grown into a multi-million euro business and become a part of our everyday meals. However, internationally the Gold&Green brand is still developing and the work to grow this business continues. Alternative protein sources continue to be a topic of interest for us also in the future.

Also the Risenta brand is expected to pave the way for future growth with a healthy and environmentally friendly vegetarian offering for which the demand is increasing.

Driven by our vision 2030[*)] we established our PINC incubator in Stockholm. PINC is a green-house for radical innovation and ventures in and around topics of the food industry. The goal is to find future growth areas.

Paulig Snacks, our customer brand business, continued to develop its portfolio and has today more than 700 customers in more than 70 countries. The business is continuing to grow through innovative products and cost efficient operations.

For our organisation it is inspiring to work with a portfolio of brands that have a sense of purpose and a clear role in the consumers' lives. This is a great platform for future expansion.

Transformation needed for future growth

One of the red threads that defines Paulig and that has enabled the company to thrive is that we always have managed to stay relevant and been able to adapt to change. Changes in our business environment – for example in consumer behaviour and technology – are faster than ever before and we want to continue to play a strong role in the development of the food industry.

In doing so, it is obvious that we at Paulig must transform too. This is why we have defined growth enabler programmes to drive increased growth.

Our values: Stay Curious, Strive for Excellence and Grow Together are the foundation of our culture and will support us in our choices moving forward as a company.

I want to thank all our employees who with great commitment work to develop the company and our offerings with the consumer in focus. I also want to thank all our partners for the collaboration during 2018.

Helsinki, March 2019

Rolf Ladau
CEO
Paulig Group

[*)] The Nordic challenger loved and valued for reshaping the world of pure taste experiences.

100%

of our coffee come from sources that have been verified sustainable.

>> *Read more about our sustainability work.*

A world of tastes

Paulig Group consists of three divisions
– Paulig Coffee, Paulig Foods and Paulig Snacks.

Paulig Coffee

Paulig Coffee's net sales totalled EUR 323.8 million (350.6) in 2018, with the main reasons for the decline being the low price of green coffee, decreased retail sales in the Baltic countries and lower sales of private label products.

Paulig Coffee introduced several new successful products to the Finnish market during the year. The most successful launches were the refreshing and fully vegan Frezza Almond Latte and Frezza Oat Latte coffee drinks that were popular in the hot summer of 2018, as well as Café Sydney, the latest addition to Paulig’s City Coffee range, which is seeing strong sales growth. Paulig’s product portfolio was also complemented during the year by Mode Cold Brew coffee, a new and unique cold brew beverage. Paulig is the leading coffee brand in Finland, Estonia and Lithuania and in third place in Latvia.

The sales volume in Russia grew by 11% from the previous year. Paulig is one of the leading brands in the roasted coffee segment in Russia. In 2018, the Paulig and Santa Maria activities in Russia were combined into a single organisation.

Paulig Professional’s sales in the food service and office sectors declined compared to 2017. The operations in Sweden and Norway were reorganised during the year and the sale of coffee machines was discontinued. The Premium Office and Cold Brew concepts have gained a strong foothold in Finland. Paulig is also a recognisable element in major music events during the summer season in Finland and the Baltic countries.

Lenita Ingelin started as the Managing Director of Paulig Coffee division and a member of the Paulig Group Management Team in April. Paulig Coffee had 658 employees on average in 2018.

For the bright future of coffee

The future availability of coffee is threatened by climate change. Paulig’s springtime “Blend 2080 – coffee without coffee” campaign stirred widespread debate among coffee lovers and encouraged people to take concrete action for the environment to help maintain coffee as a livelihood and source of enjoyment far into the future. Paulig’s systematic long-term sustainability efforts related to coffee sourcing reached a significant milestone late in the year: Paulig is one of the first major roasteries in the world to source all of its coffee exclusively from verified sustainable sources. All coffee used by Paulig is sustainably produced, mainly certified or otherwise verified. Paulig’s product range includes UTZ and Fairtrade (combined with organic certification) certified coffee as well as coffee sourced from the countries of origin through carefully selected partnership programmes whose sustainability has been verified.

Our sustainability efforts are described in more detail in the Group’s Sustainability Report.

Facts about the division

Head of Division:
Lenita Ingelin

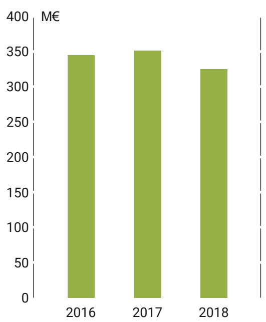
Net sales 2018:
EUR 323.8 million

Number of employees:
658

Master Brand:
Paulig

Roasteries:
Helsinki and Porvoo, Finland
Tver, Russia

Net sales



Paulig Foods

In 2018, the forming of a new division meant a significant structural change within Paulig Group. Paulig Foods was formed on April 1, following a merger of two divisions: World Foods & Flavouring and Naturally Healthy Food.

The net sales of Paulig Foods were EUR 330.5 million (342.6) in 2018. On average 795 employees worked in the division in 13 countries. The main market areas are the Nordics, the Baltic countries, the UK and the Benelux countries. Paulig Foods division's brand portfolio consists of Santa Maria and Risenta. The division is also responsible for the sales of the Gold&Green brand in Paulig licensed-markets.

The Santa Maria brand is present in several product categories: World Foods (Tex Mex, Asia, India, Street Food, Latin America) and Flavouring (Spices, Cooking Ingredients and BBQ). The Risenta portfolio holds products within Breakfast, Seeds & Kernels, Cooking, Baking and Fuelling.

In 2018, one of the most significant product changes of the Santa Maria brand was finalised: the new spice packaging with a new glass jar and innovative new lid was launched.

In Sweden, sales increased and market shares were acquired within the Tex Mex and spice categories. In the Benelux countries, the Baltics, Finland and Norway, sales grew above or close to 10%, while sales dropped in the UK due to hard competition. The division's export market, where sales occur via sales agents, developed well.

During the autumn, a new, ambitious sustainability strategy was launched with emphasis on caring for the environment, healthy and sustainable lifestyles and social responsibility.

Facts about the division

Head of Division:
Henrik Samuelson

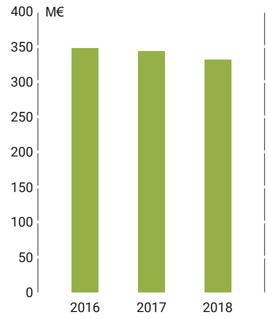
Net sales 2018:
EUR 330.5 million

Number of employees:
795

Master Brands:
Santa Maria, Risenta and Gold&Green

Production:
Mölndal, Landskrona and Rotebro, Sweden
Saue, Estonia

Net sales



Paulig Snacks

Paulig Snacks produces tortillas, taco chips, taco shells, sauces, dips and dinner kits for customers' own brands of over 700 customers in more than 70 countries. The main market areas are France, Germany, the UK and the Nordic countries and operates form 2 sites in Belgium and one in the UK. The net sales of Paulig Snacks were EUR 273.2 million (257.0) in 2018. The growth markets were mainly Germany and France, also CEE countries contributed in growth results of 2018.

All categories delivered growth, especially flour tortillas and dinner kits within the different sales channels: retail, foodservice and B2B. During the year the Paulig Snacks introduced grilled wraps in foodservice and the roll-out of the product novelty will continue in retail in 2019.

In supply chain and operations 2018 was the year of the new high bay warehouse in Belgium, further implementation of the new ERP-system and an increase of the capacity of our flour department in Roeselare. In January 2018, the new warehouse was inaugurated and during the year the volume increased from loading 5 trucks a day up unto 100 at the end of 2018. With a maximum capacity of 109 pallets per hour that passes via automatic transport lanes we reduce 25 000 lorry journeys each year and reduce carbon dioxide emissions annually by 365 tons. By further optimizing our ERP-system we set further foundations for a better forecast accuracy, further stock reduction and improved service levels.

In addition, the factory in Milton Keynes has made good progress during the year. The overall efficiency has improved with 7.5% and the team has also been able to reduce the previously rather high waste levels in the factory due to better maintenance reliability, additional volume and recipe reformulation.

Accident rates of Paulig Snacks decreased significantly due to relentlessly efforts from the safety team and all colleagues thanks to a higher safety awareness. On average 584 employees worked in the division in 2018.

Facts about the division

Head of Division:
Peter Denolf

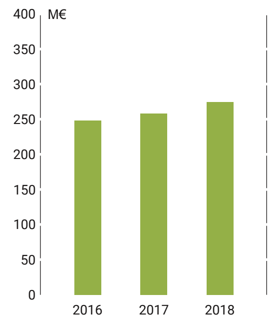
Net sales 2018:
EUR 273.2 million

Number of employees:
584

Master Brand:
Poco Loco and manufactures customers' own brands

Production:
Roeselare, Belgium
Milton Keynes, UK

Net sales



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 body 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 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 2018, the Board convened eight times. The Board deals with the financial statements in March, finalises the Group strategy in June and decides on the business plan and financial plans for the following year in December.

Chairman of the Board

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

Board committees

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

CEO and Management Team

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

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

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

Risk management

The principles for 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 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.

By 2021 all Santa Maria recipes contribute to maximum

30%

of recommended daily intake of salt and sugar per portion.

Review by the Board of Directors for 1 January–31 December 2018

In 2018, Paulig Group's net sales were EUR 907.5 million (928.9), a decrease of 2.3% on the previous year. The Group's operating profit was EUR 50.0 million (62.3), which was 5.5% (6.7) of net sales. Paulig Group employed 2 140 people on average during the year (2 042).

Changes in Group structure during the financial year

The following changes took place in the Group structure in 2018:

- Robert Paulig Roastery Ltd was merged with Gustav Paulig Ltd in March 2018.
- The Group's operating structure was changed during the year by combining the World Foods & Flavouring division and the Naturally Healthy Food division into the Paulig Foods division. The new Paulig Foods division includes the Santa Maria and Risenta brands as well as the Gold&Green brand in the Group's current operating countries except Finland.

Net sales

In 2018, Paulig Group's net sales were EUR 907.5 million (928.9), a decrease of 2.3% on the previous year. The factors behind the decrease in net sales included the lower price of green coffee and the depreciation of the Swedish krona.

Of Paulig Group's total net sales of EUR 907.5 million, 58% came from the Nordic countries and 42 per cent from other countries. The Paulig Coffee division accounted for 36% of the external net sales, the Paulig Foods division for 36% and the Paulig Snacks division for 28%.

Result for the financial year

The Group's operating profit was EUR 50.0 million (62.3), and its ratio to net sales was 5.5% (6.7).

The associated company's (Fuchs Gewürze GmbH & Co) contribution to the consolidated result was EUR -5.8 million (-3.7), including EUR 5.8 million of goodwill amortization (5.8). The result of the associated company was affected by non-recurring write-downs.

The consolidated result for the financial year, EUR 32.5 million (42.2), did not include profit from real estate sales associated with the sale of land areas in Vuosaari where the old roastery was located, as in the previous year (EUR 4.3 million). Depreciation and impairment totalled EUR 47.4 million (44.4), with the goodwill amortization representing EUR 16.5 million (17.3) of the total.

Financial position

Due to the Group's strong cash flow during the financial year, the 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 86.1 million (88.0). At the end of the financial year, the Group's net debt was EUR -206.1 million (-164.5). The Group's solvency was at a good level throughout the year.

Investments

Investments during the financial year came to a total of EUR 29.3 million (63.4). The most significant investments were related to increasing the capacity of Pulled Oats production in Finland and Sweden and completing the warehouse investment in Belgium which was mostly carried out in the previous financial year.

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 principal operative risk

Net sales per division (MEUR)

	2018	2017	Change
Paulig Coffee	**323.8**	350.6	-7.6%
Paulig Foods	**330.5**	342.6	-3.5%
Paulig Snacks	**273.2**	257.0	6.3%
Gold&Green Foods Oy	**4.7**	4.9	-5.4%
Eliminations	**-24.7**	-26.1	-
Total	**907.5**	928.9	-2.3%

Key indicators of Paulig Group's financial status and result

	2018	2017	2016
Net sales, MEUR	**907.5**	928.9	916.9
Other operating income, MEUR	**1.4**	5.2	6.2
Share of results in associated companies, MEUR	**-5.8**	-3.7	1.5
Operating profit, MEUR	**50.0**	62.3	76.9
Operating profit, % of net sales	**5.5**	6.7	8.4
Operating profit before depreciation, MEUR	**97.4**	106.7	125.4
Net profit for the year, MEUR	**32.5**	42.2	55.1
Shareholders' equity, MEUR	**602.6**	597.6	580.9
Return on equity, %	**5.4**	7.2	9.8
Equity ratio, %	**75.0**	74.2	71.6
Liquid assets, MEUR	**213.9**	172.0	154.3
Interest-bearing debt, MEUR	**7.8**	7.5	7.1
Investments, MEUR	**29.3**	63.4	59.3

involves raw materials, the availability and quality of which may vary significantly. In addition, speculative trading of raw materials can cause unexpected changes to their prices. In the management of risks associated with acquisition of coffee raw materials, the Group follows the 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 98 persons from the previous year.

The majority of the Group's 2 140 employees on average were employed in Belgium (27%), Sweden (24%) and Finland (21%).

Innovation and product development

Paulig Group opened PINC, an incubator for future innovations and ventures, during the year. The mission of PINC, which started its operations in spring 2018 in the A House in Stockholm, Sweden, is to develop radical innovations around four basic pillars: taste, wellbeing, sustainability and experiences. PINC is also aimed at identifying potential future targets for equity investment.

Innovation and product development activities are also carried out by all of Paulig Group's divisions, and product development plays an important role in the development of the product portfolio and ensuring growth. During the year, the divisions introduced several new products to the market under the Group's various brands, including: Café Sydney in the City Coffee range, the coffee drinks Frezza Almond Latte and Frezza Oat Latte and Santa Maria spices in new packaging with a redesigned lid and opening mechanism.

Product development also focused on updating existing products and improving recipes.

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

Sustainability

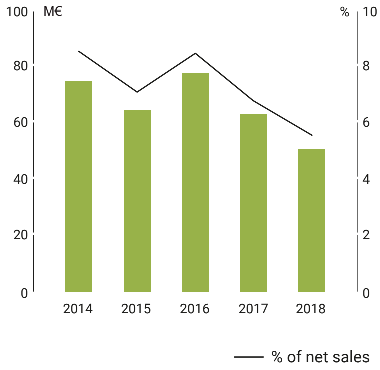
Paulig's sustainability efforts are based on the Group's values, vision and ethical principles. Paulig's work in this area is guided by the most significant impacts arising from the Group's operations as well as stakeholder expectations. The Group's sustainability efforts are focused on three priorities: Fostering social responsibility, Caring for the environment, and Supporting consumers' health and wellbeing.

As a food company, Paulig's most significant sustainability risks are related to product safety and quality. Observing human rights and workplace safety throughout the supply chain is also among the key challenges, and the Group pays special attention to the management and development of these areas. Climate change and biodiversity loss are the biggest long-term risks, par-

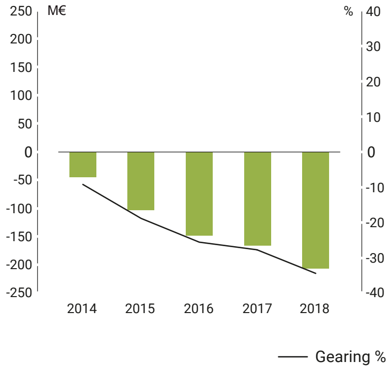
Key personnel indicators

	2018	2017	2016
Average number of personnel	**2 140**	2 042	1 903
Wages and salaries for the financial year, MEUR	**128.0**	120.1	117.5

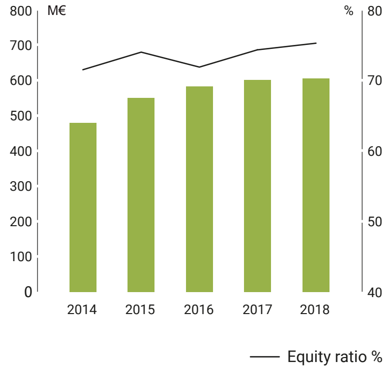
EBIT



Net debt



Shareholders' equity



ticularly with respect to the cultivation of climate-sensitive crops, such as coffee. In our operations, we focus on promoting sustainable sourcing, operating in a resource-efficient manner and supporting environmentally friendly choices by consumers.

During the year, Paulig continued to work on updating its Group-wide sustainability programme and long-term sustainability targets.

Paulig Group's sustainability efforts will be discussed in more detail in the separate Sustainability Report to be published in April at www.pauliggroup.com/sustainability/.

Management and auditors

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

The Group's auditor during the financial year was Ernst & Young Oy, with Authorised Public Accountant Bengt Nyholm as the principal auditor.

Tina Andersson served as the Group's acting CEO for part of the financial year, until June 2018. Rolf Ladau has been the Group's CEO since June 2018.

Joachim Borgström was an observer member of the Board of Directors for part of the financial year, until April 2018. Jessica Jungell-Michelsson has been an observer member of the Board since April 2018.

Shares

The company's stock is divided as follows:

	2018	2017
A shares	**487 765 shares**	487 765 shares
B shares	**15 000 shares**	15 000 shares

The Articles of Association contain series specific restrictions that concern the right to dividends 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 2018 was EUR 32 534 154.53. The parent company's distributable shareholders' equity was EUR 184 625 197.93 according to the financial statements on 31 December 2018. The Board of Directors proposes that a dividend of EUR 42.00 per share be paid, amounting to EUR 21 116 130.00 in total. The parent company's distributable shareholders' equity would then be EUR 163 509 067.93.

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 2019 and the net result is expected to be slightly higher than in 2018.

Events following the end of the financial year

After the end of the financial year, Paulig Group has initiated co-operation negotiations on changes in the organisational structure. The expected reduction in the workforce is max. 120 white collar workers in the Group's various markets.

Paulig Snacks is committed to reducing its CO_2 emissions by

20%

by the end of 2020.

>> *Read more about our sustainability work.*

Consolidated income statement

EUR 1 000	Note	**1 January 2018 — 31 December 2018**	1 January 2017 — 31 December 2017
Net sales	1	**907 498**	928 939
Increase (+), decrease (-) in inventories of finished goods		**1 068**	2 816
Other operating income	2	**1 424**	5 241
Materials and services			
Materials and supplies			
Purchases during the financial year		**-465 655**	-481 075
Increase (+), decrease (-) in inventories		**-5 575**	-7 561
External services		**-13 877**	-13 912
Personnel expenses	3	**-128 024**	-120 146
Depreciation and value adjustments	4	**-47 409**	-44 409
Other operating expenses	5	**-193 717**	-203 901
Share of results in associated companies		**-5 764**	-3 710
Operating profit		**49 970**	62 282
Financial income and expenses	6		
Dividend income on long-term financial assets		**151**	137
Interest income and other financial income		**3 578**	4 980
Interest expenses and other financial expenses		**-3 839**	-4 718
		-110	400
Profit before taxes and minority interest		**49 861**	62 682
Income taxes	7	**-17 535**	-20 447
Minority interest		**209**	10
Net profit for the financial year		**32 534**	42 244

Consolidated balance sheet

EUR 1 000	Note	31 December 2018	31 December 2017
Assets			
Non-current assets	8		
Intangible assets			
Intangible rights		**2 215**	1 851
Goodwill		**52 471**	71 085
Other long-term expenses		**17 987**	19 660
		72 674	92 596
Tangible assets			
Land and water		**21 226**	21 288
Buildings and constructions		**52 658**	43 213
Machinery and equipment		**117 448**	88 948
Advance payments and construction in progress		**6 753**	47 462
		198 085	200 912
Long-term financial assets	9		
Shares in associated companies		**68 170**	75 461
Other shares		**1 637**	1 653
Other receivables		**3 645**	3 653
		73 453	80 767
Total non-current assets		**344 212**	374 275
Current assets			
Inventories			
Materials and supplies		**41 613**	48 969
Finished goods		**53 855**	53 554
		95 468	102 523
Long-term receivables			
Deferred tax receivables	16	**1 349**	1 762
		1 349	1 762
Short-term receivables			
Accounts receivable		**131 646**	136 614
Receivables from associated companies		**0**	154
Other receivables		**4 629**	7 518
Accruals and deferred income	10	**13 053**	11 353
		149 329	155 638
Cash and bank		**213 917**	171 987
Total current assets		**460 063**	431 910
Total		**804 275**	806 186

Consolidated balance sheet

EUR 1 000	Note	**31 December 2018**	31 December 2017
Shareholders' equity and liabilities			
Shareholders' equity	11		
Share capital		**8 204**	8 204
Premium fund		**3 744**	3 744
Revaluation fund		**161**	161
Reserve fund		**549**	424
Reserve for invested non-restricted equity		**4 324**	4 324
Fair value fund		**53**	1 255
Retained earnings		**553 079**	537 200
Net profit for the financial year		**32 534**	42 244
Total shareholders' equity		**602 649**	597 555
Minority interest	12	**166**	391
Mandatory reserves	13	**14**	16
Liabilities	14		
Long-term liabilities			
Interest bearing liabilities		**7 817**	7 497
Other non-interest bearing liabilities		**66**	14
Deferred tax liabilities	16	**9 593**	9 646
		17 477	17 157
Short-term liabilities			
Advances received		**2**	91
Accounts payable		**119 945**	134 279
Other liabilities		**15 698**	12 821
Accruals and deferred expenses		**48 325**	43 876
		183 970	191 067
Total liabilities		**201 446**	208 224
Total		**804 275**	806 186

Consolidated cash flow statement

EUR 1 000	Note	2018	2017
Cash flow from operating activities			
Profit after financial income and expenses		**49 861**	62 682
Adjustments, total	17	**49 593**	37 281
Operating profit before change in net working capital		**99 454**	99 963
Change in net working capital	17	**3 524**	-11 482
Cash generated from operations		**102 978**	88 481
Dividends received		**1 526**	23 515
Interest received		**4 276**	4 974
Interest paid		**-3 839**	-5 033
Income taxes paid		**-18 888**	-23 894
Net cash flow from operating activities		**86 053**	88 042
Cash flow from investing activities			
Capital expenditures		**-29 259**	-62 632
Proceeds from sale of fixed assets		**172**	7 843
Acquisition of subsidiary shares		**0**	-780
Disposal of subsidiary shares		**0**	10
Disposal of other shares		**275**	0
Dividends received		**151**	137
Net cash flow from investing activities		**-28 662**	-55 421
Cash flow from financing activities			
Increase (+), decrease (-) in long-term liabilities		**618**	582
Increase (-), decrease (+) in long-term receivables		**8**	582
Dividends paid		**-16 088**	-16 099
Net cash flow from financing activities		**-15 462**	-14 935
Change in liquid funds		**41 929**	17 686
Liquid funds on 1 January		**171 987**	154 300
Liquid funds on 31 December		**213 917**	171 987

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

Accounting principles

Consolidation principles

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

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

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

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

Associated companies

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

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

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

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

Foreign currency items

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

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

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

Net sales

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

Pension expenditures

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

Income taxes

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

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

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

Fixed assets and depreciation

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

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

No depreciation is made on land.

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

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

Financial assets

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

Inventories

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

Derivative financial instruments

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

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

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

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

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

Provisions

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

Appropriations

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

Notes to the financial statements

1. Net sales

EUR 1 000	2018	2017
Net sales by market area		
Nordic countries	**522 397**	537 067
Continental Europe	**210 307**	212 237
United Kingdom and Ireland	**61 487**	60 147
Baltic countries	**57 386**	59 098
Russia	**50 925**	55 320
Other	**4 996**	5 072
Total	**907 498**	928 939

2. Other operating income

EUR 1 000	2018	2017
Profit on sales of fixed assets	**73**	4 852
Other	**1 351**	388
Total	**1 424**	5 241

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

EUR 1 000	2018	2017
Personnel expenses		
Salaries and remuneration for Managing Directors and the members of the Board of Directors	**1 017**	931
Other wages and salaries	**95 024**	88 219
Pension expenses	**9 825**	9 537
Other personnel expenses	**22 158**	21 460
Total	**128 024**	120 146
Salaries and remuneration for Managing Directors	**621**	582
Salaries and remuneration for the members of the Board of Directors	**395**	349
Average number of personnel		
Nordic countries	**1 008**	969
Central Europe	**596**	525
United Kingdom and Ireland	**125**	133
Baltic countries	**219**	251
Russia	**192**	164
Total	**2 140**	2 042
Number of personnel in associated companies	**3 174**	3 104

4. Depreciation and value adjustments

EUR 1 000	2018	2017
Depreciation on tangible assets	**25 561**	23 069
Depreciation on intangible assets	**21 848**	21 339
Total	**47 409**	44 409

5. Fees for auditing companies

EUR 1 000	2018	2017
Ernst & Young		
Statutory auditing fees	**425**	439
Statements and other certificates	**14**	23
Tax consulting	**50**	18
Other fees	**57**	19
Others		
Tax consulting	**56**	24
Other fees	**662**	111
Total	**1 265**	633

6. Financial income and expenses

EUR 1 000	2018	2017
Dividend income	**151**	137
Interest income and other financial income	**3 578**	4 980
Interest expenses and other financial expenses	**3 839**	4 718
Interest income and other financial income include currency gains (+) / Interest expenses and other financial expenses include currency losses (-)	**17**	-469

7. Income taxes

EUR 1 000	2018	2017
Income tax on ordinary business	**-17 104**	-20 975
Change in deferred tax receivables and payables	**-432**	528
Total	**-17 535**	-20 447

8. Fixed assets

EUR 1 000	2018	2017
Intangible rights		
Acquisition cost on 1 January	**36 127**	36 264
Correction to opening balance	**-14**	0
Translation difference	**-748**	-552
Increase	**1 129**	406
Decrease	**-8 523**	0
Transfers between items	**-174**	9
Acquisition cost on 31 December	**27 796**	36 127
Accumulated depreciation on 1 January	**-34 277**	-34 066
Correction to opening balance	**14**	0
Translation difference	**748**	551
Depreciation of the financial year	**-739**	-754
Accumulated depreciation and value adjustments related to decreases and transfers	**8 523**	0
Transfers between items	**149**	-7

EUR 1 000	2018	2017
Accumulated depreciation on 31 December	-25 581	-34 277
Book value on 31 December	2 215	1 851

Goodwill

EUR 1 000	2018	2017
Acquisition cost on 1 January	285 149	291 615
Translation difference	-8 007	-6 838
Increase	0	373
Acquisition cost on 31 December	277 143	285 150
Accumulated depreciation on 1 January	-214 064	-201 794
Translation difference	5 859	5 075
Depreciation of the financial year	-16 466	-17 345
Accumulated depreciation on 31 December	-224 672	-214 065
Book value on 31 December	52 471	71 085

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

Other long term expenses

EUR 1 000	2018	2017
Acquisition cost on 1 January	27 758	20 640
Translation difference	-561	-413
Increase	3 390	2 012
Decrease	-582	0
Transfers between items	0	5 520
Acquisition cost on 31 December	30 004	27 758
Accumulated depreciation on 1 January	-8 098	-4 309
Translation difference	142	88
Depreciation of the financial year	-4 643	-3 240
Accumulated depreciation and value adjustments related to decreases and transfers	582	0
Transfers between items	0	-637
Accumulated depreciation on 31 December	-12 017	-8 098
Book value on 31 December	17 987	19 660

Land and water

EUR 1 000	2018	2017
Acquisition cost on 1 January	21 288	22 803
Translation difference	-77	-50
Increase	16	60
Decrease	0	-1 525
Book value on 31 December	21 226	21 288

Buildings and constructions

EUR 1 000	2018	2017
Acquisition cost on 1 January	74 410	79 396
Translation difference	-1 614	-1 059
Increase	1 029	2 371
Decrease	-6 527	-6 417
Transfers between items	12 618	120
Acquisition cost on 31 December	79 916	74 410
Accumulated depreciation on 1 January	-31 197	-33 590
Translation difference	393	239
Depreciation of the financial year	-2 940	-2 556
Accumulated depreciation and value adjustments related to decreases and transfers	6 486	4 710
Accumulated depreciation on 31 December	-27 258	-31 197
Book value on 31 December	52 658	43 213

Machinery and equipment

EUR 1 000	2018	2017
Acquisition cost on 1 January	313 871	312 071
Correction to opening balance	-127	0
Translation difference	-3 623	-3 479
Increase	22 770	13 285
Due to acquired companies	0	7
Decrease	-42 041	-16 026
Transfers between items	29 854	8 012
Acquisition cost on 31 December	320 704	313 871
Accumulated depreciation on 1 January	-224 923	-223 028
Correction to opening balance	127	0
Translation difference	2 412	2 209
Depreciation of the financial year	-22 621	-20 513
Accumulated depreciation and value adjustments related to decreases and transfers	41 898	15 765
Transfers between items	-149	644
Accumulated depreciation on 31 December	-203 255	-224 923
Book value on 31 December	117 448	88 948
The book value of production machinery and equipment on 31 December	99 826	71 348

Advance payments and construction in progress

EUR 1 000	2018	2017
Acquisition cost on 1 January	47 462	16 219
Translation difference	-496	-129
Increase	2 369	45 033
Transfers between items	-42 582	-13 660
Book value on 31 December	6 753	47 462

Revaluations

Above mentioned book values include revaluations as follows:

Land and water

EUR 1 000	2018	2017
Value on 1 January	3 164	3 770
Decrease	0	-606
Value on 31 December	3 164	3 164

9. Financial assets

EUR 1 000	2018	2017
Shares in associated companies		
Acquisition cost on 1 January	**75 461**	102 686
Share of results in associated companies *)	**-7 290**	-27 225
Book value on 31 December	**68 170**	75 461
Book value includes goodwill	**14 801**	20 602

*) adjusted by received dividends

Other shares		
Acquisition cost on 1 January	**1 653**	1 670
Translation difference	**-12**	-9
Decrease	**-4**	-7
Book value on 31 December	**1 637**	1 653

Other receivables		
Pension insurances	**2 930**	2 930
Other receivables	**715**	723
Total	**3 645**	3 653

Pension insurances relate to Mandatum Life pension insurances		
Acquisition cost	**2 930**	2 930
Market value	**3 567**	3 726

10. Receivables

Main items included in accruals and deferred income		
Income tax receivables	**5 403**	3 693
Accrued personnel expenses	**223**	198
Green coffee and currency hedgings	**2 748**	2 140
Other	**4 679**	5 322
Total	**13 053**	11 353

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	**3 744**	3 743
Translation difference	**1**	0
Premium fund on 31 December	**3 744**	3 744
Revaluation fund on 1 January	**161**	394
Change for the financial year	**0**	-232
Revaluation fund on 31 December	**161**	161
Reserve fund on 1 January	**424**	328
Translation difference	**126**	96
Reserve fund on 31 December	**549**	424
Reserve for invested non-restricted equity on 1 January	**4 324**	4 316
Transfers between items	**0**	8
Reserve for invested non-restricted equity on 31 December	**4 324**	4 324

EUR 1 000	2018	2017
Fair value fund on 1 January	**1 255**	3 667
Change for the financial year	**-1 201**	-2 413
Fair value fund on 31 December	**53**	1 255
Retained earnings on 1 January	**579 444**	560 270
Profit distribution	**-16 088**	-16 099
Translation difference	**-10 277**	-6 963
Transfers between items	**0**	-8
Retained earnings on 31 December	**553 079**	537 200
Net profit for the financial year	**32 534**	42 244
Total shareholders' equity	**602 649**	597 555

12. Minority interest

Minority interest on 1 January	**391**	15
Translation difference	**-16**	1
Increase	**0**	385
Change for the financial year	**-209**	-10
Minority interest on 31 December	**166**	391

13. Provisions

Other mandatory provisions	**14**	16

14. Liabilities

Long-term liabilities		
Pension loan	**7 817**	7 497
Other liabilities	**66**	14
Total	**7 883**	7 511

Short-term liabilities		
Advances received	**2**	91
Accounts payable	**119 945**	134 279
Other liabilities	**15 698**	12 821
Accruals and deferred expenses	**48 325**	43 876
Total	**183 970**	191 067

Main items included in accruals and deferred expenses		
Accrued personnel expenses	**17 980**	18 339
Annual discounts to customers	**19 110**	14 680
Income tax liability	**1 133**	1 261
Green coffee and currency hedgings	**1 457**	2 014
Other	**8 645**	7 581
Total	**48 325**	43 876

The figures for 2017 have been regrouped to match with the specification in 2018.

15. Contingent liabilities

EUR 1 000	2018	2017
Other guarantees for own commitments	**5 336**	1 936
Other liabilities		
Pension loan liabilities	**159**	152
Coffee machine liabilities	**331**	400
Total	**490**	551
Leasing liabilities		
Leasing liabilities, which mature within one year	**12 513**	15 976
Leasing liabilities, which mature after one year	**89 972**	92 784
Total	**102 485**	108 760

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

Derivatives

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

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

	2018	2017
Fair value	**-572**	83
Nominal value	**21 935**	25 417

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

EUR 1 000	2018	2017
Deferred tax receivables		
From internal margins	**115**	122
From differences between taxable income and reported income	**1 233**	1 639
Total	**1 349**	1 762
Deferred tax liabilities		
From appropriations	**4 109**	4 275
From differences between taxable expenses and reported expenses	**4 861**	4 747
From revaluations	**624**	624
Total	**9 593**	9 646

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:

EUR 1 000	2018	2017
Depreciation	**47 409**	44 409
Elimination of foreign exchange gains and losses	**-1 308**	-263
Share of associated companies' results	**5 764**	3 710
Sales gains and losses on fixed assets	**-336**	-4 529
Value adjustments of fixed assets	**80**	245
Dividend income	**-151**	-137
Interest income	**-3 547**	-4 933
Other financial items	**3 808**	4 671
Other income and expenses	**-2 126**	-5 890
Total	**49 593**	37 281
Change in net working capital		
Increase (-), decrease (+) in short-term receivables	**4 852**	-6 216
Increase (-), decrease (+) in inventories	**3 687**	6 293
Increase (+), decrease (-) in non interest bearing short-term liabilities	**-5 014**	-11 560
Total	**3 524**	-11 482

18. Shares and securities

Subsidiary shares

		Book value EUR 1 000	
Subsidiary	**Group ownership %**	**Parent ownership**	**Subsidiary ownership**
In Finland			
Euroleasing Ltd	100.0	878	
Gold&Green Foods Ltd	51.3		7 083
Gustav Paulig Ltd	100.0		7 144
Santa Maria Finland Ltd	100.0		60
Total		878	14 287
Abroad			
AS Paulig Baltic, Estonia	100.0		1 470
AS Santa Maria, Estonia	100.0		23
Bruce Foods Europe B.V., Netherlands	100.0		2 877
Färska Örter på Neongatan AB, Sweden	99.7		965
Mode Cold Brew AB, Sweden	51.0		770
Nordfalks AB, Sweden	100.0		10
NV Snack Food Poco Loco, Belgium	100.0		124 485
OOO Paulig RUS, Russia	100.0		20 432
Paulig Coffee A/S, Denmark	100.0	8 002	
Paulig Coffee Estonia AS, Estonia	100.0		2 187
Paulig Coffee Latvia SIA, Latvia	100.0		0
Paulig Coffee Lietuva UAB, Lithuania	100.0		0
Paulig Coffee Norway AS, Norway	100.0		1 375
Paulig Coffee Sweden AB, Sweden	100.0		5 246
Poco Loco France SARL, France	100.0		11
Risenta AB, Sweden	100.0		37 209
Risenta Norway AS, Norway	100.0		5
Saffron Holding A/S, Denmark	100.0	303 825	
Santa Maria A/S, Denmark	100.0		1 296
Santa Maria AB, Sweden	100.0		202 955
Santa Maria B.V., Netherlands	100.0		0
Santa Maria Norge AS, Norway	100.0		59
Santa Maria NV, Belgium	100.0		197
Santa Maria UK Ltd, United Kingdom	100.0		20 419
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		359
Total		311 827	424 386
Shares in associated companies			150 305
Other shares and securities		1 342	295
Total shares and securities		314 047	589 273

The Board's proposal to the Annual General Meeting

The distributable equity of the parent company according to the financial statements of 31 December 2018, is EUR 184 625 197.93 including retained earnings for the previous years EUR 170 553 856.23, reserve for invested non restricted equity EUR 4 050 000.00 and result for the financial year EUR 10 021 341.70.

The Board proposes that a dividend of EUR 42.00 per share on 502 765 shares be paid, totalling EUR 21 116 130.00.

The parent company's distributable shareholders' equity will then be EUR 163 509 067.93.

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

Helsinki, 28 March 2019

Mikael Aru
Chairman of the Board

Robin Hallberg

Christian Köhler

Eduard Paulig

Harri Pulli

Jon Sundén

Sanna Suvanto-Harsaae

Rolf Ladau
Managing Director

Auditor's report To the Annual General Meeting of Paulig Ltd

(Translation of the Swedish original)

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Paulig Ltd (business identity code 0112563-0) for the year ended 31 December, 2018. The financial statements comprise the balance sheets, the income statements, cash flow statements and notes for the group as well as for the parent company.

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

Basis for Opinion

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

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

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

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

Auditor's Responsibilities for the Audit of Financial Statements

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

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

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

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

Other reporting requirements

Other information

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

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

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

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

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

Helsinki, 29 March 2019

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

Board of Directors

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

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

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

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

Jessica Jungell-Michelsson
b. 1986
M.SC. (Mktg)
Observer of the Board since 2018

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

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

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

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

Management Team

Sarah Tähkälä
b. 1969
SVP, Legal & Sourcing
Working for Paulig
since 2010

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

Rolf Ladau
b. 1967
CEO and MD
from 1 June 2018
Working for Paulig
since 2018

Tina Andersson
b. 1969
SVP, Strategy & Growth
Working for Paulig
since 2016

Henrik Samuelson
b. 1971
SVP and MD
Paulig Foods
Working for Paulig
since 2014

Peter Denolf
b. 1970
SVP and MD
Paulig Snacks
Working for Paulig
since 2011

Lenita Ingelin
b. 1967
SVP and MD
Paulig Coffee
Working for Paulig
since 2013

Anu Pires
b. 1970
SVP, Human Resources
Working for Paulig
since 2018

Definitions

Operating profit %

$$\frac{\text{Operating profit}}{\text{Net Sales}} \times 100$$

Return on equity %

$$\frac{\text{Result before taxes and minority interest}}{\text{Shareholders' equity + minority interest (average)}} \times 100$$

Equity ratio %

$$\frac{\text{Shareholders' equity + minority interest}}{\text{Net assets – advances received}} \times 100$$

Net debt

Interest-bearing liabilities – cash and bank

Gearing %

$$\frac{\text{Interest-bearing liabilities + advances received – cash and bank}}{\text{Shareholders' equity + minority interest}} \times 100$$

Contact information

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Design: Sininen Arkki • Printed by Kirjapaino Öhrling Oy, 2019 • Photos: Paulig Group, Valtteri Kantanen and Shutterstock
This product is printed on Arjowiggins Cocoon Offset paper that is 100% recycled paper.
The European Union Ecolabel reg.nr FR/011/003 has been awarded to the paper.

NORDIC ECOLABEL 441 616 Printing material Kirjapaino Öhrling

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30

grams of protein.

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PAULIG

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Our vision 2030