Annual Report 2019

PAULIG

For a life full of flavour.

For a life full of flavour.

Contents

Paulig in brief

Family-owned company, founded by Gustav Paulig in

1876

Values

Stay Curious

Strive for Excellence

Grow Together

Brands

Paulig

Santa Maria

Poco Loco

Risenta

GOLD&GREEN® OF HELSINKI

Purpose

For a life full of flavour.

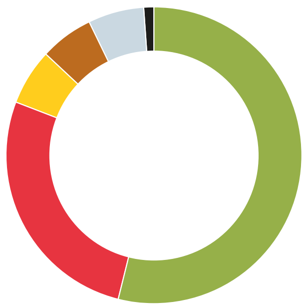
Revenue

921.4 MEUR

EBIT

75.4 MEUR

Revenue per market



54.2%	Nordic countries
26.6%	Continental Europe
6.3%	Baltics
6.3%	Russia
5.9%	UK
0.8%	Others

Revenue per Business Areas

Business Area	Revenue
Finland & Baltics	301.7 MEUR
Scandinavia & Central Europe	276.6 MEUR
Customer Brands	267.4 MEUR
East	62.6 MEUR

Total avg headcount

2115

Female
44%

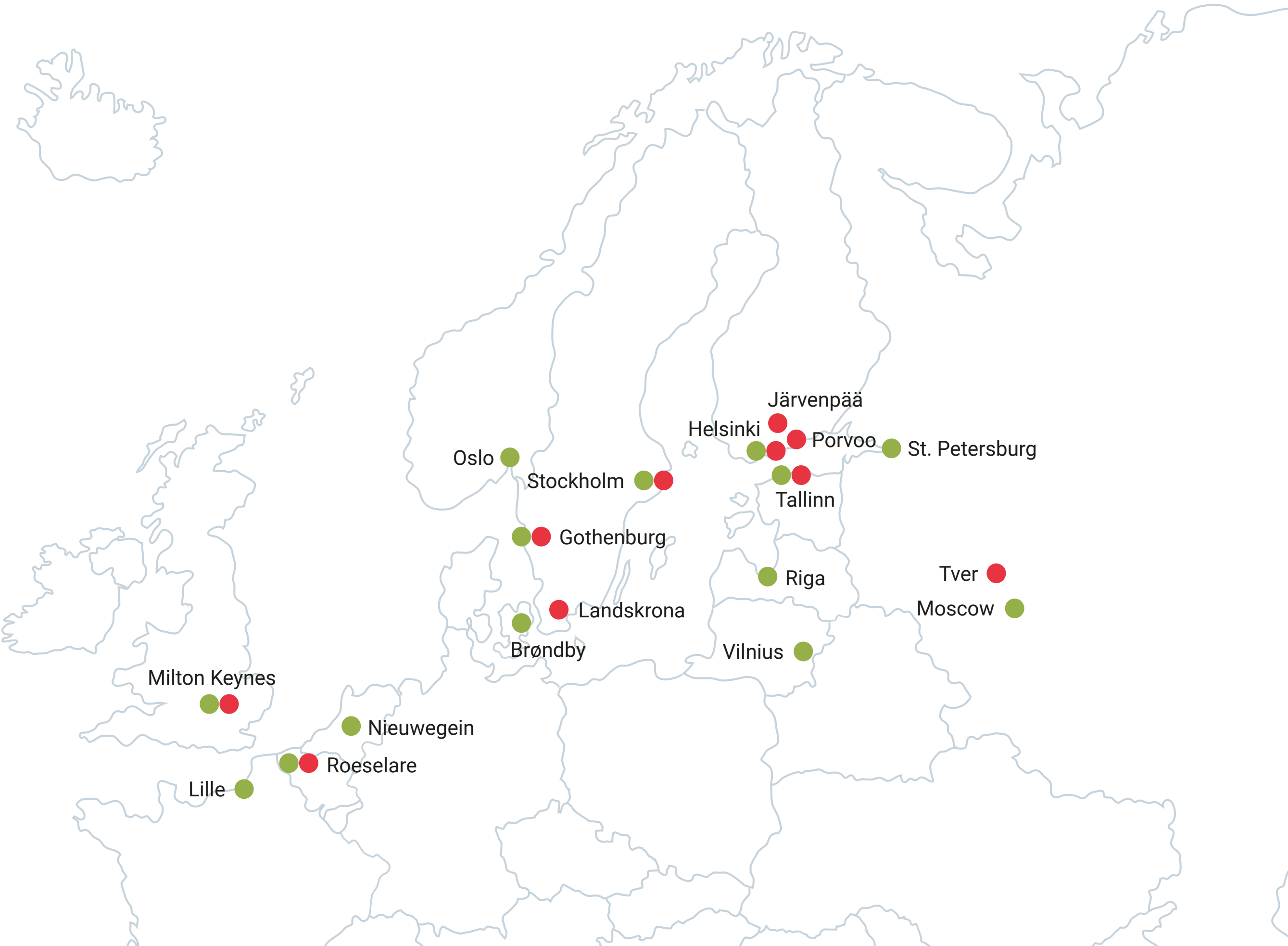
Male
56%

Gender by position 2019

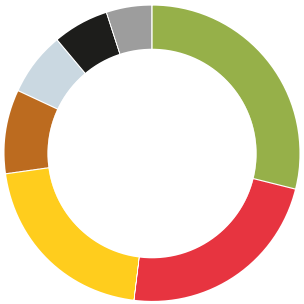
	Female	Male
Board of Directors	14%	86%
Paulig Leadership Team	46%	54%
Senior Leadership Teams	44%	56%
White Collar	50%	50%
Blue Collar	38%	62%

Operations in 13 countries

- sales
- production



Avg headcount per country



- 29% Belgium
- 23% Sweden
- 21% Finland
- 9% Russia
- 7% Estonia
- 6% UK
- 5% Others

CEO's review

At Paulig we aspire to become a sustainable frontrunner in our industry and one of the fastest growing food & beverage companies in Europe. In 2019, we renewed our operating model, organisational structure and ways of working to serve our customers with a broader Paulig offering in all our markets. The new operating model also enables building new group-level capabilities as well as increasing efficiencies and synergies. In 2019, Paulig Group's revenue increased by 1.4 per cent to EUR 921.4 million. The operating profit was EUR 75.4 million, which was 8.2 per cent of revenue.

With the
new operating model, ambitious sustainability goals, an inspiring purpose as well as a portfolio
that well meets the long-term demand and trends within the food & beverage industry, we are confident in continuing to build long-term success for Paulig.

The new operating model was launched in the beginning of June 2019 and the Group was organised in geographical Business Areas and Business Functions.

The geographical Business Areas are: Finland & Baltics, Scandinavia & Central Europe and East including Russia and surrounding countries. The fourth Business Area is specialised in serving Customer Brands. The Business Functions are divided into Strategy, Marketing & Innovations, Supply Chain & Sourcing, Finance & IT, Legal, HR, and Communications & Sustainability. With the new, central Strategy, Marketing & Innovations and Supply Chain & Sourcing functions, our goal is to further internationalise Paulig's brand portfolio, to broaden the cooperation with customers, to improve productivity and to scale functional capability building within the whole group.

Paulig has operations in 13 countries in the Nordics, the Baltics, Russia including the neighbouring areas, Central Europe and the United Kingdom. Our products are sold in more than 70 countries. Our brand portfolio includes well-known brands: Paulig, Santa Maria, Poco Loco, Risenta and Gold&Green.

In 2019, revenue was EUR 921.4 million, which was an increase of 1.4 per cent compared with the previous year. Revenue was negatively impacted by the market price of coffee which declined in 2019. The main growth category in our portfolio is Tex Mex, where Paulig is the leading company in Europe with both branded and private label products. Tex Mex category grew by an average of 6 per cent last year. Another big category for us is coffee, where we were able to maintain our market position despite the tightening competition and increase the sales of premium coffee by 10 per cent. In addition, we were pleased to see Gold&Green Pulled Oats® – a plant-based protein – enter new international markets with great growth potential.

Paulig's operating profit in 2019 was EUR 75.4 million compared to 73.9 in the previous year.

A sustainable frontrunner in our industry

Changes in the society and in the climate are faster than ever before. Countries, organisations, businesses and individuals are required to take sustainability into account in all actions and plans. The food & beverage industry plays a crucial role in committing to sustainable practices, and it also has the opportunity to introduce sustainable alternatives to consumers who increasingly make choices based on their values.

We have set an ambition to become a sustainable frontrunner in the food & beverage sector and developed a long-term sustainability approach for Paulig. The Paulig Sustainability Approach 2030 is based on the UN Sustainable Development Goals, and it

You will find Paulig's
Sustainability Report 2019
on our website
www.pauliggroup.com

has three focus areas with long-term ambitions: health & wellbeing, climate action & circularity and fair & inclusive way of working. Over the next years it will be implemented throughout our business and operations. We will tell more about our plans and sustainability work during 2020 and in our next sustainability report.

Our purpose supports our journey forward

To support us on our journey forward we also defined Paulig purpose during the year. We anchored it thoroughly in the company's DNA, evaluated the growth drivers of today and tomorrow and formulated a new purpose. In short, we as Paulig stand *For a life full of flavour*. For me, this means being present with our brands in the small and bigger everyday moments, adding value and helping turn the ordinary into extraordinary in the lives of our consumers. By doing that, we want to leave lasting memory imprints that help drive brand love.

The year 2019 saw many exciting novelties, a few of which I will mention here: Under the Paulig brand we launched the Paulig Cold Brew Sparkling drinks, the Paulig City Coffee cold drinks product family and Paulig Café Moscow, among others. Our biggest coffee brand Paulig Juhla Mokka celebrated its 90-year anniversary with an emotive campaign in Finland.

The Santa Maria brand focused on growing the Tex Mex category with great success. The category grew significantly in most of our markets. Growth was driven by the new, more sustainable tortilla package resulting in a 35 per cent lower climate impact compared to the former packaging solution. In addition, the Santa Maria Coconut Milk packaging was renewed. The aluminium was replaced by cardboard, which reduces greenhouse gas emissions of the packaging.

Within our customer brands business, the Tex Mex category continued to grow. In addition, the Business Area introduced several new successful products. Chia wraps were launched in retail for the BBQ season and two new Street Food dinner kit flavours – Smoky Chipotle and Chili & Lime – were introduced.

Though still a small brand in our portfolio, Gold&Green Pulled Oats® possesses huge growth potential. During the year the product was successfully launched in the Netherlands and we will continue to build the plant-based category also in the future.

During 2019 our Risenta brand was updated and the renewal will be visible to the consumers in 2020. The brand is also expected to pave the way for future growth with a healthy and environmentally friendly plant-based offering.

Well set for the future

With the new operating model, ambitious sustainability goals, an inspiring purpose as well as a portfolio that well meets the long-term demand and trends within the food & beverage industry, we are confident in continuing to build long-term success for Paulig.

I would like to thank all our employees for a great commitment during a year full of changes. We kept our focus on the consumers and were able to develop the company and its offering further. A big thank to all of you.

I also want to thank all our partners for good collaboration during 2019.

Helsinki, March 2020

R. Lad

Rolf Ladau
CEO
Paulig Group

100% of our coffee

come from sources that have been verified sustainable.

>> *Read more about our sustainability work.*

Our Business Areas in focus

Paulig aspires to become one of the fastest growing Food & Beverage companies in Europe. To be close to our customers and consumers, we have organised our business in three geographical Business Areas: Finland & Baltics, Scandinavia & Central Europe and Russia with surrounding countries. The fourth Business Area is specialised in serving Customer Brands.

Business Area Finland & Baltics

The Business Area's net sales totalled EUR 301.7 million (310.6) in 2019. The total coffee sales were slightly below plan. However, the premium coffee segment grew by 7 per cent and the Tex Mex category grew by 14 per cent.

In 2019, Paulig celebrated the 90th anniversary of the iconic Juhla Mokka brand. In addition, new ready-to-drink coffee products were introduced in Finland. The most innovative launches were the refreshing Paulig Cold Brew Sparkling coffee and tea drinks, as well as the extension of the successful Paulig City Coffee range into cold ready-to-drink products.

All Paulig coffees are verified sustainable. Paulig continued its sustainability work in the coffee sector and initiated several new recycling and circular economy projects. Paulig launched a waste heat recovery pilot in Vuosaari roastery and was recognized for its sustainability initiatives in Latvia and Estonia. Paulig´s unique artisan roastery Robert Paulig Roastery – which uses biogas and selfproduced solar energy in roasting process – was voted the best roastery in Finland.

In the food categories Paulig focused on package renewals and promoting healthier choices for the planet and people. Paulig is the leading coffee brand in Finland, Estonia and Lithuania and among the top four in Latvia. Santa Maria is also one of the leading brands in the Tex Mex segment and in spice categories in Finland and the Baltics.

In the foodservice and office sectors sales declined slightly compared to the previous year due to lower coffee machine sales in Finland, whereas other categories grew. A new Santa Maria Tacotarian Goes Buffet concept contributed to increased sales within the Tex Mex category. The Paulig and the Santa Maria brands were visible partners in major consumer events during the summer season in Finland and the Baltic countries.

Paulig Group renewed its operating model in June 2019. Lenita Ingelin started as the SVP of Paulig's Business Area Finland & Baltics and continued as a member of the Paulig Group Leadership Team.

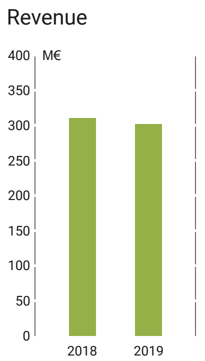
Facts about the Business Area

SVP of Business Area:
Lenita Ingelin

Revenue 2019:
EUR 301.7 million

Master Brands:
Paulig, Santa Maria, Gold&Green and Risenta

Production:
Helsinki, Järvenpää and Porvoo (Finland)
Saue (Estonia)



Business Area Scandinavia & Central Europe

The Business Area's net sales totalled EUR 276.6 million (283.3) in 2019. The factors behind the slight decrease in net sales include the depreciation of the Swedish krona, Paulig Coffee exiting the Swedish and Norwegian foodservice markets and a decline in the Risenta sales. In the Benelux countries and Norway sales within retail grew rapidly. Sales in Sweden, Denmark and to the export markets were stable. In the foodservice channels all markets grew compared to the previous year.

The Santa Maria brand kept or increased its market shares in all major markets and segments. In Norway, for the first time ever, the Santa Maria brand reached the position as the most preferred brand within the Tex Mex category.

During the year, the Santa Maria brand introduced the new innovative and more sustainable Tortilla packaging, which annually removes 150 tons of plastic. In addition a new carton packaging was launched for Santa Maria Coconut Milk, which reduces CO_2 by 85 per cent compared to the old packaging. Both launches were supported by marketing activities highlighting the sustainability aspects of these products.

Despite a decline in overall sales of the Risenta brand, the core segment of "Seeds and Kernels" was positive.

The move of the Risenta factory from Rotebro to the spice factory in Mölndal was communicated in October 2019 and it will be completed by June 2020.

During the year the Gold&Green brand – which is a plant-based protein – was launched in the retail channels in the Netherlands as well as in foodservice channels in several countries with promising results.

Paulig Group renewed its operating model in June 2019. Henrik Samuelson started as the SVP of Paulig's Business Area Scandinavia & Central Europe and continued as a member of the Paulig Group Leadership Team.

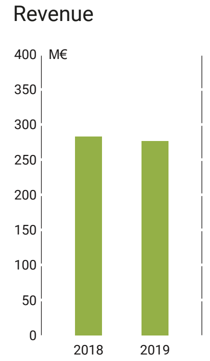
Facts about the Business Area

SVP of Business Area:
Henrik Samuelson

Revenue 2019:
EUR 276.6 million

Master Brands:
Santa Maria, Risenta and Gold&Green

Production:
Mölndal, Landskrona and Rotebro (Sweden)



Business Area Customer Brands

The Business Area's net sales totalled EUR 267.4 million (251.3) in 2019 thanks to strong sales in retail, foodservice and B2B in all categories. The Business Area sells customer own branded tortillas, chips, salsas and dinner kits to more than 700 customers in more than 70 countries. The main markets are France, Germany, the UK and the Nordic countries. The products are produced in three sites: two sites in Belgium and one in the UK.

The consumption of Tex Mex food in our core markets grew by 6 per cent in 2019. The increasing demand, however, showed as a constraint in production capacity. Therefore two major investment decisions were made during the year. A new production line for tortillas will be added in the UK in June 2020. An additional chips production line will be added in the factory in Belgium by the end of 2020. In addition, to meet our customers' expectations in terms of flexibility, a new fully automated packaging line was installed during 2019.

The Business Area introduced several new successful products in 2019. Chia wraps were launched in retail as a seasonal product during the BBQ season. Also, two new Street Food dinner kits flavours were developed and brought into market: Smoky Chipotle and Chili & Lime.

Paulig Group renewed its operating model in June 2019. Peter Denolf started as the SVP of Paulig's Business Area Customer Brands and continued as member of the Paulig Group Leadership Team.

Facts about the Business Area

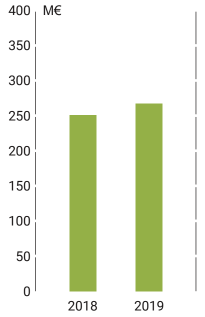
SVP of Business Area:
Peter Denolf

Revenue 2019:
EUR 267.4 million

Master Brands:
Poco Loco and manufactures customers' own brands

Production:
Roeselare (Belgium)
Milton Keynes (UK)

Revenue



Business Area East

The Business Area’s net sales totalled EUR 62.6 million (53.1) in 2019. Compared to the previous year the sales volume in coffee grew by 9 per cent and in foods by 28 per cent.

During the year Paulig introduced two new successful products to the Russian market: Paulig Café Moscow and Paulig Mundo. Paulig Café Moscow is an addition to Paulig’s City Coffee range and is available only in Russia. The launch of the product included a large-scale campaign and unprecedented digital support. Paulig Mundo Organic beans 250g became the first organic coffee in Russia being marked with the Fairtrade and Organic certificate. The Tver roastery was the first coffee production plant certified by EU Organic certification in Russia.

Paulig is the second biggest coffee brand in Russia in the roasted coffee segment with a volume share of 16.2 per cent (Nielsen, Scantrack).

In 2019 Paulig set the Guinness World Record in Moscow: more than 2000 people simultaneously tasted Paulig coffee which became the biggest degustation in the world ever. Paulig also received numerous awards from customers in marketing, category design and promotions.

During the year Paulig Tver plant completed installation of second large roaster bringing practical capacity of coffee production to more than 15 million kg per year. Service level of the Santa Maria products to customers improved from 67 per cent to 96 per cent by end of 2019. Coffee service level remained high at 99 per cent.

Paulig Group renewed its operating model in June 2019. Roman Ivashko started as the SVP of Paulig’s Business Area East and member of the Paulig Group Leadership Team.

Facts about the Business Area

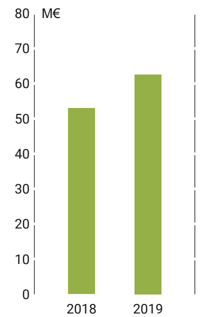
SVP of Business Area:
Roman Ivashko

Revenue 2019:
EUR 62.6 million

Master Brands:
Paulig and
Santa Maria

Production:
Tver (Russia)

Revenue



In 2019, the Santa Maria brand introduced the new innovative and more **sustainable Tortilla packaging,** which annually removes 150 tons of plastic.

>> Read more about our sustainability work.

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 Board members. 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 activities and of its cooperation with the management.

Meetings

In 2019, 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 Committee and an Audit Committee.

CEO and Leadership 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 Leadership Team consists of the Managing Director, who is also the chairman, SVPs of Business Areas and SVPs of Business Functions. Together with the Group's Leadership Team, the Managing Director prepares and implements the strategy and steers the business operations. The Leadership 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 co-operation with colleagues, customers, suppliers and other business partners.

In Belgium, we have a tradition of taking part in the local charity action called

“The warmest week”.

In 2019, we donated 26,000 bags of chips for local organisations or individuals who sold them and raised in total 52,000 euro that were donated to 70 different charity causes.

>> Read more about our sustainability work.

Board of Directors' report for 1 January–31 December 2019

In 2019, Paulig Group's revenue was EUR 921.4 million (908.2 in 2018), an increase of 1.4 per cent on the previous year. The Group's operating profit was EUR 75.4 million (73.9), which was 8.2 per cent (8.1) of net sales. Paulig Group employed 2 115 people on average during the year (2 140).

Changes in the Group structure during the financial year

The following changes took place in the Group's structure in 2019:

- Risenta Norway AS was merged with Santa Maria Norge AS.
- Bruce Foods Europe B.V. was liquidated.
- Färska Örter på Neongatan AB was liquidated.
- OOO Kulma was established.
- Mode Cold Brew AB was sold.

The Group's operating model was changed during the year and instead of the previously existed divisions the Group is now organised as Business Areas and Business Functions.

Revenue

In 2019, Paulig Group's revenue was EUR 921.4 million (908.2), an increase of 1.4 per cent on the previous year.

Of Paulig Group's total revenue of EUR 921.4 million, 54 per cent came from the Nordic countries and 46 per cent from other countries. Business Area Finland & Baltics accounted for 33 per cent of the external net sales, Scandinavia & Central Europe 30 per cent, Customer Brands 29 per cent, East 7 percent and Other 1 per cent.

REVENUE (MEUR)

	2019	2018	CHANGE
Finland & Baltics	**301.7**	310.6	-2.9%
Scandinavia & Central Europe	**276.6**	283.3	-2.3%
Customer Brands	**267.4**	251.3	6.4%
East	**62.6**	53.1	18.0%
Other	**13.0**	10.0	30.2%
Total	**921.4**	908.2	1.4%

Result for the financial year

The Group's operating profit was EUR 75.4 million (73.9), and its ratio to net sales was 8.2 per cent (8.1).

The consolidated result for the financial year, EUR 51.6 million (54.3) included EUR 15.1 million profit from real estate sales associated with the sale of land areas in Vuosaari. Depreciation and impairment totalled EUR 61.8 million (43.5), with the goodwill impairments representing EUR 5.6 million of the total and impairments of fixed assets representing EUR 11,2 million. In addition to the impairments, the consolidated result was negatively affected by non-recurring items related to the changes in the Group's operating model.

The associated company's (Fuchs Group) contribution to the consolidated result was EUR -1.7 million (1.3). The result of the associated company was affected by non-recurring write-downs.

KEY INDICATORS OF PAULIG GROUP'S FINANCIAL STATUS AND RESULT

	2019	2018
Revenue, MEUR	**921.4**	908.2
Other income, MEUR	**16.1**	1.4
Share of results in associated companies, MEUR	**-1.7**	1.3
Operating profit, MEUR	**75.4**	73.9
Operating profit, % of net sales	**8.2**	8.1
Operating profit before depreciation, amortization and impairment, MEUR	**137.2**	117.4
Profit for the financial year, MEUR	**51.6**	54.3
Shareholders' equity, MEUR	**649.2**	620.7
Return on equity, %	**8.1**	8.9
Equity ratio, %	**64.0**	64.4
Cash and short-term deposits, MEUR	**80.6**	61.3
Interest-bearing liabilities, MEUR	**118.3**	125.5
Investments, MEUR	**31.3**	29.3

2017 comparison information in accordance to FAS is excluded from the key indicators of Paulig Group's financial status and result due to IFRS incomparability.

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 103.6 million (97.8). The Group's solvency was at a good level throughout the year.

Investments

Investments during the financial year totalled EUR 31.3 million (29.3). In addition to investments related to land deals in Finland the most significant investments were related to production machinery in Belgium and in the UK.

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 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 employees decreased by 25 persons from the previous year.

The majority of the Group's 2 115 employees on average were employed in Belgium (29 per cent), Sweden (23 per cent) and Finland (21 per cent).

	2019	2018
Average number of employees	**2 115**	2 140
Employee benefit expenses, MEUR	**132.4**	128.5

Innovation and product development

Paulig's Strategy, Marketing & Innovations function is responsible for the group's innovation and product development activities. Innovation and product development plays an important role in the development of the product portfolio and ensuring future growth. During the year Paulig introduced several new products to the market under the group's various brands, including: the Paulig Cold Brew Sparkling drinks, the Paulig City Coffee cold drinks' product family and Paulig Café Moscow.

Gold&Green developed its product range further, for example Deli Oats products that were introduced in the beginning of 2020 in Finland. The work to establish the plant-based category internationally continues.

During 2019 the Risenta brand and products were updated and the renewal will be visible to the consumers in 2020.

Under the Poco Loco brand Chia wraps were launched as a seasonal product during the BBQ season and two new Street Food dinner kits flavours were developed and brought into market: Smoky Chipotle and Chili & Lime.

Product development also focused on updating existing products and improving recipes. Besides flavour, content and concept, product development focuses on packaging, which must be kept up to date and have a strong profile in order to be valued by customers.

Under the Santa Maria brand a sustainable tortilla package was launched resulting in a 35 per cent lower climate impact compared to the former packaging solution. In addition, the Santa Maria Coconut Milk packaging was renewed. The aluminium was replaced by cardboard, which reduces greenhouse gas emissions of the packaging.

Sustainability

Paulig's sustainability efforts have a strong link to the UN Sustainable Development Goals and they are based on the group's values 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.

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, particularly 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.

In 2019, Paulig set a strategic ambition to be a sustainable frontrunner within food & beverage industry and to achieve this we created a new, long-term sustainability approach to be implemented as part of our strategy and business operations across Paulig categories and countries. The approach was approved by Paulig Ltd's Board of Directors in February 2020.

Paulig Sustainability Approach 2030 is based on three prioritized United Nations' Sustainable Development Goals: Decent work and economic growth, Responsible consumption and production and Climate action.

Our sustainability approach has three focus areas with long term ambitions: health and wellbeing, climate action and circularity and fair and inclusive way of working.

Paulig Group's sustainability efforts is presented in more detail in the separate Sustainability Report at ***www.pauliggroup.com/sustainability***

Management and auditors

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

During the financial year, Jessica Jungell-Michelsson has been an observer member of the Board.

The Group's CEO is Rolf Ladau.

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

Shares

The company's stock is divided into A shares (487 765 shares) and B shares (15 000 shares), total 502 765 shares. There were no changes in this during the financial year.

The Articles of Association contain restrictions specific to share series 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 the financial year was EUR 51 616 097.84. The parent company's distributable shareholders' equity was EUR 183 936 407.25 according to the financial statements on 31 December 2019. The Board of Directors proposes that a dividend of EUR 25.57 per share be paid, amounting to EUR 12 855 701.05 in total. The parent company's distributable shareholders' equity would then be EUR 171 080 706.2.

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

Revenue and net result are expected to increase in 2020 from the previous year. The company is closely monitoring the corona virus outbreak and taking measures concerning the possible implications to the business.

Events following the end of the financial year

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

Financial information

The consolidated financial statements for the year end 2019, are the first Paulig Group has prepared in accordance with International Financial Reporting Standards (IFRS). For periods up to and including the year-end 2018, the Group prepared its financial statements in accordance with Finnish Accounting Standards (FAS). IFRS set common rules so that financial statements can be consistent, transparent and comparable worldwide. It is also a good basis for uniform accounting principles for an international group such as Paulig.
Paulig Group's official financial statements, including more detailed information about the transition to IFRS and Paulig's accounting principles, are available at Paulig's website.

You will find Paulig Group's
Financial Statements 2019
on our website
www.pauliggroup.com

Consolidated Statement of Comprehensive Income

EUR 1 000	2019	2018
Revenue	**921 392**	908 246
Other operating income	**16 060**	1 424
Materials and services	**-501 733**	-486 949
Employee benefit expenses	**-132 389**	-128 456
Depreciation, amortisation and impairment losses	**-61 846**	-43 458
Other operating expenses	**-164 469**	-178 144
Share of result in associated companies	**-1 657**	1 278
Operating profit	**75 358**	73 941
Financial income	**8 426**	6 810
Financial expenses	**-11 939**	-9 071
Net financial expenses	**-3 513**	-2 262
Profit (-loss) before taxes	**71 845**	71 679
Income taxes	**-20 229**	-17 361
Profit (-loss) for the financial year	**51 616**	54 319

EUR 1 000	2019	2018
Other comprehensive income (OCI)		
Items that may be reclassified to profit or loss in subsequent periods		
Foreign currency translation difference	**-1 019**	-10 112
Change in fair value of hedging instruments	**2 262**	83
Items that will not be subsequently reclassified to profit or loss		
Actuarial gains and losses from defined benefit plans	**-4 885**	-806
Changes in fair value of equity investments through OCI	**1 012**	2 318
Tax effect	**881**	-273
Other comprehensive income (-loss), net of tax	**-1 749**	-8 789
Total comprehensive income (-loss) for the year	**49 867**	45 529
Profit for the financial year attributable to		
Owners of the parent company	**55 381**	58 202
Non-controlling interest	**-3 765**	-3 884
	51 616	54 319
Total comprehensive income for the year attributable to		
Owners of the parent company	**53 632**	49 413
Non-controlling interest	**-3 765**	-3 884
	49 867	45 529

Consolidated Statement of Financial Position

EUR 1 000	31 DECEMBER 2019	31 DECEMBER 2018	1 JANUARY 2018
ASSETS			
Non-current assets			
Goodwill	**62 143**	68 973	71 085
Intangible assets	**15 113**	18 314	19 404
Tangible assets	**306 736**	328 411	346 467
Shares in associated companies	**72 130**	75 212	75 461
Other receivables	**1 124**	2 142	2 944
Non-current financial assets	**56 595**	8 791	11 832
Deferred tax assets	**5 425**	4 185	4 056
Total non-current assets	**519 265**	506 028	531 250
Current assets			
Inventories	**129 972**	95 468	102 523
Trade and other receivables	**137 221**	142 113	151 331
Other current financial assets	**142 507**	149 996	113 746
Income tax receivable	**4 681**	5 403	3 693
Cash and short-term deposits	**80 554**	61 284	51 361
Total current assets	**494 934**	454 264	422 655
Assets held for sale	**3 783**	4 237	0
Total assets	**1 017 982**	964 529	953 904

EUR 1 000	31 DECEMBER 2019	31 DECEMBER 2018	1 JANUARY 2018
EQUITY AND LIABILITIES			
Equity			
Share capital	**8 204**	8 204	8 204
Other equity	**648 386**	616 034	585 809
Equity attributable to equity holder of the parent	**656 590**	624 237	594 012
Non-controlling interest	**-7 439**	-3 509	391
Total equity	**649 150**	620 727	594 403
Non-current liabilities			
Interest-bearing liabilities	**105 496**	113 236	124 277
Other non-current financial liabilities	**129**	66	14
Provisions	**2 478**	2 431	2 439
Net employee defined benefit liabilities	**25 791**	19 539	17 871
Deferred tax liabilities	**12 004**	12 350	12 204
Total non-current liabilities	**145 898**	147 623	156 805
Current liabilities			
Interest-bearing liabilities	**12 851**	12 272	11 688
Trade and other payables	**201 516**	182 773	189 747
Income tax payable	**4 317**	1 133	1 261
Total current liabilities	**218 684**	196 178	202 696
Liabilities directly associated with the assets held for sale	**4 250**	0	0
Total liabilities	**368 832**	343 800	359 501
Total equity and liabilities	**1 017 982**	964 529	953 904

The consolidated financial statements should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

EUR 1 000	2019	2018
Cash flows from operating activities		
Net profit (-loss) before taxes	**71 845**	71 679
Adjustments 1)	**55 988**	41 675
Change in net working capital:		
Change in trade and other receivables	**5 404**	4 852
Change in inventory	**-34 525**	3 687
Change in trade and other payables	**23 528**	-5 014
Dividends received	**1 426**	1 526
Interest received	**5 737**	4 298
Interest paid	**-7 894**	-8 324
Other financial income and expenses, net	**-1 003**	2 311
Income taxes paid	**-16 901**	-18 888
Cash flows from operating activities (A)	**103 603**	97 801
Cash flows from investing activities		
Investments in tangible and intangible assets	**-31 324**	-29 259
Proceeds from disposal of tangible assets	**21 160**	172
Disposal of other shares	**0**	275
Dividends received	**165**	151
Net cash flow from short-term investments	**-40 549**	-31 954
Cash flows from investing activities (B)	**-50 548**	-60 615
Cash flows from financing activities 2)		
Increase (-), decrease (+) in long-term receivables	**707**	801
Dividends paid	**-21 116**	-16 088
Repayments of leasing liability	**-13 376**	-11 976
Cash flows from financing activities (C)	**-33 785**	-27 263
Change in cash flows (A+B+C)	**19 270**	9 923
Cash and short-term deposits at 1 January	**61 284**	51 361
Cash and short-term deposits at 31 December	**80 554**	61 284
Change	**19 270**	9 923

EUR 1 000	2019	2018
1) Adjustments		
Depreciation, amortisations and impairments	**61 846**	43 458
Share of associated companies results	**1 657**	-1 278
Eliminated foreign exchange gains and losses	**211**	-1 308
Financial income and expenses	**3 513**	2 262
Other adjustments	**-11 240**	-1 459
Total	**55 988**	41 675

2) Changes in liabilities arising from financing activities

Cash flow from financing activities consist of dividends paid, received finance lease receivable payments and repayments of leasing liability. The movements in leasing liabilities are presented in note 4.4 Leases.

The carbon emissions of all Risenta products from farm to store are

offset with carbon credits

purchased from two projects, one in Peru and another one in Mexico.

>> Read more about our sustainability work.

Board of Directors

Sanna Suvanto-Harsaae
b. 1966
M.Sc. (Econ.)
Chairman of the Board
since 2019
Member of the Board
since 2008

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

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

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

Jukka Moisio
b. 1961
M.Sc. (Econ.)
MBA
Member of the Board
since 2019

Eduard Paulig
s. 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

Sarah Tähkälä
b. 1969
LL.M.
Secretary of the Board
since 2019

Leadership Team 31 December 2019

Rolf Ladau
b. 1967
CEO
Working for Paulig
since 2018

Tina Andersson*
b. 1969
SVP, Strategy, Marketing
and Innovations
Working for Paulig
since 2016

Peter Denolf
b. 1970
SVP, Business Area
Customer Brands
Working for Paulig
since 2011

Lenita Ingelin
b. 1967
SVP, Business Area
Finland & Baltics
Working for Paulig
since 2013

Roman Ivashko
b. 1969
SVP, Business Area East
Working for Paulig
since 2012

Kaisa Lipponen
b. 1980
SVP, Communications &
Sustainability
Working for Paulig
since 2019

Thomas Panteli
b. 1970
SVP, Supply Chain &
Sourcing
Working for Paulig
since 2019

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

Henrik Samuelson
b. 1971
SVP, Business Area
Scandinavia & CE
Working for Paulig
since 2014

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

Juha Väre
b. 1970
SVP and CFO
Working for Paulig
since 2019

* Tina Andersson left Paulig in March 2020. Paula Backman was appointed Chief Marketing Officer (CMO) in March 2020 and she will begin in her position in June 2020.

Paulig's product portfolio is almost 100% plant-based today. With our plant-based protein Pulled Oats® we can inspire consumers to move towards a more plant-based diet, which is

good for both people and the planet

but does not compromise taste or convenience.

>> Read more about our sustainability work.

GOLD&GREEN®
OF HELSINKI

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For a life full of flavour.

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