PAULIG

For a life full of flavour.

Financial Statements 2023

Contents

Board of Directors' report for 1 January–31 December 2023

In 2023, Paulig Group's revenue was EUR 1,167.6 million (1,105.5), an increase of 5.6 per cent on the previous year. The Group's operating profit was EUR 90.1 million (5.8), which represented 7.7 per cent (0.5) of revenue. Paulig Group employed 2,209 people on average during the year (2,278).

Changes in the Group's structure during the financial year

The following changes took place in the Group's structure in 2023:

- Nissen Invest Ltd was separated from Paulig Group through a partial demerger during the financial year.
- Saffron Holding A/S and Paulig Coffee A/S (Denmark) were merged into Paulig Ltd.
- The liquidation of OOO Kulma, Russia was finalised.

Additionally, Paulig Group sold its shares in DF World of Spices GmbH (the parent company of the FUCHS Group) where its direct ownership interest was 25.01 per cent (accounted as an associated company). In addition, Paulig Group had 1.5 per cent ownership in the holding company (DF Verwaltung GmbH & Co. KG) that owned the remaining 74.99 per cent of the shares in DF World of Spices GmbH.

The sale of the Frezza cold coffee drinks brand was also completed during the year.

Revenue

In 2023, Paulig Group's revenue was EUR 1,167.6 million (1,105.5), an increase of 5.6 per cent on the previous year. Revenue growth was mainly driven by price increases in order to address rising costs and inflation, volume growth within Customer Brands and the inclusion of the full year of Liven S.A.U.

Of Paulig Group's total revenue of EUR 1,167.6 million, 49 per cent came from the Nordic countries and 51 per cent from other countries. Business area Finland & Baltics accounted for 29 per cent of the external revenue, Scandinavia & Central Europe 29 per cent, Customer Brands 41 per cent and Other 1 per cent.

Result for the financial year

The Group's operating profit was EUR 90.1 million (5.8), and its ratio to net sales was 7.7 per cent (0.5).

The consolidated result for the financial year was EUR 89.1 million (-19.9). Depreciation, amortisation and impairment losses totalled EUR 42.3 million (43.1). The net financial items were EUR 13.6 million (-20.6).

Furthermore, raw material prices, especially commodities decreased during the year, increasing the operating profit. Employee benefit expenses were higher due to salary inflation. The share of the associated company (DF World of Spices GmbH) was sold during the year and therefore no associated company results were included in the operating profit (no gain or loss recognised on the sale).

Financial position

The financial position remained good for the entire financial year. The net cash flow from operations was EUR 125.9 million (61.7). The Group's solvency was at a good level throughout the year.

REVENUE (MEUR)

	2023	2022	CHANGE
Finland & Baltics	**338.9**	345.9	-2.0%
Scandinavia & Central Europe	**334.6**	316.7	5.7%
Customer Brands	**477.7**	398.3	19.9%
Other	**16.4**	44.6	-63.4%
Total	**1,167.6**	1,105.5	5.6%

KEY INDICATORS OF PAULIG GROUP'S FINANCIAL STATUS AND RESULT

	2023	2022	2021
Revenue, MEUR	**1,167.6**	1,105.5	966.3
Other income, MEUR	**2.6**	11.0	9.8
Share of results in associated companies, MEUR	**-**	-21.6	4.0
Operating profit, MEUR	**90.1**	5.8	95.3
Operating profit, % of revenue	**7.7**	0.5	9.9
Operating profit before depreciation, amortisation and impairment, MEUR	**132.4**	48.9	137.5
Profit for the financial year, MEUR	**89.1**	-19.9	85.3
Shareholders' equity, MEUR	**583.2**	715.0	735.6
Return on equity, %	**13.7**	-2.7	12.0
Equity ratio, %	**61.3**	61.8	62.4
Cash and short-term deposits, MEUR	**51.4**	52.2	140.6
Interest-bearing liabilities, MEUR	**94.4**	149.9	157.8
Investments during the financial year, MEUR	**39.6**	56.3	46.7

Investments

Investments during the financial year totalled EUR 39.6 million (56.3). The most significant investments were related to Horizon (a business transformation program), high-capacity vacuum pack and palletising solution renewal in roasting, capability building in Saue, Estonia as well as a new snacking pellet line in Spain and automatic nesting for tacos, together with a solar panels-related project in Belgium.

Risks

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

In the management of liability risks, the Group follows the insurance policies adopted by the Board of Directors. The insurance coverage against losses related to property and business, such as product liability and interruption of operations, is comprehensive in accordance with these policies.

The Group's main operative risks related to raw materials, their costs and their availability. In the management of risks associated with the acquisition of green coffee raw materials, the Group followed the policies adopted by the Board of Directors. The principal strategic risks were changes in competition and consumer behaviour in different market areas, accentuated by the weak economic outlook and the reduced purchasing power of households.

In its management of financial risks, the Group followed the treasury policy adopted by the Board of Directors. The availability of sufficient financing for the business in the future is guaranteed with credit facilities, even in the current solvent situation. The treasury policy also covers the 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 proportion of raw materials is paid for in dollars.

Personnel

Paulig Group's average number of employees decreased by 69 persons from the previous year. The majority of the Group's 2,209 employees on average were employed in Belgium (34 per cent), Sweden (20 per cent), Finland (16 per cent) and Spain (15 per cent).

PERSONNEL

	2023	2022	2021
Average number of employees	**2,209**	2,278	2,190
Employee benefit expenses, MEUR	**162.6**	147.8	143.6

Innovation and product development

More than 40 new products and services were launched in 2023. Among them, were the introduction of new decaffeinated coffees (Paulig Juhla Mokka Ilta and Paulig Café Los Angeles), Asian buns, World of Flavours collection for Spices, new Santa Maria Pops as well as the introduction of "smart" snacks for the out-of-home market by Paulig PRO. Paulig PRO brings together Paulig's brands, products and services for the professional market, such as restaurants, cafes, schools, healthcare and workplaces. The assortment ranges from coffee and beverages to tortillas, chips, spices and sauces.

PINC, Paulig's venture arm, invests in early-stage startups with the aim of supporting innovations enabling a more sustainable future of food. In 2023, PINC added three new startups to its investment portfolio, each focusing on different aspects of building a more sustainable food culture: from WNWN's cocoa-free alternative to chocolate made through advanced food processing, to Improvin's AI-powered sustainability performance platform and Amatera's biotech platform accelerating the sustainable cultivation of perennial crops.

Sustainability

In 2023, Paulig updated its sustainability approach and continued the business integration of sustainability initiatives. Paulig's sustainability work is guided by Paulig Sustainability Approach 2030, which was revised in the spring of 2023 to include Nature. In addition to reducing its climate impact, Paulig aims to take stronger action to protect biodiversity. Paulig's three updated focus areas with long-term ambitions are: health and wellbeing, climate and nature action, and fair and inclusive way of working.

In April 2023, Paulig announced the launch of EUR 2.7 million Climate Fund. The fund supports climate emission reductions in Paulig's value chain. In December 2023, Paulig joined COP28 to engage with global key stakeholders, exchange lessons learned from sustainability initiatives and to push for decisions from international peers, partners, suppliers and political decision-makers.

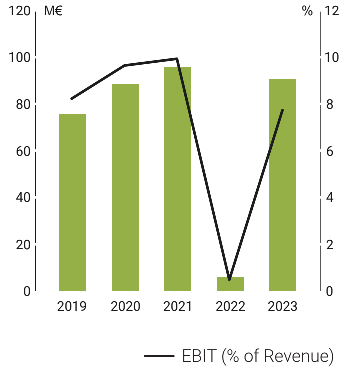
Paulig's climate targets are aligned with a 1.5°C pathway and approved by the Science Based Target initiative. In 2023, collaboration with Lantmännen continued to reduce carbon emissions in the wheat value chain. The wheat sourced according to Lantmännen's Climate & Nature program has up to 30 per cent lower climate impact compared to the 2015 baseline of average Swedish autumn wheat. Similar reduction efforts were agreed with Belgian wheat supplier Paniflower. In coffee origins, Paulig continued the existing and started new regenerative farming projects, notably in Brazil, Colombia and Nicaragua to encourage the implementation of climate-smart practices. In 2023, Paulig also took the first steps to electrify key logistics routes, with expansion planned in 2024.

In 2023, we achieved a 22 per cent reduction in greenhouse gas emissions in our own operations compared to the baseline year of 2018. An energy efficiency project was initiated to introduce solutions for our sites in Spain and Belgium. The availability of biogas and green gas certificates that meet our quality requirements continues to be a challenge.

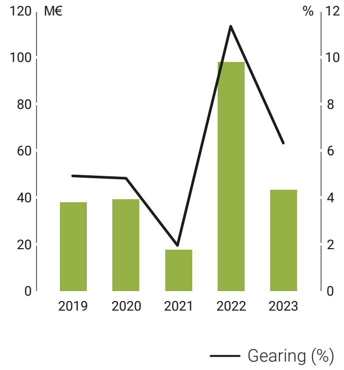
Paulig's nutrition framework is based on the widely used front-of-pack nutrition label Nutri-Score. At the end of 2023, 45 per cent of our net sales were derived from food products that met the criteria of enabling health for people. In 2023, a cross-functional project group started work to develop Nutri-Score A and B products.

In 2023, progress continued towards the strategic initiative target of securing external verifications for a selection of our top spices. In 2023, 71 per cent of the sourced volumes came from

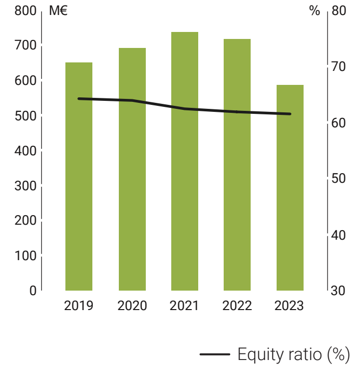
EBIT



Net debt



Shareholders' equity



externally verified sources. In 2023, a human rights risk screening was conducted at Paulig level. This is part of the ongoing work to develop a human rights due diligence process that ensures respect for human rights both in Paulig's own operations and throughout the value chain.

Management and auditors

At the end of the financial year, Paulig Ltd's Board of Directors had seven members: Jukka Moisio (Chairman), Mathias Bergman, Christian Köhler, Eduard Paulig, Heikki Takala, Petra Teräsaho and Christina Wergens. Oliver Paulig is the observer of the Board.

There were no changes to the Board of Directors during the financial year.

The Group's CEO is Rolf Ladau.

The Group's auditor was Ernst & Young Oy, with Authorised Public Accountant Terhi Mäkinen as the principal auditor.

Shares

The company's stock is divided into A shares (487,765 shares) and B shares (15,000 shares), a total of 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 the distribution of profit

The consolidated profit for the financial year was EUR 89,117,383.37. The parent company's distributable shareholders' equity was EUR 364,466,726.13 according to the financial statements on 31 December 2023. The Board of Directors proposes that a dividend of EUR 43.88 per share be paid, amounting to EUR 22,061,328.20 in total, and that the parent company retains distributable equity of EUR 342,405,397.93.

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

The global economic outlook continues to be uncertain with low growth expectations and continued geopolitical uncertainty. In particular, the global supply chain is vulnerable, making the forecasting challenging.

Revenue and profitability are expected to improve in 2024.

Events following the end of the financial year

On 13 March 2024 Paulig Group announced that it has initiated group-wide change negotiations affecting Paulig's office and managerial personnel. The reason for change negotiations is not to reduce headcount at company level. However, planned changes may lead to changes in roles and the discontinuation of certain positions. The potential redundancies are expected to be maximum 64 office or managerial employees globally. Paulig Group plans to implement the new organization starting from 1 June 2024.

The planned organization will merge the current three business areas into two: Branded Business Area and Customer Brands Business Area. In addition, Paulig Group continues to have global Business Functions that support both Business Areas.

Consolidated Statement of Comprehensive Income

EUR 1 000	NOTE	2023	2022
Revenue	3.1	**1 167 580**	1 105 517
Other operating income	3.2	**2 582**	11 006
Materials and services	3.3	**-687 116**	-704 394
Employee benefit expenses	3.4, 5.7	**-162 575**	-147 804
Depreciation, amortisation and impairment losses	4.1–4.4	**-42 279**	-43 106
Other operating expenses	3.5	**-188 109**	-193 819
Share of result in associated companies	2.4	**0**	-21 609
Operating profit		**90 082**	5 791
Financial income	3.6	**30 893**	18 280
Financial expenses	3.6	**-17 263**	-38 866
Net financial expenses		**13 631**	-20 587
Profit (-loss) before taxes		**103 713**	-14 795
Income taxes	3.7	**-14 595**	-5 114
Profit (-loss) for the financial year		**89 117**	-19 910

EUR 1 000	NOTE	2023	2022
Other comprehensive income (OCI)			
Items that may be reclassified to profit or loss in subsequent periods			
Foreign currency translation difference		**211**	-3 765
Change in fair value of hedging instruments	6.4	**-15 489**	29 232
Items that will not be subsequently reclassified to profit or loss			
Actuarial gains and losses from defined benefit plans	5.7	**-155**	6 731
Changes in fair value of equity investments through OCI		**-740**	-2 159
Tax effect	3.7	**147**	-1 064
Other comprehensive income (-loss), net of tax		**-16 025**	28 976
Total comprehensive income (-loss) for the year		**73 092**	9 066
Profit for the financial year attributable to			
Owners of the parent company		**89 117**	-19 910
		89 117	-19 910
Total comprehensive income for the year attributable to			
Owners of the parent company		**73 092**	9 066
		73 092	9 066

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

Consolidated Statement of Financial Position

EUR 1 000	NOTE	31 DECEMBER 2023	31 DECEMBER 2022
ASSETS			
Non-current assets			
Goodwill	4.1, 4.2	**89 833**	89 705
Intangible assets	4.1	**23 688**	23 435
Tangible assets	4.3	**331 204**	330 641
Shares in associated companies	2.4	**0**	50 000
Other receivables	5.2	**1 398**	1 378
Non-current financial assets	6.2	**28 899**	23 316
Deferred tax assets	3.7	**5 927**	8 727
Total non-current assets		**480 949**	527 202
Current assets			
Inventories	5.1	**134 104**	172 646
Trade and other receivables	5.2	**183 747**	166 644
Other current financial assets	6.2–6.4	**99 605**	229 458
Income tax receivable		**726**	9 125
Cash and short-term deposits	5.3, 6.2	**51 428**	52 159
Total current assets		**469 609**	630 032
Total assets		**950 558**	1 157 234

EUR 1 000	NOTE	31 DECEMBER 2023	31 DECEMBER 2022
EQUITY AND LIABILITIES			
Equity	6.1		
Share capital		**8 204**	8 204
Other equity		**574 962**	706 795
Equity attributable to equity holder of the parent		**583 166**	714 999
Total equity		**583 166**	714 999
Non-current liabilities			
Interest-bearing liabilities	5.6	**84 153**	139 847
Other non-current financial liabilities		**1 450**	1 315
Provisions	5.5	**4 378**	4 408
Net employee defined benefit liabilities	5.7	**2 039**	21 358
Deferred tax liabilities	3.7	**14 273**	19 041
Total non-current liabilities		**106 295**	185 968
Current liabilities			
Interest-bearing liabilities	5.6	**10 275**	10 077
Provisions	5.5	**30**	30
Trade and other payables	5.4, 6.2–6.4	**243 490**	238 124
Income tax payable		**7 303**	8 037
Total current liabilities		**261 098**	256 267
Total liabilities		**367 393**	442 235
Total equity and liabilities		**950 558**	1 157 234

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

Consolidated Statement of Cash Flows

EUR 1 000	NOTE	2023	2022
Cash flows from operating activities			
Net profit (-loss) before taxes		**103 713**	-14 795
Adjustments 1)		**-3 825**	113 206
Change in net working capital:			
Change in trade and other receivables		**-17 062**	-4 417
Change in inventory		**38 542**	-22 924
Change in trade and other payables		**5 510**	69
Dividends received		**0**	1 233
Interest received		**12 026**	3 871
Interest paid		**-6 090**	-12 072
Other financial income and expenses, net		**1 842**	8 153
Income taxes paid		**-8 757**	-10 601
Cash flows from operating activities (A)		**125 900**	61 722
Cash flows from investing activities			
Investments in tangible and intangible assets	4.1–4.4	**-39 629**	-56 334
Proceeds from sale of shares in associated companies		**20 000**	0
Proceeds from disposal of tangible assets		**2 298**	11 864
Investments in other investments (subsidiary acquisitions)		**0**	-58 805
Proceeds and investments in other investments (subsidiaries)		**0**	6 465
Dividends received		**2 277**	2 365
Net cash flow from investments		**-8 905**	-5 190
Cash flows from investing activities (B)		**-23 959**	-99 635
Cash flows from financing activities 2)			
Increase (-), decrease (+) in long-term receivables		**-137**	-158
Dividends paid		**-34 238**	-29 663
Repayment of borrowings	5.6, 6.2	**-50 615**	-6 469
Repayments of leasing liability	4.4	**-10 355**	-13 416
Cash flows from financing activities (C)		**-95 345**	-49 706

EUR 1 000	NOTE	2023	2022
Change in cash flows (A+B+C)		**6 597**	-87 620
Cash and short-term deposits at 1 January	5.3	**52 159**	140 551
Net foreign exchange difference in cash		**-10**	-772
Cash transferred in demerger		**-7 318**	0
Cash and short-term deposits at 31 December	5.3	**51 428**	52 159
Change		**6 597**	-87 620
1) Adjustments			
Depreciation, amortisation and impairment losses	4.1–4.4	**42 279**	43 106
Share of result in associated companies	2.4	**0**	21 609
Eliminated foreign exchange gains and losses		**1 216**	1 518
Net financial expenses	3.6	**-13 631**	20 587
Other adjustments		**-33 689**	26 388
Total		**-3 825**	113 206

2) Changes in liabilities arising from financing activities

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

Consolidated Statement of Changes in Equity

	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY							
EUR 1 000	SHARE CAPITAL	OTHER RESTRICTED EQUITY FUNDS	CASH FLOW HEDGE FUND	OTHER OCI ITEMS	TRANSLATION FUND	UNRESTRICTED EQUITY FUNDS	RETAINED EARNINGS	TOTAL EQUITY
Balance at 1 January 2022	**8 204**	**4 168**	**-16 502**	**622**	**-11 729**	**4 324**	**746 511**	**735 596**
Profit (-loss) for the period							-19 910	-19 910
Other comprehensive income								
Cash flow hedge, net of tax			29 232					29 232
Change in fair value of equity instruments at FVOCI				-1 727				-1 727
Defined benefit plan actuarial gains and losses, net of tax				5 236				5 236
Translation differences					-3 765			-3 765
Total comprehensive income			**29 232**	**3 509**	**-3 765**		**-19 910**	**9 067**
Transactions with owners of the parent company								
Dividend							-29 663	-29 663
Balance at 31 December 2022	**8 204**	**4 168**	**12 730**	**4 131**	**-15 493**	**4 324**	**696 938**	**714 999**
Profit (-loss) for the period							89 117	89 117
Other comprehensive income								
Cash flow hedge, net of tax			-15 489					-15 489
Change in fair value of equity instruments at FVOCI				-592				-592
Defined benefit plan actuarial gains and losses, net of tax				-156				-156
Translation differences					211			211
Total comprehensive income			**-15 489**	**-748**	**211**		**89 117**	**73 092**
Transactions with owners of the parent company								
Funds distributed in partial demerger							-170 687	-170 687
Dividend							-34 238	-34 238
Balance at 31 December 2023	**8 204**	**4 168**	**-2 759**	**3 384**	**-15 282**	**4 324**	**581 130**	**583 166**

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

Notes to the Consolidated Financial Statements

1. ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED FINANCIAL STATEMENT

1.1 CORPORATE INFORMATION

Paulig Ltd, the parent company of Paulig Group, is a Finnish limited liability company incorporated under the Finnish law with its domicile in Helsinki, Finland. The registered office is located at Satamakaari 20 in Helsinki. The consolidated financial statements comprise the parent company Paulig Ltd and its subsidiaries (collectively ”Group”, ”Paulig Group” or ”Group companies”).

Paulig Group is an international family-owned Group in the food industry offering products such as coffee, spices, plant-based products and snacks. The Group's business is divided into three business areas: Finland & Baltics, Scandinavia & Central Europe and Customer Brands. Paulig Group operates in 13 countries with largest markets in Northern Europe, continental Europe, the UK and the Baltics.

The Board of Directors of Paulig Ltd has approved these financial statements for publication at its meeting on 18 March 2024. Under Finland's Limited Liability Companies Act, the shareholders have the option to accept or reject the financial statements in the Annual General meeting of the shareholders, which will be held after the publication of the financial statements.

Copies of the financial statements are available on the internet, at www.pauliggroup.com, or at the parent company's head office in Helsinki.

1.2 BASIS OF PREPARATION

Paulig Group's consolidated financial statements have been prepared in accordance with IFRS Accounting Standards, as adopted by the European Union, including International Accounting Standards (IAS) and Interpretations issued by the IFRS Interpretations Committee (IFRIC) or its predecessor Standing Interpretations Committee (SIC). The notes to the consolidated financial statements also comply with Finnish accounting and corporate law.

The 2023 consolidated financial statements have been prepared based on original acquisition costs, except for financial assets and financial liabilities (including derivative instruments) that have been measured at fair value through profit and loss or other comprehensive income (OCI).

Financial statement presentation is in thousands of euros. Figures presented have been rounded and therefore the sum of individual figures might differ from the presented total figure.

Detailed accounting principles are disclosed in the relevant note to the consolidated financial statements.

1.3 FOREIGN CURRENCY

Presentation currency

The Group's consolidated financial statements are presented in euros, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Foreign subsidiaries

The income statements of the foreign subsidiaries in their local currencies are translated into euro at the average rates for the period during the financial year and the balance sheets at the rates determined by the European Central Bank at the closing date (balance sheet date). The figures in the notes (specifications) are translated into euro in the similar manner as the income statements and balance sheet depending on which the notes relate to. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is reclassified to profit or loss.

Foreign currency transactions

Business transactions in foreign currencies have been valued using the exchange rate at the date of transaction. Receivables and liabilities on the balance sheet date are valued using the exchange rate on the balance sheet date. Advances paid and received are valued in the balance sheet using the exchange rate at the date of payment. Exchange rate differences on trade receivables and payables are treated as the adjustments to revenue and materials and services. Exchange rate differences on other receivables and liabilities are entered under financial income and expenses.

1.4 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of Paulig Group's consolidated financial statements according to IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Although estimates and assumptions are based on the management's best knowledge of current events, actual results may differ from the estimates used in the financial statements. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Identified significant accounting judgements, estimates and assumptions are presented in connection to the items considered to be affected and are attached to the underlying note as follows:

NOTE	NOTE NUMBER
Change in deferred tax assets and liabilities	3.7
Goodwill and impairment testing	4.2
Leases	4.4
Provisions	5.5
Pensions and other post-employment benefit plans	5.7

1.5 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

Amendments and annual improvements to IFRS Standards

Amendments and annual improvements effective from the beginning of January 2023 have not had a major impact on Paulig Group's result, financial position or the presentation of the financial statement.

New and amended standards and interpretations to be applied

Paulig group is within the scope of the OECD Pillar Two model rules. Pillar Two legislation [was enacted in Finland], the jurisdiction in which Paulig Ltd is incorporated, and will be effective for the group's financial year beginning 1 January 2024. Since the Pillar Two legislation was not effective at the reporting date, Paulig group has no related current tax exposure. Paulig group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

According to the Pillar Two legislation, Paulig group is liable to pay a top-up tax for the difference between its GloBE effective tax rate per jurisdiction and the 15% minimum rate, if any. The assessment of potential exposure to Pillar Two income taxes is based on the most recent tax filings, country-by-country reporting and financial statements for the constituent entities in the group. Based on the assessment, the Pillar Two effective tax rates in most of the jurisdictions in which the Paulig group operates are above 15%. However, the transitional safe harbour relief does not apply in Estonia where all undistributed corporate profits are tax exempt and the taxation of corporate profits is postponed until the profits are distributed. Paulig group is currently in the process of assessing its potential exposure to the Pillar Two legislation, but does not expect a material exposure to Pillar Two income taxes.

2. CONSOLIDATION

2.1 GENERAL CONSOLIDATION PRINCIPLES

Subsidiaries

The consolidated financial statements include the financial statements of the Parent Company and all companies controlled by Paulig Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries, in which the parent company owns over 50% of the voting rights, either directly or indirectly, are fully consolidated from the date on which control is transferred to the Group, and are no longer consolidated when this control ceases.

In the consolidated financial statements, all intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Acquired and established companies are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. The excess of acquisition cost over the fair value of net assets acquired is recognised as goodwill. Acquisition-related costs are expensed as incurred and included in administrative expenses. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.2 SUBSIDIARIES

31 DECEMBER 2023	GROUP OWNERSHIP %
In Finland	
Euroleasing Ltd	100
Paulig Foods Ltd	100
Paulig Finland Ltd	100
Outside Finland	
AS Paulig Baltic, Estonia	100
AS Santa Maria, Estonia	100
Liven S.A.U., Spain	100
Nordfalks AB, Sweden	100
NV Snack Food Poco Loco, Belgium	100
Paulig Austria GmbH, Austria	100
Paulig Belgium NV, Belgium	100
Paulig Denmark A/S, Denmark	100
Paulig Estonia AS, Estonia	100
Paulig Latvia SIA, Latvia	100
Paulig Lietuva UAB, Lithuania	100
Paulig Netherlands B.V., Netherlands	100
Poco Loco France SARL, France	100
Santa Maria AB, Sweden	100
Santa Maria Norge AS, Norway	100
Santa Maria UK Ltd, United Kingdom	100
Sauerklee A/S, Denmark	100
Snack Food Poco Loco UK Ltd, United Kingdom	100
Taljegården Fastighets AB, Sweden	100

Liquidation of OOO Kulma, Russia was finalized in 2023. Nissen Invest Ltd was separated from Paulig through a partial demerger during the financial year. Saffron Holding A/S and Paulig Coffee A/S (Denmark) were merged into Paulig Ltd.

2.3 BUSINESS COMBINATIONS AND DISPOSALS

§ Accounting principles

Paulig applies the IFRS 3 Business Combinations standard. The business combinations where control of a business has been acquired are accounted for using the acquisition method in which the acquired assets and liabilities are measured at their fair values at the acquisition date. Identifiable assets, liabilities and non-controlling interests are recognized separately from goodwill. Goodwill is measured as the difference between the aggregate of the consideration transferred, non-controlling interest and fair value of previous equity interests, and the net assets recognized

Acquisitions in 2023

There hasn't been any acquisitions in 2023.

Acquisitions in 2022

Acquisition of Liven S.A.U.

On 18 January 2022 the Group purchased 100% of the shares of Liven S.A.U. (representing also 100% of the voting rights). Liven is a non-listed company based in Spain and engaged in the development, manufacture and sales of snacks, microwave popcorn, tortillas and TexMex products. The Group acquired Liven S.A.U. to strengthen its position in the European Tex Mex and snacking categories.

ASSETS ACQUIRED AND LIABILITIES ASSUMED

EUR 1 000	FAIR VALUE RECOGNIZED ON ACQUISITION
Assets	
Intangible assets	**15 241**
Tangible assets	**22 254**
Deferred tax assets	**116**
Inventories	**9 058**
Trade and other receivables	**12 118**
Other current financial assets	**108**
Income tax receivable	**304**
Cash and short-term deposits	**4 535**
	63 734
Liabilities	
Interest bearing liabilities	**10 224**
Deferred tax liabilities	**4 109**
Trade and other payables	**16 646**
	30 979
Total identifiable net assets at fair value	**32 754**
Goodwill arising on acquisition	**30 585**
Purchase consideration transferred	**63 339**

The fair value of the trade receivables amounts to 10.8 million euros and it is expected that the full amount can be collected.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of the acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities.

The deferred tax liability is mainly related to the fair value recognition of intangible assets and inventories at the date of the acquisition.

The goodwill of 30.6 million euros comprises the value of expected synergies arising from the acquisition. None of the goodwill recognized is expected to be tax deductible for income tax purposes.

From the date of acquisition, Liven S.A.U. contributed 71.0 million euros of revenue and 2.4 million euros of profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been 74.4 million euros and profit before tax from continuing operations for continuing operations for the Group would have been 2.3 million euros.

EUR 1 000	PURCHASE CONSIDERATION
Base purchase price	**62 717**
Contingent price	**622**
Total	**63 339**

The contingent price is the maximum amount that will be paid if certain criteria are met. Discounting has been applied if the confirmation is expected to happen later than 12 months from the valuation date. The final contingent price to be paid is known at the latest in 2026.

EUR 1 000	NET CASH FLOW ON ACQUISITION
Transaction costs (included in cash flows from operating activities)	**-951**
Net cash acquired with the subsidiary (included in cash flows from investing activities)	**4 535**
Purchase consideration paid	**-62 933**
Total	**-59 349**

Business combinations

There have been no business combinations in Paulig Group during the financial year 2023.

Business disposals 2023

Nissen Invest Ltd was separated from Paulig through a partial demerger 31.5.2023.

EUR 1 000	THE NET ASSETS OF THE DEMERGED COMPANY
Trade and other receivables	**202**
Other current financial assets	**163 176**
Cash and short-term deposits	**7 318**
Trade and other payables	**-8**
Change in group's equity	**170 687**

Business disposals 2022

The Group completed the sale of OOO Paulig Rus in spring 2022 as part of withdrawing from Russian market.

The losses related to this were recognised in Other operating expenses and amounted to 13.7 million euros including the translation differences.

EUR 1 000	THE NET ASSETS OF THE SOLD COMPANY
Intangible and tangible assets	**7 909**
Inventories	**2 026**
Trade and other receivables	**2 817**
Cash and short-term deposits	**4 349**
Trade and other payables	**-1 762**
	15 339

2.4 SHARES IN ASSOCIATED COMPANIES

§ Accounting principles

An associated company is a company where a Paulig Group company owns 20–50% of the shares and where the Group company has a significant influence over an investee but no control. The associated companies are included in the consolidated financial statements by using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately. 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 any impairment is included in the acquisition cost of the associated company in the Group's retained earnings in the balance sheet. The Group's share of the results in the associated companies related to the core business are posted in the operating profit.

Information on the Group's associate

The group has sold it's 25.01 interest in DF World of Spices GmbH (parent company of the FUCHS-Group) in July 2023. Shares were sold with residual value and therefore sale does not have major impact on Group's profit and loss (unpaid portion of the purchase price includes interest which is presented as part of the financial income in the comprehensive income).

FUCHS-GROUP

EUR 1 000	2023	2022
Current assets	**0**	325 209
Non-current assets	**0**	180 004
Equity	**0**	242 212
Liabilities	**0**	263 001
Revenue	**0**	604 406
Profit for the financial year*	**0**	4 745
Dividends received from the associate	**0**	1 233
Group's share in equity – 0% (2022: 25.01%)	**0**	60 577
Domicile	**Germany**	Germany

*2022 adjusted EUR 2.0 million with goodwill depreciation reversal to comply with IFRS.

3. FINANCIAL PERFORMANCE

3.1 REVENUE

§ Accounting principles

Paulig applies IFRS 15 Revenue from Contracts with Customers standard. Revenue from the sale of goods is recognised in the consolidated statement of income when the control and significant risks and rewards related to the ownership of the goods have been transferred to the customer. Control is seen to be transferred either at a point in time or over time. Revenue is recognised to the amount to which Paulig Group expects to be entitled in exchange for goods or services and to the extent that is highly probable that significant reversal will not occur. Revenue is measured as gross sales less indirect taxes, discounts and exchange rate differences.

Paulig Group companies manufacture and sell food products such as coffee, spices, plant-based products and snacks. Usually individual products or batches of products form a performance obligation and the revenue is recognised at a point in time, when the control of goods is transferred, generally based on delivery terms.

In addition Paulig Group also sells and leases coffee machines to workplace offices and shops including related maintenance services. Revenue from maintenance services is recognised over time, when the service is completed. Revenue from the sales of coffee machines are recognised at a point in time when delivered.

Revenues from licenses and royalties are recognized when the subsequent sale is entered as income. Lease income from coffee machine leases is recognised according to IFRS 16 Leases standard and is included in the revenue in the consolidated statement of income (see note 4.4 Leases).

Customer contracts may include terms related to customer rebates, right to return delivered goods and penalties if certain service level is not met. These terms give rise to variable consideration and are recorded to their most likely amount. Paulig Group considers whether the variable amount shall be allocated entirely to one performance obligation or to a distinct good or service that forms part of a single performance obligation. Revenue will be recognised to the extent that Paulig is entitled to the consideration. Contract terms do not contain significant financing component as all the payment terms are under 1 year.

The Group exercises the practical exemption provided in IFRS 15 and does not disclose any outstanding performance obligations on the reporting date related to contracts with a maximum duration of one year.

EUR 1 000	2023	2022
Revenue by market area		
Nordic countries	**567 990**	571 470
Continental Europe	**433 937**	357 020
United Kingdom and Ireland	**73 828**	64 708
Baltic countries	**72 300**	67 119
Russia	**0**	27 100
Other countries	**19 525**	18 099
Total*	**1 167 580**	1 105 517
Revenue by Business area		
Scandinavia & Central Europe	**334 619**	316 660
Finland & Baltics	**338 863**	345 908
Customer Brands	**477 744**	398 323
Other	**16 355**	44 626
Total*	**1 167 580**	1 105 517
Timing of revenue recognition		
At a point in time	**1 163 087**	1 101 129
Over time	**4 493**	4 387
Total*	**1 167 580**	1 105 517

*Revenue includes EUR 0.2 million (2022: EUR -0.5 million) realised exchange rate differences and EUR 1.7 million (2022: EUR 0.7 million) unrealised exchange rate differences.

Paulig Group business is divided into three business areas: Finland & Baltics, Scandinavia & Central Europe and Customer Brands. Paulig Group operates in 13 countries with the largest markets in Northern Europe, Continental Europe, the UK, and the Baltics. Goods are sold under brands Paulig, Santa Maria, Risenta, Zanuy and Poco Loco which are sold in Retail and Out-of-home market. Also coffee related equipment and maintenance services are sold under Paulig brand.

Paulig coffee brands hold a strong market position in Finland and the Baltics. Santa Maria is the leading seasoning brand on the Nordic market. Product concepts are Spices, Tex Mex, Thai Food, Indian Food, BBQ and snacking. The Risenta portfolio holds products with Breakfast, Seeds & Kernels, Cooking, Baking and Fuelling. Paulig Customer Brands Business Area is known for the Poco Loco brand and for the excellent know-how in private label manufacturing. Liven S.A.U. has Zanuy brand and is engaged in manufacturing products in Tex Mex and Snacking categories.

Paulig debt or equity instruments are not traded in a public market thus IFRS 8 Operating Segments is not applied and segment information is not presented.

3.2 OTHER OPERATING INCOME

EUR 1 000	2023	2022
Sale of tangible assets*	**1 092**	10 063
Government grants	**240**	94
Other income	**1 250**	848
Total	**2 582**	11 006

*Includes the sale of Frezza Brand to Juustoportti

3.3 MATERIALS AND SERVICES

EUR 1 000	2023	2022
Materials and services		
Purchases during reporting period	**633 751**	715 380
Change in inventories	**31 156**	-29 900
External services	**22 210**	18 914
Total *	**687 116**	704 394

*Materials and services include EUR 3.2 million (2022: EUR -12.4 million) realised exchange rate differencies and EUR -0.7 million (2022: EUR -1.1 million) unrealised exchange rate differencies.

3.4 EMPLOYEE BENEFIT EXPENSES AND NUMBER OF EMPLOYEES

EUR 1 000	2023	2022
Salaries and remuneration for Managing Directors and the members of the Board of Directors	**1 925**	2 071
Wages and salaries	**119 030**	111 873
Pension expenses – defined contribution plans	**8 555**	6 911
Pension expenses – defined benefit plans	**2 370**	1 312
Other personnel expenses	**30 695**	25 638
Total	**162 575**	147 804
Average number of employees		
Nordic countries	**823**	870
Central and Southern Europe	**1 099**	1 040
United Kingdom and Ireland	**119**	118
Baltic countries	**168**	182
Russia	**0**	68
Total	**2 209**	2 278

3.5 OTHER OPERATING EXPENSES

EUR 1 000	2023	2022
Energy	**19 410**	14 836
Rents and leases	**4 346**	4 547
Sales freights and logistics	**33 274**	37 841
External services	**28 009**	30 195
Marketing activities	**52 139**	46 422
Withdrawal from Russian market*	**0**	13 688
IT expenses	**15 891**	14 202
Other expenses	**35 041**	32 089
Total	**188 109**	193 819

*Includes loss on sale of shares of OOO Paulig RUS and translation differences.

Auditor's fees		
Audit	**426**	450
Tax services	**34**	32
Other services	**108**	794
Total	**568**	1 275

3.6 FINANCIAL INCOME AND EXPENSES

FINANCIAL INCOME

EUR 1 000	2023	2022
Dividend income	**2 277**	2 365
Interest income derivatives	**4 292**	2 013
Interest income other*	**19 669**	3 335
Exchange rate gains and losses derivatives	**-214**	238
Exchange rate gains and losses other	**1 430**	1 280
Financial income on derivatives	**3 425**	8 750
Other financial income	**13**	299
Total	**30 893**	18 280

FINANCIAL EXPENSES

EUR 1 000	2023	2022
Interest expenses derivatives	**2 237**	2 261
Interest expenses other*	**8 393**	24 973
Interest on lease liability	**3 742**	3 680
Financial expenses on derivatives	**1 424**	411
Other financial expenses	**1 467**	7 542
Total	**17 263**	38 866
Financial income and expenses, net	**13 631**	-20 587

*Value adjustments from investments are included in the values, total of 13.8 million euros in profits (2022 0.3 million euros) and 0.7 million euros in losses (2022: 17.7 million euros).

Group's hedge accounting effectiveness testing was found to be effective thus no inefficiency is included in the financial items for 2023 nor 2022.

Exchange rate gains and losses in financial income consist of EUR 16.9 million (2022: EUR 33.6 million) realised exchange rate gains, EUR 2.3 million euro (2022: EUR 5.5 million) unrealised exchange rate gains, EUR -16.0 million (2022: EUR -32.0 million) realised exchange rate losses and EUR -2.0 million (2022: EUR -5.5 million) unrealised exchange rate losses. Net result of total exchange rate gains is included in the financial income for years 2023 and 2022.

3.7 INCOME TAXES

§ Accounting principles

The Group's income tax expenses include taxes of Group companies calculated on the basis of the taxable profit for the period, with adjustments for previous periods, as well as the change in deferred income taxes. Current tax is calculated from each group company's taxable profit by using the valid tax rate of each country.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is determined using tax rates that are in force at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Critical accounting judgements and estimates

Deferred tax asset is recognised to the extent that realisation of the related tax benefit through future profits is probable. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits.

INCOME TAXES RECOGNISED IN PROFIT OR LOSS

EUR 1 000	2023	2022
Current tax for the reporting year	**-16 682**	-10 212
Current tax adjustments for prior years	**260**	301
Changes in deferred taxes	**1 827**	4 797
Total	**-14 595**	-5 114

RECONCILIATION BETWEEN INCOME TAX EXPENSE IN PROFIT OR LOSS AND TAX EXPENSE CALCULATED BY THE FINNISH TAX RATE

EUR 1 000	2023	2022
Profit before tax	**103 713**	-14 796
Tax calculated using Finnish tax rate 20%	**-20 743**	2 953
Effect of tax rate in foreign subsidiaries	**18**	-400
Non-deductible expenses	**-3 030**	-8 416
Tax-free income	**2 988**	2 228
Utilisation of previously unrecognised tax losses	**3 205**	2 479
Unrecognised deferred tax assets from tax losses	**0**	-3 602
Other differences	**-408**	-658
Previous years taxes	**260**	301
Change in deferred taxes for non-distributed profits	**3 115**	0
Income taxes in the statement of comprehensive income	**-14 595**	-5 114
Effective tax rate %	**14.1%**	-34.6%
Other comprehensive income		
Tax effects in other comprehensive income	**147**	-1 064
Total	**-14 449**	-6 178

Changes in deferred tax assets and liabilities

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. Deferred tax assets and liabilities are determined in accordance with that country specific corporate tax rate.

2023 EUR 1 000	1 JANUARY 2023	RECOGNISED THROUGH PROFIT OR LOSS	RECOGNISED IN OCI	EXCHANGE RATE DIFFERENCES	OTHER	31 DECEMBER 2023
Deferred tax assets						
Tangible and intangible assets	21 125	-405			-1 014	**19 706**
Employee benefits	2 678	-2 402	-8	4	363	**636**
Inventory	104	-10				**95**
Tax losses	2 588	-345				**2 243**
Other temporary differences	255	14				**269**
Total	**26 751**	**-3 148**	**-8**	**4**	**-650**	**22 949**
Netting of deferred taxes	-18 024	352			650	**-17 022**
Total deferred tax assets	**8 726**	**-2 796**	**-8**	**4**	**0**	**5 927**

Deferred tax liabilities						
Tangible and intangible assets	28 204	-890			-1 376	**25 938**
Financial assets	1 424	-209	-148			**1 067**
Depreciation difference and optional provisions	2 072	-195		3		**1 881**
Other temporary differences	5 365	-2 955				**2 410**
Total	**37 065**	**-4 249**	**-148**	**3**	**-1 376**	**31 295**
Netting of deferred taxes	-18 024	-374			1 376	**-17 022**
Total deferred tax liabilities	**19 041**	**-4 623**	**-148**	**3**	**0**	**14 273**

2022 EUR 1 000	1 JANUARY 2022	RECOGNISED THROUGH PROFIT OR LOSS	RECOGNISED IN OCI	EXCHANGE RATE DIFFERENCES	ACQUIRED AND SOLD COMPANIES	OTHER	31 DECEMBER 2022
Deferred tax assets							
Tangible and intangible assets	22 457	830		-187	116	-2 091	**21 125**
Employee benefits	4 344	-297	-1 496	126			**2 678**
Inventory	97	15		-8			**104**
Tax losses	0	2 588					**2 588**
Other temporary differences	1 253	39		-169	-867		**255**
Total	**28 151**	**3 176**	**-1496**	**-239**	**-751**	**-2 091**	**26 751**
Netting of deferred taxes	-20 115					2 091	**-18 024**
Total deferred tax assets	**8 036**	**3 176**	**-1 496**	**-239**	**-751**	**0**	**8 727**
Deferred tax liabilities							
Tangible and intangible assets	26 765	78			3 452	-2 091	**28 205**
Financial assets	2 372	-517	-432				**1 424**
Depreciation difference and optional provisions	2 728	-655		-138	137		**2 072**
Other temporary differences	5 491	-527		-1	401		**5 365**
Total	**37 356**	**-1 621**	**-432**	**-138**	**3 990**	**-2 091**	**37 066**
Netting of deferred taxes	-20 115					2 091	**-18 024**
Total deferred tax liabilities	**17 241**	**-1 621**	**-432**	**-138**	**3 990**	**0**	**19 041**

At 31 December 2023 there is a total of EUR 9.4 million (2022: EUR 13.3 million) tax credits carried forward in the Group (including carried forward tax losses, net interest expense and capital allowance). The tax losses EUR 1.5 million derives from UK business losses for which there is no expiration date. Without expiration date there are net interest expense in Paulig Oy for EUR 2.0 million and capital allowances in Santa Maria UK Ltd for EUR 5.8 million. Deferred tax asset has been recorded for EUR 2.2 million (2022 EUR 2.6 million) relating to the losses from the previous years.

Deferred tax liability of EUR 1.4 million (2022: EUR 4.6 million) has been recognised for undistributed earnings of subsidiaries where income tax will be payable upon distribution.

4. INTANGIBLE AND TANGIBLE ASSETS AND LEASES

4.1 INTANGIBLE ASSETS

§ Accounting principles

Intangible asset is recognized in the balance sheet at original cost if it can be reliably measured and it is probable that the economic benefits attributable to the asset will flow to the Group. The useful life of an intangible asset is assessed as either definite or indefinite. Intangible assets with definite useful life are amortised with straight-line method over a useful life of 3–10 years. Intangible assets with indefinite useful life are not amortised but are tested for impairment.

Amortisation of intangible assets begins when the asset is available for use, i.e. when it is in such a location and condition that it is capable of operating in the manner intended by the management.

The amortisation method, residual values and useful lives of assets are reviewed and adjusted where appropriate at each balance sheet date. The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. Gains and losses on the disposal of intangible asset are recognised in profit or loss in other operating income or expenses. The impairment loss is recognised in profit or loss in depreciation, amortisation and impairment losses.

Research and development expenses are mainly expensed as incurred. In significant product development projects for which Paulig Group can reliably demonstrate that they will generate probable future economic benefits, the expenses related to development phase can be capitalized and recognised as intangible assets.

EUR 1 000	GOODWILL	INTANGIBLE RIGHTS	OTHER INTANGIBLE ASSETS	TOTAL
Acquisition cost 1 January 2023	95 314	42 900	28 787	**167 001**
Exchange rate differences	127	35	29	**192**
Additions		4 648	817	**5 465**
Disposals		-284	-102	**-386**
Transfers		174	16	**190**
Acquisition cost 31 December 2023	95 442	47 473	29 547	**172 461**
Accumulated amortisation and impairment losses 1 January 2023	-5 609	-25 108	-23 144	**-53 861**
Exchange rate differences		-35	-32	**-68**
Amortisation on disposals and transfers		284	0	**284**
Amortisation for the reporting period		-2 879	-2 416	**-5 295**
Accumulated amortisation and impairment losses 31 December 2023	-5 609	-27 739	-25 593	**-58 940**
Carrying amount 1 January 2023	**89 705**	**17 792**	**5 643**	**113 140**
Carrying amount 31 December 2023	**89 833**	**19 734**	**3 954**	**113 521**
Acquisition cost 1 January 2022	68 706	30 305	26 070	**125 082**
Exchange rate differences	-3 977	-1 388	-1 105	**-6 470**
Additions		1 692	3 683	**5 375**
Disposals		-4 635		**-4 635**
Acquisitions and sales of subsidiaries	30 585	16 694	-80	**47 199**
Transfers		232	218	**449**
Acquisition cost 31 December 2022	95 314	42 900	28 787	**167 001**
Accumulated amortisation and impairment losses 1 January 2022	-5 609	-26 458	-20 687	**-52 753**
Exchange rate differences		1 376	1 036	**2 412**
Amortisation on disposals and transfers		3 724		**3 724**
Amortisation for the reporting period		-3 062	-3 575	**-6 637**
Amortisaion on acquisitions and sales of subsidiaries		-1 463	81	**-1 381**
Reversals of impairment losses		774		**774**
Accumulated amortisation and impairment losses 31 December 2022	-5 609	-25 108	-23 144	**-53 861**
Carrying amount 1 January 2022	**63 097**	**3 848**	**5 383**	**72 329**
Carrying amount 31 December 2022	**89 705**	**17 792**	**5 643**	**113 140**

4.2 GOODWILL AND IMPAIRMENT TESTING

§ Accounting principles

Goodwill arising from the business combinations is the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or associate at the date of acquisition. Separately recognized goodwill is tested for impairment annually and recognised at cost, less accumulated impairment losses.

The impairment testing is done annually and whenever there is an indication that the value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. Paulig Group has determined the recoverable amount by using the value in use method. The discount rates used in impairment testing of goodwill represent the WACC specified for the business area in question pre-tax and reflects the time value of the money and asset specific risks. Impairment loss identified is recognised in the profit and loss in depreciation, amortisation and impairment losses and is never reversed.

Critical accounting judgements and estimates

The recoverable amounts of cash generating units have been determined by using value in use calculations in the Group. The use of estimates is required in the preparation of these calculations. Estimates are based on budgets and forecasts which contain some degree of uncertainty. The main uncertainties relate to the discount rate used for the DCF model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

For the purpose of impairment testing, goodwill acquired in a business combination has been allocated to the business areas. CGUs for the yearly testing are BA Finland & Baltics, BA Scandinavia & Central Europe and BA Customer Brands.

CARRYING AMOUNT OF GOODWILL ALLOCATED TO EACH OF THE CGUS

	31 DECEMBER 2023		31 DECEMBER 2022	
EUR 1 000 CASH GENERATING UNITS	GOODWILL	DISCOUNT RATE % (WACC)	GOODWILL	DISCOUNT RATE % (WACC)
BA Finland & Baltics	8 184	10.8	8 184	10.7
BA Scandinavia & Central Europe	47 239	10.6	47 112	10.4
BA Customer Brands	34 409	13.2	34 409	12.9
Total	**89 833**		**89 705**	

The recoverable amount for the CGUs has been determined based on value in use calculations using cash flow projections covering five-year period added with a terminal year. For each CGU cash flows calculations are based on 3 year business plan approved by the Board of Directors. Cash flow projections have been prepared by using compound annual growth rate determined in the business plan. For terminal year, growth rate 2.0% is used which is according to the market practice.

Discount rate, which is determined using the weighted average cost of capital, is based on the optimal finance structure or the average finance structure of industry peers (reflects the total cost of equity and debt). The components of the discount rate are risk free long-term government bond yields rates, market and company specific risk premium, debt to equity ratio and cost of debt.

Sensitivity to changes in assumptions

For BA Finland & Baltics CAGR-% used in cash flow projection is 5.4% reflecting expected growth in sales mainly through categories premium coffee and Tex Mex. Recoverable amount for BA Finland & Baltics is well above the carrying value of assets. Based on the sensitivity analysis, the headroom turned negative when EBITDA was decreased by 42.8% of the planned level or discount rate was increased to 31.8%.

For BA Scandinavia & Central Europe CAGR-% used in cash flow projection is 7.7% reflecting expected growth in sales of Tex Mex products. Recoverable amount for BA Scandinavia & Central Europe is well above the carrying value of assets. Based on the sensitivity analysis, the headroom turned negative when EBITDA was decreased by 33.9% of the planned level or discount rate was increased to 23.7%.

For BA Customer Brands CAGR-% used in cash flow projection is 5.8% reflecting increased demand for private label products. Recoverable amount for BA Customer Brands is well above the carrying value of assets. Based on the sensitivity analysis, the headroom turned negative when EBITDA was decreased by 14.9% of the planned level or discount rate was increased to 17.8%.

4.3 TANGIBLE ASSETS

§ Accounting principles

Tangible assets are measured at historical cost in the balance sheet, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

The depreciable amount of an asset is allocated on a systematic basis over its useful life. Each part of an item of tangible asset with a cost that is significant in relation to the total cost of the item is depreciated separately. Land areas are not depreciated. Depreciation is calculated on a straight-line basis over the expected useful lives of the assets as follows:

- Buildings and constructions 25 years
- Machinery and equipment 3–10 years
- Other tangible assets 3–10 years

Depreciations commence when the asset is available for use i.e. when it is in a location and condition that it can operate as intended by the management.

The depreciation method, residual values and useful lives of assets are reviewed and adjusted where appropriate at each balance sheet date. The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. Gains and losses on the disposal of tangible asset are recognised in profit or loss in other operating income or expenses. The impairment loss is recognised in profit or loss in depreciation, amortisation and impairment losses.

Accounting principles for right-of-use assets are described in note 4.4. Leases.

TANGIBLE ASSETS

EUR 1 000	LAND AND WATER	BUILDINGS AND CONSTRUCTIONS	MACHINERY AND EQUIPMENT	ADVANCE PAYMENTS AND WORK IN PROGRESS	TOTAL
Acquisition cost 1 January 2023	15 680	259 973	397 094	27 417	**700 164**
Exchange rate differences	1	-1	721	14	**734**
Additions	1	2 636	8 531	28 634	**39 803**
Disposals		-729	-7 351	-426	**-8 507**
Transfers	504	7 385	15 323	-23 402	**-190**
Acquisition costs 31 December 2023	16 186	269 264	414 318	32 237	**732 004**
Accumulated depreciation and impairment losses 1 January 2023		-96 338	-272 758	-426	**-369 522**
Exchange rate differences		-163	-641		**-804**
Accumulated depreciation on disposals		676	5 407	426	**6 510**
Depreciation for the reporting period		-14 332	-22 652		**-36 984**
Accumulated depreciation and impairment losses 31 December 2023		-110 157	-290 643	0	**-400 800**
Carrying amount 1 January 2023	**15 680**	**163 635**	**124 335**	**26 991**	330 641
Carrying amount 31 December 2023	**16 186**	**159 107**	**123 674**	**32 237**	331 204
Acquisition cost 1 January 2022	14 550	231 423	353 870	37 114	**636 956**
Exchange rate differences	-135	-7 930	-10 971	-354	**-19 391**
Additions	1	4 643	10 091	37 657	**52 393**
Disposals		-5 075	-14 534	-162	**-19 772**
Acquisitions and sales of subsidiaries	1 142	16 858	31 461	844	**50 305**
Change in transfer of assets held for sale	122				**122**
Transfers		20 055	27 177	-47 681	**-449**
Acquisition costs 31 December 2022	15 680	259 973	397 094	27 417	**700 164**
Accumulated depreciation and impairment losses 1 January 2022		-79 004	-246 755	-426	**-326 185**
Exchange rate differences		3 123	7 408		**10 530**
Accumulated depreciation on disposals		3 269	14 151		**17 420**
Depreciation for the reporting period		-14 458	-21 925		**-36 384**
Depreciations on acquisitions and sales of subsidiaries		-9 168	-26 825		**-35 993**
Impairments		-99	-47		**-146**
Reversals of impairment losses			1 234		**1 234**
Accumulated depreciation and impairment losses 31 December 2022		-96 338	-272 758	-426	**-369 523**
Carrying amount 1 January 2022	**14 550**	**152 419**	**107 115**	**36 687**	310 771
Carrying amount 31 December 2022	**15 680**	**163 635**	**124 335**	**26 991**	330 641

RIGHT-OF-USE ASSET INCLUDED IN TANGIBLE ASSETS

EUR 1 000	BUILDINGS AND CONSTRUCTIONS*	MACHINERY AND EQUIPMENT	TOTAL
Acquisition cost 1 January 2023	133 962	12 773	**146 735**
Exchange rate differences	-29	6	**-23**
Additions	1 745	3 894	**5 639**
Disposals	-197	-2 997	**-3 194**
Acquisition costs 31 December 2023	135 481	13 676	**149 157**
Accumulated depreciation and impairment losses 1 January 2023	-43 683	-8 205	**-51 888**
Exchange rate differences	-133	-20	**-153**
Accumulated depreciation on disposals	159	2 744	**2 904**
Depreciation for the reporting period	-8 924	-2 636	**-11 559**
Accumulated depreciation and impairment losses 31 December 2023	-52 580	-8 117	**-60 697**
Carrying amount 1 January 2023	**90 280**	**4 567**	**94 847**
Carrying amount 31 December 2023	**82 902**	**5 559**	**88 461**
Acquisition cost 1 January 2022	139 728	14 838	**154 566**
Exchange rate differences	-4 883	-371	**-5 254**
Additions	2 940	2 910	**5 851**
Disposals	-5 058	-3 793	**-8 851**
Acquisitions and sales of subsidiaries	1 235	-811	**423**
Acquisition costs 31 December 2022	133 962	12 773	**146 735**
Accumulated depreciation and impairment losses 1 January 2022	-40 246	-10 050	**-50 296**
Exchange rate differences	2 037	239	**2 276**
Accumulated depreciation on disposals	3 256	3 562	**6 819**
Depreciation for the reporting period	-9 593	-2 604	**-12 197**
Depreciations on acquisitions and sales of subsidiaries	862	649	**1 511**
Accumulated depreciation and impairment losses 31 December 2022	-43 683	-8 205	**-51 888**
Carrying amount 1 January 2022	**99 483**	**4 787**	**104 270**
Carrying amount 31 December 2022	**90 280**	**4 567**	**94 847**

*Land areas included in the lease contracts of building and constructions are not material part of the contract and therefore are included in the right-of-use asset of underlying building or construction.

4.4 LEASES

§ Accounting principles

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Paulig group leases mainly consist of leased premises and machinery and equipment, such as cars and production equipment. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use).

Right-of-use assets

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, estimate of costs to be incurred by Paulig in restoring the assets to the condition required by the terms and conditions of the lease, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. The Group's right-of-use assets and changes are presented in tangible assets, see note 4.3 Tangible assets.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily available. The incremental borrowing rate has been defined separately for each group company and with consideration to company-specific, geographical and currency risks. Average incremental borrowing rate for the Paulig Group was approximately 4.6% during the financial year 2023 (2022: 3.1%). After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Group's lease liabilities are included in interest-bearing liabilities, see note 5.6 Interest-bearing liabilities.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease. Rental income arising from operating lease is accounted for on a straight-line basis over the lease term and is included either in revenue or in other operating income in the statement of profit or loss based on its operating nature. A lessor shall recognise assets held under a finance lease in its statement of financial position and present them as a receivable at an amount equal to the net investment in the lease. A lessor recognises finance income over the lease term of a finance lease, based on a pattern reflecting a constant periodic rate of return on the net investment.

Critical accounting judgements and estimates

Paulig Group has lease contracts with indefinite lease term and contracts which included extension/termination option rights. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension or termination option.

GROUP AS A LESSEE

RIGHT-OF-USE ASSETS INCLUDED IN TANGIBLE ASSETS

EUR 1 000	31 DECEMBER 2023	31 DECEMBER 2022
Buildings and constructions	**82 902**	90 280
Machinery and equipment	**5 559**	4 567
Total	**88 461**	94 847

LEASING LIABILITY INCLUDED IN THE INTEREST-BEARING LIABILITIES AND THE MOVEMENTS DURING THE PERIOD

EUR 1 000	CURRENT LEASE LIABILITY	NON-CURRENT LEASE LIABILITY
As at 1 January 2022	**10 444**	**97 366**
New contracts	1 072	393
New contracts from acquisitions of subsidiaries	361	1 974
Modifications to contracts	516	2 837
Cash flows	-13 040	0
Change to contracts from sale of subsidiaries	-377	-149
Reclassification between short-term and long-term liabilities	10 521	-13 726
As at 31 December 2022	**9 499**	**88 694**
New contracts	189	1 923
Modifications to contracts	1 598	1 928
Cash flows	-10 355	0
Reclassification between short-term and long-term liabilities	8 765	-8 929
As at 31 December 2023	**9 697**	**83 616**

The most significant individual lease agreement in the Group is the rent agreement over coffee roastery in Helsinki. The right-of-use asset as of 31 December 2023 amounted EUR 49,9 million including EUR 1.5 million provision related to the obligation to restore premises and land areas after lease period ending 31 December 2049. Corresponding lease liability amounted EUR 56.7 million.

AMOUNTS RECOGNISED IN PROFIT OR LOSS

EUR 1 000	2023	2022
Depreciation expense of right-of-use assets	**11 559**	12 193
Interest expenses on lease liabilities	**3 742**	3 699
Expenses – short-term leases	**278**	1 220
Expenses – leases of low-value assets	**227**	418
Total amount recognised in profit or loss	**15 806**	**17 529**

There were no lease expenses relating to variable lease payments not included in lease liabilities during the years 2023 and 2022.

GROUP AS LESSOR

MATURITY OF RENTALS RECEIVABLE AS OF 31 DECEMBER 2023

EUR 1 000	< 1 YEAR	1–5 YEARS	> 5 YEARS	TOTAL
Operating lease receivables	792	0	0	792
Total	**792**	**0**	**0**	**792**

AMOUNTS RECOGNISED IN PROFIT OR LOSS

EUR 1 000	2023	2022
Operating lease income	**2 061**	1 974
Total amount recognised in profit or loss	**2 061**	1 974

Operating lease income in Paulig Group consists of mainly income from coffee machine leases which is included in the Revenue in the comprehensive income statement.

5. OPERATIONAL ASSETS AND LIABILITIES

5.1 INVENTORY

§ Accounting principles

Inventories include materials and supplies, unfinished and finished goods. Inventories are measured at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: purchase cost on a first-in/first-out basis or alternatively weighted average cost or standard cost method where it approximates FIFO
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

A net realizable values is the estimated selling price in the ordinary course of business less the estimated costs of the completion of the product and the cost of sale.

EUR 1 000	31 DECEMBER 2023	31 DECEMBER 2022
Materials and consumables	**53 018**	80 730
Work in progress	**1 290**	1 143
Finished goods	**82 122**	91 303
Provision for obsolete inventory	**-2 326**	-530
Total	**134 104**	172 646

5.2 TRADE AND OTHER RECEIVABLES

§ Accounting principles

Trade receivables are usually receivables from the sale of goods, products and services of the normal business of the company. Also lease receivables and receivables from the sale of non-current assets and investments are reported as trade receivables. Customer payment terms vary from 30 to 90 days from the delivery. Trade and other receivables are recognised initially at the original invoice amounts and subsequently valued at amortised cost.

For trade receivables, the Group applies a simplified approach in calculating expected credit losses (ECL). The Group recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

TRADE AND OTHER RECEIVABLES IN CURRENT ASSETS

EUR 1 000	31 DECEMBER 2023	31 DECEMBER 2022
Trade receivables	**159 125**	145 632
Receivables from associated companies	**0**	519
Allowance for expected credit losses	**-667**	-533
Total trade receivables	**158 459**	145 618
Other receivables	**25 289**	21 027
Total trade and other receivables	**183 747**	166 644

Group Companies are responsible for the credit risk arising from business operations. Each Group Company is responsible for managing and analysing the credit risk of both existing and potential new clients. Risk control is based on assessing the credit quality of the customer, taking into account the financial position, past experience and performance as well as forward looking macroeconomic factors. Credit insurances are used in Business Area Customer Brands. Actual credit losses recognised were less than 0.015% out of total net sales during financial years 2023 and 2022. Also majority of the Group's customers are major retailers with very low risk of insolvency. Based on historical loss rate and customer credit risk analyses, and due to the credit insurances covering 31% of the Group's trade receivables at the year end 2023 (2022: 35%) the risk of material credit losses is deemed to be very low. Expected credit losses for year end 2023 amounted to EUR 0.7 million (2022: EUR 0.5 million). Due to the immaterial amount of expected credit losses no separate provision matrix of allocating the amount to days past due is presented.

SPECIFICATION FOR OTHER RECEIVABLES IN CURRENT ASSETS

EUR 1 000	31 DECEMBER 2023	31 DECEMBER 2022
VAT receivable	**6 325**	5 581
Derivative instruments	**3 290**	0
Other receivables	**15 674**	15 446
Total other receivables in current assets	**25 289**	21 027

OTHER RECEIVABLES IN NON-CURRENT ASSETS

EUR 1 000	31 DECEMBER 2023	31 DECEMBER 2022
Employee benefits	**90**	253
Other receivables	**1 308**	1 125
Total other receivables in non-current assets	**1 398**	1 378

5.3 LIQUID FUNDS

Cash in the statement of financial position comprise cash at banks on hand.

EUR 1 000	31 DECEMBER 2023	31 DECEMBER 2022
Cash and bank	**51 428**	52 159
Total	**51 428**	52 159

5.4 TRADE AND OTHER PAYABLES

EUR 1 000	31 DECEMBER 2023	31 DECEMBER 2022
Trade payables	**153 571**	164 932
Other payables	**89 918**	73 192
Total	**243 490**	238 124

SPECIFICATION FOR OTHER PAYABLES IN CURRENT LIABILITIES

EUR 1 000	31 DECEMBER 2023	31 DECEMBER 2022
Accrued personnel expenses	**34 444**	28 185
Annual discounts to customers	**25 587**	22 240
VAT payables	**8 527**	7 788
Derivative instruments	**2 025**	4 231
Other	**19 335**	10 748
Total	**89 918**	73 192

5.5 PROVISIONS

§ Accounting principles

A provision is recognized in the consolidated statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that the obligation will result in payment, and the amount of payment can be estimated reliably. Provisions can arise from environmental risks, litigation, restructuring plans or onerous contracts. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. For the calculation of the present value, the chosen discount rate is one that reflects the time value of money and the risks specific to the obligation.

Critical accounting judgements and estimates

The existence of criteria for recognizing provisions and the amounts of provisions are determined based on estimates. The amount to be recorded is the best estimate of the cost required to settle the obligation at the reporting date or transfer to a third party. The estimate of the financial impact of the past event requires management judgement, which is based on similar events occurred in the past, and where applicable, the opinion of external experts.

EUR 1 000	DISMANTLING OF LEASED PREMISES	OTHER	TOTAL
1 January 2023	**4 394**	**44**	**4 438**
Exchange rate difference	-30		-30
31 December 2023	**4 364**	**44**	**4 408**

The most significant provisions in the consolidated statement of financial position relate to contractual obligation to restore premises and land areas after lease period. Dismantling of leased premises provisions are based on management's best estimate of remediation costs.

5.6 INTEREST-BEARING LIABILITIES

EUR 1 000	31 DECEMBER 2023	31 DECEMBER 2022
Non-current liabilities		
Term loan	**537**	51 153
Lease liabilities	**83 616**	88 694
Total	**84 153**	139 847
Current liabilities		
Term loan	**578**	578
Lease liabilities	**9 697**	9 499
Total	**10 275**	10 077

Paulig Group interest-bearing liabilities consist of lease liabilities and a term loan. Accounting principle for lease liabilities is described in note 4.4 Leases and for a term loan in note 6.2 Classification of financial assets and liabilities.

5.7 PENSIONS AND OTHER POST-EMPLOYMENT BENEFIT PLANS

§ Accounting principles

The Group has pension schemes in different countries, which are generally funded through insurance companies. Pension cover is based on the legislation and agreement in force in each country. Pension schemes consist of both defined benefit and defined contribution plans. Finnish statutory pensions are accounted for as a defined contribution plan in the consolidated financial statements.

Short-term employee benefits

The Group recognises short-term employee benefits as an expense to profit or loss. The expense recognised is the undiscounted amount of short-term employee benefits expected to be paid in exchange for employee's service rendered during an accounting period.

Defined contribution plans

Contributions to the defined contribution plans are charged directly to the statement of income in the year to which these contributions relate. In defined contribution plans, the Group has no legal or contractive obligations to pay further contributions in case the payment recipient is unable to pay the retirement benefits. All arrangements that do not fulfil these conditions are considered defined benefit plans.

Defined benefit plans

In defined benefit plans, after the Group has paid the amount for the period, an excess or deficit may result. The defined benefit obligation represents the present value of future cash flows from payable benefits, which are calculated annually by independent actuaries using the projected unit credit method. The discount rate assumed in calculating the present value of the pension obligation is based on the market yield of high-quality corporate bonds with appropriate maturities.

The liability or asset recognised in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the reporting period closing date less fair value of plan assets.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Re-measurements are not reclassified to profit or loss in subsequent periods. Pension costs are recognized in the consolidated statement of income so as to spread the current service cost over the service lives of employees based on actuarial calculations. The net interest is included as part of the employee benefit expenses in the consolidated statement of income.

Other long-term employee benefits

Other long-term employee benefits are long-service remunerations, which are accounted for as an unfunded defined benefit plan in accordance to IAS 19. The liability or asset recognised in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the reporting period closing date less fair value of plan assets. The service cost, net interest and remeasurements are all recognised in the consolidated statement of income.

Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment. The Group recognises a liability and expense for termination benefits at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring.

Critical accounting judgements and estimates
The present value of defined benefit obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, employee service life and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

DEFINED EMPLOYEE BENEFIT ASSETS AND LIABILITIES

EUR 1 000	31 DECEMBER 2023	31 DECEMBER 2022
Voluntary Insurance plan in Finland	**90**	253
Post-employment benefit plan Belgium	**6**	15
Jubilee plans	**1 944**	1 781
ITP2 pension plan in Sweden	**0**	19 309
Total defined benefit liability (+) /asset (-)	**2 039**	21 358

Voluntary Insurance Plan in Finland

A group of employees is covered by a defined benefit pension plan in Finland. The plan is a final average pay pension plan concerning additional pensions. The benefits are insured with an insurance company. The plan provides an old age benefit to complement the statutory old age pension. The level of additional old age pension and the retirement age is agreed in the contract between the employer and the insurance company.

Post-employment benefit plan Belgium

Paulig also have post-employment benefit plan in Belgium. The benefits include both defined benefit (DB) and defined contribution (DC) parts as defined in IAS 19.

ITP2 pension plan in Sweden

ITP2 pension plan was modified 1.5.2023 and the plan is no longer defined benefit plan but is accounted as defined contribution plan. Cash impact of buyout was 20.8 million euros and cost impact of 1.5 million euros is presented under employee benefit expenses. The unfunded book-reserved obligations in Sweden were mainly lifelong retirement pensions within the ITP 2-plan.

Jubilee plans

Paulig has Jubilee plans in Finland and in Estonia which are classified as defined benefit plans under IAS 19. Employees have possibility to earn extra vacation days based on the length of their employment. Alternatively an employee can choose to have the earned benefit paid as a salary.

NET BENEFIT EXPENSE (RECOGNISED IN PROFIT OR LOSS)

EUR 1 000	2023	2022
Current service cost	**828**	1 312
Interest cost (+) income (-) on benefit obligation	**422**	486
Actuarial gains	**0**	-518
Exchange rate differences	**-391**	-2 120
Settlement	**1 542**	0
Total	**2 401**	-840

AMOUNTS RECOGNISED THROUGH OTHER COMPREHENSIVE INCOME

EUR 1 000	2023	2022
Experience adjustments	**144**	1 599
Actuarial gains (-) / losses (+) from changes in financial assumptions	**-153**	-8 779
Other gains (-) / losses (+)	**163**	448
Remeasurements in other comprehensive income	**155**	-6 731

CHANGES IN THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATIONS

EUR 1 000	2023	2022
Defined benefit obligation at 1 January	**25 038**	33 441
Current service cost	**828**	1 312
Interest cost	**427**	538
Actuarial gains	**0**	-518
Expense recognized in profit/loss	**1 255**	1 333
Changes in actuarial assumptions	**-179**	-8 737
Experience adjustment	**144**	1 599
Remeasurement recognised through OCI	**-34**	-7 138
Termination of benefit	**-19 268**	0
Benefits paid	**-300**	-478
Exchange difference	**-391**	-2 120
Defined benefit obligation at 31 December	**6 299**	25 038

CHANGES IN FAIR VALUE OF PLAN ASSETS

EUR 1 000	2023	2022
Fair value of plan assets at 1 January	**3 681**	3 163
Interest income	**5**	53
Items recognised through profit and loss	**5**	53
Actuarial gains/losses (-)	**-6**	-6
Items recognised through OCI	**-6**	-6

EUR 1 000	2023	2022
Contributions paid	**682**	662
Benefits paid	**-101**	-191
Fair value of plan assets at 31 December	**4 260**	3 681

VOLUNTARY INSURANCE PLAN ASSETS ARE COMPRISED AS FOLLOWS

%	31 DECEMBER 2023	31 DECEMBER 2022
Listed shares	**50**	50
Debt instruments	**50**	50
	100	100

DEFINED BENEFIT PLANS: PRINCIPAL ACTUARIAL ASSUMPTIONS

EUR 1 000	31 DECEMBER 2023	31 DECEMBER 2022
Discount rate		
Voluntary insurance plan in Finland	**4.10%**	3.90%
ITP2 pension plan in Sweden		3.70%
Post-employment benefit plan Belgium	**3.70%**	3.20%
Rate of salary increase		
Voluntary insurance plan in Finland	**2.50%**	2.50%
ITP2 pension plan in Sweden		4.00%
Post-employment benefit plan Belgium	**2.80%**	2.50%
Rate of inflation		
Voluntary insurance plan in Finland	**2.50%**	2.60%
ITP2 pension plan		2.00%
Post-employment benefit plan Belgium	**2.30%**	2.30%

EUR 1 000	31 DECEMBER 2023	31 DECEMBER 2022
Life expectation for pensioners at the age of 65	**Years**	**Years**
Voluntary insurance plan		
Male	**21.4**	21.4
Female	**25.4**	25.4
ITP2 pension plan in Sweden		
Male		21.8
Female		23.9

MATURITY PROFILE OF THE DEFINED BENEFIT OBLIGATION OF VOLUNTARY INSURANCE PLAN IN FINLAND

The weighted average duration of defined benefit obligation is 11 years. The weighted average duration is calculated with discount rate 4.10%.

EUR 1 000	FUTURE BENEFIT PAYMENTS (UNDISCOUNTED DEFINED BENEFIT OBLIGATION)
Maturity under 1 year	0
Maturity 1–5 years	230
Maturity 5–10 years	435
Maturity 10–15 years	331
Maturity 15–20 years	122
Maturity 20–25 years	102
Maturity 25–30 years	89
Maturity over 30 years	167
Total	**1 476**

SENSITIVITY ANALYSIS

Sensitivity analysis describes the effect of change in actuarial assumptions to net defined benefit obligation. The sensitivity analyses are based on a change in a significant assumptions, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

VOLUNTARY INSURANCE PLAN IN FINLAND

ACTUARIAL ASSUMPTIONS	CHANGE IN ASSUMPTION	CHANGE IN DEFINED BENEFIT OBLIGATION EUR (1 000) 2023	2022
Discount rate %	+0.50%	**-43**	-47
	-0.50%	**48**	50
Salary increase	+0.50%	**20**	22
	-0.50%	**-18**	-22

Change in mortality basis so that life expectancy will increase by one year increases net liability EUR 7,839 (8.6%). Last period the change was EUR 7,986 (3.2%). Voluntary pension fund plan is in Finland. Finnish legislation requires pension funds to be fully funded.

ITP2 PENSION PLAN IN SWEDEN

ACTUARIAL ASSUMPTIONS	CHANGE IN ASSUMPTION	CHANGE IN DEFINED BENEFIT OBLIGATION EUR (1 000) 2023	2022
Discount rate %	+0.50%		-2 142
	-0.50%		2 455
Salary increase	+0.50%		1 161
	-0.50%		-1 052
Inflation	+0.50%		1 725
	-0.50%		-1 554
Life expectancy	+ 1 year		728
	- 1 year		-734

The average duration of the defined benefit plan obligation at the end of 2022 was 21 years.

POST-EMPLOYMENT BENEFIT PLAN BELGIUM

ACTUARIAL ASSUMPTIONS	CHANGE IN ASSUMPTION	CHANGE IN DEFINED BENEFIT OBLIGATION EUR (1 000) 2023	2022
Discount rate %	+0.50%	**0**	-1
	-0.50%	**1**	2

RISKS ASSOCIATED WITH DEFINED BENEFIT PLANS

Paulig is exposed to a number of actuarial risks through its defined benefit plans, e.g. changes in interest rates or changes in the expected salary increases or life expectancy.

Discount rate

The discount rate is set by looking at mortgage bonds with a duration corresponding to the average remaining maturity of the obligation. If the discount rate is changed it will result in an actuarial gain or loss. An increase of the discount rate results in a decrease of the liability and thus an actuarial gain appears. A decrease of the discount rate gives the opposite effect.

Long-term salary increase assumption

The long-term salary increase assumption is used to evaluate future benefits for the part of the collective that is in service. If the actual salary increases diverge from the chosen assumption or the assumption is changed, it will result in an actuarial gain or loss.

Mortality

If mortality occurs before the expected age, it results in an actuarial gain. If mortality occurs after the expected age, it results in an actuarial loss.

6. CAPITAL STRUCTURE AND FINANCIAL RISK

6.1 SHAREHOLDERS EQUITY AND CAPITAL MANAGEMENT

	A -SHARES	B -SHARES	TOTAL NUMBER OF SHARES	SHARE CAPITAL EUR 1 000
1 January 2022	487 765	15 000	**502 765**	**8 204**
31 December 2022	487 765	15 000	**502 765**	**8 204**
1 January 2023	487 765	15 000	**502 765**	**8 204**
31 December 2023	487 765	15 000	**502 765**	**8 204**

Main preferences and restrictions of classes of share capital

The Parent Company's share capital registered with the Trade Register as of 31 December 2023 totalled EUR 8,203,618.4, divided into 487,765 A Class shares and 15,000 B class shares. The nominal value of one share is not determined.

Class B shares give a preferential right to a dividend of EUR 16 per share. In the event that the company is unable to pay a dividend of EUR 16 per each Class B share, these shares confer the right to receive any unpaid portion of the dividends in later years before any dividend can be paid for Class A shares. If the dividend per share is EUR 16 or more, both classes of shares carry the same right to dividend.

If the company is dissolved, Class B shares do not give any right to the shareholders' equity accrued in the company before 1 January 2009; instead, these shares give the right to the portion of added value generated in the company after 31 December 2008.

Issues of new shares may consists of either Class A or Class B shares or both. Only Class A shares give the right of first refusal to subscribe new shares irrespective of the class of shares involved.

If a Class A share in the company is transferred to a new shareholder the holders of Class A share in the shareholders register at the time of transfer have the right of first refusal, and the company the right of second refusal, to redeem Class A shares. The right of redemption does not apply to transfers of Class A shares to direct heirs in a descending order. No redemption right applies when a share is transferred to a new owner by the company.

If a Class B share in the company is transferred to a new shareholder the holders of Class B shares in the shareholders register at the time of transfer have the right of first refusal, and the company the right of second refusal, to redeem Class B shares.

Specific terms and conditions applied to transfers of Class A and B shares are specified in the Paulig Ltd's Articles of Association.

Other funds

Other restricted equity fund comprises of restricted funds other than share capital.

Revaluation fund includes revaluation made to land areas.

The cash flow hedge fund includes the effective portion of accrued fair value changes of derivative instruments used for cash flow hedging.

Other OCI items include the net change of the fair value of equity investments measured through OCI and remeasurements of the net defined benefit liability (asset), to be recognised in other comprehensive income.

The unrestricted equity funds consist of the invested non-restricted equity fund held by the Parent Company.

Foreign currency translation fund include exchange differences resulting from the translation of income statement of foreign entities at the average exchange rates and balance sheet at the closing rates and is also included in the OCI.

Dividends

After the closing date, the Board of Directors has proposed dividend distribution of EUR 43.88 per share.

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

EUR 1 000	2023	2022
Share capital on 1 January	**8 204**	8 204
Share capital on 31 December	**8 204**	8 204
Other restricted funds on 1 January	**4 168**	4 168
Other restricted funds on 31 December	**4 168**	4 168
Cash flow hedge fund on 1 January	**12 730**	-16 502
Change for the financial year	**-15 489**	29 232
Cash flow hedge fund on 31 December	**-2 759**	12 730
Foreign currency translation fund on 1 January	**-15 494**	-11 729
Change for the financial year	**211**	-12 942
Sale of subsidiaries	**0**	9 177
Foreign currency translation fund on 31 December	**-15 282**	-15 494
Other OCI items on 1 January	**4 130**	622
Changes for the financial year	**-748**	3 509
Other OCI items on 31 December	**3 384**	4 130

EUR 1 000	2023	2022
Unrestricted equity funds on 1 January	**4 324**	4 324
Unrestricted equity funds on 31 December	**4 324**	4 324
Retained earnings on 1 January	**696 937**	746 511
Dividend	**-34 238**	-29 663
Partial demerger	**-170 687**	0
Retained earnings on 31 December	**492 013**	716 847
Profit for the period	**89 117**	-19 910
Total shareholders' equity on 31 December	**583 166**	714 999

Capital management

For the purpose of Paulig Group's capital management, capital includes issued capital, invested distributable equity fund and all other equity reserves attributable to the equity holders of the parent. The main objective is to maintain strong capital structure and to ensure the Group's capacity to fund its operations on a long-term basis in order to be able to maximise the shareholder value. Based on Group's policy the target is to keep equity ratio above 50%.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The development of the Group's capital structure is continuously monitored by equity ratio, by gearing ratio and by comparing net debt to EBITDA.

6.2 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

§ Accounting principles

Financial assets

Under IFRS 9 Paulig Group classifies financial assets in the following measurement categories: amortized cost, fair value through other comprehensive income and fair value through profit or loss. The classification depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. Financial assets are classified as currents assets, except when the remaining maturity exceed 12 months after balance sheet date, which are classified as non-current assets.

Financial assets measured at amortised cost

Financial assets recognised at amortised cost include the financial assets where the business model is to hold the asset to collect the contractual cash flows which represent solely payments of principal and interest. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. The Group's financial assets at amortised cost consist of cash and cash equivalents, trade receivables and other held-to-maturity receivables that are non-derivative assets.

Financial assets at fair value through profit or loss

The Group's financial assets at fair value through profit or loss consist of investments in funds, equity investments, debt instruments and derivatives which do not meet criteria for hedge accounting. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. If the fair value of investments in unlisted companies cannot be reliably measured, the assets can be measured at cost. Change in fair value and gains or losses are included in financial income and expenses including the results from impairment assessment.

Financial assets at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income are debt instruments or receivables held within business model whose objective is to collect contractual cash flows and selling financial assets, and where contractual cash flows represents solely payments of principal and interest. Interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and are measured in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change in OCI is recycled to profit or loss. The Group includes derivative instruments under hedge accounting in this measurement category.

The Group has also made an irrevocable election to recognise particular equity instruments at fair value through other comprehensive income that would otherwise be measured at fair value through profit or loss. Gains and losses on these financial assets are never recycled to profit or loss. Only dividends are recognized through profit or loss in accordance with IFRS 9. These particular equity instruments are considered long term investments and are not held for trading purpose. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. For trade receivables, the Group applies a simplified approach in calculating ECLs. The Group recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Derecognition of financial assets

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, net of transactions costs. For purposes of subsequent measurement, financial liabilities are classified in two categories: amortised costs and fair value through profit or loss. Financial liabilities are classified as liabilities, except when the remaining maturity exceed 12 months after balance sheet date, which are classified as non-current liabilities.

Financial liabilities at amortised cost

Financial liabilities recognised at amortised cost consist of interest-bearing loans, lease liabilities, trade payables, advance payments and other liabilities and financial instruments included in accrued expenses. Financial liabilities measured at amortized cost are recognized initially at fair value, net of transaction costs, on the trading date and subsequently measured at amortized cost using the effective interest method. Financial liabilities are included in current and non-current liabilities and may be either interest-bearing or non-interest-bearing.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. In Paulig Group financial liabilities recognised through profit or loss include commodity and currency derivatives that do not fulfil the terms of hedge accounting. Realised and unrealised profits and losses caused by changes in the fair values of derivatives are recognised through profit and loss for the period in which they originate. The accounting principle for derivative financial liabilities under hedge accounting is presented in note 6.4. Derivative instruments.

Derecognition of financial liability

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES BY VALUATION CATEGORY

31 DECEMBER 2023 EUR 1 000	FAIR VALUE THROUGH OCI	FAIR VALUE THROUGH PROFIT OR LOSS	TOTAL FAIR VALUE	FAIR VALUE HIERARCHY	AMORTISED COST	TOTAL CARRYING AMOUNT
Non-current financial assets						
Equity securities	4 546		**4 546**	1		**4 546**
Equity securities		4 112	**4 112**	3		**4 112**
Receivable from the sale of the associated company					20 000	**20 000**
Trade receivables					241	**241**
Current financial assets						
Trade receivables					158 459	**158 459**
Equity securities		47 020	**47 020**	1		**47 020**
Convertible loan		864	**864**	3		**864**
Bond funds		38 052	**38 052**	1		**38 052**
Receivable from the sale of the associated company					10 000	**10 000**
Derivative financial instruments	2 051	1 618	**3 669**	2		**3 669**
Cash and bank					51 428	**51 428**
Total financial assets	**6 597**	**91 666**	**98 263**		**240 127**	**338 390**
Non-current financial liabilities						
Lease liabilities					83 616	**83 616**
Term loan					537	**537**
Current financial liabilities						
Lease liabilities					9 697	**9 697**
Term loan					578	**578**
Derivative financial instruments		2 025	**2 025**	2		**2 025**
Trade payables					153 571	**153 571**
Total financial liabilities		**2 025**	**2 025**		**248 000**	**250 025**

31 DECEMBER 2022 EUR 1 000	FAIR VALUE THROUGH OCI	FAIR VALUE THROUGH PROFIT OR LOSS	TOTAL FAIR VALUE	FAIR VALUE HIERARCHY	AMORTISED COST	TOTAL CARRYING AMOUNT
Non-current financial assets						
Bonds		14 077	**14 077**	1		**14 077**
Equity securities	5 286		**5 286**	1		**5 286**
Equity securities		2 696	**2 696**	3		**2 696**
Convertible loan		1 017	**1 017**	3		**1 017**
Trade receivables					241	**241**
Current financial assets						
Trade receivables					145 618	**145 618**
Equity securities		108 613	**108 613**	1		**108 613**
Bond funds		119 072	**119 072**	1		**119 072**
Convertible loan					138	**138**
Derivative financial instruments	139	1 496	**1 634**	2		**1 634**
Cash and bank					52 159	**52 159**
Total financial assets	**5 425**	**246 970**	**252 395**		**198 156**	**450 551**
Lease liabilities					88 694	**88 694**
Term loan					51 153	**51 153**
Current financial liabilities						
Lease liabilities					9 499	**9 499**
Term loan					578	**578**
Derivative financial instruments		4 231	**4 231**	2		**4 231**
Trade payables					164 932	**164 932**
Total financial liabilities		**4 231**	**4 231**		**314 856**	**319 086**

TOTAL FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY

EUR 1 000	31 DECEMBER 2023	31 DECEMBER 2022
Financial assets		
Level 1	**89 618**	247 048
Level 2	**3 669**	1 634
Level 3	**4 976**	3 713
Total	**98 263**	252 395
Financial liabilities		
Level 1	**0**	0
Level 2	**2 025**	4 231
Level 3	**0**	0
Total	**2 025**	**4 231**

Determination of fair values

For financial instruments that are measured at fair value in the balance sheet, the following measurement hierarchy and valuation methods have been applied:

Level 1 = Fair values are based on identical assets or liabilities quoted (unadjusted) in active markets
Level 2 = Fair values are based on other than level 1 quoted prices and are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e., derived from prices)
Level 3 = Fair values are not based on observable market data

The equity securities measured at fair value through OCI at level 1 consist of listed equity investments which are directly valued based on exchange quotations. The equity securities measured at fair value through profit or loss at level 3 include unlisted shares for which the fair value cannot be reliably determined. The management assessed that cash and bank and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities fair value approximate their carrying amounts largely due to the short-term maturities of these instruments.

There have been no transfers between levels during years 2023 nor 2022.

Investments in equity instruments

Paulig Group has made an irrevocable election to recognizes following equity instruments at fair value through other comprehensive income. These equity instruments are considered long term investments and are not held for trading purpose.

RECONCILIATION OF FAIR VALUE MEASUREMENT OF LISTED EQUITY INVESTMENTS CLASSIFIED AS EQUITY INSTRUMENTS DESIGNATED AT FAIR VALUE THROUGH OCI

EUR 1 000	KESKO OYJ
Fair value as at 1 January 2022	**7 445**
Remeasurement recognised in OCI	-2 159
Fair value as at 31 December 2022	**5 286**
Remeasurement recognised in OCI	-740
Fair value as at 31 December 2023	**4 546**

Paulig Group received EUR 0.27 million dividend from Kesko Oyj during year 2023 (2022: EUR 0.27 million).

6.3 FINANCIAL RISK MANAGEMENT

The principles and organization of financial risk management

The nature of Paulig business operations exposes the company to various financial risks such as commodity, foreign exchange, credit and liquidity risks. Group's risk management aim is to minimize adverse effect on the Group's financial performance. Paulig Board of Directors has approved risk management guidelines in the Group Treasury Policy and Commodity Risk Policy. Paulig's treasury operations are managed centrally by the Group Treasury unit. Operating as a counterparty to the Group's operational units, Group Treasury is responsible for managing external financing, liquidity and external currency hedging operations. Treasury is also responsible of investing excess liquidity. Commodity hedging operations are managed separately by sourcing organisation. Centralised treasury operations aim to ensure financing on flexible and competitive terms, optimised liquidity management, cost-efficiency and efficient management of financial risks.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Group Treasury is responsible for managing credit risk of the financial instruments and transactions on a Group level. The principle is that Paulig Group requires a minimum credit rating of A-, A- or A- (Moody's, Standard & Poor's, or Fitch Ratings) when entering into an agreement or transaction with a financial counterparty. Separate rules and principles are in force when investing excess liquidity. Counterparty specific risk limits are set for each financial institution consisting of a limit for balances on bank accounts, term money market investments and a net fair value on derivatives of outstanding transactions with the counterparty. Counterparty specific risk limit is also set for each counterparty in which investment of excess liquidity is made. Prior to entering into a financial derivative transaction with a bank, a master agreement between the Group and the counterparty needs to be in effect, e.g. ISDA (International Swap Dealers Association) or an equivalent master agreement.

Group Companies are responsible for the credit risk arising from business operations. Each Group Company is responsible for managing and analysing the credit risk of both existing and potential new customers. Risk control is based on assessing the credit quality of the customer, taking into account the financial position, past experience and performance as well as forward looking macroeconomic factors. For trade receivables and contract assets, Paulig Group applies a simplified approach in calculating Expected Credit Loss (ECL), which uses a lifetime expected loss allowance to be assessed and recognised regularly, see note 5.2.

Liquidity risk

Liquidity risk materializes if a company ceases to have cash or has insufficient credit limits and borrowing facilities to meet its contractual obligations. The Group monitors its risk of a shortage of funds using a liquidity planning tool.

Group Treasury is responsible for maintaining sufficient liquidity resources and borrowing facilities in order to secure the availability of liquidity needs arising from the Group's operations. For cost efficiency reasons liquid funds are kept at 2% or below of the Group's annual net sales as long as the Group has net external long-term debt.

Commodity risk

Paulig Group is exposed to market price risk of commodities (raw material). Biggest risk arises from green coffee purchases. Global trading volumes in the green coffee market are large and speculative trading exists. The market price volatility is high, sudden and sharp movements in the market price are possible. Hedging is conducted according to Paulig's commodity risk management policy, which covers the main principles of the green coffee price risk management and hedging practices. Based on 12-month rolling forecast of the required coffee supply, the Group hedges the coffee margin by using forward and option commodity purchase contracts. Commodity derivatives do not result in physical delivery of coffee, but are designated as cash flow hedges to offset the effect of price changes in coffee.

Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. Group is exposed to transaction risk resulting from cash flows related to revenue and expenditure in different currencies other than the operating's units own functional currency. Group main foreign selling currencies are SEK and NOK. Majority of raw material purchases are done in USD.

Transaction exposure

Group companies are responsible for identifying exposures and monitoring balances against transaction risk related to their business operations in accordance with the Group Treasury Policy.

Group Treasury is responsible for the external execution of the transaction exposure of Paulig Group and for ensuring that hedging guidelines are followed. Group Treasury supports Group Companies in determining their foreign exchange exposures. The Group Company has the primary initiative for hedging decision, and Group Treasury offers hedging solutions. The exposure is defined from each Group Company's perspective on a rolling 12-month period of cash flows per currency. The main principle is to hedge an exposure which exceeds 5% of the net sales of the Group Company. The foreign currency risk is hedged by using foreign currency forward contracts. The Group does not apply hedge accounting to foreign exchange derivatives.

Translation risk

Currency translation risk is defined as the risk arising from the translation of a foreign subsidiary's profit and loss statement and balance sheet into the Group's base currency in consolidation. When the income statement and balance sheet of the subsidiaries in foreign currency are translated into EUR, the values of Paulig Group's consolidated assets, liabilities and equity will be affected. The policy is that the translation risk is not hedged, since the risk has no short-term cash flow impact.

Interest rate risk

Interest rate risk is the exposure of the Group to fluctuations of market interest rates and interest margins influencing finance costs, returns on financial investments and valuation of interest-bearing balance sheet items. The Group's interest rate risk is managed by Group Treasury. The objective is to control the effects of fluctuations in the interest rates on the Group's financial position and profitability and to minimize the net interest cost over time.

Group interest-bearing liabilities consist mainly lease liabilities related on buildings and constructions. Interest-bearing assets exposed to interest rate risk amounted EUR 38.1 million at the end of year 2023 (2022: EUR 133.1 million).

NET FORECAST FOREIGN CURRENCY TRANSACTION EXPOSURE, OTHER THAN OPERATING UNITS FUNCTIONAL CURRENCY

31 DECEMBER 2023 EUR 1 000	USD	SEK	NOK	DKK
Next 12 months forecast foreign currency cash flow	-162 605	-86 333	36 795	27 816
Cash flow, hedges at 31 December 2023	64 751	13 503	-10 765	-10 734
Total exposure	**-97 854**	**-72 830**	**26 030**	**17 082**

31 DECEMBER 2022 EUR 1 000	USD	SEK	NOK
Next 12 months forecast foreign currency cash flow	-182 373	1 615	31 968
Cash flow, hedges at 31 December 2022	89 162	-5 624	-13 221
Total exposure	**-93 211**	**-4 009**	**18 747**

A 10% adverse change in the foreign currency exchange rates above would result loss of EUR 32.5 million (2022: EUR 24.0 million loss) in net result and equity, based on forecasted cash flow. Net result of open foreign exchange contracts would result gain of EUR 13.5 million (2022: EUR 16.8 million gain). Adverse change refers weakening of the currency, except in the case of USD and SEK.

MATURITY OF THE GROUP'S FINANCIAL LIABILITIES AND TRADE PAYABLES

31 DECEMBER 2023 EUR 1 000	2024	2025	2026	2027	2028	LATER
Leasing liabilities*	9 697	8 013	6 454	5 045	4 513	59 591
Term loan	578	397	31	31	31	47
Derivative liabilities	2 025					
Trade payables	153 571					
Total	**165 872**	**8 409**	**6 485**	**5 077**	**4 544**	**59 638**

31 DECEMBER 2022 EUR 1 000	2023	2024	2025	2026	2027	LATER
Leasing liabilities*	9 499	8 103	6 468	5 332	4 716	64 075
Term loan	578	578	50 434	31	31	78
Derivative liabilities	4 231					
Trade payables	164 932					
Total	**179 239**	**8 682**	**56 902**	**5 363**	**4 747**	**64 153**

*Leasing liabilities include interest payments.

6.4 DERIVATIVE INSTRUMENTS

§ Accounting principles

The Group uses derivative financial instruments, such as forward currency contracts and forward commodity contracts, to hedge its foreign currency risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Derivatives are recognized on the trade date at fair value and other current financial assets on the settlement date. Later derivatives are remeasured at their fair value each reporting date and any subsequent change is recognized at profit and loss if hedge accounting is not used.

If hedge accounting is applied, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge, at the inception of a hedge relationship. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements.

Derivatives are classified as non-current assets or liabilities when the remaining maturities exceed 12 months and as current assets or liabilities when the remaining maturities are less than 12 months.

Cash flow hedge

The Group applies cash flow hedge accounting to commodity derivatives, mainly forwards and options, to manage the cost of green coffee as a part of the USD coffee margin. Hedging is conducted according to Paulig's commodity risk management policy, which covers the main principles of the green coffee price risk management and hedging practices.

The change in fair value of the effective portion of derivative instruments designated as cash flow hedges are recognised in OCI in the cash flow hedge fund. Gains or losses for commodity derivatives used to hedge the commodity price risk exposure are accrued over the period to maturity and are recognized in the materials and services in the consolidated statement of profit and loss adjusting the coffee margin. If a hedged transaction is no longer expected to occur, the cumulative gain or loss recognised in equity is immediately transferred to the profit or loss.

The Group assess hedging effectiveness both at hedge inception and quarterly whether the derivatives used in hedging are effective in offsetting changes in the fair value of the hedged item. The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge fund, from which it is transferred to the income statement when the hedged item is realised. Any ineffective portion is recognised immediately in the statement of profit or loss.

There is an economic relationship between the hedged item coffee margin in USD and the hedging instruments (coffee forwards/options) as the critical terms of the hedging instrument and the hedged item are closely aligned consisting the same element, coffee price. The Group has established a hedge ratio of 1:1 for the hedging relationship as the rolling sales forecast covers the estimated monthly coffee sales volumes 12 months forward which determines the monthly volumes for hedging. According to Treasury Policy only A- or better rated counterparties are used for hedging activities and therefore counterparty rating does not affect nor dominate the hedged item. Credit ratings of counterparties are being monitored on a yearly basis. Credit risk management is described in more detail in note 6.3.

The Group does not apply hedge accounting to foreign exchange derivatives.

THE EFFECT OF THE CASH FLOW HEDGE IN THE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

EUR 1 000	CHANGE IN FAIR VALUE OF THE HEDGING INSTRUMENT RECOGNISED IN OCI	AMOUNT RECLASSIFIED FROM OCI TO PROFIT OR LOSS	LINE ITEM AFFECTED IN PROFIT OR LOSS BECAUSE OF THE RECLASSIFICATION	HEDGING GAINS AND LOSSES FOR DERIVATIVES NOT HEDGE ACCOUNTED	LINE ITEM AFFECTED IN PROFIT OR LOSS
HEDGING GAINS AND LOSSES 2023					
Derivatives hedge accounted					
Commodity derivatives	-15 489	14 586	Materials and services		
Derivatives outside hedge accounting					
Commodity derivatives				-1 693	Financial expenses
Currency derivatives				269	Financial expenses
Currency derivatives				3 425	Financial income

Hedging is verified to be effective, no ineffectiveness have been booked.
The amount of cost of hedging is not material and is recognised simultaneously with underlying sales to profit or loss.

EUR 1 000	CHANGE IN FAIR VALUE OF THE HEDGING INSTRUMENT RECOGNISED IN OCI	AMOUNT RECLASSIFIED FROM OCI TO PROFIT OR LOSS	LINE ITEM AFFECTED IN PROFIT OR LOSS BECAUSE OF THE RECLASSIFICATION	HEDGING GAINS AND LOSSES FOR DERIVATIVES NOT HEDGE ACCOUNTED	LINE ITEM AFFECTED IN PROFIT OR LOSS
HEDGING GAINS AND LOSSES 2022					
Derivatives hedge accounted					
Commodity derivatives	29 232	-15 762	Materials and services		
Derivatives outside hedge accounting					
Commodity derivatives				3 328	Financial income
Currency derivatives				5 422	Financial income
Currency derivatives				-411	Financial expenses
Interest rate swaps				511	Financial income

FAIR VALUES OF DERIVATIVE INSTRUMENTS

EU R 1 000	31 DECEMBER 2023 POS.	NEG.	NET	31 DECEMBER 2022 POS.	NEG.	NET
Derivatives in hedge accounting						
Commodity derivatives, cash flow hedges	2 051	0	2 051	139	0	139
Derivatives not in hedge accounting						
Foreign exchange derivatives, not in hedge accounting	1 618	2 025	-407	984	4 231	-3 246
Interest rate swaps, not in hedge accounting	0	0	0	511	0	511
Total	**3 669**	**2 025**	**1 644**	**1 634**	**4 231**	**-2 596**

Positive (negative) fair value of hedging instruments on 31 Dec 2023 is presented in the statement of financial position in the item Other current financial assets (derivative liabilities within Trade and other payables).

EUR 1 000	31 DECEMBER 2023 NOMINAL	31 DECEMBER 2022 NOMINAL
Nominal values of derivative financial instruments		
Commodity derivatives and foreign exchange derivatives	**138 326**	160 456

The maturity for all open derivatives is under 12 months as of 31 December 2023.

6.5 CONTINGENT LIABILITIES AND OTHER COMMITMENTS

EUR 1 000	31 DECEMBER 2023	31 DECEMBER 2022
Guarantees		
Other guarantees for own commitments	**62 595**	112 257
Other commitments		
Repurchase commitments of coffee machines	**264**	252
Commitments for purchase of assets	**27 565**	23 820
Leases not yet commenced to which Paulig is committed	**167**	110
Total contingent liabilities and other commitments	**90 592**	136 438

Sometimes the group may receive claims that it considers to be unfounded. These claims are not disclosed before they have been carefully evaluated and it has been established that they have some substance in them.

7. OTHER NOTES

7.1 RELATED PARTY TRANSACTIONS

Paulig Group related parties consists of its subsidiaries and associate companies, The Board of Directors, the CEO and the Leadership team, their closely related family members as well as companies or joint ventures owned by them.

PAID EMPLOYEE BENEFITS OF MANAGEMENT

EUR 1 000	2023	2022
Salaries and other short-term benefits	**3 574**	3 902
Post-employment benefits	**1 535**	1 457
Other long-term benefits	**1 653**	1 619
Total	**6 762**	6 978

During the year 2023 Paulig Group paid EUR 0.59 million (2022: EUR 0.39 million) for obtaining key management personnel services provided by a separate management entity.

Paulig Group company has entered into a lease agreement over Vuosaari roastery and office premises with Kahvimo Oy which is a related party to Paulig Group based on the ownership structure. Amounts owed to Kahvimo Oy represents lease liability over the roastery rent agreement. See note 4.4 Leases for more information.

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the yearend are unsecured and interest free. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2023, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2022: EUR 0). This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

THE FOLLOWING TABLE PROVIDES THE TOTAL AMOUNT OF TRANSACTIONS THAT HAVE BEEN ENTERED INTO WITH RELATED PARTIES FOR THE RELEVANT FINANCIAL YEAR

EUR 1 000		SALES TO RELATED PARTIES	PURCHASES FROM RELATED PARTIES	AMOUNTS OWED BY RELATED PARTIES	AMOUNTS OWED TO RELATED PARTIES
Kahvimo Oy	**2023**				**56 749**
	2022				57 650
Fuchs Group Companies*	**2023**	**1 290**	**47**		
	2022	2 234	101	286	

*Paulig Group has sold it's shares in Fusch Group during finance year 2023, sales and purchases are considered until the closing date of the sale.

7.2 EVENTS AFTER THE REPORTING PERIOD

There have been no significant events after the reporting period.

Parent company's income statement

EUR 1 000	NOTE	2023	2022
Net sales	1	**18 603**	15 387
Other operating income	2	**121 560**	5 772
Personnel expenses	3	**-10 991**	-9 110
Depreciation and value adjustments	4	**-1 538**	-836
Other operating expenses	5	**-72 865**	-16 656
		-85 394	-26 602
Operating profit			
Financial income and expenses	6		
Dividend income on long-term financial assets		**28 280**	95 773
Interest income and other financial income		**845**	85
Interest expenses and other financial expenses		**-6 103**	-2 238
		23 022	93 620
Profit before appropriations and taxes		**77 791**	88 177
Appropriations	7		
Group contribution		**29 000**	0
Income taxes	8	**-922**	0
Net profit for the financial year		**105 869**	88 177

Parent company's balance sheet

EUR 1 000	NOTE	31 DECEMBER 2023	31 DECEMBER 2022
Assets			
Fixed assets	9		
Intangible assets			
Intangible rights		**0**	1
Other long-term expenses		**2 638**	3 351
Advanced payments		**8 665**	4 062
		11 302	7 414
Tangible assets			
Land and water		**122**	122
Buildings and constructions		**1 391**	1 477
Machinery and equipment		**152**	137
		1 665	1 735
Long-term financial assets	10		
Shares in associated companies		**378 886**	504 191
Other shares		**3 743**	2 910
Other receivables		**1 522**	1 522
		384 152	508 624
Total fixed assets		**397 119**	517 774
Current assets			
Long-term receivables			
Receivables from group companies		**125**	0
Loan receivables		**20 000**	908
		20 125	908
Short-term receivables	11		
Accounts receivable		**2**	0
Receivables from group companies		**29 161**	23 000
Loan receivables		**10 438**	0
Accruals and deferred income		**3 083**	6 820
		42 684	29 820
Total current assets		**62 810**	30 728
Total		**459 928**	548 502

EUR 1 000	NOTE	31 DECEMBER 2023	31 DECEMBER 2022
Shareholders' equity and liabilities			
Shareholders' equity	12		
Share capital		**8 204**	8 204
Premium fund		**3 058**	3 058
Reserve fund		**76**	76
Reserve for invested non-restricted equity		**4 050**	4 050
Retained earnings		**254 548**	325 921
Net profit for the financial year		**105 869**	88 177
Total shareholders' equity		**375 804**	429 486
Liabilities	14		
Long-term liabilities			
Interest bearing liabilities		**70 000**	110 000
		70 000	110 000
Current liabilities			
Accounts payable		**3 299**	2 465
Liabilities to group companies		**2 540**	0
Other liabilities		**178**	402
Accruals and deferred expenses		**8 107**	6 149
		14 124	9 016
Total liabilities		**84 124**	119 016
Total		**459 928**	548 502

Parent company's cash flow statement

EUR 1 000	NOTE	2023	2022
Cash flow from operating activities			
Profit after financial items		**77 791**	88 177
Adjustments, total	15	**-89 905**	-95 859
Operating profit before change in net working capital		**-12 115**	-7 682
Change in net working capital	15	**2 070**	-1 732
Cash generated from operations		**-10 045**	-9 414
Interest received		**232**	82
Interest paid		**-6 089**	-2 254
Income taxes paid		**4 290**	-6 094
Net cash flow from operating activities		**-11 612**	-17 679
Cash flow from investing activities			
Capital expenditures		**-5 457**	-4 989
Purchase of other shares		**-983**	-1 442
Proceeds from sale of fixed assets		**0**	5 691
Investments to subsidiaries		**0**	2 514
Increase (-), decrease (+) in long-term receivables		**-140**	-444
Proceeds from sales of other shares		**0**	0
Dividends received and capital returns from investments		**42 015**	95 773
Net cash flow from investing activities		**35 434**	97 102

EUR 1 000	NOTE	2023	2022
Cash flow from financing activities			
Group contribution		**0**	7 000
Increase (-), decrease (+) in short-term receivables		**50 416**	-18 903
Increase (+), decrease (-) in long-term liabilities		**-40 000**	-37 856
Dividends paid		**-34 238**	-29 663
Net cash flow from financing activities		**-23 822**	-79 422
Change in liquid funds		**0**	0
Liquid funds on 1 January		**0**	0
Liquid funds on 31 December		**0**	0

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

Parent Company's Accounting Principles

The parent company's financial statements have been prepared according to the Finnish Accounting Standards (FAS).

Comparability of data from the previous financial year

Paulig Ltd had a partial demerger on 31 May 2023, where the financial investment activities conducted by Nissen Investment Ltd and related assets were transferred to Nissen Holding Ltd.

Paulig Ltd was the receiving company in cross-border mergers. Paulig Coffee A/S and Saffron Holding AS merged into Paulig Ltd on 2nd October 2023.

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 of the closing date.

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 parent company is based on pension insurance.

Income taxes

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

Fixed assets and depreciation

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

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

No depreciation is made on land.

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

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.

Provisions

Provisions comprise items which the company 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.

Notes to the financial statements

1. NET SALES

EUR 1 000	31.12.2023	31.12.2022
Net sales by market area		
Nordic countries	**9 836**	8 673
Continental Europe	**6 233**	4 632
United Kingdom and Ireland	**1 212**	1 002
Baltic countries	**1 322**	1 079
Total	**18 603**	15 386

2. OTHER OPERATING INCOME

EUR 1 000	31.12.2023	31.12.2022
Profit on sales of other fixed assets	**0**	3 476
Merger gains		
Saffron Holding A/S merged with Paulig Ab on 2 October 2023	**115 755**	
Other income	**5 805**	2 297
Total	**121 560**	5 772

3. NOTES CONCERNING THE PERSONNEL AND THE MEMBERS OF ADMINISTRATIVE BODIES

EUR 1 000	31.12.2023	31.12.2022
Personnel expenses		
Salaries and remuneration for Managing Directors and the members of the Board of Directors	**1 675**	1 788
Other wages and salaries	**7 544**	5 769
Pension expenses	**1 559**	1 276
Other personnel expenses	**213**	277
Total	**10 991**	9 110

EUR 1 000	31.12.2023	31.12.2022
Average number of personnel		
Nordic countries	**57**	50
Total	**57**	50

Number of personnel in associated companies

4. DEPRECIATION AND VALUE ADJUSTMENTS

EUR 1 000	31.12.2023	31.12.2022
Depreciation on tangible assets	**120**	93
Depreciation on intangible assets	**1 418**	743
Total	**1 538**	836

5. OTHER OPERATING EXPENSES

EUR 1 000	31.12.2023	31.12.2022
Merger losses	**46 470**	0
External Services	**15 755**	11 608
Ernst & Young		
Statutory auditing fees	**77**	76
Other fees	**56**	710
Others		
Tax consulting	**25**	0
Other fees	**523**	526
Other	**9 959**	3 736
Total	**72 865**	16 656

6. FINANCIAL INCOME AND EXPENSES

EUR 1 000	31.12.2023	31.12.2022
Dividend income		
From group companies	**28 000**	95 500
From others	**280**	273
Total	**28 280**	95 773
Interest income and other financial income		
From group companies	**232**	82
From others	**613**	3
Total	**845**	85
Interest expenses and other financial expenses		
To group companies	**5 182**	1 825
To others	**921**	413
Total	**6 103**	2 238

7. APPROPRIATIONS

EUR 1 000	31.12.2023	31.12.2022
Group contribution	**29 000**	0
Total	**29 000**	0

8. INCOME TAXES

EUR 1 000	31.12.2023	31.12.2022
Income tax on ordinary business	**-4 878**	0
Income tax on group contributions	**5 800**	0
Total	**922**	0

9. FIXED ASSETS

EUR 1 000	31.12.2023	31.12.2022
Intangible rights		
Acquisition cost on 1 January	**189**	207
Decrease	**0**	-17
Acquisition cost on 31 December	**188**	189
Accumulated depreciation on 1 January	**-188**	-204
Depreciation of the financial year	**0**	-1
Accumulated depreciation and value adjustments related to decreases and transfers	**0**	17
Accumulated depreciation on 31 December	**-188**	-188
Book value on 31 December	**0**	1

EUR 1 000	31.12.2023	31.12.2022
Other long term expenses		
Acquisition cost on 1 January	**5 368**	1 716
Increase	**806**	3 652
Decrease	**-160**	0
Acquisition cost on 31 December	**6 014**	5 368
Accumulated depreciation on 1 January	**-2 018**	-1 295
Depreciation of the financial year	**-1 417**	-722
Accumulated depreciation and value adjustments related to decreases and transfers	**58**	0
Accumulated depreciation on 31 December	**-3 378**	-2 018
Book value on 31 December	**2 638**	3 351
Advanced payments		
Acquisition cost on 1 January	**4 062**	2 772
Increase	**5 458**	4 974
Transfers	**-855**	-3 683
Book value on 31 December	**8 665**	4 062
Land and water		
Acquisition cost on 1 January	**122**	2 337
Decrease	**0**	-2 215
Book value on 31 December	**122**	122
Buildings and constructions		
Acquisition cost on 1 January	**2 158**	2 158
Acquisition cost on 31 December	**2 158**	2 158
Accumulated depreciation on 1 January	**-681**	-595
Depreciation of the financial year	**-86**	-86
Accumulated depreciation on 31 December	**-767**	-681
Book value on 31 December	**1 391**	1 477

EUR 1 000	31.12.2023	31.12.2022
Machinery and equipment		
Acquisition cost on 1 January	**360**	398
Increase	**49**	46
Decrease	**0**	-84
Acquisition cost on 31 December	**410**	360
Accumulated depreciation on 1 January	**-223**	-281
Depreciation of the financial year	**-33**	-26
Accumulated depreciation and value adjustments related to decreases and transfers	**0**	84
Accumulated depreciation on 31 December	**-257**	-223
Book value on 31 December	**152**	136

10. FINANCIAL ASSETS

EUR 1 000	31.12.2023	31.12.2022
Shares in group companies		
Acquisition cost on 1 January	**504 191**	506 705
Partial demerger	**-139 048**	-2 514
Merger increase	**325 569**	0
Merger decrease	**-311 827**	0
Book value on 31 December	**378 886**	504 191
Other shares		
Acquisition cost on 1 January	**2 910**	1 768
Increase	**983**	1 442
Decrease	**-150**	-300
Book value on 31 December	**3 743**	2 910
Other receivables		
Pension insurances	**1 522**	1 522
Total	**1 522**	1 522

EUR 1 000	31.12.2023	31.12.2022
Pension insurances relate to Mandatum Life pension insurances		
Acquisition cost	**1 522**	1 522
Market value	**2 371**	2 191

11. RECEIVABLES

EUR 1 000	31.12.2023	31.12.2022
Long-term receivables		
From group companies		
Other receivables	**125**	0
Total	**125**	0
From others		
Loan receivables	**20 000**	908
Total	**20 000**	908
Short-term receivables		
From group companies		
Accounts receivables	**0**	4
Other receivables	**29 161**	22 996
Total	**29 161**	23 000
Loan receivables from others		
Loan receivables	**10 438**	908
Total	**10 438**	908
Main items included in accruals and deferred income		
Income tax receivables	**0**	5 192
Other	**3 083**	1 628
Total	**3 038**	6 820

12. SHAREHOLDERS' EQUITY

EUR 1 000	31.12.2023	31.12.2022
Share capital on 1 January	**8 204**	8 204
Share capital on 31 December	**8 204**	8 204
Premium fund on 1 January	**3 058**	3 058
Premium fund on 31 December	**3 058**	3 058
Reserve fund on 1 January	**76**	76
Reserve fund on 31 December	**76**	76
Reserve for invested non-restricted equity on 1 January	**4 050**	4 050
Reserve for invested non-restricted equity on 31 December	**4 050**	4 050
Retained earnings on 1 January	**414 098**	355 584
Profit distribution	**-34 238**	-29 663
Transfers	**-125 312**	0
Retained earnings on 31 December	**254 547**	325 921
Net profit for the financial year	**105 869**	88 177
Total shareholders' equity	**375 804**	429 486
Distributable equity		
Retained earnings from previous periods 31.12.	**254 547**	325 921
Reserve for invested non-restricted equity	**4 050**	4 050
Net profit for the financial year	**105 869**	88 177
Distributable equity	**364 467**	418 148

Share capital consists of 487 765 A-shares and 15 000 B-shares.

13. LIABILITIES

EUR 1 000	31.12.2023	31.12.2022
Long-term liabilities		
To group companies		
Other liabilities	**70 000**	110 000
Total	**70 000**	110 000
Short-term liabilities		
Main items included in accruals and deferred expenses		
Accrued personnel expenses	**6 375**	5 031
Income tax liability	**20**	0
Other	**1 712**	1 118
Total	**8 107**	6 149

14. CONTINGENT LIABILITIES

EUR 1 000	31.12.2023	31.12.2022
Other guarantees on behalf of group companies		
Guarantees given	**65 000**	115 000
Total	**65 000**	115 000
Leasing liabilities		
Leasing liabilities, which mature within one year	**258**	242
Leasing liabilities, which mature after one year	**210**	167
Total	**468**	409

15. 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	31.12.2023	31.12.2022
Depreciation	**1 538**	836
Sales gains and losses on fixed assets	**0**	-3 476
Value adjustments of fixed assets	**102**	0
Dividends received and capital returns from investments	**-42 015**	-95 773
Interest income	**-232**	-82
Other financial items	**19 986**	1 827
Other income and expenses	**-69 284**	808
Total	**-89 905**	-95 859
Change in net working capital		
Increase (-), decrease (+) in short-term receivables	**-469**	-449
Increase (+), decrease (-) in non interest bearing short-term liabilities	**2 539**	-1 283
Total	**2 070**	-1 732

Change in the group cash pool-account in parent company is included in cash flow from financing.

The Board's proposal to the Shareholders' meeting

The distributable equity of the parent company according to the financial statements of 31 December 2023, is EUR 364,466,726.13 including retained earnings for the previous years EUR 254,547,526.37, reserve for invested non restricted equity EUR 4,050,000.00 and result for the financial year EUR 105,869,199.76.

The Board proposes that a dividend of EUR 43.88 per share on 502,765 shares be paid, totalling EUR 22,061,328.20. The parent company will retain distributable equity of EUR 342,405,397.93.

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

Helsinki, 18 March 2024

Jukka Moisio
Chairman of the Board

Mathias Bergman

Christian Köhler

Eduard Paulig

Heikki Takala

Petra Teräsaho

Christina Wergens

Rolf Ladau
Managing Director

Auditors' report has been issued today.
Helsinki, 19 March 2024

Ernst & Young Oy

Terhi Mäkinen,
Authorised Public Accountant

Auditor's report to The Annual General Meeting of Paulig Ltd (Translation of the Swedish original)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Paulig Ltd (business identity code 0112563-0) for the year ended 31 December, 2023. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including material accounting policy information, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- The consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with IFRS Accounting Standards as adopted by the EU.
- The financial statements give a true and fair view of the parent 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 the 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 consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU, and 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 and 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 the 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.

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 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. 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, we conclude that there is a material misstatement of the report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

Helsinki 19.3.2024

Ernst & Young Oy
Authorized Public Accountant Firm

Terhi Mäkinen
Authorized Public Accountant

PAULIG

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