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FINANCIAL STATEMENTS
2014

# ALTIA

— YOUR 1ST CHOICE —

2014

FINANCIAL STATEMENTS

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# _Altia – Sha the best momen

**Altia** is the leading wine and spirits company offering quality brands in the Nordic and Baltic countries. Altia produces, delivers, markets, sells, imports and exports alcoholic beverages in these markets.

Altia's own brands such as **Blossa, Chill Out, Explorer, Grönstedts, Jaloviina, Koskenkorva, Larsen, O.P. Anderson, Renault, Xanté** and **Skåne Akvavit** have a strong market position and many of them a long heritage to cherish.

Altia's partner brands represent both local and international brands from all over the world, such as **Codorníu, Drostdy-Hof , Jack Daniel's, Nederburg, Ravenswood** and **Robert Mondavi.**

Altia serves its customers, partners and consumers close to markets with its wide production, sales and logistics set-up.

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| *Key ratios of the group* | *2014* | *2013* | *2012* |
|---|---|---|---|
| Net sales, EUR million | **426.3** | 475.8 | 483.3 |
| Operating profit (loss), EUR million | **-18.6** | 0.7 | 29.3 |
| *( % of net sales )* | **-4.4** | 0.1 | 6.1 |
| Operating profit excluding non-recurring items, EUR million | **17.9** | 17.4 | 26.7 |
| *( % of net sales )* | **4.2** | 3.7 | 5.5 |
| Profit (loss) before taxes, EUR million | **-20.4** | -3.8 | 24.6 |
| *( % of net sales )* | **-4.8** | -0.8 | 5.1 |
| Profit (loss) for the period, EUR million | **-18.1** | -3.1 | 20.7 |
| *( % of net sales )* | **-4.3** | -0.6 | 4.3 |
| Profit for the period excluding non-recurring items, EUR million | **18.3** | 13.6 | 18.0 |
| *( % of net sales )* | **4.3** | 2.9 | 3.7 |
| Total assets, EUR million | **501.5** | 577.7 | 594.4 |
| Return on equity, % | **-11.2** | -1.6 | 10.8 |
| Return on invested capital, % | **-4.0** | 0.9 | 7.7 |
| Equity ratio, % | **28.7** | 29.2 | 33.2 |
| Gearing, % | **34.2** | 65.4 | 66.9 |
| Number of personnel, on average | **987** | 1 074 | 1 108 |

# _CEO's *review*

The year 2014 was eventful for Altia. Overall, we can be proud of being able to keep our operating profit excluding non-recurring items to remain at 2013 level while the net sales declined by 10.4%. At the same time, we have executed significant changes in our strategy and organization, which help us to be more competitive and profitable in the future. This would not have happened without committed and professional personnel spending a lot of energy and extra hours for the future success of Altia.

The efficiency enhancing programme included in Altia's new strategy is designed to save EUR 20 million and to contribute to improved profitability by the end of 2016. At the same time impairment losses were recognised on goodwill and other intangible assets. Together with the restructuring expenses Altia's operating profit including non-recurring items was heavily negative in 2014.

We can be happy about the performance of our own brands in 2014. We have managed to grow our bottom line significantly in a challenging market environment and to grow our market share in three Nordic markets. Our industrial services faced a turnover decline due to pricing structure connected to falling barley prices. However, we were able to protect our profits and strengthen our position both in starch and feed businesses. The partner brands business faced the toughest challenge, as especially the Swedish wine import experienced a lot of turbulence. We will tackle these challenges with the new strategy, renewed organization and our key partners.

We made a big change by moving our wine production from Denmark to Rajamäki, Finland. This creates significant synergies in the supply chain for the benefit of our brands and markets. The benefits were already partly visible in 2014 and will be in full in 2015. In cognac operations we have continued, according to our plan, to integrate the business into one cognac entity and the final steps will be taken in 2015. In the Tabasalu plant our production volumes grew significantly in 2014 – a trend which we expect to continue in 2015.

In September 2014, we announced the new strategy of Altia. The target of our strategy is to improve our operational execution and create a platform for a sustainable improvement on competitiveness and profitability.

With the new strategy we have also renewed our organizations to better match the current challenges in our markets and improve the speed of execution. Already during 2014, we have identified and partly also executed the necessary changes for added efficiencies in our value chain. In 2015 we aim to improve our profitability and we will create platforms for sustainable growth in the long term. One of the key areas in our commercial strategy is the focus on core brands and strengthening them by allocating resources efficiently. We re-organized our sales structure and integrated the sales units into one, stronger entity. We believe that this will strengthen and enhance our operations for the benefit of our customers and partners. We will continue to strive for innovation to create additional growth in our markets and we will invest more in our core brands, better consumer understanding and closer cooperation with our partners.

Altia's highly capable and motivated employees are the source of our competitiveness. Altia's culture is based on cornerstones, of which we have chosen leadership as the main focus area to enable and encourage strong individual and company performance in 2015.

We will continue efforts to create growth together with our customers and our partners and to make the current year better. I would like to warmly thank you all for your contribution to Altia's performance in 2014.

Pekka Tennilä
CEO

# Board of Directors' report for the period 1 January - 31 December 2014

The development of the Altia Group's business continued to be challenging. Altia's business was also affected by the economic decline which was reflected in alcohol consumption and the competitive environment, coinciding with stricter legislation in the alcohol sector. The sales of spirits continued to decrease in Altia's market but the company's market shares increased. The growth in the sales of wines slowed down and even began to decline in certain markets. Market shares of Altia's own wines and partner products declined mainly in Sweden.

The Altia Group's net sales totalled EUR 426.3 million, which is 10.4% less compared to the previous year (EUR 475.8 million). The effects of changes in foreign exchange rates on the net sales amounted to approximately EUR -10.6 (0.1) million. The net sales decreased particularly due to termination of customer contracts in Svendborg, Denmark and lower volumes in the contract services. Altia's wine and mulled wine production was relocated from the Svendborg plant to the Rajamäki plant in Finland according to plan during 2014.

Despite the significant decline in net sales, the operating profit excluding non-recurring items remained at the same level as in the comparison period, EUR 17.9 million (17.4). The improvement in relative profitability was mainly due to the efficiency enhancing programme launched in the end of 2013 and cost savings achieved during 2014. Operating profit including non-recurring items was EUR -18.6 million (0.7). The non-recurring items related to significant impairment losses on goodwill and other intangible assets and restructuring costs. The company's equity ratio was 28.7% (29.2%) and gearing almost halved from the previous year to 34.2% (65.4%). Thus, Altia has now a stronger balance sheet. Consequently the strategic actions taken create a foundation for improved profitability.

Altia announced a new strategy in September 2014. The focus of the strategy is on improving the business operations, competitiveness and profitability. The new strategy is based on Altia's will to create new growth in a changed business environment by strengthening its core brands and co-operation with the partners and investing even stronger in product development. However, personnel reductions could not be avoided due to structural changes in line with the new strategy. The negotiations with the personnel were held in accordance with local legislation in Finland, Sweden, Norway, Denmark, Estonia and Latvia. After the negotiations the company's business structure and organization were reorganized.

The Altia Group's 2014 financial statements are prepared in accordance with IFRS. Comparative information is based on corresponding figures for the previous period 2013, unless otherwise stated (figures in brackets).

## OPERATING ENVIRONMENT 2014

For Finland, Sweden and Norway, retail sales refer to the sales of alcoholic beverages through state monopolies. The figures are based on the sales volumes (litre) published by the monopolies (Alko, Systembolaget and Vinmonopolet). The information on Denmark, Estonia and Latvia is based on Altia's own, local estimates.

The year 2014 continued very similar to 2013 as the sales of spirits continued to decrease in Altia's markets. The growth in wine sales slowed down and began to decline in certain markets compared to the previous year. It has been common for all the monopoly countries that consumers are shifting to favouring lighter beverages with lower alcohol content. As a result of this trend, especially the sales of sparkling wine and rosé wine have significantly increased. The Nordic countries are still strongly affected by the cross-border trade between Finland and Estonia, Denmark and Germany, Sweden and Norway as well as Sweden and Germany, due to considerable price differences between these countries.

In Finland, the change in the total sale of alcoholic beverages in 2014 was -2.6% (-3.0%). The sale of spirits developed -4.6% (-5.1%) and the sales of wines -1.2% (- 1.8%), respectively. In terms of spirits, especially the sales volumes of spirits, vodka, brandy and cognac as well as liqueur were significantly lower compared to the previous year. In wines, red wine and fortified wine showed the largest decline compared to 2013, while the sales of white wine, rosé wine and sparkling wine continued to increase.

The importance of Estonia as the purchase place for alcoholic beverages consumed by Finns does not continue to grow anymore according to the statistics published by the National Institute for Health and Welfare in September 2014. However, the total alcohol import by passengers is significant, accounting for nearly 27.0% of spirits consumption and nearly 18.0% of wine consumption in Finland. According to our estimate the main reason for the ceased growth is stricter instructions on passenger imports, which became effective in Finland from the beginning of July 2014.

In Sweden, the change in the total sales of alcoholic beverages in the reporting year was 0.5% (1.3%). The change in the sales of spirits was -2.9% (-2.5%) and in that of wines 0.0% (1.7%), respectively. The strongest decrease in the sales of spirits occurred with cognac and brandy as well as vodka. In terms of wine, especially the sales of fortified wine and red wine declined, whereas the sales of rosé wine and sparkling wine increased significantly.

In Norway, the change in the total sales of alcoholic beverages in the reporting year was 0.6% (0.8%). The sales of spirits developed -2.0% (-3.1%) and wines 0.5% (1.0%). The strongest decrease in the sales of spirits occurred with cognac and brandy as well as liqueur. The sales of fortified wine and red wine declined slightly, whereas the sales of rosé wine and sparkling wine continued to increase strongly.

In Estonia, the total market size is estimated to have declined some 5.0% during the year 2014. It is assessed that the main reason for the decline are the stricter instructions on passenger imports to Finland. The increase of 5.0% in alcohol taxes, which came into effect in Estonia in the beginning of 2014 did not significantly affect Estonia's total market, while it has been estimated that the increase of 15.0% in alcohol taxes, effective from the beginning of 2015, had a positive effect on the company's sales in December 2014. In 2014, the local consumption in Estonia did not change significantly compared to 2013. The sales of spirits decreased slightly and the consumption of wine increased approximately 5.0%.

In Latvia, the total market is estimated to have remained at the same level as in the previous year. The sales of spirits are estimated to have slightly decreased, whereas the sales of wines are estimated to have increased approximately 5.0% compared to the previous year. The sales of sparkling wine continued to decline (-6.0%). In Latvia, the legislation on retail was tightened during 2014 regarding placement of alcohol in retail stores and marketing communications.

The total market size in Denmark is estimated to have slightly increased. The spirits market is estimated to have grown a few percentages. The sales of cognac and brandy is estimated to have decreased some 15.0%, while the sales of bitters and aquavit is estimated to have decreased (-3.0 % – -5.0 %). The cross-border trade between Denmark and Germany is estimated to have declined approximately 5.0% compared to the previous year. The decreases in taxation of soft drinks and beer executed in Denmark are estimated to be the main reason for this decline.

## FINANCIAL PERFORMANCE

The Altia Group's net sales totalled EUR 426.3 million, which is EUR 49.5 million (10.4%) less compared to the previous year (EUR 475.8 million).

The most significant factors in the decline in net sales were the decline in the demand of spirits and the decreased volumes of the contract services. However, the market shares of spirits increased slightly in Finland, Norway and Denmark and decreased slightly in Sweden.

The net sales of Altia's own products increased in Norway, Estonia and export markets. The net sales in Finland and Denmark and from travel trade remained at the same level as in the previous year and slightly declined in Sweden. On the whole, the net sales of Altia's own products were slightly less than in the comparison period but profitability improved. The market shares and the net sales of partner products declined particularly in Sweden, which had a negative effect on profitability. The net sales declined due to the termination of customer contracts in Svendborg, Denmark.

The comparability of net sales between 2014 and 2013 was affected by the acquisitions executed during 2013 regarding the Danish aquavit brand Brøndums and the French company Larsen SAS. In addition, the effects of changes in foreign exchange rates on the net sales amounted to approximately EUR -10.6 (0.1) million.

Other operating income, including non-recurring items, was EUR 8.0 (12.1) million, non-recurring income amounted to EUR 0.5 (4.5) million. In the reporting period, non-recurring items comprised gains on sale of land areas. In the comparison period they included gains on sale of land areas, EUR 2.4 million, and a liquidation gain of EUR 1.9 million in relation to a Norwegian subsidiary. Additionally, other operating income included income of EUR 3.6 (3.5) million mainly resulting from the sales of steam, energy, water and carbon dioxide, as well as rental income of EUR 0.8 (1.2) million.

Employee benefit expenses totalled EUR 65.2 (68.2) million, including EUR 50.9 (53.9) million of wages and salaries. Employee benefit expenses in the reporting period included an accrual for annual bonuses in total of EUR 1.4 million and a restructuring provision of EUR 4.1 million. The employee benefit expenses in the comparison year did not include any accruals for annual bonuses.

Other operating expenses amounted to EUR 84.1 (90.1) million. During the financial year, the expense recognised for obsolete items and write-downs on inventory in the group companies totalled EUR 5.6 (5.4) million.

Operating profit excluding non-recurring items remained at the same level as in the comparison year, EUR 17.9 million (17.4) and the profit margin excluding non-recurring items was 4.2% (3.7%). Operating profit including non-recurring items was EUR -18.6 million (0.7). The profit margin including non-recurring items was -4.4% (0.1%). The non-recurring items included in the operating profit were as follows:

| **EUR million** | **1-12/2014** | 1-12/2013 |
|---|---|---|
| **Operating profit excluding non-recurring items** | **17.9** | 17.4 |
| Restructuring costs | **-5.5** | -5.3 |
| Impairment losses | **-31.4** | -15.6 |
| Termination of business operations | **-** | 1.9 |
| Sales of assets | **0.5** | 2.2 |
| **Total non-recurring items** | **-36.4** | -16.7 |
| **Operating profit (loss)** | **-18.6** | 0.7 |

The restructuring costs in the reporting period arise from write-downs on inventory due to the changes in the product portfolio according to the strategy, and non-recurring employee benefit expenses following the co-operation negotiations. Significant impairment losses, which relate to the new strategy and changes in expectations of the future cash flows, were recognized on goodwill and other intangible assets allocated. Impairment losses relate to the business acquisition carried out some 10 years ago in the partner business mainly in Norway.

The restructuring costs and the impairment losses in the comparison period related to the relocation of the wine and mulled wine production from the Svendborg plant to the Rajamäki plant.

Net financial expenses decreased to EUR 5.1 (5.9) million, which arose mainly from the decrease in euro interest rates. The Group's share of profits in associated companies and joint ventures amounted to EUR 3.2 million (1.3). Profit for the year excluding non-recurring items was EUR 18.3 (13.6) million.

## FINANCING AND LIQUIDITY

Net cash flow from operating activities totalled EUR 74.8 million (EUR 84.5 million). Altia expanded its frame agreement for sales of trade receivables amounting to approximately EUR 145.0 million (70.0). The cash flow effect of receivables sold at the end of the reporting period amounted to EUR 101.7 million (44.0). The sold receivables are derecognized at the time of trade. The costs of the arrangement are recognized in other financial expenses.

The Group's liquidity reserve comprises a revolving credit facility of EUR 60.0 million as well as overdraft facilities of EUR 20.0 million (40.0). Both were unused at 31 December 2014. Altia Group's liquidity position was good throughout the reporting period.

The Group's interest-bearing net debt amounted to EUR 49.3 (110.4) million at year-end and gearing was 34.2% (65.4%). Equity ratio was 28.7% (29.2%).

The nominal value of the commercial papers issued amounted to EUR 13.0 (44.0) million at the end of the reporting period.

## CAPITAL EXPENDITURE (INVESTMENTS)

Gross capital expenditure totalled EUR 16.7 (63.4) million. In the comparison year gross capital expenditure comprised acquisitions of subsidiaries totalling EUR 36.3 million.

Capital expenditure in the reporting period mainly relates to the new biofuel power plant at the Koskenkorva plant. Construction work was completed at the end of 2014 and production will commence in the beginning of 2015.

Gross capital expenditure in the comparison period mainly included the acquisition of the French company Larsen SAS including cognac inventories EUR 25.5 million, the acquisition of the Danish aquavit brand Brøndums, incomplete equipment purchases and the biofuel power plant initiative at the Koskenkorva plant.

## PRODUCTION

During 2014, the Rajamäki alcoholic beverages plant produced 65.7 (51.3) million litres of spirits and wine. The corresponding production volume at the Svendborg plant in Denmark was 8.1 (32.1) million litres and at the Tabasalu plant in Estonia 5.0 (3.3) million litres.

The Koskenkorva plant used 190.6 (173.2) million kilos of Finnish barley to produce 23.8 (21.0) million kilos of grain spirit, 54.6 (51.1) million kilos of starch and 62.5 (57.2) million kilos of feed.

In December 2014, Altia announced a plan to close the production at the Svendborg plant in Denmark in the summer of 2015 and that it would inititate co-operation negotiations with the employees of the plant.

## RESEARCH AND DEVELOPMENT ACTIVITIES

Group's research and development expenditure amounted to EUR 4.1 (3.3) million and it related to the product development of alcoholic beverages.

## RENEWAL OF STRATEGY

Altia announced a new strategy in September 2014. The strategy will extend to the year 2016 and its focus is on improving the business operations, competitiveness and profitability. The new strategy is based on Altia's will to create new growth in a changed business environment by strengthening its core brands and cooperation with the partners and investing even stronger in product development.

The business environment has changed considerably during the past few years. Consumption trends and traditional sales channels are changing and competition is increasing heavily. Altia has all the resources and capabilities to succeed in this new environment and it also needs to adapt its structure and certain processes to cope better with the change. Altia's success relies on the motivated and skilled personnel. The right corporate culture is of fundamental importance in creating and nurturing success.

Altia is a brand house and it will continue to invest in its core brands, both in Altia's own markets and in export markets. The company has decided to focus on supporting fewer brands in order to create a stronger market impact. Altia will continue to push new innovations to create profitable growth. Consumer insight is an essential part of being successful in innovation and with brands.

The company has a strong portfolio of partner brands and it has streamlined its portfolio. Altia wants to provide its partners with the best service in the long term, and has therefore restructured its sales organization. With the new sales setup the company will be able to offer its partners more sales resources and better service to customers.

Product quality is and remains the key focus in Altia's production and high-quality products are the source of Altia's competitiveness. Altia is closing the production operations in Denmark and has moved its wine production to the Rajamäki plant. This gives clear synergies and helps the company respond better to market needs.

In addition to alcoholic beverages, Altia continues to develop offerings in starch, feed and technical ethanol. The new biofuel power plant at the Koskenkorva plant ensures that Altia's products are produced in an even more sustainable way.

To respond to market changes and improve profitability, Altia has done major changes in the organization and the way it operates. In 2015, Altia's focus is on executing the strategic plans and creating profitable growth with its own brands and with partners' brands.

## GROUP MANAGEMENT

Mr Pekka Tennilä started as the new CEO of the company as of 1 June 2014. Mr Hannu Tuominen (SVP, Industrial Services and Supply Chain) acted as Interim CEO until 31 May 2014.

In 2014, the Altia Group's Executive Management Team comprised of:

Mr Pekka Tennilä, CEO, from 1 June 2014
Mr Michael Bech-Jansen, SVP, Altia Brands
Mr Søren Qvist, SVP, Partner Brands, from 8 January 2014
Mr Thomas Heinonen, General Counsel, until 1 December 2014
Ms Sanna Hokkanen, SVP, HR and Communications
Mr Joacim Hultin, SVP, Partner Brands, until 8 January 2014
Mr Matti Piri, CFO
Mr Hannu Tuominen, SVP, Industrial Services and Supply Chain.

## PERSONNEL

In 2014, Altia Group employed on average 987 (1,074) persons. On 31 December 2014, Altia Group employed 949 (1,074) persons, of which 498 (504) were employed in Finland, 155 (165) in Sweden, 78 (161) in Denmark, 87 (73) in Estonia, 65 (104) in Latvia, 42 (42) in Norway and 24 (25) in France.

As part of the efficiency enhancing programme launched in the autumn, co-operation negotiations began in all of Altia's operating countries, with the exception of France. The negotiations affected salaried and senior salaried employees in Finland, Sweden, Norway, Denmark, Estonia and Latvia. Additionally, negotiations were held with the workers at the Rajamäki plant regarding the use of flexible workforce. In addition to personnel reductions, the co-operation negotiations in each country comprised changes in personnel benefits, working hours and the new employment contracts terms. At the beginning of 2015 Altia launches a joint leadership programme for managers in different countries.

The personnel reductions totalled 109 person. Additionally, several retirements in 2015 and 2016 were agreed upon. Altia offered possibility of voluntary outplacement services for all dismissed employees in Finland, Sweden and Norway.

## INCENTIVE PROGRAMMES

### ANNUAL INCENTIVE PLAN

Altia's salaried and senior salaried employees and management participate in an annual performance bonus program of Altia Group. The annual bonus is based on both Group's and its business units' financial targets approved by the Board of Directors, as well as on personal targets. Bonuses are paid either once a year or more frequently as an annual bonus or sales bonus. Workers participated in a production bonus system. The production bonuses were based on the targets of each production unit.

The profit for the period includes a performance bonus accrual amounting to EUR 1.4 million. The profit for the comparison period did not include a corresponding bonus accrual. Based on the profit for 2013, no annual performance bonuses were paid in 2014. Sales bonuses totalling EUR 0.05 million were paid in 2014. Based on the profit for 2012, annual performance bonuses of EUR 1.5 million, including social expenses, were paid in 2013. The production bonuses totalling EUR 0.2 (0.4) million were included in the profit for the period.

### LONG-TERM INCENTIVE PLAN 2012-2014

Altia had a long-term incentive plan for the years 2012-2014. The purpose of this plan is to support the company's strategy, to reward for implementing the strategy and to commit the key personnel to the company and to offer them competitive incentives. The remuneration is determined based on achieved financial criteria at the Group level and any payments are spread over the period of three years.

The target group of the plan consisted of the key personnel, which the Board of Directors has decided on in the beginning of the remuneration period. Participation in the plan was separately confirmed for each year. The plan has been executed in accordance with the guidance on management remuneration and retirement benefits in a State-owned company.

In 2014, the profit for the period does not include an accrual for the long-term incentive plan 2012-2014. In 2013 bonuses totalling EUR 1.8 million related to the long-term incentive plan 2009-2011 were paid, including social expenses.

## HEALTH, SAFETY AND ENVIRONMENT

Altia's health and safety management system has been certified in accordance with the OHSAS 18801:2007. The certification covers the Koskenkorva plant, the Rajamäki alcoholic beverage plant and the technical ethanol business unit and the head office functions. The purpose of the system is to reduce the rate of absence caused by sickness and accidents. To achieve the objectives, measures to be taken during the year were defined for different locations. Specific action programmes have also been prepared for the plants and logistics centres not covered by the certification.

Accident rates and the sickness absence rates are closely monitored in all countries where Altia operates, with the exception of France. In 2014 the sickness absence rate was 3.0% (3.3% in 2013). The Swedish logistics centre had the highest rate (5.8%) and the Copenhagen office had the lowest rate (0.7%). The accident rates* for accidents requiring at least one day of absence was 12 (12 in 2013). Most of the accidents still occurred in Rajamäki, however, the number of accidents decreased significantly from the previous year. In Rajamäki, the development of detection of flaws and risks as well as immediate implementation of corrective actions were continued. In 2014, no work-related mortal accidents were recorded (0 in 2013).

The key environmental impacts of Altia relate to the Koskenkorva distillery as well as to the operations at the alcoholic beverage plants in Rajamäki, Svendborg and Tabasalu. The operations in Cognac, France have a significantly lower production volume compared to the other plants, therefore its environmental impacts are also lower and it has been excluded from the environmental targets and indicators.

At the Koskenkorva and Rajamäki plants and in the support, sales and marketing functions of the Helsinki headquarters, the environmental management system has been certified in accordance with the ISO 14001 standard. After the relocation of the wine and mulled wine production from Svendborg to the Rajamäki plant during 2014, the Svendborg plant renounced its ISO 14001 certificate.

Altia's energy and water consumption in proportion to finished products increased slightly compared to 2013. The quality of waste water improved during 2014. The target ratios for decrease of waste materials and disposable alcohol decreased slightly compared to previous ratios. The environmental targets were updated for the period 2013–2015 due to the relocation of the production at the Svendborg plant to the Rajamäki plant in 2014. The measures to reach the environmental targets are defined in the environmental programs prepared annually.

Environmental permit conditions and the target levels set by municipalities were met in the Svenborg and Tabasalu plants in 2014. The limits were exceeded 7 times at the Rajamäki plant due to start of the wine and mulled wine production. The wastewater work group's task is to investigate the greatest stress factors at the plant and find ways to reduce them.

At the Koskenkorva plant, pH of the wastewater was below the permitted limit two times during the year. No penalties were paid for exceeding permit provisions or neglecting environmental laws or regulations during the reporting period.

In 2014, the energy costs of Altia's plants amounted to over EUR 7 million. Energy saving measures are a major development area for Altia both in terms of profitability and environment. Altia is committed to reduce its energy use by 9% in Finland from 2005 levels by the year 2016, based on the voluntary energy efficiency agreement of the Confederation of Finnish Industries and the State of Finland. In 2014, energy savings amounted to 2.6 GWh, or 1.3% compared to 2013 levels, and 40.0 GWh, or 16.9% compared to 2005 levels. Energy reviews were commenced at the Koskenkorva and Rajamäki plants in 2014.

** The accident rate refers to the ratio of accidents to the working hours. The ratio is calculated with respect to million working hours. Only the personnel in logistics has been reported for Sweden for 2013.*

The new biofuel power plant at the Koskenkorva plant was inaugurated in November 2014. Following the commissioning of the plant, the already low carbon dioxide emissions of the Koskenkorva plant will halve.

The plants' waste is used for material or energy. The average rate of waste utilization was 98.5%. In 2014, we invested in improving waste utilization at the Rajamäki plant.

Protecting groundwater and soil is important to Altia, as clean groundwater is a central raw material for producing alcoholic beverages. Altia protects the quality of water in its water abstraction facilities in Finland mainly through precise monitoring of groundwater quality and surface levels, ownership of the land in groundwater areas of the pumping stations, and also with building constraints, environmental protection areas as well as supervising land use.

The company publishes annually a separate responsibility report, which contains more detailed information on the current status and development of Altia's health, safety and environment matters.

## SIGNIFICANT RISKS AND UNCERTAINTIES AND RISK MANAGEMENT

There have been no significant changes in near future risks of Altia Group's operations compared to the risks disclosed in the financial statements of 2013.

Risk management consists of actions that aim to identify, assess and manage significant external and internal uncertainties which could threaten the implementation of the strategy as well as achievement of objectives.

The most significant uncertainties in Altia Group's operations relate to the overall economic development and its impacts on consumption, as well as the impact of alcohol taxation and changes in legal regulation on consumer behavior e.g. the growing importance of the Estonian border trade in the purchase of alcoholic beverages. Surprising and unanticipated production and delivery problems constitute the significant short-term operational risks, as well as rapid and significant changes in raw material prices, especially in respect of barley. Financial risks comprise currency risk, interest rate risk, liquidity risk and credit risk. These risks are hedged in accordance with the principles defined in the Group Risk Management Policy. A more detailed presentation of the Group's risks and risk management principles is included in the notes to the consolidated financial statements in section Financial Risk Management.

## GROUP STRUCTURE

No material changes took place in the Group structure during the year 2014.

## SHARES

Altia Plc's shares comprise A and L share series. At the end of the financial year 2014, there were 35,960,000 A shares and 25,003 L shares. All shares entitle to equal voting and financial rights. All L shares are held by the company.

Altia Plc is fully owned by the State of Finland.

## FINANCIAL PERFORMANCE OF PARENT COMPANY

The net sales of the parent company totalled EUR 200.6 (206.7) million. The operating loss was EUR -25.4 (-1.1) million. The result for the period included an impairment loss amounting to EUR 32.2 million, recognised on the shares in the Norwegian and Latvian subsidiaries.

The parent company's net financial expenses totalled EUR -28.4 (3.6) million. Financial income included dividends from subsidiaries of EUR 31.0 million. The profit (loss) for the financial year amounted to EUR 1.8 (-3.0) million.

## BOARD OF DIRECTORS, AUDITOR AND ANNUAL GENERAL MEETING

The Annual General Meeting was held on 15 April 2014. The Annual General Meeting appointed the following persons to the Board of Directors:

Mr Matti Tikkakoski, Chairman, B.Sc. (Econ.)
Ms Catarina Fagerholm, Vice Chairman, CEO
Mr Mikael Aro, member, CEO
Ms Minna Huhtaniska, member, General Counsel
Ms Annikka Hurme, member, CEO
Mr Jarmo Kilpelä, member, Senior Financial Counsellor
Ms Sanna Suvanto-Harsaae, member, B.Sc. (Econ.)

The Annual General Meeting approved the company's and the Group's financial statements for the period 1 January – 31 December 2013. The members of the Board of Directors, CEO and the substitute for the CEO were discharged from the liability for the period 1 January – 31 December 2013.

KPMG Oy Ab, a firm of authorised public accountants was appointed the auditor of Altia Plc, with Jari Härmälä, APA, acting as principal auditor.

The Annual General Meeting decided that no dividends be distributed for the financial year 2013, in accordance with the Board of Directors' proposal.

In the constitutive meeting held after the Annual General Meeting, the Board of Directors appointed Mr Matti Tikkakoski Chairman of the Remuneration Committee and Ms Annikka Hurme and Mr Jarmo Kilpelä as other members of the Remuneration Committee. Ms Catarina Fagerholm was appointed Chairman of the Audit Committee and Mr Matti Tikkakoski and Ms Minna Huhtaniska as other members of the Audit Committee. The Board also evaluated the independence of its members. All the Board members are deemed independent of the company. Board member Jarmo Kilpelä is employed by the Finnish Government Ownership Steering Department in the Prime Minister's Office. The other members of the Board are independent from the company's shareholder.

## BOARD OF DIRECTORS' PROPOSAL ON DIVIDEND DISTRIBUTION

According to the financial statements of 31 December 2014, the parent company's distributable funds amount to EUR 92,621,134, including profit for the period of EUR 1,763,558.

The Board of Directors proposes to the Annual General Meeting that no dividends are distributed for the financial year 2014.

## EVENTS AFTER THE REPORTING PERIOD

The company is not aware of any significant events after the reporting period, which would have affected the preparation of the financial statements.

## MARKET OUTLOOK

The development of the Group's business operations and profitability are affected, among others, by the market situation and competitive environment, the economic development, passenger import and the changes in the alcohol taxation. The uncertainty in the eurozone and changes in customers' buying behaviour continue further. There is still significant uncertainty related to the development in consumer demand. Sales in the sector are seasonal, with net sales and operating profit generally being significantly higher in the fourth quarter of the year compared to other quarters. The volatility of raw material prices and currencies are anticipated to continue.

## OUTLOOK FOR THE YEAR 2015

The net sales in 2015 are expected to further decline due to choices in the strategy. Operating profit excluding non-recurring items and relative profitability are expected to improve from the year 2014.

**Helsinki, 11 February 2015**

**Altia Plc**
**Board of Directors**

# _Consolidated financial statements

***Consolidated financial statements***

# (IFRS)

**2014**

# Consolidated statement of comprehensive income (IFRS)

| EUR million | NOTE | 1 Jan - 31 Dec 2014 | 1 Jan - 31 Dec 2013 |
|---|---|---|---|
| NET SALES | | **426.3** | 475.8 |
| Other operating income | 2. | **8.0** | 12.1 |
| Change in inventories of finished goods and work in progress | | **-7.0** | 5.2 |
| Materials and services | | **-247.7** | -297.5 |
| Employee benefit expenses | 3. | **-65.2** | -68.2 |
| Depreciation, amortisation and impairment | 4. | **-49.0** | -36.6 |
| Other operating expenses | 5. | **-84.1** | -90.1 |
| | | **-445.9** | -492.4 |
| OPERATING PROFIT (LOSS) | | **-18.6** | 0.7 |
| Non-recurring items | 7. | **36.4** | 16.7 |
| OPERATING PROFIT EXCLUDING NON-RECURRING ITEMS | | **17.9** | 17.4 |
| Financial income | 8. | **4.2** | 10.6 |
| Financial expenses | 9. | **-9.3** | -16.5 |
| Share of profit in associated companies and joint ventures | | **3.2** | 1.3 |
| LOSS BEFORE TAXES | | **-20.4** | -3.8 |
| Income taxes | 10. | **2.3** | 0.8 |
| LOSS FOR THE PERIOD | | **-18.1** | -3.1 |
| OTHER COMPREHENSIVE INCOME: | | | |
| **Items that will never be reclassified to profit or loss** | | | |
| Remeasurements of defined benefit liability plans | | **-1.4** | -3.8 |
| Related tax | | **0.3** | 0.1 |
| Total | | **-1.2** | -3.7 |
| **Items that may be reclassified to profit or loss** | | | |
| Cash flow hedges | | **2.1** | 1.7 |
| Share of other comprehensive income in associated companies and joint ventures | | **0.0** | -0.1 |
| Foreign currency translation differences | | **-7.4** | -14.9 |
| Other changes | | **0.1** | -0.2 |
| Related tax | 10. | **-0.4** | -0.6 |
| Total | | **-5.6** | -14.1 |
| Other comprehensive income for the period, net of tax | | **-6.8** | -17.8 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | **-24.9** | -20.8 |
| **Loss for the period attributable to** | | | |
| Shareholders of the parent company | | **-18.1** | -3.1 |
| | | **-18.1** | -3.1 |
| **Total comprehensive income attributable to** | | | |
| Shareholders of the parent company | | **-24.9** | -20.8 |
| | | **-24.9** | -20.8 |
| Earnings per share based on loss attributable to the shareholders of the parent company (in euros) (basic/diluted): | | **-0.50** | -0.09 |

# *Consolidated statement of financial position (IFRS)*

| EUR million | NOTE | 31 Dec 2014 | 31 Dec 2013 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Goodwill | 12. | **83.3** | 107.4 |
| Other intangible assets | 12. | **44.7** | 61.6 |
| Property, plant and equipment | 13. | **73.8** | 70.3 |
| Investment property | 14. | **0.0** | - |
| Investments in associated companies and joint ventures | 15. | **12.1** | 9.5 |
| Available-for-sale financial assets | 16. | **0.8** | 0.8 |
| Other receivables | 17. | **0.6** | 0.8 |
| Deferred tax assets | 18. | **13.9** | 7.2 |
| **Total non-current assets** | | **229.2** | 257.7 |
| **Current assets** | | | |
| Inventories | 19. | **103.7** | 110.3 |
| Trade receivables and other receivables | 20. | **74.9** | 130.7 |
| Current tax assets | | **2.5** | 2.9 |
| Available-for-sale financial assets | 21. | **0.1** | 0.0 |
| Cash and cash equivalents | 22. | **91.1** | 76.1 |
| **Total current assets** | | **272.3** | 320.0 |
| **TOTAL ASSETS** | | **501.5** | 577.7 |
| **EQUITY AND LIABILITIES** | | | |
| Share capital | | **60.5** | 60.5 |
| Share premium fund | | **0.0** | 0.0 |
| Hedging reserve | | **-1.5** | -3.2 |
| Translation differences | | **-10.1** | -1.2 |
| Retained earnings | | **95.0** | 112.7 |
| Equity attributable to shareholders of the parent company | 23. | **143.9** | 168.8 |
| **Total equity** | | **143.9** | 168.8 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 18. | **23.3** | 21.3 |
| Interest-bearing financial liabilities | 24. | **66.3** | 134.6 |
| Pension obligations | 25. | **27.3** | 26.3 |
| Other liabilities | 26. | **4.9** | - |
| **Total non-current liabilities** | | **121.8** | 182.2 |
| **Current liabilities** | | | |
| Interest-bearing financial liabilities | 24. | **74.0** | 52.0 |
| Trade payables and other payables | 26. | **160.1** | 173.6 |
| Current tax liabilities | | **1.6** | 1.2 |
| **Total current liabilities** | | **235.7** | 226.7 |
| **Total liabilities** | | **357.6** | 408.9 |
| **TOTAL EQUITY AND LIABILITIES** | | **501.5** | 577.7 |

# *Consolidated statement of cash flows (IFRS)*

| EUR million | 1 Jan - 31 Dec 2014 | 1 Jan - 31 Dec 2013 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Proceeds from sales | **478.5** | 536.2 |
| Proceeds from other operating income | **7.4** | 9.3 |
| Payments for other operating expenses | **-403.9** | -449.2 |
| CASH FLOWS FROM OPERATING ACTIVITIES BEFORE FINANCIAL ITEMS AND TAXES | **82.0** | 96.3 |
| Interests paid and payments for other financial expenses | **-10.0** | -16.4 |
| Interests received from operating activities | **4.1** | 8.4 |
| Income taxes paid | **-1.2** | -3.7 |
| **NET CASH FLOW FROM OPERATING ACTIVITIES (A) *** | **74.8** | 84.5 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Acquisition of property, plant and equipment and intangible assets | **-14.7** | -27.0 |
| Proceeds from sale of property, plant and equipment and intangible assets | **0.6** | 2.8 |
| Adjustment for acquisition of subsidiaries | **-2.0** | - |
| Repayment of loan receivables | **5.1** | - |
| Acquisition of subsidiaries, net of cash acquired | **-** | -36.3 |
| Dividends received | **0.7** | 0.7 |
| **NET CASH FLOW USED IN INVESTING ACTIVITIES (B)** | **-10.2** | -59.9 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from commercial paper program | **-** | 23.5 |
| Repayment of commercial paper program | **-31.0** | - |
| Proceeds from current borrowings | **-** | 7.5 |
| Repayment of current borrowings | **-7.5** | -19.3 |
| Proceeds from non-current borrowings | **-** | 133.0 |
| Repayment of non-current borrowings | **-7.9** | -129.7 |
| Acquisition of non-controlling interests | **-** | -0.0 |
| Dividends paid and other distribution of profits | **-** | -7.2 |
| **NET CASH FLOW FROM FINANCING ACTIVITIES (C)** | **-46.4** | 7.8 |
| **INCREASE+ / DECREASE- (A+B+C) IN CASH AND CASH EQUIVALENTS** | **18.2** | 32.5 |
| **CASH AND CASH EQUIVALENTS AT 1 JAN** | **74.5** | 40.2 |
| Effect of exchange rate fluctuations on cash held | **-3.3** | 3.5 |
| **CASH AND CASH EQUIVALENTS AT 31 DEC** | **91.1** | 76.1 |
| **CASH AND CASH EQUIVALENTS** | | |
| Cash at hand and in bank | **90.6** | 74.5 |
| Cash equivalents | **0.5** | 1.6 |
| **Total cash and cash equivalents** | **91.1** | 76.1 |
| Available-for-sale financial assets at 31 Dec | **0.1** | 0.0 |

* Includes change in cash flow impact of sold trade receivables EUR 57.7 million.
(Sold trade receivables EUR 101.7 million at 31 December 2014, EUR 44.0 million at 31 December 2013).

# *Consolidated statement of changes in equity (IFRS)*

| Equity attributable to shareholders of the parent company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **EUR million** | Share capital | Share pemium | Hedging reserve | Trans-lation diffe-rences | Trea-sury shares | Retained earnings | Total | **Non-controlling interest** | Total equity |
| Equity at 1 January 2013 | 60.5 | 0.0 | -4.3 | 13.4 | -0.1 | 139.7 | 209.2 | 0.0 | 209.2 |
| Change in accounting policy (IAS 19) | - | - | - | - | - | -12.4 | -12.4 | - | -12.4 |
| Equity at 1 January 2013, restated | 60.5 | 0.0 | -4.3 | 13.4 | -0.1 | 127.3 | 196.9 | 0.0 | 196.9 |
| Total comprehensive income | | | | | | | | | |
| Result for the period | - | - | - | - | - | -3.1 | -3.1 | 0.0 | -3.1 |
| Other comprehensive income (net of tax) | | | | | | | | | |
| Cash flow hedges | - | - | 1.1 | - | - | - | 1.1 | - | 1.1 |
| Foreign currency translation differences | - | - | - | -14.6 | - | -0.3 | -14.9 | - | -14.9 |
| Remeasurements of defined benefit liability plans | - | - | - | - | - | -3.7 | -3.7 | - | -3.7 |
| Other changes | - | - | - | - | - | -0.3 | -0.3 | - | -0.3 |
| Total comprehensive income for the period | - | - | 1.1 | -14.6 | - | -7.4 | -20.8 | 0.0 | -20.8 |
| Transactions with owners | | | | | | | | | |
| Dividend distribution | - | - | - | - | - | -7.2 | -7.2 | - | -7.2 |
| Acquisitions of non-controlling interests | - | - | - | - | - | -0.0 | -0.0 | -0.0 | -0.0 |
| Equity at 31 December 2013 | 60.5 | 0.0 | -3.2 | -1.2 | -0.1 | 112.8 | 168.8 | - | 168.8 |
| | | | | | | | | | |
| Equity at 1 January 2014 | **60.5** | **0.0** | **-3.2** | **-1.2** | **-0.1** | **112.8** | **168.8** | **-** | **168.8** |
| Total comprehensive income | | | | | | | | | |
| Result for the period | **-** | **-** | **-** | **-** | **-** | **-18.1** | **-18.1** | **-** | **-18.1** |
| Other comprehensive income (net of tax) | | | | | | | | | |
| Cash flow hedges | **-** | **-** | **1.7** | **-** | **-** | **-** | **1.7** | **-** | **1.7** |
| Foreign currency translation differences | **-** | **-** | **-** | **-8.9** | **-** | **1.5** | **-7.4** | **-** | **-7.4** |
| Remeasurements of defined benefit liability plans | **-** | **-** | **-** | **-** | **-** | **-1.2** | **-1.2** | **-** | **-1.2** |
| Other changes | **-** | **-** | **-** | **-** | **-** | **0.1** | **0.1** | **-** | **0.1** |
| Total comprehensive income for the period | **-** | **-** | **1.7** | **-8.9** | **-** | **-17.7** | **-24.9** | **-** | **-24.9** |
| **Equity at 31 December 2014** | **60.5** | **0.0** | **-1.5** | **-10.1** | **-0.1** | **95.1** | **143.9** | **-** | **143.9** |

# _Notes to the consolidated financial statements

## CORPORATE INFORMATION

Altia Plc is an international alcoholic beverage service company that operates in the Nordic countries, Estonia and Latvia producing, marketing, selling and distributing both own and partner brands. The company distils barley spirit from Finnish barley for the basis of its beverages. The production plants are located in Finland, Estonia and Denmark and aging and production of cognac in France. Altia has strong local products as well as international brands. In addition, the company represents international quality brands from all over the world.

Altia's customers include alcohol retail monopolies, alcoholic beverage wholesale outlets, restaurants, grocery stores, travel trade and importers in the export markets. The company is owned by the State of Finland.

Altia Plc is the parent company of Altia Group, domiciled in Helsinki, Finland. The registered address of the parent company is Porkkalankatu 22, FI-00180 Helsinki, Finland. Copies of the consolidated financial statements are available online at www.altiacorporation.com or at the Group administration at Porkkalankatu 22, FI-00180 Helsinki, Finland.

In its meeting on 11 February 2015 Altia Plc's Board of Directors has approved these financial statements for publication. According to the Finnish Limited Liability Companies Act, shareholders have the right to approve or reject the financial statements in the Annual General Meeting held after the publication of the financial statements. The Annual General Meeting also has the right to make a decision to amend the financial statements.

## ACCOUNTING POLICIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

### BASIS OF PREPARATION

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) complying with the IAS and IFRS standards as well as the SIC and IFRIC interpretations in force at 31 December 2014. In the Finnish Accounting Act and ordinances based on the provisions of the Act, IFRS refers to the standards and to their interpretations adopted in accordance with the procedures laid down in regulation (EC) No 1606/2002 of the European Parliament and of the Council. Notes to the consolidated financial statements also comply with the requirements of the Finnish Accounting Act and Limited Liability Companies Act, which supplement the IFRS regulations.

The consolidated financial statements are prepared on a historical cost basis, unless otherwise stated in the accounting policies.

Of the IFRS standards and interpretations effective as of 1 January 2014, the following are applied in the Group's reporting:

- IFRS 10 Consolidated Financial Statements and subsequent amendments (in the EU effective for annual periods beginning on or after 1 January 2014): IFRS 10 builds on existing principles by identifying the concept of control as the determining factor when deciding whether an entity should be incorporated within the consolidated financial statements. The standard also provides additional guidance to assist in the determination of control where this is difficult to assess. The standard had no significant impact on Altia's consolidated financial statements.
- IFRS 11 Joint Arrangements and subsequent amendments (in the EU effective for annual periods beginning on or after 1 January 2014): In the accounting of joint arrangements IFRS 11 focuses on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. In future jointly controlled entities are to be accounted for using only one method, equity method, and the other alternative, proportional consolidation is no longer allowed. The standard had no significant impact on Altia's consolidated financial statements.
- IFRS 12 Disclosures of Interests in Other Entities and subsequent amendments (in the EU effective for annual periods beginning on or after 1 January 2014): IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including associates, joint arrangements, structured entities and other off-balance sheet vehicles. The new standard did not significantly expand the notes the Group provides for its interests in other entities.
- IAS 27 Separate Financial Statements (revised 2011) and subsequent amendments (in the EU effective for annual periods beginning on or after 1 January 2014): The revised standard includes the requirements on separate IFRS financial statements that were left after

the control provisions were included in the new IFRS 10. The revised standard had no impact on Altia's consolidated financial statements.

- IAS 28 Investments in Associates and Joint Ventures (revised 2011) (in the EU effective for annual periods beginning on or after 1 January 2014): Following the issue of IFRS 11 the revised IAS 28 includes the requirements for associates, as well as joint ventures to be equity accounted. The revised standard had no impact on Altia's consolidated financial statements.
- Amendments to IAS 32 Financial Instruments: Presentation (effective for annual periods beginning on or after 1 January 2014): The amendments provide clarifications on the application of presentation requirements for offsetting financial assets and financial liabilities on the statement of financial position and give more related application guidance. The amended standard had no significant impact on Altia's consolidated financial statements.
- Amendments to IAS 36 Impairment of Assets (effective for annual periods beginning on or after 1 January 2014): The objective of the amendments is to clarify that the scope of the disclosures of information about the recoverable amount of assets, where that amount is based on fair value less costs of disposal, is limited to impaired assets. The amended standard had no impact on Altia's consolidated financial statements.
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after 1 January 2014): The amendments made to IAS 39 provide an exception to the requirement to discontinue hedge accounting in certain circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. The amendments had no impact on Altia's consolidated financial statements.
- IFRIC 21 Levies (in the EU to be applied at the latest, as from the commencement date of its first annual period starting on or after 17 June 2014): The interpretation clarifies the accounting treatment of levies. A liability for a levy is recognised when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation is applicable to all levies other than income taxes, fines, penalties and outflows that are in scope of other standards. The interpretation had no significant impact on Altia's consolidated financial statements.

## PRINCIPLES OF CONSOLIDATION

### SUBSIDIARIES

The consolidated financial statements include the parent company, Altia Plc, and those subsidiaries, in which the parent company exercises control. The Group controls an entity when it 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.

All business combinations are accounted for by using the acquisition method. The consideration transferred and the identifiable assets acquired and liabilities assumed in the acquired company are measured at fair value at the acquisition date. All acquisition-related costs, with the exception of costs to issue debt or equity securities, are expensed. The consideration transferred does not include any transactions accounted for separately from the acquisition. Any contingent consideration is recognised at fair value at the acquisition date and it is classified as either liability or equity. Contingent consideration classified as a liability is measured at fair value at each reporting date and any resulting gain or loss is recognised in profit or loss. Any share of non-controlling interests in an acquiree is measured at either fair value or based on a proportional share of the identifiable net assets in the acquiree. The basis of measurement is determined separately for each acquisition.

The financial statements of acquired subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group transactions, receivables, liabilities and unrealised gains, as well as the distribution of profits within the Group are eliminated in preparing the consolidated financial statements. Unrealised losses are not eliminated if the loss in question results from impairment. The allocation of profit or loss and comprehensive income for the period attributable to the shareholders of the parent company and to non-controlling interests is disclosed in the statement of comprehensive income. Total comprehensive income is attributed to the owners of the parent company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Non-controlling interests are presented as a separate item within equity. Changes in the ownership interest in a subsidiary are accounted for as equity transactions if the parent company retains control over the subsidiary. In a business combination achieved in stages, the previously held equity interest is measured at fair value and any resulting gain or loss is recognised in profit or loss. If the Group loses control over a subsidiary, any investment retained is measured at fair value at the date of losing control and the resulting gain or loss is recognised in profit or loss. The acquisitions that occurred before 1 January 2010 are accounted for according to the standards effective at that time.

### ASSOCIATED COMPANIES AND JOINT ARRANGEMENTS

Associated companies are all entities over which the Group has significant influence, generally accompanying a shareholding of over 20% of the voting rights, or in which the Group otherwise has significant influence but not control. Altia has an investment in an associated company Palpa Lasi Ltd, in which Altia owns 25,5%.

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint arrangement is either a joint operation or a joint venture. Altia has an interest in Roal Ltd, in which the Group owns 50% and has rights to the net assets of the company based on the contractual relationship. The interest in Roal Ltd is accounted for as a joint venture.

Associated companies and joint ventures are consolidated by using the equity method. Under the equity method, the investment is initially recognised at cost and subsequently adjusted with the change in the net assets of the investee after the acquisition date, consistent with the ownership interest of the investor. The investor recognises its share of the profit or loss in the investee in profit or loss.

Unrealised gains generated in transactions between the Group and its associated companies or joint ventures are eliminated based on the Group's share of ownership. An investment in an associated company and a joint venture includes goodwill arisen on acquisition. The Group's share in the associated company's or joint venture's profit and loss for the period is separately disclosed after operating profit or loss. The Group's share in changes in the associated company's or joint venture's other comprehensive income is recognised in consolidated other comprehensive income. If the Group's share in the associated company's or joint venture's loss exceeds the carrying amount of the investment, the investment is recognised at zero value in the consolidated statement of financial position and the loss exceeding the carrying amount is not consolidated, unless the Group has committed to fulfil the company's obligations.

## SEGMENT REPORTING

In Altia Group, the operating segments were previously reported in accordance with IFRS 8 Operating Segments, despite the fact that the standard does not require unlisted companies to disclose segment information.

The separately reportable operating segments were Altia Brands, Partner Brands and Industrial Services.

Due to the new strategy, the organization and the business areas and business units have changed. At this stage of the strategy implementation and restructuring process Altia does not report information on operating segments for 2014.

## FOREIGN CURRENCY ITEMS

The consolidated financial statements are presented in euro, which is the functional and presentation currency of the parent company. Transactions in foreign currencies are translated to euro at average foreign exchange rates published by the European Central Bank on banking days. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to euro at the average exchange rates prevailing at that date. Foreign currency differences arising on translation are recognised in profit or loss. Foreign exchange gains and losses related to purchases and sales are recognised in the respective items and included in operating profit. Foreign currency gains and losses arising from loans denominated in foreign currencies are recognised in financial income and expenses.

Income and expenses for the statements of comprehensive income of foreign subsidiaries are translated using the average rates of the European Central Bank's exchange rates at the end of the month. The statements of financial position of foreign subsidiaries are translated using the average exchange rates ruling at the reporting date. Foreign currency differences arising on the translation of profit or loss for the period with different exchange rates in the statement of comprehensive income and in the statement of financial position are recognised in other comprehensive income and included in translation differences in equity. Changes in translation differences are recognised in other comprehensive income.

In the consolidated financial statements, exchange rate differences arising from the translation of foreign currency denominated loans to foreign subsidiaries, which form a part of net investments in foreign companies, are recognised in other comprehensive income and included in translation differences within equity.

Translation differences arising from elimination of the cost of foreign subsidiaries and from translation of the foreign subsidiaries' post-acquisition profits and losses are recognised in other comprehensive income and presented as a separate item within equity. Goodwill and the fair value adjustments to the carrying amounts of assets and liabilities of foreign units arising on acquisition are accounted for as assets and liabilities of the respective foreign units, which are translated to euro at the exchange rates prevailing at the reporting date. If these foreign units are entirely or partly disposed of, related exchange rate differences are recognised in profit or loss as part of the gain or loss on disposal.

## GOODWILL

Goodwill arising on the acquisition of a subsidiary is recognised as the excess of the aggregate of the consideration transferred, the amount of non-controlling interests and any previously held equity interest in the acquiree, over the Group's share of the fair value of the net assets acquired. The goodwill arisen on the acquisitions occurred before 2010 is determined in accordance with the IFRSs effective at that time. Goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but is tested annually for impairment. For the purpose of impairment testing, goodwill is allocated to the groups of cash-generating units that are expected to benefit from the business combinations in which the goodwill was generated. Goodwill related to associated companies and joint ventures is included in the carrying amounts of the respective investments.

## OTHER INTANGIBLE ASSETS

Intangible assets are carried at historical cost less accumulated amortisation and impairment losses. Intangible assets with finite useful lives are amortised on a straight-line basis over the estimated useful life of the asset in question.

The estimated useful lives of intangible assets are as follows:

| | |
|---|---|
| Customer relationships | 12 years |
| Supplier relationships | 10 years |
| IT software | 3 years |
| Other intangible assets | 5 - 15 years |

Recognition of amortisation on an intangible asset is discontinued when the asset is no longer in use or classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Expenditure on research activities is recognised in profit or loss in the period in which it is incurred. The Group has no projects related to the development activities of new products or processes qualifying for the identifiability and other criteria regarding capitalisation included in IAS 38 Intangible Assets.

Accounting for emission allowances is described below in section Government grants and assistance.

## PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at historical cost less accumulated depreciation and impairment losses. If parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items. The subsequent costs related to the items of property, plant and equipment are capitalised only if the future economic benefits exceed the originally assessed standard of performance. All other expenditure is recognised as an expense as incurred. The borrowing costs directly attributable to the acquisition or construction of a qualifying asset are capitalised as a part of the cost of that asset when it is probable that they will generate future economic benefits and the costs can be measured reliably. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Investment properties are properties held by the Group in order to earn rental income or for capital appreciation. Investment properties are measured at cost less accumulated depreciation and impairment losses. Fair values of investment properties are determined based on a valuation carried out by an external property valuer.

Depreciation is recognised on a straight-line basis over the estimated useful lives of items of property, plant and equipment.

The estimated useful lives of property, plant and equipment are as follows:

| | |
|---|---|
| Buildings and structures | 20–40 years |
| Machinery and equipment | 10 years |
| Vehicles | 5 years |
| IT hardware | 3 years |

The estimated useful lives and residual values are reviewed at each financial year-end, and if they differ substantially from the previous estimates, the depreciation periods are adjusted accordingly. Depreciation of an item of property, plant and equipment is discontinued if the item is classified as being held for sale in accordance with IFRS 5.

Gains and losses on the disposal of property, plant and equipment are included in other operating income or expenses.

## INVENTORIES

Inventories are measured at the lower of cost and net realisable value. Self-manufactured products are measured at standard prices. Fixed production costs are allocated to the cost of own production. Raw materials and supplies are measured at weighted average cost. Semi-finished products are measured at weighted average cost in Finland and at standard prices in other countries, with the exception of cognac. The semi-finished cognac products are measured at weighted average cost, excluding ready-to-be-bottled liquids, which are measured at standard prices.

The cost of finished products and work in progress includes raw materials, direct labour costs, other direct costs as well as an allocable proportion of variable procurement and production costs and fixed overheads in case of finished products, determined based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

## FINANCIAL ASSETS

The Group's financial assets are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. Classification is made upon initial recognition based on the purpose of use of the asset. The basis of classification is reassessed at each reporting date.

All purchases and sales of financial instruments are recognised on the trade date, which is the date when the Group commits to purchase or sell a financial instrument. Financial assets are recognised in the statement of financial position at original cost which equals their fair value at the acquisition date. If the asset in question is not measured at fair value through profit or loss, transaction costs are included in the original cost of the financial asset.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or the Group transfers substantially all the risks and rewards related to the financial asset outside the Group.

Financial assets are included in non-current items of the statement of financial position when their maturity is over 12 months, excluding derivative instruments, which are always recognised in the current items of the statement of financial position.

### FINANCIAL ASSETS RECOGNISED AT FAIR VALUE THROUGH PROFIT OR LOSS

This category includes financial assets held for trading purposes or otherwise designated as financial assets recognised at fair value through profit or loss by Altia Group. Derivative instruments held for hedging purposes, but not qualifying for the criteria of hedge accounting, are classified in this category. Items in this category are initially recognised at fair value and subsequently measured at the fair value of each reporting date, which is the market bid price at the end of the reporting period determined based on public price quotations in active markets. Realised and unrealised gains and losses arising from changes in fair values are recognised in profit or loss in financial items in the period in which they are incurred if they relate to hedging of financial items. If derivative instruments relate to hedging of commercial items (foreign currency denominated purchases and sales), the realised and unrealised gains and losses are recognised in profit or loss and included in operating profit at the latest when the exchange rate differences of the hedged item are recognised in profit or loss.

### LOANS AND RECEIVABLES

Loans and receivables arise when money, goods or services are delivered to a debtor, and they are included in current or non-current financial assets in accordance with their maturity. In Altia, non-current receivables include loan receivables and other receivables with the maturity of over one year. Current receivables include trade receivables as well as cash and cash equivalents presented under current financial assets. Receivables are measured at amortised cost when the related payments are fixed or determinable and the instruments are not quoted in financial markets. The exchange rate differences of intra-group foreign currency denominated receivables are presented within financial items in the foreign exchange differences of the Loans and receivables category.

Sold trade receivables are derecognised from the statement of financial position as soon as the receivable is sold and the price of the receivable has been received. The costs related to the sold receivables are recognized in the Other financial expenses.

Trade receivables are recognised at original invoiced amount less any impairment losses. The assessment of doubtful receivables and need to recognise an impairment loss is based on objective evidence of potential non-recovery of a single asset. Examples of this kind of evidence resulting in impairment include significant financial difficulties of the debtor, likelihood that the debtor will enter bankruptcy or other financial reorganisation as well as the notable and continuous neglect of payment due dates. An impairment loss is recognised immediately in profit or loss.

### AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are non-derivative financial assets which are either designated in this category or not classified in any other category of financial assets. These are included in non-current assets, unless they are intended to be held less than 12 months from the end of the reporting period, in which case they are included in current assets. The Group's non-current financial assets comprise unquoted shares and other investments.

Financial assets in this category are principally measured at fair value determined by using quoted market prices and rates at the end of the reporting period. Unquoted shares, for which fair values cannot be reliably measured, are measured at the lower of original cost and probable value. Unrealised gains and losses arising from the fair value changes of available-for-sale financial assets measured at fair value are recognised in other comprehensive income and presented within equity in the fair value reserve, net of tax. The accumulated changes in the fair values are transferred from equity to profit or loss when the investment is disposed of or an impairment loss is recognised on the asset. The Group estimates at each reporting date, whether there is objective evidence of impairment of an available-for-sale financial asset. Impairment losses, for which there is objective evidence, are immediately recognised in profit or loss. For example, a significant or long-term decrease in fair value below the original cost of an asset can be regarded as objective evidence of impairment.

## CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at hand, cash in bank as well as other highly liquid investments with maturities of three months or less on the acquisition date. Used Group overdrafts are included in current interest-bearing financial liabilities.

## FINANCIAL LIABILITIES

Financial liabilities are classified as financial liabilities at fair value through profit or loss and financial liabilities at amortised cost. Financial liabilities are initially measured at fair value and recognised net of transaction costs, with the exception of items measured at fair value through profit or loss. A financial liability is classified as current, unless the Group has an unconditional right to defer the settlement of the liability for at least 12 months after the end of the reporting period, with the exception of derivative instruments that are always recognised in current items in the statement of financial position. A financial liability (or a part of it) is not derecognised until the obligation specified in the contract is discharged or cancelled or expires.

### FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial liabilities at fair value through profit or loss include derivatives held for hedging purposes but not qualifying for hedge accounting. Financial liabilities in this category are measured at fair value at the reporting date, which is determined based on price quotations in active markets. Realised and unrealised gains or losses arising from the changes in fair values are recognised in profit or loss in the financial items as incurred.

### FINANCIAL LIABILITIES AT AMORTISED COST

This category includes the Group's external loans from financial institutions, commercial paper loans as well as trade payables. These financial liabilities are measured at amortised cost using the effective interest method. When loans are paid off or refinanced, the related unamortised costs are recognised in financial expenses.

The exchange rate differences arising from foreign currency denominated loans from financial institutions are disclosed under financial items. The exchange rate differences of intra-group foreign currency denominated loans are presented within financial items in the foreign exchange differences of the category Financial liabilities at amortised cost.

In addition, Altia has a revolving credit facility line and the related fee is amortised on a straight-line basis in other financial expenses during the term of the facility.

## DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING

Derivatives are included in financial assets and liabilities at fair value through profit or loss when they do not meet the criteria of hedge accounting in accordance with IAS 39. These derivatives are recognised at fair value on the trade date and they are subsequently measured at fair value at the reporting date.

### WHEN HEDGE ACCOUNTING IS NOT APPLIED

The accounting for gains and losses arising from fair value measurement is dependent on the purpose of use of the derivative. In Altia, the changes in the fair values of derivative instruments are immediately recognised in profit or loss in operating profit if the derivative in question is related to hedging of commercial cash flows (purchases and sales) and hedge accounting is not applied. The fair value changes of other derivative instruments are immediately recognised in profit or loss in financial items if hedge accounting is not applied. Derivatives, to which hedge accounting is not applied, are acquired to minimise the profit and/or cash flow effects related to business operations or financing.

### WHEN HEDGE ACCOUNTING IS APPLIED

In Altia, cash flow hedging is applied to part of the interest rate, foreign currency and electricity derivatives based on case-by-case assessment. In cash flow hedging, the Group is hedging against changes in cash flows related to a specific asset or liability recognised in the statement of financial position or to a highly probable future business transaction. Hedge accounting is a method of accounting with the purpose to allocate one or several hedging instruments so that their fair value changes offset in full or partly the changes in fair value or cash flow arising from the hedged risk in profit or loss during the period, for which the hedge is designated. In the beginning of the hedging arrangement, Altia documents the relationship between each hedging instrument and hedged item, as well as the objectives of risk management and the strategy in engaging in hedging. The effectiveness of hedging instruments is tested both prospectively and retrospectively. Effectiveness means the ability of a hedging instrument to offset the changes in the fair value of the hedged item or changes in the cash flows of the hedged transaction attributable to the hedged risk. The hedging relationship is regarded to be highly effective if the realised results of the hedging instrument offset the changes in the cash flows of the hedged item by 80-125 percent. Hedge accounting is discontinued when the criteria of hedge accounting are no longer met.

The gains and losses arising from fair value changes of derivative contracts, to which hedge accounting is applied, are presented in profit or loss at the same time with the hedged item. The effective portion of the unrealised changes in the fair value of derivatives designated and qualifying as cash flow hedges are recognised in other comprehensive income and presented in the hedging reserve in equity. The ineffective portion is immediately recognised in profit or loss. The cumulative gain or loss in equity on derivative instruments related to commercial items is recognised in profit or loss as an adjustment to purchases or sales simultaneously with the hedged item in the period in which the hedged item is recognised in profit or loss. When a hedging instrument designated as a cash flow hedge expires, is sold or no longer meets the criteria of hedge accounting, the gain or loss accumulated in equity is recognised in profit or loss.

Change in the premium on forward contracts and time value of options is always recognised in profit or loss. Thus hedge accounting is not applied to these items, even if hedge accounting is applied to the derivative instrument in question. Realised gain or loss on electricity derivatives is included in operating profit in electricity procurement expenses.

### FAIR VALUE MEASUREMENT

The fair values of interest rate derivatives are calculated by discounting the future contractual cash flows at the measurement date. The fair values of foreign exchange derivatives are determined by using the market prices at the end of the reporting period. The fair values of foreign exchange options are determined based on Garman-Kohlhagen valuation model using the volatilities of 1 to 12 months of the main currency pairs. The fair values obtained from the financial markets are used in measuring commodity derivative instruments.

Financial assets and financial liabilities measured at fair value are divided into three levels of fair value hierarchy for presentation purposes. The levels of fair value hierarchy reflect the significance of inputs used in determining the fair values. In level one, fair values are based on public quotations of identical financial instruments. In level two, the inputs used in determining the fair values are based on quoted market rates and prices verifiable for the asset or liability in question either directly (i.e. price) or indirectly, on discounted future cash flows, and, in respect of options, on valuation models. The fair values of assets and liabilities in level three are not based on observable market data regarding all significant variables as there is no reliable market source available. The reported fair value level is based on the lowest level of input information that is significant in determining the fair value.

## PROVISIONS

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated. The amount recognised as provision is the management's best estimate of the costs required to settle the existing obligation at the end of the reporting period. If part of the obligation may potentially be compensated by a third party, the compensation is recognised as a separate asset when it is virtually certain that the compensation will be received.

A provision for restructuring is recognised when a detailed restructuring plan has been prepared, and the implementation of the plan has either been commenced or the plan has been announced to those who are affected.

## GOVERNMENT GRANTS AND ASSISTANCE

Government grants, for example grants received from the State, are recognised in profit or loss in the same period in which the related expenses are recognised. Grants that compensate the Group for the acquisition of property, plant and equipment are deducted from the carrying amount of the asset in question. Depreciation on such an asset is determined based on the carrying amount adjusted with the grant received.

The Group participates in the European Union emission trading scheme, where it has been granted a certain number of carbon dioxide emission allowances for a certain period of time, free of charge. Altia Plc discloses its carbon dioxide emission allowances granted free of charge on net basis. Following from this, the Group does not recognise in the statement of financial position the granted emission allowances, nor the obligation to deliver allowances corresponding to the realised emissions. The Group does not recognise income or expenses arising from emission allowances when the emission allowances granted are sufficient to cover the obligation to deliver allowances corresponding to the amount of emissions made. If the realised emissions exceed the granted emission allowances, the obligation arising from the excess emissions is recognised at fair value as an expense and as a liability in the statement of financial position at the reporting date. If the realised emissions fall below the granted emission allowances, the difference is not recognised in the statement of financial position but it is disclosed in the notes to the financial statements, measured at fair value.

## IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

At each reporting date, the carrying amounts of the Group's assets are assessed to determine whether there is any objective evidence of impairment. If any such evidence of impairment emerges, the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. The impairment loss is immediately recognised in profit or loss. The estimated useful life of the asset in question is also reassessed when an impairment loss is recognised. Irrespective of whether there is any evidence of impairment, the recoverable amounts of the following items are estimated annually: goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use. The need for recognising an impairment loss is assessed at cash-generating unit level; that is, at the lowest unit level with separate, essentially independent cash flows. In Altia Group, the operating segments are defined as cash-generating units. Goodwill is allocated to those cash-generating units which are expected to benefit from the business combinations.

The recoverable amount is the higher of fair value less costs of disposal and value in use. The value in use is calculated based on estimated future net cash flows generated by the asset or cash-generating unit discounted to their present value. In Altia Group, the recoverable amount has been determined based on value in use.

The impairment loss is reversed if there has been a positive change in the estimates used to determine the recoverable amount of the asset or cash-generating unit. Impairment losses are only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised. An impairment loss on goodwill is never reversed.

## LEASES

Lease contracts of property, plant and equipment, in which Altia assumes substantially all the risks and rewards of ownership are classified as finance leases. An asset leased through a finance lease is recognised in property, plant and equipment based on its nature and measured at the lower of its fair value and present value of the minimum lease payments at the inception of the lease term. The respective finance lease liabilities, less finance charges, are included in other non-current interest-bearing financial liabilities. An asset acquired through a finance lease is depreciated over the shorter of the asset's useful life and the lease term.

Leases where the lessor retains the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognised as expenses in profit or loss on a straight-line basis over the lease term.

## EMPLOYEE BENEFITS

### PENSION PLANS

The Group companies in different countries operate various pension plans in accordance with the local conditions and practices. These pension plans are classified as either defined contribution plans or defined benefit plans.

Contributions to defined contribution pension plans are recognised in profit or loss in the periods during which the services are rendered by the employees. The Group has no legal or constructive obligation to make additional payments if the party receiving the payments is not able to perform the pension benefits in question. All other plans that do not meet these conditions are classified as defined benefit plans.

Defined benefit plans are financed with payments to pension insurance companies. The obligation in respect of defined benefit pension plans is calculated using the projected unit credit method separately for each plan. Pension expenses are recognised in periods during which services are rendered by employees participating the plan according to actuarial calculations prepared by qualified actuaries. The amount recognised as a defined benefit liability or asset comprises the net total of the following items: the present value of the defined benefit obligation and the fair value of the plan assets. The discount rate used to determine the present value of the defined benefit obligation is the yield on high quality corporate or government bonds with a similar maturity to that of the pension obligation.

Current service cost and the net interest on net defined benefit liability are recognised in profit or loss. The pension expense is disclosed under the employee benefit expenses and the net interest is disclosed under financial items. Remeasurements of net defined benefit liability are recognized in other comprehensive income during the period they occur.

Past service cost is expensed at the earlier of the following dates: when the plan amendment or curtailment occurs or when the entity recognises related restructuring costs or termination benefits.

## INCOME TAXES

The income tax expense in the consolidated profit or loss comprises current tax based on taxable income for the period, any adjustments to tax payable in respect of previous periods and deferred taxes. Current income tax based on taxable income is calculated according to the local tax regulations of each Group company.

Tax effects related to transactions or other events recognised in profit or loss are recognised in profit or loss. If the taxes relate to items of other comprehensive income or transactions or other events recognised directly in equity, income taxes are recognised within the respective items. The share of profit or loss in associated companies and joint ventures is reported in profit or loss as calculated from the net profit and thus including the income tax effect.

Deferred tax assets and liabilities are principally recognised for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The most significant temporary differences arise from property, plant and equipment and intangible assets, carry forward of unused tax losses and provisions. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax liabilities are recognised in full. Deferred taxes are calculated using tax rates enacted or substantively enacted at the end of the reporting period.

## REVENUE RECOGNITION

Revenue is recognised after the significant risks and rewards of ownership of the sold products have been transferred to the buyer, and the Group retains neither a managerial involvement to the degree usually associated with ownership nor effective control of those goods. Usually this means that revenue is recognised upon delivery of goods in accordance with agreed terms of delivery.

## OPERATING PROFIT

The Group has defined operating profit as follows: operating profit is the net amount consisting of net sales and other operating income less purchases of materials and services adjusted with changes in the inventory of finished goods and work in progress and the cost of production for own use, employee benefit expenses, depreciation, amortisation and impairment losses, and other operating expenses. Foreign currency gains and losses related to normal business operations are included in operating profit; otherwise they are included in financial income and expenses.

## NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets (or disposal groups) and assets and liabilities related to discontinued operations are classified as for sale if they are expected to be recovered primarily through sale rather than through continuing use. Classification as held for sale requires that the following criteria are met: the sale is highly probable, the asset is available for immediate sale in its present condition subject to usual and customary terms, the management is committed to the sale and the sale is expected to be completed within one year from the date of classification. Non-current assets held for sale and assets related to discontinued operations are principally measured at the lower of carrying amount and fair value less the costs to sell, and the recognition of depreciation and amortisation is discontinued.

A discontinued operation is a separate major line of business or geographic area of operations that has been disposed of or classified as for sale. Profit of discontinued operations is presented separately in profit or loss.

Non-current assets classified as held for sale, disposal groups, items related to non-current assets held for sale and recognised in other comprehensive income, as well as liabilities included in disposal groups are presented in the statement of financial position separately from other items. The Group had no such items at the end of the reporting or comparison period.

## ACCOUNTING POLICIES REQUIRING MANAGEMENT JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparation of the financial statements, the Group management makes estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, as well as the disclosures in notes. Estimates and underlying assumptions are based on historical experience and other factors assumed to reflect the most accurate view of the measurement of assets and liabilities. Consequently, the realised results can differ from these estimates.

Critical future assumptions and estimation uncertainties at the reporting date, which pose a significant risk of resulting in material changes in the carrying amounts of assets and liabilities within the next financial year, include the following:

### IMPAIRMENT TESTING

In the Group, goodwill, intangible assets with indefinite useful lives and intangible assets that are not yet available for use are tested annually for impairment and indication of impairment is assessed according to the accounting policies presented above. The recoverable amounts of cash-generating units are determined using calculations based on their value in use. The preparation of these calculations requires estimates regarding the future. Further information on the sensitivity of the recoverable amounts to changes in the underlying assumptions is disclosed in note 12 Intangible assets.

### EMPLOYEE BENEFITS

Measurement of defined benefit pension obligation and plan assets is based on the actuarial assumptions made by management. These include e.g. the discount rate used in calculating the present value of the obligation, future salary and pension level, expected return on plan assets and the turnover of personnel included in the plan. Changes in the actuarial assumptions, as well as differences between expected and realised values result in actuarial gains and losses. Further information is disclosed in note 25 Non-current employee benefit obligations.

### DEFERRED TAXES

Deferred tax assets are recognised for carry forward of unused tax losses and for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which they can be utilised. The recognised amounts of deferred tax assets are based on management's assessment of future taxable income. Changes in tax legislation can also affect the estimates made by the management. Further information is disclosed in note 18 Deferred tax assets and liabilities.

## NON-RECURRING ITEMS AFFECTING COMPARABILITY

Significant restructuring costs, significant impairment losses and their reversals, significant gains and losses related to sales and acquisitions of business operations and items of property, plant and equipment are presented as non-recurring items.

## ADOPTION OF NEW OR AMENDED IFRS STANDARDS AND INTERPRETATIONS APPLICABLE IN FUTURE REPORTING PERIODS

Altia has not yet adopted the following new and amended standards and interpretations already issued by the IASB. The Group will adopt them as of the effective date of each standard and interpretation or, if the date is other than the first day of the reporting period, from the beginning of the subsequent reporting period.

** not yet endorsed for use by the European Union as of 31 December 2014.*

- Amendments to IAS 19 Employee Benefits - Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014): The amendments clarify the accounting treatment under IAS 19 in respect of defined benefit plans that involve contributions from employees or third parties towards the cost of benefits. The amendments are not assessed to have material impact on Altia's consolidated financial statements.

- Annual Improvements to IFRSs (2011-2013 cycle and 2010-2012 cycle, December 2013) (effective for annual periods beginning on or after 1 July 2014): The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments cover in total four (2011-2013 cycle) and seven (2010-2012 cycle) standards. Their impacts vary standard by standard but they are not considered significant.
- Amendment to IAS 1 Presentation of Financial Statements: Disclosure Initiative* (effective for annual periods beginning on or after 1 January 2016). The amendments are designed to encourage companies to apply judgement in determining what information to disclose in the financial statements. For example, the amendments clarify the application of the materiality concept and judgement when determining where and in what order information is presented in the financial disclosures. The amendments are not assessed to have material impact on Altia's consolidated financial statements.
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation* (effective for annual periods beginning on or after 1 January 2016): The amendments clarify IAS 16 and IAS 38 that revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in limited circumstances to amortise intangible assets. The amendments are not assessed to have an impact on Altia's consolidated financial statements.
- Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture - Bearer Plants* (effective for annual periods beginning on or after 1 January 2016): These amendments require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment and included in the scope of IAS 16, instead of IAS 41. The amendments will not have an impact on Altia's consolidated financial statements.
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective for annual periods beginning on or after 1 January 2016): The amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments are not assessed to have material impact on Altia's consolidated financial statements.
- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures- Investment Entities: Applying the Consolidation Exception* (the amendments can be applied immediately; mandatory for annual periods beginning on or after 1 January 2016): The narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 clarify the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the standards. The amendments are not assessed to have an impact on Altia's consolidated financial statements.
- Amendments to IFRS 11 Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (effective for annual periods beginning on or after 1 January 2016): The amendments add new guidance to IFRS 11 on how to account for the acquisition of an interest in a joint operation that constitutes a business, i.e. business combination accounting is required to be applied. The amendments are not assessed to have material impact on Altia's consolidated financial statements.
- Amendments to IAS 27 Separate Financial Statements – Equity Method in Separate Financial Statements* (effective for annual periods beginning on or after 1 January 2016): The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments will not have an impact on Altia's consolidated financial statements.
- New IFRS 14 Regulatory Deferral Accounts* (effective for annual periods beginning on or after 1 January 2016): IFRS 14 is first specific IFRS guidance on accounting for the effects of rate regulation. It is an interim standard. IFRS 14 allows first-time adopters of IFRS, whose activities are subject to rate-regulation, to continue using previous GAAP ("grandfathering") while the IASB completes its comprehensive project in this area. IFRS 14

is an optional standard. The new standard will not have an impact on Altia's consolidated financial statements.

- Annual Improvements to IFRSs, 2012-2014 cycle* (effective for annual periods beginning on or after 1 January 2016): The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments cover in four standards. Their impacts vary standard by standard but are not significant.
- New IFRS 15 Revenue from Contracts with Customers* (effective for annual periods beginning on or after 1 January 2017): IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. Under IFRS 15 an entity shall recognise revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group is currently assessing the impact of IFRS 15.
- New IFRS 9 Financial Instruments* (effective for annual periods beginning on or after 1 January 2018): IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Group is currently assessing the impact of IFRS 9.

# 1. Acquired businesses

The Group had no acquisitions of businesses during the reporting period of 2014.

## ACQUISITIONS IN THE REPORTING PERIOD 2013

### *Larsen SAS*

The allocation of the acquisition cost of Larsen SAS acquired in 2013 was completed during the first quarter of 2014. According to the agreement signed by Altia in June 2013, the ownership of Larsen SAS and the cognac brand was transferred to Altia at the end of August 2013. After the transaction, Altia owns 100 % of Larsen SAS.

Purchase price was increaced by EUR 2.0 million and thus also the goodwill arising from the acquisition.

EUR 5.0 million of the cost of the acquisition was allocated to intangible assets (trademark). There was no contingent consideration related to the acquisition.

Net sales of four months, EUR 3.8 million of the acquired company were included in the 2013 comprehensive income. According to management estimate, if the acquisition had realised at 1 January 2013, the Group's net sales for the period would have amounted to EUR 482.0 million.

| EUR million | Fair values recognised upon acquisition |
|---|---|
| Intangible assets | **6.0** |
| Property, plant and equipment | **6.1** |
| Inventories | **23.8** |
| Trade and other receivables | **1.1** |
| Cash and cash equivalents | **2.9** |
| Total assets | 39.9 |
| Other liabilities | **-0.6** |
| Deferred tax liabilities | **-1.7** |
| Total liabilities | -2.3 |
| Net assets | 37.6 |

**GOODWILL GENERATED IN THE ACQUISITION:**

| EUR million | |
|---|---|
| Consideration transferred | **39.3** |
| Adjustment for consideration transferred | **2.0** |
| Identifiable net assets in the acquiree | **-37.6** |
| Goodwill | 3.7 |
| Consideration paid in cash | **39.3** |
| Additional purchase price | **2.0** |
| Cash and cash equivalents in the acquiree | **-2.9** |
| Cash flow effect | 38.3 |

### *Acquisition of minority interest*

Altia acquired the minority interest (0.16%) in the Latvian SIA Jaunalko in April. After the acquisition the total ownership in the company was 100 %. SIA Jaunalko merged with Altia Latvia at the end of December.

### *Acquisition of the Danish aquavit brand Brøndums*

Altia Group acquired the Danish Brøndums-Akvavit brand in June. The cost of the acquisition amounted to EUR 11.3 million. EUR 10.3 million of the cost was allocated to intangible assets (trademark) and EUR 1.0 million to inventory.

# 2. Other operating income

| EUR million | 2014 | 2013 |
|---|---|---|
| Gains on sale of property, plant and equipment and intangible assets | **0.6** | 2.8 |
| Rental income | **0.8** | 1.2 |
| Income from sale of energy, water, steam and carbon dioxide | **3.6** | 3.5 |
| Gain on liquidation of a subsidiary | **-** | 1.9 |
| Other income | **3.0** | 2.6 |
| **Total** | **8.0** | 12.1 |

## 3. *Employee benefit expenses*

| EUR million | 2014 | 2013 |
|---|---|---|
| Wages and salaries | **50.9** | 53.9 |
| Pension expenses | | |
| Defined contribution plans | **7.2** | 6.9 |
| Defined benefit plans | **-0.0** | 0.7 |
| Other social expenses | **7.2** | 6.7 |
| Total | **65.2** | 68.2 |
| Average number of personnel during the period | | |
| Workers | **405** | 370 |
| Clerical employees | **582** | 704 |
| Total | **987** | 1 074 |

More information on the Group's pension plans and long-service benefit plan is presented in Note 25. Information on management remuneration is presented in Note 29. Related party transactions.

## 4. *Depreciation, amortisation and impairment*

| EUR million | 2014 | 2013 |
|---|---|---|
| Depreciation and amortisation by asset categories | | |
| Intangible assets | | |
| Intangible rights | **8.4** | 8.4 |
| Other intangible assets | **0.2** | 1.2 |
| **Total** | **8.7** | 9.6 |
| Property, plant and equipment | | |
| Buildings | **2.8** | 3.7 |
| Machinery and equipment | **5.5** | 7.3 |
| Machinery and equipment, acquired through finance leases | **0.6** | 0.5 |
| Other tangible assets | **0.0** | 0.0 |
| **Total** | **8.9** | 11.4 |
| Impairment losses by asset categories | | |
| Goodwill | **23.2** | - |
| Intangible rights | **8.2** | 0.9 |
| Land areas | - | 1.8 |
| Machinery and equipment | - | 4.8 |
| Buildings | - | 8.1 |
| **Total impairment losses** | **31.4** | 15.6 |

The impairment losses of the reporting period relate to acquisition of partner business in Norway 10 years ago and write down of trademarks.

The impairment losses of the comparison period relate to the logistics center owned by Altia Denmark A/S in Svendborg and to trademarks.

## 5. *Other operating expenses*

| EUR million | 2014 | 2013 |
|---|---|---|
| Losses on sales and disposals of property, plant and equipment and intangible assets | **0.2** | 0.1 |
| Rental expenses | **7.9** | 8.9 |
| Marketing expenses | **16.5** | 15.9 |
| Travel and representation expenses | **3.8** | 4.1 |
| Outsourcing services | **8.0** | 9.4 |
| Repair and maintenance expenses | **9.0** | 7.6 |
| Cars and transport services | **1.3** | 1.5 |
| Energy expenses | **10.5** | 10.5 |
| ICT expenses | **4.4** | 5.5 |
| Variable sales expenses | **13.3** | 16.5 |
| Other expenses | **9.4** | 10.2 |
| **Total** | **84.1** | 90.1 |
| Auditor's fees | | |
| Audit fees | **0.4** | 0.3 |
| Tax consultation | **0.1** | 0.1 |
| Other fees | **0.1** | 0.4 |
| **Total** | **0.6** | 0.8 |

## 6. *Research and development expenditure*

Research and development expenditure amounting to EUR 4.1 million has been recognised in profit or loss (EUR 3.3 million in 2013).

## 7. *Non-recurring items*

| EUR million | 2014 | 2013 |
|---|---|---|
| Operating profit excluding non-recurring items | **17.9** | 17.4 |
| Restructuring costs | **-5.5** | -5.3 |
| Impairment loss | **-31.4** | -15.6 |
| Termination of business operations | **-** | 1.9 |
| Sales of assets | **0.5** | 2.2 |
| **Total non-recurring items** | **-36.4** | -16.7 |
| **Operating profit (loss)** | **-18.6** | **0.7** |

# 8. *Financial income*

| EUR million | 2014 | 2013 |
|---|---|---|
| Interest income | | |
| Financial assets at fair value through profit or loss | **0.2** | 0.6 |
| Loans and receivables | **0.4** | 0.5 |
| Available-for-sale financial assets | **0.1** | 0.1 |
| Derivatives under hedge accounting | **0.2** | 0.3 |
| **Total interest income** | **0.8** | 1.5 |
| Foreign exchange gains | | |
| Financial assets at fair value through profit or loss | **2.3** | 3.4 |
| Available-for-sale financial assets | **1.0** | 5.7 |
| **Total foreign exchange gains** | **3.3** | 9.1 |
| Dividend income | | |
| Financial assets at fair value through profit or loss | **0.0** | 0.1 |
| Available-for-sale financial assets | **0.0** | 0.0 |
| **Total dividend income** | **0.0** | 0.1 |
| Other financial income | | |
| Gains on financial assets held for trading | **0.0** | 0.0 |
| **Total other financial income** | **0.0** | 0.0 |
| **Total financial income** | **4.2** | 10.6 |

Foreign exchange differences arising from trade receivables and trade payables amounting to EUR -0.6 (-0.3) million and from currency derivatives amounting to EUR 0.9 (0.6) million are included in operating profit.

Group's principles of managing currency risk are presented in Note 31 Financial risk management in section Transaction risk.

# 9. *Financial expenses*

| EUR million | 2014 | 2013 |
|---|---|---|
| Interest expenses | | |
| Financial liabilities at fair value through profit or loss | **0.2** | 0.6 |
| Financial liabilities at amortised cost | **2.1** | 3.4 |
| Derivatives under hedge accounting | **1.9** | 2.0 |
| Other interest expenses | **0.9** | 0.6 |
| **Total interest expenses** | **5.1** | 6.6 |
| Foreign exchange losses | | |
| Financial assets at fair value through profit or loss | **1.7** | 7.0 |
| Financial liabilities at amortised cost | **-** | 0.2 |
| Loans and receivables | **0.7** | 2.0 |
| **Total foreign exchange losses** | **2.5** | 9.2 |
| Other financial expenses | | |
| Financial assets at fair value through profit or loss | **-** | 0.0 |
| Other financial expenses | **2.1** | 0.5 |
| Ineffective portion of commodity derivatives under hedge accounting | **0.1** | 0.0 |
| Other commodity derivatives | **-0.4** | 0.2 |
| **Total other financial expenses** | **1.8** | 0.7 |
| **Total financial expenses** | **9.3** | 16.5 |

Interest expenses include finance lease related interest expenses amounting to EUR 0.1 (0.2) million.

# 10. *Income taxes*

| EUR million | 2014 | 2013 |
|---|---|---|
| Current income tax expense | **1.8** | 3.5 |
| Adjustments to taxes for prior periods | **0.2** | -0.1 |
| Deferred taxes: | | |
| Origination and reversal of temporary differences | **-4.3** | -2.8 |
| Impact of changes in tax rates | **0.0** | -1.4 |
| **Total** | **-2.3** | -0.8 |

The reconciliation of the tax expense recognised in profit or loss and the tax expense calculated using Altia Group's domestic corporate tax rate (20.0% in 2014, 24.5% in 2013):

| EUR million | 2014 | 2013 |
|---|---|---|
| Result before taxes | **-20.4** | -3.8 |
| Income tax using the parent company's tax rate | **-4.1** | -0.9 |
| Effect of tax rates of subsidiaries in foreign jurisdictions | **-2.3** | -0.9 |
| Tax-exempt income | **-0.2** | -0.2 |
| Non-deductible expenses | **0.3** | 0.7 |
| Impairment of goodwill | **6.1** | - |
| Utilisation of previously unrecognised tax losses | **-0.0** | -0.5 |
| Adjustments to taxes for prior periods | **0.2** | -0.1 |
| Share of profit in associated companies and joint ventures, net of tax | **-0.6** | -0.3 |
| Effect of changes in tax rates | **0.0** | -1.4 |
| Tax arising on dividends | **0.2** | - |
| Current period losses for which no deferred tax asset was recognised | **0.1** | 2.8 |
| Deferred taxes from losses and temporary differences not recognized in earlier periods | **-1.9** | - |
| **Tax expense in profit or loss** | **-2.3** | -0.8 |

### Income tax recognised in other comprehensive income 2014

| EUR million | Before tax | Tax | Net of tax |
|---|---|---|---|
| Cash flow hedges | **2.1** | **-0.4** | **1.7** |
| Share of other comprehensive income in associated companies and joint ventures | **0.0** | **-** | **0.0** |
| Translation differences | **-7.4** | **-** | **-7.4** |
| Remeasurements of defined benefit liability | **-1.4** | **0.3** | **-1.2** |
| Other changes | **0.1** | **-** | **0.1** |
| **Total** | **-6.6** | **-0.1** | **-6.8** |

### Income tax recognised in other comprehensive income 2013

| EUR million | Before tax | Tax | Net of tax |
|---|---|---|---|
| Cash flow hedges | 1.7 | -0.6 | 1.1 |
| Share of other comprehensive income in associated companies and joint ventures | -0.1 | - | -0.1 |
| Translation differences | -14.9 | - | -14.9 |
| Remeasurements of defined benefit liability | -3.8 | 0.1 | -3.7 |
| Other changes | -0.2 | - | -0.2 |
| **Total** | -17.3 | -0.5 | -17.8 |

# 11. *Earnings per share*

Earnings per share is calculated by dividing the result for the period attributable to the shareholders of the parent company by the weighted average number of shares outstanding during the reporting period.

| | 2014 | 2013 |
|---|---|---|
| Result attributable to the shareholders of the parent company, EUR million | **-18.1** | -3.1 |
| Weighted average number of shares outstanding (1,000) | **35,985** | 35,985 |
| Basic / diluted earnings per share (EUR) | **-0.50** | -0.09 |

# 12. *Intangible assets*

| EUR million | Intangible rights | Other intangible assets | Pre-payments | Goodwill | Total |
|---|---|---|---|---|---|
| Acquisition cost at 1 January 2014 | **142.7** | **11.0** | **1.0** | **156.4** | **311.2** |
| Additions | **0.1** | **-** | **1.2** | **-** | **1.4** |
| Acquisition of subsidiaries | **-** | **-** | **-** | **2.0** | **2.0** |
| Disposals | **-0.3** | **-0.1** | **-** | **-** | **-0.3** |
| Effect of movement in exchange rates | **-5.5** | **-0.0** | **-0.0** | **-7.9** | **-13.4** |
| Transfers between items | **0.7** | **0.1** | **-0.8** | **-** | **0.0** |
| **Acquisition cost at 31 December 2014** | **137.8** | **11.0** | **1.5** | **150.5** | **300.8** |
| Accumulated amortisation and impairment losses at 1 January 2014 | **-83.2** | **-10.0** | **-** | **-49.0** | **-142.1** |
| Amortisation | **-8.2** | **-0.2** | **-** | **-** | **-8.5** |
| Impairment losses | **-8.1** | **-** | **-** | **-23.2** | **-31.2** |
| Accumulated amortisation on disposals and transfers | **0.1** | **0.1** | **-** | **-** | **0.1** |
| Effect of movement in exchange rates | **4.0** | **0.0** | **-** | **5.0** | **9.0** |
| **Accumulated amortisation and impairment losses at 31 December 2014** | **-95.4** | **-10.2** | **-** | **-67.2** | **-172.8** |
| Carrying amount at 1 January 2014 | **59.5** | **1.0** | **1.0** | **107.4** | **169.0** |
| Carrying amount at 31 December 2014 | **42.4** | **0.9** | **1.5** | **83.3** | **128.0** |
| Acquisition cost at 1 January 2013 | 130.8 | 10.9 | 0.4 | 164.9 | 307.0 |
| Additions | 10.4 | 0.1 | 1.0 | - | 11.5 |
| Acquisition of subsidiaries | 6.0 | - | - | 1.7 | 7.7 |
| Disposals | -0.1 | - | -0.0 | - | -0.1 |
| Effect of movement in exchange rates | -4.7 | -0.0 | 0.0 | -10.1 | -14.8 |
| Transfers between items | 0.3 | - | -0.3 | - | -0.0 |
| **Acquisition cost at 31 December 2013** | 142.7 | 11.0 | 1.0 | 156.4 | 311.2 |
| Accumulated amortisation and impairment losses at 1 January 2013 | -77.4 | -8.8 | - | -54.4 | -140.6 |
| Amortisation | -8.3 | -1.2 | - | - | -9.5 |
| Impairment losses | -0.9 | - | - | - | -0.9 |
| Accumulated amortisation on disposals and transfers | 0.0 | - | - | - | 0.0 |
| Effect of movement in exchange rates | 3.4 | 0.0 | - | 5.4 | 8.8 |
| **Accumulated amortisation and impairment losses at 31 December 2013** | -83.2 | -10.0 | - | -49.0 | -142.1 |
| Carrying amount at 1 January 2013 | 53.4 | 2.1 | 0.4 | 110.5 | 166.4 |
| Carrying amount at 31 December 2013 | 59.5 | 1.0 | 1.0 | 107.4 | 169.0 |

### *Impairment testing of goodwill*

For impairment testing purposes, the Group's goodwill has been allocated to legal entities from which the cash generating units are derived. Total carrying amount of goodwill was EUR 83.3 million (107.4) million at the end of the period.

Goodwill allocated to the Group's cash-generating units is tested for impairment by comparing their carrying amount to their recoverable amount annually or in case any evidence is detected that carrying amount of goodwill may not be fully recoverable. Annual impairment testing was carried out at 30 November 2014. The company did not hold any other intangible assets with indefinite useful life besides goodwill at the time of the testing.

During autumn 2014, some evidence were detected what indicate that carrying amount of goodwill in Partner Brands business may not be fully recoverable. An additional impairment testing conducted and as a result Group recorded an impairment loss of EUR 23.2 million to reduce the carrying amount to it's recoverable amount.

The ordinary annual impairment testing did not indicate any additional need to recognize impairment losses. In the comparison year, no impairment losses were recognized.

The market-specific WACC estimates were updated for the testing at 30 November 2014 based on market-specific references. Management makes assumptions regarding the development of other variables than WACC based on internal and external views of the industry's history and future. The forecast period applied for the calculations covers five years. Beyond that the cash flow projections are extrapolated using a constant market-specific growth rate estimate. The WACC used as discount rates for the cash flow estimates was 5.2 % in Finland, 5.0 % in Norway, 5.1 % in Sweden, 5.1 % in Denmark, 6.8 % in Estonia, 7.3 % in Latvia and 5.2 % in France. WACC is country-specific, and therefore the WACC for Finland has been applied to Altia Brands business and the WACC for Norway for Partner Brands business.

The cash flow estimates are long-term forecasts of cash flows budgeted until year 2019, which are based on latest long-term operating plans. The cash flows projections for future periods are extrapolated by using an annual 1 - 2% growth rate estimate. According to management these growth rate estimates reflect the development of the business over the forecast period.

### *Sensitivity analyses*

If Altia Group's operating profit, as a percentage of net sales, decreased by 9.5 percentage points of terminal value and simultaneously WACC increased by 6.8 percentage points, the carrying amount would equal the recoverable amount.

# 13. *Property, plant and equipment*

| EUR million | Land and water areas | Buildings and structures | Machinery and equipment | Other tangible assets | Prepayments and assets under construction | Total |
|---|---|---|---|---|---|---|
| Acquisition cost at 1 January 2014 | **4.2** | **108.4** | **155.4** | **0.6** | **9.3** | **278.0** |
| Additions | **0.0** | **0.2** | **1.6** | **-** | **11.2** | **13.0** |
| Disposals | **0.0** | **-0.5** | **-3.9** | **-** | **-** | **-4.3** |
| Effect of movement in exchange rates | **0.0** | **-0.0** | **-0.4** | **0.0** | **-** | **-0.4** |
| Transfers between items | **0.5** | **2.6** | **3.4** | **0.1** | **-6.6** | **-0.0** |
| **Acquisition cost at 31 December 2014** | **4.8** | **110.8** | **156.2** | **0.8** | **13.9** | **286.4** |
| Accumulated depreciation and impairment losses at 1 January 2014 | **-1.8** | **-78.1** | **-127.8** | **-0.1** | **-** | **-207.7** |
| Depreciation | **-** | **-2.8** | **-6.1** | **-0.0** | **-** | **-8.9** |
| Accumulated depreciation on disposals and transfers | **-** | **0.3** | **3.4** | **-** | **-** | **3.8** |
| Effect of movement in exchange rates | **-0.0** | **-0.0** | **0.2** | **-** | **-** | **0.2** |
| **Accumulated depreciation and impairment losses at 31 December 2014** | **-1.8** | **-80.5** | **-130.2** | **-0.1** | **-** | **-212.6** |
| Carrying amount at 1 January 2014 | **2.5** | **30.3** | **27.7** | **0.5** | **9.3** | **70.3** |
| Carrying amount at 31 December 2014 | **3.0** | **30.2** | **26.0** | **0.6** | **13.9** | **73.8** |
| Acquisition cost at 1 January 2013 | 4.3 | 104.1 | 148.2 | 0.6 | 3.5 | 260.7 |
| Additions | - | 0.1 | 0.5 | 0.0 | 15.2 | 15.8 |
| Acquisition of subsidiaries | - | 3.7 | 2.4 | - | - | 6.2 |
| Disposals | -0.0 | -3.6 | -0.8 | -0.0 | - | -4.4 |
| Effect of movement in exchange rates | 0.0 | 0.0 | -0.2 | - | -0.0 | -0.2 |
| Transfers between items | - | 4.0 | 5.4 | 0.0 | -9.4 | 0.0 |
| **Acquisition cost at 31 December 2013** | 4.2 | 108.4 | 155.4 | 0.6 | 9.3 | 278.0 |
| Accumulated depreciation and impairment losses at 1 January 2013 | - | -69.6 | -115.8 | -0.1 | - | -185.6 |
| Depreciation | - | -3.7 | -7.7 | -0.0 | - | -11.4 |
| Impairment losses | -1.8 | -8.1 | -4.8 | - | - | -14.7 |
| Accumulated depreciation on disposals and transfers | - | 3.4 | 0.4 | - | - | 3.8 |
| Effect of movement in exchange rates | 0.0 | 0.0 | 0.2 | 0.0 | - | 0.2 |
| **Accumulated depreciation and impairment losses at 31 December 2013** | -1.8 | -78.1 | -127.8 | -0.1 | - | -207.7 |
| Carrying amount at 1 January 2013 | 4.3 | 34.5 | 32.3 | 0.5 | 3.5 | 75.1 |
| Carrying amount at 31 December 2013 | 2.5 | 30.3 | 27.7 | 0.5 | 9.3 | 70.3 |

Commitments related to uncomplete capital expenditure amounted to EUR 2.3 million at the end of the reporting period (EUR 8.4 million at the end of year 2013)

### *Finance leases:*

Property, plant and equipment include assets acquired under finance lease as follows:

| EUR million | 2014 | 2013 |
|---|---|---|
| Machinery and equipment | | |
| Acquisition cost at 31 December | **7.2** | 6.7 |
| Accumulated depreciation at 31 December | **-5.4** | -4.9 |
| **Carrying amount at 31 December** | **1.8** | 1.9 |

Fortum Lämpö Oy has built at its own cost a steam power plant in Altia's plant area in Rajamäki. According to the agreement, Altia is obliged to acquire the plant at the end of the agreement period at 31 December 2017, or if the agreement is terminated. Altia pays Fortum annually for the plant as energy costs for a period of 15 years after which the right of ownership is transferred to Altia. The useful life of the asset is 15 years.

### *Borrowing costs during construction*

The borrowing costs related to the plant construction started in 2013 are capitalised as part of the cost of the asset and are depreciated over the asset's useful life. The capitalised borrowing costs amounted to EUR 0.1 million at 31 December 2014 (EUR 0.0 million at 31 December 2013).

# 14. *Investment property*

| EUR million | 2014 | 2013 |
|---|---|---|
| Acquisition cost at 1 January | - | 0.0 |
| Additions | **0.0** | - |
| Disposals | - | -0.0 |
| **At 31 December** | **0.0** | 0.0 |
| Fair value | **2.8** | - |

Altia measures investment properties based on the cost model.

# 15. *Associated companies and joint ventures*

The Group has a 50% investment in a joint venture, Roal Ltd (domiciled in Finland), which engages in the enzyme business. The joint venture's other owner is ABF Overseas Ltd. The Group has a 25.53% ownership in Palpa Lasi Oy (domiciled in Finland), which engages in the recycling and reuse of glass beverage packages.
Both companies are consolidated by using the equity method.

**Investments in associated companies and joint ventures:**

| EUR million | 2014 | 2013 |
|---|---|---|
| At 1 January | **9.5** | 8.9 |
| Share of profit for the period | **3.2** | 1.3 |
| Dividends received | **-0.7** | -0.7 |
| Other changes | **0.0** | -0.1 |
| At 31 December | 12.1 | 9.5 |

Financial summary of associated companies and joint ventures:

| EUR million | 2014 | 2013 |
|---|---|---|
| Assets | **54.0** | 44.9 |
| Liabilities | **33.1** | 28.5 |
| Net assets (liabilities) | **20.9** | 16.4 |
| Net sales | **70.0** | 59.8 |
| Profit for the period | **5.8** | 0.0 |

# 16. *Available-for-sale financial assets*

| EUR million | 2014 | 2013 |
|---|---|---|
| Unquoted shares | **0.8** | 0.8 |

# 17. *Other receivables (non-current)*

| EUR million | 2014 | 2013 |
|---|---|---|
| Capital loan receivable | **0.6** | 0.8 |

# 18. *Deferred tax assets and liabilities*

| EUR million | 1 Jan 2014 | Recognised in profit or loss | Recognised in other comprehensive income | Exchange rate differences | 31 Dec 2014 |
|---|---|---|---|---|---|
| Change in deferred tax assets and liabilities during 2014: | | | | | |
| Deferred tax assets: | | | | | |
| Tax losses | **0.6** | **1.3** | - | **0.0** | **1.9** |
| Fixed assets | - | **4.7** | - | **-0.0** | **4.7** |
| Pension benefits | **5.3** | **0.0** | **0.3** | **-0.1** | **5.6** |
| Internal margin of inventories | **0.0** | **0.0** | - | **-0.0** | **0.1** |
| Recognised in hedging reserve | **0.8** | - | **-0.4** | **-0.0** | **0.4** |
| Other temporary differences | **0.4** | **0.8** | **0.0** | **-0.0** | **1.2** |
| **Total** | **7.2** | **6.9** | **-0.1** | **-0.1** | **13.9** |
| Deferred tax liabilities: | | | | | |
| Depreciation in excess of plan and voluntary provisions | **3.7** | **-0.4** | - | **0.0** | **3.3** |
| Recognised in hedging reserve | **0.0** | - | **0.1** | **0.0** | **0.1** |
| Fair value allocation on acquisitions | **8.5** | **-2.4** | - | **-0.3** | **5.7** |
| Other temporary differences | **9.2** | **5.4** | - | **-0.3** | **14.2** |
| **Total** | **21.3** | **2.6** | **0.1** | **-0.6** | **23.3** |

| EUR million | 1 Jan 2013 | Recognised in profit or loss | Recognised in other comprehensive income | Exchange rate differences | Acquired/ disposed businesses | 31 Dec 2013 |
|---|---|---|---|---|---|---|
| Change in deferred tax assets and liabilities during 2013: | | | | | | |
| Deferred tax assets: | | | | | | |
| Tax losses | - | 0.6 | - | - | - | 0.6 |
| Pension benefits | 5.1 | 0.1 | 0.1 | -0.1 | - | 5.3 |
| Internal margin of inventories | 0.1 | -0.0 | - | -0.0 | - | 0.0 |
| Recognised in hedging reserve | 1.4 | - | -0.6 | -0.0 | - | 0.8 |
| Other temporary differences | 1.6 | -1.2 | - | -0.0 | - | 0.4 |
| Total | 8.2 | -0.5 | -0.5 | -0.1 | 0.0 | 7.2 |
| Deferred tax liabilities: | | | | | | |
| Depreciation in excess of plan and voluntary provisions | 5.6 | -1.9 | - | -0.0 | - | 3.7 |
| Recognised in hedging reserve | - | - | 0.0 | 0.0 | - | 0.0 |
| Fair value allocation on acquisitions | 9.4 | -2.3 | - | -0.3 | 1.7 | 8.5 |
| Other temporary differences | 9.8 | -0.5 | - | -0.1 | - | 9.2 |
| **Total** | 24.9 | -4.7 | 0.0 | -0.5 | 1.7 | 21.3 |

No deferred tax liability for the foreign subsidiaries' undistributed retained earnings has been recognised, since distribution of profits is not probable in the foreseeable future.

At 31 December 2014, the Group had EUR 5.7 million of unused tax losses for which no deferred tax asset was recognised. At 31 December 2013, the Group had EUR 11.5 million of unused tax losses for which no deferred tax asset was recognised.

# 19. *Inventories*

| EUR million | 2014 | 2013 |
|---|---|---|
| Materials and supplies | **53.8** | 48.3 |
| Work in progress | **13.2** | 21.8 |
| Finished goods | **15.2** | 13.6 |
| Goods | **21.3** | 26.5 |
| Advance payments | **0.2** | 0.1 |
| Total | **103.7** | 110.3 |

Write-downs of inventories amounting to EUR 5.6 (5.4) million were recognised in the Group companies during the reporting period.

# 20. *Trade receivables and other receivables (current)*

| EUR million | 2014 | 2013 |
|---|---|---|
| Trade receivables | | |
| External trade receivables | **67.5** | 124.4 |
| Receivables from associated companies and joint ventures | **0.1** | 0.2 |
| Accrued income | | |
| Interest receivables | **0.0** | 0.0 |
| Employee benefit costs | **0.1** | 0.1 |
| Other accrued income | **2.3** | 1.8 |
| Receivables on derivative instruments | **0.7** | 0.2 |
| Other receivables | **4.1** | 3.9 |
| Total | **74.9** | 130.7 |

At the end of the reporting period the sold trade receivables amounted to EUR 101.7 (44.0) million.

### Ageing analysis of trade receivables

| EUR million | 2014 | Impairment losses | Net 2014 |
|---|---|---|---|
| Trade receivables not past due | **58.8** | **-** | **58.8** |
| Trade receivables past due 1-30 days | **5.3** | **-** | **5.3** |
| Trade receivables past due 31-60 days | **2.4** | **-** | **2.4** |
| Trade receivables past due 61-90 days | **0.4** | **-** | **0.4** |
| Trade receivables past due over 90 days | **2.6** | **-1.1** | **1.5** |
| Unallocated customer payments | **-0.7** | **-** | **-0.7** |
| Total | **68.8** | **-1.1** | **67.7** |

| EUR million | 2013 | Impairment losses | Net 2013 |
|---|---|---|---|
| Trade receivables not past due | 119.8 | - | 119.8 |
| Trade receivables past due 1-30 days | 3.2 | - | 3.2 |
| Trade receivables past due 31-60 days | 0.7 | - | 0.7 |
| Trade receivables past due 61-90 days | 0.0 | - | 0.0 |
| Trade receivables past due over 90 days | 1.8 | -0.8 | 0.9 |
| Total | 125.5 | -0.8 | 124.6 |

The impairment losses recognised on trade receivables during the reporting period amounted to EUR 0.4 (0.1) million.

## 21. Other financial assets

| EUR million | 2014 | 2013 |
|---|---|---|
| Bank deposits | **0.1** | 0.0 |
| Available-for-sale financial assets at 31 December | 0.1 | 0.0 |

## 22. Cash and cash equivalents

| EUR million | 2014 | 2013 |
|---|---|---|
| Cash at hand and in bank | **90.6** | 74.5 |
| Cash equivalents | **0.5** | 1.6 |
| Total | 91.1 | 76.1 |

## 23. Equity

**Share capital** Share capital consists of A and L share series. At the end of the reporting period 2014 there were 35,960,000 A shares and 25,003 L shares. All shares have the same voting and financial rights.

The following reserves are included in equity:

**Share premium fund** Portion of payments received for share subscriptions were recognised in the share premium reserve in accordance with the terms and conditions of the share issue before the new Limited Liability Companies Act (21 July 2006/624) entered into force.

**Hedging reserve** The hedging reserve includes the fair value changes of derivative instruments used for cash flow hedging for effective hedges.

**Translation differences** Translation differences comprise all foreign exchange differences arising from the translation of the foreign subsidiaries' financial statements, as well as from the translation of goodwill and the fair value adjustments to assets and liabilities arisen from the acquisition of these companies. The Group's translation differences amounted to negative EUR 10.1 million at 31 December 2014 (negative EUR 1.2 million in 2013).

## 24. Interest-bearing financial liabilities

| EUR million | 2014 | 2013 |
|---|---|---|
| Non-current | | |
| Loans from financial institutions | **64.7** | 132.7 |
| Finance lease liabilities | **1.6** | 1.9 |
| Total | 66.3 | 134.6 |
| Current | | |
| Loans from financial institutions | **60.2** | 7.5 |
| Commercial papers | **13.0** | 44.0 |
| Current portion of finance lease liabilities | **0.8** | 0.5 |
| Total | 74.0 | 52.0 |

Interest-bearing non-current loans from financial institutions are measured at amortised cost using the effective interest method.

**Group's interest-bearing financial liabilities mature as follows:**

| 2014<br>**EUR million** | **2015** | **2016** | **2017** | **2018-** |
|---|---|---|---|---|
| Loans from financial institutions and commercial papers (nominal value) | **73.2** | **7.5** | **7.5** | **50.0** |
| Finance lease liabilities | **0.7** | **0.9** | **1.0** | **-** |
| Total | **73.9** | **8.4** | **8.5** | **50.0** |

| 2013<br>EUR million | 2014 | 2015 | 2016 | 2017 | 2018- |
|---|---|---|---|---|---|
| Loans from financial institutions and commercial papers (nominal value) | 51.5 | 68.2 | 7.5 | 7.5 | 50.0 |
| Finance lease liabilities | 0.6 | 0.6 | 0.5 | 0.9 | - |
| Total | 52.1 | 68.8 | 8.0 | 8.4 | 50.0 |

**Group's non-current interest-bearing financial liabilities by currency are as follows:**

| **EUR million** | **2014** | 2013 |
|---|---|---|
| EUR | **66.3** | 126.6 |
| SEK | **-** | 7.9 |

**The weighted average effective interest rates of the Group's liabilities at 31 December (p.a.):**

| | **2014** | 2013 |
|---|---|---|
| Loans from financial institutions and commercial papers, EUR | **2.4 %** | 2.6 % |
| Loans from financial institutions, SEK | **-** | 2.8 % |

**The weighted average interest rates of the Group's finance lease liabilities at 31 December:**

| | **2014** | 2013 |
|---|---|---|
| Finance lease liabilities | **3.0 %** | 3.0 % |

**Group's current interest-bearing financial liabilities by currency are as follows:**

| **EUR million** | **2014** | 2013 |
|---|---|---|
| EUR | **74.0** | 52.0 |

**Group's finance lease liabilities mature as follows:**

| **EUR million** | **2014** | 2013 |
|---|---|---|
| **Total amount of minimum lease payments** | | |
| Less than one year | **0.7** | 0.6 |
| More than one and less than five years | **2.0** | 2.1 |
| **Total minimum lease payments** | 2.7 | 2.7 |
| **Present value of minimum lease payments** | | |
| Less than one year | **0.8** | 0.5 |
| More than one and less than five years | **1.6** | 1.9 |
| **Total present value of minimum lease payments** | 2.4 | 2.3 |
| Future finance charges | **-0.2** | -0.4 |
| **Total finance lease liabilities** | 2.4 | 2.3 |

# 25. Non-current employee benefit obligations

## PENSION OBLIGATIONS

At 1 January 2013 the Group adopted the revised IAS19.

The Group operates various pension plans in accordance with local conditions and practices in different countries. In the Finnish companies, statutory pension obligations (TyEL) are arranged through insurance companies, when the TyEL plan is a defined contribution plan. The defined contribution plans are applied also in other countries and the foreign subsidiaries manage their pension plans in accordance with local legislation and established practice.

The Group has defined benefit pension plans for supplementary pension in Finland, Norway and France. In Finland the defined benefit pension plans are arranged through pension insurance companies. In defined benefit pension plans, the amount of the pension benefit at retirement is calculated on the basis of salary, years of service and life expectancy. The Finnish supplementary pensions mainly concern pensions already begun and paid-up policies, for which the company's obligation is mainly limited to costs related to the increases in index. The Norwegian and French pension plans cover only few employees, thus the related pension liabilities are not material for the Group.

**Defined benefit pension liability in the statement of financial position:**

| EUR million | 2014 | 2013 |
|---|---|---|
| Present value of unfunded obligations | **2.2** | 2.3 |
| Present value of funded obligations | **111.7** | 98.9 |
| Fair value of plan assets | **-87.0** | -75.3 |
| Taxes, Norway | **0.3** | 0.3 |
| Net pension liability in the statement of financial position | 27.3 | 26.3 |

**Defined benefit pension expense in profit or loss:**

| EUR million | 2014 | 2013 |
|---|---|---|
| Current service cost | **-0.4** | -0.5 |
| Net interest | **-0.9** | -0.6 |
| Tax effect, Norway | **-0.0** | -0.0 |
| Pension expenses recognized in profit or loss | -1.2 | -1.2 |

**Items of other comprehensive income:**

| Remeasurements | | |
|---|---|---|
| Return on plan assets, excluding interest income and interest expense | **14.4** | -7.4 |
| Gain (loss) related to changes in demographic assumptions | **-** | -0.3 |
| Gain (loss) related to changes in financial assumptions | **-18.6** | 2.5 |
| Experience adjustment - gain (loss) | **3.4** | 1.4 |
| Indexation reserve change | **-0.6** | - |
| Tax effect, Norway | **-0.0** | -0.1 |
| Total comprehensive income | -1.4 | -3.8 |

**Changes in pension obligation and fair value of plan assets in the statement of financial position:**

| Present value of the obligation, EUR million: | 2014 | 2013 |
|---|---|---|
| Obligation at 1 January | **101.5** | 107.6 |
| Service cost | **0.4** | 0.6 |
| Interest cost | **3.2** | 3.1 |
| Benefits paid | **-5.9** | -6.0 |
| Exchange differences | **-0.5** | -0.5 |
| Remeasurement gains (–) and losses (+) | **15.2** | -3.6 |
| Effect of settlement of obligation | **-** | - |
| Tax effect, Norway | **0.3** | 0.3 |
| Obligation at 31 December | 114.3 | 101.5 |

| Fair value of plan assets, EUR million | 2014 | 2013 |
|---|---|---|
| Fair value of plan assets at 1 January | **75.3** | 85.5 |
| Interest income | **2.4** | 2.5 |
| Contributions paid by employer to the plan | **0.8** | 0.7 |
| Return on plan assets, excluding items recognized in interest expense | **14.4** | -7.4 |
| Benefits paid | **-5.8** | -6.0 |
| **Fair value of plan assets at 31 December** | 87.0 | 75.3 |

It is not possible to provide a breakdown of the plan assets by asset classes, since the part of the accumulated obligation paid to pension insurance companies is considered an asset. The asset is the responsibility of the insurance company and forms a part of their investment capital, which is why a breakdown by asset class cannot be determined.

The Group estimates that the contributions to the defined benefit pension plans will amount to EUR 0.3 million in 2015.

**Reconciliation of net liability:**

| EUR million | 2014 | 2013 |
|---|---|---|
| Pension liability at 1 January | **26.3** | 22.2 |
| Pension expenses recognised in profit or loss | **1.2** | 1.1 |
| Remeasurements | **0.8** | 3.8 |
| Contributions paid by employer to the plan | **-0.8** | -0.7 |
| Benefits paid | **-0.0** | -0.0 |
| Tax effects, Norway | **0.0** | 0.1 |
| Exchange differences | **-0.2** | -0.3 |
| Pension liability at 31 December | 27.3 | 26.3 |

**Significant actuarial assumptions:**

| | | |
|---|---|---|
| Finland | | |
| Discount rate | **1.7 %** | 3.3 % |
| Future pension growth | **2.0 %** | 2.1 % |
| Future salary growth | **3.3 %** | 3.3 % |
| Insurance companies' reimbursement assumption | **0.0 %** | 0.0 % |
| Norway | | |
| Discount rate | **1.5 %** | 3.3 % |
| Future pension growth | **2.0 %** | 2.0 % |
| Future salary growth | **3.8 %** | 3.8 % |

The weighted average duration of the obligation is 15.5 years.

**Sensitivity analysis, impact on defined benefit obligation and plan assets**

| 2014 Assumption | Change in assumption | Change in obligation EUR million | Change in plan assets EUR million | Change in obligation, % | Change in plan assets, % |
|---|---|---|---|---|---|
| Discount rate | +0.5% | -6.5 | -5.1 | -5.7 % | -5.8 % |
| Growth rate of pensions | +0.5% | 7.1 | 0.0 | 6.3 % | 0.0 % |
| Growth rate of salaries | +0.5% | 0.3 | 0.0 | 0.3 % | 0.0 % |
| Change in mortality rate | 1 year in life expectancy | 4.6 | 2.1 | 4.0 % | 2.5 % |
| Insurance companies' reimbursement | +0.5% | 0.0 | 4.2 | 0.0 % | 4.9 % |

| 2013 Assumption | Change in assumption | Change in obligation EUR million | Change in plan assets EUR million | Change in obligation, % | Change in plan assets, % |
|---|---|---|---|---|---|
| Discount rate | +0.5% | -5.4 | -3.4 | -5.4 % | -4.6 % |
| Growth rate of pensions | +0.5% | 3.7 | 2.4 | 3.6 % | 3.1 % |
| Growth rate of salaries | +0.5% | 0.3 | 0.0 | 0.3 % | 0.0 % |
| Change in mortality rate | 1 year in life expectancy | 6.0 | 0.0 | 5.9 % | 0.0 % |
| Insurance companies' reimbursement | +0.5% | 0.0 | 4.1 | 0.0 % | 5.4 % |

There are no material risks related to the defined benefit plans of the Group since the obligations are insured. The risk is mainly related to the financing the pension index. Rise in the pension index increases the liability amount in the company.

Changes in discount rate impact both the pension obligation and the plan assets, so the risk relates to the net liability.

## 26. *Trade payables and other payables*

| EUR million | 2014 | 2013 |
|---|---|---|
| Current | | |
| Trade payables | **26.1** | 38.7 |
| Accruals for wages and salaries and social security contributions | **5.8** | 2.4 |
| Other accrued expenses | **22.6** | 18.9 |
| Derivative liabilities | **2.8** | 4.7 |
| Excise tax | **62.1** | 65.1 |
| VAT liability | **30.9** | 32.1 |
| Other liabilities | **9.9** | 11.7 |
| **Total** | **160.1** | **173.6** |
| | | |
| Non-current | | |
| Other liabilities | **4.9** | - |

# 27. *Fair values of financial assets and liabilities*

The following table presents the fair values and the carrying amounts in the consolidated statement of financial position for each financial instrument by classes:

| 2014 EUR million | Note | Derivatives, hedge accounting | Financial assets/ liabilities at fair value through profit or loss | Loans and receivables | Available-for-sale financial assets | Financial liabilities at amortised cost | Carrying amounts of items in the statement of financial position | Fair value |
|---|---|---|---|---|---|---|---|---|
| Financial assets | | | | | | | | |
| Non-current financial assets | | | | | | | | |
| Unquoted shares | **16.** | - | - | - | **0.8** | - | **0.8** | **0.8** |
| Loan receivables | **17.** | - | - | **0.6** | - | - | **0.6** | **0.6** |
| Current financial assets | | | | | | | | |
| Trade and other receivables | **20.** | - | - | **69.3** | - | - | **69.3** | **69.3** |
| Derivative instruments / Forward exchange contracts | **20.** | **0.5** | **0.2** | - | - | - | **0.7** | **0.7** |
| Cash and cash equivalents | **22.** | - | - | **91.1** | - | - | **91.1** | **91.1** |
| **Total** | | **0.5** | **0.2** | **161.0** | **0.8** | - | **162.5** | **162.5** |
| Financial liabilities | | | | | | | | |
| Non-current financial liabilities | | | | | | | | |
| Interest-bearing liabilities | **24.** | - | - | - | - | **66.3** | **66.3** | **66.3** |
| Current financial liabilities | | | | | | | | |
| Interest-bearing liabilities | **24.** | - | - | - | - | **74.0** | **74.0** | **74.0** |
| Trade and other payables | **26.** | - | - | - | - | **27.3** | **27.3** | **27.3** |
| Trade and other payables/Derivative instruments | | | | | | | | |
| Interest rate derivatives | **26.** | **2.1** | - | - | - | - | **2.1** | **2.1** |
| Forward exchange contracts | **26.** | **0.1** | **0.0** | - | - | - | **0.1** | **0.1** |
| Commodity derivatives | **26.** | **0.4** | **0.3** | - | - | - | **0.6** | **0.6** |
| **Total** | | **2.5** | **0.3** | - | - | **167.7** | **170.4** | **170.4** |

| 2013 EUR million | Note | Derivatives, hedge accounting | Financial assets/ liabilities at fair value through profit or loss | Loans and receivables | Available-for-sale financial assets | Financial liabilities at amortised cost | Carrying amounts of items in the statement of financial position | Fair value |
|---|---|---|---|---|---|---|---|---|
| Financial assets | | | | | | | | |
| Non-current financial assets | | | | | | | | |
| Unquoted shares | 16. | - | - | - | 0.8 | - | 0.8 | 0.8 |
| Loan receivables | 17. | - | - | 0.8 | - | - | 0.8 | 0.8 |
| Current financial assets | | | | | | | | |
| Trade and other receivables | 20. | - | - | 127.4 | - | - | 127.4 | 127.4 |
| Derivative instruments / Forward exchange contracts | 20. | 0.0 | 0.2 | - | - | - | 0.2 | 0.2 |
| Cash and cash equivalents | 22. | - | - | 76.1 | - | - | 76.1 | 76.1 |
| Total | | 0.0 | 0.2 | 204.3 | 0.8 | - | 205.4 | 205.4 |
| Financial liabilities | | | | | | | | |
| Non-current financial liabilities | | | | | | | | |
| Interest-bearing liabilities | 24. | - | - | - | - | 134.5 | 134.5 | 134.5 |
| Current financial liabilities | | | | | | | | |
| Interest-bearing liabilities | 24. | - | - | - | - | 52.0 | 52.0 | 52.0 |
| Trade and other payables | 26. | - | - | - | - | 40.1 | 40.1 | 40.1 |
| Trade and other payables/Derivative instruments | | | | | | | | |
| Interest rate derivatives | 26. | 3.4 | - | - | - | - | 3.4 | 3.4 |
| Forward exchange contracts | 26. | 0.4 | 0.0 | - | - | - | 0.4 | 0.4 |
| Commodity derivatives | 26. | 0.2 | 0.6 | - | - | - | 0.9 | 0.9 |
| Total | | 4,0 | 0,7 | - | - | 226,6 | 231,3 | 231,3 |

**Nominal values of derivative instruments**

| EUR million | 2014 | 2013 |
|---|---|---|
| *Derivative instruments designated for cash flow hedging* | | |
| Interest rate derivatives | **100.0** | 126.3 |
| Forward exchange contracts | **14.5** | 21.9 |
| Commodity derivatives, electricity | **3.6** | 2.6 |
| | **0.1 TWh** | 0.1TWh |
| *Derivative instruments, non-hedge accounting* | | |
| Forward exchange contracts | **3.7** | 47.5 |
| Commodity derivatives, electricity | **0.8** | 2.3 |
| | **0.2 TWh** | 0.1TWh |

The table below presents the classification of financial instruments. The classification allows for the relative reliability of the fair values to be assessed. Fair values of the other financial assets and financial liabilities categorized in level 2 equal their value in the statement of financial position.

**Financial assets, fair value**

| EUR million | 2014 | 2013 |
|---|---|---|
| LEVEL 2 | | |
| Financial assets at fair value through profit or loss | | |
| Forward exchange contracts | **0.2** | 0.2 |
| Derivatives, hedge accounting | | |
| Forward exchange contracts | **0.5** | 0.0 |
| LEVEL 3 | | |
| Available-for-sale financial assets | | |
| Unquoted shares | **0.8** | 0.8 |

**Financial liabilities, fair value**

| EUR million | 2014 | 2013 |
|---|---|---|
| LEVEL 2 | | |
| Financial liabilities at fair value through profit or loss | | |
| Forward exchange contracts | **0.0** | 0.0 |
| Commodity derivatives | **0.3** | 0.6 |
| Derivatives, hedge accounting | | |
| Forward exchange contracts | **0.1** | 0.4 |
| Interest rate derivatives | **2.1** | 3.4 |
| Commodity derivatives | **0.4** | 0.2 |

Positive and negative fair values of unrealised derivatives and their net amount are presented below. The master netting agreements in respect of derivatives do not always meet the criteria for legally enforceable offsetting.

Net positions 2014

| EUR million | Fair value gross | Fair value under netting arrangements | Fair value, net |
|---|---|---|---|
| Derivative assets | **0.7** | **-0.7** | **0.0** |
| Derivatie liabilities | **2.1** | **-0.7** | **1.5** |

Net positions 2013

| EUR million | Fair value gross | Fair value under netting arrangements | Fair value, net |
|---|---|---|---|
| Derivative assets | 1.9 | -1.9 | 0.0 |
| Derivatie liabilities | 5.5 | -1.9 | 3.6 |

## EQUITY INSTRUMENTS

Available-for-sale financial assets include non-current investments in unquoted shares. Unquoted equity instruments are measured at cost since their fair values can not be reliably determined.

## DERIVATIVE INSTRUMENTS

The fair values of forward exchange contracts are determined by using the market prices at the reporting date. The discounted future cash flow technique is used to determine the fair values of interest rate swaps. The fair values equal the amounts that the Group would have to pay or it would receive from the termination of the derivative contract at the measurement date. The Group applies hedge accounting in accordance with IAS 39 to part of the foreign exchange and interest rate derivatives, in which case, the effective portion of the fair value change is recognised in other comprehensive income and presented within equity in the hedging reserve.

Altia uses electricity derivatives to manage the price risk of electricity. The Group applies IAS 39 hedge accounting to part of the electricity derivatives, in which case, the effective portion of the fair value change is recognised in other comprehensive income and presented within equity in the hedging reserve.

## LOANS FROM FINANCIAL INSTITUTIONS AND COMMERCIAL PAPERS

The fair values of loans from financial institutions and commercial paper loans are determined based on future cash flows discounted with market interest rate at the reporting date adjusted for Altia's credit risk premium. At the reporting date, the carrying amounts of the loans are considered to equal their fair values because of the exceptionally low level of market interest rates.

## FINANCE LEASE LIABILITIES

The fair values of finance lease liabilities are based on discounted future cash flows. The discount rate is the corresponding interest rate on similar lease contracts.

## TRADE AND OTHER PAYABLES OR RECEIVABLES

Due to short maturity, the fair values of trade and other current payables and receivables are assumed to equal their carrying amounts.

# 28. Collaterals, commitments and contingent assets and liabilities

**Collaterals and commitments**

| EUR million | 2014 | 2013 |
|---|---|---|
| Collaterals given on behalf of Group companies | | |
| Mortgages | **18.5** | 18.5 |
| Guarantees | **9.0** | 6.9 |
| Total collaterals | **27.5** | 25.4 |
| Other commitments | | |
| Operating lease obligations | | |
| Less than one year | **5.7** | 4.5 |
| Between one and five years | **11.3** | 14.5 |
| More than five years | **3.4** | 5.5 |
| Total operating lease obligations | **20.4** | 24.5 |
| Other commitments | **22.8** | 17.0 |
| Total commitments | **43.2** | 41.5 |
| **Total collaterals and commitments** | 70.6 | 66.9 |

**Assets not recognised in the statement of financial position**

| Emission allowances, tons | 2014 | 2013 |
|---|---|---|
| Emission allowances received | **29,020** | 29,533 |
| Excess emission allowances from the previous period | **51,379** | 98,743 |
| Adjustments related to prior year's estimates | **-81** | -285 |
| Restored emission allowances | **-** | -39,107 |
| Realised emissions | **-40,714** | -37,505 |
| **Emission allowances at 31 December** | 39,604 | 51,379 |

| EUR million | | |
|---|---|---|
| Fair value of emission allowances at 31 December | **0.3** | 0.2 |

The emission allowances received during year 2014 and the realised emissions are estimates, which will be adjusted during the spring 2015. Altia continues to operate within the emission trading system for the trading period 2013-2020.

# 29. Related party transactions

## RELATED PARTY TRANSACTIONS

The parties are considered to be related if one party can control, use joint control or have significant influence over decision-making relating to the financial and business operations of another party. The relationships between the parent company of the Group and subsidiaries are presented in Note 30 Group Companies.

Related parties also include the Board of Directors, the CEO, the members of the Executive Management Team and their family members, as well as the State of Finland which owns 100% of the shares in Altia. Transactions with those organisations in which the ownership of the State of Finland is over 50 % are treated as related party transactions.

Management remuneration include benefits to the CEO and to the members of the Executive Management Team. No monetary loans have been granted to the CEO or the members of the Board of Directors, nor any collaterals or commitments granted on their behalf.

## The following transactions have taken place with related parties:

Number of Group companies included in related parties; customers 9 (8) and suppliers 9 (11).

a) Sales of goods and services

| EUR million | 2014 | 2013 |
|---|---|---|
| Sales of goods | | |
| Other companies considered related parties | **338.6** | 333.4 |
| Associated companies and joint ventures | **2.8** | 2.7 |
| Total | **341.5** | 336.1 |

b) Purchases of goods and services

| EUR million | 2014 | 2013 |
|---|---|---|
| Purchases of goods | | |
| Other companies considered related parties | **4.4** | 6.2 |
| Associated companies and joint ventures | **-** | 0.0 |
| Purchases of services | | |
| Other companies considered related parties | **1.7** | 2.0 |
| Associated companies and joint ventures | **3.3** | 4.1 |
| **Total** | **9.5** | 12.3 |

c) Outstanding balances from sales and purchases of goods and services

| EUR million | 2014 | 2013 |
|---|---|---|
| Sales of goods and services | | |
| Other companies considered related parties | **4.3** | 10.5 |
| Associated companies and joint ventures | **0.1** | 0.2 |
| Purchases of goods and services | | |
| Other companies considered related parties | **0.1** | 0.6 |
| Associated companies and joint ventures | **-** | 0.0 |

Liabilities to and receivables from associated companies and joint ventures are presented in the related notes (Note 20. Trade receivables and other receivables (current) and Note 26. Trade payables and other payables).

d) Management remuneration

| EUR million | 2014 | 2013 |
|---|---|---|
| Salaries and other short-term employee benefits (CEO of the parent company and his substitute) | **0.3** | 0.4 |
| Post-employment salaries and other benefits | **-** | 0.5 |
| Performance bonus and the bonuses from the long-term incentive plan | **-** | 0.2 |
| Total | **0.3** | 1.0 |

CEO Antti Pankakoski was released from his duties at 21 November 2013.

| | | |
|---|---|---|
| Members and deputy members of the Board of Directors | **0.2** | 0.2 |
| Employee benefits of other members of the Executive Management Team | | |
| Salaries and other short-term employee benefits | **1.4** | 1.6 |

The retirement age of the CEO of the parent company is 63 years.
The expenses arisen from the voluntary pension plans amounted to EUR 0.1 (0.1) million.

# 30. *Group companies*

Altia Plc had 24 fully owned subsidiaries at the end of the reporting period (32 subsidiaries at 31 December 2013).

During the reporting period Explorer AB, Kron AB, Lord Calvert AB, OP Anderson AB, Svenska Nubbar AB, The Xante Company AB and Winter Wines AB merged into Altia Sweden AB. Additionally CS Holding 12 Oy was liquidated during the reporting period.

| | Parent company's share of ownership (%) | Group's share of ownership (%) |
|---|---|---|
| SUBSIDIARIES | | |
| A-Beverages Oy, Helsinki | 100.00 | 100.00 |
| Altia Eesti AS, Estonia | 100.00 | 100.00 |
| Altia Denmark A/S, Denmark | 100.00 | 100.00 |
| Altia Holding Sweden AB, Sweden | 100.00 | 100.00 |
| Altia Norway AS, Norway | 100.00 | 100.00 |
| Altia Sweden AB, Sweden | - | 100.00 |
| Altia Sweden Services AB, Sweden | - | 100.00 |
| Alpha Beverages Oy, Helsinki | 100.00 | 100.00 |
| Best Buys International AS, Norway | 100.00 | 100.00 |
| BevCo AB, Sweden | - | 100.00 |
| Bibendum AB, Sweden | - | 100.00 |
| Bibendum AS, Norway | 100.00 | 100.00 |
| ExCellar Oy, Helsinki | 100.00 | 100.00 |
| Harald Zetterström oy/ab, Helsinki | 100.00 | 100.00 |
| Interbev AS, Norway | 100.00 | 100.00 |
| Larsen SAS, France | 100.00 | 100.00 |
| Philipson & Söderberg AB, Sweden | - | 100.00 |
| Prime Wines Oy, Helsinki | 100.00 | 100.00 |
| Premium Wines AS, Norway | 100.00 | 100.00 |
| Päronkonjak i Sverige AB, Sweden | - | 100.00 |
| SIA Altia Latvia, Latvia | 100.00 | 100.00 |
| Ström AS, Norway | 100.00 | 100.00 |
| Oy Wennerco Ab, Espoo | - | 100.00 |
| Vinuversum AB, Sweden | - | 100.00 |
| ASSOCIATED COMPANIES AND JOINT VENTURES | | |
| Roal Oy, Nurmijärvi | 50.00 | 50.00 |
| Palpa Lasi Oy, Helsinki | 25.53 | 25.53 |

# 31. *Financial risk management*

## FINANCIAL RISK MANAGEMENT PRINCIPLES

The aim of financial risk management is to ensure the Group's financial stability and availability of sufficient financing options in different market situations. In addition, the aim is to support the business operations to identify business-related financial risks and their management, and to hedge against material financial risks.

The Group is exposed to various market risks. Changes in these risks affect the company's assets, liabilities and anticipated transactions. The risks are caused by changes in interest rates, currencies and commodity market prices. Selected derivative instruments can be used to manage the risks resulting from these market risks. Altia mainly hedges against risks that impact the Group's cash flow, and, if deemed appropriate, also certain foreign currency denominated items in the statement of financial position. Derivatives are solely used to hedging against the above-mentioned risks. The principles of IAS 39 hedge accounting are applied to certain interest rate, foreign exchange as well as electricity derivatives. Financial risk management is executed as part of the Group's risk management, according to the Risk Management Principles approved by the Board of Directors. Altia's principles aiming towards financial, credit and operational continuity form the basis for financial risk management.

## RISK MANAGEMENT PROCESS

Special process features related to financing are described below in connection with the descriptions of market, liquidity and credit risks. The financial risk exposure is regularly reported to the Audit Committee and Altia's Board of Directors. The most significant principle decisions concerning risk management are made by the company's Board of Directors.

As part of the financial risk management principles, Altia's Board has approved a list of financial instruments, in which the accepted instruments, their purpose and the person who decides on their use have been specified for different types of financial risks.

## FINANCIAL RISK MANAGEMENT ORGANISATION

The Group management receives regular reports on financial matters. On a case-by-case basis, the Board of Directors processes all substantial financial matters, such as the Group's internal and external loan arrangements.

Tasks and responsibilities regarding Altia's financial operations and financial risk management are described in the financial risk management principles. The Group Treasury is responsible for the centralised financial operations and their management, securing financing, identifying risks and, if required, executing hedging transactions with external counterparties. The business units and subsidiaries are responsible for managing the risks associated with their own operations and forecasting cash flows.

### *Risk concentrations*

Altia carefully analyses the financial risks and risk concentrations related to its operations. Risk concentrations identified as a result of this assessment are described in connection with the descriptions of market and credit risks.

## MARKET RISK

Altia defines market risk as a risk where the fair values of financial instruments or future cash flows fluctuate as a result of changes in market prices. The most significant market risks for the Group are currency risk, interest rate risk and price risks.

### 1. CURRENCY RISK

Altia is exposed to currency risks resulting from export and import, intra-group trade with non-euro countries, as well as internal loans and investments in foreign subsidiaries. The objective of the Group's currency risk management is to limit the uncertainties associated with foreign exchange rates and their effect on the Group's profit, cash flows and statement of financial position.

### *Transaction risk*

Transaction risk is caused by foreign currency denominated items in the statement of financial position and future cash flows: import, export and capital flows. Transaction risk management aims to hedge the Group's profit against the effects of changes in foreign exchange rates.

The objective is to hedge 60-80% of highly probable commercial cash flows. The average hedging ratio has remained at the target level. Hedging transactions are executed with forward exchange contracts or options during the following 12 months, predominantly following the pricing periods of customers. Altia may apply cash flow hedge accounting to foreign exchange derivatives. Intra-group loan arrangements are hedged at most by 100% and hedge accounting is not applied to these arrangements.

In the table below, the Group's net currency position is presented by currency pairs: functional currency - transaction currency. The net currency risk has been taken into account in the table if the transaction currency is other than the company's functional currency. The currency risk between euro and the Danish krone is not separately reported or hedged against because of the fixed link between euro and these currencies.

**TABLE 1. The Group's net currency position at 31 December**

| EUR million<br>The net currency position resulting from the financial instruments in accordance with IFRS 7 | 2014 | 2013 |
|---|---|---|
| EUR–SEK | **-5.9** | 0.3 |
| EUR-USD | **3.5** | 3.1 |
| EUR-AUD | **1.3** | 1.3 |
| SEK-EUR | **-0.3** | 9.3 |
| NOK–EUR | **1.6** | 0.8 |

| EUR million<br>The Group's net currency position at 31 December | 2014 | 2013 |
|---|---|---|
| EUR–SEK | **0.5** | 5.4 |
| EUR-USD | **-0.2** | 0.2 |
| EUR-AUD | **0.1** | -0.1 |
| SEK-EUR | **-1.3** | -0.4 |
| NOK–EUR | **-0.6** | -0.4 |

The currency position resulting from the financial instruments in accordance with IFRS 7 consists of trade receivables, trade payables, cash and cash equivalents, the Group's internal and external loans and derivative instruments. Forecasted commercial cash flows are also taken into account in the Group's net currency position and accounted for in amounts corresponding to those of the derivatives aligned to them.

***Translation risk***

Translation risk is mainly caused by the parent company's foreign currency denominated net investments in foreign subsidiaries, which cause a translation difference in equity in the Group's statement of financial position upon consolidation. The Group Treasury regularly analyses the translation risk and reports any material issues to the management. The most significant net investments are denominated in the Swedish and Norwegian kroner. The translation risk has not been hedged.

## 2. INTEREST RATE RISK

The objective of interest rate risk management is to minimise the impact of fluctuations arising from interest rate changes on the Group's profit. At 31 December 2014 the loans were divided as follows:

- The EUR 52.8 million portion of the loan matures in April 2015. The interest rate on the loan is based on one-month market rates. Altia has hedged the interest payments to fixed interest rate by using interest rate derivatives. Cash flow hedge accounting principles are applied to the interest rate derivatives and the hedge effectiveness is tested quarterly. Hedging has been regarded as effective.
- The EUR 22.5 million portion of the loan matures in equal instalments during December 2015 – 2017. The interest rate on the loan has been fixed on three-month market rates. These interest payments are not hedged.
- The EUR 50 million portion of the loan matures in December 2018. The interest rate on the loan is based on three-month market rates. Altia has hedged the interest payments of the euro denominated loans to fixed interest rate by using interest rate derivatives. Hedge accounting principles are applied to these interest rate derivatives. The hedges have been regarded as effective.

The maximum amount under Altia's domestic commercial paper program's is EUR 100 million. The nominal amount of the issued commercial papers amounted to EUR 13 million at 31 December 2014 (EUR 44.0 million at 31 December 2013). The interest rate risk has not been hedged.

Altia established a frame agreement for trade receivables sales in the comparison period in order to diversify and streamline its financial structure with competitive conditions. The agreement's maximum amount is EUR 145 million (EUR 70 million in 2013) after the expansion negotiated during the reporting period. The sold trade receivables are derecognised at the time of trade with no obligation to repurchase. The related costs are recognized in other financial expenses. The trade receivables are current receivables and there is no hedging in place for the related interest rate risk. The amount of the sold trade receivables was EUR 101.7 million at 31 December 2014 (EUR 44 million at 31 December 2013).

## 3. PRICE RISK ASSOCIATED WITH COMMODITIES

***Barley***

In 2014, Altia used approximately 190 million kilos of Finnish barley to produce ethanol and starch. The availability of high-quality domestic starch barley is ensured with contract cultivation and cooperation with grain handling companies. The market price of barley fluctuates significantly year by year as a result of various factors that affect the Finnish barley supply and demand and is therefore considered a significant risk for Altia. The Group Treasury has together with the purchasing organisation analysed opportunities to hedge against barley price changes by using derivative instruments, but no sufficiently correlating hedging instruments have been found in the market so far.

***Electricity***

Strong increase in the market price of electricity is a significant risk for Altia. The risk is managed by following Altia's principles for electricity procurement. The procurement policy determines the hedging limits, within which the electricity price risk is hedged using derivatives mainly from Nasdaq OMX Oslo ASA derivatives markets. The hedging service for electricity procurement has been outsourced.

At the end of 2014, the hedging ratio for deliveries for the next 12 months was 82.4% (79.2% in 2013), in line with the set targets. In 2014, the average hedging ratio was 90.8%.

Cash flow hedge accounting in accordance with IAS 39 is applied to part of the hedges against electricity price risk, and hedge effectiveness is tested quarterly. The ineffective portion, EUR 77 thousand at the end of 2014 (EUR 20 thousand in 2013), is recognised within financial costs.

Altia purchases its electricity straight from the Nord Pool Spot markets as a delivery tied to the spot price of the Finnish price area.

## 4. SENSITIVITY TO MARKET RISKS

The following table describes the sensitivity of the Group's profit before taxes and equity to changes in electricity prices, foreign exchange rates and interest rates. When Altia applies hedge accounting, the sensitivity is directed at equity. When hedge accounting is not applied, the sensitivity is presented as a potential impact on profit or loss.

The sensitivity to foreign exchange rate changes is calculated from the net currency position resulting from financial instruments. The effect of increase in market rates on the Group's profit is determined from net interest expenses taking into account derivative contracts. The effect on equity is calculated taking into account the changes in the market values of interest rate swaps.

**TABLE 2. Sensitivity analyses**

| EUR million<br>Sensitivity of financial instruments to market risks (before taxes) in accordance with IFRS 7 | 2014<br>Income statement | 2014<br>Equity | 2013<br>Income statement | 2013<br>Equity |
|---|---|---|---|---|
| +/-10% change in electricity price | **+/-0.2** | **+/-0.2** | +/-0.3 | +/-0.1 |
| +/-10% change in EUR/NOK exchange rate | **+/-0.2** | | +/-0.1 | |
| +/-10% change in EUR/SEK exchange rate | **+/-0.0** | | +/-0.9 | |
| +/-10% change in EUR/USD exchange rate | **-/+0.3** | | -/+0.2 | |
| +/-10% change in EUR/AUD exchange rate | **-/+0.1** | | -/+0.1 | |
| +1%-points shift in interest rates | **-1.1** | **+1.5** | -0.9 | +1.5 |

## LIQUIDITY RISK

In order to manage the liquidity risk, Altia continuously maintains sufficient liquidity reserves, which at the end of 2014 comprised Group's overdraft facility and a EUR 60 million revolving credit facility line. The revolving credit facility line matures in December 2018. More detailed information on the Group's external loans is provided in the interest rate risk section.

**TABLE 3. Liquidity reserves**

| EUR million<br>Cash and cash equivalents and unused committed credit limits | 2014 | 2013 |
|---|---|---|
| Cash and cash equivalents and other liquid assets | **91.1** | 76.1 |
| Overdraft facilities | **20.0** | 40.0 |
| Revolving credit line | **60.0** | 60.0 |
| Total | **171.1** | 176.1 |

**TABLE 4. Maturities of financial liabilities**

Maturities of financial liabilities 2014

| EUR million Contractual payments on financial liabilities | | CASH FLOWS 2015 | | | CASH FLOWS 2016 | | | CASH FLOWS 2017 - | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Carrying value | Fixed rate | Variable rate | Re-payment | Fixed rate | Variable rate | Re-payment | Fixed rate | Variable rate | Re-payment |
| **Non-derivative:** | | | | | | | | | | |
| Loans from financial institutions | -128.8 | - | -0.8 | -60.3 | - | -0.9 | -7.5 | - | -1.8 | -57.5 |
| Commercial papers | -13.0 | - | -0.1 | -13.0 | - | - | - | - | - | - |
| Finance lease liabilities | -2.1 | - | - | -0.5 | - | - | -0.6 | - | - | -1.0 |
| Trade payables | -26.1 | - | - | -26.1 | - | - | - | - | - | - |
| **Derivative:** | | | | | | | | | | |
| Currency derivatives, hedge accounting | | | | | | | | | | |
| Inflow | 14.6 | - | - | 14.6 | - | - | - | - | - | - |
| Outflow | -14.1 | - | - | -14.1 | - | - | - | - | - | - |
| Currency derivatives, non-hedge accounting | | | | | | | | | | |
| Inflow | 3.7 | - | - | 3.7 | - | - | - | - | - | - |
| Outflow | -3.5 | - | - | -3.5 | - | - | - | - | - | - |
| Interest rate derivatives, hedge accounting | -2.1 | -0.6 | - | - | -0.2 | - | - | -1.3 | - | - |
| Commodity derivatives, hedge accounting | -0.6 | - | - | -0.4 | - | - | -0.2 | - | - | -0.1 |
| **Total** | -172.0 | -0.6 | -0.8 | -99.6 | -0.2 | -0.9 | -8.3 | -1.3 | -1.8 | -58.5 |

Maturities of financial liabilities 2013

| EUR million Contractual payments on financial liabilities | | CASH FLOWS 2014 | | | CASH FLOWS 2015 | | | CASH FLOWS 2016 - | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Carrying value | Fixed rate | Variable rate | Re-payment | Fixed rate | Variable rate | Re-payment | Fixed rate | Variable rate | Re-payment |
| **Non-derivative:** | | | | | | | | | | |
| Loans from financial institutions | -149.1 | - | -1.8 | -7.5 | - | -1.2 | -68.1 | - | -5.5 | -65.0 |
| Commercial papers | -44.0 | - | -0.1 | -44.0 | - | - | - | - | - | - |
| Finance lease liabilities | -2.4 | - | - | -0.5 | - | - | -0.6 | - | - | -1.3 |
| Trade payables | -38.7 | - | - | -38.7 | - | - | - | - | - | - |
| **Derivative:** | | | | | | | | | | |
| Currency derivatives, hedge accounting | | | | | | | | | | |
| Inflow | 22.2 | - | - | 22.2 | - | - | - | - | - | - |
| Outflow | -22.7 | - | - | -22.7 | - | - | - | - | - | - |
| Currency derivatives, non-hedge accounting | | | | | | | | | | |
| Inflow | 47.5 | - | - | 47.5 | - | - | - | - | - | - |
| Outflow | -47.3 | - | - | -47.3 | - | - | - | - | - | - |
| Interest rate derivatives, hedge accounting | -3.3 | -1.6 | - | - | -0.7 | - | - | -1.0 | - | - |
| Commodity derivatives, hedge accounting | -0.9 | - | - | -0.4 | - | - | -0.3 | - | - | -0.2 |
| **Total** | -238.7 | -1.6 | -1.8 | -91.4 | -0.7 | -1.2 | -69.0 | -1.0 | -5.5 | -66.5 |

## CREDIT RISK

The objective of Altia's credit risk management is to minimise the losses if one of the Group's counterparties fails to meet its obligations. The principles of credit risk management are described in the instructions for financial risk management.

Credit risks are caused by a counterparty not fulfilling its contractual payment obligations or the counterparty's credit rating changing in a manner that affects the market value of the financial instruments it has issued.

The maximum amount of credit risk is equal to the carrying amount of the Group's financial assets. No significant risk concentrations relate to trade receivables. The aim is to minimise credit risks by active credit control and by taking into account customers' credit rating when determining the payment term of invoices.

### *Capital management*

The target of Altia's capital management is to secure an effective capital structure that offers the company a continuous access to the capital markets despite the volatility of the industry. Although Altia does not have a public rating, the company aims to obtain a capital structure comparable to that of other companies in the industry that have investment rating. The Board of Directors monitors the Group's capital structure regularly.

Altia monitors its capital based on gearing (the ratio of interest-bearing net liabilities to equity). Interest-bearing net liabilities consist of the loans less cash and cash equivalents and other liquid assets. The current level of gearing is distinctly lower than the limit determined in the Group's loan terms.

During the business cycle, the company's net gearing is likely to fluctuate, and the goal is to retain a sufficiently strong capital structure to secure the Group's financing needs. Gearing at 31 December 2014 and 31 December 2013 were as follows:

**TABLE 5. Gearing as of 31 December**

| EUR million | 2014 | 2013 |
|---|---|---|
| Interest-bearing liabilities | **140.3** | 186.5 |
| Cash and cash equivalents and other liquid assets | **91.1** | 76.1 |
| **Interest-bearing net liabilities** | **49.3** | 110.4 |
| Total equity | **143.9** | 168.8 |
| Gearing 31 December | **34.2 %** | 65.4 % |

## 32. *Events after the reporting period*

The company is not aware of any significant events after the reporting period, which would have affected the preparation of the financial statements.

# *Key ratios of the group*

| EUR million | 2014 | 2013 | 2012 |
|---|---|---|---|
| Net sales | **426.3** | 475.8 | 483.3 |
| Operating profit (loss) | **-18.6** | 0.7 | 29.3 |
| (% of net sales) | **-4.4** | 0.1 | 6.1 |
| Operating profit excluding non-recurring items | **17.9** | 17.4 | 26.7 |
| (% of net sales) | **4.2** | 3.7 | 5.5 |
| Net financial items | **-5.1** | -5.9 | -5.7 |
| (% of net sales) | **-1.2** | -1.2 | -1.2 |
| Profit (loss) before taxes | **-20.4** | -3.8 | 24.6 |
| (% of net sales) | **-4.8** | -0.8 | 5.1 |
| Profit (loss) for the period | **-18.1** | -3.1 | 20.7 |
| (% of net sales) | **-4.3** | -0.6 | 4.3 |
| Profit for the period excluding non-recurring items | **18.3** | 13.6 | 18.0 |
| (% of net sales) | **4.3** | 2.9 | 3.7 |
| Cash and cash equivalents and other liquid assets | **91.1** | 76.1 | 40.2 |
| Total assets | **501.5** | 577.7 | 594.4 |
| Equity | **143.9** | 168.8 | 196.9 |
| Non-controlling interest | **-** | - | 0.0 |
| Deferred tax liability | **23.3** | 21.3 | 24.9 |
| Interest-bearing liabilities | **140.3** | 186.5 | 171.8 |
| Non-interest-bearing liabilities (incl. deferred tax liability) | **217.2** | 222.3 | 225.6 |
| Invested capital | **284.2** | 355.2 | 368.6 |
| Return on equity. % | **-11.2** | -1.6 | 10.8 |
| Return on invested capital. % | **-4.0** | 0.9 | 7.7 |
| Equity ratio. % | **28.7** | 29.2 | 33.2 |
| Gearing. % | **34.2** | 65.4 | 66.9 |
| Net cash flow from operating activities | **74.8** | 84.5 | 0.7 |
| Number of personnel. on average | **987** | 1.074 | 1.108 |
| Earnings/share. EUR | **-0.50** | -0.09 | 0.58 |
| Equity/share. EUR | **4.00** | 4.69 | 5.47 |
| Dividend/share. EUR | **-** | - | 0.20 |
| Number of shares | **35 985 003** | 35 985 003 | 35 985 003 |

# *Formulas for calculation of key ratios*

| | | | |
|---|---|---|---|
| Cash and cash equivalents | = | | Cash at hand and in bank + financial securities |
| Invested capital | = | | Total assets - non-interest-bearing liabilities - deferred tax liability - obligatory provisions |
| Return on equity, % (ROE) | = | 100 x | Profit (loss) for the period / (Equity + non-controlling interests) average for 12 months |
| Return on invested capital, % (ROI) | = | 100 x | Profit (loss) for the period + interest expenses / (Equity + non-controlling interests + interest-bearing liabilities) average for 12 months |
| Equity ratio, % | = | 100 x | Equity + non-controlling interests / Total assets - advances received |
| Gearing, % | = | 100 x | Interest-bearing liabilities - cash and cash equivalents and other liquid assets / Equity + non-controlling interests |
| Earnings/share | = | | Profit (loss) for the period - non-controlling interests / Share-issue adjusted number of shares (average for period) |
| Equity/share | = | | Equity attributable to shareholders of the parent / Share-issue adjusted number of shares (at the end of period) |
| Dividend/share | = | | Dividend for period / Share-issue adjusted number of shares (average for period) |

# _*Parent company financial statements*

# *Parent company's income statement (FAS)*

| EUR million | NOTE | 1 Jan - 31 Dec 2014 | 1 Jan - 31 Dec 2013 |
|---|---|---|---|
| NET SALES | 2) | **200.6** | 206.7 |
| Increase (+) / decrease (–) in inventories of finished goods and work in progress | | **-4.7** | 3.6 |
| Other operating income | 3) | **24.2** | 27.0 |
| Materials and services | 4) | | |
| Raw materials, consumables and goods | | | |
| Purchases during the period | | **138.3** | 164.0 |
| Change in inventories | | **-1.0** | -8.7 |
| External services | | **0.7** | 0.8 |
| Total materials and services | | **138.0** | 156.1 |
| Personnel expenses | 5) | | |
| Wages and salaries | | **25.5** | 24.5 |
| Indirect employee expenses | | | |
| Pension expenses | | **5.3** | 4.4 |
| Other indirect employee expenses | | **1.3** | 1.3 |
| Total personnel expenses | | **32.1** | 30.3 |
| Depreciation, amortisation and impairment losses | 6) | | |
| Depreciation and amortisation according to plan | | **10.6** | 9.9 |
| Impairment loss on non-current assets | | **33.2** | 5.4 |
| Total depreciation, amortisation and impairment losses | | **43.8** | 15.2 |
| Other operating expenses | 7) | **31.6** | 36.1 |
| **OPERATING LOSS** | | -25.4 | -0.5 |
| Financial income and expenses | 8) | | |
| Income from Group companies | | **31.0** | - |
| Income from participating interests | | **0.7** | 0.7 |
| Income from other investments held as non-current assets | | | |
| From others | | **0.0** | - |
| Other interest and financial income | | | |
| From Group companies | | **1.4** | 1.9 |
| From others than Group companies | | **3.8** | 10.3 |
| Interest and other financial expenses | | | |
| To Group companies (–) | | **-1.1** | -2.9 |
| To others than Group companies (–) | | **-7.5** | -13.5 |
| Total financial income and expenses | | **28.4** | -3.6 |
| **PROFIT (LOSS) BEFORE EXTRAORDINARY ITEMS** | | 3.0 | -4.1 |
| Extraordinary items | | | |
| Extraordinary expenses | 9) | **-0.2** | - |
| **PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES** | | 2.8 | -4.1 |
| Appropriations | 10) | | |
| Depreciation difference increase (–) /decrease (+) | | **-0.1** | 1.2 |
| Income taxes | 11) | | |
| Current period taxes (–) | | **-0.4** | - |
| Deferred taxes (–) | | **-0.6** | 0.6 |
| Other direct taxes (–) | | **-0.0** | -0.0 |
| **PROFIT (LOSS) FOR THE PERIOD** | | 1.8 | -2.3 |

# *Parent company's balance sheet (FAS)*

| EUR million | NOTE | 31 Dec 2014 | 31 Dec 2013 |
|---|---|---|---|
| ASSETS | | | |
| NON-CURRENT ASSETS | 12) | | |
| Intangible assets | | | |
| Intangible rights | | **9.2** | 9.4 |
| Other capitalised long-term expenditure | | **16.3** | 1.0 |
| Prepayments | | **1.4** | 0.9 |
| | | **26.9** | 11.4 |
| Tangible assets | | | |
| Land and water areas | | **2.5** | 2.5 |
| Buildings and structures | | **22.8** | 23.4 |
| Machinery and equipment | | **19.1** | 19.6 |
| Other tangible assets | | **0.5** | 0.5 |
| Prepayments and assets under construction | | **13.3** | 8.7 |
| | | **58.2** | 54.8 |
| Investments | | | |
| Holdings in Group companies | | **190.3** | 213.0 |
| Participating interests | | **8.0** | 8.0 |
| Other shares and investments | | **0.8** | 0.8 |
| | | **199.1** | 221.9 |
| **TOTAL NON-CURRENT ASSETS** | | **284.2** | 288.0 |
| CURRENT ASSETS | | | |
| Inventories | 13) | | |
| Materials and supplies | | **18.0** | 18.9 |
| Work in progress | | **13.0** | 21.1 |
| Finished goods | | **10.0** | 6.6 |
| | | **40.9** | 46.6 |
| Non-current receivables | 14) | | |
| Receivables from Group companies | | **34.2** | 57.1 |
| Deferred tax assets | | **0.4** | 1.4 |
| Other receivables | | **0.6** | 0.8 |
| | | **35.2** | 59.3 |
| Current receivables | 15) | | |
| Trade receivables | | **20.7** | 23.3 |
| Receivables from Group companies | | **13.5** | 25.6 |
| Receivables from participating interest undertakings | | **0.1** | 0.2 |
| Accrued income and prepaid expenses | | **3.2** | 2.2 |
| | | **37.6** | 51.3 |
| Cash at hand and in banks | | **87.1** | 71.8 |
| **TOTAL CURRENT ASSETS** | | **200.8** | 228.9 |
| **TOTAL ASSETS** | | **485.0** | 517.0 |

# *Parent company's balance sheet (FAS)*

| EUR million | NOTE | 31 Dec 2014 | 31 Dec 2013 |
|---|---|---|---|
| EQUITY AND LIABILITIES | | | |
| EQUITY | **16)** | | |
| Share capital | | **60.5** | 60.5 |
| Other reserves | | | |
| Hedging reserve | | **-1.7** | -3.1 |
| Retained earnings | | **90.9** | 93.1 |
| Profit (loss) for the period | | **1.8** | -2.3 |
| **TOTAL EQUITY** | | **151.4** | 148.2 |
| **APPROPRIATIONS** | **17)** | | |
| Depreciation difference | | **16.4** | 16.4 |
| LIABILITIES | | | |
| Non-current | **18)** | | |
| Loans from financial institutions | | **65.0** | 133.1 |
| Liabilities to Group companies | | **2.2** | 15.5 |
| Other liabilities | | **4.9** | - |
| | | **72.1** | 148.7 |
| Current | | | |
| Loans from financial institutions | | **60.2** | 7.5 |
| Commercial papers | | **13.0** | 44.0 |
| Trade payables | | **11.3** | 12.1 |
| Liabilities to Group companies | **19)** | **99.5** | 79.5 |
| Other liabilities | | **43.4** | 44.4 |
| Accrued expenses and deferred income | **20)** | **17.6** | 16.2 |
| | | **245.1** | 203.6 |
| **TOTAL LIABILITIES** | | **317.2** | 352.3 |
| **TOTAL EQUITY AND LIABILITIES** | | **485.0** | 517.0 |

# *Parent company's statement of cash flows (FAS)*

| EUR million | 1 Jan-31 Dec 2014 | 1 Jan-31 Dec 2013 |
|---|---|---|
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Proceeds from sales | **203.5** | 253.0 |
| Proceeds from other operating income | **13.7** | 14.5 |
| Payments for other operating expenses (–) | **-188.9** | -183.7 |
| Cash flow from operating activities before financial items and taxes | **28.2** | 83.8 |
| Interests paid and payments for other financial expenses (-) | **-9.1** | -17.8 |
| Interests received from operating activities | **5.6** | 10.8 |
| Income taxes paid (-) | **-0.1** | 0.7 |
| Cash flow before extraordinary items | **24.6** | 77.5 |
| **CASH FLOW FROM OPERATING ACTIVITIES** | **24.6** | 77.5 |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Acquisitions of tangible and intangible assets (–) | **-30.8** | -12.0 |
| Proceeds from sale of tangible and intangible assets | **0.1** | 0.1 |
| Acquisitions of other investments (–) | **-2.0** | -7.4 |
| Increase of loan receivables | **-** | -32.0 |
| Repayment of loan receivables | **5.1** | - |
| Proceeds from sale of other investments | **1.0** | 2.7 |
| Dividends received | **31.8** | 0.7 |
| **CASH FLOW FROM INVESTING ACTIVITIES** | **5.2** | -47.9 |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds from commercial paper program | **-** | 23.5 |
| Repayment of commercial paper program | **-31.0** | - |
| Proceeds from current borrowings | **19.2** | 28.5 |
| Repayment of current loan receivables | **6.4** | - |
| Repayment of current borrowings (–) | **-11.0** | -19.2 |
| Proceeds from non-current borrowings | **-** | 133.0 |
| Repayment of non-current loan receivables | **22.9** | - |
| Repayment of non-current borrowings (–) | **-21.1** | -153.3 |
| Paid dividends and other profit distribution (–) | **-** | -7.2 |
| **CASH FLOW FROM FINANCING ACTIVITIES** | **-14.5** | 5.3 |
| CHANGE IN CASH AND CASH EQUIVALENTS, INCREASE (+) / DECREASE (–) | **15.3** | 34.8 |
| CASH AND CASH EQUIVALENTS AT 1 JANUARY | **71.8** | 37.0 |
| CASH AND CASH EQUIVALENTS AT 31 DECEMBER | **87.1** | 71.8 |

Cash flow from operating activities includes the cash flow effect of the sold trade receivables.

# Notes to the parent company's financial statements

## 1. Accounting policies for the parent company's financial statements

The financial statements of the parent company are prepared in accordance with the Finnish accounting legislation. Altia Group's financial statements are prepared following the International Financial Reporting Standards (IFRS), and the parent company follows the Group's accounting policies when possible. Accounting policies that differ from the Group's accounting policies are presented below. Otherwise the Group's accounting policies are applied.

*Pension plans*

The pension plans of the parent company are arranged through pension insurance companies. Pension expenses are accrued to correspond to the performance-based salaries in the financial statements.

*Cash Pool*

The Group has applied the so called cash pool arrangement, which enables efficient management of the parent company's and subsidiaries' cash and cash equivalents.

*Leases*

All lease payments are recognised as rental expenses.

*Valuation of financial instruments*

Financial instruments are measured at fair value. The fair values of the financial instuments are determined by using the market prices on the closing date of the reporting period.

*Hedge accounting*

The company applies hedge accounting when the change in fair value is recognised in the hedging reserve under equity.

*Research and development expenditure*

is recognised as an annual expense as incurred.

*Financial securities*

Fair value changes of available-for-sale financial assets and quoted shares are recognised in the parent company.

*Sale of trade receivables*

Altia Plc commenced a sales program for trade receivables during the previous year. The sold receivables are derecognised when the receivable has been sold and the sales price for it has been received. The related costs are recognized in other financial expenses.

*Foreign exchange derivatives*

The external foreign exchange transactions are performed centrally by the parent company which executes internal foreign exchange transactions with the Group companies.

*Non-current liabilities*

Interest expense accruals and entries in respect of the principals when applying the effective interest rate method in the consolidated financial statements are adjusted to comply with the Finnish accounting legislation.

*Extraordinary items*

Material items unrelated to business operations are recognised in extraordinary items.

*Income taxes*

The Group's accounting policies are applied to income taxes whenever possible according to the Finnish Accounting Standards.

*Foreign currency denominated items*

Foreign currency denominated receivables and liabilities are translated to Finnish currency at the rates of the closing date of the reporting period.

## 2. *Net sales*

*Net sales by business areas*

| EUR million | 2014 | 2013 |
|---|---|---|
| Altia Brands | **98.8** | 80.6 |
| Industrial services | **98.8** | 112.2 |
| Other | **3.0** | 14.0 |
| Total | 200.6 | 206.7 |

*Net sales by geographic areas*

| EUR million | 2014 | 2013 |
|---|---|---|
| Finland | **157.2** | 181.7 |
| Europe | **42.5** | 25.0 |
| Rest of the world | **1.0** | 0.0 |
| Total | 200.6 | 206.7 |

## 3. *Other operating income*

| EUR million | 2014 | 2013 |
|---|---|---|
| Rental income | **3.9** | 4.3 |
| Income from energy sales | **3.6** | 3.5 |
| Proceeds from disposal of tangible assets | **1.0** | 2.7 |
| Service income | **10.7** | 10.3 |
| Other income | **5.0** | 6.2 |
| Total | 24.2 | 27.0 |

## 4. *Materials and services*

| EUR million | 2014 | 2013 |
|---|---|---|
| Raw materials, consumables and goods | | |
| Purchases during the period | **138.3** | 164.0 |
| Change in inventories | **-1.0** | -8.7 |
| External services | **0.7** | 0.8 |
| Total | 138.0 | 156.1 |

## 5. *Notes related to personnel*

| EUR million | 2014 | 2013 |
|---|---|---|
| The average number of personnel during the reporting period | | |
| Workers | **243** | 236 |
| Clerical employees | **257** | 226 |
| Total | 500 | 462 |
| Wages, salaries and pension expenses in the reporting period | | |
| Wages and salaries | **25.5** | 24.5 |
| Pension expenses | **5.3** | 4.4 |
| Other indirect employee expenses | **1.3** | 1.3 |
| Total | 32.1 | 30.3 |
| Fringe benefits (taxable value) | **1.0** | 0.9 |
| Management remuneration | | |
| CEO and the subsitute | **0.3** | 1.0 |
| Board members | **0.2** | 0.2 |

CEO Antti Pankakoski was released of his duties at 21 November 2013.

*Pension commitments of the Board and CEO*

The retirement age of the CEO of the company is 63 years.

## 6. *Depreciation, amortisation and impairment losses*

| EUR million | 2014 | 2013 |
|---|---|---|
| Depreciation and amortisation according to plan | **10.6** | 9.9 |
| Impairment loss on non-current assets | **33.2** | 5.4 |
| Total | 43.8 | 15.2 |

## 7. *Other operating expenses*

| EUR million | 2014 | 2013 |
|---|---|---|
| Loss on sale of tangible assets | - | 0.0 |
| Rental expenses | **3.3** | 3.6 |
| Marketing expenses | **4.8** | 4.7 |
| Energy expenses | **9.7** | 9.3 |
| Travel and representation expenses | **1.2** | 1.4 |
| Maintenance expenses | **7.6** | 5.4 |
| IT expenses | **3.9** | 5.0 |
| Other expenses | **1.1** | 6.8 |
| **Total** | 31.6 | 36.1 |
| Auditor's fees | | |
| Audit fees | **0.1** | 0.1 |
| Tax consultation | **0.1** | 0.1 |
| Other fees | **0.0** | 0.4 |
| **Total** | 0.2 | 0.5 |

## 8. *Financial income and expenses*

| EUR million | 2014 | 2013 |
|---|---|---|
| Dividend income | | |
| From Group companies | **31.0** | - |
| From participating interest undertakings | **0.7** | 0.7 |
| From others | **0.0** | 0.1 |
| **Total dividend income** | 31.8 | 0.7 |
| Interest income | | |
| From Group companies | **1.4** | 1.9 |
| From others | **0.8** | 1.7 |
| **Total interest income** | 2.3 | 3.6 |
| Other financial income | | |
| From others | **3.0** | 8.6 |
| **Total financial income** | 37.0 | 12.9 |
| Interest expenses | | |
| To Group companies | **0.8** | 1.4 |
| To others | **3.9** | 4.7 |
| **Total interest expenses** | 4.7 | 6.2 |
| Other financial expenses | | |
| To Group companies | **0.4** | 1.5 |
| To others | **3.6** | 8.8 |
| **Total other financial expenses** | 4.0 | 10.3 |
| **Total financial expenses** | 8.6 | 16.5 |
| **Total financial income and expenses** | 28.4 | -3.6 |

The following items are included in financial items of the income statement from fair value hedges:

| | | |
|---|---|---|
| Other financial income | | |
| Fair value changes of derivatives | **0.0** | 0.1 |
| Other financial expenses | | |
| Fair value changes of derivatives | **0.3** | 0.6 |

## 9. *Extraordinary items*

| EUR million | 2014 | 2013 |
|---|---|---|
| Extraordinary expenses / group contribution | **0.2** | - |

## 10. *Appropriations*

| EUR million | 2014 | 2013 |
|---|---|---|
| Difference between depreciations according to plan and depreciations made in taxation | | |
| Intangible rights | **-0.2** | -0.0 |
| Other long-term expenditure | **-0.0** | 1.0 |
| Buildings and structures | **0.4** | -0.3 |
| Machinery and equipment | **-0.2** | 0.5 |
| Other tangible assets | **-0.0** | 0.0 |
| **Total** | -0.1 | 1.2 |

## 11. *Income taxes*

| EUR million | 2014 | 2013 |
|---|---|---|
| Income taxes from current period | **0.4** | - |
| Income taxes from previous periods | **0.0** | 0.0 |
| Change in deferred tax assets | **0.6** | -0.6 |
| **Total** | 1.0 | -0.6 |

## *Environmental expenses*

The company's environmental expenses did not have a significant impact on the profit for the period and on the financial position.

## 12. *Specification of non-current assets*

| EUR million | 2014 | 2013 |
|---|---|---|
| INTANGIBLE ASSETS | | |
| Intangible rights | | |
| Acquisition cost at 1 January | **18.6** | 18.3 |
| Additions | **2.2** | 0.2 |
| Disposals | **-0.0** | -0.0 |
| Transfers between items | **0.4** | 0.2 |
| **Acquisition cost at 31 December** | **21.2** | 18.6 |
| Accumulated amortisation at 1 January | **-9.2** | -7.4 |
| Accumulated amortisation on disposals and transfers | **0.0** | 0.0 |
| Amortisation for the period | **-2.9** | -1.8 |
| **Accumulated amortisation at 31 December** | **-12.0** | -9.2 |
| Carrying amount at 31 December | 9.2 | 9.4 |
| Goodwill | | |
| Acquisition cost at 1 January | **17.6** | 17.6 |
| **Acquisition cost at 31 December** | **17.6** | 17.6 |
| Accumulated amortisation at 1 January | **-17.6** | -17.6 |
| **Accumulated amortisation at 31 December** | **-17.6** | -17.6 |
| Carrying amount at 31 December | - | - |
| Other long-term expenditure | | |
| Acquisition cost at 1 January | **10.8** | 10.7 |
| Additions | **17.3** | 0.1 |
| **Acquisition cost at 31 December** | **28.1** | 10.8 |
| Accumulated amortisation at 1 January | **-9.8** | -8.6 |
| Amortisation for the period | **-1.9** | -1.2 |
| **Accumulated amortisation at 31 December** | **-11.8** | -9.8 |
| Carrying amount at 31 December | 16.3 | 1.0 |
| Prepayments in intangible assets | | |
| Acquisition cost at 1 January | **0.9** | 0.4 |
| Additions | **0.9** | 0.8 |
| Transfers between items | **-0.4** | -0.3 |
| Carrying amount at 31 December | 1.4 | 0.9 |

| EUR million | 2014 | 2013 |
|---|---|---|
| TANGIBLE ASSETS | | |
| Land and water areas | | |
| Acquisition cost at 1 January | **2.5** | 2.5 |
| Disposals | **-0.0** | -0.0 |
| Carrying amount at 31 December | 2.5 | 2.5 |
| Buildings and structures | | |
| Acquisition cost at 1 January | **89.0** | 88.4 |
| Additions | **1.3** | 2.8 |
| Transfers between items | **0.9** | 1.4 |
| Disposals | **-1.2** | -3.6 |
| **Acquisition cost at 31 December** | **90.1** | 89.0 |
| Accumulated depreciation at 1 January | **-65.6** | -65.3 |
| Accumulated depreciation on disposals and transfers | **0.7** | 3.3 |
| Depreciation for the period | **-2.4** | -3.6 |
| **Accumulated depreciation at 31 December** | **-67.3** | -65.6 |
| Carrying amount at 31 December | 22.8 | 23.4 |
| Machinery and equipment | | |
| Acquisition cost at 1 January | **125.4** | 123.4 |
| Additions | **1.9** | 1.1 |
| Disposals | **-3.3** | -0.3 |
| Transfers between items | **2.1** | 1.2 |
| **Acquisition cost at 31 December** | **126.0** | 125.4 |
| Accumulated depreciation at 1 January | **-105.7** | -101.3 |
| Accumulated depreciation on disposals and transfers | **3.2** | 0.1 |
| Depreciation for the period | **-4.4** | -4.5 |
| **Accumulated depreciation at 31 December** | **-106.9** | -105.7 |
| Carrying amount at 31 December | 19.1 | 19.6 |
| Other tangible assets | | |
| Acquisition cost at 1 January | **0.5** | 0.5 |
| **Acquisition cost at 31 December** | **0.5** | 0.5 |
| Carrying amount at 31 December | 0.5 | 0.5 |
| Prepayments and assets under construction | | |
| Acquisition cost at 1 January | **8.7** | 2.6 |
| Additions | **7.5** | 8.7 |
| Transfers between items | **-3.0** | -2.6 |
| Carrying amount at 31 December | 13.3 | 8.7 |

| EUR million | 2014 | 2013 |
|---|---|---|
| INVESTMENTS | | |
| Holdings in Group companies | | |
| Acquisition cost at 1 January | **330.3** | 315.5 |
| Additions | **9.5** | 14.8 |
| Disposals | **-0.1** | - |
| **Acquisition cost at 31 December** | **339.7** | 330.3 |
| Accumulated impairment at 1 January | **-117.2** | -111.9 |
| Impairment | **-32.2** | -5.4 |
| **Accumulated impairment at 31 December** | **-149.4** | -117.2 |
| **Carrying amount at 31 December** | **190.3** | 213.0 |
| Participating interests | | |
| Acquisition cost at 1 January | **8.0** | 8.0 |
| **Carrying amount at 31 December** | **8.0** | 8.0 |
| Other shares and investments | | |
| Acquisition cost at 1 January | **0.8** | 0.8 |
| Disposals | **-0.0** | -0.0 |
| **Carrying amount at 31 December** | **0.8** | 0.8 |

## 13. *Inventory*

There is no significant difference between the repurchase price and cost of inventories.

## 14. *Non-current receivables*

| EUR million | 2014 | 2013 |
|---|---|---|
| Receivables from Group companies | | |
| Loan receivables | **34.2** | 57.1 |
| Deferred tax assets | | |
| Recognized in hedging reserve | **0.4** | 0.8 |
| Confirmed tax losses | **-** | 0.6 |
| | **0.4** | 1.4 |
| Other receivables | | |
| Capital loan receivable | **0.6** | 0.8 |
| **Total non-current receivables** | **35.2** | 59.3 |

## 15. *Current receivables*

| EUR million | 2014 | 2013 |
|---|---|---|
| Receivables from Group companies | | |
| Trade receivables | **3.9** | 6.0 |
| Cash Pool receivables | **2.9** | 5.7 |
| Loan receivables | **0.0** | 6.4 |
| Other receivables | **5.9** | 5.3 |
| Derivatives | **0.0** | 0.2 |
| Accrued income and prepaid expenses | **0.9** | 2.0 |
| **Total** | **13.5** | 25.6 |
| Receivables from participating interest undertakings | | |
| Trade receivables | **0.1** | 0.2 |
| **Total** | **0.1** | 0.2 |
| Receivables from others | | |
| Trade receivables *) | **20.7** | 23.3 |
| Accrued income and prepaid expenses | **3.2** | 2.2 |
| **Total** | **23.9** | 25.5 |
| **Total current receivables** | **37.6** | 51.3 |
| Significant items in accrued income and prepaid expenses | | |
| Derivatives | **0.7** | 0.2 |
| Others | **2.5** | 2.0 |
| Total | **3.2** | 2.2 |

*) Does not include the sold trade receivables

## DISCLOSURES ON FAIR VALUES (FINANCIAL SECURITIES)

| | Fair value 31 Dec 2014 | Changes in the fair value recognised in the income statement | Changes in the fair value recognised in fair value reserve |
|---|---|---|---|
| Derivative instruments | | | |
| Interest rate derivatives | **-2.1** | **-** | **-2.1** |
| Foreign exchange derivatives | **0.3** | **0.0** | **0.2** |
| Commodity derivatives | **-0.6** | **-0.3** | **-0.3** |
| **Total** | -2.5 | -0.3 | -2.2 |

| | Fair value 31 Dec 2013 | Changes in the fair value recognised in the income statement | Changes in the fair value recognised in fair value reserve |
|---|---|---|---|
| Financial securities | | | |
| Publicly quoted shares | - | 0.8 | - |
| **Total** | - | 0.8 | - |
| Derivative instruments | | | |
| Interest rate derivatives | -3.4 | - | -3.4 |
| Foreign exchange derivatives | -0.2 | 0.1 | -0.2 |
| Commodity derivatives | -0.9 | -0.6 | -0.2 |
| **Total** | -4.4 | -0.5 | -3.9 |

## 16. Equity

| EUR million | 2014 | 2013 |
|---|---|---|
| Restricted equity | | |
| Share capital at 1 January | **60.5** | 60.5 |
| **Share capital at 31 December** | **60.5** | 60.5 |
| | | |
| Hedging reserve at 1 January | **-3.1** | -4.1 |
| Disposals | **1.4** | 1.0 |
| **Hedging reserve at 31 December** | **-1.7** | -3.1 |
| | | |
| Total restricted equity | 58.8 | 57.4 |
| | | |
| Unrestricted equity | | |
| Retained earnings at 1 January | **90.9** | 100.3 |
| Distribution of dividends | **-** | -7.2 |
| Profit (loss) for the period | **1.8** | -2.3 |
| Total unrestricted equity | 92.6 | 90.9 |
| | | |
| Total equity | 151.4 | 148.2 |

Distributable unrestricted equity

Calculation of distributable equity

| | 31 Dec 2014 | 31 Dec 2013 |
|---|---|---|
| Retained earnings | **90.9** | 100.3 |
| Distribution of dividends | **-** | -7.2 |
| Profit (loss) for the period | **1.8** | -2.3 |
| Total distributable unrestricted equity | **92.6** | 90.9 |

Distribution of the company's share capital:

| | | |
|---|---|---|
| A series shares pcs | **35,960,000** | 35,960,000 |
| L series shares pcs | **25,003** | 25,003 |

L series shares are currently held by the company.

## 17. Appropriations

| EUR million | 2014 | 2013 |
|---|---|---|
| The company's appropriations consist of accrued depreciation difference. | | |
| Intangible rights | **1.6** | 1.4 |
| Other long-term expenditure | **0.2** | 0.2 |
| Buildings and structures | **5.2** | 5.6 |
| Machinery and equipment | **9.8** | 9.6 |
| Other tangible assets | **-0.3** | -0.4 |
| Total | 16.4 | 16.4 |

## 18. Liabilities

| EUR million | 2014 | 2013 |
|---|---|---|
| Non-current | | |
| Loans from financial institutions | **65.0** | 133.1 |
| Liabilities to Group companies | **2.2** | 15.5 |
| Other liabilities | **4.9** | - |
| Total | 72.1 | 148.7 |

## 19. Liabilities to Group companies

| EUR million | 2014 | 2013 |
|---|---|---|
| Trade payables | **0.4** | 1.1 |
| Cash Pool liabilities | **90.4** | 74.0 |
| Other liabilities to Group companies | **-** | 3.5 |
| Derivative instruments | **0.4** | 0.1 |
| Other accrued expenses | **8.4** | 0.8 |
| Total | 99.5 | 79.5 |

## 20. Accrued expenses and deferred income

| EUR million | 2014 | 2013 |
|---|---|---|
| Significant items under accrued expenses: | | |
| Holiday pay and other wages and salaries | **6.1** | 5.1 |
| Contract discount | **0.3** | 0.7 |
| Procurement expenses and other accrued expenses | **8.0** | 4.9 |
| Supplementary pension liability | **0.2** | 0.7 |
| Taxes | **0.1** | - |
| Derivative instruments | **2.8** | 4.7 |
| Total | 17.6 | 16.2 |

## 21. *Collaterals and commitments*

| EUR million | 2014 | 2013 |
|---|---|---|
| Collaterals given on behalf of the Group companies | | |
| Mortgages | **18.5** | 18.5 |
| Guarantees | **9.0** | 6.9 |
| **Total collaterals** | 27.5 | 25.4 |
| Commitments and other contingencies | | |
| Operating and finance lease obligations | | |
| Not later than one year | **0.4** | 0.6 |
| Later than one year | **0.2** | 0.4 |
| **Total** | 0.7 | 1.0 |
| Lease obligations | | |
| Not later than one year | **1.5** | 1.6 |
| Later than one year | **1.2** | 3.3 |
| **Total** | 2.8 | 4.9 |
| Other obligations | | |
| Not later than one year | **6.7** | 6.6 |
| **Total** | 6.7 | 6.6 |
| **Total commitments** | 10.1 | 12.5 |
| **Total collaterals and commitments** | 37.6 | 38.0 |

| EUR million | 2014 | 2013 |
|---|---|---|
| Derivative contracts | | |
| Electricity derivatives | | |
| Fair value | **-0.6** | -0.9 |
| Nominal value | **4.4** | 4.9 |
| Amount (TWh) | **0.1** | 0.1 |
| Group's external forward exchange contracts | | |
| Fair value | **0.6** | -0.2 |
| Nominal value | **18.1** | 69.4 |
| Group's internal forward exchange contracts | | |
| Fair value | **-0.4** | 0.1 |
| Nominal value | **15.1** | 16.5 |
| Interest rate derivatives | | |
| Fair value | **-2.1** | -3.4 |
| Nominal value | **100.0** | 173.8 |

| Emission allowances (tons) | 2014 | 2013 |
|---|---|---|
| Emission allowances received | **29,020** | 29,533 |
| Excess emission allowances from the previous year | **51,379** | 98,743 |
| Adjustments related to prior year's estimates | **-81** | -285 |
| Delivered emission allowances | **-** | -39,107 |
| Realised emissions | **-40,714** | -37,505 |
| **Emission allowances at 31 December** | **39,604** | 51,379 |
| Fair value of the remaining emission allowances | **0.3** | 0.2 |

The received emission allowances and the realised emission of the year 2014 are estimates which will be adjusted during spring 2015. Altia continues to operate within the emission trading system for the trading period 2013-2020,

# _Board of Directors' proposal for the distribution of profits

According to the balance sheet at 31 December 2014, Altia Plc's distributable funds amount to EUR 92,621,134 including profit for the period of EUR 1,763,558.

The Board of Directors proposes to the Annual General Meeting that no dividends are distributed for the financial year 2014.

**Signatures to the Board of Directors' Report and to the financial statementst**

*Helsinki, 11 February 2015*

Matti Tikkakoski
Chairman

Mikael Aro Catarina Fagerholm Minna Huhtaniska

Annikka Hurme Jarmo Kilpelä Sanna Suvanto-Harsaae

Pekka Tennilä
CEO

# _Auditor's report

## *To the Annual General Meeting of Altia Plc*

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Altia Plc for the year ended 31 December, 2014. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

### RESPONSIBILITY OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

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 International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

### AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

### OPINION ON THE COMPANY'S FINANCIAL STATEMENTS AND THE REPORT OF THE BOARD OF DIRECTORS

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

### OTHER OPINIONS

We support the adoption of the financial statements. The proposal by the Board of Directors regarding the treatment of distributable funds is in compliance with the Limited Liability Companies Act. We support that the Board of Directors of the parent company and the Managing Director be discharged from liability for the financial period audited by us.

Helsinki, February 11, 2015
KPMG Oy Ab

*Jari Härmälä*
*Authorized Public Accountant*

# _Corporate governance statement 2014

This Corporate Governance Statement has been prepared in accordance with Recommendation 54 of the Finnish Corporate Governance Code. This Statement is not part of the Report of the Board of Directors. Altia Plc (hereinafter "Altia" or the "company") complies with the provisions of its Articles of Association and the Finnish Companies Act. Altia also complies with the applicable provisions and principles of the government resolution of 3 November 2011 on state ownership policy, and the statement by the cabinet committee on economic policy of 13 August 2012 regarding the remuneration of executive management and key individuals.

Altia is fully owned by the State of Finland. The Ownership Steering Department in the Prime Minister's Office is responsible for ownership steering and oversight of the company. Altia's head office is located in Helsinki, Finland.

In accordance with the government resolution of 3 November 2011 on state ownership policy, Altia complies with the Finnish Corporate Governance Code 2010, as applicable.

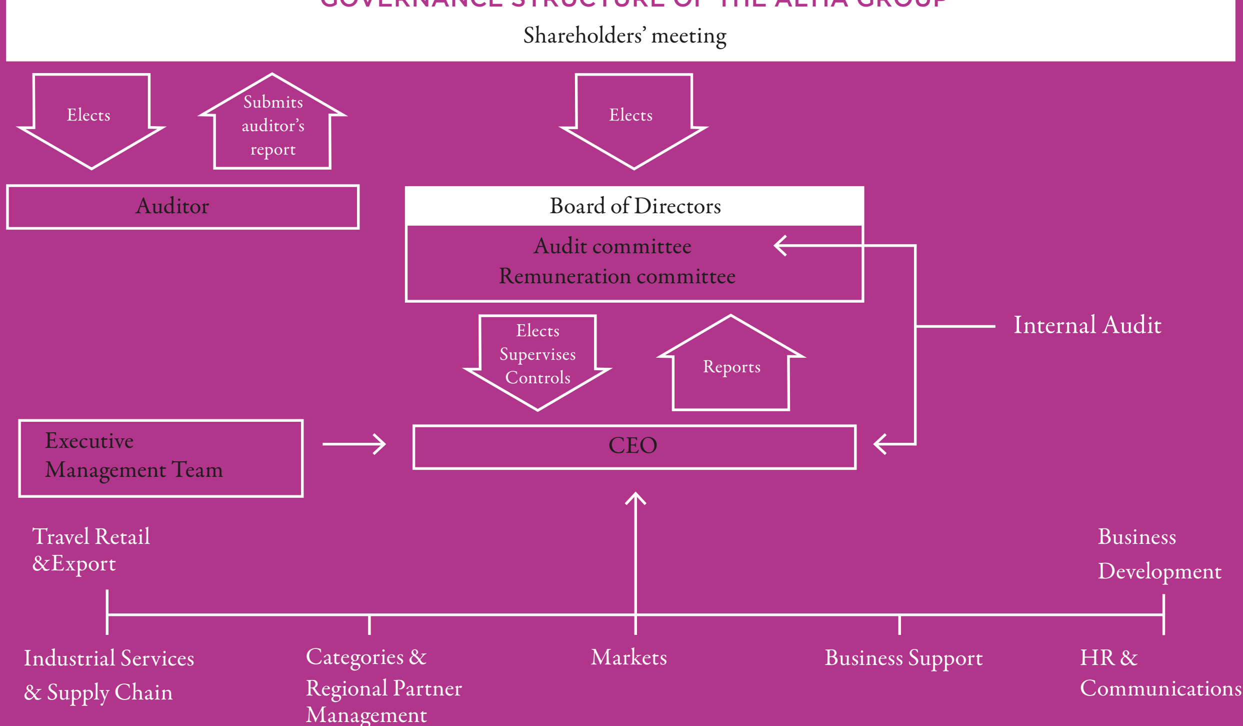
Deviations from the Corporate Governance Code are based on the facts that the company has one owner, the company's shares are not listed and the company has no share-based compensation or incentive schemes. The company deviates from the following recommendations of the Corporate Governance Code: Recommendation 1 (information on general meetings to shareholders), Recommendation 3 (attendance of the board of directors, managing director and auditor at a general meeting), Recommendation 4 (attendance of a prospective director at a general meeting), Recommendation 11 (informing the shareholders of director candidates), Recommendation 51 (the company's insider administration), and Recommendation 55 (disclosing information on the company website due to the above-mentioned deviations). The information required by the Finnish Corporate Governance Code is, with the above exceptions, also available on the company's website www.altiacorporation.com. An unofficial English translation of the Finnish Corporate Governance Code 2010 is available at www.cgfinland.fi.

Altia prepares its consolidated financial statements in accordance with the IFRS reporting standards. The Report of the Board of Directors and the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and the guidelines and statements of the Accounting Board. The auditor's report covers the Report of the Board of Directors, the consolidated financial statements, including the parent company's financial statements.

## GOVERNING BODIES

The management of the company is the responsibility of the General Meeting of Shareholders, the Board of Directors and the CEO. Their duties are mainly laid down in the Finnish Companies Act. The management and administration of the company are also based on the decisions of the General Meeting of Shareholders and the company.

GOVERNANCE STRUCTURE OF THE ALTIA GROUP



## GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders is the ultimate decision-making authority of the company. At the General Meeting of Shareholders, the shareholder exercises its powers in accordance with the Companies Act and the Articles of Association. The General Meeting of Shareholders decides on matters that under the Companies Act and the Articles of Association are within its purview. A General Meeting of Shareholders is convened by the Board of Directors. Pursuant to the Articles of Association, the Annual General Meeting is held annually within six months from the end of the previous financial year on a date determined by the Board of Directors. An Extraordinary Meeting of Shareholders may be convened in the manner provided for in the Companies Act. Matters on which the Annual General Meeting decides include the adoption of the financial statements, the distribution of profits, discharging liable parties from liability, and the election of the chairman, vice chairman and other members of the Board of Directors, and the auditor, as well as their remuneration. Decisions to amend the Articles of Association are also taken by a General Meeting of Shareholders.

## THE BOARD OF DIRECTORS

The Board of Directors is responsible for the administration of the company and the appropriate organization of its operations. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances. The Board of Directors makes decisions on the strategy, investments, organization and financial affairs of the company. The Board of Directors also ensures that good corporate governance is complied with throughout the Altia Group. The Board of Directors has approved the Corporate Governance principles of the Altia Group.

The members of the Board of Directors are elected by the General Meeting of Shareholders. According to the Articles of Association, the Board of Directors consists of no less than one and no more than five members in addition the chairman and vice chairman. The General Meeting of Shareholders elects the chairman, the vice chairman and the other members of the Board of Directors for a term expiring at the end of the next Annual General Meeting following their election. The biographical details of the members of the Board of Directors are presented on the company's website.

The Board of Directors have adopted the charter of the Board of Directors, which sets forth the procedures and working principles of the Board of Directors, as well as the most important tasks and issues considered and approved by the Board of Directors. Accordingly, the Board of Directors' responsibilities include approving the company's strategy, financial targets, budgets, major investments and risk management principles. The Board appoints and dismisses the company's CEO. The Board of Directors considers and decides on all significant matters concerning the operations of the Altia Group and the business areas. The Board of Directors has also approved the charters of the Audit Committee and Remuneration Committee. The Board of Directors convenes in accordance with a timetable agreed in advance and also as required. In addition to making decisions, the Board of Directors also receives during its meetings current information on the operations, finances and risks of the Group. Board meetings are also attended by the CEO, the CFO and the General Counsel (who acts as secretary to the Board). Members of the Executive Management Team and other representatives of the company attend Board meetings at the invitation of the Board of Directors. Minutes are kept of all meetings.

## THE BOARD OF DIRECTORS 2014-2015

The Annual General Meeting of Altia held on 15 April 2014 confirmed that the Board of Directors of Altia shall have seven members and elected the following persons as members of the Board of Directors:

- Mr Matti Tikkakoski, chairman, b. 1953, B.Sc. (Econ.)
- Ms Catarina Fagerholm, vice chairman, b. 1963, M.Sc. (Econ.), CEO
- Mr Mikael Aro, b. 1965, eMBA, CEO
- Ms Minna Huhtaniska, b.1974, Master of Laws (LL.M.), M.Sc. (Econ.), General Counsel
- Ms Annikka Hurme, b. 1964, M.Sc. (Food Sciences), CEO
- Mr Jarmo Kilpelä, b. 1957, M.Sc. (Econ.), Senior Financial Counsellor
- Ms Sanna Suvanto-Haarsae, b. 1966, B.Sc. (Business Administration)

The Board of Directors of Altia convened thirteen times in 2014, of which one meeting was held per capsulam. The average attendance rate of the members of the Board of Directors was 95 %. The Board of Directors has conducted a self-assessment of its activities and working practices during 2014. All members of the Board of Directors are independent of the company. Board member Jarmo Kilpelä holds an office with the Ownership Steering Department of the Prime Minister's Office. All other members of the Board of Directors are independent of the shareholder of the company.

## BOARD COMMITTEES

The Board of Directors of Altia has two board committees, the audit committee and the remuneration committee. The Committees do not have independent decision-making powers in relation to matters falling within the competence of the Board of Directors. The Committees are preparatory bodies that assist the Board by preparing and submitting proposals to the Board of Directors on matters within their purview. Minutes are kept of Committee meetings. The Board of Directors has approved the charters of the Committees. The Committees report to the Board of Directors at regular intervals.

In its constitutive meeting, the Board of Directors appoints annually, from among its members, the members and chairman of the Audit Committee and the Remuneration Committee. In addition to the Audit Committee and Remuneration Committee, the Board of Directors may appoint ad hoc committees for preparing specific matters. Such committees do not have Board-approved rules of procedure and the Board of Directors do not release information on their term, composition, the number of meetings or the members' attendance rates.

### AUDIT COMMITTEE

It is the responsibility of the Audit Committee to assist the Board of Directors by reviewing and preparing matters relating to the financial reporting and control of the company and submitting proposals to the Board of Directors on such matters. The Audit Committee's duties include monitoring the financial affairs and financial reporting of the company, monitoring the process for the reporting of the financial statements; reviewing the interim reports and financial statements and present them for approval by the Board of Directors; monitor the audit proper of the financial statements and consolidated financial statements; and monitor the effectiveness of internal controls, internal audit and risk management systems. In addition, the duties of Audit Committee include preparatory work on the decision on electing the auditor; the evaluation of the independence of the auditor, particularly the provision of related services to the company, and carrying out other tasks assigned to it by the Board of Directors. The Audit Committee consists of at least three members.

In 2014, the Audit Committee convened six times and the attendance rate of the Committee members' was 100%.

As of 15 April 2014, the Chairman of the Audit Committee is Ms Catarina Fagerholm and the other members are Ms Minna Huhtaniska and Mr Matti Tikkakoski.

### REMUNERATION COMMITTEE

The Remuneration Committee assists the Board of Directors by reviewing and preparing management and personnel remuneration policies and issues related to management appointments, and making proposals on such matters to the Board of Directors. The Committee's responsibilities include reviewing, evaluating and making proposals on the remuneration structure and incentive schemes of management and the personnel of the Altia Group; monitoring the effectiveness of these systems to ensure that incentive schemes of the management promote achievement of the company's short term and long term goals and are based on personal performance; reviewing and preparing other matters relating to the remuneration of management and personnel, and submitting proposals on these to the Board; and considering and preparing appointments of top management to be decided by the Board. In addition, based on the proposal of the CEO, the Remuneration Committee proposes to the Board of Directors the appointment of members of the Executive Management Team and their remuneration, and evaluates the performance of the CEO and the members of the Executive Management Team and proposes to the Board of Director their annual remuneration (including bonuses) and other incentives. The Remuneration Committee has at least three members.

In 2014, the Remuneration Committee convened twelve times and the attendance rate of the Committee's members was 86%.

As of 15 April 2014, the Chairman of the Remuneration Committee is Mr Matti Tikkakoski and the other members are Ms Annikka Hurme and Mr Jarmo Kilpelä.

### CHIEF EXECUTIVE OFFICER

The Board of Directors of Altia appoints and dismisses the Chief Executive Officer (CEO), and decides on the terms of the CEO's employment. The terms and conditions of the CEO's employment are specified in a written service contract. The CEO of the company is responsible for managing, supervising and controlling the business operations of the company. The CEO is responsible for the day to day executive management of the company in accordance with the instructions and orders given by the Board of Directors. In addition, the CEO also ensures that the accounts of the company comply with Finnish law and that its financial affairs have been arranged in a reliable manner. The CEO shall provide the Board of Directors and its members with the information necessary for the performance of the duties of the Board of Directors. The CEO prepares issues for decision by the Board of Directors, develops the company in line with the targets agreed upon with the Board and ensures proper implementation of the decisions of the Board of Directors. The CEO is also responsible for ensuring that the company operates in compliance with laws and regulations. The CEO is not a member of the Board of Directors, but attends the meetings of the Board of Directors and has the right to speak at the meeting, unless the Board of Directors decides otherwise with regard to a particular subject matter.

On 21 November 2013 the Board of Directors released Mr Antti Pankakoski from his duties as CEO of Altia. Mr Hannu Tuominen, Senior Vice President, member of the Executive Management Team, served as Interim CEO of Altia until 31 May 2014. The Board appointed Mr Pekka Tennilä as CEO of Altia as of 1 June 2014.

### EXECUTIVE MANAGEMENT TEAM

In 2014, the Executive Management Team of the Altia Group consisted, in addition to the CEO of Altia as chairman, of the Senior Vice Presidents of Altia Brands, Partner Brands, Human Resources and Industrial Services and Supply Chain as well as the Chief Financial Officer (CFO) and General Counsel, who all reported to the CEO.

The Executive Management Team meets regularly to address matters concerning the entire Group. The Group Management Team is not a decision-making body. It assists the CEO in the implementation of Group strategy and in operational management. The Executive Management Team is responsible for managing the company's core business operations as a whole, which requires planning of various development processes, Group principles and Group practices, as well as monitoring the development of financial matters and Group business plans. The Executive Management Team convenes monthly and minutes are kept of all meetings.

In 2014, the Executive Management Team of Altia consisted of the following members:

- Mr Pekka Tennilä, CEO (as of 1 June 2014)
- Mr Michael Bech-Jansen, SVP Altia Brands
- Mr Thomas Heinonen, General Counsel (until 1 December 2014)
- Ms Sanna Hokkanen, SVP Human Resources & Communications
- Mr Joacim Hultin, SVP Partner Brands (until 8 January 2014)
- Mr Matti Piri, CFO
- Mr Søren Qvist, SVP Partner Brands (as of 8 January 2014)
- Mr Hannu Tuominen, SVP Industrial Services & Supply Chain (Interim CEO until 1 June 2014)

## CONTROL

### INTERNAL AUDIT

In 2014, Altia did not have its own separate internal audit organization. Altia met its internal audit requirements by assigning audit tasks to a firm of authorized public accountants. Internal audit monitors and evaluates the operation of processes as well as the appropriateness of internal controls and the financial administration of the company in an independent manner. It reports its observations to the CEO and the Audit Committee. The subjects of the internal audit and the audit plan are decided annually by the Audit Committee. Internal audit is implemented in accordance with the charter of the internal audit approved by the Board of Directors. As of 1 January 2015, Altia has its own internal auditor in charge of internal audit. The internal auditor reports to the CEO and the Audit Committee.

### EXTERNAL AUDIT

According to the Articles of Association, the company has one to two auditors elected by the General Meeting of Shareholders. The auditor must be an authorized public accountant or firm of authorized public accountants. The auditor is elected annually by the Annual General Meeting for a term that expires at the end of the next Annual General Meeting following the election. The task of the auditor is to audit the consolidated financial statements, the financial statements of the parent company, the accounting of the Group and the parent company and the administration of the parent company. The company's auditor submits the auditors' report to the shareholders in connection with the annual financial statements, as required by law, and submits regular reports on its observations to the Audit Committee of the Board of Directors. KPMG Oy AB, a firm of authorized public accountants, is Altia's auditor, with Jari Härmälä, APA, as the principal auditor. The fees for the audit proper paid to KPMG in 2014 totaled EUR 350,000. In addition, EUR 227,000 was paid for other consultation provided to Group companies.

## RISK MANAGEMENT AND INTERNAL SUPERVISION SYSTEMS CONNECTED WITH FINANCIAL REPORTING

### INTERNAL SUPERVISION SYSTEMS CONNECTED WITH FINANCIAL REPORTING

Supervisory measures are instructions and guidelines that help to ensure the proper management of all functions. The measures cover all Group levels and functions and information systems play an important role in them. Information systems are of vital importance for effective internal supervision.

The performance of the Group is monitored in the Executive Management Team with monthly reports as well as in the monthly operational reviews of the business segments. The financial situation of the Group is also monitored in the meetings of the Audit Committee and the Board of Directors. The Audit Committee and the Board of Directors examine the interim reports and financial statements before their approval publication. Monitoring of the monthly reports also ensures the effectiveness of the internal supervision. Each business area must ensure effective supervision of its own operations as part of Group-level internal supervision. The business areas and the Group Finance organization are responsible for the evaluation of the processes covering financial reporting.

### RISK MANAGEMENT

Risk management consists of actions that aim to identify and assess significant external and internal uncertainties which could threaten the implementation of the strategy as well as accomplishment of the objectives. The most significant uncertainties in Altia Group's operations are related to the development of the general financial situation and its impact on consumption as well as the impact of alcohol taxation and changes in legal regulation on consumer behavior e.g. the growing importance of the Estonian border trade in the purchase of alcoholic beverages. Financial risks comprise currency risk, interest risk, liquidity risk and credit risk. These risks are hedged against in accordance with the principles defined in the Group Risk Management Policy. A more detailed presentation of the Group's material risks and risk management principles is included in the notes to the consolidated financial statements in section Financial Risk Management.

The development of a comprehensive risk management system for risks related to strategy, operations, financing and hazards was continued in 2014. The goal is especially to integrate operations management and risk management, risk management training and creation and development of risk management indicators. Special emphasis is put on preventive actions and their development. Preparations have been made for acting in crisis situation and for crisis communication.

Altia's business areas are responsible for the risks involved in their operations, for preventing damages caused by the risks or for hedging against the risks. Risk management in Altia Group is part of the everyday operations as well as the operative planning and management process, which is led by the Group's finance function under the CFO. As part of the reporting and planning process, risk management identifies risks of the business areas, which are assessed based on their impact and likelihood. The key risks are described and analyzed in detail. Furthermore, measures to manage the risks as well as tasks and responsibilities associated with the risks are determined. The aim is to minimize or transfer identified risks where possible.

Treasury is responsible for the insurance programs covering the whole Group. The scope of the insurances is assessed, among others, in the context of on-site risk analyses.

# _Remuneration statement

Altia is fully owned by the State of Finland. Altia complies, with some exceptions, with the Finnish Corporate Governance Code as provided by the Government Resolution on State Ownership Policy given on 3 November 2011. This Remuneration Statement is published in accordance with Recommendation 47 of the Finnish Corporate Governance Code 2010.

Altia Plc complies with the guidelines by the state owner of 8 September 2009 on management remuneration and pension benefits, and the statement by the cabinet committee on economic policy of 13 August 2012 regarding the remuneration of executive management and key individuals.

## I. REMUNERATION AND OTHER BENEFITS OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE DECISION-MAKING PROCESS

The Annual General Meeting decides annually on the remuneration payable to members of the Board of Directors for their term of office.

The Annual General Meeting of Altia held on 15 April 2014 decided that the chairman of the Board of Directors shall receive a monthly fee of 2,750 euros, the vice chairman a monthly fee of 1,800 euros and the other members of the Board of Directors a monthly fee of 1,450 euros. The monthly fee is paid to members of the Board of Directors who are not employed by the company. The Annual General Meeting also approved an attendance fee of 600 euros per meeting for meetings of the Board of Directors and its committees.

The members of the Board of Directors are not included in the company's incentive schemes. The company has not granted any loans to members of the Board of Directors, nor given guarantees on their behalf. The total fees paid to the members of the Board of Directors in 2014 are presented below:

### *Altia Plc Board of Directors 2014 – attendance and fees (in euros):*

| | **BOARD OF DIRECTORS** | REMUNERATION COMMITTEE | AUDIT COMMITTEE | Monthly fees total | Attendance fees total | **Fees total** |
|---|---|---|---|---|---|---|
| | Attendance | Attendance | Attendance | | | |
| **CHAIRMAN** | | | | | | |
| Matti Tikkakoski | 13/13 | 12/12 | 6/6 | 33 000 | 16200 | 49 200 |
| **VICE CHAIRMAN** | | | | | | |
| Catarina Fagerholm | 12/13 | | 6/6 | 21 600 | 9 600 | 31 200 |
| **MEMBERS** | | | | | | |
| Mikael Aro | 12/13 | 3/7 | | 17 400 | 7 800 | 25 200 |
| Minna Huhtaniska | 12/13 | | 6/6 | 17 400 | 9 000 | 26 400 |
| Annikka Hurme | 12/13 | 5/5 | | 17 400 | 7 800 | 25 200 |
| Jarmo Kilpelä | 13/13 | 12/12 | | 17 400 | 12 000 | 29 400 |
| Sanna Suvanto-Harsaae | 13/13 | | | 17 400 | 6 600 | 24 000 |
| | 95 % | 86 % | 100 % | | | 210 600 |

## II. ALTIA'S INCENTIVE SCHEMES, MAIN PRINCIPLES OF REMUNERATION AND DECISION-MAKING PROCESS

### DECISION-MAKING PROCESS AND MAIN PRINCIPLES OF REMUNERATION

Altia's Board of Directors decides annually on Altia's principles of remuneration, the basis and targets for performance bonuses as well as their maximum amounts. The Board of Directors also evaluates annually the performance of the CEO and the members of the Executive Management Team, as well as decides on the total remuneration of the CEO and the members of the Executive Management Team, taking into account the recommendations of the Remuneration Committee.

The Remuneration Committee, which is established by the Board of Directors, has the duty to assist the Board of Directors by reviewing and preparing management and personnel remuneration policies and issues related to management appointments, and make proposals on such matters to the Board of Directors. The Committee's responsibilities include reviewing, evaluating and making proposals on the remuneration structure and incentive schemes of management and the personnel of the Altia Group; monitoring the effectiveness of these systems to ensure that incentive schemes of the management promote achievement of the company's short term and long term goals and are based on personal performance.

## INCENTIVE SCHEMES

### ANNUAL INCENTIVE PLAN

Altia's salaried personnel, senior salaried personnel and management are part of an annual incentive plan. The annual incentive is based on operational targets of the Group and the business units as well as personal targets. The incentive is paid annually or more frequently as an annual bonus or sales bonus. The purpose of the incentive plan is to support the implementation of Altia's strategy and reward the personnel for excellent personal performance and for achieving the Group's and its business units' financial objectives. Workers are part of a production bonus system. Production bonuses are based on set targets for each production unit.

The potential annual bonus is based on budgeted operational targets of the Group or the business units' targets as well as personal targets. The maximum annual bonus is from 5 % to 35 % of the individual's annual earnings depending on the individual's organizational position and job. In addition to the achievement of operational and personal targets, a precondition for the payment of the annual bonus payment is that a predetermined EBIT-target of the Altia Group is achieved. The maximum annual bonus opportunity for the CEO and the members of the Executive Management Team is 35% of the annual salary. Detailed information about the scheme is available on the company's website www.altiacorporation.com, "Governance".

Based on the result for 2013, no annual performance bonuses were paid in 2014. Sales bonuses totaling EUR 0.05 million were paid in 2014. The production bonuses totalling EUR 0.3 (0.4) million, including social expenses, were included in the result for the period.

### LONG-TERM INCENTIVE SCHEME 2012 – 2014

The Board of Directors of Altia decided on 20 June 2012 on a new long-term incentive plan for 2012-2014. The purpose of the new long time incentive scheme is to support the company's strategy, reward for implementing the strategy and to commit key personnel to the company. The Board of Directors decides annually on the earnings criteria and the persons included in the incentive scheme. 24 persons were included in the incentive scheme in 2014. The scheme has been executed in accordance with the guidelines by the state owner of 8 September 2009 on management remuneration and pension benefits. The maximum earning for the earning period, depending on the individual's position, is 80 to 100 percent of the total fixed gross annual salary of the earning period. Alexander Corporate Finance Oy served as company's adviser in relation to the incentive scheme. Detailed information about the scheme is available on the company's website www.altiacorporation.com, "Governance".

Possible bonuses for the long-term incentive scheme 2012 - 2014 are paid in three instalments during 2015 - 2017. Based on long-term incentive scheme 2012 - 2014, no annual bonuses were paid in 2014. Altia has no long-term incentive scheme for 2015 and onwards.

Altia has no share-based incentive scheme or option scheme. The members of the Board of Directors or management have not received any options or other share-based rights as remuneration.

## III. FINANCIAL BENEFITS OF THE CEO AND THE EXECUTIVE MANAGEMENT TEAM

The remuneration of the CEO and other members of the Group Executive Team consists of a fixed base salary, fringe benefits, an annual bonus and a long term incentive scheme. The remuneration commits management to develop the company and its financial success in the long term. The development stage and strategy of the company are considered when determining the principles for remuneration.

### FINANCIAL BENEFITS OF THE CEO IN 2014

Pekka Tennilä started as the new CEO of Altia Plc as of 1 June 2014. The salary and other remuneration paid in 2014 to Pekka Tennilä amounted to a total of 174 512 euros as follows:

- fixed base salary of 173 927 euros
- fringe benefits of 586  euros
- 2013 annual bonus 0 euros
- long-term incentive scheme 2012 – 2014, 0 euros

The retirement age of the CEO is 63 years and his pension is in accordance with the Employees' Pensions Act.  The CEO does not have a supplementary pension insurance paid by the company. In accordance with service contract of the CEO, he has a six month period of notice. If the service contract is terminated by Altia, the CEO is entitled to a severance payment corresponding to six months' salary, in addition to the salary for the notice period.

Mr Antti Pankakoski was released from his duties as CEO of Altia on 21 November 2013. He had a six month period of notice. In accordance with his service contract, Mr Pankakoski was in 2014, in addition to the salary for the term of notice, paid a severance payment corresponding to twelve months salary, totaling 876,656 euros. In addition, Mr Pankakoski was paid 132,466 euros based on his supplementary defined contribution pension insurance.

### FINANCIAL BENEFITS OF THE EXECUTIVE MANAGEMENT TEAM IN 2014

The salary and other remuneration, including fringe benefits, paid in 2014 to the Executive Management Team amounted to a total of 1,504,617 euros, as follows:

- fixed base salary and fringe benefits 1,504,617 euros
- 2013 annual bonus 0 euros
- long-term incentive scheme 2012 – 2014, 0 euros

Certain members of the Executive Management Team have a supplementary defined contribution pension insurance paid by the employer. If the employment contract is terminated by Altia, the Executive Management Team member is entitled to a severance payment corresponding to six month's salary, in addition to the salary for the term of notice.

# Board of Directors


## 1. Mikael Aro

B. 1965, EMBA

VR Group, CEO
Independent of the company and the shareholder, Member of the Board of Altia since 2010
Nordic Cinema Group, Chairman of the Board
Confederation of Finnish Industries, Member of the Board
The Finnish National Theater, Member of the Board
Service Sector Employers PALTA, Member of the Board
Varma Mutual Pension Insurance Company, Member of the Board
Finnish-Russian Chamber of Commerce, Member of the Board
East Office of Finnish Industries, Member of the Board

***Main work experience:***
Senior Vice President, Northern Europe, Carlsberg Breweries AS (2007-2009)
CEO, Oy Sinebrychoff Ab (2005-2007)
Commercial Director, Oy Sinebrychoff Ab (2003-2005)

## 2. Sanna Suvanto-Harsaae

B. 1966, B.SC. (BUSINESS ADMINISTRATION)

Independent of the company and the shareholder, Member of the Board of Altia since 2013
Babysam AS, Chairman of the Board
Best Friend AB, Chairman of the Board
CCS Healthcare AB, Member of the Board
Clas Ohlson AB, Member of the Board
Paulig Oy, Member of the Board
SAS AB, Member of the Board
Sunset Boulevard AS, Chairman of the Board
Upplands Motor AB, Member of the Board
Vital Pet Food AS, Chairman of the Board

## 3. Catarina Fagerholm

B. 1963, , M.SC. (ECON.)

Instru optiikka Oy, CEO
Independent of the company and the shareholder, Member of the Board of Altia since 2008, Vice Chairman of the Board since 2010, Chairman of the Audit Committee
Federation of Finnish Commerce, Member of the Board

***Main work experience:***
CEO, Bosch and Siemens Home Appliances Oy (1998-2005)
Country Director of Finland, Russia, Estonia, Latvia and Lithuania, AEG Household Appliances (1996-1998)


## 4. Annikka Hurme

B. 1964, M.SC. (FOOD SCIENCES)

Valio Oy, CEO
Independent of the company and the shareholder, Member of the Board of Altia since 2010, Member of the Remuneration Committee

***Main work experience:***
Director, Cheese, Butter and Powders, Valio Oy (2012 - 2014)
Director, Nordic Sales and Distribution, Valio Oy (2010-2012)
Director, Perishable Goods and Domestic Sales and Marketing, Valio Oy (2007-2010)
Director, Marketing, Valio Oy (2000-2007)

## 5. Minna Huhtaniska

B. 1974, MASTER OF LAWS (LL.M.), M.SC. (ECON.)

Valmet Automotive Oy, General Counsel
Independent of the company and the shareholder, Member of the Board of Altia since 2012, Member of the Audit Committee

***Main work experience:***
SVP Legal Affairs, Fazer Group (2008-2013)

## 6. Jarmo Kilpelä

B. 1957, M.SC. (ECON.)

Senior Financial Counsellor, Prime Minister's Office, Ownership Steering Department
Independent of the company, Member of the Board of Altia since 2011, Member of the Remuneration Committee
Gasonia Oy, Chairman of the Board
Governia Oy, Chairman of the Board
VR-Group Ltd, Member of the Board

***Main work experience:***
Senior Financial Counsellor, Ministry of Finance (1996-2007)
Head of Administration and Finance, Government Guarantee Fund (1993-1996)
Analyst, Bank of Finland (1992-1993)
Head of Department, Deputy Director of Department, Corporate Analyst, Skopbank of Finland Plc. (1981-1992)

## 7. Matti Tikkakoski

B. 1953, B.SC. (ECON.)

Independent of the company and the shareholder, Member of the Board of Altia since 2011, Chairman of the Board, Chairman of the Remuneration Committee, Member of the Audit Committee
Plastiroll Oy, Member of the Board

***Main work experience:***
President and CEO, Atria Oyj (2006 – 2010)
Executive Vice President, År-Carton Group AB ( 2003-2005)
Different management positions in Huhtamäki Oyj (1980-2002)

# _Executive Management Team


## 1.

**Søren Qvist**
B. 1965, DBE, BUSINESS MANAGEMENT

*Senior Vice President, International Business (January 2014-)*

***Main work experience:***
Director, Open Markets, Altia Plc (2009-2014)
Senior Vice President, Denmark & Baltics, Altia Plc (2008-2009)
Commercial Director (2007-2008) and Managing Director, Altia Denmark A/S (2008)
Commercial Director (2001-2003), Director(2003-2005) and Division Director, Valora Trade Beverages A/S
Commercial Manager, TOMS Danmark A/S (2001-2004)
National Sales Manager (1999-2000) and Key Account Manager (2000), Valora Trade Confectionery A/S
Key Account Manager (1992-1997) and National Key Account Manager (1997-1999), Tuborg Danmark A/S
Sales Coordinator (1991-1992), Brdr. C.& M. Brünner A/S
Purchase assistant (1989-1990) and Purchaser (1990-1991), Dagrofa A/S

## 2.

**Sanna Hokkanen**
B. 1974, M.SC. IN BEHAVIOURAL SCIENCE

*Senior Vice President, HR and Communications (2011-)*

***Main work experience:***
HR Director, Fujitsu Oy (2008-2010)
Senior HR Manager, Nokia Oyj (2004-2008)
HRD Manager, Nokia Oyj (2001-2004)
HR Director, Done Oyj (2000-2001)
HR Specialist, Nokia Oyj (1997-2000)

## 3.

**Hannu Tuominen**
B. 1958, M.SC. (ENG.)

*Senior Vice President, Industrial Services and Supply Chain (2009-)*

***Main work experience:***
Senior Vice President, Industrial Services and Production, Altia Oyj (2008-2009)
Division Director, Vaisala Oyj (1994-2007)
Production Director, Vaisala Oyj (1992- 1994)
Production Director, Fiskars Power Systems Oyj, (1990-1992)
Product Marketing Manager, Fiskars Power Systems Oyj, (1988-1990)
Business Controller, Fiskars Power Systems Oyj, (1986-1988)


## 4.

**Pekka Tennilä**
B. 1969, , M. SC.
IN BUSINESS MANAGEMENT

*CEO (June 2014 -)*

***Main work experience:***
President, Baltics, Carlsberg Group (2012-2014)
Commercial Director, Baltics, Carlsberg Group (2011-2012)
President & CEO, Saku Brewery, Carslberg Group (2008-2011)
Export Director, Sinebrychoff, Carlsberg Group (2006-2008)
Marketing Manager, Beer Portfolio, Sinebrychoff, Carlsberg Group (2001-2005)
Business Manager Finland, Nordic Kellogg's (2000-2001)
Brand Manager and marketing positions, Leaf Confectionery (1995-1998)

## 5.

**Michael Bech-Jansen**
B. 1972, M.SC. IN ECONOMICS AND BUSINESS ADMINISTRATION

*Senior Vice President, Commercial Operations (2013-)*

***Main work experience:***
Independent Senior Consultant and Advisor (2012-2013)
Marketing Director, Global Travel Retail, British American Tobacco International (Switzerland) (2010 – 2012)
International Senior Brand Manager, International Brand Group, British American Tobacco Ltd (UK) (2009 – 2010)
General Manager, British American Tobacco Sweden AB (2008 – 2009)
Managing Director, House of Prince AB Sweden (2008)
Managing Director, Scandinavian Tobacco s.r.o., Czech Republic (2007)
Marketing Manager, House of Prince AB Sweden (2004 – 2006)
Marketing Manager, House of Prince A/S Denmark (2003 – 2004)
Brand Manager, House of Prince AB Sweden (2000 – 2003)
Sales and Marketing Trainee, House of Prince A/S Denmark (1998 – 2000)

## 6.

**Matti Piri**
B. 1969, M. SC.
IN BUSINESS MANAGEMENT
*Senior Vice President, CFO (2013-)*

***Main work experience:***
VP Finance & Control, Neste Oil Oyj (2011-2013)
Acting CFO, Neste Oil Oyj (9/2012-5/2013)
Finance Director, Austria (2010-2011), Czech/Slovakia (2007-2009) and Hungary (2005-2007), MARS Inc.
Project Manager, South Central Europe, MARS Inc. (2004-2005)
Financial Controller, Romania, MARS Inc. (2003-2004)
Financial Planning Manager, Effemex Europe (2001-2003)
Business Planning Manager, Finland/Baltics, Effemex Europe (1996-1999)
Financial Analyst, Finland/Baltics, Effemex Europe (1994-1996)

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