



ANNUAL REPORT  
2005

## Table of contents

Board of Directors' Report .....	3
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### Consolidated Financial Statements 2005 (IFRS)

Consolidated Balance Sheet .....	9
Consolidated Income Statement .....	10
Consolidated Cash Flow Statement .....	11
Changes in Consolidated Shareholders' Equity .....	12
Consolidated Accounting Policies .....	13
Notes to the Consolidated Financial Statements .....	22
Consolidated Key Ratios 2001 to 2005 .....	38
Per-share Ratios .....	38

### Parent Company's Financial Statements 2005 (FAS)

Parent Company's Income Statement .....	39
Parent Company's Balance Sheet .....	40
Parent Company's Cash Flow Statement .....	41
Parent Company's Accounting Policies .....	42
Notes to the Parent Company's Financial Statements .....	43
Parent Company's Key Ratios 2001–2005 .....	49
Per-share Ratios .....	49
Shares and Shareholders .....	51
Calculation of Financial Ratios .....	53

### Board of Directors' Proposal for the

Use of Retained Profits .....	54
Date and Signatures .....	54
Auditor's Note .....	55
Olvi plc's Board of Directors .....	56

# ANNUAL REPORT

## Board of Directors' Report

### Growth of the industry's beer sales faded out as price competition cooled down

The member companies of the Finnish Federation of the Brewing and Soft Drinks Industry sold a total of 825.8 million litres of beer, cider, long drinks, soft drinks and mineral waters in Finland in 2005. Aggregate sales increased almost five million litres or 0.6 percent. Price promotions for beer cooled down, which held back increases in consumption. Domestic sales of beer increased no more than 1.8 percent. The growth figure a year earlier was 3.5 percent. Sales of long drinks and mineral waters increased as well. Aggregate sales of soft drinks and ciders decreased slightly. However, the share of sugar-free soft drinks exceeded 30 percent for the first time, reaching a record-breaking 30.5 percent of sales.

The increase in beer sales, which was boosted by tax cuts and price promotions in the retail sector, calmed down by the end of 2005 in spite of the sunny summer season during which consumer prices decreased by 15 percent in comparison with 2004. Aggregate domestic sales of beer in 2005 amounted to 425 million litres, which represents an increase of no more than 1.8 percent. In 2004, beer sales increased by 3.5 percent as retail chains picked beer as a product for attracting customers. A moderate increase in the consumer prices of beer in the latter half of 2005 clearly calmed down the growth of consumption. The growth in beer sales originated from the retail sector, which represented an increase of 2.8 percent and total sales of 33.3 million litres. Sales in the HoReCa segment decreased by 4.2 per cent to 90.3 million litres. The share of HoReCa represented 26.3 percent of the beer market.

Aggregate sales of soft drinks in Finland in 2005 amounted to 272.9 million litres, representing a decrease of 0.7 percent. However, the sales of sugar-free soft drinks increased by 8.5 percent, and their proportion of total sales exceeded the 30 percent limit for the first time (30.5%).

The member companies of the Federation of the Brewing and Soft Drinks Industry sold a total of 39.5 million litres of cider, which is 2.4 million litres less than in the previous year. In addition to beer price competition and increased sales, the decrease was due to the increased popularity of private label products at retail stores.

Long drink sales in 2005 totalled 24.7 million litres, or 1.3 million litres more than in the previous year. Sales of mineral waters increased by 0.8 percent to 63.2 million litres.

The increase in private imports of beer calmed down during 2005. According to a follow-up study by TNS Gallup, the aggregate growth in beers, ciders and long drinks was 2.4 percent. The growth was attributable to increased imports of ciders and long drinks.

### Domestic sales 2005

Beverage	2005 million litres	2004 million litres	Change million litres	Change %
Beer	425,5	417.9	7.6	1.8
Cider	39,5	41.9	-2.4	-5.9
Long drinks	24.7	23.4	1.3	5.7
Soft drinks	272.9	274.9	-2.0	-0.7
Mineral waters	63.2	62.7	0.5	0.8
Sales total	825.8	820.9	4.9	0.6

Source: Member companies of the Federation of the Brewing and Soft Drinks Industry. The statistics do not include sales by operators outside the Federation of the Brewing and Soft Drinks Industry, nor private imports of brewery products, which are not statistically recorded.

### Olvi Group's financial statements 2005

Olvi Group's business developed favourably in 2005. Net sales increased to 147.5 (128.9) million euro and operating profit improved to 13.0 (9.3) million euro. The Group's gross capital expenditure amounted to 17.4 (18.4) million euro, and its equity to total assets ratio stood at 47.9 percent (45.1%).

## IFRS reporting

Olvi Group adopted the International Financial Reporting Standards (IFRS) as of 1 January 2005. The financial statements from 1 January 2005 to 31 December 2005 have been prepared in accordance with International Financial Reporting Standards approved for use within the EU. The preparation has been carried out in compliance with the IAS and IFRS standards, as well as their official interpretations, valid on 31 December 2005. The comparison figures used for these financial statements are the IFRS figures for 2004 that were disclosed on 28 April 2005 as an attachment to the interim report for the first quarter of 2005.

## Net sales and earnings

Olvi Group's net sales in 2005 totalled 147.5 (128.9) million euro. This is 18.6 million euro or 14.4 percent more than in the previous year.

### Net sales by geographical segments (million euro):

	1-12/2005	1-12/2004
Finland	73.51	69.30
Estonia	50.77	42.23
Latvia	13.40	11.34
Lithuania	15.04	12.49
Net sales between segments	-5.20	-6.47
Olvi Group total	147.52	128.89

Olvi Group's operating profit for fiscal 2005 stood at 13.0 (9.3) million euro, or 8.8 (7.2) percent of net sales. Operating profit increased by 3.7 million euro or 39.8 percent compared to the previous year.

### Operating profit by geographical segments (million euro):

	1-12/2005	1-12/2004
Finland	4.72	3.28
Estonia	7.72	6.62
Latvia	0.15	-0.20
Lithuania	-0.87	-0.14
Operating profit between segments	1.24	-0.29
Olvi Group total	12.96	9.27

Olvi Group's sales in fiscal 2005 amounted to a total of 272.0 (231.6) million litres. This represents an increase of 40.4 million litres (17.4 percent) on the previous year.

## Sales volumes by market area (million litres):

	1-12/2005	1-12/2004
Finland	106.36	97.45
Estonia	113.72	100.62
Latvia	31.52	29.53
Lithuania	36.44	29.80
Sales between segments	-16.02	-25.79
Olvi Group total	272.02	231.61

## The parent company Olvi plc increased its sales and market shares in beers, ciders, soft drinks, energy drinks and long drinks in 2005

The focal point of Olvi's sales remained in retail outlets, which are the most significant distribution channel. Sales in the HoReCa segment increased by 17.0 percent to 10.2 million litres in 2005. HoReCa represented 9.7 percent of Olvi's total volume.

With the exception of mineral waters, sales and market shares in all of the product groups represented by Olvi increased in 2005. Domestic beer sales increased by 2.3 million litres to 61.0 (58.7) million litres. Domestic cider sales increased by 0.9 million litres to 5.3 (4.4) million litres, while long drink sales increased by 0.19 million litres to 0.78 (0.66) million litres. Olvi's soft drinks gained more popularity. Total sales of soft drinks increased to 16.0 (4.8) million litres, representing an increase of 11.2 million litres. Olvi launched a product of its own in the energy drinks market in April. The TEHO energy drink gained a market share of 17 percent by the end of the year.

The aggregate market position of products represented by Olvi increased to 12.3 (10.7) percent.

Olvi's domestic sales increased by 15.5 percent to 101.4 (87.8) million litres. Tax free and export sales in 2005 increased by 5.7 percent to 4.4 (4.2) million litres. The volume of intra-Group freighted work diminished to 0.5 (5.5) million litres as the investments to increase the in-house production capacity of the Estonian subsidiary were completed.

The parent company Olvi plc's operating profit in 2005 amounted to 4.7 (3.3) million euro. Operating profit improved by 1.4 million euro or 44.0 percent on the previous year due to increased sales volume and improved efficiency of operations.

### Changes in Olvi plc's organisational structure 2005

The Finnish management group was reformed and expanded to comprise six (6) people. The new organisational model provided for more extensive and profound competence within the management group and made it possible to respond more rapidly to changes in the operating environment.

The sales organisation was reformed in the autumn of 2005. This also marked the second phase of a reform that eliminated two organisational levels from the sales organisation in order to better correspond to structural change within the trading sector and to increase flexibility.

### Baltic states

The total sales of the Estonian subsidiary AS A. Le Coq Tartu Õlletehas increased to 113.7 (100.6) million litres, which is 13.1 percent more than in the previous year. The sales of AS Õsel Foods are included in the figures for AS A. Le Coq Tartu Õlletehas. The net sales of AS A. Le Coq Tartu Õlletehas and AS Õsel Foods in 2005 amounted to 50.8 (42.2) million euro, representing an increase of 8.5 million euro (20.2 percent). The companies' aggregate operating profit was good at 7.7 million euro (15.2 percent of net sales). This represents an increase of 16.7 percent on the previous year.

The total sales of A/S Cēsu Alus operating in Latvia amounted to 31.5 (29.5) million litres in 2005, representing an increase of 2.0 million litres (6.7 percent). The company's net sales stood at 13.4 million euro, which is 2.1 million euro (18.2 percent) more than in the previous year. The company's operating result turned positive during 2005.

The total sales of AB Ragutis operating in Lithuania increased to 36.4 (29.8) million litres in 2005. The aggregate increase in sales amounted to 6.6 million litres or 22.3 percent compared to the previous year. Net sales stood at 15.0 million euro, representing an increase of 2.5 million euro or 20.4 percent on the previous year. However, AB Ragutis's operating result remained in the red.

### Financing and investments

Olvi Group's balance sheet total at the end of the year was 140.4 (132.8) million euro. Shareholders' equity increased by 7.4 million euro on the previous year, standing at 67.3 million euro. At the end of the period under review, interest-bearing liabilities totalled 40.2 (44.8) million euro. The amount of interest-free liabilities was 31.3 (26.4) million euro. The equity to total assets ratio at the end of the year was 47.9 (45.1) percent.

Olvi Group's gross capital expenditure in 2005 amounted to 17.4 (18.4) million euro. The parent company Olvi plc accounted for 4.1 million euro and the subsidiaries in the Baltic states for 13.3 million euro of the total.

The largest investments included the boiling room and bottling line at the brewery in Latvia, as well as an automatic collection system acquired to Iisalmi. The investments include payments for increases in the share capital of A/S Cēsu Alus and AB Ragutis that were capitalised in the balance sheet of AS A. Le Coq. The increase in AB Ragutis's share capital was pending registration on the balance sheet date.

### Research and development

Olvi's research and development efforts range from product design and development within the framework of ordinary quality control to projects aimed at the development of new products and packages. The R&D costs are treated as annual expenses.

## Business risks

Normal business risks are inherently associated with the brewing and soft drinks industry and the implementation of the Group's strategies and targets. The Group is not willing to take any additional risks that would endanger the continuity of operations, be uncontrollable or essentially hamper the company's business.

The objective of managing the Group's financing risks is to minimise any adverse and unexpected impacts of changes in the financial markets on the Group's earnings and to ensure sufficient liquidity. The primary type of financing risk is interest rate risk. The Group has diversified its borrowing between fixed- and variable-rate loans and uses interest rate swaps to reduce interest rate risk if required by the market conditions.

Creditworthiness requirements for the Group's customers are defined on the basis of principles recorded in the operational system. The Group does not have any significant concentrations of credit risk on receivables because its customer base is wide and geographically diversified. The amount of credit losses in fiscal 2005 was not significant.

## Environmental protection principles

The parent company's environmental protection policy comprises the environmental policy of the Finnish brewing and soft drinks industry and the company's values, which include responsibility for the environment. Olvi plc's operations are in compliance with the environmental permit granted by the North Savo Regional Environment Centre on 30 September 2003, which is valid until 2014.

## Personnel

The Group's average number of personnel during the period under review was 1,074 (1,032), 333 (334) of them in Finland, 379 (354) in Estonia, 180 (164) in Latvia and 182 (180) in Lithuania.

## Corporate governance

Olvi plc's Board of Directors has amended the company's Corporate Governance guidelines in accordance with the amended Securities Markets Act. The company maintains a public and company-specific insider register, as well as project-specific insider registers for individual projects. Public insiders comprise the members of the Board of Directors and Management Group, auditors and their closely related parties.

## Changes in corporate structure

In accordance with decisions made at the Extraordinary General Meetings of Olvi plc's wholly owned subsidiaries Oluttehdas Oiva Oy, Iisalmen Oluttehdas Osakeyhtiö Oy and Olvin Juomaa Oy on 29 August 2005, Oluttehdas Oiva Oy and Iisalmen Oluttehdas Osakeyhtiö Oy have merged with Olvin Juomaa Oy. The mergers were recorded in the Trade Register on 31 December 2005. In Estonia, AS Ösel Foods has merged with AS A. Le Coq Tartu Ölletehas on 2 January 2006.

## Management and auditors

Olvi plc's Annual General Meeting held on 5 April 2005 elected Heikki Hortling, Esa Lager, Hannele Ranta-Lassila, Lauri Ratia and Heikki Sinnemaa to the company's Board of Directors, and they have served during the fiscal year 2005. Heikki Hortling has served as Chairman of the Board, while Esa Lager has served as Vice Chairman.

The company's ordinary auditor during the fiscal year has been Pekka Loikkanen, Authorised Public Accountant, and PricewaterhouseCoopers Oy, Authorised Public Accountants, have served as deputy auditors with Silja Komulainen, Authorised Public Accountant, as the responsible auditor.

Lasse Aho has served as Olvi plc's Managing Director.

## The Olvi plc share and warrants

Olvi plc's registered share capital was 10,379,404.00 euro on 31 December 2005. The share capital is divided into 933,064 K shares and 4,256,638 A shares. The share's nominal value is 2.00 euro.

A total of 1,912,335 Olvi plc A shares changed hands from January to December 2005, totalling 31.3 million euro in trading volume. The traded shares represented 44.9 percent of the total number of A shares. The average share price was 16.43 euro, with a low of 13.30 euro quoted in January and a high of 21.60 euro quoted in December. The year's last trading price was 21.10 euro.

In May 2002, Olvi plc's Board of Directors decided to allocate all of the stock options issued by the Annual General Meeting on 4 April 2002 to Olvin Juomaa Oy, a wholly owned subsidiary of Olvi plc. Olvi plc's Board of Directors will decide on the eventual distribution of the stock options allocated to Olvin Juomaa Oy to current or future key personnel of the Olvi Group.

A maximum of 200,000 A shares in Olvi plc can be subscribed for using the stock options. The exercise price of the stock options is the average quote weighted by trade volume of the Olvi plc A share on the Helsinki Stock Exchange from 1 July to 31 December 2002. The exercise price of the stock options will be reduced by the amount of any dividends distributed after the price-setting period has started and before the shares are subscribed. The exercise price of the stock options must be equal to or greater than the nominal value of the share.

The subscription period for the stock options 2002A started on 1 April 2005, and for the stock options 2002B it will start on 1 April 2007. The subscription period for both stock options ends on 30 April 2008.

Quotation of the share warrants issued by Olvi plc in 1999 to the company's personnel and to the members of the parent company's Board of Directors ceased on 30 April 2005. The warrant scheme included a total of 500,000 warrants.

A total of 100,235 warrants changed hands from January to April 2005, totalling 1.5 million euro in trading volume. The trading volume represented 20.0 percent of the total number of warrants. The average price of the warrants was 15.20 euro, with a low of 11.70 euro quoted in January and a high of 18.50 euro quoted in April.

Olvi plc's Annual General Meeting held on 5 April 2005 revoked all existing unused authorisations to acquire own shares and authorised the Board of Directors to acquire a maximum of 245,000 Olvi A shares using distributable funds within one year of the Annual General Meeting. The Board of Directors may also propose that any shares acquired on the company's own account be cancelled without reducing the share capital. The authorisation allows the Board of Directors to acquire the company's own shares for use as consideration in case of any upcoming corporate acquisitions, for the funding of investments or for cancellation.

The Annual General Meeting decided to revoke all existing unused authorisations for the transfer of own shares and authorise the Board of Directors to decide on the transfer of any A shares acquired on the company's own account within one year of the Annual General Meeting. The authorisation grants the Board of Directors with the power to decide on the transfer price and to whom and in what order the shares held by the company shall be transferred.

The company's Board of Directors has not exercised its authorisation and the company does not hold any of its own shares.

## Shareholders

Olvi had a total of 4,314 (4,515) shareholders at the end of the review period. Finnish shareholding accounted for 77.8 (83.6) percent of the shares and 93.2 (94.6) percent of the votes. Nominee-registered holdings accounted for 15.1 (12.9) percent of the shares and 3.4 (2.8) percent of the votes. Registered foreign holdings accounted for 7.1 (3.5) percent of the shares and 3.4 (2.6) percent of the votes.

## Outlook for the year 2006

Olvi Group's market position continued to strengthen in 2005 both in Finland and in the Baltic states. The increase in domestic sales clearly outperformed the growth of the industry. Soft drinks and ciders in particular improved their market positions.

The level of beer prices in Finland is not estimated to decrease any further in 2006 but remain relatively low due to price competition and the role of beers as a product for attracting customers to retail stores. The total consumption of the brewing industry's product groups is expected to remain at the previous year's level in 2006.

We expect Olvi Group's full-year operating profit for 2006 to be on a par with the previous year's level or slightly better. This is attributable to improved cost efficiency, as well as the positive earnings development and strengthened market positions of the subsidiaries in the Baltic states.

## Board of Directors' proposal for the distribution of profit

Olvi plc continues to pursue an active and earnings-based dividend policy. The aim is to distribute at least 40 percent of the annual earnings per share as dividend to the shareholders.

The parent company's distributable shareholders' equity amounts to 41.5 (40.3) million euro. The Group's distributable shareholders' equity amounts to 40.4 (33.4) million euro.

The company's Board of Directors will propose to the Annual General Meeting of shareholders that a dividend of 0.85 euro shall be paid for 2005 on each K and A share, representing 45.8 percent of the Olvi Group's earnings per share. The proposed dividend payment totals 4.4 million euro.

In accordance with the Annual General Meeting's decision, a dividend of 0.65 euro on each K and A share, totalling 3.3 million euro, was paid for 2004. The date of dividend payment was 15 April 2005.

## Financial reports in 2006

Olvi Group's annual report for the year 2005 will be published on the company's Web site during the week beginning on 3 April 2006. The Annual General Meeting of the shareholders of Olvi plc will be held in Iisalmi, Finland, on 4 April 2006.

The following interim reports will be released in 2006:

- Interim Report 1Q/2006,  
January to March, on 27 April 2006
- Interim Report 2Q/2006,  
January to June, on 17 August 2006
- Interim Report 3Q/2006,  
January to September, on 26 October 2006



# OLVI GROUP

## Consolidated Financial Statements 2005

### Consolidated Balance Sheet

	31 December 2005			31 December 2004	
	Note	EUR 1000	%	EUR 1000	%
<b>ASSETS</b>					
<b>Non-current assets</b>					
Tangible assets	13	73 679		70 130	
Goodwill	14	8 706		8 706	
Intangible assets	14	2 439		2 844	
Financial assets available for sale	17	253		253	
Other non-current assets held for sale	2	94		88	
Receivables	18	44		39	
Deferred tax receivables	19	47		0	
<b>Total non-current assets</b>		<b>85 262</b>	<b>60.7</b>	<b>82 060</b>	<b>61.8</b>
<b>Current assets</b>					
Inventories	20	21 424		21 987	
Receivables	21	27 273		24 267	
Liquid assets	22	6 437		4 436	
<b>Total current assets</b>		<b>55 134</b>	<b>39.3</b>	<b>50 693</b>	<b>38.2</b>
<b>TOTAL ASSETS</b>		<b>140 396</b>	<b>100.0</b>	<b>132 753</b>	<b>100.0</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>					
<b>Shareholders' equity held by parent company shareholders</b>					
Share capital	23	10 379		10 028	
Other reserves		11 507		10 752	
Accrued earnings		35 568		32 858	
Net profit for the period		9 808		5 969	
<b>Total shareholders' equity held by parent company shareholders</b>		<b>67 262</b>	<b>47.9</b>	<b>59 607</b>	<b>44.9</b>
Minority interest		0	0.0	260	0.2
<b>Total shareholders' equity</b>		<b>67 262</b>	<b>47.9</b>	<b>59 867</b>	<b>45.1</b>
<b>Non-current liabilities</b>					
Interest-bearing liabilities	27	33 359		35 394	
Deferred tax liabilities	19	1 559		1 668	
<b>Current liabilities</b>					
Interest-bearing liabilities	27	6 872		9 408	
Interest-free liabilities	28	31 344		26 416	
<b>Total liabilities</b>		<b>73 134</b>	<b>52.1</b>	<b>72 886</b>	<b>54.9</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>140 396</b>	<b>100.0</b>	<b>132 753</b>	<b>100.0</b>

The notes constitute an essential part of the financial statements.

## Consolidated Income Statement

	Note	1 Jan - 31 Dec 2005		1 Jan - 31 Dec 2004	
		EUR 1000	%	EUR 1000	%
<b>NET SALES</b>	1	<b>147 519</b>	<b>100.0</b>	<b>128 894</b>	<b>100.0</b>
Increase (+)/decrease (-) in inventories of finished and unfinished products		701	0.5	684	0.5
Manufacture for own use		52	0.0	23	0.0
Other operating income	5	519	0.4	637	0.5
Materials and services		53 104	36.0	45 267	35.1
Personnel expenses	8	21 196	14.4	19 375	15.0
Depreciation and impairment	7	11 807	8.0	10 284	8.0
Other operating expenses	6	49 722	33.7	46 039	35.7
<b>OPERATING PROFIT</b>		<b>12 962</b>	<b>8.8</b>	<b>9 274</b>	<b>7.2</b>
Financial income and expenses	9. 10	-1 726	-1.2	-1 996	-1.5
<b>PROFIT BEFORE TAXES</b>		<b>11 236</b>	<b>7.6</b>	<b>7 279</b>	<b>5.6</b>
Income taxes	11	-1 688	-1.1	-1 535	-1.2
Minority interest		260	0.2	225	0.2
<b>NET PROFIT FOR THE YEAR</b>		<b>9 808</b>	<b>6.6</b>	<b>5 968</b>	<b>4.6</b>
Attributable to:					
Parent company shareholders		9 548		5 743	
Minority		260		225	
		<b>9 808</b>		<b>5 968</b>	
Earnings per share calculated from profit belonging to parent company shareholders:					
Undiluted earnings per share (EUR)		1.86		1.16	
Earnings per share adjusted for dilution (EUR)		1.84		1.13	

10

The notes constitute an essential part of the financial statements.

## Consolidated Cash Flow Statement

	Note	2005 EUR 1000	2004 EUR 1000
<b>Cash flow from operations</b>			
Net profit for the period		9 808	5 968
Adjustments:	31		
Depreciation and impairment		11 807	10 284
Financial income and expenses		1 726	1 996
Income taxes		1 688	1 535
Other adjustments		-832	-629
Change in net working capital:			
Increase (-)/decrease (+) in current interest-free accounts receivable and other receivables		-2 880	578
Increase (-)/decrease (+) in inventories		-164	-2 883
Increase (+)/decrease (-) in current interest-free debt		4 816	1 551
Interest paid		-1 732	-1 667
Interest received		159	150
Taxes paid		-1 763	-2 759
<b>Cash flow from operations (A)</b>		<b>22 633</b>	<b>14 124</b>
<b>Cash flow from investments</b>			
Investments in tangible and intangible assets		-13 988	-12 646
Capital gains on disposal of tangible and intangible assets		122	550
<b>Cash flow from investments (B)</b>		<b>-13 866</b>	<b>-12 096</b>
<b>Cash flow from financing</b>			
Increase of share capital		1 106	539
Withdrawals of loans		4 000	10 000
Repayments of loans		-8 613	-8 415
Dividends paid		-3 259	-3 409
<b>Cash flow from financing (C)</b>		<b>-6 766</b>	<b>-1 285</b>
<b>Increase (+)/decrease (-) in liquid assets (A+B+C)</b>		<b>2 001</b>	<b>745</b>
<b>Liquid assets 1 January</b>		<b>4 436</b>	<b>3 691</b>
<b>Liquid assets 31 December</b>	22	<b>6 437</b>	<b>4 436</b>
<b>Change in liquid assets</b>		<b>2 001</b>	<b>745</b>

The notes constitute an essential part of the financial statements.

## Changes in Consolidated Shareholders' Equity

1000 EUR	Shareholders' equity 1 Jan 2004	Subscription of shares	Translation differences	Change in minority interest	Dividend payment	Profit for the period	Shareholders' equity 31 Dec 2004
Share capital	9 873	155					10 028
Share premium account	10 097	384					10 481
Legal reserve	127						127
Other reserves	143						143
Translation differences	0						0
Accrued earnings	36 364		-49		-3 455	5 968	38 828
Minority interest	496			-236			260
<b>Total shareholders' equity</b>	<b>57 100</b>	<b>539</b>	<b>-49</b>	<b>-236</b>	<b>-3 455</b>	<b>5 968</b>	<b>59 867</b>

1000 EUR	Shareholders' equity 1 Jan 2005	Subscription of shares	Translation differences	Change in minority interest	Dividend payment	Profit for the period	Shareholders' equity 31 Dec 2005
Share capital	10 028	351					10 379
Share premium account	10 481	755					11 236
Legal reserve	127						127
Other reserves	143						143
Translation differences	0						0
Accrued earnings	38 828				-3 259	9 808	45 377
Minority interest	260			-260			0
<b>Total shareholders' equity</b>	<b>59 867</b>	<b>1 106</b>	<b>0</b>	<b>-260</b>	<b>-3 259</b>	<b>9 808</b>	<b>67 262</b>

The notes constitute an essential part of the financial statements.

# Notes to the consolidated financial statements

## Basic information on the Group

Olvi Group manufactures beers, ciders, mineral waters, juices, soft drinks and other beverages. Olvi operates in four countries: Finland, Estonia, Latvia and Lithuania.

The Group's parent company is Olvi plc (Business ID 0170318-9), and its Series A shares are quoted on the Main list of the Helsinki Stock Exchange. The parent company is headquartered in Iisalmi and its registered address is P.O. Box 16, 74101 Iisalmi.

A copy of the consolidated financial statements is available on the Internet at [www.olvi.fi](http://www.olvi.fi) or from the headquarters of the Group's parent company at Olvitie I-IV, 74100 Iisalmi.

The accounting period of all Group companies corresponds to the calendar year and ended on 31 December 2005.

## Accounting policies

### Basis of preparation

Olvi Group adopted the International Financial Reporting Standards (IFRS) as of 1 January 2005. These are the Group's first financial statements prepared in accordance with the International Financial Reporting Standards. The preparation has been carried out in compliance with the IAS and IFRS standards, as well as SIC and IFRIC interpretations, valid on 31 December 2005. In the Finnish Accounting Act and regulations enacted by virtue of the Act, International Financial Reporting Standards refer to the standards approved for use in the European Union in accordance with the procedure specified in the EU regulation (EC) No 1606/2002. The notes to the financial statements are also in compliance with Finnish legislation concerning accounting and corporate law.

The Group has adopted international IFRS financial statement practices during 2005 and has applied the standard IFRS 1 *First-time Adoption of International Financial Reporting Standards* in connection with this. The standards IAS 32 and IAS 39 concerning financial instruments have been applied as of 1 January

2005. Financial instruments belonging to the scope of application of IAS 32 and IAS 39 have been presented in the comparative information for 2004 in accordance with Finnish Accounting Standards. The Group disclosed IFRS comparison data for 2004 and the effects of the IFRS transition on 28 April 2005.

The consolidated financial statements have been prepared on the basis of original cost. With regard to business combinations carried out before 2004, goodwill corresponds to book value in accordance with previous accounting standards that has been used as the deemed cost under IFRS. The classification or accounting of these acquisitions have not been adjusted during the preparation of the opening consolidated IFRS balance sheet.

Preparation of financial statements in accordance with IFRS standards requires the Group's management to make certain estimates and considerations with regard to application of the accounting policies. Information on considerations made by management with regard to application of the Group's accounting policies that have the most significant effect on the figures presented in the financial statements is presented in the Section "Accounting policies requiring consideration by management and crucial factors of uncertainty associated with estimates".

## Consolidated accounting policies

### Subsidiaries

The consolidated financial statements include the parent company Olvi plc as well as all Finnish and non-Finnish subsidiaries in which the Group directly or indirectly controls more than 50% of the voting rights associated with shares or has the right to define the principles of the entity's finances and business operations.

Intra-Group shareholdings have been eliminated using the purchase method. Acquired subsidiaries are included in the consolidated financial statements as of the date the Group has acquired a position of control, and divested subsidiaries are included until the date the Group's control is discontinued. All intra-Group busi-

ness transactions, receivables, liabilities, unrealised gains and internal profit distribution are eliminated during the preparation of the consolidated financial statements. Unrealised losses are not eliminated if they are caused by impairment. The distribution of profit for the financial period between the parent company's shareholders and the minority is presented in connection with the income statement, and the share of equity belonging to the minority is presented as a separate item within shareholders' equity in the balance sheet. The maximum amount recognised in the consolidated financial statements as the minority's share of accrued losses is the amount of the investment.

#### **Conversion of items in foreign currency**

The figures indicating the earnings and financial position of Group entities are measured in the currency of each unit's primary operating environment ("functional currency"). The functional and presentation currency of the Group's parent company is the euro. The consolidated financial statements are presented in thousands of euro.

Transactions denominated in foreign currency have been converted into the functional currency at the exchange rate valid on the transaction date. The parent company's receivables and debts denominated in foreign currency have been converted into euro at the mean exchange rate quoted by the European Central Bank on the balance sheet date. Receivables and debts of non-Finnish consolidated companies denominated in foreign currency have been converted at the exchange rate of the country in question on the balance sheet date. Gains and losses originating from business transactions in foreign currency and the conversion of monetary items are recognised on the income statement. Foreign exchange gains and losses from operations are included in the corresponding items above operating profit. Foreign exchange gains and losses on loans denominated in foreign currency are included in financial income and expenses.

The income statements of non-Finnish consolidated companies have been converted into euro at the average exchange rate for the account-

ing period, which refers to the average of the mean exchange rates quoted by the European Central Bank on the last day of each month. Balance sheet items are converted into euro at the mean exchange rate quoted by the European Central Bank on the balance sheet date. The different exchange rates applicable to the conversion of profit on the income statement and balance sheet result in a translation difference recognised in shareholders' equity. Translation differences arising from the elimination of the acquisition cost of foreign Group companies, as well as translation differences arising from equity items accumulated after the acquisition, are recognised in shareholders' equity. When a subsidiary is divested in full or in part, accumulated translation differences are recognised in the income statement as part of the sales gain or loss. In accordance with the exemption allowed by the IFRS 1 standard, translation differences incurred before 1 January 2004 have been recognised as accrued earnings in connection with the IFRS transition and will not be recognised in the income statement in connection with any subsequent divestment of a subsidiary. Starting from the date of transition, any translation differences arising in connection with the preparation of the consolidated financial statements are presented as a separate item within shareholders' equity.

Starting from 1 January 2004, goodwill arising from the acquisition of foreign entities and the fair value adjustments made to the book values of the assets and liabilities of such foreign entities upon acquisition are treated as assets and liabilities belonging to the foreign entities and converted into euro using the exchange rates valid on the balance sheet date. The goodwill and fair value adjustments of acquisitions carried out before 1 January 2004 are recognised in euro.

#### **Property, plant and equipment**

Property, plant and equipment are recognised in the balance sheet at original cost deducted by accumulated depreciation and impairment losses.

Asset items are depreciated by the straight-line method over their estimated useful life. Depreciation is not booked on land areas. Estimated useful lives are the following:

Buildings	20 to 40 years
Underground shelter	4 years
Plant machinery and equipment	7 to 10 years
Other fixed assets	5 years

The residual value and useful life of asset items is reviewed upon each closing of the accounts and adjusted if necessary to reflect any changes in the expected economic benefit.

Depreciation on a property, plant or equipment item will be discontinued when the item is classified as available for sale in accordance with the standard IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Sales gains and losses arising from the decommissioning and transfer of property, plant and equipment items are included in other operating income or other operating expenses.

#### **Borrowing costs**

Borrowing costs are recognised as expenses in the period during which they have arisen. Transaction costs arising immediately from the acquisition of debt that are clearly associated with a specific loan are included in the original amortised cost of the loan and allocated as interest expenses using the effective interest method. Borrowing costs have not been capitalised.

#### **Government grants**

Government grants such as subsidies associated with the acquisition of property, plant and equipment items are recognised as deductions in the book values of property, plant and equipment items. The grants will be recognised as income through reduced depreciation over the useful life of the item.

### **Intangible assets**

#### **Goodwill**

The goodwill for business combinations corresponds to goodwill in accordance with previous

accounting standards that has been used as the deemed cost. The classification or accounting of these acquisitions have not been adjusted during the preparation of the opening consolidated IFRS balance sheet. The acquisitions have been carried out before 1 January 2004.

No regular amortisation is booked on goodwill but it is tested annually for impairment. For this purpose, goodwill is allocated to cash generating units. Goodwill is recognised at original cost deducted by impairment.

#### **Research and development costs**

Research costs are recognised as expenses in the income statement. Development costs arising from the design of new or more advanced products are capitalised as intangible assets in the balance sheet starting from the time the product is technically feasible, it can be utilised commercially, and future economic benefit is expected from the product. Development costs previously recognised as expenses will not be subsequently capitalised. Amortisation is booked on an item starting from the time it is ready for use. An item that is not yet ready for use is tested annually for impairment. Group companies do not have any capitalised development costs.

An intangible asset item is recognised in the balance sheet only if its acquisition cost can be reliably determined and it is probable that the expected economic benefit from the item will be to the Group's advantage. Patents, trademarks and licences with a limited useful life are booked in the balance sheet at original cost and recognised as expenses in the income statement by straight-line amortisation over their known or estimated useful life. No amortisation is booked on intangible assets with an unlimited useful life but they are tested annually for impairment.

The amortisation periods are the following:

Computer software	5 years
Other	5 years

## Inventories

Inventories are recognised at acquisition cost or a lower probable net realisable value. The acquisition cost of raw materials and supplies is determined by the weighted average method. The acquisition cost of finished and unfinished products according to standard cost accounting comprises raw materials, direct expenses due to work performed, other direct expenses, as well as the appropriate proportion of the variable and fixed overheads of manufacturing at the normal utilised capacity. Net realisable value refers to estimated sales price available through normal business operations, deducted by estimated costs of finishing the product and costs of sale.

## Lease agreements

### The Group as a lessee

Leases on tangible assets in which the Group has a significant part of the risks and benefits characteristic of ownership are categorised as finance lease agreements. Asset items acquired on finance lease agreements are recognised in the balance sheet at the fair value of the leased item in the start of the lease period or at a lower present value of minimum rents. Asset items acquired on finance lease agreements are depreciated over the useful life of the item or the lease period, whichever is shorter. Leasing rents payable are divided into financing cost and reduction of debt over the lease period so that the interest rate on the debt remaining in each accounting period is equal. Lease obligations are included in interest-bearing debt.

Lease agreements in which the risks and benefits characteristic of ownership remain with the lessor are treated as other lease agreements. Leases payable on the basis of other lease agreements are recognised as expenses in the income statement in equal instalments over the lease period.

### The Group as a lessor

Items leased out by the Group in which a significant part of the risks and benefits characteristic of ownership have been transferred to the

lessee are treated as finance lease agreements and recognised as receivables in the balance sheet. The receivable is recognised at present value. The financial income on a finance lease agreement is recognised as income during the lease period so that the remaining net investment will produce the same percentage of yield over the lease period.

Assets leased out on agreements other than finance lease are included in property, plant and equipment items in the balance sheet. They are depreciated over their useful life just as similar property, plant and equipment items in own use. Lease income is recognised in the balance sheet as equal instalments over the lease period.

## Impairment

On each balance sheet date, the Group estimates whether there is evidence that the value of an asset may have been impaired. If there is such evidence, the amount recoverable from the asset will be estimated. Furthermore, the recoverable amount will be estimated annually for the following assets regardless of whether there is evidence of impairment: goodwill, intangible assets with an unlimited useful life, as well as unfinished intangible assets. The need for impairment is reviewed at the level of cash generating units, which refers to the lowest level of unit that is mainly independent of other units and whose cash flows can be separated from other cash flows.

Recoverable amount equals to the fair value of an asset deducted by costs arising from its transfer, or value in use if this is higher. Value in use refers to estimated future net cash flows available from the asset or the cash generating unit discounted to present value. The recoverable amount of financial assets is either their fair value or the present value of expected future cash flows discounted at the original effective interest rate. An impairment loss is recognised when the book value of an asset exceeds its recoverable amount. Impairment losses are immediately recognised in the income statement. If an impairment loss is attributable to a cash generating unit, it is first allocated to reduce the goodwill attributable to the cash



generating unit and then to reduce other asset items within the unit on a pro rata basis. An impairment loss will be reversed if there is a change in the circumstances and the amount recoverable from an asset has changed since the recognition of the impairment loss. However, any impairment loss reversal may not exceed the amount that would be the book value of the asset if the impairment loss was not recognised. Impairment losses recognised on goodwill are not to be reversed in any circumstances. Impairment losses on equity investments categorised as financial assets available for sale are not reversed through profit or loss either. An impairment loss test required by the transition standard has been conducted on the transition date.

## Employee benefits

### Pension obligations

The Group's pension schemes are defined contribution plans. Contributions paid to defined contribution pension plans are recognised in the income statement during the period to which the charge applies.

With regard to Finnish TEL (EPA) pension arranged with an insurance company, the disability-related portion of pension benefits has been treated as a defined benefit pension plan in the opening IFRS balance sheet 1 January 2004. The liability booked for defined benefit pension plans at that time has been recognised in the income statement by the end of 2005. Pension cover for the personnel of the Group's Finnish parent company has been arranged through a statutory TEL (EPA) insurance policy with an external pension insurance company. Non-Finnish consolidated companies have arranged pension cover for their personnel in accordance with local legislation.

### Share-based payments

The Group applies the IFRS 2 *Share-based Payment* standard to all option schemes in which the options have been granted after 7 November 2002 but have not become vested before 1 January 2005. Olvi's General Meeting of Shareholders on 4 April 2002 decided on a stock option scheme for employees. The subscription

period for the stock options 2002A started on 1 April 2005, and for the stock options 2002B it will start on 1 April 2007. The subscription period for both stock options ends on 30 April 2008. Olvi plc's Board of Directors has decided to allocate all of the issued stock options to Olvin Juomaa Oy, a wholly owned subsidiary of Olvi plc. The options have not been distributed to personnel yet. Olvi plc's Board of Directors has the power to decide on the eventual distribution of the stock options to current or future key personnel of the Olvi Group.

Monetary payments received on the basis of share subscriptions are recognised in share capital and the share premium account.

## Provisions

A provision is recognised when the Group has a legal or factual obligation based on a previous event, the realisation of a payment obligation is probable and the amount of the obligation can be reliably estimated. If there is a possibility to receive compensation for part of the obligation from a third party, the compensation is recognised as a separate asset item but this is only done once the possibility of receiving compensation is practically certain. Provisions are measured at the present value of the costs required to cover the obligation. The discounting factor used in the calculation of fair value is chosen to reflect the market opinion on the time value of money at the time of review and the risks associated with the obligation.

A restructuring provision is recognised when the Group has prepared a detailed restructuring plan and started its implementation or disclosed the matter. A restructuring plan includes at least the following information: the business operations associated with the arrangement, the principal sites affected by the arrangement, the locations, tasks and estimated number of the people that will receive compensation for termination of employment, the costs that will be realised and the time of implementing the plan.

A provision is recognised for unprofitable agreements if the costs necessary for fulfilling the obligations exceed the benefits available from the agreement.

A provision for obligations associated with decommissioning and restoration is recognised when the Group has an obligation based on environmental legislation and the Group's environmental responsibility policy that is associated with the decommissioning of a production facility, remedy of environmental damage or transfer of equipment to another location.

No provisions of the specified types have been recognised in Olvi Group's IFRS financial statements.

## Income taxes

The tax expenses in the income statement comprise tax based on the taxable income for the period and deferred tax. The tax based on the taxable income for the period is calculated on the basis of taxable income in accordance with the tax rate valid in each country. The tax is adjusted by any taxes associated with previous periods.

Deferred taxes are calculated on all temporary differences between book value and tax base. No deferred tax is recognised on impairment losses on goodwill that are not tax deductible, and no deferred tax is recognised on undistributed accrued profits of subsidiaries to the extent that the difference will probably not be eliminated during the foreseeable future.

Deferred taxes are calculated at tax rates enacted by the balance sheet date.

Deferred tax receivables are recognised up to the probable amount of taxable income in the future against which the temporary difference can be utilised.

## Principles for recognition of income

### Goods sold and services produced

Income from the sale of goods is recognised once the significant risks and benefits associated with the ownership of the goods have been transferred to the purchaser. Income from services is recognised once the service has been rendered.

## Long-term assets held for sale and discontinued operations

Long-term assets held for sale and assets associated with discontinued operations are classified as assets held for sale and measured at book value or a lower fair value deducted by sales costs if the amount corresponding to the book value is going to be accrued mostly from the sale of the asset instead of continuous use. Depreciation of these assets will be discontinued at the time of classification.

## Financial assets and liabilities

The Group has applied the standard IAS 39 *Financial Instruments: Disclosure and Presentation (amended 2004)* since 1 January 2005. Financial assets and liabilities in 2004 have been measured in accordance with Finnish Accounting Standards. As of the beginning of 2005, the Group's financial assets have been classified into the following categories upon acquisition in accordance with the standard: 1) financial assets at fair value through profit or loss, 2) loans and receivables, 3) held-to-maturity investments, and 4) financial assets available for sale. On the balance sheet date, all investments and receivables were categorised either as loans and receivables or financial assets available for sale.

Loans and other interest-bearing receivables are recognised at original amortised cost using the effective interest method.

Financial assets available for sale include shares and investments that are not included in any other groups of financial assets. The assets within this group are long-term investments closely associated with business operations, mostly unquoted shares and participations, and there is no intention to sell or transfer them. Financial assets available for sale are recognised at fair value. If fair value cannot be reliably determined, the assets are recognised at original cost. Changes in fair value are recognised in the fair value reserve within shareholders' equity and the income statement once the investment is divested or its value has been impaired.

The Group's financial liabilities consist of other financial liabilities. Financial liabilities are initially recognised at fair value increased by transaction costs arising from the acquisition of debt. Liabilities will subsequently be measured at original amortised cost using the effective interest method. Financial liabilities are included in non-current and current liabilities and may be either interest-bearing or interest-free.

Financial assets are derecognised once the Group has lost its contractual right to the cash flow or it has transferred a significant portion of the risks and revenue out of the Group. Financial liabilities are derecognised once the liability or a part thereof has ceased to exist – in other words, once the obligation specified in the contract has been fulfilled or annulled or it has ceased to be valid.

The Group treats derivative contracts in the manner prescribed in the standard IAS 39 *Financial Instruments: Disclosure and Presentation (amended 2004)* starting from 1 January 2005. Olvi Group has classified all derivatives as assets held for trading because it does not apply hedge accounting in accordance with IAS 39. Derivatives held for trading are interest rate swaps recognised at fair value. The fair value of interest rate swaps is recognised in other current assets or liabilities. Both realised and unrealised gains and losses arising from changes in fair value are recognised in financial items within the income statement for the accounting period during which they arise.

### **Dividend distribution**

The dividend proposed by the Board of Directors to the General Meeting of Shareholders has not been recognised in the financial statements. Dividends will only be recognised on the basis of the General Meeting's decision.

### **Operating profit**

The standard IAS 1 *Presentation of Financial Statements* does not define the concept of operating profit. The Group has defined it as follows: operating profit is the net amount cre-

ated by adding other operating income to net sales, subtracting purchase costs adjusted by change in inventories of finished and unfinished products and costs of manufacture for own use, and subtracting costs of employee benefits, depreciation and amortisation, any impairment losses and other operating expenses. All income statement items other than the above are presented below operating profit. Exchange rate differences are included in operating profit if they arise from items associated with business operations; otherwise they are recognised in financial items.

### **Earnings per share**

In IAS 33, undiluted earnings per share is calculated using the average weighted number of shares outstanding during the accounting period. The average weighted number of shares used for the calculation of diluted earnings per share includes the dilution effect of options outstanding during the accounting period. The calculation of the dilution effect includes consideration for the number of treasury shares acquired using funds received from the exchange of options.

### **Accounting policies requiring consideration by management and crucial factors of uncertainty associated with estimates**

Estimates and assumptions regarding the future have to be made during preparation of the financial statements, and the outcome may differ from the estimates and assumptions. Furthermore, the application of accounting policies requires consideration. This affects the amounts of assets and liabilities in the balance sheet, the presentation of contingent liabilities and assets in the financial statements, as well as income and expenses for the accounting period. Actual figures may differ from these estimates.

The Group's goodwill items are tested annually for impairment, and other asset items in the balance sheet are evaluated for any evidence of impairment. Recoverable amounts from cash generating units are determined as calculations based on value in use, the preparation of which requires the use of estimates.

## **Application of new or amended IFRS standards and IFRIC interpretations**

The IASB has published the following standards and interpretations that will become obligatory in 2006 or later. The Group has decided not to apply these standards early and will adopt them in upcoming accounting periods.

### **In 2006 the Group will adopt the following standards and interpretations:**

*IAS 19 (Amendment), Employee Benefits.* The amendment allows actuarial gains and losses to be recognised directly in shareholders' equity. It also concerns schemes with several employees, as well as notes to the financial statements regarding employee benefits. The Group's management estimates that this amendment will not have any substantial effect on the consolidated financial statements.

*IAS 21 (Amendment), Net Investment in a Foreign Operation.\** The amendment will clarify and modify the requirements imposed by the standard with regard to receivables from a foreign unit or liabilities to a foreign unit that are handled as a part of the net investment made by an entity in a foreign unit. These items may be denominated in any currency and exist either between the reporting entity and a subsidiary, or between different subsidiaries. The Group's management estimates that this amendment will not have any substantial effect on the consolidated financial statements.

*Amendment to IAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions.* The amendment allows a highly probable foreign currency risk between Group entities to be defined as a hedged item in consolidated financial statements. The Group's management estimates that this amendment will not have any substantial effect on the consolidated financial statements because the Group does not apply hedge accounting to intra-Group foreign currency items.

*Amendment to IAS 39: The Fair Value Option.* The amendment means that an item in financial assets or liabilities can be classified as recognised at fair value through profit or loss if

this results in more relevant information or is justified on the basis that it reduces complexity or increases the reliability of measurement. The adoption of the amendment is voluntary and shall be decided upon initial recognition.

*IAS 39 (Amendment) Financial Instruments: Recognition and Measurement and IFRS 4 (Amendment) Insurance Contracts – Financial Guarantee Contracts* concerns the treatment of guarantee contracts granted to entities external to the Group. Such contracts shall initially be recognised at fair value and subsequently at the higher of the following: the outstanding undepreciated balance of payments associated with the contract or the amount required to pay the guarantee. The Group's management estimates that this amendment will not have any substantial effect on the consolidated financial statements.

*IFRIC 4, Determining Whether an Arrangement Contains a Lease.* The interpretation requires that the definition of an arrangement or any part thereof as a lease must be based on the contents of the arrangement, more precisely on whether fulfilment of the arrangement depends upon a specific asset and whether the arrangement conveys a right to control the use of the underlying asset. The Group is currently investigating the effect of this interpretation on the consolidated financial statements.

### **The following new standards and interpretations entering into force in 2006 will not have any effect on the consolidated financial statements:**

*IFRS 1 (Amendment), First-time adoption of International Financial Reporting Standards and IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources.*

*IFRS 6, Exploration for and Evaluation of Mineral Resources.*

*IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds.*

*IFRIC 6, Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment.*

IFRIC 7, Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies.\*

**In 2007 the Group will adopt the following standard published by the IASB:**

*IFRS 7 Financial Instruments: Disclosures and IAS 1 (Amendment) Presentation of Financial Statements - Capital Disclosures.* The standard imposes new requirements for notes to the financial statements concerning financial instruments. It requires the disclosure of qualitative and quantitative information on the company's

exposure to risks arising from financial instruments, including specific minimum requirements for notes concerning credit risk, liquidity risk and market risk, as well as the requirement to present a sensitivity analysis for market risk. The amendments to IAS 1 impose additional requirements for notes concerning the level and management of the company's capital. The Group's management is investigating the effects of the standard and the changes imposed by it.

\* The EU has not yet approved the standard/interpretation for use.

# Notes to the Consolidated Financial Statements

## 1. Segment information

Segment information is presented in accordance with the Group's division into geographical and business segments. The Group's primary segment reporting format is based on geographical segments. The geographical segments are based on the Group's internal organisational structure and internal financial reporting.

The products and services of geographical segments are produced in a specific economic environment with risks and profitability deviating from the risks and profitability of the economic environment of other geographical segments. Business segments comprise groups of assets and business operations that have risks and profitability associated with their products and services deviating from other business segments.

A segment's assets and liabilities refer to business items that the segment uses in its business operations or that can be allocated to segments on reasonable grounds. Unallocated items include tax and financial items, as well as items common to the entire company. Investments include increases in property, plant and equipment items and intangible assets that are used during more than one period.

### Geographical segments

The Group's geographical segments are: Finland, Estonia, Latvia and Lithuania. In addition to the location of assets, the geographical segments are presented in accordance with the location of customers.

### Business segments

The Group's business segments are: alcoholic beverages and non-alcoholic beverages. Alcoholic beverages include beers, ciders and long drinks manufactured and sold by Group companies. Non-alcoholic beverages include mineral waters, soft drinks and juices.

22

## Geographical segments 2005 in accordance with asset locations

EUR 1000	Finland	Estonia	Latvia	Lithuania	Elimination	Group
<b>INCOME</b>						
External sales	73 278	45 931	13 360	14 950		147 519
Internal sales	232	16 099	43	92	-16 466	0
Total net sales	73 510	62 030	13 403	15 042	-16 466	147 519
Other income	215	569	26	46	-337	519
Total income	73 725	62 599	13 429	15 088	-16 803	148 038
<b>EARNINGS</b>						
Operating profit for the segment	4 720	7 720	146	-872	1 248	12 962
Interest income						159
Interest expenses						-1 885
Income taxes						-1 688
Minority interest						260
Net profit for the period						9 808
Belonging to parent company shareholders						9 548
Belonging to the minority						260
<b>OTHER INFORMATION</b>						
Segment assets	67 075	86 656	20 156	19 501	-131 273	62 115
Unallocated company-level assets						78 281
Total consolidated assets						140 396
Segment liabilities	21 000	8 385	2 481	3 643	-3 705	31 804
Unallocated company-level liabilities						41 330
Total consolidated liabilities						73 134
Investments	4 106	7 212	4 817	1 307		17 442
Depreciation	4 734	2 746	1 251	2 899	177	11 807

<b>Geographical segments 2004 in accordance with asset locations</b>						
<b>EUR 1000</b>	<b>Finland</b>	<b>Estonia</b>	<b>Latvia</b>	<b>Lithuania</b>	<b>Elimination</b>	<b>Group</b>
<b>INCOME</b>						
External sales	66 662	39 355	10 412	12 466		128 894
Internal sales	2 637	12 344	934	25	-15 940	0
Total net sales	69 299	51 699	11 346	12 491	-15 940	128 894
Other income	251	574	37	301	-526	637
Total income	69 550	52 273	11 383	12 792	-16 466	129 531
<b>EARNINGS</b>						
Operating profit for the segment	3 278	6 617	-198	-137	-286	9 274
Interest income						218
Interest expenses						-2 214
Income taxes						-1 535
Minority interest						225
Net profit for the period						5 968
Belonging to parent company shareholders						5 743
Belonging to the minority						225
<b>OTHER INFORMATION</b>						
Segment assets	66 145	88 117	15 309	21 419	-146 810	44 180
Unallocated company-level assets						88 573
Total consolidated assets						132 753
Segment liabilities	25 193	21 025	1 887	3 157	-15 438	35 824
Unallocated company-level liabilities						37 062
Total consolidated liabilities						72 886
Investments	4 731	9 861	3 002	767		18 361
Depreciation	5 041	2 528	1 094	1 486	135	10 284
<b>Geographical segments 2005 in accordance with customer locations</b>						
<b>EUR 1000</b>	<b>Finland</b>	<b>Estonia</b>	<b>Latvia</b>	<b>Lithuania</b>	<b>Elimination</b>	<b>Group</b>
External sales	70 240	45 500	13 359	15 537	2 883	147 519
Internal sales	107	12 004	3 166	1 189	-16 466	0
Total net sales	70 347	57 504	16 525	16 726	-13 583	147 519
Other income	215	569	26	46	-337	519
Total income	70 562	58 073	16 551	16 772	-13 920	148 038
<b>Geographical segments 2004 in accordance with customer locations</b>						
<b>EUR 1000</b>	<b>Finland</b>	<b>Estonia</b>	<b>Latvia</b>	<b>Lithuania</b>	<b>Elimination</b>	<b>Group</b>
External sales	66 686	38 665	10 322	12 965	256	128 894
Internal sales	59	12 906	2 529	446	-15 940	0
Total net sales	66 745	51 571	12 851	13 411	-15 684	128 894
Other income	251	574	37	301	-526	637
Total income	66 996	52 145	12 888	13 712	-16 210	129 531
<b>Business segments 2005</b>						
<b>EUR 1000</b>			<b>Alcoholic beverages</b>	<b>Non-alcoholic beverages</b>	<b>Elimination</b>	<b>Group</b>
External sales			110 409	53 576	-16 466	147 519
Segment assets			100 922	41 110	-80 083	61 949
Unallocated company-level assets						78 447
Total consolidated assets						140 396
Investments			13 097	4 345		17 442

<b>Business segments 2004</b>				
<b>EUR 1000</b>	<b>Alcoholic beverages</b>	<b>Non-alcoholic beverages</b>	<b>Elimination</b>	<b>Group</b>
External sales	103 564	41 270	-15 940	128 894
Segment assets	98 203	31 736	-85 759	44 180
Unallocated company-level assets				88 573
Total consolidated assets				132 753
Investments	13 428	4 933		18 361

<b>2. Non-current assets held for sale, EUR 1000</b>	<b>2005</b>	<b>2004</b>
Non-current assets held for sale	94	88
Total	94	88

Non-current assets held for sale comprise decommissioned machinery and equipment, as well as a vacant building.

<b>3. Acquired business operations</b>
There were no acquired business operations during the accounting period.

<b>4. Long-term projects</b>
There were no long-term projects during the accounting period.

<b>5. Other operating income, EUR 1000</b>	<b>2005</b>	<b>2004</b>
Sales gains on property, plant and equipment	49	529
Rental income	100	108
Other	370	0
Total	519	637

<b>6. Other operating expenses, EUR 1000</b>	<b>2005</b>	<b>2004</b>
Sales losses and scrapping of property, plant and equipment	15	0
Rental costs	2 689	2 680
External services	23 717	21 331
Other	23 301	22 028
Total	49 722	46 039

<b>7. Depreciation and impairment, EUR 1000</b>	<b>2005</b>	<b>2004</b>
Depreciation on tangible assets	10 827	9 276
Depreciation on intangible assets	980	1 008
Total	11 807	10 284

<b>8. Costs of employee benefits, EUR 1000</b>	<b>2005</b>	<b>2004</b>
Wages and salaries	17 583	15 336
Pension costs - defined contribution	1 581	1 549
Pension costs - defined benefit	-600	0
Other personnel expenses	2 632	2 490
Total	21 196	19 375



<b>Group personnel on average during the period</b>	<b>2005</b>	<b>2004</b>
Finland	333	334
Estonia	379	354
Latvia	180	164
Lithuania	182	180
<b>Total</b>	<b>1 074</b>	<b>1032</b>

Information on employee benefits and loans to management is presented in Note 35, Related party transactions.

<b>9. Financial income, EUR 1000</b>	<b>2005</b>	<b>2004</b>
Dividend income	3	31
Other interest and financial income	156	187
<b>Total</b>	<b>159</b>	<b>218</b>

<b>10. Financial expenses, EUR 1000</b>	<b>2005</b>	<b>2004</b>
Interest expenses	1 690	1 600
Other financial expenses	195	614
<b>Total</b>	<b>1 885</b>	<b>2 214</b>

Interest expenses include EUR 181 thousand of changes in the fair value of interest rate swaps used to hedge against interest rate risk.

<b>11. Income taxes, EUR 1000</b>	<b>2005</b>	<b>2004</b>
Tax based on the taxable income for the period	1 691	2 101
Deferred taxes, change in the fair value of derivatives	-47	0
Deferred taxes, change in depreciation difference	-112	-566
Deferred taxes, change in pension liability	156	0
<b>Total</b>	<b>1 688</b>	<b>1 535</b>

Reconciliation between the tax expenses in the income statement and taxes calculated in accordance with the tax rate in the Group's home country (2005: 26%, 2004: 29%):

<b>EUR 1000</b>	<b>2005</b>	<b>2004</b>
Earnings before tax	11 236	7 279
Non-deductible expenses	57	19
Taxes calculated at the home country's rate	2 936	2 116
Effect of different tax rates for foreign subsidiaries	-1 245	-15
Change in deferred tax liability	-3	-566
<b>Taxes in income statement</b>	<b>1 688</b>	<b>1 535</b>

<b>12. Earnings per share</b>	<b>2005</b>	<b>2004</b>
Undiluted earnings per share are calculated by dividing the profit for the accounting period belonging to the parent company's shareholders by the weighted average of shares outstanding during the accounting period.		
Profit belonging to parent company shareholders (EUR 1000)	9 548	5 743
Weighted average number of shares during the period (1000)	5 146	4 958
<b>Undiluted earnings per share (euro per share)</b>	<b>1.86</b>	<b>1.16</b>

In the calculation of earnings per share adjusted for dilution, the weighted average number of shares includes the diluting effect of the conversion of all potential shares. The Group has 200,000 options directed to the Group's key personnel that will increase the number of shares.

The stock options have a diluting effect if the exercise price of the stock options is lower than the fair value of the share. The dilution effect is the number of shares that have to be issued gratuitously as the Group could not issue the same number of shares at fair value using the funds received through the exercise of the options. The fair value of the share is based on the average share price during the period.

	<b>2005</b>	<b>2004</b>
Profit belonging to parent company shareholders (EUR 1000)	9 548	5 743
Net profit for the calculation of earnings per share adjusted for dilution (EUR 1000)	9 548	5 743
Weighted average number of shares during the period (1000)	5 146	4 958
Effect of stock options (1000)	43	147
Weighted average number of shares for the calculation of earnings per share adjusted for dilution (1000)	5 189	5 105
Earnings per share adjusted for dilution (euro per share)	1.84	1.13

### 13. Property, plant and equipment

EUR 1000	Land and water properties	Buildings	Machinery and eqpt	Other tangible assets	Advance payments and unfinished purchases	Total
Acquisition cost 1 Jan 2005	1 512	49 848	93 234	4 635	4 992	154 222
Increase	320	3 445	11 159	844	4 363	20 131
Transfer to non-current assets classified as held for sale	0	0	-6	0	0	-6
Decrease	0	-7	-466	-680	-7 214	-8 367
Exchange rate differences	0	-13	-350	226	5	-132
Acquisition cost 31 Dec 2005	1 832	53 274	103 571	5 025	2 146	165 848
Accumulated depreciation and impairment 1 Jan 2005	0	17 224	64 007	2 861	0	84 092
Depreciation	0	2 059	8 050	718	0	10 827
Decrease	0	0	-2 033	-641	0	-2 674
Exchange rate differences	0	9	-230	144	0	-77
Accumulated depreciation and impairment 31 Dec 2005	0	19 293	69 794	3 082	0	92 169
Book value 1 Jan 2005	1 512	32 624	29 227	1 775	4 992	70 130
Book value 31 Dec 2005	1 832	33 981	33 777	1 943	2 146	73 679

EUR 1000	Land and water properties	Buildings	Machinery and eqpt	Other tangible assets	Advance payments and unfinished purchases	Total
Acquisition cost 1 Jan 2004	1 516	49 321	87 548	3 925	478	142 787
Increase	4	702	6 547	1 112	5 615	13 980
Transfer to non-current assets classified as held for sale	0	0	-57	0	0	-57
Decrease	-2	-51	-318	-207	-1 094	-1 673
Exchange rate differences	-5	-123	-485	-194	-6	-814
Acquisition cost 31 Dec 2004	1 512	49 848	93 234	4 635	4 992	154 222
Accumulated depreciation and impairment 1 Jan 2004	0	15 276	57 378	2 211	0	74 865
Depreciation	0	1 997	6 629	650	0	9 276
Decrease	0	-89	0	0	0	-89
Exchange rate differences	0	41	0	0	0	40
Accumulated depreciation and impairment 31 Dec 2004	0	17 224	64 007	2 861	0	84 092
Book value 1 Jan 2004	1 516	34 045	30 170	1 714	478	67 922
Book value 31 Dec 2004	1 512	32 624	29 227	1 775	4 992	70 130

### Finance lease contracts

Property, plant and equipment items include assets acquired on finance lease contracts as follows:

EUR 1000	Machinery and eqpt	Other tangible assets	Total
31.12.2005			
Acquisition cost	1 095	1 563	2 658
Accumulated depreciation	-614	-589	-1 203
Book value	481	974	1 455

EUR 1000	Machinery and eqpt	Other tangible assets	Total
31.12.2004			
Acquisition cost	943	1 030	1 973
Accumulated depreciation	-449	-301	-750
Book value	494	729	1 223

### 14. Intangible assets

EUR 1000	Goodwill	Formation costs	Intangible rights	Other intangible assets	Total
Acquisition cost 1 Jan 2005	13 683	66	9 548	7 418	30 714
Increase	0	0	27	519	546
Decrease	0	0	-5	0	-5
Exchange rate differences	0	0	-25	4	-20
Acquisition cost 31 Dec 2005	13 683	66	9 546	7 940	31 235

Accumulated depreciation and impairment 1 Jan 2005	4 977	66	8 934	5 187	19 163
Depreciation	0	0	168	811	980
Exchange rate differences	0	0	-54	0	-54
Accumulated depreciation and impairment 31 Dec 2005	4 977	66	9 048	5 999	20 089

Book value 1 Jan 2005	8 706	0	614	2 231	11 551
Book value 31 Dec 2005	8 706	0	498	1 942	11 145

EUR 1000	Goodwill	Formation costs	Intangible rights	Other intangible assets	Total
Acquisition cost 1 Jan 2004	13 683	66	9 536	6 814	30 098
Increase	0	0	12	603	616
Acquisition cost 31 Dec 2004	13 683	66	9 548	7 418	30 714

Accumulated depreciation and impairment 1 Jan 2004	4 977	66	8 783	4 328	18 154
Depreciation	0	0	172	836	1 008
Exchange rate differences	0	0	-21	23	2
Accumulated depreciation and impairment 31 Dec 2004	4 977	66	8 934	5 187	19 163

Book value 1 Jan 2004	8 706	0	753	2 486	11 945
Book value 31 Dec 2004	8 706	0	614	2 231	11 551

The most significant goodwill item is goodwill allocated to the Estonian segment with a book value of 3.8 million euro. The recoverable amount is based on fair value deducted by sales costs. The cash flow estimate is based on a three-year strategic plan approved by management. The discount rate is 1.125.

### 15. Investment properties

The Group has no investment properties.

**16. Interests in associates**

The Group has no investments in associates.

**17. Financial assets available for sale**

Other financial assets consist mostly of unquoted equity investments contributing to the company's operations. They are measured at original cost because their fair value cannot be reliably determined.

EUR 1000	Note	2005	2004
Book value 1 January		253	256
Disposals		0	-3
Change in fair value		0	0
Book value 31 December	30	253	253

**18. Receivables, EUR 1000**

	Note	2005	2004
Loans receivable	30	44	39
Total			

**19. Deferred tax receivables and liabilities, EUR 1000**

		2005	2004
Deferred tax receivables			
Other items		47	0
Total		47	0
Deferred tax liabilities			
Property, plant and equipment		42	42
Pension obligations		0	-156
Other items		1 517	1 782
Total		1 559	1 668

**20. Inventories, EUR 1000**

		2005	2004
Materials and supplies		16 260	16 915
Unfinished products		848	909
Finished products/goods		3 581	2 749
Other inventories		735	1 414
Total		21 424	21 987

**21. Accounts receivable and other receivables, EUR 1000**

	Note	2005	2004
Accounts receivable	30	24 191	20 255
Prepayments and accrued income	30	2 685	2 053
Other receivables	30	397	1 959
Total		27 273	24 267

Essential items included in prepayments and accrued income are associated with income tax receivables as well as discounts and marketing efforts.

**22. Liquid assets, EUR 1000**

	Note	2005	2004
Cash, bank accounts and certificates of deposit	30	6 437	4 436
Total		6 437	4 436

## 23. Notes concerning shareholders' equity

The following is a reconciliation of numbers of shares:

EUR 1000	Number of K shares (1000)	Number of A shares (1000)	Share capital	Share premium account	Total
1.1.2004	933	4 003	9 873	10 097	19 970
Increase of share capital		78	155	384	539
31.12.2004	933	4 081	10 028	10 481	20 509
Increase of share capital		176	351	755	1 106
31.12.2005	933	4 257	10 379	11 236	21 615

The maximum number of shares is 1.5 million K shares and 6.1 million A shares (1.5 million K shares and 6.1 million A shares in 2004). The par value of the shares is 2.00 euro per share, and the Group's maximum share capital is 15.3 million euro (15.3 in 2004). All issued shares have been paid in full.

The following is a description of reserves in shareholders' equity:

### Share premium account

The share premium account comprises any subscription price in excess of the par value of shares upon share issues.

### Legal reserve

The legal reserve originates from reserve transfers made due to an obligation formerly included in the Articles of Association.

### Translation differences

The Translation differences reserve includes translation differences arising from the conversion of the financial statements of foreign units.

### Own shares

The Group does not hold any of its own shares.

### Dividends

After the balance sheet date, the Board of Directors has proposed a dividend of 0.85 euro per share.

### Treatment of minority interest

In the consolidated financial statements, no minority interest has been separated from the earnings of A/S Cēsu Alus due to negative shareholders' equity. With regard to the loss of AB Ragutis in 2005, the minority interest corresponds to minority investments remaining after losses in previous accounting periods.

## 24. Share-based payments

The Group applies the IFRS 2 Share-based Payment standard to all option schemes in which the options have been granted after 7 November 2002 but have not become vested before 1 January 2005. The stock options issued by Olvi plc's General Meeting of Shareholders on 4 April 2002 have been allocated to Olvi Juomaa Oy by decision of Olvi plc's Board of Directors. The Board of Directors will decide on the eventual distribution of the stock options to Olvi Group's current or future key personnel.

Stock options	Subscription period	Number	Conversion ratio
2002A	1.4.2005-30.4.2008	100 000	1:1
2002B	1.4.2007-30.4.2008	100 000	1:1
Total		200 000	

The exercise price of the stock options is the average quote weighted by trade volume of the Olvi plc A share on the Helsinki Stock Exchange from 1 July to 31 December 2002. The exercise price will be reduced by the amount of any dividends distributed after the price-setting period has started and before the shares are subscribed. The exercise price of the stock options must be at least equal to the nominal value of the share.

25. Pension obligations, EUR 1000	2005	2004
Recognised pension liability 1 January	600	600
Recognised change in pension liability 2005	-600	0
Total	0	600

With regard to Finnish TEL (EPA) pension arranged with an insurance company, the disability-related portion of pension benefits has been treated as a defined benefit pension plan in the opening IFRS balance sheet 1 January 2004. As the scheme has changed into a defined contribution plan, the liability booked at that time has been recognised in the income statement by the end of 2005.

## 26. Provisions

The Group has not booked any provisions.

27. Interest-bearing liabilities, EUR 1000	Note	2005	2004
Non-current liabilities			
Loans from financial institutions	30	32 243	34 655
Finance lease liabilities	30	928	711
Other liabilities	30	188	28
Total		33 359	35 394
Current liabilities			
Loans from financial institutions	30	6 412	8 989
Finance lease liabilities	30	460	419
Total		6 872	9 408
Non-current liabilities will fall due as follows:			
Due in 2006		0	8 761
Due in 2007		10 822	11 184
Due in 2008		8 696	6 069
Due in 2009		6 193	5 248
Due in 2010		4 420	3 552
Due later		3 228	580
Total		33 359	35 394

Finance lease liabilities, EUR 1000	Note	2005	2004
The finance lease liabilities will fall due as follows:			
Finance lease liabilities - total of minimum rents			
Due within one year		460	419
Within more than one but less than five years		928	711
	30	1 388	1 130
Finance lease liabilities - present value of minimum rents			
Due within one year		460	419
Within more than one but less than five years		928	711
	30	1 388	1 130
Total amount of finance lease liabilities	30	1 388	1 130

<b>28. Accounts payable and other liabilities, EUR 1000</b>	<b>Note</b>	<b>2005</b>	<b>2004</b>
Current			
Accounts payable	30	14 383	11 891
Accrued expenses	30	4 728	4 896
Other liabilities	30	12 233	9 629
<b>Total</b>		<b>31 344</b>	<b>26 416</b>

Essential items included in accrued expenses are associated with subsequent remuneration and salary obligations.

### 29. Management of financing risks

The Group is exposed to several financing risks in its normal course of business. The objective of the Group's risk management is to minimise the adverse effects of changes in the financial markets on the Group's earnings. The primary type of financing risk is interest rate risk. The Group uses interest rate swaps for risk management. The general principles of the Group's financing risk management are approved by the Board of Directors of the parent company, and Group management together with the management of subsidiaries is responsible for their practical implementation. Group management will identify and assess the risks and acquire the instruments required for hedging against risks in close cooperation with operating units. Hedging transactions are carried out in accordance with written risk management principles approved by Group management.

#### Interest rate risk

The objective of managing the Group's financing risks is to minimise any adverse and unexpected impacts of changes in the financial markets on the Group's earnings and to ensure sufficient liquidity. The primary type of financing risk is interest rate risk. The Group has diversified its borrowing between fixed- and variable-rate loans and uses interest rate swaps to reduce interest rate risk if required by the market conditions.

#### Credit risk

Creditworthiness requirements for the Group's customers are defined on the basis of principles recorded in the operational system. The Group does not have any significant concentrations of credit risk on receivables because its customer base is wide and geographically diversified. The amount of credit losses recognised during the accounting period was not significant.

### 30. Fair values of financial assets and liabilities

The following is a presentation of the fair value determination principles used by the Group for all financial instruments. Furthermore, the table includes a detailed presentation of the fair values and book values of each item that correspond to the values in the consolidated balance sheet.

<b>EUR 1000</b>	<b>Note</b>	<b>Book value 2005</b>	<b>Fair value 2005</b>	<b>Book value 2004</b>	<b>Fair value 2004</b>
Financial assets					
Other financial assets	17	253	253	253	253
Accounts receivable and other receivables	18, 21	27 317	27 317	24 306	24 306
Liquid assets	22	6 437	6 437	4 436	4 436
Financial liabilities					
Loans from financial institutions	27	38 655	38 655	43 644	43 644
Finance lease liabilities	27	1 388	1 388	1 130	1 130
Other liabilities	27	188	188	28	28
Accounts payable and other liabilities	28	31 344	31 344	26 416	26 416
Interest rate swaps	29	-181	-181	0	0

The face value of interest rate swaps was 10.5 million euro in 2005 and 13.7 million euro in 2004. The following price quotations, assumptions and valuation models have been used for the determination of fair values for financial assets and liabilities presented in the table:

### Financial assets

Unquoted equity investments are recognised at purchase price as they cannot be recognised at fair value using the valuation methods. The fair value of the investments could not be determined reliably and estimates vary significantly, or the probabilities of different estimates within the range of variation cannot be reasonably determined and used for the assessment of fair value. The original book value of receivables corresponds to their fair value.

### Financial liabilities

The fair values of interest rate swaps have been determined using the method of present value of future cash flows, supported by market interest rates and other market information on the balance sheet date. The original book value of loans from financial institutions, finance lease liabilities, accounts payable and other liabilities corresponds to their fair value.

<b>31. Adjustments to business cash flows, EUR 1000</b>	<b>2005</b>	<b>2004</b>
Transactions with no associated payment:		
Depreciation	11 807	10 284
Employee benefits	-444	0
Other adjustments	-388	-629
<b>Total</b>	<b>10 975</b>	<b>9 655</b>

### 32. Joint ventures

The Group has no investments in joint ventures.

### 33. Other lease contracts

<b>The Group as a lessee, EUR 1000</b>	<b>2005</b>	<b>2004</b>
Minimum rents payable on the basis of other non-cancellable leases:		
Due within one year	1 381	1 286
Within more than one but less than five years	1 962	1 073
After more than five years	14	15
<b>Total</b>	<b>3 357</b>	<b>2 374</b>

The Group has leased operating premises and storage terminal facilities in different parts of Finland, as well as production machinery and equipment.

<b>The Group as a lessor, EUR 1000</b>	<b>2005</b>	<b>2004</b>
Minimum rents receivable on the basis of other non-cancellable leases:		
Due within one year	882	772
<b>Total</b>	<b>882</b>	<b>772</b>

The Group rents out beverage distribution and refrigeration equipment to its customers. The Group leases its properties and premises to its subcontractors. The amount of rental income received is not significant to the Group's overall business.



<b>34. Collateral and contingent liabilities, EUR 1000</b>	<b>2005</b>	<b>2004</b>
Pledges and contingent liabilities		
For own commitments	1 135	1 135
For others	1 278	0
Leasing liabilities		
Due within one year	1 240	1 282
Due within more than one but less than five years	1 471	1 019
<b>Total leasing liabilities</b>	<b>2 711</b>	<b>2 301</b>
Package liabilities	5 442	3 676
Other liabilities	2 016	2 181
Debts for which mortgages have been given as collateral		
Loans from financial institutions		
For own commitments	3 864	5 409
For others	4 125	6 723

### 35. Related party transactions

The Group's parent and subsidiary relationships are the following:

	<b>Holding (%)</b>	<b>Share of voting rights (%)</b>
Parent company Olvi plc, Iisalmi, Finland		
Olvin Juomaa Oy, Iisalmi, Finland	100.00	100.00
AS A. Le Coq Group, Tartu, Estonia	100.00	100.00
AS A. Le Coq Tartu Õlletehas, Tartu, Estonia	100.00	100.00
AS Õsel Foods, Reola, Estonia	100.00	100.00
AS Saare Õlu, Saaremaa, Estonia	100.00	100.00
A/S Cesu Alus, Cēsis, Latvia	97.02	97.02
AB Ragutis, Kaunas, Lithuania	83.07	83.07

### Employee benefits to management

<b>Salary and emoluments, EUR 1000</b>	<b>2005</b>	<b>2004</b>
Managing Directors and members of the Board	744	622
<b>Total</b>	<b>744</b>	<b>622</b>

Quotation of the share warrants issued by Olvi plc in 1999 to the company's personnel and to the members of the parent company's Board of Directors ceased on 30 April 2005. The warrant scheme included a total of 500,000 warrants. No loans have been granted to management.

### 36. Events after the end of the accounting period

AS Õsel Foods merged with AS A. Le Coq Tartu Õlletehas on 2 January 2006.

### 37. Transition to IFRS financial statements

As specified in the section of the notes concerning accounting policies, these are Olvi Group's first financial statements prepared in accordance with IFRS principles. Before the adoption of IFRS standards, Olvi Group's financial statements were prepared in accordance with Finnish Accounting Standards.

The transition to IFRS financial statements has changed the financial statement calculations, notes and accounting policies in comparison to previous financial statements. The accounting policies presented in the Accounting policies section of the notes have been applied during the preparation of the financial statements for the accounting period ended 31 December 2005, the comparison figures for the accounting period ended 31 December 2004, and the opening IFRS balance sheet on 1 January 2004 (the date of the Group's transition to IFRS reporting with the exception of the IAS 32 and IAS 39 standards).

The reconciliations and descriptions below describe the differences between IFRS financial statements and Finnish Accounting Standards (FAS) for the year 2004 and the date of IFRS transition 1 January 2004.

In accordance with the exemption allowed in IFRS 1, financial instruments belonging to the scope of application of IAS 32 and IAS 39 have been presented in the comparative information for 2004 in accordance with Finnish Accounting Standards. Adjustments between the ending date of the comparison period 31 December 2004 and the opening balance sheet for the first accounting period under IFRS are presented below in a separate reconciliation.

#### Reconciliation of balance sheet 1 January 2004

EUR 1000	Note	FAS 31.12.2003	IFRS adjustments	IFRS 1.1.2004
<b>ASSETS</b>				
Non-current assets				
Tangible assets	3	68 819	-897	67 922
Goodwill		8 706		8 706
Intangible assets		3 239		3 239
Financial assets available for sale		256		256
Other non-current assets held for sale	6		223	223
Receivables		83		83
<b>Total non-current assets</b>		<b>81 103</b>	<b>-674</b>	<b>80 429</b>
Current assets				
Inventories	3	19 299	-293	19 006
Receivables		24 264		24 264
Liquid assets		3 691		3 691
<b>Total current assets</b>		<b>47 253</b>	<b>-293</b>	<b>46 960</b>
<b>TOTAL ASSETS</b>		<b>128 356</b>	<b>-967</b>	<b>127 390</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
Shareholders' equity held by parent company shareholders				
Share capital		9 873		9 873
Other reserves		10 368		10 368
Accrued earnings	1, 3, 4, 5, 6	35 364	-3 160	32 204
Net profit for the period		4 159		4 159
		59 764	-3 160	56 604
Minority interest		496		496
<b>Total shareholders' equity</b>		<b>60 260</b>	<b>-3 160</b>	<b>57 100</b>
Non-current liabilities				
Interest-bearing liabilities		30 988		30 988
Deferred tax liabilities		2 196	42	2 238
Current liabilities				
Interest-bearing liabilities		11 810		11 810
Interest-free liabilities	1, 4	23 103	2 151	25 254
<b>Total liabilities</b>		<b>68 096</b>	<b>2 193</b>	<b>70 289</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>128 356</b>	<b>-967</b>	<b>127 390</b>

<b>Reconciliation of balance sheet 31 December 2004</b>				
<b>EUR 1000</b>	<b>Note</b>	<b>FAS 31.12.2004</b>	<b>IFRS adjustments</b>	<b>IFRS 31.12.2004</b>
<b>ASSETS</b>				
Non-current assets				
Tangible assets	3	71 044	-913	70 130
Goodwill	2	7 304	1 402	8 706
Intangible assets		2 844		2 844
Financial assets available for sale		253		253
Other non-current assets held for sale	6		88	88
Receivables		39		39
<b>Total non-current assets</b>		<b>81 484</b>	<b>577</b>	<b>82 060</b>
Current assets				
Inventories	3	22 181	-195	21 987
Receivables		24 267		24 267
Liquid assets		4 436		4 436
<b>Total current assets</b>		<b>50 885</b>	<b>-195</b>	<b>50 693</b>
<b>TOTAL ASSETS</b>		<b>132 369</b>	<b>383</b>	<b>132 753</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
Shareholders' equity held by parent company shareholders				
Share capital		10 028		10 028
Other reserves		10 752		10 752
Accrued earnings	1, 3, 5, 6	36 018	-3 160	32 858
Net profit for the period	2	2 912	3 057	5 969
		59 710	-103	59 607
Minority interest		260		260
<b>Total shareholders' equity</b>		<b>59 970</b>	<b>-103</b>	<b>59 867</b>
Non-current liabilities				
Interest-bearing liabilities		35 394		35 394
Deferred tax liabilities		1 626	42	1 668
Current liabilities				
Interest-bearing liabilities		8 989	419	9 408
Interest-free liabilities		26 391	26	26 416
<b>Total liabilities</b>		<b>72 399</b>	<b>486</b>	<b>72 886</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>132 369</b>	<b>383</b>	<b>132 753</b>
<b>Reconciliation of profit for the period 1 Jan to 31 Dec 2004</b>				
<b>EUR 1000</b>	<b>Note</b>	<b>FAS 1-12/2004</b>	<b>IFRS adjustments</b>	<b>IFRS 1-12/2004</b>
Net sales		128 894		128 894
Other operating income		637		637
Materials and services		-44 560		-44 560
Personnel expenses		-19 375		-19 375
Depreciation and impairment	2, 6	-11 727	1 443	-10 284
Other operating expenses	3	-45 945	-94	-46 039
Operating profit		7 925	1 349	9 274
Financial income and expenses	1	-3 703	1 707	-1 996
Profit before taxes		4 222	3 056	7 279
Income taxes		-1 535		-1 535
Minority interest		225		225
<b>Net profit for the period</b>		<b>2 912</b>	<b>3 056</b>	<b>5 968</b>
Attributable to:				
Parent company shareholders		2 687		5 743
Minority		225		225

Earnings per share calculated from profit belonging to parent company shareholders:

undiluted earnings per share (EUR)	0.59	1.16
earnings per share adjusted for dilution (EUR)	0.57	1.13

#### Reconciliation of shareholders' equity 1 Jan 2004 and 31 Dec 2004

EUR 1000	1.1.2004	31.12.2004
Shareholders' equity under FAS	60 260	59 970
IFRS adjustments		
IAS 2 Inventories	-797	-891
IAS 12 Income taxes	114	114
IAS 19 Employee benefits	-600	-600
IAS 21 The effects of changes in foreign exchange rates	-1 707	0
IFRS 1 First-time adoption of IFRS	-243	-243
IFRS 1 First-time adoption of IFRS	73	115
IFRS 3 Business combinations	0	1 402
Shareholders' equity under IFRS	57 100	59 867

#### Notes to the reconciliations of balance sheet on 1 January 2004 and 31 December 2004, as well as the profit for the accounting period from 1 January to 31 December 2004

##### 1. Conversion of items in foreign currency

The figures indicating the earnings and financial position of Group companies are measured in the currency of each unit's primary operating environment. The consolidated financial statements are presented in euro, which is the operating and presentation currency of the Group's parent company.

Transactions denominated in foreign currency have been converted into euro at the exchange rate valid on the transaction date. Monetary items in foreign currency have been converted into euro at the exchange rates valid on the balance sheet date. Gains and losses originating from business transactions in foreign currency and the conversion of monetary items are recognised on the income statement. Foreign exchange gains and losses from operations are included in the corresponding items above operating profit. Foreign exchange gains and losses on loans denominated in foreign currency are included in financial income and expenses.

The income statements of non-Finnish consolidated companies have been converted into euro at the weighted average exchange rate of the period, and their balance sheets have been converted at the exchange rate quoted on the balance sheet date. The different exchange rates applicable to the conversion of profit on the income statement and balance sheet result in a translation difference recognised in shareholders' equity. Translation differences arising from the elimination of the acquisition cost of foreign Group companies are recognised in shareholders' equity. When a Group company is divested, accumulated translation differences are recognised on the income statement as part of the sales gain or loss. Translation differences incurred before 1 January 2004 have been recognised as accrued earnings in connection with the IFRS transition and will not be recognised in the income statement in connection with any subsequent divestment of a subsidiary.

Exchange rate differences on intra-Group long-term loans have been accrued over the loan period in accordance with the practice allowed by Finnish Accounting Standards. According to IAS 21, these items must be recognised through profit and loss in the period during which they originate, with the exception of items considered as net investment in a foreign unit. All previously accrued exchange rate differences have been recognised as expenses in the FAS financial statements as well.

## **2. Goodwill**

Goodwill is not regularly amortised. Instead of planned amortisation, goodwill is subjected to impairment testing. If the amount of cash accrued by a cash generating unit is lower than the unit's book value including goodwill, the impairment loss is recognised on the income statement as an expense. Olvi's goodwill items have been tested on 1 January 2004. The cessation of goodwill amortisation reduced the Group's depreciation and amortisation and improved the 2004 IFRS earnings after financial items by 1.4 million euro.

## **3. Inventories**

Inventories are recognised at acquisition cost or a lower net realisable value. The acquisition cost of finished and unfinished products comprises raw materials, direct expenses due to work performed, other direct expenses, as well as a proportion of the variable and fixed overheads of manufacturing at the normal utilised capacity. Net realisable value refers to estimated sales price available through normal business operations, deducted by estimated costs of finishing the product and costs of sale.

Changes in inventories are due to the transition from a previous valuation method based on variable manufacturing costs to IFRS-compliant valuation. Furthermore, valuation principles for inventories have been unified within the Group, resulting in the valuation of certain inventories in foreign Group companies at a net realisable value lower than acquisition cost.

## **4. Pension liabilities**

When determining pension liabilities in the transition phase, the disability part of Finnish EPA (TEL) pension schemes was considered a defined benefit plan in accordance with IAS 19, and a disability pension liability of 0.6 million euro was recorded on the balance sheet on the date of transition. The Ministry of Social Affairs and Health approved certain changes in the calculation criteria of disability pension liabilities within the Finnish employment pension scheme in December 2004. The changes will enter into force on 1 January 2006, after which the TEL disability pension part will be treated as a defined contribution plan in IFRS financial statements.

## **5. Income taxes**

In accordance with IAS 12, deferred tax liabilities and receivables must generally be recognised for all taxable temporary differences. Deferred taxes are calculated at tax rates enacted by the balance sheet date. Deferred tax receivables are recognised up to the probable amount of taxable income in the future against which the temporary difference can be utilised.

The changes in accounting principles upon the transition to IFRS reporting increased Olvi's deferred (net) tax receivables on the opening balance sheet. The most significant change is due to the recognition of pension liability.

## **6. Assets held for sale**

Assets held for sale are measured at the lower of the following: book value or fair value deducted by cost of sale. Depreciation of these assets will be discontinued at the time of classification.

## Consolidated Financial Ratios, 2001 to 2005

<b>Business volume and profitability</b>						
<b>EUR 1000</b>	<b>2005 IFRS</b>	<b>2004 IFRS</b>	<b>2004 FAS</b>	<b>2003 FAS</b>	<b>2002 FAS</b>	<b>2001 FAS</b>
Net sales	147 519	128 894	128 894	114 554	110 184	100 730
Change, %	14.4	12.5	12.5	4.0	9.4	15.9
Operating profit	12 962	9 274	7 925	8 014	7 643	7 203
% of net sales	8.8	7.2	6.1	7.0	6.9	7.2
Financial income and expenses	-1 726	-1 996	-3 702	-2 062	-1 635	-1 943
Profit before taxes	11 236	7 279	4 222	5 952	6 008	5 260
% of net sales	7.6	5.6	3.3	5.2	5.5	5.2
Balance sheet total	140 396	132 753	132 369	128 356	119 425	123 792
Cash flow ratio, %	14.5	12.4	10.7	12.8	13.8	13.7
Return on investment, % (ROI)	12.4	9.3	7.9	8.8	8.8	9.8
Return on equity, % (ROE)	15.0	9.8	4.5	6.6	6.4	5.4
Equity to total assets, %	47.9	45.1	45.3	47.0	48.5	45.7
Current ratio	1.4	1.4	1.4	1.4	1.3	1.6
Gearing, %	49.6	66.7	66.6	64.9	57.8	64.4
Gross capital expenditure on fixed assets	17 442	18 361	18 361	13 513	16 284	19 734
% of net sales	11.8	14.2	14.2	11.8	14.8	19.6
Net investments in fixed assets	16 627	17 424	17 424	12 423	15 231	17 810
% of net sales	11.3	13.5	13.5	10.8	13.8	17.7
Average number of personnel:						
Olvi plc	333	334	334	341	350	328
Companies in Estonia, Latvia and Lithuania	741	698	698	653	527	466
Total employees	1 074	1 032	1 032	994	877	794
<b>Per-share ratios</b>						
	<b>2005 IFRS</b>	<b>2004 IFRS</b>	<b>2004 FAS</b>	<b>2003 FAS</b>	<b>2002 FAS</b>	<b>2001 FAS</b>
Earnings per share (EPS), euro	1.86	1.16	0.59	0.86	0.82	0.77
EPS adjusted for dilution from warrants, euro	1.84	1.13	0.57	0.84	0.81	0.76
Equity per share, euro	12.96	11.89	11.91	12.11	11.83	11.55
*) Pay-out ratio, %	45.8	56.1	110.7	70.0	76.3	58.8
Price/Earnings ratio (P/E)	11.4	11.4	22.3	13.3	12.8	12.8

The doubled number of shares after the bonus issue has been taken into account in the calculation of per-share ratios.

\*) The amount of dividend used for calculating the 2005 ratio is the Board of Director's proposal to the Annual General Meeting.

# OLVI PLC

## Parent Company's Financial Statements 2005

### Parent Company's Income Statement (FAS)

	Note	1 Jan - 31 Dec 2005		1 Jan - 31 Dec 2004	
		EUR 1000	%	EUR 1000	%
<b>NET SALES</b>	1	<b>73 509</b>	<b>100.0</b>	<b>69 299</b>	<b>100.0</b>
Increase (+)/decrease (-) in inventories of finished and unfinished products		117	0.2	33	0.0
Manufacture for own use		55	0.1	26	0.0
Other operating income	2	215	0.3	251	0.4
Materials and services	3	20 499	27.9	19 942	28.8
Personnel expenses	4	13 577	18.5	12 297	17.7
Depreciation and impairment	8	4 734	6.4	5 041	7.3
Other operating expenses		30 966	42.1	29 051	41.9
<b>OPERATING PROFIT</b>		<b>4 120</b>	<b>5.6</b>	<b>3 278</b>	<b>4.7</b>
Financial income and expenses	9	1 558	2.1	2 406	3.5
<b>PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXES</b>		<b>5 678</b>	<b>7.7</b>	<b>5 684</b>	<b>8.2</b>
Appropriations	10	402	0.5	1 291	1.9
Income taxes	11	-1 591	-2.2	-2 042	-2.9
<b>NET PROFIT FOR THE YEAR</b>		<b>4 489</b>	<b>6.1</b>	<b>4 934</b>	<b>7.1</b>

## Parent Company's Balance Sheet (FAS)

	Note	31 December 2005		31 December 2004	
		EUR 1000	%	EUR 1000	%
<b>ASSETS</b>					
<b>FIXED ASSETS</b>					
Intangible assets	12	1 593		2 035	
Tangible assets	12	22 482		22 772	
Shares in Group companies	13	11 791		11 791	
Other investments	13	248		248	
<b>TOTAL FIXED ASSETS</b>		<b>36 114</b>	<b>28.6</b>	<b>36 846</b>	<b>29.7</b>
<b>CURRENT ASSETS</b>					
Inventories	15	9 938		11 756	
Non-current receivables	16	58 333		57 203	
Current receivables	16	16 373		15 012	
Cash in hand and at bank		5 428		3 183	
<b>TOTAL CURRENT ASSETS</b>		<b>90 072</b>	<b>71.4</b>	<b>87 154</b>	<b>70.3</b>
<b>TOTAL ASSETS</b>		<b>126 186</b>	<b>100.0</b>	<b>124 000</b>	<b>100.0</b>
<b>LIABILITIES</b>					
<b>SHAREHOLDERS' EQUITY</b>					
Share capital		10 379		10 028	
Share premium account		11 236		10 481	
Legal reserve		127		127	
Retained profit		36 991		35 316	
Net profit for the period		4 489		4 934	
<b>TOTAL SHAREHOLDERS' EQUITY</b>	17	<b>63 222</b>	<b>50.1</b>	<b>60 886</b>	<b>49.1</b>
<b>ACCUMULATED APPROPRIATIONS</b>	19	<b>6 707</b>	<b>5.3</b>	<b>7 109</b>	<b>5.7</b>
<b>DEBT</b>					
Non-current liabilities		28 844		31 256	
Current liabilities		27 413		24 749	
<b>TOTAL DEBT</b>	20	<b>56 257</b>	<b>44.6</b>	<b>56 005</b>	<b>45.2</b>
<b>TOTAL LIABILITIES</b>		<b>126 186</b>	<b>100.0</b>	<b>124 000</b>	<b>100.0</b>



## Parent Company's Cash Flow Statement

	2005 EUR 1000	2004 EUR 1000
<b>Cash flow from operations</b>		
Profit before extraordinary items	5 678	5 684
Adjustments:		
Depreciation according to plan and impairment	4 734	5 041
Financial income and expenses	-1 557	-2 406
Other adjustments	-10	-26
Cash flow before change in working capital	8 844	8 293
Change in net working capital:		
Increase (-)/decrease (+) in current interest-free receivables	-1 234	2 130
Increase (-)/decrease (+) in inventories	1 818	-1 317
Increase (+)/decrease (-) in current interest-free debt	2 311	-134
Interest paid	-1 297	-1 215
Interest received	132	175
Taxes paid	-1 763	-2 759
<b>Cash flow from operations (A)</b>	<b>8 810</b>	<b>5 173</b>
<b>Cash flow from investments</b>		
Investments in tangible and intangible assets	-4 106	-4 733
Capital gains on disposal of tangible and intangible assets	114	31
<b>Cash flow from investments (B)</b>	<b>-3 992</b>	<b>-4 702</b>
<b>Cash flow from financing</b>		
Increase of share capital	1 106	539
Withdrawals of loans	4 000	10 000
Repayments of loans	-4 420	-6 857
Dividends paid	-3 259	-3 409
<b>Cash flow from financing (C)</b>	<b>-2 573</b>	<b>274</b>
<b>Increase (+)/decrease (-) in liquid assets (A+B+C)</b>	<b>2 245</b>	<b>745</b>
<b>Liquid assets 1 January</b>	<b>3 183</b>	<b>2 438</b>
<b>Liquid assets 31 December</b>	<b>5 428</b>	<b>3 183</b>
<b>Change in liquid assets</b>	<b>2 245</b>	<b>745</b>

# Parent Company's Accounting Policies

Olvi plc's accounting period extends from 1 January to 31 December. The financial statements have been prepared in accordance with the Finnish Accounting Standards (FAS).

## Fixed assets

Fixed assets have been recognised on the balance sheet at their direct acquisition cost deducted by accumulated depreciation according to plan. Depreciation according to plan has been calculated on a straight-line basis over the expected economic life of the asset item concerned.

Depreciation periods according to plan:

Buildings	20 years
Underground shelter	4 years
Plant machinery and equipment	8 years
Other fixed assets	5 years

## Inventories

Inventories have been recognised at direct manufacturing or acquisition cost or a lower probable net realisable value. The acquisition cost of raw materials and supplies is determined by the weighted average method. The acquisition cost of finished and unfinished products according to standard cost accounting comprises raw materials, direct expenses due to work performed, other direct expenses, as well as the appropriate proportion of the variable and fixed overheads of manufacturing at the normal utilised capacity.

## Research and development costs

Research and development costs have been booked as annual expenses for the year in which they are incurred.

## Pension cover for personnel

Pension cover for personnel has been arranged through a statutory TEL (EPA) insurance policy with an external pension insurance company. Pension insurance contributions have been allocated to match the salaries booked on an accrual basis in the annual accounts.

## Derivative contracts

The parent company's derivative contracts are interest rate swaps measured at fair value. Changes in fair value are recognised in financial items within the income statement.

## Foreign currency items

Transactions denominated in foreign currency have been recognised during the accounting period at the exchange rate of the transaction date, and any foreign currency receivables and liabilities outstanding on the balance sheet date have been recognised at the mean exchange rate on the balance sheet date.

# Notes to the Parent Company's Financial Statements

## Notes to the Income Statement and Balance Sheet

<b>1. Net sales by market area, EUR 1000</b>	<b>2005</b>	<b>2004</b>
Finland	70 176	63 724
Estonia	711	2 476
Latvia	0	62
Lithuania	0	85
Other exports	2 622	2 952
<b>Total</b>	<b>73 509</b>	<b>69 299</b>
<b>2. Other operating income, EUR 1000</b>	<b>2005</b>	<b>2004</b>
Capital gains on disposals of fixed assets	22	26
Other	193	225
<b>Total</b>	<b>215</b>	<b>251</b>
<b>3. Materials and services, EUR 1000</b>	<b>2005</b>	<b>2004</b>
Materials and supplies (goods):		
Purchases during the year	13 840	17 617
Change in stocks	1 934	-1 284
Outsourced services	4 725	3 609
<b>Total materials and services</b>	<b>20 499</b>	<b>19 942</b>
<b>4. Personnel expenses, EUR 1000</b>	<b>2005</b>	<b>2004</b>
Salary and emoluments	10 840	9 724
Pension expenses	1 638	1 606
Other personnel expenses	1 099	967
<b>Total</b>	<b>13 577</b>	<b>12 297</b>
<b>5. Management salaries and emoluments, EUR 1000</b>	<b>2005</b>	<b>2004</b>
Managing Director and members of the Board	429	361
<b>Total</b>	<b>429</b>	<b>361</b>
<b>6. Parent company's personnel on average during the period</b>	<b>2005</b>	<b>2004</b>
Full-time	265	270
Part-time	68	64
<b>Total</b>	<b>333</b>	<b>334</b>
<b>7. Auditors' fees, EUR 1000</b>	<b>2005</b>	<b>2004</b>
Fees for statutory audit	51	44
Other services	30	21
<b>Total</b>	<b>81</b>	<b>64</b>
<b>8. Depreciation and impairment, EUR 1000</b>	<b>2005</b>	<b>2004</b>
Planned depreciation on tangible and intangible assets	4 734	5 041
<b>Total</b>	<b>4 734</b>	<b>5 041</b>

<b>9. Financial income and expenses, EUR 1000</b>	<b>2005</b>	<b>2004</b>
Total income from long-term investments	3	31
Other interest and financial income		
From Group companies	2 903	3 491
From others	102	99
<b>Total</b>	<b>3 005</b>	<b>3 590</b>
Total dividend income and other interest and financial income	3 008	3 621
Interest expenses and other financial expenses		
Payable to Group companies		
Payable to others	1 450	1 215
<b>Total</b>	<b>1 450</b>	<b>1 215</b>
Total financial income and expenses	1 558	2 406

<b>10. Appropriations, EUR 1000</b>	<b>2005</b>	<b>2004</b>
Difference between depreciation according to plan and depreciation applied in taxation	434	1 291
Replacement reserve for fixed assets	-32	0
<b>Total</b>	<b>402</b>	<b>1 291</b>

<b>11. Income taxes, EUR 1000</b>	<b>2005</b>	<b>2004</b>
Income tax on business operations	1 638	2 042
Change in deferred tax liability	-47	0
<b>Total</b>	<b>1 591</b>	<b>2 042</b>

## **12. Fixed assets**

### **Intangible assets**

<b>EUR 1000</b>	<b>Formation costs</b>	<b>Intangible rights</b>	<b>Other intangible assets</b>	<b>Total</b>
Acquisition cost 1 Jan 2005	6	8 774	6 930	15 711
Increase	0	0	309	309
Acquisition cost 31 Dec 2005	6	8 774	7 238	16 019
Accumulated depreciation and impairment 1 Jan 2005	6	8 764	4 905	13 675
Depreciation	0	10	740	751
Accumulated depreciation 31.12.05	6	8 774	5 645	14 426
Book value 1 Jan 2005	0	10	2 025	2 035
Book value 31 Dec 2005	0	0	1 593	1 593

### **Tangible assets**

<b>EUR 1000</b>	<b>Land and water properties</b>	<b>Buildings</b>	<b>Machinery and eqpt</b>	<b>Other tangible assets</b>	<b>Advance payments and unfinished purchases</b>	<b>Total</b>
Acquisition cost 1 Jan 2005	1 078	22 027	56 044	19	1 646	80 814
Increase	0	143	5 001	9	104	5 258
Decrease	0	-7	-96	-1	-1 460	-1 564
Acquisition cost 31 Dec 2005	1 078	22 163	60 949	28	290	84 508

Accumulated depreciation and impairment 1 Jan 2005	0	11 851	46 191	0	0	58 042
Depreciation	0	1 084	2 900	0	0	3 984
Accumulated depreciation 31 Dec 2005	0	12 935	49 091	0	0	62 026
Book value 1 Jan 2005	1 078	10 176	9 853	19	1 646	22 772
Book value 31 Dec 2005	1 078	9 229	11 858	28	290	22 482
Book value of production machinery and equipment on 31 December (EUR 1000)				<b>31.12.2005</b>	<b>31.12.2004</b>	
				11 075	8 829	

### 13. Investments

EUR 1000	Shares in Group companies	Other shares	Investments total
Acquisition cost 1 Jan 2005	12 586	248	12 834
Acquisition cost 31 Dec 2005	12 586	248	12 834
Impairment 1 Jan 2005	795	0	795
Impairment 31 Dec 2005	795	0	795
Book value 31 Dec 2005	11 791	248	12 039

### 14. Group companies

	Group's holding %	Parent company's holding %
Olvin Juomaa Oy, Iisalmi, Finland	100.00	100.00
AS A. Le Coq Group, Tartu, Estonia	100.00	100.00
AS A. Le Coq Tartu Õlletehas, Tartu, Estonia	100.00	
AS Õsel Foods, Reola, Estonia	100.00	
AS Saare Õlu, Saaremaa, Estonia	100.00	
A/S Cēsu Alus, Cēsis, Latvia	97.02	
AB Ragutis, Kaunas, Lithuania	83.07	

### 15. Inventories, EUR 1000

	2005	2004
Materials and supplies	8 146	10 081
Unfinished products	299	363
Finished products/goods	1 493	1 312
Total	9 938	11 756

### 16. Receivables, EUR 1000

	2005	2004
Non-current receivables		
Loans receivable from Group companies	58 256	57 178
Loans receivable from others	30	25
Deferred tax receivables	47	0
Total non-current receivables	58 333	57 203
Current receivables		
Receivables from Group companies		
Accounts receivable	51	98
Total	51	98

Receivables from non-Group companies		
Accounts receivable	14 926	13 197
Other receivables	2	-1
Prepayments and accrued income	1 394	1 718
<b>Total</b>	<b>16 321</b>	<b>14 914</b>
<b>Total current receivables</b>	<b>16 373</b>	<b>15 012</b>
<b>Total receivables</b>	<b>74 706</b>	<b>72 215</b>

<b>17. Shareholders' equity, EUR 1000</b>	<b>2005</b>	<b>2004</b>
Share capital 1 January	10 028	9 873
Increase of share capital	351	117
Unregistered share capital	0	38
<b>Share capital 31 December</b>	<b>10 379</b>	<b>10 028</b>
Share premium account 1 January	10 481	10 097
Issue premium	755	384
<b>Share premium account 31 December</b>	<b>11 236</b>	<b>10 481</b>
Legal reserve 1 January and 31 December	127	127
Retained profit 1 January	40 250	38 772
Dividend distribution	-3 259	-3 456
<b>Retained profit 31 December</b>	<b>36 991</b>	<b>35 316</b>
Net profit for the period	4 489	4 934
<b>Total shareholders' equity</b>	<b>63 222</b>	<b>60 886</b>

<b>18. Distributable funds on 31 December</b>	<b>Olvi Group</b>		<b>Olvi plc</b>	
<b>EUR 1000</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Retained profit	35 568	32 858	36 991	35 316
Net profit for the period	9 808	5 968	4 489	4 934
Part of accumulated depreciation difference and voluntary provisions allocated to shareholders' equity	-4 317	-4 450		
Other items	-652	-940		
<b>Total distributable funds</b>	<b>40 407</b>	<b>33 436</b>	<b>41 480</b>	<b>40 250</b>

**Olvi plc's share capital is divided into share series as follows:**

	<b>2005</b>	<b>2005</b>	<b>2005</b>	<b>2004</b>	<b>2004</b>	<b>2004</b>
	<b>pcs</b>	<b>euro</b>	<b>votes</b>	<b>pcs</b>	<b>euro</b>	<b>votes</b>
K shares (20 votes/share), registered	933 064	1 866 128	18 661 280	933 064	1 866 128	18 661 280
<b>K shares total</b>	<b>933 064</b>	<b>1 866 128</b>	<b>18 661 280</b>	<b>933 064</b>	<b>1 866 128</b>	<b>18 661 280</b>
A shares (1 vote/share), registered	4 256 638	8 513 276	4 256 638	4 062 138	8 124 276	4 062 138
A shares (1 vote/share), unregistered	0	0	0	18 900	37 800	18 900
<b>A shares total</b>	<b>4 256 638</b>	<b>8 513 276</b>	<b>4 256 638</b>	<b>4 081 038</b>	<b>8 162 076</b>	<b>4 081 038</b>
<b>Total 31 December</b>	<b>5 189 702</b>	<b>10 379 404</b>	<b>22 917 918</b>	<b>5 014 102</b>	<b>10 028 204</b>	<b>22 742 318</b>

**19. Accumulated appropriations**

Accumulated appropriations consist of accumulated depreciation difference and the replacement reserve for fixed assets.

<b>20. Debt, EUR 1000</b>	<b>2005</b>	<b>2004</b>
Non-current liabilities		
Loans from financial institutions	28 118	30 530
Other liabilities	28	27
<b>Total</b>	<b>28 146</b>	<b>30 557</b>
Debt to Group companies		
Other liabilities	698	699
<b>Total</b>	<b>698</b>	<b>699</b>
<b>Total non-current liabilities</b>	<b>28 844</b>	<b>31 256</b>
Current liabilities		
Loans from financial institutions	6 412	6 212
Accounts payable	8 237	7 313
Accrued expenses	3 335	2 780
Other liabilities	9 386	8 396
<b>Total</b>	<b>27 370</b>	<b>24 701</b>
Debt to Group companies		
Accounts payable	43	48
<b>Total</b>	<b>43</b>	<b>48</b>
<b>Total current liabilities</b>	<b>27 413</b>	<b>24 749</b>
<b>Total debt</b>	<b>56 257</b>	<b>56 005</b>
Interest-free debt 31 December	21 700	19 236
Debt that falls due later than five years from now:		
Loans from financial institutions	3 200	5 000

## **21. Bonds with warrants issued to personnel in 1999**

Quotation of the share warrants issued by Olvi plc in 1999 to the company's personnel and to the members of the parent company's Board of Directors ceased on 30 April 2005. The warrant scheme included a total of 500,000 warrants.

## **22. Stock options issued to management in 2002**

In May 2002, Olvi plc's Board of Directors decided to allocate all of the stock options issued by the Annual General Meeting on 4 April 2002 to Olvin Juomaa Oy, a wholly owned subsidiary of Olvi plc. Olvi plc's Board of Directors will decide on the eventual distribution of the stock options allocated to Olvin Juomaa Oy to current or future key personnel of the Olvi Group.

The stock options entitle the holders to subscribe for a maximum of 200,000 A shares in Olvi plc. The exercise price of the stock options is the average quote weighted by trading volume of the Olvi plc A share on the Helsinki Stock Exchange from 1 July to 31 December 2002. The exercise price of the stock options will be reduced by the amount of any dividends distributed after the price-setting period has started and before the shares are subscribed. The exercise price of the stock options must be at least equal to the nominal value of the share.

<b>23. Pledges, contingent liabilities and other commitments, EUR 1000</b>	<b>2005</b>	<b>2004</b>
Pledges and contingent liabilities		
For own commitments		
Mortgages on land and buildings	1 135	1 135
Other off-balance sheet liabilities		
Package liabilities	5 441	3 676
Other liabilities	2 016	2 181
<b>Total pledges and contingent liabilities</b>	<b>8 592</b>	<b>6 992</b>
Debts for which mortgages have been given as collateral		
Loans from financial institutions		
For own commitments	3 864	5 409
For others	4 125	6 723
<b>Total debts</b>	<b>7 989</b>	<b>12 132</b>

<b>24. Leasing liabilities, EUR 1000</b>	<b>2005</b>	<b>2004</b>
Due within one year	872	791
Due later	1 217	655
<b>Total</b>	<b>2 089</b>	<b>1 446</b>

<b>25. Derivative contracts, EUR 1000</b>	<b>Nominal value</b>	<b>Market value</b>
Derivatives	10 530	10 350

The business significance of the derivative contracts is minor. The derivative contracts are interest rate swaps on loans and will reach maturity in 2007 and 2008.



## Parent Company's Financial Ratios, 2001 to 2005

<b>Business volume and profitability</b>					
<b>EUR 1000</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
Net sales	73 509	69 299	70 258	71 183	69 441
Change, %	6.1	-1.4	-1.3	2.5	5.2
Operating profit	4 120	3 278	5 241	5 969	5 715
% of net sales	5.6	4.7	7.5	8.4	8.2
Financial income and expenses	1 557	2 406	1 713	2 010	1 686
Profit before extraordinary items	5 678	5 684	6 954	7 979	7 401
% of net sales	7.7	8.2	9.9	11.2	10.6
Profit before provisions and taxes	5 678	5 684	6 954	7 979	7 401
% of net sales	7.7	8.2	9.9	11.2	10.6
Balance sheet total	126 186	124 000	119 599	107 182	105 508
Cash flow ratio, %	12.0	12.5	14.7	16.7	16.1
Return on investment, % (ROI)	6.8	6.7	8.5	10.4	10.8
Return on equity, % (ROE)	6.1	5.6	6.7	8.9	8.3
Equity to total assets, %	54.0	53.3	54.2	58.0	55.6
Current ratio	1.2	1.2	1.1	1.2	1.5
Gearing, %	43.7	51.8	48.2	34.7	36.7
Gross capital expenditure on fixed assets	4 106	4 732	2 830	6 974	5 909
% of net sales	5.6	6.8	4.0	9.8	8.5
Net investments in fixed assets	4 002	4 727	2 802	6 825	5 303
% of net sales	5.4	6.8	4.0	9.6	7.6
Average number of personnel	333	334	341	350	328
<b>Per-share ratios</b>					
	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
Earnings per share (EPS), euro	0.79	0.73	0.88	1.11	0.98
EPS adjusted for dilution from warrants, euro	0.79	0.71	0.85	1.09	0.98
Equity per share, euro	13.81	13.93	13.14	12.86	12.14
*) Nominal dividend per share, euro	0.85	0.65	0.70	1.25	0.90
*) Effective dividend yield, %	4.0	4.9	5.3	6.0	4.6
*) Pay-out ratio, %	107.0	88.5	68.6	56.4	45.7
Price/Earnings ratio (P/E)	26.6	18.0	13.0	9.5	9.9
Price of A share					
- at year-end, euro	21.10	13.17	13.25	21.00	19.55
- high, euro	21.60	14.18	14.40	24.00	20.00
- low, euro	13.30	11.56	10.00	19.65	17.30
- average price, euro	16.43	12.81	12.09	21.81	18.62
Market capitalisation of A shares on 31 December, million euro	89.8	53.6	52.4	41.0	38.1
Trading volume of A shares	1 912 335	1 767 881	1 320 230	526 414	495 194
% of all A shares outstanding	44.9	43.3	33.0	27.0	25.4
Market capitalisation of K shares on 31 December, million euro	19.7	12.3	12.4	9.8	9.1
Price of warrants 1 January to 30 April 2005					
- high, euro		18.50			
- low, euro		11.70			
- average price, euro		15.20			
Trading volume of warrants		100 235			
Turnover of warrant trading, million euro		1.52			

Number of shares

- year's average number, adjusted for share issues	5 146 403	4 958 491	4 856 313	4 834 104	4 834 104
- year's average number, adjusted for dilution from warrants	5 189 089	5 105 002	4 983 453	4 898 524	4 849 511
- number at year-end, adjusted for share issues	5 189 702	5 014 102	4 936 502	4 834 104	4 834 104

\*) The amount of nominal dividend has not been adjusted for the effect of the bonus issue. Nominal dividend refers to the dividends paid on each year's number of shares. The amount of dividend used for calculating the 2005 ratio is the Board of Director's proposal to the Annual General Meeting. The doubled number of shares after the bonus issue has been taken into account in the calculation of per-share ratios.

# Olvi plc Distribution of Holdings and Information on Shareholders

## Largest shareholders on 31 December 2005

	K series	A series	Total	%	Votes	%
1. Olvi Foundation	590 976	157 204	748 180	14.42	11 976 724	52.26
2. Hortling Heikki Wilhelm *)	225 356	42 690	268 046	5.16	4 549 810	19.85
3. The Heirs of Hortling Kalle Einari	46 776	6 312	53 088	1.02	941 832	4.11
4. Hortling Timo Einari	41 384	8 796	50 180	0.97	836 476	3.65
5. Hortling-Rinne Marit	25 572		25 572	0.49	511 440	2.23
6. Ilmarinen Mutual Pension Insurance Company		219 424	219 424	4.23	219 424	0.96
7. Evli Select Mutual Fund		157 850	157 850	3.04	157 850	0.69
8. Oy AutoCarrera Ab		109 750	109 750	2.11	109 750	0.48
9. Hansabank A/S		105 280	105 280	2.03	105 280	0.46
10. Odin Forvaltnings AS		89 380	89 380	1.72	89 380	0.39
11. Pensionsförsäkringsaktiebolaget Veritas Pension Insurance Company		82 000	82 000	1.58	82 000	0.36
12. Pohjola Finland Value equity fund		80 000	80 000	1.54	80 000	0.35
13. Laakkonen Reino		77 330	77 330	1.49	77 330	0.34
14. Finnish Broadcasting Company Pension Foundation		72 144	72 144	1.39	72 144	0.31
15. Dutch Nordic Insurance Ltd		60 350	60 350	1.16	60 350	0.26
16. Kamprad Ingvar		59 500	59 500	1.15	59 500	0.26
17. Nordea Optima Mutual Fund		54 200	54 200	1.04	54 200	0.24
18. Pohjola Non-Life Insurance Company Ltd		50 000	50 000	0.96	50 000	0.22
19. Ikano Investment Ltd Lahti Ari		45 000	45 000	0.87	45 000	0.20
Others	3 000	1 949 642	1 952 642	37.63	2 009 642	8.77
Nominee-registered shares		784 786	784 786	15.12	784 786	3.42
<b>Total</b>	<b>933 064</b>	<b>4 256 638</b>	<b>5 189 702</b>	<b>100.00</b>	<b>22 917 918</b>	<b>100.00</b>

\*) The figures include the shareholder's own holdings and shares held by parties in his control.

Olvi plc had 4,314 shareholders registered in the book-entry system on 31 December 2005.

### Insiders

Olvi plc adopted the insider guidelines drawn up and recommended by the Helsinki Stock Exchange on 1 September 2005.

### Management's interests

The members of the Board of Directors and the Managing Director of Olvi plc held a total of 225,356 K shares and 51,290 A shares on 31 December 2005, which represent 5.3 percent of the total number of shares and 19.9 percent of the votes.

Quotation of the share warrants issued by Olvi plc in 1999 to the company's personnel and to the members of the parent company's Board of Directors ceased on 30 April 2005. The warrant scheme included a total of 500,000 warrants. The company's management does not currently hold any warrants or options.

### Breakdown of share capital on 31 December 2005

	Shares	%	Votes	%
K series, registered	933 064	18.0	18 661 280	81.4
A series, registered	4 256 638	82.0	4 256 638	18.6
Total	5 189 702	100.0	22 917 918	100.0

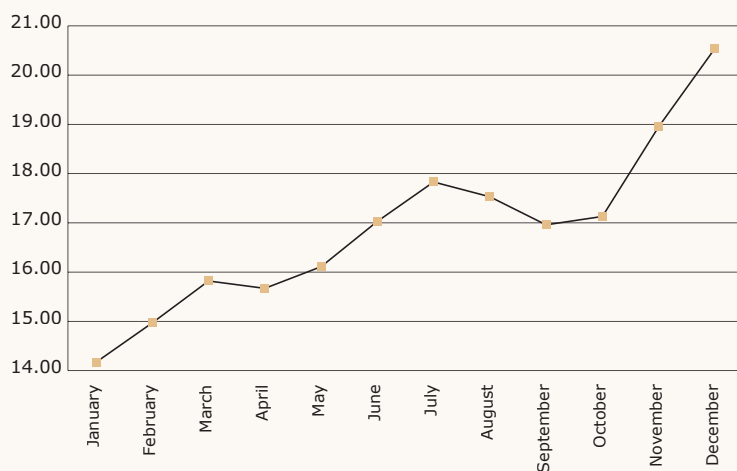
### Shareholders by size of holding on 31 December 2005

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares	Number of votes	% of votes
1-100	1 514	35.09	83 850	1.62	84 534	0.37
101-1000	2 471	57.28	809 934	15.61	823 766	3.59
1 001-10 000	292	6.77	766 456	14.77	800 808	3.49
10 001-100 000	29	0.67	1 171 846	22.58	3 265 266	14.25
100 001-1 000 000	8	0.19	2 343 936	45.17	17 853 560	77.90
Shares not exchanged for book entries and shares on waiting list			13 680	0.25	89 984	0.40
Total	4 314	100.00	5 189 702	100.00	22 917 918	100.00

### Shareholders by category on 31 December 2005

	Number of shareholders	Number of shares	Number of votes
Private businesses	202	1 072 671	12 301 215
Financial institutions and insurance companies	32	1 190 650	1 190 650
Public sector organisations	6	387 638	387 638
Non-profit organisations	47	152 532	152 532
Households	4 008	2 004 775	8 009 763
Non-Finnish shareholders	19	367 756	786 136
In collective book-entry account		9 664	9 664
On waiting list		4 016	80 320
Total	4 314	5 189 702	22 917 918

### Average monthly price of a shares in 2005, EUR



## Calculation of Financial Ratios

Cash flow ratio, %	= 100 x	$\frac{\text{Operating profit+depreciation+financial income and expenses+extraordinary income and expenses-taxes}}{\text{Net sales}}$
Return on investment, % (ROI)	= 100 x	$\frac{\text{Profit before taxes+interest and other financial expenses}}{\text{Balance sheet total - interest-free debt (average)}}$
Return on equity, % (ROE)	= 100 x	$\frac{\text{Profit before taxes - taxes}}{\text{Shareholders' equity+minority interest+voluntary provisions and depreciation difference deducted by deferred tax liability (average during the year)}}$
Equity to total assets, %	= 100 x	$\frac{\text{Shareholders' equity+minority interest+voluntary provisions and depreciation difference deducted by deferred tax liability}}{\text{Balance sheet total-advance payments received}}$
Current ratio	=	$\frac{\text{Liquid assets+inventories}}{\text{Current liabilities}}$
Gearing, %	= 100 x	$\frac{\text{Interest-bearing debt+advance payments received+cash and other liquid assets}}{\text{Shareholders' equity+voluntary provisions and depreciation difference deducted by deferred tax liability}}$
Earnings per share (EPS)	=	$\frac{\text{Profit before taxes - taxes +/- minority interest}}{\text{Average number of shares during the year, adjusted for share issues}}$
Equity per share	=	$\frac{\text{Shareholders' equity+voluntary provisions and depreciation difference deducted by deferred tax liability and minority interest}}{\text{Number of shares on 31 December, adjusted for share issues}}$
Dividend per share	=	$\frac{\text{Dividend per share for the fiscal year}}{\text{Share issue adjustment factor}}$
Effective dividend yield, %	= 100 x	$\frac{\text{Dividend per share, adjusted for share issues}}{\text{Last trading price of the year, adjusted for share issues}}$
Price/Earnings ratio (P/E)	=	$\frac{\text{Last trading price of the year, adjusted for share issues}}{\text{Earnings per share}}$
Pay-out ratio, %	= 100 x	$\frac{\text{Dividend per share}}{\text{Earnings per share}}$
Market capitalisation at year-end	=	$\text{Number of shares at year-end, adjusted for share issues x Price of A share at year-end}$

## Board of Directors' Proposal for the Use of Retained Profits

Olvi plc's profit for the fiscal year from 1 January to 31 December 2005 was 4.5 million euro. The Group's distributable shareholders' equity on 31 December 2005 amounted to 40.4 million euro.

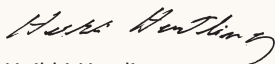
Olvi plc's Board of Directors will propose to the Annual General Meeting of shareholders that a dividend of 0.85 euro shall be paid for 2005 on each K and A share, representing 45.8 percent of the Olvi Group's earnings per share. The proposed dividend payment totals 4.4 million euro.

The proposal calls for the payment of dividends in April 2006.

54

## Date and Signatures

Signed in Iisalmi, this 23th day of February 2006



Heikki Hortling  
Chairman of  
the Board



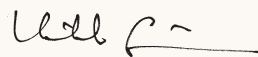
Esa Lager  
Vice Chairman of  
the Board



Hannele Ranta-Lassila  
Member of the Board



Lauri Ratia  
Member of the Board



Heikki Sinnemaa  
Member of the Board



Lasse Aho  
Managing Director

## Auditor's Note

The financial statements and the annual report have been prepared in accordance with generally accepted accounting principles. A report of the audit has been submitted today.

Signed in Iisalmi, this 15th day of March 2006



Pekka Loikkanen  
Authorised Public Accountant

# Olvi plc's Board of Directors 2005

## Heikki Hortling, b. 1951

- Master of Science (Economics)
- Chairman of Olvi plc's Board of Directors since 1998
- Vice Chairman of Olvi plc's Board of Directors 1987–1997
- Member of the Iisalmi town council and executive board
- Member of the Board of Iisalmen Sahat Oy
- Member of the Board of Iisalmen Puhelin Oy
- Member of the Board in Ylä-Savo Local Chamber of Commerce

## Esa Lager, b. 1959

- Master of Laws
- Master of Science (Economics)
- Chief Financial Officer of Outokumpu Oyj
- Member of Olvi plc's Board of Directors since 2002
- Vice Chairman of Olvi plc's Board of Directors since 14 April 2004
- Member of the Board of Okmetic Oyj

## Hannele Ranta-Lassila, b. 1959

- Doctor of Laws
- Master of Science (Economics)
- Senior Deputy Director of the Finnish Central Chamber of Commerce
- Vice Chairperson of Olvi plc's Board of Directors 1999–2004 (until 14 April 2004)
- Member of Olvi plc's Board of Directors since 1996
- Member of the Central Tax Board
- Member of the Tax Appeals Board at the Tax Office for Major Corporations

## Lauri Ratia, b. 1946

- Master of Science (Engineering)
- Managing Director of Lohja Rudus Oy Ab since 1994
- Member of Olvi plc's Board of Directors since 1999
- Chairman of the Board of Tecnomen Corporation
- Chairman of the Board of Edita Plc
- Vice Chairman of the Board of Kemira GrowHow Oyj
- Member of the Board of Paloheimo Oy
- Member of the Board of the Confederation of Finnish Construction Industries RT
- Member of the Board of the Economic Information Office TAT
- Member of the Finnish Association of Professional Board Members

## Heikki Sinnemaa, b. 1949

- Master of Laws, Member of the Bar
- Member of Olvi plc's Board of Directors since 2004
- Chairman of Olvi Foundation's Board of Directors since 2006
- Member of Olvi Foundation's Board of Directors 2000–2005
- Member of the Board of Iisalmen Puhelin Oy

## Managing Director Lasse Aho, b. 1958

- Master of Social Sciences
- Olvi plc's Managing Director since 2004