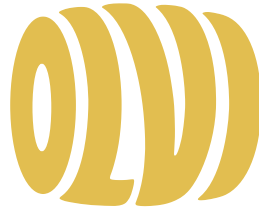

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ANNUAL REPORT 2012

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FINANCIAL STATEMENTS 2012

Board of Directors' Report

Olvi's year 2012 was marked by good profitability and the recovery of OAO Lidskoe Pivo's productivity.

Olvi Group's most essential objectives in 2012 included profitability improvement while maintaining a good overall market position, improving the financial position and developing the product range to also suit selected export markets.

The objectives were well-achieved. Olvi Group set new records for sales volume, net sales and operating profit. The equity to total assets ratio of 54.8 percent was one of the best within decades, and the company's indebtedness declined clearly. Earnings per share doubled on the previous year, and at 18 percent, return on investment was one of the best among listed companies.

Olvi Group's net sales exceeded 300 million euro for the first time, amounting to 312 million euro, and the sales volume increased to 527 million litres. Operating profit improved to 30.5 million euro, which is an all-time high. The performance improvement was substantial, taking into account the fact that it was made in a year when peak-season weather was the rainiest in a century and when excise tax hikes were seen across the entire operating area, which had a negative effect on consumption patterns. The good performance improvement was made possible in particular by the quick recovery of Belarus after the series of devaluations of the local currency that hampered the national economy in the previous year, totalling 179 percent, as well as the earnings improvements in Latvia and Lithuania, which were the best figures posted by the subsidiaries A/S Cēsu Alus and AB Volfas Engelman since 2007. Profit-making capacity in Estonia remained excellent. AS A. Le Coq made its new all-time high in operating profit.

Performance in Finland declined on the previous year due to several factors. Excise taxes were substantially increased in the beginning of the operating year, both in alcoholic and non-alcoholic products. Due to this, customers filled up their stocks with the most essential high-volume products in the end of 2011. This caused a drop in deliveries from our production plant early in the year and an increase in tourist imports of alcoholic products across the entire year.

The weather was very rainy in the year's peak season, due to which the sales of mineral waters and soft drinks in particular declined clearly. The markets continued to decline for the rest of the year after the peak season.

Earnings in Finland also declined due to cost increases, the effects of which could not be fully transferred to prices. Furthermore, the product assortment had become too diverse, which caused loss of efficiency in production as well as internal logistics. Due to this, delivery reliability in the peak season was less than excellent.

In the markets, Olvi performed slightly better than its main competitors. The beer range was supplemented with OLVI Halko, and Olvi ciders went through a successful reform. Angry Birds became a strong soft drink brand for Olvi. Surveys of export markets for Angry Birds soft drinks started during the operating year. Olvi's overall market position improved on the previous year, and domestic sales volume declined only slightly in spite of the substantial 50 million litre decline in the overall market.

The Group's investments were smaller than in the previous year, totalling 29.8 million euro. Investments were focused in Belarus and Finland. In Belarus, the first major phase of investments was completed according to plan. Storage and logistics space was built and modernised, and capacity was increased. Furthermore, production saw the introduction of a new glass bottle line and substantial increases in boiling and fermentation tank capacity. In Finland, canning capacity was doubled, and the capacity and number of fermentation tanks was substantially increased to cater for near-term growth targets and changes in consumption patterns.

Olvi Group initiated a coaching and training programme covering the entire Group. The training was implemented in close co-operation with the University of Tartu. Training was provided first to the companies' top management groups, followed by the managerial level.

In Finland, Olvi made efforts to increase interaction with the entire personnel: the Managing Director addressed the personnel four times a year with information on financial results and guidance to managers, an Info TV system was installed in production premises and staff facilities, and the Intranet system for internal communications was reformed.

Personnel was activated from the viewpoint of developing the company. On the basis of the previous year's personnel survey covering the entire Olvi Group's personnel, all of Olvi's departments made departmental plans for the improvement of well-being at work. Personnel was also encouraged to provide feedback and make initiatives for the further development of operations.

THE INDUSTRY IN 2012

The 2012 domestic sales of members of the Federation of the Brewing and Soft Drinks Industry

A total of 774.6 million litres of brewery beverages were sold in 2012. Domestic sales of beer, cider, long drinks, mineral waters and soft drinks fell by 51.4 million litres, or 6.2 percent. Such a dramatic fall in sales has never been seen before. Sales of mild alcoholic beverages fell by no less than 7.4 percent on 2011, and sales of non-alcoholic beverages by 4.4 percent. These figures are based on sales statistics compiled by members of the Federation of the Brewing and Soft Drinks Industry.

The alcohol tax on beer, cider and long drinks was increased by 15 percent at the beginning of 2012. At the same time, the tax on soft drinks was raised to 11 cents per litre. A huge fall in sales – 51 million litres – means that the State has lost not only revenue from VAT, but also 53 million euro in alcohol tax and 1.6 million euro in soft drink tax.

"The brewing industry has been hard-pressed by the tax increases of recent years. Last year, an exceptional fall in sales was seen simultaneously in all beverage categories. When devising tax solutions, decision-makers should carefully evaluate whether tax increases will endanger jobs in the industry. The brewing industry provides direct employment for 2,300 and indirect employment for 30,000 people in Finland," said Elina Ussa, Managing Director of the Federation of the Brewing and Soft Drinks Industry in an industry release on 21 February 2013.

In addition to tax increases, sales were burdened by a rainy summer and stores stocking up in 2011 before the tax increases. The consumption of alcoholic beverages has been on the decline for five years running.

"There seems to be a permanent reduction in alcohol consumption, so no tax increases or radical changes in alcohol legislation are required," said Ussa.

High taxes steer consumers towards Estonia

A report from the National Institute For Health and Welfare, Price Trends for Alcoholic Beverages in 2011, indicates that the real prices of beer and long drinks have risen since 2000,while real prices for other alcoholic beverages have fallen. In the turn-of-year changes, taxes on brewery beverages were increased more than those on other alcoholic beverages. Finland's beer tax is 53 percent higher than Sweden's. It is also the highest in the EU, and no less than five times higher than Estonia's.

"The State's taxation policy steers consumers towards Estonia, where they can buy beverages for less than half the Finnish price, and Estonia receives all that tax revenue. Travellers have gone from importing alcohol by the bagload to importing it by the vanload. Tax increases no longer generate revenue for the State as they once did, as travellers' private imports have narrowed the tax base," said Ussa.

An increasing volume of beverages is sold to foreign transport companies, such as Estonian ferries. 21.4 million litres of beer were exported to foreign transport companies, and beer exports to ferries rose by 4.5 million litres, or 27 percent, on 2011. 2.5 million litres of cider were exported to foreign transport companies, representing growth of 0.9 million litres, or over 50 percent.

DOMESTIC SALES 2012

Beverage	2012 million L	2011 million L	Change million L	Change annual %
Beer	391.9	423.0	-31.1	-7.4
Cider	30.7	33.2	-2.5	-7.8
Long drinks	41.5	43.7	-2.2	-5.2
Soft drinks	247.3	260.2	-12.9	-5.0
Mineral waters	63.3	67.2	-3.9	-5.8
Total sales	**774.6**	**827.4**	**-52.8**	**-6.4**

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. As of the beginning of 2011, the statistics include all members' brands and any private label brands they produce.

OLVI GROUP'S FINANCIAL STATEMENTS 1 JANUARY TO 31 DECEMBER 2012

Olvi Group's sales volume, net sales and operating profit developed favourably in 2012. The overall market position strengthened in Finland, the Baltic states and Belarus. Earnings per share increased to 1.24 euro. The company's financial position was good.

2012 in brief:

- Olvi Group's sales increased to 526.8 (518.2) million litres
- The Group's net sales increased to 312.2 (285.2) million euro
- The Group's operating profit increased to 30.5 (26.7) million euro
- Olvi Group's earnings per share stood at 1.24 (0.65) euro, and the Board of Directors proposes a dividend of 0.50 (0.50) euro per share
- The equity to total assets ratio increased clearly to 54.8 (50.6) percent

KEY RATIOS

	1-12/2012	1-12/2011	Change %
Net sales, MEUR	312.2	285.2	+9.5
Operating profit, MEUR	30.5	26.7	+14.4
Gross capital expenditure, MEUR	29.8	43.2	-31.0
Earnings per share, EUR	1.24	0.65	+90.8
Equity per share, EUR	7.01	6.11	+14.7
Equity to total assets, %	54.8	50.6	
Gearing, %	35.8	43.2	

OLVI GROUP'S SALES VOLUME, NET SALES AND OPERATING PROFIT 2012

Olvi Group's total sales volume was an all-time high in spite of very rainy weather in the peak season. Sales increased by 8.6 million litres to 526.8 (518.2) million litres. Sales improved substantially in Belarus. The aggregate sales of companies located in the Baltic states increased slightly. Sales in Finland were on a par with the previous year.

The sales volume in Finland was 148.8 (149.1), in the Baltic states 278.0 (276.3) and in Belarus 141.5 (128.0) million litres. Intra-Group sales increased by 18.1 percent to 41.6 (35.2) million litres.

Net sales improved well and clearly outperformed the sales volume growth, amounting to 312.2 (285.2) million euro. This represents an increase of 27.0 million euro or 9.5 percent. The greatest net sales growth was seen in Belarus. Net sales improved clearly in the Baltic states and somewhat also in Finland.

Domestic net sales amounted to 121.0 (119.8) million euro. The Baltic subsidiaries generated net sales of 150.5 (140.6) million euro, while net sales in Belarus amounted to 59.0 (39.6) million euro. Net sales in Finland increased by 1.2 million euro, and net sales in the Baltic states increased by 9.9 million euro or 7.0 percent. Net sales in Belarus improved substantially by 19.4 million euro or 49.0 percent. The Belarusian figures are still subject to hyperinflationary accounting in accordance with IAS 29.

The operating profit for 2012 stood at 30.5 (26.7) million euro, which was 9.8 (9.4) percent of net sales. The operating profit improved by 3.8 million euro or 14.4 percent.

The previous year's operating profit in Finland included 1.5 million euro of sales gains from the sales of decommissioned production machinery. Operating profit in Finland in 2012 declined by 4.1 million euro to 9.1 (13.2) million euro. Commensurate operating profit declined by 2.7 million euro or 22.9 percent.

Aggregate operating profit in the Baltic states increased clearly by 2.3 million euro to 16.4 (14.1) million euro. Operating profit in Belarus increased very substantially by 4.3 million euro to 5.0 (0.7) million euro. The previous year's result was burdened by heavy devaluation of the Belarusian rouble and hyperinflationary accounting introduced in December 2011.

The Group's profit after taxes in the period under review was 26.2 (13.0) million euro.

Earnings per share calculated from the profit belonging to parent company shareholders stood at 1.24 (0.65) euro per share.

SALES VOLUME, NET SALES AND OPERATING PROFIT BY GEOGRAPHICAL SEGMENTS

Seasonal nature of the operations

The Group's business operations are characterised by seasonal variation. The net sales and operating profit from the reported geographical segments do not accumulate evenly but vary according to season, prevailing weather and environmental conditions, and the characteristics of each country.

PARENT COMPANY OLVI PLC (Olvi)

According to statistics (by the Finnish Federation of the Brewing and Soft Drinks Industry), the Finnish beverage market declined by 53 million litres or 6 percent in January-December 2012 compared to the previous year. A clear decline in sales was seen in all main product groups. The sales of beers declined by 7 percent, ciders by 8 percent and long drinks by 5 percent. Sales of mineral waters declined by 6 percent and soft drinks by 5 percent. The markets went down because of excise tax hikes and rainy weather in the peak season.

In spite of the clear decline in the beverage industry, the parent company Olvi plc's sales volume was almost on a par on the previous year. Olvi's sales in January-December amounted to 148.8 (149.1) million litres. Sales declined by 0.3 million litres.

In terms of product groups, the best development was seen in soft drinks, where the sales volume increased by 85 percent thanks to the very popular Angry Birds products and other private label soft drinks. The sales of mineral waters increased by 13 percent and ciders by 5 percent. The sales of juice drinks doubled. On the other hand, the sales of beers declined by 11 percent, and long drinks by 8 percent.

According to the statistics by the Federation of the Brewing and Soft Drinks Industry, Olvi's domestic market share in mild alcoholic beverages was on a par with the previous year at approximately 24 percent. The market share in non-alcoholic products increased clearly from approximately 7 percent to almost 9 percent due to good sales development in soft drinks and waters.

Olvi's exports and tax-free sales increased by 50.6 percent to 6.8 (4.5) million litres, mostly attributable to Angry Birds soft drinks. Exports and tax-free sales represented 4.6 (3.0) percent of total sales.

Olvi's net sales increased to 121.0 (119.8) million euro, an increase of 1.2 million euro.

Olvi's operating profit for 2012 stood at 9.1 (13.2) million euro, which was 7.5 (11.1) percent of net sales. The previous year's operating profit included 1.5 million euro of sales gains from the sales of decommissioned production machinery. Olvi's operating profit declined by 4.1 million euro or 31.5 percent on the previous year. Commensurate operating profit declined by 2.7 million euro or 22.9 percent on the previous year. Factors contributing to the operating profit decline included increased depreciation due to substantial investments, as well as cost increases that could not be fully covered due to the downtrend of the beverage industry.

AS A. LE COQ (A. Le Coq)

The Estonian company A. Le Coq's sales amounted to 134.0 (133.4) million litres. Sales increased by 0.6 million litres or 0.5 percent.

The Estonian beer and soft drinks markets declined by 4 to 5 percent, and the juice market by almost 9 percent in 2012. Only the sales of ciders increased clearly, by almost 8 percent. The long drink and mineral water markets remained on the previous year's level.

A. Le Coq's market position remained strong in all of the main product groups. A. Le Coq is the market leader in beers, long drinks, ciders and juices. A. Le Coq's market share in beers was 40 (42) percent, in long drinks 55 (56) percent and in ciders 44 (39) percent. Fizz is Estonia's largest cider brand.

The market share in soft drinks at the end of November 2012 was 29 (27) percent, and in mineral waters 16 (15) percent. In the sales of juices and juice drinks, A. Le Coq had a market share of 36 (30) percent in tetrapacks and 30 (50) percent in other packages (all market shares by Nielsen, October-November 2012).

Sales of the company's beers and ciders remained at the previous year's level, while the sales of long drinks declined by 5 percent. Mineral waters were the best-developing product group with an increase of 13 percent. The sales of juices increased by 2 percent, while the sales of soft drinks (including kvass) declined by 7 percent on the previous year.

The company's exports and tax-free sales declined by 13.4 percent on the previous year to 5.1 (5.9) million litres.

A. Le Coq's net sales in 2012 amounted to 80.0 (76.0) million euro, representing an increase of 4.0 million euro or 5.4 percent.

Operating profit was on a par with the previous year at 13.0 (13.0) million euro. The operating profit represented 16.3 (17.1) percent of net sales.

A/S CĒSU ALUS (Cēsu Alus)

The sales of Cēsu Alus operating in Latvia amounted to 72.4 (75.4) million litres. Sales declined by 3.0 million litres or 4.0 percent.

The Latvian beer market diminished slightly in 2012, and the cider market saw a decline of more than 13 percent. On the other hand, the sales of long drinks saw an uptrend of more than 13 percent.

Due to an increase in the level of profitability in beers, the company's market share in beers declined to 24 (37) percent. However, the company retained its number two position in the beer market. In ciders, Cēsu Alus is the clear number one player with a market share of 51 (54) percent. In the long drink market, the company has a market share of 44 (45) percent. There are two almost equal players in the Latvian long drinks market. In the sales of energy drinks, Cēsu Alus's market share clearly increased from 30 percent to 37 percent (Nielsen, October-November 2012).

77.5 (80.5) of the company's domestic sales is attributable to beer. The sales of beer declined by approximately 12 percent in 2012. The greatest proportional sales growth was seen in energy drinks, 38 percent. The sales of long drinks increased by 22 percent and the sales of soft drinks (including kvass) was on a par with the previous year. The sales of ciders declined by 24 percent, and the sales of juices declined by 25 percent.

The company's net sales stood at 36.2 (35.2) million euro, an increase of 1.0 million euro or 2.8 percent. The company's operating profit increased substantially by 1.0 million euro or 124.4 percent to 1.7 (0.7) million euro, which is 4.6 (2.1) percent of net sales.

The improvement in operating profit was made possible by a clear increase in the average price of net sales and strict control of costs.

AB VOLFAS ENGELMAN (Volfas Engelman)

The sales of Volfas Engelman operating in Lithuania increased by 4.2 million litres or 6.1 percent to 71.7 (67.5) million litres.

With the exception of long drinks, the Lithuanian beverage markets in 2012 were declining in all main product groups. The beer market declined by 5 percent, ciders by 2 percent and kvass by 16 percent. The sales of long drinks increased by as much as 30 percent.

Volfas Engelman's overall position in the Lithuanian beverage market has become stronger. The company had a market share of 14 (13) percent in beers, which is the largest product group. The company is the market leader in ciders with a market share of 34 (36) percent and in long drinks with a market share of 33 (30) percent. The company is also the clear market leader in the kvass market with a market share of 27 (32) percent (Nielsen, October-November 2012).

The sales of the company's beers increased by 10 percent, and long drinks by 26 percent. The sales of ciders declined by 8 percent. The sales of soft drinks (mostly kvass) declined by 17 percent on the previous year. During 2012, the company's exports increased by 74.0 percent. Exports accounted for 2.3 (1.4) percent of total sales.

The company's net sales stood at 34.2 (29.5) million euro, an increase of 4.7 million euro or 16.1 percent. Growth in net sales clearly outperformed the growth in sales volume thanks to improved average price of net sales.

The company's operating profit increased clearly to 1.8 (0.4) million euro, which is 5.1 (1.4) percent of net sales. The operating profit increased by 1.4 million euro. The improvement in operating profit was attributable to clear increases in the profitability of the product portfolio and the average price of sales, as well as good control of costs.

OAO LIDSKOE PIVO (Lidskoe Pivo)

The economic situation in Belarus has improved, and the competitive ability has become better during the last year. After the devaluations in 2011, the exchange rate of the Belarusian rouble has stabilised and inflation has decelerated. The Belarusian beer market declined by 9 percent and the soft drinks market by almost 7 percent, but on the other hand, the sales of juices increased on the previous year.

The financial reporting of Lidskoe Pivo is subject to the IAS 29 standard "Financial Reporting in Hyperinflationary Economies" for the time being, as long as Belarus is listed as a hyperinflationary economy.

Lidskoe Pivo's operations have developed well in 2012. The company's sales increased by 13.5 million litres or 10.5 percent to 141.5 (128.0) million litres.

The company is a clear market leader in ciders, kvass and juice drinks. Its market share in ciders is 62 (59), in kvass 67 (50) and in juice drinks 33 (31) percent. The market share in beers is 15 (10) percent (Nielsen, October-November 2012).

The sales of beers increased by 4, mineral waters by 36 and soft drinks (including kvass) by 10 percent. There was a 13 percent decline in the sales of juice drinks. Sales of cider were on a par with the previous year.

The company's exports in the reporting period increased by 63.9 percent on the previous year. Exports made 10.1 (6.8) percent of the company's total sales. The main destinations for exports were Russia and Lithuania.

Lidskoe Pivo's net sales increased substantially in 2012. Net sales stood at 59.0 (39.6) million euro, an increase of 19.4 million euro or 49.0 percent. Factors contributing to net sales growth included favourable development of sales volumes and a sustained good average price of net sales.

The company's operating profit for the period improved extremely well and amounted to 5.0 (0.7) million euro, which was 8.4 (1.9) percent of net sales. The operating profit improved by more than six-fold on the previous year with an increase of 4.3 million euro. The operating profit increase was attributable to improved efficiency made possible by the commissioning of substantial investments, improved profitability in all product groups, as well as successful new product launches.

FINANCING AND INVESTMENTS

Olvi Group's balance sheet total at the end of December 2012 was 269.2 (253.6) million euro. Equity per share at the end of 2012 stood at 7.01 (6.11) euro. The equity to total assets ratio clearly exceeded Olvi Group's long-term target of 50 percent. The actual figure at the end of December was 54.8 (50.6) percent. The gearing ratio declined clearly on the previous year to 35.8 (43.2) percent. The Group's liquidity also improved clearly in 2012. The current ratio was 1.3 (1.0).

The amount of interest-bearing liabilities at the end of 2012 was 58.5 (59.2) million euro, including current liabilities of 16.0 (28.3) million euro.

Olvi Group's gross capital expenditure in 2012 amounted to 29.8 (43.2) million euro. The parent company Olvi accounted for 14.9 million euro, the Baltic subsidiaries for 4.8 million euro and Lidskoe Pivo for 10.1 million euro of the total.

The largest investments in Finland in 2012 included the commissioning of a new can filling line, the completion of a tank cellar extension, as well as modernisation of beer filtering.

In the Baltic states, A. Le Coq's largest investments comprised extensions to storage facilities and the pressure tank cellar, as well as a labelling machine for glass bottles. Cēsu Alus's major investments were associated with conveyors for the glass bottle line, as well as other production machinery and equipment. Volfas Engelman's investments consisted of a general renovation of the brewery, a glass bottle reform, wine and kvass mixing equipment and other smaller purchases of machinery and equipment.

The first stage of Lidskoe Pivo's extensive investment programme is mainly completed. It included, among other things, storage, filling department and tank cellar buildings, filling line machinery and equipment, an extension to the kvass cellar, a new beer filter and air compressor.

CHANGES IN CORPORATE STRUCTURE IN 2012

In the spring of 2012, A. Le Coq acquired 49.0 percent of the stock of AS Karme. Karme owns the Karks brewery that produces beers, ciders and wine. Thanks to the acquisition, A. Le Coq got access to Karks's wine production capacity for the manufacture of ciders and other fermented beverages.

In May 2012, A. Le Coq acquired 20.0 percent of the water manufacturer Oü Verska Mineraalvee with the aim of gaining a better position in the Estonian mineral water market. Both companies are accounted as associated companies in Olvi's consolidated financial statements.

During the reporting period in January-December, Olvi acquired a total of 407 shares in Cēsu Alus, corresponding to 0.14 percent of the company's share capital.

At the end of December 2012, Olvi's holding in Cēsu Alus was 99.67 percent, in A. Le Coq 100.0 percent, in Volfas Engelman 99.57 percent and in Lidskoe Pivo 91.58 percent.

PRODUCT DEVELOPMENT AND NEW PRODUCTS

Research and development includes projects to design and develop new products, packages, processes and production methods, as well as further development of existing products and packages. The R&D costs have been recognised as expenses. The main objective of Olvi Group's product development is to create new products for profitable and growing beverage segments.

CORPORATE GOVERNANCE

Olvi plc complies with the Finnish Corporate Governance Code issued by the Securities Market Association that entered into force on 1 October 2010.

The aim of the Finnish Corporate Governance Code is that Finnish listed companies apply corporate governance practices that are of a high international standard. The purpose of the Code is to harmonise the practices of listed companies as well as the information given to shareholders and other investors. It is also aimed to improve the transparency of administrative bodies, management remuneration and remuneration policies.

In accordance with the implementing provisions of the Finnish Corporate Governance Code, Olvi plc has issued a separate corporate governance statement for its accounting period starting 1 January 2012 in connection with the Board of Directors' report and financial statements for 2012.

Olvi plc's corporate governance statement is publicly available on the company's Web site at www.olvi.fi.

Olvi plc 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.

PERSONNEL

Olvi Group's human resources strategy plays a central role in achieving the Group's business targets. We are actively developing our management, training and incentive systems in order to improve well-being at work and provide our employees a safe working environment. It is most important to guarantee the attractiveness of Group companies as employers and ensure the availability of personnel and commitment to the Group companies.

Olvi Group's business strategies and objectives are put into practice in the organisation through target cards, appraisal discussions and regular feedback. The competence of personnel is maintained through continuous training and development of operations. Olvi plc issues a separate human resources statement each year for internal use within the company.

Olvi Group has a shared mission statement and vision. The business strategies in all of the operating countries are largely similar and based on the same values. In implementing the strategies, we approve local flexibility in the means used for achieving targets because the operating environments and competitive situations are different.

OLVI GROUP'S MISSION

Olvi is Finnish
AS A. Le Coq is Estonian
Cēsu Alus is Latvian
Volfas Engelman is Lithuanian
Lidskoe Pivo is Belarusian

and creates positive drinking enjoyment.

OLVI GROUP'S VISION

The most attractive and respected

Finnish
Estonian
Latvian
Lithuanian
Belarusian

beverage company.

Values:

Being Finnish

- We want to be among the best experts of the Finnish consumer.
- We offer a Finnish alternative and manufacture our products for Finnish consumers.

Being Estonian

- We want to be among the best experts of the Estonian consumer.
- We offer an Estonian alternative and manufacture our products for Estonian consumers.

Being Latvian

- We want to be among the best experts of the Latvian consumer.
- We offer a Latvian alternative and manufacture our products for Latvian consumers.

Being Lithuanian

- We want to be among the best experts of the Lithuanian consumer.
- We offer a Lithuanian alternative and manufacture our products for Lithuanian consumers.

Being Belarusian

- We want to be among the best experts of the Belarusian consumer.
- We offer a Belarusian alternative and manufacture our products for Belarusian consumers.

Responsibility

- We value responsibility in our own operations and expect it from every Olvi Group employee and all of our business partners.
- By focusing on the things that we know best, we can make a profit and fulfil our commitments to personnel, shareholders, society and other interest groups.

- Efficient, high-quality and environmentally sound operations and a solid economy guarantee the continuity of our business.

Positiveness

- Positiveness is our way of operating and responding to challenges. Positiveness translates our objectives into results and success.
- Competent, well-being and committed personnel is our most important resource for achieving good results.

Customer focus

- Every Olvi Group employee has a customer, and the customer's needs are the basis of our existence.
- We recognise the needs of our customers and guide our operations to fulfil those needs.

Olvi Group's average number of personnel in 2012 was 1,977 (2,032). The Group's average number of personnel decreased by 55 people or 2.7 percent. Personnel decreases were seen in Belarus, while in the other operating areas, the number was either unchanged or increased slightly. The total number of personnel at the end of December 2012 was 1,905 (1,905).

Olvi Group's average number of personnel by country:

	2012	2011	2010
Olvi plc, Finland	401	383	378
AS A. Le Coq, Estonia	313	311	312
A/S Cēsu Alus, Latvia	217	217	207
AB Volfas Engelman, Lithuania	212	205	195
OAO Lidskoe Pivo	834	916	959
Total	1,977	2,032	2,051

WAGES, SALARIES AND EMOLUMENTS

	2012	2011	2010
Wages, salaries and emoluments in the accounting period (EUR 1,000)	31,723	30,360	31,436

In accordance with the implementing provisions of the Finnish Corporate Governance Code, Olvi plc has issued a separate statement of wages, salaries and emoluments for its accounting period starting 1 January 2012 in connection with the Board of Directors' report and financial statements for 2012. The statement has been prepared in accordance with Section 7 (Remuneration), Recommendation 47 of the Code.

Olvi plc's remuneration statement is publicly available on the company's Web site at www.olvi.fi.

BONUS SCHEMES

Bonuses based on the achievement of earnings and performance targets are an important incentive for personnel and a management tool. Peformance bonus schemes communicate the targets, will and desire set by the company's Board of Directors. Bonuses based on earnings or performance are a sign of achievements that outperform the target level. Basic wages and salary are compensation for work well done.

The overall objectives of bonuses based on target-setting include clarity, fairness and sufficient effect. Bonus schemes must not encourage imprudent risk-taking or negligence.

The objectives for long-term bonuses in particular include increasing shareholder value, supporting profitable growth and relative profitability, and making operational management and key employees committed to the company.

Components of remuneration

The components of remuneration to management are as follows:

a. Fixed remuneration consisting of basic salary and fringe benefits (company car and mobile phone benefit)
b. Short-term incentives
c. Long-term incentives

Fixed remuneration

The Board of Directors of Olvi plc decides on the terms of service of the Managing Director. The terms of service of other top management shall be decided by the Board of Directors on the basis of the Managing Director's proposal. The Managing Director and other management executives shall not receive separate remuneration for their work in the management group or other internal management organs within the Group.

Short-term incentives

Short-term incentives are performance bonus schemes in which the monitoring period is one accounting period. The Board of Directors shall decide upon the basis for definition of the incentives. In 2012, the basis for definition of the performance bonus was operating profit. The entire personnel of Olvi plc is included in the scope of performance bonuses.

All of Olvi Group's subsidiaries also have performance bonus schemes that include either the entire personnel or key employees of the companies.

Long-term incentives

Long-term incentives are based on programmes confirmed by the company's Board of Directors that are valid for at least two accounting periods. The programmes can be share-based incentive schemes or performance bonus schemes based on Group-level targets. In accordance with policy adopted by the Company's Board of Directors, no stock option plans shall be used for long-term incentives.

Performance bonus scheme 2011–2012

The company's Board of Directors confirmed a long-term performance bonus scheme for the vesting period 2011–2012, in which the vesting criterion was the Group's accumulated operating profit for the years 2011 and 2012. The scheme included the Managing Director, the Managing Directors of the subsidiaries, other members of the management groups and approximately 20–25 other key employees within the Group.

The targets of the performance bonus scheme were not achieved in 2011–2012 to an extent that would have required bonuses to be recognised in the 2012 annual accounts.

Olvi Group's share-based incentive scheme

The Group's share-based incentive scheme ended at the closing of the year 2010. Olvi's Board of Directors has not decided on any new share-based incentive schemes.

Personnel fund

Olvi plc has an operational personnel fund that covers Olvi plc's entire personnel excluding top management. The basis of making profit-sharing contributions to the personnel fund shall be decided annually by the company's Board of Directors.

MANAGEMENT AND AUDITORS

Olvi plc's Annual General Meeting held on 11 April 2012 elected the following members to the Board of Directors: Heikki Hortling, M.Sc. (Econ), Iisalmi, Esa Lager, Chief Financial Officer, LL.M., M.Sc. (Econ), Kauniainen, Heikki Sinnemaa, LL.M., Member of the Bar, Iisalmi, Tarja Pääkkönen, Dr.Tech., Helsinki, and Jaakko Autere, M.Sc. (Econ), Helsinki. All of them have been in office during the accounting period. Heikki Hortling has served as Chairman of the Board, while Esa Lager has served as Vice Chairman.

The company's auditor has been PricewaterhouseCoopers Oy, Authorised Public Accountants, with Sami Posti, Authorised Public Accountant, Oulu, as auditor in charge.

Lasse Aho, M.Soc.Sc., has served as Olvi plc's Managing Director.

OLVI PLC SERIES A SHARES AND THE STOCK MARKET

The total number of Olvi plc shares at the end of December 2012 was 20,758,808, of these 17,026,552 or 82.0 percent being publicly traded Series A shares and 3,732,256 or 18.0 percent Series K shares.

Each Series A share carries one (1) vote and each Series K share carries twenty (20) votes. Olvi held 1,124 of its own Series A shares on 31 December 2012 as treasury shares. Treasury shares held by the company itself are ineligible for voting. Olvi's share capital at the end of December 2012 stood at 20.8 million euro. Detailed information on Olvi's shares, share capital and treasure shares can be found in the notes to the parent company Olvi's financial statements concerning equity, shares and share capital.

The total trading volume of Olvi A shares on Nasdaq OMX Helsinki in 2012 was 1,793,149 (3,208,911) shares, which represented 10.5 (18.8) of all Series A shares. The value of trading was 32.8 (62.3) million euro.

The Olvi A share was quoted on Nasdaq OMX Helsinki (Helsinki Stock Exchange) at 19.65 (14.75) euro at the end of 2012. In January-December, the highest quote for the Series A share was 20.43 (19.86) euro and the lowest quote was 14.75 (13.49) euro.

At the end of December 2012, the market capitalisation of Series A shares was 334.5 (251.1) million euro and the market capitalisation of all shares was 407.9 (306.2) million euro.

The number of shareholders at the end of December 2012 was 9,091 (9,146). Foreign holdings plus foreign and Finnish nominee-registered holdings represented 17.9 (17.5) percent of the total number of book entries and 6.2 (6.1) percent of total votes.

Foreign and nominee-registered holdings and largest shareholders are listed in the notes to the parent company's financial statements concerning equity, shares and share capital.

BOARD OF DIRECTORS' AUTHORISATIONS AND TREASURY SHARES

On 11 April 2012, the General Meeting of Shareholders of Olvi plc decided to authorise the Board of Directors to decide on the acquisition of a maximum of 500,000 of the company's own Series A shares. The shares were to be acquired in deviation from the pro rata principle among shareholders, using the company's unrestricted equity at the market price at time of acquisition in public trading arranged by NASDAQ OMX Helsinki Ltd.

The Annual General Meeting also decided to authorise the Board of Directors to decide on the issue of a maximum of 1,000,000 new Series A shares and the transfer of a maximum of 500,000 Series A shares held as treasury shares. The new shares can be issued and the treasury shares transferred to the company's shareholders on a pro rata basis in relation to their existing holdings, or a private placing can be executed in deviation from shareholders' pre-emptive rights if a weighty economic reason for this exists from the company's viewpoint, such as financing or execution of corporate acquisitions or arrangements, development of the company's equity structure, improvement of share liquidity or implementation of the company's incentive schemes.

The Board of Directors did not exercise the authorisations granted by the General Meeting during 2012.

The number of Series A shares held by Olvi plc as treasury shares on 31 December 2012 was 1,124, and their aggregate acquisition price was 8.5 thousand euro.

Series A shares held by the company as treasury shares represented 0.005 percent of the share capital and 0.001 percent of the aggregate number of votes. The treasury shares represented 0.007 percent of all Series A shares and associated votes.

FLAGGING NOTICES DURING 2012

During 2012, Olvi received three flagging notices in accordance with Chapter 2, Section 10 of the Securities Markets Act: From The Family Kamprad Foundation on 10 January 2012 and from Ilmarinen Mutual Pension Insurance Company on 11 May 2012 and 13 December 2012.

ENVIRONMENTAL ISSUES

Olvi plc is strongly committed to procedures and methods that spare the environment, as well as all laws and recommendations related to its business. The objectives of Olvi plc's environmental policy are updated annually.

Olvi Group's environmental principles:

- Olvi engages in efficient use and recycling of raw materials, auxiliary materials and packaging.
- Olvi routes by-products and production waste to recovery.
- In the development of products and procedures, Olvi is committed to the efficient use of raw materials and energy, as well as the reduction of environmental impacts.
- Olvi endeavours to spare clean water, purify water for reuse, and to prevent the release of substances that cause environmental load (such as phosphorus and biological oxygen consumers) into waste water.
- Olvi aims to increase the use of renewable energy sources whenever technically and economically possible.
- Olvi favours co-operation partners that show environmental responsibility.
- Olvi openly discloses information on its operations and the environmental impacts of its products.
- Olvi requires its employees to act responsibly in their working environment.

In 2009, Olvi plc joined a voluntary energy efficiency agreement system administered by the Finnish Food and Drink Industries' Federation and based on the EU Energy Services Directive. The system is valid until the end of 2016 and replaces the energy-saving agreement that expired at the end of 2007. The system involves agreement on a framework for continuous and systematic improvements in energy efficiency. This shows that Olvi plc is a serious player in our society's joint effort against climate change.

The achievement of environmental targets and related indicators are regularly monitored by top management and designated representatives.

Olvi's environmental permit was granted on 30 September 2003 and is valid until 2014.

Olvi Group companies have not been involved in any legal or administrative proceedings related to environmental issues, and the company is not aware of any environmental risks that would have a significant effect on the Group's financial position.

BUSINESS RISKS AND THEIR MANAGEMENT

Risk management is a part of Olvi Group's everyday management and operations. It increases corporate security and contributes to the achievement of operational targets. The objective of risk management is to operate proactively and create operating conditions in which business risks are managed comprehensively and systematically in all of the Group companies and all levels of the organisation. In addition to the company itself, risk management benefits its personnel, customers, shareholders and other related groups.

The objective of risk management is to ensure the realisation of the company's strategy and secure the continuity of business. Olvi Group identifies, assesses, manages and monitors its crucial risks regularly. With regard to identified risks, the effects, scope and probability of realisation are assessed together with the means of eliminating or reducing the risk. Furthermore, risk management aims to identify and utilise any business opportunities that may arise.

Olvi Group's strategic risks refer to risks related to the characteristics of the company's business and strategic choices. The Group's operations are located in several countries that differ substantially in terms of their social and economic situations and the phases and directions of development. For example, strategic risks relate to changes in tax legislation and other regulations, the environment and foreign exchange markets. If realised, strategic risks can substantially hamper the company's operational preconditions. The Group's most substantial identified strategic risks relate to Belarus, particularly the situation in the country's economy and politics.

The Group's most substantial identified operational risks relate to the procurement and quality of raw materials, the production process, markets and customers, personnel, information security and systems, as well as changes in foreign exchange rates.

Raw materials

General economic development and annual fluctuations in crop yield affect the prices and availability of major raw materials used within Olvi Group. Disruptions in raw material deliveries and quality may hamper customer relations and business operations. Purchases of major raw materials are made under procurement contracts standardised at the Group level. The Group aims to secure the predictability of purchase prices for critical raw materials through long-term procurement contracts. The company has a hedging policy concerning raw materials and their prices. All units emphasise the significance of the quality of raw materials and other production factors in the overall production chain.

Production process

The aim is to minimise production risks through clear documentation of processes, increasing the degree of automation, compliance with quality management system and the pursuit of clear operating methods in relation to decision-making and supervision. The efficiency and applicability of processes and methods are monitored using internal indicators. The monitoring and development of production efficiency includes, among other things, the reliability and utilisation rate of production machinery, development of the working environment and factors related to people's work. The Group has a property and loss-of-profits insurance programme covering all of the operating areas, and its coverage is reviewed annually.

Markets and customers

The Group's business operations are characterised by substantial seasonal variation. The net sales and operating profit from the reported geographical segments do not accumulate evenly but vary substantially according to the time of the year and the characteristics of each season.

Negative changes in the economy may impact consumers' purchasing behaviour and hamper the liquidity of hotel and restaurant customers in particular. All Group companies employ efficient credit controls as a major method for minimising credit losses.

Legislative changes and other changes in the operations of authorities, such as changes in excise taxes and marketing restrictions, may affect the demand for the Group's products and their relative competitive position.

Personnel

Risks related to personnel include, among others, risks in obtaining labour, employment relationship risks, key person risks, competence risks and risks arising from insufficient well-being and accidents at work.

Crucial focal points in HR management include maintaining and developing a good employer image, as well as ensuring the availability and

commitment of personnel. Other focal points include maintaining and continuously developing well-being and safety at work, improvement of management systems, construction and maintenance of backup personnel systems, as well as training and incentive schemes.

Information security and IT

Olvi Group employs an information security policy pertaining to all of the companies. It defines the principles for implementing information security and provides guidelines for its development.

Risks related to information technology and systems are manifested as operational disruptions and deficiencies, for example. The availability and correctness of data is ensured through the choice of operating methods and various technical solutions. operations in Finland, the Baltic states and Belarus utilise a common enterprise resource planning system. The system was introduced into use in Belarus during the financial year 2012. A risk analysis pertaining to information security and the operation of information systems is carried out annually.

Financing risks

The Group is exposed to several financing risks in its normal course of business: market risk (including foreign exchange risk as well as interest rate risk on cash flow and fair value), credit risk and liquidity risk.

The objective of financing risk management is to minimise the adverse effects of changes in the financial markets on the Group's financial performance, shareholders' equity and liquidity.

The general principles of the Group's risk management are approved by the Board of Directors of the parent company, and the parent company's management together with the management of subsidiaries is responsible for their practical implementation. Responsibility for Olvi Group's financing tasks is centralised in the parent company Olvi plc. The objectives of centralisation include optimisation of cash flows and financing costs, as well as efficient risk management.

Market risk

Foreign exchange risk
Olvi Group operates internationally, and its business involves risks arising from exchange rate fluctuations. Foreign exchange risks arise from commercial transactions, in other words cash flows from purchases and sales, as well as investments in foreign subsidiaries and the conversion of their balance sheet items into euro.

Due to the nature of the business, the time between order and delivery is short, which results in minor operations-related foreign exchange risk. Foreign exchange risk is also reduced by the fact that most of the Group's product sales and purchases of raw materials are denominated in euro.

The Group has investments in foreign subsidiaries in Estonia, Latvia, Lithuania and Belarus. The Estonian currency is the euro, and the Lithuanian LTL is pegged to the euro. With regard to the investments in Latvia and Belarus, the Group is exposed to risk arising from the conversion of the subsidiary investments made in LVL and BYR into the parent company's operating currency. The Latvian, Lithuanian and Belarusian currencies carry a risk of devaluation; if realised, this would result in a decline in Olvi Group's operating profit denominated in euro.

The Group has not engaged in active currency hedging in 2012 or 2011. The need for currency hedging is assessed regularly.

Interest rate risk on cash flow and fair value
The Group's interest rate risk arises from non-current liabilities. Most of the Group's income and operational cash flows are independent of market interest rate fluctuations.

The Group has diversified its borrowing between fixed- and variable-rate loans. Furthermore, the Group uses interest rate swaps to reduce interest rate risk if required by the market conditions. Non-current loans are generally taken out with a variable interest rate and converted to fixed rate using interest rate swaps as necessary, which results in a lower interest rate compared to loans taken out directly with a fixed rate.

The Group aims to limit financing costs to a reasonable amount and to manage interest rate risk using available means.

The Group does not apply hedge accounting in accordance with IAS 39.

Credit risk

The Group's credit risk arises from wholesale and HoReCa (hotel, restaurant, catering) customers with outstanding accounts receivable.

Creditworthiness requirements for the Group's customers are reviewed annually and always

when entering into agreements with new customers. The Group only extends credit to businesses with flawless credit ratings. Furthermore, the Group aims to control credit risks through efficient collection of receivables.

The amount of customer-specific accounts receivable is monitored regularly, and the customer's creditworthiness is re-assessed if necessary.

The Group does not have any significant concentrations of credit risk on receivables because its accounts receivable are distributed across a wide and geographically diversified customer base.

Investments related to cash management are made in liquid money market instruments having a fundamentally low risk.

Liquidity risk

Olvi Group's parent company and subsidiaries prepare monthly rolling cash flow estimates that the Group uses for assessing the amount of financing required for business operations in order to maintain sufficient liquid assets to fund everyday operations and investments, as well as to repay any loans falling due.

The Group aims to secure the availability and flexibility of funding by centralising the management of the Group's liquid assets with the parent company. The Group uses several banks and several forms of financing. The Group aims to secure the availability and flexibility of funding with an account overdraft facility and credit limits.

The Group has access to an account overdraft facility of 5 million euro and credit limits of 24 million euro. Some of the facilities are valid until further notice, while some are renewed annually.

The parent company Olvi plc issued a 20 million euro commercial paper programme in 2002 in order to secure short-term liquidity needs quickly and cost-efficiently.

In order to secure short-term liquidity, operating capital is monitored regularly, and the aim is to reduce the amount of money tied in operating capital. Key factors include monitoring the turnover rate of receivables and improving the efficiency of credit control.

Capital risk management

Olvi Group's long-term objective is to generate the highest possible added value on invested capital, taking into account the expectations imposed on the Group by various parties. The main principle of capital management is to maintain Olvi Group's strong financial position and to ensure that the Group's financing needs can be fulfilled cost-efficiently also under critical financial market conditions.

Another objective is to maintain an optimal capital structure in order to manage and reduce the cost of capital.

In order to maintain or change its capital structure, the Group may change the amount of dividends paid to shareholders, repay capital to shareholders, issue new shares, acquire treasury shares and annul them, or sell its assets to reduce debt.

Capital is monitored through the equity to total assets ratio and the gearing ratio.

BUSINESS RISKS AND UNCERTAINTIES IN THE NEAR TERM

The financial situation in Europe has become more positive, and it is generally estimated that the euro crisis is becoming a thing of the past. However, an increase in the unemployment rate and the resulting decline in consumer purchasing power may have a negative effect on the demand for the company's products.

The most substantial factor hampering the predictability of Olvi Group's business still relates to Belarus and its economic outlook for the next few years. The IAS 29 standard "Financial Reporting in Hyperinflationary Economies" will probably be applied at least until 2014.

NEAR-TERM OUTLOOK

The full-year sales volumes and net sales in 2013 are expected to develop favourably in the current accounting period. The operating profit for 2013 is expected to improve on the previous year.

BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFIT

The parent company Olvi plc had 45.1 (42.9) million euro of distributable funds on 31 December 2012, of which profit for the period accounted for 12.6 (13.1) million euro.

Olvi plc's Board of Directors proposes to the Annual General Meeting that distributable funds be used as follows:

1) A dividend of 0.50 (0.50) euro shall be paid for 2012 on each Series K and Series A share, totalling 10.4 (10.4) million euro. The dividend represents 40.3 (76.9) percent of Olvi Group's earnings per share. The dividend will be paid to shareholders registered in Olvi plc's register of shareholders held by Euroclear Finland Ltd on the record date of the dividend payment, 15 April 2013. It is proposed that the dividend be paid on 22 April 2013. No dividend shall be paid on treasury shares.

2) 34.7 million euro shall be retained in the parent company's non-restricted equity.

FINANCIAL REPORTS IN 2013

Olvi Group's financial statements, Board of Directors' report and Corporate Governance Statement 2012 will be published on 18 March 2013. The notice to convene Olvi plc's Annual General Meeting, which will be held on 10 April 2013 in Iisalmi, will be published on 18 March 2013. The financial statements, Board of Directors' report and notice to convene the AGM will be available on Olvi plc's Web site on the same day.

The following interim reports will be released in 2013:

Interim Report for January-March
on 25 April 2013,
Interim Report for January-June
on 15 August 2013 and
Interim Report for January-September
on 24 October 2013.

Further information:
Lasse Aho, Managing Director, Olvi plc,
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OLVI PLC
Board of Directors

OLVI GROUP

CONSOLIDATED FINANCIAL STATEMENTS 2012

CONSOLIDATED INCOME STATEMENT

	Note	1.1. - 31.12.2012 EUR 1,000	%	1.1. - 31.12.2011 EUR 1,000	%
NET SALES	1	**312 230**	**100.0**	**285 174**	**100.0**
Increase (+)/decrease (-) in inventories of finished and unfinished products		-369	-0.1	-2 947	-1.0
Manufacture for own use		107	0.0	68	0.0
Other operating income	3	1 020	0.3	522	0.2
Materials and services		140 717	45.1	126 852	44.5
Personnel expenses	6	38 341	12.3	36 593	12.8
Depreciation and impairment	5	21 822	7.0	18 637	6.5
Other operating expenses	4	81 571	26.1	74 052	26.0
OPERATING PROFIT		**30 537**	**9.8**	**26 683**	**9.4**
Financial income	8	4 871	1.6	8 352	2.9
Financial expenses	9	-3 093	-1.0	-16 596	-5.8
Financial expenses - net		1 778	0.6	-8 244	-2.9
PROFIT BEFORE TAXES		**32 315**	**10.3**	**18 439**	**6.5**
Income taxes	10	-6 151	-2.0	-5 485	-1.9
NET PROFIT FOR THE PERIOD		**26 164**	**8.4**	**12 954**	**4.5**
Other comprehensive income items:					
Translation differences related to foreign subsidiaries		527	0.2	-15 170	-5.3
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**26 691**	**8.5**	**-2 216**	**-0.8**
Distribution of profit:					
- parent company shareholders		25 668	8.2	13 506	4.7
- non-controlling interests		496	0.2	-552	-0.2
Distribution of comprehensive profit:					
- parent company shareholders		26 229	8.4	-340	-0.1
- non-controlling interests		462	0.1	-1 876	-0.7
Earnings per share calculated from the profit belonging to parent company shareholders:					
Undiluted earnings per share (EUR)		1.24		0.65	
Diluted earnings per share (EUR)		1.24		0.65	

The notes constitute on essential part of the financial statements.

OLVI GROUP

CONSOLIDATED BALANCE SHEET

	Note	31.12.2012 EUR 1,000	%	31.12.2011 EUR 1,000	%
ASSETS					
Non-current assets					
Tangible assets	12	146 749		142 443	
Goodwill	13	17 730		16 761	
Other intangible assets	13	2 119		1 017	
Interests in associates		1 077		0	
Financial assets available for sale	15	549		548	
Loan receivables and other non-current receivables	16	408		141	
Deferred tax receivables	19	83		196	
Total non-current assets		**168 715**	**62.7**	**161 106**	**63.5**
Current assets					
Inventories	17	40 583		35 875	
Accounts receivable and other receivables	18	53 345		52 718	
Income tax receivables		693		0	
Other non-current assets held for sale	2	163		56	
Liquid assets	20	5 698		3 836	
Total current assets		**100 482**	**37.3**	**92 485**	**36.5**
TOTAL ASSETS		**269 197**	**100.0**	**253 591**	**100.0**
SHAREHOLDERS’ EQUITY AND LIABILITIES					
Total shareholders’ equity held by parent company shareholders					
Share capital	21	20 759		20 759	
Other reserves		1 092		1 092	
Treasury shares	21	-8		-8	
Translation differences		-17 687		-18 248	
Retained earnings		141 317		123 286	
Total shareholders’ equity held by parent company shareholders		**145 473**	**54.1**	**126 881**	**50.1**
Share belonging to non-controlling interests		1 939	0.7	1 341	0.5
Total shareholders’ equity		**147 412**	**54.8**	**128 222**	**50.6**
Non-current liabilities					
Financial liabilities	23	42 474		30 949	
Other liabilities		250		0	
Deferred tax liabilities	19	3 200		2 097	
Current liabilities					
Financial liabilities	23	15 996		28 266	
Accounts payable and other liabilities	24	58 669		63 726	
Income tax liability	24	1 196		331	
Total liabilities		**121 785**	**45.2**	**125 369**	**49.4**
TOTAL SHAREHOLDERS’ EQUITY AND LIABILITIES		**269 197**	**100.0**	**253 591**	**100.0**

The notes constitute an essential part of the financial statements.

OLVI GROUP

CONSOLIDATED CASH FLOW STATEMENT

	Note	2012 EUR 1,000	2011 EUR 1,000
Cash flow from operations			
Net profit for the period		26 164	12 954
Adjustments:	27		
Depreciation and impairment	5	21 822	18 637
Other adjustments		7 932	13 893
Change in net working capital:			
Increase (-) / decrease (+) in current interest-free accounts receivable and other receivables		-330	-9 088
Increase (-)/decrease (+) in inventories		-4 491	-2 862
Increase (+)/decrease (-) in current interest-free liabilities		-4 146	8 040
Interest paid		-2 077	-2 205
Interest received		315	151
Taxes paid		-4 900	-5 064
Cash flow from operations (A)		**40 289**	**34 456**
Cash flow from investments			
Investments in tangible and intangible assets		-23 757	-33 653
Capital gains on disposal of tangible and intangible assets		125	130
Expenditure on other investments		-582	-2 980
Cash flow from investments (B)		**-24 214**	**-36 503**
Cash flow from financing			
Withdrawals of loans		32 738	30 266
Repayments of loans		-36 179	-17 103
Dividends paid		-10 377	-10 377
Increase (-) / decrease (+) in long-term loan receivables		-265	0
Cash flow from financing (C)		**-14 083**	**2 785**
Increase (+)/decrease (-) in liquid assets (A+B+C)		**1 992**	**738**
Liquid assets 1 January		**3 836**	**7 891**
Effect of exchange rate changes		**-130**	**-4 793**
Liquid assets 31 December	20	**5 698**	**3 836**

The notes constitute an essential part of the financial statements.

OLVI GROUP

CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

EUR 1,000	SHAREHOLDERS' EQUITY BELONGING TO PARENT COMPANY SHAREHOLDERS						
	A	B	C	D	E	F	G
Shareholders' equity 1 Jan 2011	**20 759**	**1 092**	**-222**	**-4 402**	**109 750**	**2 277**	**129 254**
Adjustments for hyperinflation					10 672	981	11 653
Adjusted shareholders' equity 1 Jan 2011	**20 759**	**1 092**	**-222**	**-4 402**	**120 422**	**3 258**	**140 907**
Comprehensive income							
Net profit for the period					13 506	-552	12 954
Other comprehensive income items							
Translation differences				-13 846		-1 324	-15 170
Total comprehensive income for the period	**-**	**-**	**-**	**-13 846**	**13 506**	**-1 876**	**-2 216**
Transactions with shareholders							
Payment of dividends					-10 659		-10 659
Transfer of treasury shares			214		-214		0
Gains from transfer of treasury shares					216		216
Total transactions with shareholders	**-**	**-**	**214**	**-**	**-10 657**	**-**	**-10 443**
Changes in holdings in subsidiaries							
Acquisition of shares from non-controlling interests					15		15
Change in shares held by non-controlling interests						-41	-41
Changes in holdings in subsidiaries total	**-**	**-**	**-**	**-**	**15**	**-41**	**-26**
Shareholders' equity 31 Dec 2011	**20 759**	**1 092**	**-8**	**-18 248**	**123 286**	**1 341**	**128 222**

EUR 1,000	SHAREHOLDERS' EQUITY BELONGING TO PARENT COMPANY SHAREHOLDERS						
	A	B	C	D	E	F	G
Shareholders' equity 1 Jan 2012	**20 759**	**1 092**	**-8**	**-18 248**	**123 286**	**1 341**	**128 222**
Adjustments for hyperinflation					2 685	247	2 932
Adjusted shareholders' equity 1 Jan 2012	**20 759**	**1 092**	**-8**	**-18 248**	**125 971**	**1 588**	**131 154**
Comprehensive income							
Net profit for the period					25 668	496	26 164
Other comprehensive income items							
Translation differences				561		-34	527
Total comprehensive income for the period	**-**	**-**	**-**	**561**	**25 668**	**462**	**26 691**
Transactions with shareholders							
Payment of dividends					-10 379	-14	-10 393
Total transactions with shareholders	**-**	**-**	**-**	**-**	**-10 379**	**-14**	**-10 393**
Changes in holdings in subsidiaries							
Acquisition of shares from non-controlling interests					20		20
Change in shares held by non-controlling interests					37	-37	0
Reduction of share capital						-60	-60
Changes in holdings in subsidiaries total	**-**	**-**	**-**	**-**	**57**	**-97**	**-40**
Shareholders' equity 31 Dec 2012	**20 759**	**1 092**	**-8**	**-17 687**	**141 317**	**1 939**	**147 412**

A = Share capital
B = Other reserves
C = Treasury shares reserve
D = Translation differences
E = Retained earnings
F = Share belonging to non-controlling interests
G = Total

Other reserves include the share premium account, legal reserve and other reserves.
The notes constitute an essential part of the financial statements.

Notes to the Consolidated Financial Statements

Basic information on the Group

Olvi plc ("the company") and its subsidiaries (jointly "the Group") manufacture beers, ciders, long drinks, mineral waters, juices, soft drinks, energy drinks, sports beverages, kvass and other beverages. Olvi Group operates in Finland, Estonia, Latvia, Lithuania and Belarus.

The Group's parent company is Olvi plc (Business ID 0170318-9), and its Series A shares are quoted on the Nasdaq OMX Helsinki Ltd Main List. 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 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 2012.

Olvi plc's Board of Directors has approved the disclosure of these financial statements at its meeting on 21 February 2013.

According to the Finnish Companies Act, shareholders have the option to approve or reject the financial statements at a General Meeting of Shareholders to be held after disclosure. The General Meeting of Shareholders may also decide on amending the financial statements.

Accounting policies

Basis of preparation

The consolidated financial statements have been prepared in compliance with the approved International Financial Reporting Standards (IFRS), observing the IAS and IFRS standards as well as SIC and IFRIC interpretations valid on 31 December 2012. 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 that supplements the IFRS regulations.

The consolidated financial statements have been prepared on the basis of original cost with the exception of financial assets available for sale, financial assets and liabilities recognised at fair value through profit or loss, derivative contracts, as well as share-based transactions settled in cash, which have been recognised at fair value. The financial statement information is presented in thousands of euros (EUR 1,000). For the sake of presentation, individual figures and totals have been rounded to full thousands, which may cause rounding differences in additions.

Preparation of financial statements in accordance with IFRS standards requires the Group's management to make certain estimates and considerations. 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 percent of the voting rights associated with shares or otherwise has the right to define the principles of the entity's finances and business operations in order to gain benefit from its operations.

Intra-Group shareholdings have been eliminated using the purchase method. The consideration given and the acquired entity's identifiable assets and assumed liabilities have been measured at fair value at the time of acquisition.

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 business 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 or loss for the financial period between the parent company's shareholders and non-controlling interests is presented in the separate income statement, and the distribution of comprehensive income between the parent company's shareholders and non-controlling interests is presented in connection with the statement

of comprehensive income. Comprehensive income is allocated between parent company shareholders and non-controlling interests even if this would lead to a negative share allocated to non-controlling interests. The share of equity belonging to non-controlling interests is presented as a separate balance sheet item under shareholders' equity. Changes in the parent company's holding in a subsidiary that do not lead to loss of control are processed as equity transactions.

Segment reporting

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible of allocating resources to the operating segments and assessing their performance, is identified to be the Group`s Managing Director making strategic decisions.

Conversion of items in foreign currency

The figures indicating the earnings and financial position of Group entities are determined in the currency of each unit's primary operating environment ("functional currency"). 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 the functional currency at the exchange rate valid on the transaction date. Monetary items in foreign currency have been converted into the functional currency at the exchange rates valid on the closing date of the reporting period. 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 through profit and loss. 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 and expense items within the income statements of non-Finnish consolidated companies that use a functional currency other than the Group's presentation currency (and that do not operate in an hyperinflationary economy) have been converted into euro at the average exchange rates for the accounting period, which refers to the averages of the mean exchange rates quoted by the European Central Bank on the last day of each month. Balance sheet items have been 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 or loss on the income statement and balance sheet result in a translation difference recognised in shareholders' equity on the balance sheet, and any change in this difference is recognised in other comprehensive income items. 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 other comprehensive income items. 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.

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. They are converted into euro at the exchange rates valid on the closing date of the reporting period.

Inflation accounting

Belarus was listed as a hyperinflationary economy in December 2011. The 2011 and 2012 financial statements of the subsidiary OAO Lidskoe Pivo registered in Belarus have been adjusted in accordance with IAS 29, "Financial Reporting in Hyperinflationary Economies". Items denominated in BYR currency have been adjusted using the Belarusian general consumer price index. Adjustments have been made monthly starting from December 2008.

The adjustment factors applied from December 2008 to December 2012 are as follows:

12/2008	3.0693
12/2009	2.7940
12/2010	2.5394
12/2011	1.2169
12/2012	1.0000

The values do not represent market values, repurchase values or other fair values used in actual transactions. In the conversion of the 2012 financial statements, monetary receivables and liabilities have not been reassessed using a conversion factor but they have been converted into euro using the exchange rate between BYR and euro valid on the closing date of the reporting period. The same procedure has also been ap-

plied to other non-monetary balance sheet items measured at fair value. On the other hand, other non-monetary balance sheet items as well as income statement items have been converted using the corresponding conversion factor values.

Monthly averages of the conversion factor have been applied to income statement items. The impact of the inflation factor on the company's monetary net position arising from the procedure has been included in financial income and/or expenses as a profit or loss. A change in tax accruals corresponding to the financial statement adjustments has been recognised in deferred tax liabilities.

The income and expense items within OAO Lidskoe Pivo's income statement, as well as the company's balance sheet, have been converted into euro at the mean exchange rate quoted by the Belarusian Central Bank on the balance sheet date, in accordance with IAS 29.

OAO Lidskoe Pivo's functional currency is hyperinflationary but because its figures are converted to a non-inflationary currency, the euro, the data for comparison must be the same as presented in the financial statements for the earlier year in question (in other words, they shall not be adjusted to correspond to any subsequent changes in price levels or exchange rates).

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 are 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 attributable to the acquisition, construction or manufacture of an item fulfilling the conditions of the revised IAS 23 standard are capitalised as part of the acquisition cost of that item if the item fulfils said conditions and capitalisation is started on or after 1 January 2009. All borrowing costs were previously recognised as immediate expenses. The Group has not had any capitalised borrowing costs up to date.

All borrowing costs other than those falling under IAS 23 are recognised as expenses in the period during which they have arisen.

Government grants

Public subsidies such as government grants 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 subsidies will be recognised as income through reduced depreciation over the useful life of the item.

Subsidies received as compensation for realised costs are recognised on the income statement at the same time as the associated costs are recognised as expenses. Such subsidies are presented in other operating income.

Intangible assets

Goodwill

Goodwill arising from business combinations is recognised at the amount to which the total of consideration given, the share of non-controlling interests in the acquired entity and any previous holding exceed the fair value of net assets acquired.

Acquisitions carried out between 1 January 2004 and 31 December 2009 have been recognised in accordance with the previous IFRS 3 standard (2004). Goodwill arising from business combinations carried out before 2004 corresponds to book value in accordance with previous accounting standards that has been used as the deemed cost under IFRS.

No regular amortisation is booked on goodwill but it is tested for impairment annually or, if necessary, more frequently. For this purpose, goodwill is allocated to cash generating units that correspond to the management's way of supervising the business and associated goodwill. In the Group, cash generating units correspond to operating segments reported to top management. Goodwill is recognised at original cost deducted by impairment.

Research and development costs

Research and development 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.

Other intangible assets

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 Group currently has no intangible assets with an unlimited useful life.

The amortisation periods for other intangible assets are the following:

Computer software	5 years
Others	5 years

Leases

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 financial liabilities.

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. The Group does not currently have any substantial finance lease agreements as a lessor.

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

The balance sheet values of non-current tangible and intangible assets are assessed for impairment on the balance sheet date and every time there is evidence that the value of an asset may have been impaired. The impairment test estimates the amount recoverable from an asset. 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.

An impairment loss is recognised in the income statement when the book value of an asset exceeds its recoverable amount. 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 testing

Olvi Group carries out annual impairment testing of goodwill, intangible and tangible assets and net operating capital, and evidence of impairment is evaluated as presented above in the accounting policies. Recoverable amounts from cash gener-

ating units are determined through calculations based on value in use. The preparation of these calculations requires the use of estimates.

Cash flow estimates are based on forecasts approved by management covering a three-year period. The crucial variables used for the calculation of value in use are budgeted sales volume, budgeted net sales and operating profit. Estimated sales and production volumes are based on existing fixed assets.

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 based on actual costs and production volume comprises raw materials, direct expenses due to work performed, other direct expenses, as well as the proportion of the variable and fixed costs of manufacturing based on actual production volume. 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.

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.

Share-based payments

The Group applies the standard IFRS 2 Share-based Payments to all share-based business transactions.

Arrangements settled in equity instruments are measured at fair value on the date of granting and recognised as expenses in the income statement in equal instalments over the validity period of the right. Arrangements settled in cash are measured at fair value at each closing of the accounts, and changes in the fair value of the liability are recognised in the income statement. The earnings effect of the arrangement is presented in the income statement under the costs of employee benefits.

The cost determined at the time of granting the share-based bonuses is based on the Group management's estimate of the number of shares that are expected to become vested at the end of the vesting period. The Group updates the expectation of the final number of shares on each balance sheet date. The changes in the estimates are recognised in the income statement.

The Group had one share-based incentive scheme between 1 January 2006 and 31 December 2010, in which the payments were made in both share-based bonuses and cash.

Provisions

A provision is recognised in the balance sheet when the Group has a legal or factual obligation based on a previous event, it is probable that the fulfilment of the obligation requires payment or causes a financial loss, 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.

A provision is recognised for onerous contracts if the costs necessary for fulfilling the obligations exceed the benefits available from the contract.

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 are recognised for costs associated with the Group's continuous operations.

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

Taxes

The tax expenses in the income statement comprise tax based on the taxable income for the period and change in 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. The most substantial temporary differences arise from depreciation on property, plant and equipment, arrangements settled in equity instruments, as well as the fair valuation of derivative contracts.

Deferred taxes are calculated at tax rates enacted or practically approved by the balance sheet date, which are expected to be applicable when the deferred tax receivable is realised or the deferred tax liability is paid.

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 amount of deferred tax receivables and the probability of utilisation are assessed at every closing of the accounts.

Deferred tax receivables and liabilities are presented in the balance sheet as separate items under non-current assets or liabilities.

Principles for recognition of income

Net sales consist of consideration received for the sales of beverages and other brewery-related commodities during the course of the Group's ordinary business, measured at fair value. Income is presented less value-added tax, indirect taxes, refunds and discounts, with intra-Group sales eliminated.

Income is recognised when it can be reliably determined and when it is probable that future economic benefit will be gained.

Products sold

The Group manufactures different kinds of alcoholic and non-alcoholic beverages and sells them, along with other products related to the beverage industry, to customers who have a retail or wholesale licence to sell alcohol for consumption on or off their premises. Product sales are recognised when the Group has delivered the products to the customer and when substantial risks and benefits related to their ownership have been transferred to the customer, and there are no outstanding obligations that could affect the customer's acceptance of the products. Delivery is considered to be realised only once the products have been delivered to the location agreed with the customer, the risk of non-marketability and damage has been transferred to the customer, and the customer has either accepted the products in accordance with the sales contract, the acceptance-related terms and conditions have expired, or the Group has objective proof that all of the acceptance criteria are fulfilled.

The sales of beverages often carry annual discounts, and customers are entitled to return any defective products. Sales are recognised at the price specified in the sales contract less annual discounts and returns of defective products estimated at the time of sale. Discounts are estimated and recognised on the basis of actual purchases and expected annual purchases in accordance with the terms and conditions of the sales contracts.

Rental income

The Group rents out beverage-serving equipment to its HoReCa customers and coolers to its retailers. Rental income is recognised in equal instalments over the rental period.

Interest

Interest income is recognised on the basis of elapsed time using the effective interest method. If a loan receivable or other receivable becomes impaired, its book value is reduced to correspond to the recoverable amount. Interest income from impaired loan receivables is recognised in accordance with original effective interest.

Dividends

Dividend income is recognised when the right to dividend becomes vested.

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. The prerequisites for classification as an item held for sale are considered to be fulfilled when a sale is highly probable and the asset can be immediately sold in its current condition on usual and conventional terms, management is committed to the sale, and it is expected to be carried out within one year of classification. Depreciation of these assets will be discontinued at the time of classification.

Financial assets and liabilities

Financial assets

The Group's financial assets are classified in accordance with the standard IAS 39 Financial Instruments: Disclosure and Presentation. At present, the Group's financial assets are classified as either loans and receivables or financial assets available for sale. The classification is based on the purpose of acquiring the financial assets and carried out upon original acquisition. All purchases and sales of financial assets are recog-

nised based on the transaction date. Transaction costs are included in the original book value of financial assets.

Loans and receivables

The group of loans and receivables includes the Group's accounts receivable and other receivables. They are measured at original amortised cost using the effective interest method. On the balance sheet, they are included in current or non-current assets according to their nature. Accounts receivable are originally recognised at fair value and subsequently measured at original amortised cost using the effective interest method, taking any impairment into account. Factors suggesting impairment of an account receivable include the debtor's substantial financial difficulties, a threat of bankruptcy or a payment delay exceeding 60 days.

Financial assets available for sale

The Group's other financial assets are classified as financial assets available for sale. Financial assets available for sale may comprise equities and interest-bearing investments. They are recognised at fair value or, if the fair value cannot be determined reliably, at purchase price. Changes in the fair value of financial assets available for sale are booked in the fair value reserve within shareholders' equity, taking the tax effect into account. Changes in fair value are transferred from shareholders' equity to the income statement when the investment is sold or its value has reduced so that an impairment loss must be recognised.

Financial assets are derecognised once the rights to the investment's cash flows have ceased or have been transferred to another party, and the Group has transferred any substantial risks and benefits of ownership.

Financial assets available for sale are included in non-current assets except if the intention is to hold them for less than 12 months from the balance sheet date, in which case they are included in current assets.

Liquid assets

Liquid assets comprise cash, bank deposits withdrawable on demand, as well as other short-term very liquid investments. Items classified as liquid assets have a maturity of no more than three months calculated from the date of acquisition. Account overdraft facilities in use are presented under other current liabilities.

Impairment of financial assets

On each balance sheet date, the Group estimates whether there is objective evidence that the value of a financial asset item or financial asset group may have been impaired. If there is evidence of potential impairment, the amount of loss is determined as the difference between the book value of the asset and its fair value or the present value of estimated future cash flows discounted at the original effective interest rate. Impairment losses are recognised in financial items through profit or loss.

Financial liabilities

Financial liabilities are initially recognised at fair value increased by transaction costs arising from the acquisition of debt. Financial liabilities will subsequently be measured at original amortised cost using the effective interest method.

Financial liabilities are divided into non-current and current liabilities on the basis of the period of realisation, and may constitute interest-bearing or interest-free liabilities.

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.

Derivative contracts and hedge accounting

Olvi Group treats derivative contracts in the manner prescribed in the standard IAS 39 Financial Instruments: Disclosure and Presentation. All derivatives have been classified as assets held for trading because the Group 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.

Share capital and treasury shares

Outstanding Series K and Series A shares are presented as share capital.

Any transaction costs immediately arising from the issuance of new shares or options, after being adjusted for tax effects, are presented in shareholders' equity as a deduction of payments received.

If the Group acquires the company's own shares, the consideration paid and the immediate costs of acquisition are deducted from shareholders' equity until the shares are annulled or re-released to circulation.

If the shares are re-released, the consideration received less immediate transaction costs is included in shareholders' equity.

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 created 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

Earnings per share is calculated by dividing the profit for the period belonging to the parent company's shareholders by the average weighted number of shares outstanding during the accounting period. When calculating the average, the number of treasury shares in the company's possession is deducted from the number of shares.

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. Olvi Group has no warrants or options on 31 December 2012.

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. These are based on previous experience and expectations of future events, but the outcome may differ from the estimates and assumptions. Furthermore, the application of accounting policies requires choice and consideration.

Management consideration associated with the selection and application of accounting policies

Group management makes consideration-based choices with regard to the selection and application of accounting policies. This applies particularly to cases in which valid IFRS standards provide for alternative methods of recognition, measurement or presentation.

The most important sectors in which management has applied said consideration are goodwill testing and deferred tax receivables.

Factors of uncertainty associated with estimates

Estimates made in connection with the preparation of financial statements are based on the management's best understanding on the balance sheet date. The background of the estimates includes previous experience and assumptions concerning the future that are deemed most probable on the balance sheet date with regard to issues such as the expected development of the Group's financial operating environment concerning sales and the level of costs. The Group, regularly and jointly with the management of subsidiaries, assesses the realisation of estimates and assumptions, as well as changes in the underlying factors, by applying several sources of information, both internal and external. Any changes in the estimates and assumptions are recognised in the accounting period during which the estimates and assumptions are adjusted and in all subsequent accounting periods.

Those substantial assumptions concerning the future and crucial factors of uncertainty associated with estimates made on the date of closing the accounts that impose a significant risk of substantial changes in the book values of the Group's assets and liabilities during the next accounting period are presented below. The Group's management has considered these sections of the financial statements as being the most crucial because, from the Group's point of view, the applicable accounting policies are the most complex, and their application requires the use of most significant estimates and assumptions in the measurement of assets, for example. Furthermore, it is estimated that the effect of any changes in the assumptions and estimates used in these sections of the financial statements would be the greatest.

Determining the fair value of assets acquired in a business combination

In case of substantial business combinations, the

Group has used the services of an external advisor for the assessment of fair values of tangible and intangible assets. With regard to tangible assets, comparisons have been made against the market prices of similar assets, estimating the devaluation of the acquired assets due to age, wear and tear and other similar factors. The determination of fair values for intangible assets is based on estimates of cash flows associated with the assets because no information on transactions concerning similar assets has been available from the markets.

The management believes that the estimates and assumptions used are sufficiently accurate to serve as the basis for determining fair value. Furthermore, at least on each closing of the accounts, the Group reviews any indications of impairment of either tangible or intangible assets.

Impairment testing

The Group carries out annual impairment testing of goodwill, unfinished intangible and tangible assets and net operating capital, and any evidence of potential impairment is evaluated as presented above in the accounting policies. Recoverable amounts from cash generating units are determined through calculations based on value in use. The preparation of these calculations requires the use of estimates.

Cash flow estimates are based on forecasts approved by management covering a three-year period. The crucial variables used for the calculation of value in use are budgeted sales volume, budgeted net sales and operating profit. Estimated sales and production volumes are based on existing fixed assets. More information on goodwill and impairment testing is provided in Note 14, Impairment testing of goodwill.

New or revised standards adopted

The consolidated financial statements have been prepared in accordance with the same accounting policies used in 2011, with the exception of the following new standards, interpretations and revisions to existing standards that are in force as of 1 January 2012.

Amendment to IFRS 7 "Financial Instruments: Disclosures" concerning transfers of financial assets

The purpose of this amendment is to promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. 1 July 2011.

The Group has applied the revised standard starting from 1 January 2012. The amendment has no substantial effect on the consolidated financial statements.

Amendment to IFRS 1 "First-Time Adoption" concerning fixed dates and hyperinflation

The first change relates to replacing a fixed date of 1 January 2004 with "the date of transition to IFRSs" which removes the need for entities adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second change includes guidance on how to resume disclosures required by IFRS standards after an entity has not been able to comply with the IFRS requirements if its functional currency was subject to severe hyperinflation. 1 July 2011.

The amendment has no effect on the consolidated financial statements.

Requirements entering into force later

The following is a list of standards and interpretations that have been published but will enter into force on a date later than 1 January 2012.

Amendment to IAS 12 "Income Taxes" concerning deferred taxes

IAS 12 currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes – recovery of revalued non-depreciable assets', will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. 1 January 2013.

The amendment has no effect on the consolidated financial statements.

Amendment to IAS 1 "Presentation of Financial Statements" concerning other comprehensive income items

The main change is a requirement for entities to group items presented in 'other comprehensive income' on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendment

does not address which items are presented in other comprehensive income. 1 July 2012.

The amendment has no effect on the consolidated financial statements.

Amendment to IAS 19
"Employee Benefits"
This amendment eliminates the corridor approach and calculates finance costs on a net funding basis. All actuarial profits and losses must be accounted for immediately in other comprehensive income. 1 January 2013.

The amendment has no effect on the consolidated financial statements.

Amendment to IFRS 1
"First-Time Adoption" concerning loans received from governments
The amendment deals with loans received from governments at a below market rate of interest existing at first-time adoption of IFRSs. At the same time, an exception to retrospective application has been added to the standard, providing first-time adopters the same relief from the requirement added to IAS 20 in 2008 as entities reporting under IFRS before that. 1 January 2013. (not yet endorsed in the EU

The amendment has no effect on the consolidated financial statements.

Amendment to IFRS 7
"Financial Instruments: Disclosures" concerning the offset of assets and liabilities
Requirements for notes to the financial statements are increased with the purpose of improving comparability between IFRS and US GAAP. 1 January 2013.

The Group will adopt the amendment in its financial statements 2013. The amendment will not have any effect on the consolidated financial statements.

Amendment to IFRSs 10, 11 and 12 on transition guidance
These amendments provide additional transition relief to IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied. 1 January 2014.

The Group will adopt the amendments in its financial statements 2014. The amendments will not have any effect on the consolidated financial statements.

Annual improvements 2011
Improvements published as a result of the 2009–2011 round will cause changes to the following standards:
- IFRS 1, "First-time adoption of IFRS"
- IAS 1, "Presentation of Financial Statements"
- IAS 16, "Property, Plant and Equipment"
- IAS 32, "Financial Instruments: Presentation"
- IAS 34, "Interim Financial Reporting"

1 January 2013 (not yet endorsed in the EU).

The Group will adopt the amendments in its financial statements 2013. Group management is assessing the effect of the amendments on the consolidated financial statements.

IFRS 10
"Consolidated Financial Statements"
The aim is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The principles of control are defined, and control is established as the basis for consolidation. The standard sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. The standard also sets out the accounting requirements for the preparation of consolidated financial statements. 1 January 2014.

The Group will adopt the standard in its financial statements 2014. Group management is assessing the effect of the standard on the consolidated financial statements.

IFRS 11
"Joint Arrangements"
IFRS 11 is a more realistic reflection of joint arrangements. It focuses on the rights and obligations arising from the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. 1 January 2014.

The Group will adopt the standard in its financial statements 2014. Group management is assessing the effect of the standard on the consolidated financial statements.

IFRS 12
"Disclosures of Interests in Other Entities"
IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. 1 January 2014.

The Group will adopt the standard in its financial statements 2014. Group management is assessing the effect of the standard on the consolidated financial statements.

IFRS 13
"Fair Value Measurement"
The purpose of the standard is to increase uniformity and simplify complex procedures. It provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS or US GAAP. 1 January 2013.

The Group will adopt the standard in its financial statements 2013. Group management is assessing the effect of the standard on the consolidated financial statements.

IAS 27 (Revised 2011)
"Separate Financial Statements"
The revised standard contains requirements pertaining to separate financial statements only. 1 January 2014.

The Group will adopt the revised standard in its financial statements 2014. Group management is assessing the effect of the revised standard on the consolidated financial statements.

IAS 28 (Revised 2011)
"Investments in Associates and Joint Ventures"
The revised standard includes the accounting requirements for both associates and joint ventures. As a consequence of the publication of IFRS 11, the equity method shall apply to both. 1 January 2014.

The Group will adopt the revised standard in its financial statements 2014. Group management is assessing the effect of the revised standard on the consolidated financial statements.

IFRIC 20
"Stripping Costs in the Production Phase of a Surface Mine"
The interpretation provides guidance on how to account for the costs of removal of mine waste materials (overburden) in the production phase of a surface mine. 1 January 2013.

The interpretation will not have any effect on the consolidated financial statements.

Amendment to IAS 32
"Financial Instruments: Presentation" concerning the offset of assets and liabilities
The amendments are related to the IAS 32 application guidance. They clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. 1 January 2014.

The Group will adopt the amendments in its financial statements 2014. Group management is assessing the effect of the amendments on the consolidated financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27 concerning investment entities
As a consequence of an amendment to IFRS 10, "Consolidated financial statements", many funds and similar entities will be exempted from consolidating their investments. Associated amendments have been made to IFRS 10, IFRS 12 and IAS 27. 1 January 2014 (not yet endorsed in the EU).

The amendments will not have any effect on the consolidated financial statements.

IFRS 9
"Financial Instruments"
This is the first standard issued as part of a wider project to replace IAS 39. The standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. 1 January 2015 (not yet endorsed in the EU).

Group management is assessing the effect of the amendments on the consolidated financial statements.

Notes to the Consolidated Financial Statements

1. Segment information

Segment information is presented in accordance with the Group's geographical operating segments. The operating segments are defined on the basis of reports utilised by the Group's top management for strategic decisions.

Net sales in the reported operating segments are mostly generated from the manufacture and wholesale of various beverages. The net sales also include a minor amount of services to licensed restaurants in relation to beverage-serving equipment.

The Group's management assesses the operating segments' performance through operating profit (EBIT). Interest income and expenses are not allocated to segments because responsibility for the Group's financing tasks is centralised in the parent company Olvi plc.

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 Group. Investments include increases in property, plant and equipment items and intangible assets that are used during more than one accounting period.

Geographical operating segments

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

Transfer pricing

Pricing of business transactions between segments is based on market terms. The principal method of transfer pricing is the cost plus method under which the transfer price of a product or service is determined by adding an appropriate mark-up to the costs of production.

Sales of geographical segments in 2012 and 2011

1,000 litres	Finland	Estonia	Latvia	Lithuania	Belarus	Elimination	Group
Sales in 2012	148 764	134 027	72 358	71 661	141 496	-41 553	526 753
Sales in 2011	149 084	133 421	75 352	67 540	128 005	-35 191	518 211

Geographical segments 2012 in accordance with asset locations

EUR 1,000	Finland	Estonia	Latvia	Lithuania	Belarus	Elimination	Group
INCOME							
External sales	119 450	72 545	29 272	32 190	58 773		312 230
Internal sales	1 501	7 498	6 913	2 055	257	-18 224	0
Total net sales	120 951	80 043	36 185	34 245	59 030	-18 224	312 230
EARNINGS							
Operating profit for the segment	9 066	13 017	1 654	1 753	4 979	68	30 537
Financial income							4 871
Financial expenses							-3 093
Income taxes							-6 151
Net profit for the period							26 164
OTHER INFORMATION							
Segment assets	145 107	68 000	31 149	26 605	64 744	-66 472	269 133
Unallocated company-level assets							64
Total consolidated assets							269 197
Segment liabilities	35 660	10 560	4 723	3 253	6 394	198	60 788
Unallocated company-level liabilities							60 997
Total consolidated liabilities							121 785
Investments	14 942	2 538	1 102	1 133	10 117	0	29 832
Unallocated company-level investments							0
Total investments							29 832
Depreciation	7 125	4 445	3 203	2 321	4 879	-151	21 822

Geographical segments 2011 in accordance with asset locations

EUR 1,000	Finland	Estonia	Latvia	Lithuania	Belarus	Elimination	Group
INCOME							
External sales	119 370	69 994	29 272	27 448	39 090		285 174
Internal sales	417	5 970	5 912	2 048	518	-14 866	0
Total net sales	119 787	75 964	35 184	29 496	39 608	-14 866	285 174
EARNINGS							
Operating profit for the segment	13 239	12 973	737	411	737	-1 414	26 683
Financial income							8 352
Financial expenses							-16 596
Income taxes							-5 485
Net profit for the period							12 954
OTHER INFORMATION							
Segment assets	152 827	97 253	31 887	27 031	57 267	-162 188	204 077
Unallocated company-level assets							49 514
Total consolidated assets							253 591
Segment liabilities	36 900	10 571	4 543	2 877	11 574	-1 118	65 346
Unallocated company-level liabilities							60 024
Total consolidated liabilities							125 369
Investments	11 956	4 635	880	2 057	23 702	0	43 230
Unallocated company-level investments							0
Total investments							43 230
Depreciation	6 116	4 306	3 517	2 352	2 413	-67	18 637

Geographical segments 2012 in accordance with customer locations

EUR 1,000	Finland	Estonia	Latvia	Lithuania	Belarus	Others/ Elimination	Group
External sales	114 684	71 640	29 153	32 139	53 169	11 445	312 230
Internal sales	1 197	5 878	4 247	6 658	244	-18 224	0
Total net sales	115 881	77 518	33 400	38 797	53 413	-6 779	312 230

Geographical segments 2011 in accordance with customer locations

EUR 1,000	Finland	Estonia	Latvia	Lithuania	Belarus	Others/ Elimination	Group
External sales	116 450	68 543	29 285	28 213	36 298	6 385	285 174
Internal sales	1 099	5 056	3 651	4 673	386	-14 865	0
Total net sales	117 550	73 599	32 935	32 887	36 684	-8 480	285 174

2. Non-current assets held for sale

EUR 1,000	2012	2011
Non-current assets held for sale	163	56
Total	**163**	**56**

Non-current assets held for sale consist of equipment decommissioned by the parent company Olvi plc and AB Volfas Engelman.

3. Other operating income

EUR 1,000	2012	2011
Sales gains on property, plant and equipment	57	54
Rental income	129	110
Others	834	358
Total	**1 020**	**522**

Other operating income consists mostly of project grants and gains from the sales of production waste.

4. Other operating expenses

EUR 1,000	2012	2011
Sales losses and scrapping of property, plant and equipment	172	441
Rental costs	3 113	1 949
External services	43 057	37 983
Others	35 229	33 679
Total	**81 571**	**74 052**

Other operating expenses consist mostly of energy and repair costs, the costs of administration, marketing and building maintenance, as well as other indirect personnel costs.

5. Depreciation and impairment

EUR 1,000	2012	2011
Depreciation on tangible assets:		
Buildings	3 731	3 085
Machinery and equipment	14 619	12 517
Machinery and equipment, finance lease	969	971
Other tangible assets	1 735	1 461
Other tangible assets, finance lease	230	190
Total depreciation on tangible assets	21 284	18 225
Depreciation on intangible assets:		
Intangible rights	145	19
Other intangible assets	393	393
Total depreciation on intangible assets	538	412
Total	**21 822**	**18 637**

6. Costs of employee benefits

EUR 1,000	2012	2011
Wages and salaries	31 723	30 360
Pension costs - defined contribution	2 760	2 826
Other personnel expenses	3 858	3 407
Total	**38 341**	**36 593**

Group personnel on average during the period	2012	2011
Finland	401	383
Estonia	313	311
Latvia	217	217
Lithuania	212	205
Belarus	834	916
Total	**1 977**	**2 032**

Information on employee benefits and loans to management is presented in Note 30, Related party transactions.

7. Research and development costs

The income statement includes 320 thousand euro of R&D costs recognised as expenses in 2012 (289 thousand in 2011), which is 0.1 (0.1) percent of net sales.

8. Financial income

EUR 1,000	2012	2011
Dividend income from investments held as fixed assets	5	3
Interest income from bank deposits	79	102
Adjustment for hyperinflation:		
effect on the company's monetary net position	4 384	8 197
Other interest and financial income	403	49
Total	**4 871**	**8 352**

9. Financial expenses

EUR 1,000	2012	2011
Interest expenses on finance lease contracts	85	228
Interest expenses on financial liabilities		
measured at original amortised cost	1 768	2 043
Net gains (-) / losses (+) from interest derivatives	-234	288
Other financial expenses	1 474	14 038
Total	**3 093**	**16 596**

10. Income taxes

EUR 1,000	Note	2012	2011
Tax based on the taxable income for the period		5 190	4 493
Deferred taxes, tax on previous losses			
of AB Volfas Engelman	19	71	44
Deferred taxes, OAO Lidskoe Pivo	19	9	848
Deferred taxes, A/S Cēsu Alus's tax on			
depreciation difference and retained losses	19	568	0
Deferred taxes, change in the fair value of derivatives	19	57	-68
Deferred taxes, change in depreciation difference	19	265	43
Deferred taxes, internal margin on inventories			
and fixed assets	19	-15	10
Deferred taxes, share-based bonuses		0	107
Deferred taxes, finance leasin	19	6	6
Total		**6 151**	**5 485**

Reconciliation between the tax expenses in the income statement and taxes calculated in accordance with the tax rate in the Group's home country 24.5% (26%):

EUR 1,000	2012	2011
Earnings before tax	32 315	18 439
Taxes calculated at the home country's rate	7 917	4 794
Effect of different tax rates for foreign subsidiaries	-1 719	659
Tax effect of non-deductible items	53	33
Taxes from previous accounting period	-100	-1
Taxes in income statement	**6 151**	**5 485**

11. Earnings per share

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. When calculating the weighted average, the number of treasury shares in the company's possession is deducted from the number of shares. Olvi plc held a total of 1,124 of its own Series A shares on 31 December 2012. Detailed information on treasury shares can be found in Note 21, Notes concerning shareholders' equity.

	2012	2011
Profit belonging to parent company shareholders (EUR 1,000)	25 668	13 506
Weighted average number of shares during the period (1,000)	20 759	20 759
Effect of treasury shares (1,000)	-1	-1
Weighted average number of shares for the calculation of EPS (1,000)	20 758	20 758
Undiluted/diluted earnings per share (euro per share)	1.24	0.65

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 options outstanding during the period. When calculating the weighted average number of shares adjusted for dilution, the number of treasury shares in the company's possession is deducted from the number of shares. The calculation of the dilution effect includes consideration for the number of treasury shares acquired using funds received from the exchange of options. Between 2005 and 2012, Olvi Group has not had options or any other schemes having a diluting effect, which means that undiluted earnings per share and earnings per share adjusted for dilution have been equal during these years.

12. Property, plant and equipment

EUR 1,000	Land and water properties	Build-ings	Machinery and eqpt	Machinery and eqpt, finance lease	Other tangible assets	Other tangible assets, finance lease	Advance payments and unfinished purchases	Total
Acquisition cost 1 Jan 2012	1 863	78 726	186 651	4 734	14 218	1 089	36 959	324 238
Adjustment for hyperinflation	0	708	2 290	0	972	0	4 015	7 986
Increase	0	17 488	31 687	3 014	2 744	239	1 006	56 178
Transfer to non-current assets classified as held for sale	0	0	-411	0	0	0	0	-411
Decrease	0	0	-723	-308	-269	0	-33 454	-34 754
Transfers between items	0	1 111	-3 440	0	-4 367	0	-1 173	-7 868
Exchange rate differences	0	-130	-362	0	-216	3	-1 264	-1 970
Acquisition cost 31 Dec 2012	1 863	97 903	215 691	7 440	13 082	1 330	6 089	343 399
Accumulated depreciation and impairment 1 Jan 2012	0	36 226	133 443	2 247	9 212	666	0	181 795
Adjustment for hyperinflation	0	127	789	0	319	0	0	1 235
Depreciation	0	3 731	14 619	969	1 735	230	0	21 284
Decrease	0	127	918	-280	-226	0	0	540
Accumulated depreciation on transfers	0	770	-5 366	0	-3 432	0	0	-8 028
Exchange rate differences	0	-23	-88	0	-67	2	0	-176
Accumulated depreciation and impairment 31 Dec 2012	0	40 959	144 316	2 936	7 542	898	0	196 650
Book value 1 Jan 2012	1 863	42 499	53 207	2 487	5 005	422	36 959	142 443
Book value 31 Dec 2012	1 863	56 944	71 375	4 505	5 540	432	6 089	146 749

Other tangible assets consist mainly of vehicles, equipment included in equipment service, as well as office furniture.

EUR 1,000	Land and water properties	Build-ings	Machinery and eqpt	Machinery and eqpt, finance lease	Other tangible assets	Other tangible assets, finance lease	Advance payments and unfinished purchases	Total
Acquisition cost 1 Jan 2011	1 851	78 514	177 334	4 959	13 811	166	13 137	289 773
Adjustment for hyperinflation	0	-264	-845	0	-478	0	-1 313	-2 900
Increase	10	402	10 404	951	2 744	142	30 749	45 403
Transfer to non-current assets classified as held for sale	0	0	-56	0	0	0	0	-56
Decrease	0	-106	-1 345	-346	-1 134	0	-5 620	-8 552
Transfers between items	0	0	843	-843	-840	840	0	0
Exchange rate differences	2	179	316	12	114	-59	7	571
Acquisition cost 31 Dec 2011	1 863	78 726	186 651	4 734	14 218	1 089	36 959	324 238
Accumulated depreciation and impairment 1 Jan 2011	0	33 148	120 373	2 020	9 320	54	0	164 916
Adjustment for hyperinflation	0	-31	-196	0	-126	0	0	-353
Depreciation	0	3 085	12 517	971	1 462	190	0	18 225
Decrease	0	-9	-179	0	-71	0	0	-259
Accumulated depreciation on transfers	0	0	749	-749	-430	430	0	0
Exchange rate differences	0	33	178	6	-942	-8	0	-733
Accumulated depreciation and impairment 31 Dec 2011	0	36 226	133 443	2 247	9 212	666	0	181 795
Book value 1 Jan 2011	1 851	45 366	56 849	3 051	4 491	112	13 137	124 857
Book value 31 Dec 2011	1 863	42 499	53 207	2 487	5 005	422	36 959	142 443

Other tangible assets consist mainly of vehicles, equipment included in equipment service, as well as office furniture.

13. Intangible assets

EUR 1,000	Goodwill	Intangible rights	Other intangible assets	Total
Acquisition cost 1 Jan 2012	21 738	9 657	9 640	41 036
Adjustment for hyperinflation	968	2	0	969
Increase	0	476	1 095	1 571
Decrease	0	0	0	0
Transfers between items	0	68	0	68
Exchange rate differences	1	0	0	1
Acquisition cost 31 Dec 2012	22 707	10 203	10 735	43 645
Accumulated depreciation and impairment 1 Jan 2012	4 977	9 240	9 040	23 257
Depreciation	0	145	393	538
Exchange rate differences	0	1	0	1
Accumulated depreciation and impairment 31 Dec 2012	4 977	9 386	9 433	23 796
Book value 1 Jan 2012	16 761	417	600	17 778
Book value 31 Dec 2012	17 730	817	1 303	19 849

Intangible rights consist mainly of trademarks.
Other intangible assets consist mainly of computer software.

EUR 1,000	Goodwill	Intangible rights	Other intangible assets	Total
Acquisition cost 1 Jan 2011	22 146	9 594	9 405	41 145
Adjustment for hyperinflation	-412	3	0	-408
Increase	0	68	266	333
Decrease	0	-8	0	-8
Exchange rate differences	4	0	-31	-26
Acquisition cost 31 Dec 2011	21 738	9 657	9 640	41 036
Accumulated depreciation and impairment 1 Jan 2011	4 977	9 220	8 644	22 842
Depreciation	0	19	393	412
Exchange rate differences	0	0	3	3
Accumulated depreciation and impairment 31 Dec 2011	4 977	9 240	9 040	23 257
Book value 1 Jan 2011	17 176	336	617	18 130
Book value 31 Dec 2011	16 761	417	600	17 778

Intangible rights consist mainly of trademarks.
Other intangible assets consist mainly of computer software.

14. Impairment testing of goodwill

The most significant goodwill item is goodwill allocated to the Estonian segment with a book value of 8,146 thousand euro. The book value of goodwill allocated to the Lithuanian segment is 2,241 thousand euro, while 289 thousand euro is allocated to the Latvian segment and 7,054 thousand euro to the Belarusian segment.

The estimated future cash flows used for impairment testing are based on the financial plans of the geographical segments approved by Group management. The cash flow estimates are based on financial plans for the next four years. Cash flow estimates due later than four years are extrapolated using estimated growth rates that do not exceed the estimated long-term growth rates of the cash generating units. The growth rates applied to each segment were as follows: Estonia 2% (2%), Latvia 2% (3%), Lithuania 3% (3%) and Belarus 8,5% (2%). In the assessment of future cash flows, management has also compared previous financial plans with actual development.

The discount rate is weighted average cost of capital (WACC) before taxes:
in Estonia 11.60 (11.92 in 2011), in Latvia 11.90 (12.08), in Lithuania 12.01 (12.12) and in Belarus 15.69 (12.98) percent.

In the management's opinion, any reasonably potential change in any of the variables used for assessing each segment's recoverable amount could not lead into a situation in which the segments' recoverable amounts would be lower than their book values.

According to sensitivity analysis applied to impairment testing, there is currently no need for recognition of impairment. The Board of Directors of Olvi plc is actively monitoring the development of the economic situation in the subsidiary countries and any effects this may have.

15. Financial assets available for sale

Other financial assets consist mostly of unquoted equity investments contributing to the Group company's operations, as well as shares in a housing corporation. Financial assets available for sale are recognised at fair value. If fair value cannot be reliably determined, the assets are recognised at original cost.

EUR 1,000	Note	2012	2011
Book value 1 January		548	545
Increase		1	3
Book value 31 December	26	**549**	**548**

16. Non-current receivables

EUR 1,000	Note	2012	2011
Loans receivable	26	265	14
Other non-current receivables		143	127
Total		**408**	**141**

Other non-current receivables consist mainly of bank guarantee deposits.

17. Inventories

EUR 1,000	2012	2011
Materials and supplies	28 141	26 336
Unfinished products	2 119	1 890
Finished products/goods	9 577	7 299
Other inventories	746	349
Total	**40 583**	**35 875**

Non-marketability deductions on inventories have been booked for 754 thousand euro in 2012 (1,014 thousand euro in 2011).

18. Accounts receivable and other receivables

EUR 1,000	Note	2012	2011
Accounts receivable	26	49 058	48 179
Prepayments and accrued income	26	3 378	2 668
Other receivables	26	909	1 871
Total		**53 345**	**52 718**

Essential items included in prepayments and accrued income are associated with the accruals of rents and the costs of marketing and sales, insurance and administration, as well as discounts and marketing subsidies. During the accounting period, the Group has recognised 264 thousand euro of credit losses on accounts receivable (216 thousand euro in 2011). There are no significant credit risk concentrations associated with receivables.

Maturity distribution of accounts receivable

EUR 1,000	2012	2011
Not due	42 560	43 302
Overdue		
Less than 30 days	5 728	3 182
31 to 60 days	428	1 191
61 to 90 days	195	47
91 to 120 days	14	369
More than 120 days	133	88
Total	**49 058**	**48 179**

Accounts receivable by currency

	2012 Foreign 1,000	2012 EUR 1,000	2011 Foreign 1,000	2011 EUR 1,000
EUR	34 355	34 355	35 426	35 426
LVL	2 114	3 030	2 674	3 823
LTL	13 556	3 926	14 731	4 266
BYR	87 642 695	7 729	50 342 472	4 661
RUB	723	18	110	3

19. Deferred tax receivables and liabilities

Changes in deferred taxes during 2012:

Deferred tax receivables EUR 1,000	31.12.2011	Recognised through profit and loss	Recognised in shareholders' equity	Translation differences	31.12.2012
Fair valuation of derivatives	115	-57	0	0	57
Confirmed losses of AB Volfas Engelman	77	-71	0	0	6
Internal margin on inventories and fixed assets	5	15	0	0	20
Total	**196**	**-113**	**0**	**0**	**83**

Deferred tax liabilities EUR 1,000	31.12.2011	Recognised through profit and loss	Recognised in shareholders' equity	Translation differences	31.12.2012
Property, plant and equipment	1 781	265	206	0	2 252
Deferred tax for OAO Lidskoe Pivo	307	9	0	49	365
A/S Cēsu Alus's tax on depreciation difference and retained losses	0	568	0	0	568
Finance leasing	9	6	0	0	15
Total	**2 097**	**848**	**206**	**49**	**3 200**

The Group's unused fiscal losses for which no tax receivable has been recognised amounted to 5,882 thousand euro at the end of the accounting period (11,206 thousand euro in 2011). Fiscal losses in Latvia are subject to a 8-year limitation period. There is no limitation period for losses in Lithuania.

Of the deferred tax liabilities, 2,252 thousand euro is attributable to deferred tax on property, plant and equipment. No deferred tax liability has been recognised on the undistributed earnings of AS A. Le Coq, 88,294 thousand euro in 2012, as the criteria under IAS 12, 39 are fulfilled.

Changes in deferred taxes during 2011:

Deferred tax receivables EUR 1,000	31.12.2010	Recognised through profit and loss	Recognised in shareholders' equity	Translation differences	31.12.2011
Share-based bonuses to management	107	-107	0	0	0
Fair valuation of derivatives	47	68	0	0	115
Confirmed losses of AB Volfas Engelman	121	-44	0	0	77
Deferred tax for OAO Lidskoe Pivo	1 392	-1 392	0	0	0
Internal margin on inventories	15	-10	0	0	5
Total	**1 682**	**-1 486**	**0**	**0**	**196**

Deferred tax liabilities EUR 1,000	31.12.2010	Recognised through profit and loss	Recognised in shareholders' equity	Translation differences	31.12.2011
Property, plant and equipment	1 844	-63	0	0	1 781
Deferred tax for OAO Lidskoe Pivo	0	307	0	0	307
Finance leasing	3	6	0	0	9
Total	**1 847**	**250**	**0**	**0**	**2 097**

20. Liquid assets

EUR 1,000	Note	2012	2011
Cash and bank accounts	26	5 698	3 836
Total		**5 698**	**3 836**

The liquid assets presented in the cash flow statement comprise cash and bank deposits.

21. Notes concerning shareholders' equity

The following is a reconciliation of numbers of shares:

EUR 1,000	Number of K shares -1000	Number of A shares -1000	Share capital	Share premium account	Treasury shares	Total
1.1.2011	1 866	8 502	20 759	857	-223	21 393
Free issue (split)	1 866	8 523				0
Transfer of treasury shares					214	214
31.12.2011	3 732	17 025	20 759	857	-9	21 607
Transfer of treasury shares						0
31.12.2012	3 732	17 025	20 759	857	-9	21 607

The maximum number of shares is 6.0 million K shares and 24.0 milloin A shares (6.0 million K shares and 24.0 million A shares in 2011). The minimum number of K shares is 1.5 million. The Group´s maximum share capital is 60.0 million euro (60.0 million euro in 2011) and the minimum share capital is 15.0 (15.0) million euro. 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 subsidiaries.

Treasury shares
Olvi plc held a total of 1,124 of its own Series A shares on 1 January 2012.

Olvi plc has not acquired more treasury shares or transferred them to others in January-December 2012, which means that the number of Series A shares held by the company was unchanged on 31 December 2012.

The purchase price of the Series A shares held as treasury shares totalled 8.5 thousand euro.

Series A shares held by Olvi plc as treasury shares represented 0.005 percent of the share capital and 0.001 percent of the aggregate number of votes. The treasury shares represented 0.007 percent of all Series A shares and associated votes.

On 11 April 2012, the General Meeting of Shareholders of Olvi plc decided to revoke any unused authorisations to acquire treasury shares and authorise the Board of Directors of Olvi plc to decide on the acquisition of the company's own Series A shares using distributable funds. The authorisation is valid for one year starting from the General Meeting and covers a maximum of 500,000 Series A shares.

The Annual General Meeting decided to revoke all existing unused authorisations for the transfer of own shares and authorise Olvi plc's Board of Directors to decide on the issue of a maximum of 1,000,000 new Series A shares and the transfer of a maximum of 500,000 Series A shares held as treasury shares.

In January-December 2012, the Board of Directors of Olvi plc has not exercised the authorisations granted by the General Meeting.

Dividends
After the balance sheet date, the Board of Directors has proposed a dividend of 0.50 euro per share for both Series K and Series A shares for 2012, totalling 10.4 million euro. Dividends for 2011 were paid at 0.50 euro per share, totalling 10.4 million euro. The dividends were paid on 23 April 2012.

22. Share-based payments

Olvi Group had a share-based bonus scheme in 2006-2010. The scheme was a part of the incentive and commitment scheme for the Group's key personnel and its purpose was to combine the objectives of shareholders and key personnel to improve the company's value.

The last share-based bonuses for the vesting period 2006-2010 were paid in April 2011.

Olvi plc's Board of Directors has not decided on any new share-based incentive schemes for Olvi Group's key personnel.

Olvi Group has no warrants or options.

23. Financial liabilities

EUR 1,000	Note	Balance sheet values 2012	Fair values 2012	Balance sheet values 2011	Fair values 2011
Non-current liabilities					
Loans from financial institutions	26	38 994	37 397	29 436	25 468
Finance lease liabilities	26	3 464	3 464	1 497	1 497
Other liabilities	26	16	16	15	15
Total		**42 474**	**40 878**	**30 949**	**26 981**
Current liabilities					
Loans from financial institutions	26	14 750	14 750	27 039	27 039
Finance lease liabilities	26	1 246	1 246	1 226	1 226
Total		**15 996**	**15 996**	**28 266**	**28 266**

The Group’s financial liabilities on 31 December 2012 consist of loans from financial institutions, as well as finance lease liabilities. Typical finance lease contracts extend over a period of 36 to 48 months and have a fixed instalment throughout the contract period.

32.7 million euro of the liabities have a fixed interest rate or are converted to fixed rate through interest rate swaps. The amount of variable-rate loans was 21.0 million euro.

The fair value of non-current loans is determined by discounting estimated future cash flows to the present using the interest rate at which the Group could get a similar loan on the balance sheet date. Market rates on the balance sheet date stood at 0.111% to 0.549%, and a company-specific margin has been added for discounting.

The book value of current financial liabilities and finance lease liabilities corresponds to their fair value.

Ranges of interest rates on financial liabilities	**2012**	**2011**
Loans from financial institutions	0.46% - 3.55%	1.42% - 3.55%
Interest rate swaps	0.61% - 2.00%	1.27% - 2.93%
Finance lease liabilities	2.20% - 6.50%	2.50% - 6.50%
Other liabilities	0.15% - 0.27%	0.74% - 1.05%

Maturities of finance lease liabilities

EUR 1,000	Note	2012	2011
Finance lease liabilities - total of minimum rents			
Due within one year		1 246	1 226
Within more than one but less than five years		2 116	1 497
After more than five years		1 348	0
	26	4 710	2 724
Finance lease liabilities - present value of minimum rents			
Due within one year		1 246	1 226
Within more than one but less than five years		2 116	1 497
After more than five years		1 348	0
	26	4 710	2 724
Total amount of finance lease liabilities	26	4 710	2 724

The Group’s other interest-bearing liabilities will fall due as follows:

EUR 1,000	2012	2011
in 2012		27 039
in 2013	18 393	6 890
in 2014	9 742	6 390
in 2015	9 242	5 890
in 2016	8 842	5 390
in 2017	5 328	2 445
Later	2 213	2 445
Total	**53 760**	**56 491**

24. Accounts payable and other liabilities

EUR 1,000	Note	2012	2011
Current			
Accounts payable		30 469	34 097
Accrued expenses	26	7 236	9 834
Other liabilities		22 160	20 126
Total		**59 865**	**64 057**

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

Distribution of accounts payable by currency

EUR 1,000	2012 Foreign 1,000	2012 EUR 1,000	2011 Foreign 1,000	2011 EUR 1,000
EUR	24 864	24 864	28 583	28 583
LVL	1 380	1 978	579	828
LTL	4 868	1 410	5 429	1 572
USD	12	9	28	22
CHF	114	94	12	10
BYR	23 970 295	2 114	33 248 337	3 079
GBP	0	0	1	1
SEK	0	0	14	2

25. Management of financing risks

The Group is exposed to several financing risks in its normal course of business: market risk (including foreign exchange risk as well as interest rate risk on cash flow and fair value), credit risk and liquidity risk.

The objective of financing risk management is to minimise the adverse effects of changes in the financial markets on the Group's financial performance, shareholders' equity and liquidity.

The general principles of the Group's risk management are approved by the Board of Directors of the parent company, and the parent company's management together with the management of subsidiaries is responsible for their practical implementation. Responsibility for Olvi Group's financing tasks is centralised in the parent company Olvi plc. The objectives of centralisation include optimisation of cash flows and financing costs, as well as efficient risk management.

I Market risk

I 1. Foreign exchange risk

Olvi Group operates internationally, and its business involves risks arising from exchange rate fluctuations. Foreign exchange risks arise from commercial transactions, in other words cash flows from purchases and sales, as well as investments in foreign subsidiaries and the conversion of their balance sheet items into euro.

Due to the nature of the business, the time between order and delivery is short, which results in minor operations-related foreign exchange risk. Foreign exchange risk is also reduced by the fact that most of the Group's product sales and purchases of raw materials are denominated in euro.
The Group's ordinary operations made 1,421 thousand euro of exchange rate losses in 2012 (13,713 thousand euro in 2011). Financial income includes 4,556 thousand euro of exchange rate gains (8,201 thousand euro in 2011).

The Group has investments in foreign subsidiaries in Estonia, Latvia, Lithuania and Belarus. The Estonian currency is the euro, and the Lithuanian LTL is pegged to the euro. With regard to the investments in Latvia and Belarus, the Group is exposed to risk arising from the conversion of the subsidiary investments made in LVL and BYR into the parent company's operating currency. The Latvian, Lithuanian and Belarusian currencies carry a risk of devaluation; if realised, this would result in a decline in Olvi Group's operating profit denominated in euro.

The Group has not engaged in active currency hedging in 2012 or 2011. The need for currency hedging is assessed regularly.

I 2. Interest rate risk on cash flow and fair value

The Group's interest rate risk arises from non-current liabilities. Most of the Group's income and operational cash flows are independent of market interest rate fluctuations.

The Group has diversified its borrowing between fixed- and variable-rate loans. Furthermore, the Group uses interest rate swaps to reduce interest rate risk if required by the market situation. Non-current loans are generally taken out with a variable interest rate and converted to fixed rate using interest rate swaps as necessary, which results in a lower interest rate compared to loans taken out directly with a fixed rate.

On the balance sheet date, fixed-rate loans accounted for 60.9 percent (36.4 in 2011) of interest-bearing loans. Variable-rate loans accounted for 39.1 (63.6) percent of all interest-bearing loans. The principal-weighted average maturity of interest-bearing loans was 4.4 (5.3) years.

The amount of payment obligations under finance lease contracts on 31 December 2012 was 4.7 million euro (2.7 million euro in 2011).

The Group aims to limit financing costs to a reasonable amount and to manage interest rate risk using available means.

The Group does not apply hedge accounting in accordance with IAS 39.

Sensitivity analysis of interest rate risks according to IFRS 7

The following assumptions have been used when preparing the interest rate risk analysis:
The sensitivity analysis represents the pre-tax net earnings effect of a reasonably potential change (= +/- 2%). The effect of a change in the interest rate level is calculated on the amount of interest-bearing variable-rate debt at year-end, in other words, net debt is assumed to remain at the year-end level for the entire accounting period.

Variable-rate net debt on 31 December 2012 amounted to 21,015 thousand euro (33,493). A change of two (2) percent in the interest rate level would cause a change of +/- 420 thousand euro in financial expenses. The change does not have any essential effect on consolidated net profit before tax or the consolidated balance sheet.

I 3. Commodity risk
The Group’s most substantial identified operational risks relate to the procurement and quality of raw materials, the production process, markets and customers, personnel, information security and systems.

I 3.1. Raw materials

General economic development and annual fluctuations in crop yield affect the prices and availability of major raw materials used within Olvi Group. Disruptions in raw material deliveries and quality may hamper customer relations and business operations. Purchases of
major raw materials are made under procurement contracts standardised at the Group level. The Group aims to secure the predictability of purchase prices for critical raw materials through long-term procurement contracts. The company has a hedging policy concerning raw materials and their prices. All units emphasise the significance of the quality of raw materials and other production factors in the overall production chain.

I 3.2. Production process

The aim is to minimise production risks through clear documentation of processes, increasing the degree of automation, compliance with quality management systems and the pursuit of clear operating methods in relation to decision-making and supervision.
The efficiency and applicability of processes and methods are monitored using internal indicators. The monitoring and development of production efficiency includes, among other things, the reliability and utilisation rate of production machinery, development of the working environment and factors related to people’s work. The Group has a property and loss-of-profits insurance programme covering all of the operating areas, and its coverage is reviewed annually.

I 3.3. Markets and customers

The Group’s business operations are characterised by substantial seasonal variation. The net sales and operating profit from the reported geographical segments do not accumulate evenly but vary substantially according to the time of the year and the characteristics of each season.

Negative changes in the economy may impact consumers’ purchasing behaviour and hamper the liquidity of hotel and restaurant customers in particular. All Group companies employ efficient credit controls as a major method for minimising credit losses.

Legislative changes and other changes in the operations of authorities, such as changes in excise taxes and marketing restrictions, may affect the demand for the Group’s products and their relative competitive position.

I 3.4. Personnel

Risks related to personnel include, among others, risks in obtaining labour, employment relationship risks, key person risks, competence risks and risks arising from insufficient well-being and accidents at work.

Crucial focal points in HR management include maintaining and developing a good employer image, as well as ensuring the availability and commitment of personnel. Other focal points include maintaining and continuously developing well-being and safety at work,
improvement of management systems, construction and maintenance of backup personnel systems, as well as training and incentive schemes.

I 3.5. Information security and IT

Olvi Group employs an information security policy pertaining to all of the companies. It defines the principles for implementing information security and provides guidelines for its development.

Risks related to information technology and systems are manifested as operational disruptions and deficiencies, for example. The availability and correctness of data is ensured through the choice of operating methods and various technical solutions. The Group's
operations in Finland, the Baltic states and Belarus utilise a common enterprise resource planning system. The system was introduced into use in Belarus during the financial year 2012. A risk analysis pertaining to information security and the operation of information systemsis carried out annually.

II Credit risk

The Group's credit risk arises from wholesale and HoReCa (hotel, restaurant, catering) customers with outstanding accounts receivable.

Creditworthiness requirements for the Group's customers are reviewed annually and always when entering into agreements with new customers. The Group only extends credit to businesses with flawless credit ratings. Furthermore, the Group aims to controlcredit risks through efficient collection of receivables.

The amount of customer-specific accounts receivable is monitored regularly, and the customer's creditworthiness is re-assessed if necessary.

The Group does not have any significant concentrations of credit risk on receivables because its accounts receivable are distributed across a wide and geographically diversified customer base. Investments related to cash management are made in liquid money market instruments having a fundamentally low risk.

The largest customer accounts for 14.3 percent (14.4 in 2011) of the Group's total sales. The amount of credit losses recognised in 2012 was 264 (216) thousand euro.

The maturity distribution of accounts receivable is presented in Note 18, Accounts receivable and other receivables.

III Liquidity risk

Olvi Group's parent company and subsidiaries prepare monthly rolling cash flow estimates that the Group uses for assessing the amount of financing required for business operations in order to maintain sufficient liquid assets to fund everyday operations and investments,
as well as to repay any loans falling due.

The Group aims to secure the availability and flexibility of funding by centralising the management of the Group's liquid assets with the parent company. The Group uses several banks and several forms of financing. The Group aims to secure the availability and flexibility
of funding with an account overdraft facility and credit limits.

The Group has access to an account overdraft facility of 5 million euro and credit limits of 24 million euro. Some of the facilities are valid until further notice, while some are renewed annually. On the balance sheet date, 10 million euro of the limits was binding and valid for 2 years,14 million euro was unbinding.

The parent company Olvi plc issued a 20 million euro commercial paper programme in 2002 in order to secure short-term liquidity needs quickly and cost-efficiently. At the time of closing the accounts, Olvi plc had 5 million euro of short-term loans withdrawn under the commercial paper programme.

In order to secure short-term liquidity, operating capital is monitored regularly, and the aim is to reduce the amount of money tied in operating capital. Key factors include monitoring the turnover rate of receivables and improving the efficiency of credit control.

The Group had 5,698 thousand euro of liquid assets on 31 December 2012 (3,836 thousand euro in 2011). The Group's liquidity on the balance sheet date was good. The current ratio on 31 December 2012 was 1.3 (1.0 in 2011).

Note 23, Financial liabilities, specifies the maturity distribution of financial liabilities.

IV Capital risk management

Olvi Group's long-term objective is to generate the highest possible added value on invested capital, taking into account the expectations imposed on the Group by various parties. The fundamental principle of capital management is to maintain Olvi Group's strong financial position and ensure that the Group's financing needs can be fulfilled cost-efficiently also in critical financial market situations.

Another objective is to maintain an optimal capital structure in order to manage and reduce the cost of capital.

In order to maintain or change its capital structure, the Group may change the amount of dividends paid to shareholders, repay capital to shareholders, issue new shares, acquire treasury shares and annul them, or sell its assets to reduce debt.

Capital is monitored through the equity to total assets ratio and the gearing ratio. Olvi Group's equity to total assets ratio in 2012 stood at 54.8 (50.6) percent and the gearing ratio was 35.8 (43.2) percent.

26. Fair values of financial assets and liabilities

The fair values of Olvi Group's financial assets and liabilities do not substantially deviate from their book values. The face value of interest rate swaps was 31.3 million euro in 2012 and 22.1 million euro in 2011.

Financial assets

Unquoted equity investments are recognised at purchase price as they cannot be recognised at fair value using the valuation methods. 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 fair values of loans from financial institutions, finance lease liabilities, accounts payable and other liabilities do not substantially deviate from their balance sheet values.

27. Adjustments to business cash flows

EUR 1,000	2012	2011
Transactions with no associated payment:		
Depreciation	21 822	18 637
Unrealised foreign exchange gains and losses	1 268	7 148
Financial income	-4 871	-8 352
Adjustment for hyperinflation	1 568	-7 684
Financial expenses	3 093	16 596
Income taxes	6 151	5 485
Other adjustments	723	700
Total	**29 754**	**32 530**

28. Other lease contracts

The Group as a lessee

EUR 1,000	2012	2011
Minimum rents receivable on the basis of other non-cancellable leases:		
Due within one year	1 119	836
Within more than one but less than five years	580	974
After more than five years	7	20
Total	**1 706**	**1 830**

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

The Group as a lessor

EUR 1,000	2012	2011
Minimum rents receivable on the basis of other non-cancellable leases:		
Due within one year	1 031	1 093
Total	**1 031**	**1 093**

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

29. Collateral and contingent liabilities

EUR 1,000	2012	2011
Pledges and contingent liabilities		
For own commitments	7 415	4 632
For others	0	130
Package liabilities	2 265	4 208
Other liabilities	2 000	1 980

The package liability corresponds to Olvi plc's share of the entire stock of recyclable beverage packages in accordance with proportions determined by Ekopulloyhdistys ry, deducted by packages in Olvi plc's inventory on 31 December 2012.

Ekopulloyhdistys ry administers the stock of refillable beverage packages. Every member in the system maintains a stock of packages required for the requirement declared to Ekopulloyhdistys ry for each type of package it uses.

30. Related party transactions

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

	Holding (%)	Share of voting rights (%)
Parent company Olvi plc, Iisalmi, Finland		
AS A. Le Coq, Tartu, Estonia	100,00	100,00
Karme AS, Karksi vald, Estonia	49,00	49,00
Verska Mineraalvee OÜ, Värska vald, Estonia	20,00	20,00
A/S Cēsu Alus, Cēsis, Latvia	99,67	99,67
AB Volfas Engelman, Kaunas, Lithuania	99,57	99,57
OAO Lidskoe Pivo, Lida, Belarus	91,58	91,58

Related party transactions and related party receivables and liabilities

Transactions with associated companies, as well as receivables from and liabilities to associated companies:

EUR 1000	2012	2011
Sales	445	0
Purchases	300	0
Receivables	297	0
Liabilities	526	0

A list of associated companies is presented in Note 32, Investments in associated companies.

Employee benefits to management

Salaries and other short-term employee benefits to the Board of Directors and the Managing Directors of Group companies

EUR 1,000	2012	2011
Managing Directors	931	1 017
Chairman of the Board	84	150
Other members of the Board	125	125
Total	**1 140**	**1 292**

No loans have been granted to management.

31. Costs arising from audit

EUR 1,000	2012	2011
Fees for statutory audit	91	160
Other services	116	15
Total	**207**	**176**

32. Investments in associated companies

Information on group´s associated companies, their assets, liabilities, net sales and net profit/loss:

EUR 1000	Group´s holding (%)	2012
Karme AS, Karksi vald, Estonia	49.00	
Current assets		474
Non-current assets		801
Current liabilities		458
Non-current liabilities		74
Net sales		1 612
Net profit/loss for the period		-28
Other comprehensive income items		0
Total comprehensive income for the period		0
Verska Mineraalvee OÜ, Värska vald, Estonia	20.00	
Current assets		138
Non-current assets		488
Current liabilities		333
Non-current liabilities		169
Net sales		57
Net profit/loss for the period		0
Other comprehensive income items		0
Total comprehensive income for the period		0

OLVI GROUP

Consolidated financial ratios, 2010 to 2012

BUSINESS VOLUME AND PROFITABILITY			
EUR 1,000	**2012 IFRS**	**2011 IFRS**	**2010 IFRS**
Net sales	312 230	285 174	267 509
Change, %	9.5	6.6	9.6
Operating profit	30 537	26 683	30 485
% of net sales	9.8	9.4	11.4
Financial income and expenses	1 778	-8 244	-1 317
Profit before tax	32 315	18 439	29 168
% of net sales	10.3	6.5	10.9
Balance sheet total	269 197	253 591	236 142
Cash flow ratio, %	15.4	11.1	16.4
Return on investment, % (ROI)	18.0	19.3	17.7
Return on equity, % (ROE)	19.0	10.1	20.9
Equity to total assets, %	54.8	50.6	54.7
Current ratio	1.3	1.0	1.3
Gearing, %	35.8	43.2	29.5
Gross capital expenditure on fixed assets	29 832	43 230	24 479
% of net sales	9.6	15.2	9.2
Net investments in fixed assets	29 351	42 868	23 998
% of net sales	9.4	15.0	9.0
Average number of personnel:			
Olvi plc	401	383	378
Personnel in Estonia, Latvia, Lithuania and Belarus	1 576	1 649	1 673
Total employees	1 977	2 032	2 051

PER-SHARE RATIOS			
	2012 IFRS	**2011 IFRS**	**2010 IFRS**
Earnings per share (EPS), euro	1.24	0.65	1.21
EPS adjusted for dilution from warrants, euro	1.24	0.65	1.21
Equity per share, euro	7.01	6.11	6.13
*) Pay-out ratio, %	40.44	76.82	41.54
Price/Earnings ratio (P/E)	15.9	22.7	12.8

The ratios for previous years have been adjusted for the effect of the free issue (split) in 2011 that doubled the number of shares.

*) The amount of nominal dividend has been adjusted for the effect of the free issue. The amount of dividend used for calculating the 2012 ratios is the Board of Directors’ proposal to the Annual General Meeting.

OLVI PLC

PARENT COMPANY'S INCOME STATEMENT (FAS)

	Note	1.1. - 31.12.2012 EUR 1,000	%	1.1. - 31.12.2011 EUR 1,000	%
NET SALES	1	**120 951**	**100.0**	**119 788**	**100.0**
Increase (+)/decrease (-) in inventories of finished and unfinished products		802	0.7	-428	-0.4
Manufacture for own use		111	0.1	70	0.1
Other operating income	2	460	0.4	1 878	1.6
Materials and services	3	47 899	39.6	46 116	38.5
Personnel expenses	4	19 187	15.9	19 943	16.6
Depreciation and impairment	8	6 557	5.4	5 497	4.6
Other operating expenses	9	39 677	32.8	36 592	30.5
OPERATING PROFIT		**9 004**	**7.4**	**13 160**	**11.0**
Financial income and expenses	10	6 380	5.3	3 138	2.6
PROFIT BEFORE APPROPRIATIONS AND TAXES		**15 384**	**12.7**	**16 298**	**13.6**
Appropriations	11	-1 085	-0.9	-166	-0.1
Income taxes	12	-1 700	-1.4	-3 028	-2.5
NET PROFIT FOR THE PERIOD		**12 599**	**10.4**	**13 103**	**10.9**

OLVI PLC

PARENT COMPANY'S BALANCE SHEET (FAS)

	Note	31.12.2012 EUR 1,000	%	31.12.2011 EUR 1,000	%
ASSETS					
FIXED ASSETS					
Intangible assets	13	1 452		742	
Tangible assets	13	38 629		33 781	
Shares in Group companies	14	58 411		76 261	
Other investments	14	540		535	
TOTAL FIXED ASSETS		**99 031**	**53.5**	**111 318**	**62.8**
CURRENT ASSETS					
Inventories	16	13 999		11 279	
Non-current receivables	17	43 679		25 761	
Current receivables	17	28 069		27 830	
Cash in hand and at bank		422		1 022	
TOTAL CURRENT ASSETS		**86 170**	**46.5**	**65 892**	**37.2**
TOTAL ASSETS		**185 201**	**100.0**	**177 210**	**100.0**
EQUITY AND LIABILITIES					
SHAREHOLDERS' EQUITY					
Share capital		20 759		20 759	
Share premium account		857		857	
Legal reserve		127		127	
Retained profit		32 522		29 797	
Net profit for the period		12 599		13 103	
TOTAL SHAREHOLDERS' EQUITY	18	**66 863**	**36.1**	**64 643**	**36.5**
ACCUMULATED APPROPRIATIONS	19	**9 039**	**4.9**	**7 953**	**4.5**
LIABILITIES					
Non-current liabilities		58 506		41 963	
Current liabilities		50 793		62 651	
TOTAL LIABILITIES	20	**109 299**	**59.0**	**104 614**	**59.0**
TOTAL EQUITY AND LIABILITIES		**185 201**	**100.0**	**177 210**	**100.0**

OLVI PLC

PARENT COMPANY'S CASH FLOW STATEMENT

	Note	2012 EUR 1,000	2011 EUR 1,000
Cash flow from operations			
Profit before extraordinary items		15 384	16 298
Adjustments:			
Depreciation according to plan and impairment	8	6 557	5 497
Financial income and expenses	10	-6 380	-3 138
Other adjustments		18	-769
Cash flow before change in working capital		15 580	17 887
Change in net working capital:			
Increase (-)/decrease (+) in current interest-free accounts receivable and other receivables		4 573	-5 172
Increase (-)/decrease (+) in inventories		-2 720	1 252
Increase (+)/decrease (-) in current interest-free liabilities		-991	-789
Interest paid		-1 505	-2 096
Interest received		66	100
Dividents received		7 031	5 049
Taxes paid		-2 667	-3 020
Cash flow from operations (A)		**19 368**	**13 210**
Cash flow from investments			
Investments in tangible and intangible assets		-12 557	-10 424
Capital gains on disposal of tangible and intangible assets		77	1 080
Expenditure on other investments		-35	-3 062
Cash flow from investments (B)		**-12 514**	**-12 405**
Cash flow from financing			
Withdrawals of loans		39 422	32 500
Repayments of loans		-33 142	-16 735
Acquisition / transfer of treasury shares	18	0	193
Dividends paid	18	-10 360	-10 360
Increase (-)/decrease (+) in non-current loans receivable		-3 372	-8 402
Cash flow from financing (C)		**-7 453**	**-2 805**
Increase (+)/decrease (-) in liquid assets (A+B+C)		**-599**	**-2 000**
Liquid assets 1 January		**1 022**	**3 021**
Liquid assets 31 December		**422**	**1 022**
Change in liquid assets		**-599**	**-2 000**

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

Intangible and tangible 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 valued in accordance with the FIFO principle at acquisition cost or, if lower, at probable net realisable value. The acquisition cost of raw materials and supplies is determined by the weighted average method. The value of finished and unfinished products includes variable costs and the appropriate proportion of the overheads of acquisition and manufacturing.

Research and development costs
Research and development 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.

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.

Deferred Taxes
A deferred tax liability or asset has been calculated on temporary differences between taxation and the financial statements using the tax rate for upcoming years confirmed by the balance sheet date. The balance sheet includes deferred tax liabilities in their entirety and deferred tax assets up to the estimated probable amount.

Foreign currency items
Transactions denominated in foreign currency have been recognised during the accounting period at the exchange rate on 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.

Treasury shares
Acquired treasury shares are recognised as a reduction in retained earnings.

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

Notes to the income statement and balance sheet (eur 1,000)

1. Net sales by market area	2012	2011
Finland	114 395	116 185
Estonia	3 740	676
Other exports	2 816	2 927
Total	120 951	119 788

2. Other operating income	2012	2011
Capital gains on disposals of fixed assets	63	762
Others	397	1 116
Total	460	1 878

3. Materials and services	2012	2011
Materials and supplies (goods):		
Purchases during the year	46 942	42 833
Change in stocks	-1 918	824
Outsourced services	2 875	2 459
Total	47 899	46 116

4. Personnel expenses	2012	2011
Wages, salaries and emoluments	15 526	16 086
Pension expenses	2 708	2 826
Other personnel expenses	954	1 031
Total	19 187	19 943

5. Management salaries and emoluments	2012	2011
Managing Director	351	510
Chairman of the Board	84	150
Other members of the Board	125	125
Total	560	786

6. Parent company's personnel on average during the period		2012	2011
Full-time	clerical employees	129	126
	workers	191	177
Part-time	clerical employees	0	0
	workers	81	80
Total		401	383

7. Auditors' fees	2012	2011
Fees for statutory audit	54	91
Other services	35	1
Total	89	92

8. Depreciation and impairment	2012	2011
Planned depreciation on tangible and intangible assets	6 557	5 497
Total	6 557	5 497

9. Other operating expenses	2012	2011
Sales freights	13 762	13 338
Costs of marketing and sales	12 217	11 106
Other operating expenses	13 697	12 149
Total	39 677	36 592

10. Financial income and expenses	2012	2011
Dividend income from Group companies	7 168	5 049
Total income from long-term investments	5	3
Other interest and financial income		
From Group companies	529	396
From others	234	97
Total	763	493
Total dividend income and other interest and financial income	7 936	5 545
Interest expenses and other financial expenses		
Payable to Group companies	384	279
Payable to others	1 172	2 129
Total	1 556	2 407
Total financial income and expenses	6 380	3 138

11. Appropriations	2012	2011
Difference between depreciation according to plan and depreciation applied in taxation	1 085	166
Total	1 085	166

12. Income taxes	2012	2011
Income tax on business operations	1 742	2 989
Taxes from previous accounting periods	-100	-1
Change in deferred tax	57	39
Total	1 700	3 028

13. Fixed assets

Intangible assets

	Formation costs	Intangible rights	Development costs	Other intangible assets	Total
Acquisition cost 1 Jan 2012	6	8 774	1	8 816	17 598
Increase	0	0	0	1 126	1 126
Decrease	0	0	0	0	0
Acquisition cost 31 Dec 2012	6	8 774	1	9 943	18 725
Accumulated depreciation and impairment 1 Jan 2012	6	8 774	1	8 075	16 857
Depreciation	0	0	0	416	416
Accumulated depreciation 31 Dec 2012	6	8 774	1	8 491	17 273
Book value 1 Jan 2012	0	0	0	742	742
Book value 31 Dec 2012	0	0	0	1 452	1 452

Tangible assets

	Land and water properties	Buildings	Machinery and eqpt	Other tangible assets	Advance payments and unfinished purchases	Total
Acquisition cost 1 Jan 2012	1 088	25 435	89 673	59	7 239	123 493
Increase	0	3 329	13 398	0	1 557	18 284
Decrease	0	0	-96	0	-7 199	-7 295
Acquisition cost 31 Dec 2012	1 088	28 764	102 976	59	1 597	134 482
Accumulated depreciation and impairment 1 Jan 2012	0	19 059	70 653	0	0	89 712
Depreciation	0	975	5 167	0	0	6 141
Accumulated depreciation 31 Dec 2012	0	20 034	75 819	0	0	95 854
Book value 1 Jan 2012	1 088	6 376	19 020	59	7 239	33 781
Book value 31 Dec 2012	1 088	8 729	27 156	59	1 597	38 629

	31.12.2012	31.12.2011
Book value of production machinery and equipment on 31 December	25 229	17 409

14. Investments

	Shares in Group companies	Other shares	Total investments
Acquisition cost 1 Jan 2012	76 261	535	76 796
Increase	30	5	35
Decrease	-17 880	0	-17 880
Acquisition cost 31 Dec 2012	58 411	540	58 951
Book value 31 Dec 2012	58 411	540	58 951

15. Group companies

	Group's holding %	Parent company's holding %
AS A. Le Coq, Tartu, Estonia	100.00	100.00
Karme AS, Karksi vald, Estonia	49.00	0.00
Verska Mineraalvee OÜ, Värska vald, Estonia	20.00	0.00
A/S Cēsu Alus, Cēsis, Latvia	99.67	99.67
AB Volfas Engelman, Kaunas, Lithuania	99.57	99.57
OAO Lidskoe Pivo, Lida, Belarus	91.58	91.58

16. Inventories	2012	2011
Materials and supplies	10 380	8 463
Unfinished products	808	657
Finished products/goods	2 810	2 160
Total	13 999	11 279

17. Receivables	2012	2011
Non-current receivables		
Loans receivable from Group companies	43 536	25 637
Deposits pledged as collateral	123	104
Prepayments and accrued income	20	20
Total non-current receivables	**43 679**	**25 761**
Current receivables		
Receivables from Group companies		
Accounts receivable	608	193
Prepayments and accrued income	343	206
Receivables from Group companies	951	399
Receivables from non-Group companies		
Accounts receivable	25 060	26 446
Other receivables	4	5
Prepayments and accrued income	1 996	866
Deferred tax receivables	57	115
Total	27 118	27 431
Total current receivables	**28 069**	**27 830**
Total receivables	**71 748**	**53 592**
Deferred tax receivables		
Deferred tax receivables 1 January	115	154
Fair valuation of derivatives, change in deferred tax	-57	-39
Deferred tax receivables 31 December	**57**	**115**

18. Shareholders' equity	2012	2011
Share capital 1 January	20 759	20 759
Increase of share capital	0	0
Share capital 31 December	20 759	20 759
Share premium account 1 January	857	857
Bonus issue	0	0
Share premium account 31 December	857	857
Legal reserve 1 January and 31 December	127	127
Retained profit 1 January	42 901	39 726
Dividend distribution	-10 379	-10 367
Acquisition / transfer of treasury shares	0	438
Retained profit 31 December	32 522	29 797
Net profit for the period	12 599	13 103
Total shareholders' equity	**66 863**	**64 643**

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

	2012 qty	2012 EUR 1,000	2012 votes	2011 qty	2011 EUR 1,000	2011 votes
Series K (20 votes/share), registered	3 732 256	3 732	74 645 120	1 866 128	3 732	37 322 560
Series K total	**3 732 256**	**3 732**	**74 645 120**	**1 866 128**	**3 732**	**37 322 560**
Series A (1 vote/share), registered	17 026 552	17 027	17 026 552	8 513 276	17 027	8 513 276
Series A total	**17 026 552**	**17 027**	**17 026 552**	**8 513 276**	**17 027**	**8 513 276**
Total 31 December	**20 758 808**	**20 759**	**91 671 672**	**10 379 404**	**20 759**	**45 835 836**

Votes per Series A share	1
Votes per Series K share	20

The registered share capital on 31 December 2012 totalled 20,759 thousand euro.

Olvi plc's Series A and Series K shares received a dividend of 0.50 euro per share for 2011 (0.50 euro per share for 2010), totalling 10.4 (10.4) million euro. The dividends were paid on 23 April 2012.

The Series K and Series A shares entitle to equal dividend.
The Articles of Association include a redemption clause concerning Series K shares.

Treasury shares

Olvi plc held a total of 1,124 of its own Series A shares on 1 January 2012.

Olvi plc has not acquired more treasury shares or transferred them to others in January-December 2012, which means that the number of Series A shares held by the company was unchanged on 31 December 2012. The purchase price of the Series A shares held as treasury shares totalled 8.5 thousand euro.

Series A shares held by Olvi plc as treasury shares represented 0.005 percent of the share capital and 0.001 percent of the aggregate number of votes. The treasury shares represented 0.007 percent of all Series A shares and associated votes.

On 11 April 2012, the General Meeting of Shareholders of Olvi plc decided to revoke any unused authorisations to acquire treasury shares and authorise the Board of Directors of Olvi plc to decide on the acquisition of the company's own Series A shares using distributable funds. The authorisation is valid for one year starting from the General Meeting and covers a maximum of 500,000 Series A shares.

The Annual General Meeting decided to revoke all existing unused authorisations for the transfer of own shares and authorise Olvi plc's Board of Directors to decide on the issue of a maximum of 1,000,000 new Series A shares and the transfer of a maximum of 500,000 Series A shares held as treasury shares.

In January-December 2012, the Board of Directors of Olvi plc has not exercised the authorisations granted by the General Meeting.

19. Accumulated appropriations

Accumulated appropriations consist of accumulated depreciation difference.

20. Liabilities	2012	2011
Non-current liabilities		
Loans from financial institutions	38 980	29 422
Other liabilities	29	29
Total	39 009	29 451
Liabilities to Group companies:		
Other liabilities	19 496	12 512
Total	19 496	12 512
Total non-current liabilities	**58 506**	**41 963**
Current liabilities		
Loans from financial institutions	14 750	24 629
Accounts payable	17 240	16 895
Accrued expenses	3 923	6 689
Other liabilities	14 686	14 228
Total	50 599	62 441
Liabilities to Group companies:		
Accounts payable	194	210
Total	194	210
Total current liabilities	**50 793**	**62 651**
Total liabilities	**109 299**	**104 614**
Accrued expenses		
Provisions for personnel costs	3 037	4 651
Provision for interest on loans	291	696
Other accrued expenses	596	1 342
Total accrued expenses	3 923	6 689
Interest-free liabilities 31 December	36 043	38 022
Liabilities falling due later than five years from now:		
Loans from financial institutions	2 243	7 541

21. Share-based payments

Olvi Group had a share-based bonus scheme in 2006-2010. The scheme was a part of the incentive and commitment scheme for the Group's key personnel and its purpose was to combine the objectives of shareholders and key personnel to improve the company's value.

The last share-based bonuses for the vesting period 2006-2010 were paid in April 2011.

Olvi plc's Board of Directors has not decided on any new share-based incentive schemes for Olvi Group's key personnel.

Olvi Group has no warrants or options.

22. Pledges, contingent liabilities and other commitments	2012	2011
Pledges and contingent liabilities		
For own commitments		
Mortgages on land and buildings	1 336	1 336
Other off-balance sheet liabilities		
Package liabilities	2 265	4 208
Rental liabilities on business premises and land areas	392	473
Other liabilities	6 003	3 477
Total pledges, contingent liabilities and other commitments	**9 996**	**9 493**

23. Leasing liabilities	2012	2011
Due within one year	713	916
Due later	517	1 022
Total	1 230	1 938

24. Derivative contracts		2012		2011
	Nominal value	Market value	Nominal value	Market value
Derivatives	31 329	-234	22 057	-468

The business significance of the derivative contracts is minor. The derivative contracts are interest rate swaps on loans and will reach maturity in 2014, 2015 and 2017.

OLVI PLC

Shares and share capital 31 December 2012

	Shares	%	Votes	%
Series K shares, registered	3 732 256	18.0	74 645 120	81.4
Series A shares, registered	17 026 552	82.0	17 026 552	18,6
Total	**20 758 808**	**100.0**	**91 671 672**	**100.0**

Registered share capital, EUR 1,000 20 759

Olvi plc's Series A and Series K shares received a dividend of 0.50 euro per share for 2011 (0.50 euro per share for 2010), totalling 10.4 (10.4) million euro. The dividends were paid on 23 April 2012.

Votes per Series A share 1
Votes per Series K share 20

The Series K and Series A shares entitle to equal dividend.
The Articles of Association include a redemption clause concerning Series K shares.

DISTRIBUTION OF HOLDINGS AND INFORMATION ON SHAREHOLDERS

Largest shareholders on 31 December 2012

	Series K	Series A	Total	%	Votes	%
1. Olvi Foundation	2 363 904	890 613	3 254 517	15.68	48 168 693	52.54
2. Hortling Heikki Wilhelm *)	901 424	159 194	1 060 618	5.11	18 187 674	19.84
3. The Heirs of Hortling Kalle Einari	187 104	25 248	212 352	1.02	3 767 328	4.11
4. Hortling Timo Einari	165 824	34 608	200 432	0.97	3 351 088	3.66
5. Hortling-Rinne Marit	102 288	2 100	104 388	0.50	2 047 860	2.23
6. Pohjola Bank plc, nominee register		1 902 700	1 902 700	9.17	1 902 700	2.08
7. Nordea Bank Finland plc, nominee register		880 016	880 016	4.24	880 016	0.96
8. Ilmarinen Mutual Pension Insurance Company		779 026	779 026	3.75	779 026	0.85
9. Nasdaq OMXBS/ Skandinaviska Enskilda Banken Ab, nominee register		461 809	461 809	2.22	461 809	0.50
10. Oy Autocarrera Ab		460 000	460 000	2.22	460 000	0.50
11. Varma Mutual Pension Insurance Company		412 899	412 899	1.99	412 899	0.45
12. Fondita Nordic Micro Cap mutual fund		392 000	392 000	1.89	392 000	0.43
13. Evli Finland Select mutual fund		231 028	231 028	1.11	231 028	0.25
14. Laakkonen Hannu Markus		216 072	216 072	1.04	216 072	0.24
15. Aktia Capital mutual fund		196 000	196 000	0.94	196 000	0.21
16. Pensionsförsäkringsaktiebolaget Veritas		185 300	185 300	0.89	185 300	0.20
17. Lahti Ari		180 000	180 000	0.87	180 000	0.20
18. OP-Finland Small Cap Fund		159 457	159 457	0.77	159 457	0.17
19. Aktia Secura mutual fund		152 000	152 000	0.73	152 000	0.17
20. Odin Finland		151 296	151 296	0.73	151 296	0.17
Others	11 712	9 155 186	9 166 898	44.16	9 389 426	10.22
Total	**3 732 256**	**17 026 552**	**20 758 808**	**100.00**	**91 671 672**	**100.00**

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

Olvi plc had 9,091 (9,146) shareholders registered in the book-entry system on 31 December 2012, 8 (9) of them nominee-registered.

Insiders

Olvi plc adopted the insider guidelines drawn up and recommended by the Nasdaq OMX 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 901,424 K shares and 170,994 A shares on 31 December 2012, which represent 5.2 percent of the total number of shares and 19.9 percent of the votes.

The company's management does not hold any warrants or options.

Shareholders by size of holding on 31 December 2012

Number of shares	Number of shareholders	% of shareholders	Number of book entries	% of book entries	Voting rights	% of votes
1 - 1000	7 661	84.27	2 088 473	10.06	2 098 201	2.29
1 001 - 10 000	1 299	14.29	3 451 381	16.63	3 589 093	3.92
10 001 - 500 000	126	1.39	7 347 407	35.39	16 032 383	17.49
500 001 - 999 999 999 999	5	0.05	7 832 443	37.73	69 873 675	76.22
On waiting list			2 064	0.01	41 280	0,05
In collective book-entry account			37 040	0.18	37 040	0,04
Total	9 091	100.00	20 758 808	100.00	91 671 672	100.00

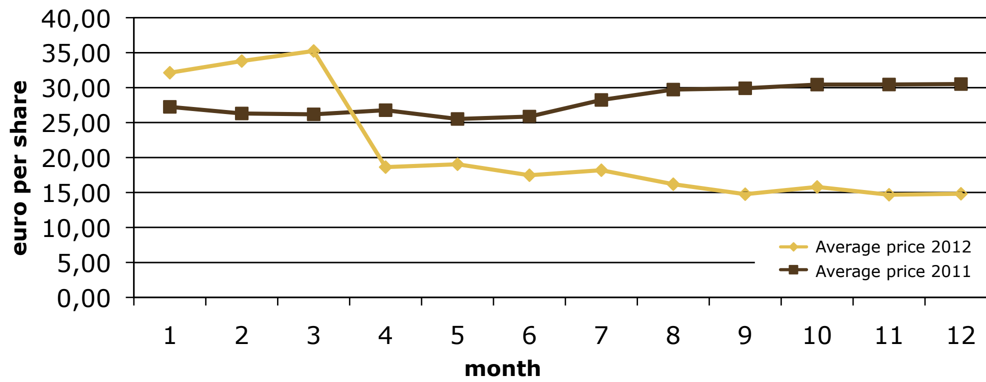
Shareholders by category on 31 December 2012

	Number of shareholders	% of share-holders	Number of book entries	% of book entries	Nominee-registered Number of book entries	% of book entries	Voting rights	% of votes
Businesses	415	4.56	4 862 842	23.43	4 029	0.02	49 781 047	54.30
Financial institutions and insurance companies	37	0.41	1 636 011	7.88	3 289 565	15.85	4 925 576	5.37
Public sector organisations	8	0.09	1 478 941	7.12			1 478 941	1.61
Non-profit organisations	106	1.17	585 149	2.82			585 149	0.64
Households	8 482	93.30	8 441 473	40.66			32 457 473	35.41
Non-Finnish shareholders	43	0.47	420 148	2.02	1 546		2 365 166	2.58
On waiting list			2 064	0.01			41 280	0.05
In collective book-entry account		0.00	37 040	0.18			37 040	0.04
Total	9 091	100.00	17 463 668	84.13	3 295 140	15.87	91 671 672	100.00

Foreign and nominee-registered holdings on 31 December 2012

	Number of shareholders	% of shareholders	Number of book entries	% of book entries	Voting rights	% of votes
Foreign total	41	0.45	420 148	2.02	2 363 620	2.58
Nominee-registered (foreign) total	2	0.02	1 546	0.01	1 546	0.00
Nominee-registered (Finnish) total	6	0.07	3 293 594	15.87	3 293 594	3.59
Total	49	0.54	3 715 288	17.90	5 658 760	6.17

PRICE DEVELOPMENT OF OLVI A SHARES IN 2012 AND 2011



OLVI A SHARE VS OMX ALL-SHARE INDEX 2009-2012

- Olvi A Share avarage price in review period 2012: EUR 18.26 (16.68)
- Trading volume 1,793,149 (3,208,911) shares

OLVI PLC

Parent company’s financial ratios, 2010 to 2012

BUSINESS VOLUME AND PROFITABILITY			
EUR 1,000	**2012**	**2011**	**2010**
Net sales	120 951	119 788	110 989
Change, %	1.0	7.9	6.2
Operating profit	9 004	13 160	11 629
% of net sales	7.4	11.0	10.5
Financial income and expenses	6 380	3 138	-591
Profit before extraordinary items	15 384	16 298	11 039
% of net sales	12.7	13.6	9.9
Profit before provisions and taxes	15 384	16 298	11 039
% of net sales	12.7	13.6	9.9
Balance sheet total	185 201	177 210	160 784
Cash flow ratio, %	16.7	15.7	12.5
Return on investment, % (ROI)	11.7	14.4	10.2
Return on equity, % (ROE)	19.0	19.2	12.7
Equity to total assets, %	39.8	39.9	41.8
Current ratio	0.8	0.6	0.9
Gearing, %	98.8	92.8	70.7
Gross capital expenditure on fixed assets	12 246	11 562	4 776
% of net sales	10.1	9.7	4.3
Net investments in fixed assets	12 089	11 243	4 619
% of net sales	9.9	9.4	4.2
Average number of personnel	401	383	378

PER-SHARE RATIOS	2012	2011	2010
Earnings per share (EPS), euro	0.66	0.64	0.41
Equity per share, euro	3.55	3.40	3.24
*) Nominal divident per share, euro	0.50	0.50	0,50
*) Effective dividend yield, %	2.54	3.39	3.26
*) Pay-out ratio, %	75.8	78.2	121.3
Price/Earnings ratio (P/E)	29.8	23.1	37.3
Price of Series A share			
- at year-end, euro	19.65	14.75	15.35
- high, euro	20.43	19.86	15.73
- low, euro	14.75	13.49	12.01
- average price, euro	18.26	16.68	14.03
Trading volume of A shares	1 793 149	3 208 911	1 628 258
% of all A shares outstanding	10.5	18.8	19.1
Market capitalisation of A shares 31 Dec, MEUR	334.6	251.1	261.4
Market capitalisation of K shares 31 Dec, MEUR	73.3	55.1	57.3
Total market capitalisation, MEUR	407.9	306.2	318.6
Number of shares			
- year’s average number, adjusted for share issues **)	20 757 684	20 751 392	20 734 008
- average number of shares adjusted for dilution from warrants **)	20 757 684	20 751 392	20 734 008
- number at year-end, adjusted for share issues **)	20 757 684	20 757 684	20 734 008

The ratios for year 2010 have been adjusted for the effect of the free issue (split) in 2011 that doubled the number of shares. Also the numbers of shares have been adjusted for comparability.

*) The amount of nominal dividend has been adjusted for the effect of the free issue. The amount of dividend used for calculating the 2012 ratios is the Board of Directors’ proposal to the Annual General Meeting.

**) Treasury shares held by Olvi plc deducted.

CALCULATION OF FINANCIAL RATIOS

Ratio		Numerator	Denominator
Cash flow ratio, %	= 100*	Operating profit+depreciation+financial income and expenses+extraordinary income and expenses-taxes	Net sales
Return on investment, % (ROI)	= 100 *	Profit before taxes+interest and other financial expenses	Balance sheet total - interest-free liabilities (average)
Return on equity, % (ROE)	= 100*	Profit before taxes - taxes	Shareholders' equity+non-controlling interests+voluntary provisions and depreciation difference deducted by deferred tax liability (average during the year)
Equity to total assets, %	= 100 *	Shareholders' equity+non-controlling interests+voluntary provisions and depreciation difference deducted by deferred tax liability	Balance sheet total-advance payments received
Current ratio	=	Liquid assets+inventories	Current liabilities
Gearing, %	= 100 *	Interest-bearing liabilities+advance payments received+cash and other liquid assets	Shareholders' equity+voluntary provisions and depreciation difference deducted by deferred tax liability
Earnings per share (EPS)	=	Profit before taxes - taxes +/- non-controlling interests	Average number of shares during the year, adjusted for share issues
Equity per share	=	Shareholders' equity+voluntary provisions and depreciation difference deducted by deferred tax liability and non-controlling interests	Number of shares on 31 December, adjusted for share issues
Price/Earnings ratio (P/E)	=	Last trading price of the year, adjusted for share issues	Earnings per share
Pay-out ratio, %	= 100*	Dividend per share	Earnings per share
Market capitalisation at year-end	=	Number of shares at year-end, adjusted for share issues * Price of Series A share at year-end	

Board of Directors' proposal for the distribution of profit

The parent company Olvi plc had 45.1 million euro of distributable funds on 31 December 2012, of which profit for the period accounted for 12.6 million euro.

The company's Board of Directors proposes to the Annual General Meeting that distributable funds be used as follows:

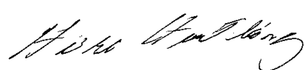
- A dividend of 0.50 euro shall be paid for 2012 on each Series K and Series A share, totalling 10.4 million euro. The dividend represents 40.3 percent of Olvi Group's earnings per share.

  It is proposed that the dividend be paid to shareholders registered in Olvi plc's register of shareholders held by Euroclear Finland Ltd on the record date of the dividend payment, 15 April 2013. It is proposed that the dividend be paid on 22 April 2013.

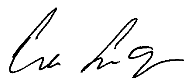
- 34.7 million euro shall be retained in the parent company's non-restricted equity.

Date and Signatures

Signed in Iisalmi, this 21st day of February 2013



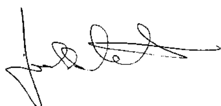
Heikki Hortling
Chairman
of the Board



Esa Lager
Vice Chairman
of the Board

Tarja Pääkkönen
Member of the Board

Heikki Sinnemaa
Member of the Board



Jaakko Autere
Member of the Board

Lasse Aho
Managing Director

Auditor's Note

A report of the audit has been submitted today.

Signed in Iisalmi, this 15th day of March 2013

PricewaterhouseCoopers Oy

Sami Posti
Authorised Public Accountant

Olvi plc's Board of Directors 2012

Heikki Hortling
Born 1951
Master of Science (Economics)
Chairman of the Board since 1998
Vice Chairman of Olvi plc's Board of Directors 1987–1997
Important positions in other organisations:
Vice Chairman of the Board of Ponsse Plc
Member of the Board of Puhelinosuuskunta IPY (telecom co-operative)
Work experience in brief:
Several positions in Olvi plc, including marketing and materials management.

Esa Lager
Born 1959
Master of Laws
Master of Science (Economics)
Chief Financial Officer of Outokumpu Oyj
Member of Olvi plc's Board of Directors since 2002
Chairman of Olvi plc's Board of Directors 14 April 2004 to 2 September 2004
Vice Chairman of Olvi plc's Board of Directors
Important positions in other organisations:
Member of the Board of Ilkka-Yhtymä Oyj since 2011
Work experience in brief:
Outokumpu Oyj, Director of Finance and Administration
Outokumpu Oyj, Chief Financial Officer
Kansallis-Osake-Pankki, various positions in international operations.

Heikki Sinnemaa
Born 1949
Master of Laws trained on the bench
Member of Olvi plc's Board of Directors since 2004
Important positions in other organisations:
Member of the Board of Olvi Foundation
Chairman of the Board of Puhelinosuuskunta IPY (telecom co-operative)
Member of the Board of T. Makkonen Oy
Member of the Board of Iisalmen Osuuspankki co-operative bank (1987 - 1995)
Chairman of the Board of Iisalmen Osuuspankki co-operative bank (1995 - 2000)
Work experience in brief:
Heikki Sinnemaa Attorney's office, attorney-at-law from 1975 to 2012.

Jaakko Autere
Born 1963
Master of Science in Economics
Work experience in brief:
2009 - 2011 President, Fiskars Home Business Area, CEO of Iittala Group Oy Ab
2005 - 2009 Managing Director, Orkla AS, Biscuit Division (Göteborgs Kex, Saetre, Kantolan)
2004 - 2005 Managing Director, L'Oreal Norway
2000 - 2005 Managing Director, General Manager, L'Oreal Sweden
1997 - 2000 Marketing Manager, Kellogg's Marketing & Sales Company UK & ROI Ltd
1991 - 1997 Marketing Manager, Product Manager Nordisk Kellogg's, Denmark
1989 - 1991 Product Group Manager, Olvi, Iisalmi.

Tarja Pääkkönen
Born 1962
Doctor of Technology (Business strategy)
Master of Science in Engineering (Construction)
Studies in international marketing
Boardman Oy, partner, shareholder and member of the Board since 2010
Member of Olvi plc's Board of Directors since 2010
Important positions in other organisations:
Member of the Board of Boardman Oy since 2010
Member of the Board of Marimekko Corporation 2006 - 2011
Member of the Board of Panostaja/Flexim Security Oy since 2011
Member of the Board of Idean Oy since 2011
Member of the Board of Spinverse Oy since 2011
Founder and Chairman of the Board of the software company Sunduka Oy since 2010
Member of the Board of HYY Group since 2008
Work experience in brief:
Member of the Board of Itella and Director of the corporate sales and marketing unit
Nokia Corporation, member of the management group of Nokia Mobile Phones and service in several global Senior Vice President positions in Europe, the USA and Japan
Mecrastor Oy (Price Waterhouse Coopers), Management Consultant
Kienbaum GmbH, Germany, Management Consultant
BE & K, USA, Marketing & Business Manager.