



FINANCIAL STATEMENTS  
2003

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# FINANCIAL STATEMENTS

## BOARD OF DIRECTORS' REPORT

### Finnish brewing industry's domestic sales

Last year's aggregate domestic sales of the member companies of the Finnish Federation of the Brewing and Soft Drinks Industry amounted to 834.9 million litres. This represented a decrease of 3.0 percent. The sales of domestic beer fell 2.4 percent short of the previous year's figures despite the positive effect of Christmas sales. In terms of litres sold, the greatest decline was seen in soft drinks. There was a short hot spell in the summer, but not even this could support the sales. The sales development has been affected in part by increased imports of beers and other beverages by new operators in the retail sector in comparison with the previous year.

Last year's early summer was cool, which had a great impact on the sales of beer. According to the final annual figures, the sales of domestic beer decreased by 2.4 percent on the previous year. Total sales of beer in 2003 amounted to 403.7 million litres, which was 9.8 million litres less than a year earlier. The share of beer sold through Alko outlets dropped by as much as 9.4 percent, while restaurant sales dropped by 4.8 percent from the previous year's level. Beer sales in retail outlets dropped by just one percent.

The decreased sales of strong beer in particular point to an increase in private imports from countries where the excise on beer is lower. In the future, Finnish beer consumers may adopt the purchasing pattern that is now evident in spirits. A basic supply of beverages is imported from cheaper countries, Estonia in particular, two or three times a year, and only minor replenishments are purchased in Finland.

The sales of long drink products increased by 7.2 percent on the previous year, amounting to 24.2 million litres. The increase was focused on the sales of strong long drink products with an alcohol content exceeding 4.7%.

The decrease in cider sales, which started in

the previous year, continued. However, in terms of litres, the volume of cider sales significantly exceeds that of long drink products. Cider sales amounted to a total of 45.5 million litres, which is 5.0 million litres less than a year earlier.

The sales of mineral waters developed favourably, with an increase of 1.7 percent or 1.1 million litres. The total sales volume of mineral waters in 2003 was 64.7 million litres.

The sales of soft drinks decreased by 4.5 percent or 14.1 million litres compared to the previous year. Total soft drink sales amounted to 296.8 million litres. The sales of soft drinks have been impacted by new operators who have entered the market with cheap prices as their primary competitive factor and who are not included in the statistics.

### Domestic sales of the member companies of the Finnish Federation of the Brewing and Soft Drinks Industry 2003

Beverage	2003 million litres	2002 million litres	Change million litres	Change %
Mild beer, max. 2.8% vol	10.1	11.9	-1.8	-15.0
Medium beer, max. 4.7% vol	367.9	373.7	-5.8	-1.6
Strong beer, over 4.7% vol	25.7	28.0	-2.3	-8.2
Beers total	403.7	413.6	-9.9	-2.4
Cider	45.5	50.5	-5.0	-9.9
Long drink	24.1	22.5	1.6	7.2
Soft drinks	296.8	310.9	-14.1	-4.5
Mineral waters	64.7	63.6	1.1	1.7
Sales total	834.9	861.1	-26.2	-3.0

### Changes in Olvi plc's corporate structure

The Olvi Group includes the Iisalmi-based parent company Olvi plc as well as the Estonian A. Le Coq subgroup, whose parent company is the Tartu-based AS A. Le Coq. Olvi plc holds 100 percent of the shares in AS A. Le Coq.

AS A. Le Coq is a holding company which holds the entire stock of the Estonian AS Tartu Õllete-

has and AS Saare Õlu brewing and soft drink companies. AS Saare Õlu did not engage in any production operations in 2003.

AS A. Le Coq has a majority holding in the Latvian company A/S Cēsu Alus, based in Cēsis, with 90.9 percent of the shares and 60.7 percent of the votes.

AS A. Le Coq owns 83.1 percent of the Lithuanian AB Ragutis company based in Kaunas.

On 11 November 2003, AS A. Le Coq acquired the entire stock of the Estonian company OÜ Finelin. OÜ Finelin holds the entire stock of the Estonian company AS Õsel Foods, based in Ülenurme, Tartumaa, which manufactures juices, mineral waters and vitaminised soft drinks.

The Olvi Group also includes three domestic subsidiaries Oluttehdas Oiva Oy, Olvin Juomaa Oy and Iisalmen Ohjelmopalvelu Oy, all owned by the parent company Olvi plc on a 100 percent basis. These subsidiaries did not engage in any business activities in 2003.

### **The parent company Olvi plc increased its market share in beers and mineral waters in 2003**

Olvi plc's total sales amounted to 97.0 (102.0) million litres, which was 4.9% less than a year earlier. The decrease in Olvi's total sales was mainly due to the company's choice of not engaging in price competition in the domestic soft drinks market. Olvi's soft drink sales decreased to 11.2 (16.5) million litres in 2003. Finnish sales accounted for 85.5 (90.3) million litres of the total, followed by 11.6 (11.7) million litres of tax-free and export sales. Olvi is the third largest company in the Finnish brewing industry.

Olvi was able to maintain the previous year's volumes in beer. The year's sales totalled 51.5 million litres (51.5), which raised the market share to 12.8 (12.5) percent. The best results were made in retail outlets, where the market share increased to 13.9 (13.2) percent. At the same time, the aggregate production of Finnish beer decreased to 403.7 (413.6) million litres.

In the ciders and long drinks product group, Olvi reshaped the Fizz cider brand in November 2003. The reformed product range brought an upturn in cider sales towards the end of the year. Olvi's cider production for the entire year amounted to 5.0 (5.9) million litres while the aggregate cider market declined to 45.5 (50.5) million litres.

In August 2003, Olvi introduced a new long drink product to the market. The product is called Palmu and is on sale at Alko outlets and restaurants. The total production of long drinks increased to 513,000 (430,000) litres.

In mineral waters, Olvi was able to increase its share of an increasing market to 26.6 (25.0) percent. The aggregate production in this market increased to 64.7 million litres (63.6). Olvi's production of mineral waters increased to 17.2 (15.9) million litres.

### **AS Tartu Õlletehas increased its sales to 61.0 million litres**

The Estonian AS Tartu Õlletehas increased its total sales by 9.1 percent in 2003, from 55.9 million litres to 61.0 million litres. AS Tartu Õlletehas's beer sales decreased by 4.2 percent, from 35.7 million litres to 34.2 million litres. The market share of the company's beers decreased by 3.5 percentage points to 35.9 percent in 2003. During the summer season, AS Tartu Õlletehas's beer production capacity was fully utilised.

The sales of other AS Tartu Õlletehas products developed favourably in 2003 as well. The sales of mineral waters rose by 7.1 percent and the market share increased by 1.0 percentage point to 14.0 percent. The sales of soft drinks increased by 3.2 percent and remained at the previous year's level, 19.0 percent.

The sales of Fizz ciders by AS Tartu Õlletehas increased by 11.1 percent and the company's market share was 36 percent. The sales of long drinks grew by 26.7 percent. The market share of the company's long drink products was 56.0 percent, which represents an increase of 10 percentage points.

AS Tartu Õlletehas's exports increased from 1.6 million litres to 6.6 million litres. Latvia, Lithuania and Sweden accounted for the majority of the company's exports, some of which were directed to Finland as well.

The total sales of AS Õsel Foods, the November 2003 acquisition that manufactures juices, mineral waters and vitaminised soft drinks in Estonia, amounted to 26.9 (19.8) million litres in 2003, representing an increase of 35.9 percent on the previous year. The company's market shares in 2003 stood at 18 percent in soft drinks, 14 percent in mineral waters and 26 percent in juices.

### **A/S Cēsu Alus's sales totalled 18.7 million litres**

The sales of the Latvian A/S Cēsu Alus company totalled 18.7 (11.4) million litres in 2003. This represents a 64.0 percent increase on the previous year. The market share of the company's beers was 12.8 (7.8) percent in 2003. During the year 2003, the company has established its position as the second largest seller of beer in the Latvian market. During the summer months, the brewery's beer production capacity was fully utilised. A/S Cēsu Alus also produces and sells soft drinks, ciders and long drink products, which accounted for 14.0% (10.5%) of the company's total sales in 2003.

### **AB Ragutis's sales totalled 24.7 million litres**

The sales of the Lithuanian AB Ragutis company totalled 24.7 (23.6) million litres in 2003. This represents a 4.7 percent increase on the previous year. The market share of the company's beers was 9.5 (8.0) percent in 2003. During the summer months, the brewery's beer production capacity was fully utilised. The company is the Lithuanian market leader in ciders with a market share of 44.0 (47.7) percent. Ciders and long drinks made up 6.4 (3.9) percent of the company's total sales in 2003. AB Ragutis is the fourth largest company in the Lithuanian brewing industry.

## **The Group's net sales increased to 114.6 million euro**

The Olvi Group's net sales for 2003 totalled 114.6 million euro. This was 4.4 million euro, or 4.0 percent, more than a year earlier. The parent company Olvi plc's net sales were down 1.3 percent at 70.3 million euro. The aggregate net sales of the subsidiaries in the Baltic states amounted to 47.7 million euro in 2003. This represents an increase of 5.1 million euro or 12.0 percent.

AS Tartu Õlletehas's net sales amounted to 26.6 million euro, representing an increase of 0.6 million euro or 2.3 percent. A/S Cēsu Alus's net sales totalled 7.4 million euro, which was 1.9 million euro, or 34.5 percent, more than in 2002. At 11.8 million euro, AB Ragutis's net sales in 2003 were 0.6 million euro, or 5.4 percent, higher than in 2002. AS Õsel Foods has been included in the consolidated financial statements since the beginning of November 2003. Its net sales in November and December amounted to 1.9 million euro.

### **Net sales by Group company (million euro)**

	2003	2002
Parent company Olvi plc	70.3	71.2
Subsidiaries:		
AS Tartu Õlletehas	26.6	26.0
A/S Cēsu Alus	7.4	5.5
AB Ragutis	11.8	11.2
AS Õsel Foods (Nov-Dec)	1.9	-
Eliminations	-3.4	-3.6
Olvi Group total	114.6	110.2

Olvi plc's exports grew by 14.9 percent to 8.5 million euro in 2003. The Group's internal exports accounted for 3.4 (2.4) million euro of the total. The net sales generated by the exports of the Olvi Group as a whole totalled 5.1 (5.1) million euro in 2003. Exports of the parent company Olvi plc accounted for 93.3 percent of the total. Exports accounted for 4.5 percent of Group net sales.

## **The Group's operating profit improved slightly on the previous year**

The Olvi Group's operating profit for 2003 stood at 8.0 million euro, or 7.0 percent of net sales.

Compared to the previous year, the operating profit was up 0.4 million euro, or 4.9 percent.

#### Breakdown of operating profit (million euro)

	2003	2002
Parent company Olvi plc	5.2	6.0
Subsidiaries in Baltic states	3.9	2.4
Total eliminations	-1.1	-0.8
Olvi Group total	8.0	7.6
Operating profit as a percentage of net sales	7.0	6.9

The operating profit of the parent company Olvi plc amounted to 5.2 million euro, which was 0.7 million euro less than in the previous year. The profit represented 7.5 percent of net sales, compared to 8.4 percent of net sales a year earlier.

The parent company's result for 2003 includes 2.0 million euro of expenses on the scrapping of beverage packages. The corresponding figure booked for 2002 was 0.8 million euro.

Planned depreciation in the Olvi Group decreased by 0.3 million euro to 11.5 million euro in 2003. The five-year depreciation period of the FIZZ brand ended in August 2003, which caused a decrease of 0.6 million euro in the amount of total depreciation compared to the previous year. When the above factors are taken into account, the parent company Olvi plc's comparable operating profit in 2003 remained at the level of 2002.

The aggregate operating profit of the subsidiaries operating in the Baltic states, adjusted by eliminations, increased by 1.2 million euro compared to the year 2002, amounting to 2.8 million euro. AS Tartu Õlletehas posted a good result in 2003. Even though the operating profits of both A/S Cēsu Alus and AB Ragutis improved on the previous year, both companies remained in the negative. The losses of both companies are attributable to increased depreciation due to substantial investment programmes in the recent years, as well as continued intense price competition in Latvia and Lithuania.

The parent company's depreciation was booked in full for the maximum and additional amounts

as permitted under business tax legislation. Depreciation according to plan was 2.3 million euro higher than the depreciation applied in taxation.

The Olvi Group's direct taxes amounted to 2.1 million euro.

The Olvi Group's net profit for the fiscal year was 4.2 million euro, or 3.6 percent of net sales. The profit was 0.2 million euro higher than a year earlier.

The parent company Olvi plc's net profit for fiscal 2003 was 6.6 (6.4) million euro or 9.3 (9.0) percent of net sales. The Olvi Group's earnings per share improved from 0.95 euro to 1.00 euro compared to the previous year.

#### Gross capital expenditure 13.5 million euro

The Olvi Group's gross capital expenditure amounted to 13.5 million euro and disposals of fixed assets to 1.1 million euro. The gross capital expenditure includes the shares in the Estonian company OÜ Finelin acquired by AS A. Le Coq in November 2003 (6.1 million euro). OÜ Finelin holds the entire stock of the Estonian company AS Õsel Foods, which manufactures juices, mineral waters and vitaminised soft drinks.

The parent company Olvi plc's gross capital expenditure amounted to 2.8 million euro and disposals of fixed assets to 0.03 million euro. The largest investments included machinery and equipment for the beverage packaging lines, as well as a new enterprise resource planning system.

AS Tartu Õlletehas's gross capital expenditure in 2003 amounted to 2.3 million euro. The largest investments included an extension of the storehouse, a new enterprise resource planning system, as well as machinery and equipment for the manufacture of beverages.

A/S Cēsu Alus's gross capital expenditure in 2003 amounted to 1.2 million euro. The largest investments included an extension of the vertical tank cellar, as well as machinery and equip-

ment related to the improvement of product quality.

AB Ragutis's gross capital expenditure in 2003 amounted to 1.0 million euro. The largest investments included machinery and equipment related to beverage packaging lines and the improvement of quality.

#### Breakdown of investments per asset type (million euro)

	Olvi Group		Parent company Olvi plc	
	2003	2002	2003	2002
Land properties	0.1	0.2	0.1	0.0
Buildings	2.0	1.9	0.2	0.5
Machinery and equipment	3.6	8.4	1.4	4.9
Other long-term expenses	1.7	0.9	1.1	0.0
Stocks and shares	6.1	3.7	0.0	0.0
Unfinished purchases	-0.1	1.2	0.1	1.5
Total	13.4	16.3	2.8	6.9
Disposals of fixed assets	1.1	1.1	0.0	0.1
Total net investments	12.3	15.2	2.8	6.8

## Financing

The Olvi Group's free cash flow totalled 14.7 million euro in 2003. This was 12.8 percent of net sales. The amount of free cash flow was 0.4 million euro lower than a year earlier. The Group's net liabilities increased by 5.2 million euro. The Olvi Group's net financial expenses amounted to 2.1 million euro in 2003. This was 0.5 million euro more than a year earlier.

The Group's financial position remained good. The equity to total assets ratio stood at 47.0% (48.5%) at the end of 2003.

## Personnel

The number of personnel employed by the Group was 994, or 117 more than a year earlier. The parent company Olvi plc employed 341 people on average in 2003, representing a decrease of 9 people on the previous year. AS Tartu Õlletehas's personnel increased by 17

employees to 256 during 2003.

A/S Cēsu Alus's average number of personnel during 2003 was 125, or 18 more than a year earlier. AB Ragutis's average number of personnel during 2003 was 181, unchanged since the previous year. The average number of personnel employed by AS Õsel Foods in 2003 was 91. AS Õsel Foods became a subsidiary of the Olvi Group in the beginning of November 2003.

#### Olvi Group's average number of personnel:

	2003	2002
Olvi plc		
- full-time	275	302
- part-time	66	48
Olvi plc total	341	350
AS Tartu Õlletehas	256	239
A/S Cēsu Alus	125	107
AB Ragutis	181	181
AS Õsel Foods	91	
Olvi Group total	994	877

## Own shares

Olvi plc did not hold any of its own shares during the fiscal year.

In accordance with the Board of Directors' proposal, Olvi plc's Annual General Meeting of shareholders decided on 13 April 2000 to authorise the Board to acquire up to 110,000 of the company's own A shares. The company has not acquired any of its own shares on the basis of this decision. On 9 April 2003 Olvi plc's Annual General Meeting of shareholders authorised the Board of Directors to decide on the transfer of any A shares acquired on the company's own account, up to a maximum of 110,000 shares. The transfer authorisation is valid for one year, or up to 9 April 2004. The company does not hold any of its own shares, and the company's Board of Directors has not exercised its authorisation to sell the company's shares.

## Shares and shareholders

On 9 April 2003 Olvi plc's Annual General Meeting decided to double the company's share capital by means of a bonus issue. This affected both A and K shares. The bonus issue increased the share capital of Olvi plc from 4,834,104 euro to 9,668,208 euro.

A total of 142,398 A shares in Olvi plc were subscribed during 2003 using the warrants associated with the 1999 bond with warrants. The corresponding total amount of increases in share capital was 108,396 euro. Share capital increases of 96,400 euro were pending registration as of the balance sheet date.

Olvi plc's registered share capital was 9,776,604.00 euro on 31 December 2003. The share capital was divided into 933,064 K shares and 3,955,238 A shares. The share's nominal value is 2 euro. The share capital registered in the Trade Register stood at 9,873,004 euro as of 30 January 2004.

Olvi plc's share capital was 9,953,004.00 euro on 31 December 2003. The share capital is divided into 933,064 K shares and 4,003,438 A shares. The share's nominal value is 2 euro.

The Olvi plc A share is quoted on the Main List maintained by the Helsinki Exchanges. A total of 1,320,230 Olvi plc shares changed hands from January to December 2003, totalling 16.0 million euro in trading volume. The traded shares represented 33.0 percent of the total number of A shares. The average share price was 12.09 euro, with a low of 10.00 euro quoted in April and a high of 14.40 euro quoted in November and December. The last trading price of the year 2003 was 13.25 euro.

Quoting of the share warrants issued by Olvi plc in 1999 to the company's personnel and to the members of the parent company's Board of Directors began on 10 May 2001 on the Main List maintained by the Helsinki Exchanges. The issue comprises a total of 500,000 warrants, and the 250,000 A warrants entitle the holders to subscribe for Olvi plc A shares between 1 April 2001 and 30 April 2005 under the terms and conditions of the issue. The subscription period for the 250,000 B warrants started on 1 April 2003 and will end on 30 April 2005.

On 4 April 2002, the Annual General Meeting decided that new stock options be issued to the Olvi Group's key personnel and to a wholly owned subsidiary of Olvi plc. The subscription period for the stock options 2002A starts on 1 April 2005, and for the stock options 2002B on 1 April 2007. The subscription period for both

stock options ends on 30 April 2008. A maximum of 200,000 A shares in Olvi plc can be subscribed for using the stock options. The exercise price of the stock options is the average quote weighted by trade volume of the Olvi plc A share on the Helsinki Stock Exchange from 1 July to 31 December 2002. The exercise price of the stock options will be decreased by the amount of any dividends distributed after the price-setting period has started and before the shares are subscribed. The exercise price of the stock options must be equal to or greater than the nominal value of the share.

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

A total of 123,012 warrants changed hands from January to December 2003, totalling 0.96 million euro in trading volume. The average price of the warrants was 7.81 euro, with a low of 4.00 euro quoted in June and a high of 12.80 euro quoted in October. The year's last trading price was 11.30 euro.

According to the Finnish Central Securities Depository Ltd, the company had 4,451 shareholders on 5 February 2004. Non-Finnish shareholding and nominee-registered shares accounted for 8.0 percent of the shares and 3.6 percent of the votes.

## Research and development

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

## Environmental protection principles

The parent company's environmental policy comprises the environmental policy of the Finn-



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

The Baltic subsidiaries of the Olvi Group observe the applicable environmental legislation in each jurisdiction.

Introduction of International Accounting Standards/International Financial Reporting Standards (IAS/IFRS).

Olvi plc will prepare its consolidated financial statements in accordance with the International Accounting Standards and International Financial Reporting Standards starting from the year 2005.

The transition to IAS/IFRS will be carried out in accordance with a plan prepared in advance.

## Corporate Governance

Olvi plc will implement the Corporate Governance Recommendation for Listed Companies as of 1 July 2004.

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

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

The parent company's distributable shareholders' equity is 38.8 (35.2) million euro. Profit for the year represents 6.6 (6.4) million euro of this total. The Group's distributable shareholders' equity amounts to 32.4 (29.1) million euro. The company's Board of Directors will propose to the Annual General Meeting of shareholders that a dividend of 0.70 euro shall be paid for 2003 on each K and A share, representing 70.0 percent of the Olvi Group's earnings per share. The proposed dividend payment totals 3.5 million euro.

In the previous year, the company paid a dividend of 1.25 euro for each K and A share, which included 0.35 euro of Olvi plc's 125th anniversary dividend. The total amount of dividends paid in the previous year was 3.0 million euro or 76.2 percent of the Group's earnings per share. Comparable dividend paid in 2002, adjusted for the effect of the bonus issue in the spring of 2003, amounts to 0.625 euro for each K and A share.

## Change of Managing Director

As of 1 May 2004, Markku Rönkkö, the Managing Director of Olvi plc, will transfer to the post of Managing Director at Atro Oyj, which is a consolidated group in the energy sector based in Kuopio. He will continue as the Managing Director of Olvi plc until the end of April 2004. The Board of Directors initiated the process for selecting a new Managing Director in the end of January 2004.

## Outlook for the year 2004

The Olvi Group's earnings depend on the volume and price developments of the overall markets in Finland as well as in the Baltic states. The year 2004 will bring substantial changes to the Finnish brewing industry's operating environment, and the impact on the parent company Olvi plc's business is very difficult to estimate.

The Baltic states, Estonia, Latvia and Lithuania, will become members of the EU as of 1 May 2004, but this is not expected to cause any immediate major changes in the Group's business. However, the low level of alcohol duties in Estonia compared to Finland will result in substantial tourist imports of alcoholic beverages between the two countries. The Group companies have prepared for the changes in tourist imports.

# INCOME STATEMENT

1.000 euro	OLVI GROUP				OLVI PLC			
	1 Jan - 31 Dec 2003		1 Jan - 31 Dec 2002		1 Jan - 31 Dec 2003		1 Jan - 31 Dec 2002	
	1.000 euro	%	1.000 euro	%	1.000 euro	%	1.000 euro	%
NET SALES	114,554	100.0	110,184	100.0	70,258	100.0	71,183	100.0
Increase (+)/decrease (-) in inventories of finished and unfinished products	710	0.6	-667	-0.6	554	0.8	-812	-1.1
Manufacture for own use	33	0.0	19	0.0	39	0.1	25	0.0
Other operating income	444	0.4	359	0.3	196	0.3	194	0.3
Materials and services	37,946	33.1	34,873	31.7	20,981	29.9	20,633	29.0
Personnel expenses	17,863	15.6	16,737	15.2	12,249	17.4	11,980	16.8
Depreciation and write-offs	11,501	10.0	11,798	10.7	6,093	8.7	6,560	9.2
Other operating expenses	40,417	35.3	38,845	35.3	26,484	37.7	25,447	35.8
OPERATING PROFIT	8,014	7.0	7,643	6.9	5,241	7.5	5,969	8.4
Financial income and expenses	-2,062	-1.8	-1,635	-1.5	1,713	2.4	2,010	2.8
PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXES	5,952	5.2	6,008	5.5	6,954	9.9	7,979	11.2
Appropriations	0	0.0	0.0	0.0	2,305	3.3	1 021	1.4
Income taxes	-2,087	-1.8	-2,357	-2.1	-2,695	-3.8	-2,624	-3.7
Minority interest	294	0.3	306	0.3	0	0.0	0	0.0
NET PROFIT FOR THE YEAR	4,159	3.6	3,957	3.6	6,564	9.3	6,376	9.0

# BALANCE SHEET

1,000 euro	OLVI GROUP		OLVI PLC	
	31 Dec 2003 1,000 euro	31 Dec 2002 1,000 euro	31 Dec 2003 1,000 euro	31 Dec 2002 1,000 euro
<b>ASSETS</b>				
<b>FIXED ASSETS</b>				
Intangible assets	3,239	2,147	2,444	2,001
Group consolidation goodwill	8,706	4,629		
Tangible assets	68,819	71,405	22,679	26,414
Shares in Group companies			11,786	11,786
Other investments	257	257	252	252
<b>TOTAL FIXED ASSETS</b>	<b>81,021</b>	<b>78,437</b>	<b>37,161</b>	<b>40,453</b>
<b>CURRENT ASSETS</b>				
Inventories	19,299	19,288	10,439	12,481
Long-term receivables	43	20	53,078	37,951
Short-term receivables	24,303	19,253	16,483	14,428
Cash in hand and at bank	3,691	2,427	2,439	1,871
<b>TOTAL CURRENT ASSETS</b>	<b>47,336</b>	<b>40 988</b>	<b>82,438</b>	<b>66,730</b>
<b>TOTAL ASSETS</b>	<b>128,356</b>	<b>119,425</b>	<b>119,599</b>	<b>107,182</b>
<b>LIABILITIES</b>				
<b>SHAREHOLDERS' EQUITY</b>				
Share capital	9,873	4,834	9,873	4,834
Share premium account	10,097	14,353	10,097	14,353
Capital reserve	127	127	127	127
Other reserves	143	143		
Retained profit	35,364	33,764	32,208	28,853
Net profit for the year	4,159	3,957	6,564	6,376
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>59,764</b>	<b>57 179</b>	<b>58,869</b>	<b>54 543</b>
<b>MINORITY INTEREST</b>	<b>496</b>	<b>791</b>		
<b>ACCUMULATED APPROPRIATIONS</b>			<b>8,413</b>	<b>10,705</b>
<b>DEBT</b>				
Deferred tax liability	2,196	2,861		
Long-term debt	30,988	27,545	24,463	17,675
Short-term debt	34,913	31,050	27,853	24,259
<b>TOTAL DEBT</b>	<b>68,096</b>	<b>61,455</b>	<b>52,317</b>	<b>41,934</b>
<b>TOTAL LIABILITIES</b>	<b>128,356</b>	<b>119,425</b>	<b>119,599</b>	<b>107,182</b>

# CASH FLOW STATEMENT

1,000 euro	OLVI GROUP		OLVI PLC	
	2003	2002	2003	2002
<b>CASH FLOW FROM OPERATIONS</b>				
Profit before extraordinary items	5,952	6,008	6,954	7,979
Adjustments:				
Depreciation according to plan and write-downs	11,520	11,798	6,093	6,560
Unrealised foreign exchange gains and losses	427	343	0	0
Other income and expenses requiring no cash payment	-16	71	18	82
Financial income and expenses	1,635	1,292	-1,713	-2,010
Other adjustments	-46	-58	-46	-58
Cash flow before change in working capital	19,472	19,454	11,306	12,553
Change in working capital				
Increase(-)/decrease(+) in short-term non-interest-bearing receivables	-3,938	1,476	-2,050	1,453
Increase(-)/decrease(+) in inventories	1,315	1,803	2,165	2,219
Increase(+)/decrease(-) in short-term non-interest-bearing debt	-767	-2,222	110	-1,302
Cash flow from operations before financial items and taxes	16,082	20,512	11,531	14,923
Interests paid and payments on other financial expenses	-1,621	-1,234	-1,058	-1,011
Interest received on operations	99	123	72	186
Direct taxes paid	-2,734	-2,771	-2,734	-2,766
Cash flow before extraordinary items	11,826	16,629	7,811	11,333
Cash flow from operations (A)	11,826	16,629	7,811	11,333
<b>CASH FLOW FROM INVESTMENTS</b>				
Investments in tangible and intangible assets	-7,453	-12,653	-2,830	-6,974
Capital gains on disposal of tangible and intangible assets	223	1,051	48	126
Expenditure on other investments	-4,609	0	0	0
Capital gains on other investments	11	4	11	4
Loans granted to borrowers	0	0	-16,771	-2,905
Repayments of loans receivable	0	0	4,277	549
Cash flow from investments (B)	-11,828	-11,599	-15,265	-9,200
<b>CASH FLOW FROM FINANCING</b>				
Exchange of bonds with warrants or convertible bonds into shares	783		783	0
Change in long-term loan capital	1,992	-3,153	10,254	-65
Dividend paid and other profit distribution	-3,021	-2,175	-3,016	-2,175
Increase (-)/decrease (+) in long-term receivables	-25	15	0	0
Cash flow from financing (C)	-271	-5,313	8,021	-2,241
<b>INCREASE (+)/DECREASE (-) IN LIQUID ASSETS (A+B+C)</b>	<b>-273</b>	<b>-283</b>	<b>567</b>	<b>-108</b>
Liquid assets 1 January	3,964	2,709	1,871	1,979
Liquid assets 31 December	3,691	2,427	2,438	1,871
Change in liquid assets	-273	-283	567	-108

# NOTES TO THE FINANCIAL STATEMENTS

## 1. ACCOUNTING PRINCIPLES

### 1.1 Principles of consolidation

#### Scope of the consolidated financial statements

The Olvi Group's parent company is Olvi plc.

The consolidated financial statements cover all Finnish and non-Finnish subsidiaries owned directly or indirectly by Olvi plc. Oü Finelin, which was acquired by the Group on 11 November 2003, as well as AS Ösel Foods, which is fully owned by the former, have been consolidated since 1 November 2003.

The fiscal year of all the companies extends from 1 January to 31 December.

### 1.2 Consolidated accounting principles

#### Internal shareholdings

The consolidated financial statements have been prepared using the acquisition cost method. The difference between the acquisition cost of subsidiaries and the shareholders' equity corresponding to the acquired holding has been partly allocated to fixed assets and partly treated as consolidation goodwill. On 31 December 2003, the allocated items comprised 1.7 million euro in buildings and 1.3 million euro in machinery and equipment. The items referring to buildings and to machinery and equipment are depreciated according to the depreciation plan for the fixed-asset items concerned, and consolidation goodwill is depreciated over a 10-year period.

Depreciation made on items allocated to buildings, machinery and equipment and depreciation made on consolidation goodwill totalled 1.3 million euro in 2003.

#### Intra-Group transactions and balances

Intra-Group transactions, unrealised balances of internal deliveries, internal receivables and debts, and internal distribution of profits have been eliminated.

#### Minority interests

Minority interests have been separated from shareholders' equity and earnings, and presented as a separate item.

#### Foreign exchange differences

The income statements of non-Finnish consolidated companies have been converted at the fiscal year's average exchange rate, and their balance sheets have been converted to euro at the exchange rate quoted on the balance sheet date.

Any exchange rate differences arising from these conversions, as well as any conversion differences in shareholders' equity have been presented under the item "retained profit".

## 2. VALUATION OF FIXED ASSETS

Fixed assets have been valued 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.

#### The following rates have been applied to depreciation according to plan:

Buildings	2,5-5,0 %
Underground shelter	25,0 %
Plant machinery and equipment	10-15 %
Other fixed assets	20,0 %

The consolidation goodwill generated by the acquisitions of AS A. Le Coq, AS Tartu Õlletehas, AS Saare Õlu, A/S Cēsu Alus, AB Ragutis and AS Ösel Foods will be depreciated in 10 years, because the effective period of the companies' brands is estimated to be at least 10 years.

## 3. VALUATION OF INVENTORIES

Inventories have been valued at acquisition cost or, if lower, at probable net realisable value.

#### **4. FOREIGN CURRENCY ITEMS**

Receivables and debts denominated in foreign currency have been converted to euro at the exchange rate quoted by the European Central Bank on the balance sheet date. Exchange rate differences relating to the acquisition of fixed assets have been applied to adjust the acquisition cost of the fixed assets.

#### **5. RESEARCH AND DEVELOPMENT AND LONG-TERM EXPENSES**

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

#### **6. PERSONNEL PENSION SCHEMES**

Pension costs are presented in accordance with each country's local legislation. Pension insurance cover for Olvi plc personnel has been arranged with an external pension insurance company.

#### **7. DEFERRED TAXES**

In the consolidated accounts, accumulated depreciation difference has been allocated to shareholders' equity and deferred tax liability. Change in depreciation difference has been allocated to change in deferred tax liability and net profit for the year.

# NOTES TO THE INCOME STATEMENT AND BALANCE SHEET

## NOTES TO THE INCOME STATEMENT

1,000 euro	Olvi Group		Olvi plc			
	2003	2002	2003	2002		
<b>1. NET SALES BY MARKET AREA</b>						
Finland	63,453	64,304	63,418	64,293		
Estonia	27,132	25,371	2,005	2,054		
Latvia	7,296	5,454	83	91		
Lithuania	11,914	10,537	152	258		
Other exports	4,760	4,517	4,600	4,486		
<b>Total</b>	<b>114,554</b>	<b>110,184</b>	<b>70,258</b>	<b>71,183</b>		
<b>2. OTHER OPERATING INCOME</b>						
Capital gain on disposals of fixed assets	80	69	46	58		
Other	364	290	151	136		
<b>Total</b>	<b>444</b>	<b>359</b>	<b>196</b>	<b>194</b>		
<b>3. MATERIALS AND SERVICES</b>						
Materials and supplies (goods):						
Purchases during the year	29,948	30,196	14,874	15,956		
Change in stocks	2,470	1,407	2,596	1,407		
Outsourced services	5,528	3,271	3,511	3,271		
<b>Total materials and services</b>	<b>37,946</b>	<b>34,873</b>	<b>20,981</b>	<b>20,633</b>		
<b>4. PERSONNEL EXPENSES</b>						
Salary and emoluments	11,789	11,247	7,810	7,732		
Pension expenses	1,602	1,568	1,602	1,568		
Other personnel expenses	4,473	3,922	2,837	2,680		
<b>Total</b>	<b>17,863</b>	<b>16,736</b>	<b>12,249</b>	<b>11,980</b>		
<b>5. MANAGEMENT SALARIES AND EMOLUMENTS</b>						
Managing Director and members of the Board	707	735	342	318		
<b>6. AVERAGE NUMBER OF PERSONNEL, GROUP AND PARENT COMPANY</b>						
	AS Tartu Õilletehas	AS Saare Õlu	A/S Cēsu Alus	AB Ragutis	AS Õsel Foods	Group total
2003	Olvi plc					
Full-time	275	251	121	181	91	919
Part-time	66	5	4	0	0	75
<b>Total</b>	<b>341</b>	<b>256</b>	<b>125</b>	<b>181</b>	<b>91</b>	<b>994</b>
2002						
Full-time	302	235	103	181		821
Part-time	48	4	4	0		56
<b>Total</b>	<b>350</b>	<b>239</b>	<b>107</b>	<b>181</b>		<b>877</b>
<b>7. DEPRECIATION AND WRITE-DOWNS</b>						
	Olvi Group		Olvi plc			
	2003	2002	2003	2002		
Depreciation on tangible and intangible assets	11,471	11,774	6,093	6,560		
Exceptional reduction in value of inventories and liquid assets	30	24				
<b>Total</b>	<b>11,501</b>	<b>11,798</b>	<b>6,093</b>	<b>6,560</b>		

	Olvi Group		Olvi plc	
	2003	2002	2003	2002
<b>8. FINANCIAL INCOME AND EXPENSES</b>				
Dividend income from non-Group companies	10	2	10	2
Interest income on long-term investments:				
From non-Group companies	1	2	1	2
Total income from long-term investments	11	4	11	4
Other interest and financial income:				
From Group companies		0	2,686	2,932
From others	596	803	79	118
Total	596	803	2,766	3,049
Total dividend income and other interest and financial income	607	807	2,777	3,053
Interest expenses and other financial expenses				
Payable to Group companies			0	0
Payable to others	2,669	2,442	1,063	1,043
Total	2,669	2,442	1,063	1,043
Total financial income and expenses	-2,062	-1,635	1,713	2,010
<b>9. APPROPRIATIONS</b>				
Difference between depreciation according to plan and depreciation applied in taxation			2,292	1,021
Replacement reserve for fixed assets			13	0
Total			2,305	1,021
<b>10. INCOME TAXES</b>				
Income tax on business operations	2,756	2,653	2,696	2,622
Taxes from previous fiscal years			-1	3
Change in deferred tax liability	-668	-296		
Total	2,087	2,357	2,695	2,624



## NOTES TO THE BALANCE SHEET (1,000 euro)

### 11. FIXED ASSETS, OLVI GROUP

#### Intangible assets

	Formation expenses	Intangible rights	Other long-term expenses	Total	Consolidation goodwill
Acquisition cost 1 January 2003	66	8,804	4,550	13,420	8,639
Increase	0	761	2,282	3,043	5,045
Decrease	0	28	19	47	0
Acquisition cost 31 December 2003	66	9,536	6,814	16,415	13,683
Accumulated depreciation 1 January 2003	66	7,606	3,601	11,273	4,010
Depreciation over the year	0	1,177	727	1,904	967
Accumulated depreciation 31 December 2003	66	8,783	4,328	13,177	4,977
Exchange rate differences		11	-11	0	
Book value 31 December 2003	0	764	2,474	3,239	8,706

#### Tangible assets

	Land and water properties	Buildings	Machinery and equipment	Other tangible assets	Advance payments and unfinished purchases	Total
Acquisition cost 1 January 2003	1,419	46,289	83,263	3,299	2,484	136,753
Increase	139	3,448	4,907	638	1,396	10,527
Decrease	42	83	621	12	3,402	4,161
Acquisition cost 31 December 2003	1,516	49,653	87,548	3,925	478	143,120
Accumulated depreciation 1 January 2003	0	13,312	50,639	1,640	0	65,592
Depreciation over the year	0	1,963	6,096	571	0	8,630
Accumulated depreciation 31 December 2003	0	15,276	56,735	2,211	0	74,222
Revaluations	0	0	0	0	0	0
Exchange rate differences		-89	10			-79
Book value 31 December 2003	1,516	34,288	30,823	1,714	478	68,819

Book value of production machinery and equipment on 31 December	31 December 2003	31 December 2002
	29,673	31,530

### 12. FIXED ASSETS, PARENT COMPANY OLVI PLC

#### Intangible assets

	Formation expenses	Intangible rights	Other long-term expenses	Total
Acquisition cost 1 January 2003	6	8,774	4,250	13,031
Increase	0	0	2,278	2,278
Decrease	0	0	0	0
Acquisition cost 31 December 2003	6	8,774	6,528	15,309
Accumulated depreciation 1 January 2003	6	7,577	3,446	11,030
Depreciation over the year	0	1,173	662	1,835
Accumulated depreciation 31 December 2003	6	8,750	4,108	12,865
Book value 31 December 2003	0	24	2,420	2,444

## Tangible assets

	Land and water properties	Buildings	Machinery and equipment	Other tangible assets	Advance payments and unfinished purchases	Total
Acquisition cost 1 January 2003	981	21,196	52,191	20	1,577	75,967
Increase	119	452	1,478	0	63	2,111
Decrease	-23	-5	0	0	-1,559	-1,587
Acquisition cost 31 December 2003	1,077	21,643	53,669	20	81	76,490
Accumulated depreciation 1 January 2003	0	9,948	39,848	0	0	49,796
Depreciation over the year	0	1,088	3,170	0	0	4,258
Accumulated depreciation 31 December 2003	0	11,035	43,019	0	0	54,054
Revaluations	0	243	0	0	0	243
Book value 31 December 2003	1,077	10,851	10,650	20	81	22,679
Book value of production machinery and equipment on 31 December		31 December 2003	31 December 2002			
		9,909	11,543			

## CAPITALISED INTEREST EXPENSES

The acquisition cost of the production and warehouse buildings and the boiling room, cellar and bottling line machinery and equipment built at AS Tartu Õlletehas in Tartu contains construction-time interest as follows:

	1 January 2003	Capitalised during the year	Depreciated 2003	Undepreciated part 31 December 2003
Buildings and structures	852	0	42	810
Machinery and equipment	28	0	6	23
Total	881	0	47	833

The acquisition cost of the production and warehouse buildings and the boiling room, cellar and bottling line machinery and equipment built at A/S Cēsu Alus in Latvia contains construction-time interest as follows:

	1 January 2003	Capitalised during the year	Depreciated 2003	Exchange rate differences	Undepreciated part 31 December 2003
Buildings and structures	323	0	6	-28	289
Machinery and equipment	301	0	42	-24	235
Others	5	0	1	0	3
Total	629	0	49	-53	527

## 13. INVESTMENTS

## Olvi Group

	Shares, other
Acquisition cost 1 January 2003	256
Increase	0
Decrease	0
Acquisition cost 31 December 2003	256
Accumulated depreciation 1 January 2003	0
Depreciation over the year	0
Accumulated depreciation 31 December 2003	0
Book value 31 December 2003	256

Parent company Olvi plc

Investments	Shares, Group companies	Shares, other	Total investments
Acquisition cost 1 January 2003	12,581	252	12,833
Increase	0	0	0
Decrease	0	0	0
Acquisition cost 31 December 2003	12,581	252	12,833
Accumulated depreciation 1 January 2003	795	0	795
Depreciation over the year	0	0	0
Accumulated depreciation 31 December 2003	795	0	795
Book value 31 December 2003	11,786	252	12,037

14. GROUP COMPANIES

	Group's holding, %	Parent's holding, %
AS A.Le Coq, Tartu, Estonia	100.00	100.00
AS Tartu Õlletehas, Tartu, Estonia	100.00	
AS Saare Õlu, Saaremaa, Estonia	100.00	
A/S Cēsu Alus, Cēsis, Latvia	90.87	
AB Ragutis, Kaunas, Lithuania	83.07	
AS Õsel Foods, Estonia	100.00	
Où Finelin, Estonia	100.00	
Oluttehdas Oiva Oy, Iisalmi	100.00	100.00
Olvin Juomaa Oy, Iisalmi	100.00	100.00
Iisalmen Ohjelmapalvelu Oy, Iisalmi	100.00	100.00

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	Olvi Group		Olvi plc	
	2003	2002	2003	2002
<b>15. INVENTORIES</b>				
Materials and supplies	14,496	15,864	8,797	11,393
Unfinished products	809	895	283	352
Finished products/goods	2,413	1,600	1,359	736
Other inventories	1,579	929		-1
Advance payments	1			
<b>Total</b>	<b>19,299</b>	<b>19,288</b>	<b>10,439</b>	<b>12,481</b>
<b>16. RECEIVABLES</b>				
Long-term receivables				
Loans receivable from Group companies			53,078	37,947
Loans receivable from others	43	20	0	4
<b>Total long-term receivables</b>	<b>43</b>	<b>20</b>	<b>53,078</b>	<b>37,951</b>
Short-term receivables				
Receivables from Group companies:				
Accounts receivable			134	340
Loans receivable			0	0
Prepayments and accrued income			2	0
<b>Total</b>			<b>135</b>	<b>340</b>

	Olvi Group		Olvi plc	
	2003	2002	2003	2002
Receivables from non-Group companies:				
Accounts receivable	21,378	17,272	15,366	13,338
Loans receivable		10	0	0
Other receivables	1,814	1,172	4	10
Prepayments and accrued income	1,111	799	977	739
<b>Total</b>	<b>24,303</b>	<b>19,253</b>	<b>16,347</b>	<b>14,087</b>
Total short-term receivables	24,303	19,253	16,482	14,428
<b>Total receivables</b>	<b>24,346</b>	<b>19,273</b>	<b>69,560</b>	<b>52,378</b>
<b>17. SHAREHOLDERS' EQUITY</b>				
Share capital 1 January	4,834	4,834	4,834	4,834
Bonus issue	4,834		4,834	
Increase of share capital	108		108	
Unregistered share capital	96		96	
Share capital 31 December	9,873	4,834	9,873	4,834
Share premium account 1 January	14,353	14,353	14,353	14,353
Bonus issue	-4,834		-4,834	
Issue premium	579		579	
Share premium account 31 December	10,097		10,097	14,353
Legal reserve 1 January and 31 December	127	127	127	127
Other reserves 1 January	143	155		
Increase	0	-12		
Other reserves 31 December	143	143		
Retained profit 1 January	37,722	36,367	35,230	31,029
Dividend distribution	-3,021	-2,175	-3,021	-2,175
Conversion difference and others	664	-427		
Retained profit 31 December	35,364	33,764	32,208	28,853
Profit for the year	4,159	3,957	6,564	6,376
<b>Total shareholders' equity</b>	<b>59,764</b>	<b>57,179</b>	<b>58,869</b>	<b>54,543</b>
Part of accumulated depreciation difference and voluntary provisions allocated to retained profit	5,376	7,003		
Minority interest	496	791		
<b>18. DISTRIBUTABLE FUNDS ON 31 DECEMBER</b>				
Retained profit	35,364	33,764	32,208	28,853
Profit for the year	4,159	3,957	6,564	6,376
- part of accumulated depreciation difference and voluntary provisions allocated to shareholders' equity	-5,376	-7,003		
- other items	-1,701	-1,636		
<b>Total distributable funds</b>	<b>32,447</b>	<b>29,082</b>	<b>38,772</b>	<b>35,230</b>

The parent company Olvi plc's share capital is divided into K and A shares as follows:

	2003 shares	2003 euro	2003 votes	2002 shares	2002 euro	2002 votes
K shares (20 votes/share), registered	933,064	1,866,128	18,661,280	466,532	933,064	9,330,640
K shares (20 votes/share), unregistered						
K shares total	933,064	1,866,128	18,661,280	466,532	933,064	9,330,640
A shares (1 vote/share), registered	3,955,238	7,910,476	3,955,238	1,950,520	3,901,040	1,950,520
A shares (1 vote/share), unregistered	48,200	96,400	48,200			
A shares total	4,003,438	8,006,876	4,003,438	1,950,520	3,901,040	1,950,520
Total 31 December	4,936,502	9,873,004	22,664,718	2,417,052	4,834,104	11,281,160

#### 19. ACCUMULATED APPROPRIATIONS

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

#### 20. DEBT

Deferred tax liabilities and receivables, Group

	2003	2002
Deferred tax liability on appropriations	2,196	2,860
Total deferred tax liability	2,196	2,860

Long-term debt	Olvi Group		Olvi plc	
	2003	2002	2003	2002
Loans from financial institutions	14	14	14	14
Loans from financial institutions	30,465	26,275	23,742	16,955
Other debt	509	1,256	14	13
Total	30,988	27,545	23,770	16,982
Debt to Group companies				
Other debt			694	694
Total			694	694
Total long-term debt	30,988	27,545	24,463	17,675
Short-term debt				
Loans from financial institutions	11,810	8,399	9,212	5,746
Accounts payable	8,466	8,409	4,797	5,290
Accrued expenses	4,783	4,456	2,901	2,832
Other debt	9,854	9,786	10,943	10,372
Total	34,913	31,050	27,853	24,241
Debt to Group companies				
Accounts payable				
Accrued expenses				18
Total				18
Total short-term debt	34,913	31,050	27,853	24,259
Total debt	68,096	61,455	52,317	41,934
Non-interest-bearing debt 31 December	23,103	22,651	19,335	19,188
Debt that falls due later than five years from now				
Loans from financial institutions	5,667	4,106	5,667	4,106

## 21. BONDS WITH WARRANTS ISSUED TO PERSONNEL IN 1999

Share subscription period		Maximum
A warrants	1 April 2001 to 30 April 2005	250,000 shares
B warrants	1 April 2003 to 30 April 2005	250,000 shares

Each bond of a nominal value of 16.82 euro is accompanied by 100 warrants, 50 of which are denoted by the letter A and 50 by the letter B. The total amount of the bond issue is 84,093.96 euro.

The exercise price is 20 euro, which will be lowered by the amount of dividend paid after 26 March 1999 and before the subscription of shares on the record date of each dividend payment. However, the exercise price is always at least equal to the share's nominal value. On 31 December 2003, the exercise price was 7.65 euro.

The A and B warrants entitle the holders to subscribe for A shares for a total nominal value of 1,000,000 euro.

The shares entitle to full dividend for the fiscal year during which the shares are subscribed. The shares entitle to other shareholder rights once the subscription has been entered in the Trade Register.

## 22. STOCK OPTIONS ISSUED TO PERSONNEL IN 2002

Share subscription period	
Stock options 2002A	1 April 2005 to 30 April 2008
Stock options 2002B	1 April 2007 to 30 April 2008

The stock options entitle the holders to subscribe for a maximum of 200,000 A shares in Olvi plc. The exercise price is the average quote weighted by trading volume of the Olvi plc A share on the Helsinki Stock Exchange from 1 July to 31 December 2002.

The exercise price of the stock options will be decreased by the amount of any dividends distributed after the price-setting period has started and before the shares are subscribed. The exercise price of the stock options must be at least equal to the nominal value of the share.

	Olvi Group		Olvi plc	
	2003	2002	2003	2002
<b>23. PLEDGES, CONTINGENT LIABILITIES AND OTHER COMMITMENTS</b>				
Debts for which assets have been pledged as collateral:				
Loans from financial institutions	9,320	11,007	6,955	10,201
Total debt	9,320	11,007	6,955	10,201
Assets pledged as collateral:				
Mortgages on land and buildings	1,135	1,942	1,135	1,135
Guarantees on behalf of Group companies			9,773	12,607
Total pledges and contingent liabilities	1,135	1,942	10,908	13,742
<b>24. LEASING LIABILITIES</b>				
Payable next year	1,705	1,357	962	868
Payable later	1,920	2,003	827	1,183
Total	3,625	3,361	1,788	2,051
<b>25. DERIVATIVE CONTRACTS</b>				
31 Decemger 2003		Nominal value	Market value	Asset value
Interest rate swap		16,955	16,885	0

The business significance of the derivative contracts is minor. The derivative contracts will reach maturity in 2007 and 2008.

### Breakdown of share capital on 31 December 2003

	Shares	%	Votes	%
K series, registered	933,064	18.9	18,661,280	82.3
A series, registered	4,003,438	81.1	4,003,438	17.7
Total	4,936,502	100.0	22,664,718	100.0

### Shareholders by size of holding on 12 February 2004

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares	Number of votes	% of votes
1-99	1,041	23.34	42,132	0.85	42,132	0.19
100-999	2,945	66.02	838,326	16.98	852,842	3.76
1,000-9,999	435	9.75	928,228	18.80	962,580	4.25
10,000-99,999	33	0.74	1,114,554	22.58	3,207,974	14.15
100,000-999,999	7	0.16	1,999,062	40.50	17,508,686	77.26
Shares not exchanged for book entries and shares on waiting list			14,200	0.29	90,504	0.39
Total	4,461	100.01	4,936,502	100.00	22,664,718	100.00

### Shareholders by category on 5 February 2004

	Number of shareholders	Number of shares	Number of votes
Private businesses	242	1,142,648	12,371,192
Financial institutions and insurance companies	26	755,328	755,328
Public sector organisations	6	603,468	603,468
Non-profit organisations	47	173,834	173,834
Households	4,112	2,101,328	8,106,316
Non-Finnish shareholders	18	145,696	564,076
In collective book-entry account		10,184	10,184
On waiting list		4,016	80,320
Total	4,451	4,936,502	22,664,718



## LARGEST SHAREHOLDERS ON 5 FEBRUARY 2004

	K series	A series	Total	%	Votes	%
1. Olvi Foundation	590,976	157,204	748,180	15.16	11,976,724	52.84
2. Hortling Heikki	225,356	38,690	264,046	5.35	4,545,810	20.06
3. The Heirs of Hortling Kalle	46,776	6,312	53,088	1.08	941,832	4.16
4. Hortling Timo	41,384	8,796	50,180	1.02	836,476	3.69
5. Hortling-Rinne Marit	25,572		25,572	0.52	511,440	2.26
6. The Local Government Pensions Institution		285,200	285,200	5.78	285,200	1.26
7. Suomi Mutual Life Assurance Company		229,030	229,030	4.64	229,030	1.01
8. Ilmarinen Mutual Pension Insurance Company		219,424	219,424	4.45	219,424	0.97
9. Sampo Life Insurance Company Limited		114,268	114,268	2.31	114,268	0.50
10. Laakkonen Reino Olavi		97,780	97,780	1.98	97,780	0.43
11. Odin Finland		89,380	89,380	1.81	89,380	0.39
12. Pohjola Non-Life Insurance Company Ltd		75,972	75,972	1.54	75,972	0.34
13. Finnish Broadcasting Company Pension Foundation		72,144	72,144	1.46	72,144	0.32
14. Pohjola Finland Value equity fund		60,350	60,350	1.22	60,350	0.27
15. Security Trading Oy		50,000	50,000	1.01	50,000	0.22
16. Lahti Ari Juhani		45,000	45,000	0.91	45,000	0.20
17. The Central Union of Agricultural Producers and Forest Owners		44,000	44,000	0.89	44,000	0.19
18. eQ Pikkujättiläiset/eQ Fund Management Company Ltd		40,000	40,000	0.81	40,000	0.18
19. KAUTE Foundation for Economic and Technical Sciences		29,550	29,550	0.60	29,550	0.13
20. Päivikki and Sakari Sohlberg Foundation		26,250	26,250	0.53	26,250	0.12
Others	3,000	2,062,958	2,065,958	41.85	2,122,958	9.37
Nominee-registered shares		251,130	251,130	5.09	251,130	1.11
Total	933,064	4,003,438	4,936,502	100.00	22,664,718	100.00

Olvi plc had 4,461 shareholders registered in the book-entry system.

### INSIDERS

Olvi plc adopted the insider guidelines drawn up and recommended by the Helsinki Exchanges on 15 December 2000.

### MANAGEMENT'S INTERESTS

The members of the Board of Directors and the Managing Director of Olvi plc hold a total of 225,356 K shares and 41,378 A shares, which represent 5.4 percent of the total number of shares and 20.2 percent of the votes.

The members of the Board of Directors and the Managing Director hold a total of 23,000 share warrants issued by Olvi plc in 1999. The warrants entitle the holders to subscribe for 23,000 Olvi plc A shares. This represents 5.8 percent of all the share warrants issued in 1999.

As of 19 February 2004, the management's aggregate holdings of shares and warrants correspond to a total of 225,356 K shares and 64,378 A shares. These will represent 5.9 percent of the company's shares and 20.2 percent of the votes once all the warrants have been exercised.

## FINANCIAL RATIOS, 1999 TO 2003

### OLVI PLC / PARENT COMPANY

BUSINESS VOLUME AND PROFITABILITY 1,000 euro	1999	2000	2001	2002	2003
Net sales	64,328	66,003	69,441	71,183	70,258
Change on previous year, %	8.8	2.6	5.2	2.5	-1.3
Operating profit	5,457	4,836	5,715	5,969	5,241
% of net sales	8.5	7.3	8.2	8.4	7.5
Financial income and expenses	712	1,145	1,686	2,010	1,713
Profit before extraordinary items	6,170	5,981	7,401	7,979	6,954
% of net sales	9.6	9.2	10.6	11.2	9.9
Profit before provisions and taxes	6,170	6,036	7,401	7,979	6,954
% of net sales	9.6	9.3	10.6	11.2	9.9
Balance sheet total	89,892	88,934	105,508	107,182	119,599
Cash flow ratio, %	16.2	15.5	16.1	16.7	14.7
Return on investment (ROI), %	11.4	9.4	10.8	10.4	8.5
Return on equity (ROE), %	9.3	6.8	8.3	8.9	6.7
Equity to total assets ratio, %	54.0	62.5	55.6	58.0	54.2
Current ratio	2.0	1.2	1.5	1.2	1.1
Gearing, %	10.1	15.1	36.7	34.7	48.2
Gross capital expenditure on fixed assets	4,834	8,968	5,909	6,974	2,830
% of net sales	7.5	13.6	8.5	9.8	4.0
Net investments in fixed assets	4,626	6,040	5,303	6,825	2,802
% of net sales	7.2	9.2	7.6	9.6	4.0
Average number of personnel	345	343	328	350	341

### OLVI GROUP

BUSINESS VOLUME AND PROFITABILITY 1,000 euro	1999	2000	2001	2002	2003
Net sales	79,741	86,946	100,730	110,184	114,554
Change on previous year, %	16.6	9.0	15.9	9.4	4.0
Operating profit	6,872	7,312	7,203	7,643	8,014
% of net sales	8.6	8.4	7.2	6.9	7.0
Financial income and expenses	-970	-945	-1,943	-1,635	-2,062
Profit before extraordinary items	5,902	6,366	5,260	6,008	5,952
% of net sales	7.4	7.3	5.2	5.5	5.2
Profit before provisions and taxes	5,902	6,442	5,260	6,008	5,952
% of net sales	7.4	7.4	5.2	5.5	5.2
Balance sheet total	98,903	113,476	123,792	119,425	128,356
Cash flow ratio, %	15.9	15.7	13.7	13.8	12.8
Return on investment (ROI), %	10.3	10.0	9.8	8.8	8.8
Return on equity (ROE), %	8.8	8.8	5.4	6.4	6.6
Equity to total assets ratio, %	49.5	50.7	45.7	48.5	47.0
Current ratio	1.4	1.1	1.6	1.3	1.4
Gearing, %	22.8	40.3	64.4	57.8	64.9
Gross capital expenditure on fixed assets	18,022	23,119	19,734	16,284	13,513
% of net sales	22.6	26.6	19.6	14.8	11.8
Net investments in fixed assets	17,790	19,411	17,810	15,231	12,423
% of net sales	22.3	22.3	17.7	13.8	10.8
Average number of personnel					
Olvi plc	345	343	328	350	341
Companies in Estonia, Latvia and Lithuania	329	490	466	527	653
Total personnel	674	833	794	877	994

OLVI PLC / PARENT COMPANY

PER-SHARE RATIOS	1999	2000	2001	2002	2003
Earnings per share (EPS), euro	1.13	0.87	1.15	1.29	1.02
EPS adjusted for dilution from warrants, euro	0.97	0.92	1.14	1.28	0.99
Equity per share, euro	12.06	11.51	12.14	12.86	13.14
*) Nominal dividend per share, euro	0.90	0.90	0.90	1.25	0.70
Effective dividend yield, %	4.1	5.2	4.6	6.0	5.3
Price/Earnings ratio (P/E)	9.4	9.4	9.9	9.5	13.0
Pay-out ratio, %	45.1	57.3	45.7	56.4	68.6
Price of A share					
- at year-end, euro	20.40	17.2	19.55	21.00	13.25
- high, euro	23.80	22.9	20.0	24.00	14.40
- low, euro	16.00	16.16	17.30	19.65	10.00
- average price, euro	19.75	19.51	18.62	21.81	12.09
Market capitalisation on 31 December, million euro	43.3	33.5	38.1	41.0	52.4
Trading volume of A shares	490,075	407,771	495,194	526,414	1,320,230
% of all A shares outstanding	27.9	20.9	25.4	27.0	33.0
Number of shares					
- year's average number, adjusted for share issues	3,458,743	4,182,283	4,145,410	4,145,410	4,167,619
- year's average number, adjusted for dilution from warrants	4,030,459	3,961,678	4,157,043	4,197,287	4,309,550
- number at year-end, adjusted for share issues	4,241,796	4,834,104	4,834,104	4,834,104	4,936,502
OLVI GROUP					
PER-SHARE RATIOS	1999	2000	2001	2002	2003
Earnings per share (EPS), euro	1.17	1.19	0.89	0.95	1.00
EPS adjusted for dilution from warrants, euro	1.01	1.26	0.89	0.94	0.97
Equity per share, euro	11.65	11.07	11.55	11.83	12.11
Pay-out ratio, %	43.7	41.5	58.8	76.3	70.0
Price/Earnings ratio (P/E)	9.9	7.9	12.8	12.8	13.3

\*) The amount of nominal dividend has not been adjusted for the effect of the bonus issue. Nominal dividend refers to the dividends paid on each year's number of shares.

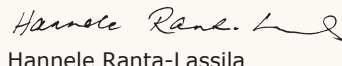
The comparison data for the per-share ratios has been adjusted for the effect of the bonus issue. The doubled number of shares after the bonus issue has been taken into account in the comparison data.

# Date and signatures

Signed in Iisalmi, this 26th day of February 2004



Heikki Hortling  
Chairman of  
the Board



Hannele Ranta-Lassila  
Vice Chairman of  
the Board



Kari Asp  
Member of the Board



Esa Lager  
Member of the Board



Lauri Ratia  
Member of the Board



Markku Rönkkö  
Managing Director

## Auditor's report

### To the shareholders of Olvi plc

I have audited the accounting, the financial statements and the corporate governance of Olvi plc for the accounting period from 1 January to 31 December 2003. The financial statements, which include the report of the Board of Directors, the consolidated as well as the parent company's income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the Managing Director. Based on my audit I express an opinion on these financial statements and on the corporate governance of the company.

I have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that I perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of my audit of corporate governance is to examine that the members of

the Board of Directors and the Managing Director have legally complied with the rules of the Companies Act.

In my opinion the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of the consolidated group's and the parent company's result of operations as well as of the financial position. The financial statements, including the consolidated financial statements, can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by me. The proposal by the Board of Directors regarding the distribution of retained earnings is in compliance with the Companies Act.

Signed in Iisalmi, this 1st day of March 2004



Pekka Loikkanen  
Authorised Public Accountant

# Calculation of financial ratios

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