ALTIA
CORPORATION

ANNUAL REPORT 2005

The Annual Report is available on order from Corporate Communications at Altia Corporation, tel. +358 (0)9 133 11

CONTENTS

Altia Corporation in brief 4
Review by the President and CEO 6
Operating Environment 8
Business Model 12
Supplier Management 14
Proprietary Products and Brands 16
Production and Logistics 18
Personnel 20
Environment 22
Board of Directors Report 26
Consolidated Financial Statements
Income Statement 29
Balance Sheet 30
Cash Flow Statement 32
Consolidated Statements of Changes in Equity 33
Notes to the Financial Statements 34
Group Financial Indicators 62
Parent Company Financial Statements
Income Statement 63
Balance Sheet 64
Cash Flow Statements 66
Notes to the Financial Statements 67
Parent Company's Proposal for Distribution of Profit 76
Auditor's Report 77
Corporate Governance policy 78
Board of Directors and Group Management 80
History 82
Key Units 83
Contact Details 84

ALTIA CORPORATION IN BRIEF

Altia Corporation is an international multi-beverage company operating in the Nordic and Baltic countries, with focus on wines and spirits. The company represents international quality brands from all over the world. In addition, Altia has a strong portfolio of proprietary products. The main customer groups are the retail monopolies, alcoholic beverage wholesalers, retailers licensed for onpremises consumption, grocery stores, travel trade and local importers operating in export markets. Altia Corporation is owned by the Finnish State.

Vision

"To maximize the opportunities for growth and utilize our position to become the leading alcoholic beverage company in the Nordic and Baltic countries within three years and in Northern Europe within five years"

Key figures for Altia Group operations in 2005

	IFRS		FAS	
	2005	2004*	2003	2002**
Net sales, EUR million	422.7	218.3	200.3	248.1
Operating profit, EUR million	24.8	68.5	24.2	102.3
Result before taxes, EUR million	23.0	69.1	25.3	101.6
Balance sheet total, EUR million	486.3	477.6	236.4	306.7
Return on equity, %	9.3	39.7	10.9	45.2
Return on invested capital, %	8.2	31.9	15.4	61.0
Gearing %	51.5	45.6	-16.3	-57.3
Current ratio	1.2	0.9	1.6	2.0
Capital expenditure, EUR million	17.1	61.7	14.0	28.0
Average number of personnel	971	713	676	699

* This contains the earnings gained from the sale of twenty per cent of Finlandia Vodka Worldwide Ltd's shares, totalling EUR 43.1 million.
** This contains the earnings gained from the sale of thirtyfive per cent of Finlandia Vodka Worldwide Ltd's shares, totalling EUR 75.2 million.

Market shares, retail % :

	Wines	Spirits
Finland	35	44
Sweden	12	8
Norway	18	9
Denmark	-	-
Estonia	2	18

CORE VALUES

Trust

We keep our promises,
maintain integrity and strong ethics and
respect each individual and diversity.

Enjoyment

We create a relaxed atmosphere
to help achieve winning results,
are both casual and professional and find fun in winning,
being dedicated and feeling that we belong.

Courage

We are entrepreneurial, play to win,
challenge each other's ideas and behaviours
to become better continuously (feedback),
take appropriate risks and exercise freedom in our work
within the agreed Altia Corporation framework.

Responsibility

We are responsible, accountable and
caring toward consumers of alcohol with our marketing,
our people, our customers,
our suppliers and the environment.

All for one, one for all!

We are interdependent, aligned in our vision and
values and pull the rope together to win, leverage our resources,
become stronger as individuals, teams and
units by being part of the bigger, total Altia Corporation,
practice teamwork and comradeship and are dedicated and committed.

REVIEW BY THE PRESIDENT AND CEO

In short, 2005 can be described as a year of changes for Altia. A significant corporate acquisition made in December 2004, the acquisition of Scandinavian Beverage Group (SBG), created a new operational direction for 2005 and, simultaneously, provided an incentive to change the entire business structure. At the beginning of the year we still operated as separate companies, while preparing for the coming integration. In early June, Altia's Board of Directors decided to speed up the process of change by replacing the company's top management. I became Altia's CEO and President in June 2005.

The intensive integration process was initiated in June: we created a new business structure, organisation and operational model for Altia. Our strategic goals were also specified and the company's values and cultural environment were renewed.

The new business organisation and structure came into effect at the beginning of August. The organisation and operational models in general are integrated and work within the new structure. Integration of support functions and infrastructure will still require some work, which will be our main focus this year.

In 2005, Altia Corporation's net sales almost doubled in comparison with the previous year due to the integrated operations, and the operational result improved. Relative profitability dropped. This was mainly due to structural changes to the business units, which caused the main focus of net sales to move from proprietary products to supplier products.

Compared to 2004, we transported in excess of 1.5 times more alcoholic beverages – a total of approximately one hundred million litres. Management of our logistics chain is an important cornerstone of our success, which is why we are building a new logistics unit for handling the needs of the new Altia.

Our goal is to continue growing. In our own operational area we are growing organically with regard to both supplier and proprietary products. The efficient local country organisations create a sound basis on which to expand. In the Danish market we are also striving to expand our operations through corporate acquisitions. Due to our leading position in our entire geographic operational area, we are also aiming for growth in new markets. In 2006 we will be striving to expand to Latvia through a corporate acquisition.

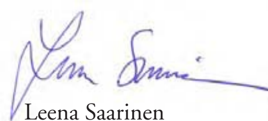
Our operating environment is now truly international. We maintain operations in all Nordic countries and Estonia. Our extensive geographic scope brings a new point of view to, for example, the Nordic alcohol tax debate.

The parliamentary elections in Sweden this coming autumn are sure to raise the issue of lowering taxes on alcoholic beverages, particularly on spirits. If taxes are brought down in Sweden, Norway is likely to follow suit. The potential tax decisions in Sweden and Norway would standardize the markets and curb the currently expanding cross-border trade and illegal alcohol trade.

In Finland the debate concerning an increase in taxes has again been raised. The tax differences in the deregulated markets of our operational area, i.e. Estonia, Denmark and Germany, are still so marked in comparison with the other Nordic countries that the cross-border trade will continue also for all alcoholic beverages, not just spirits.

Supported by our professional personnel, our new, integrated business structure creates a strong position for Altia Corporation in the Nordic countries and Estonia. This provides us with an opportunity to maintain operations in all markets where Nordic consumers purchase their alcoholic beverages. Our suppliers and customers also benefit from the synergies provided by the new operational model.

March 2006



Leena Saarinen

Marketing Manager **Lotta Lidén** from Bibendum, Sweden, works within a continuously changing market environment. Reacting rapidly to these changes is essential in succeeding in the tough competition. - When comparing the spirits, wine and beer markets, the wine side is changing fastest leading to growing market shares of the new world wine countries.

OPERATING ENVIRONMENT

The global alcoholic beverage market is consolidating and this development is expected to continue. According to some predictions, in ten years' time the world's leading alcoholic beverage companies may include entirely new players from the emerging markets or other beverage industry companies that have expanded their operations to include wines and spirits. The global alcoholic beverage market is rather saturated, although some growth can be seen in all sectors, especially in the beer category.

In the past few years, the spirits market has been focused on a shrinking number of companies. The world's five leading companies control approximately 42 per cent of the total spirits market and the ten leading companies approximately 60 per cent of the market. Acquisitions and syndication are still to be expected as regards both spirits and beers. In addition to corporate acquisitions, strong alcoholic beverage brands are also changing hands in the market.

The wine market is noticeably more fragmented, as the five leading wine producers control only eight per cent of the market. There are still many opportunities for consolidation in the wine market and development is expected to continue.

The old wine-producing countries, such as France, Italy and Spain, have lost market share to the new world wines, in particular wines from Australia, South Africa and South America. Wine consumption is also decreasing in the traditional European wine-producing countries.

> In Norway and Sweden over half of all wines are already sold in Bag-in-Box packages; in Finland the corresponding figure is about one third.

State of the economy reflected in product selection

As the economic situation of the consumers improves, the consumption of alcoholic beverages is moving towards better quality and more expensive premium and ultra premium products. Especially the demand for strong premium and ultra premium products is likely to continue to grow. The new, easy ways to purchase alcoholic beverages, such as over the Internet, and the elimination of import limits within the EU contribute to increasing the consumption of alcoholic beverages.

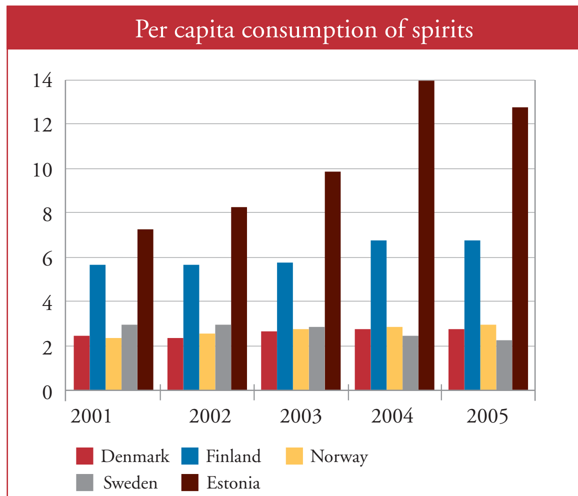
In addition to the increased disposable income of consumers, the consumption of alcoholic beverages is also affected by legislation, various advertising bans, warning labels regarding alcoholic beverages, as well as the more stringent legislation concerning the consumption of alcohol and driving under the influence of alcohol. The smoking ban in restaurants is also predicted to affect the consumption of alcohol. In several of the old EU member states the high unemployment rate is among the reasons for the decrease in the consumption of premium products.

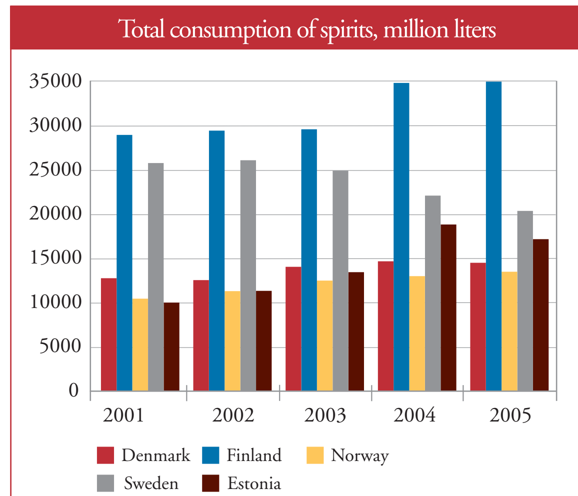
Lifestyle changes affect alcohol consumption

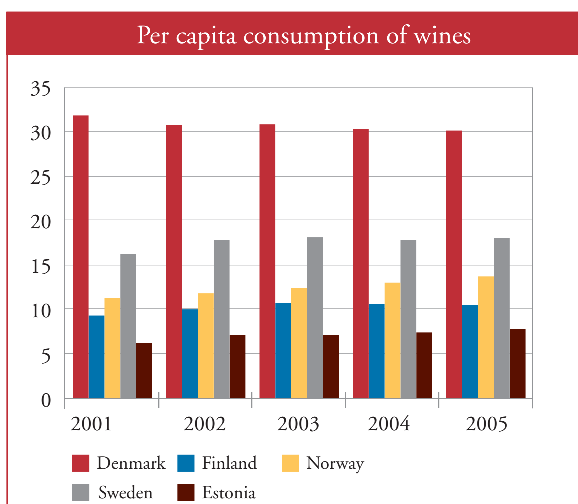
From an international viewpoint the alcoholic beverage market is also changing as regards drinking habits. Traditional national consumption habits are blurred by urbanisation and travel, and new social alcohol consumption trends are emerging. This concerns especially cocktails and long drinks, which are part of the lifestyle of many younger consumers. Young, trendy adults constitute a potential new consumer group. The importance of women as a consumer group is also predicted to grow.

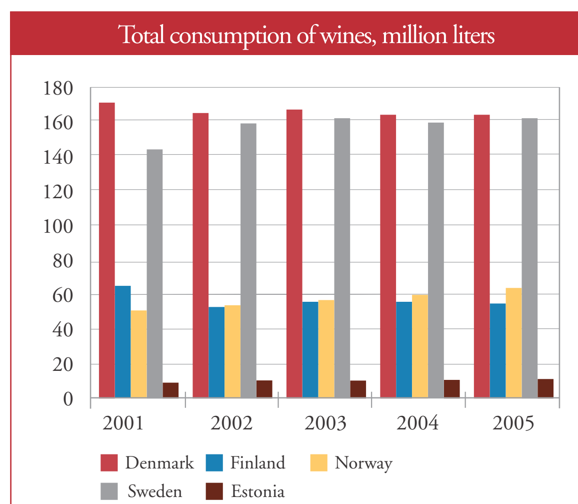
There are an increasing number of senior citizens with more disposable income than ever and with time on their hands, who are fairly loyal consumers, which means that their consumption habits also affect market development. The increasing health consciousness among all age groups is predicted to limit or control the consumption of alcohol. More and more attention has also been paid to the responsible use of alcohol.

Interest in gastronomy is also on the rise, which should affect the development of the beverage selections, particularly drinks associated with food.









Drinking habits vary greatly between the countries. In Sweden, Norway and Denmark consumption is focused on wines, while Finnish consumers drink both spirits and wines and Estonian consumers prefer spirits.

Alcohol taxes control consumption in Northern Europe

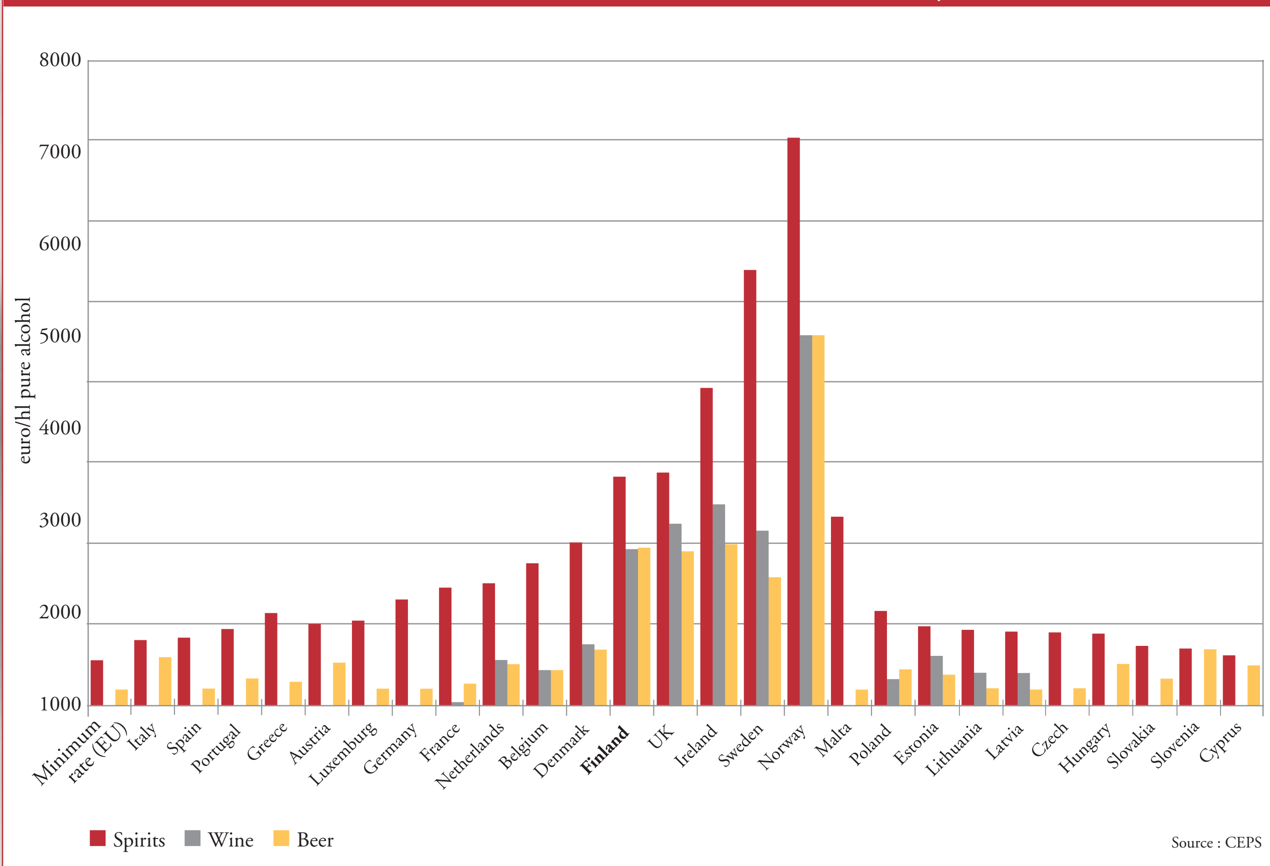
Competition is fierce in Northern Europe. In Finland, Sweden and Norway the state monopolies have left a large and strong player in the respective domestic markets. In Denmark and Estonia the trade in alcoholic beverages is free. The largest Danish producer of alcoholic beverages has a Swedish owner. Altia is the second largest player in the Nordic market. Altia's total market share is larger in spirits than in wines.

Despite the geographical proximity of the Nordic countries and Estonia, drinking habits vary greatly between the countries. In Sweden, Norway and Denmark the consumption of alcoholic beverages is concentrated on wines, while the consumption of spirits is comparatively low. In Finland consumers drink wine, cider and spirits. Estonian consumers prefer spirits. In Central and Eastern Europe consumers drink both spirits and wine or cider. Vodka is particularly popular in these countries. The economies of Central and Eastern Europe are developing and consumption is moving towards more expensive products and wines.

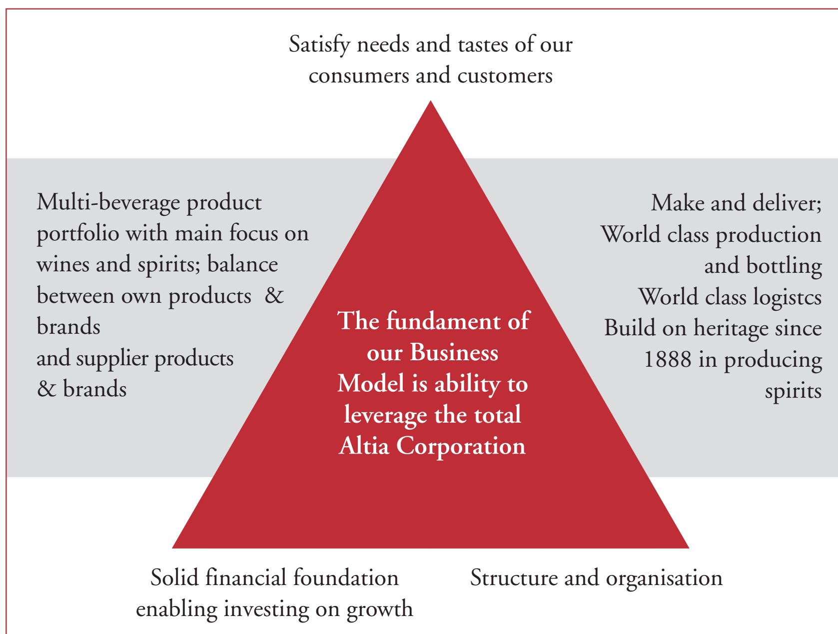
Norway is the fastest-growing wine market in Western Europe. This is largely due to the popularity of the Bag-in-Box wines. In Norway and Sweden over half of the wines are already sold in boxes. In Finland the share of Bag-in-Box wines is approximately one third.

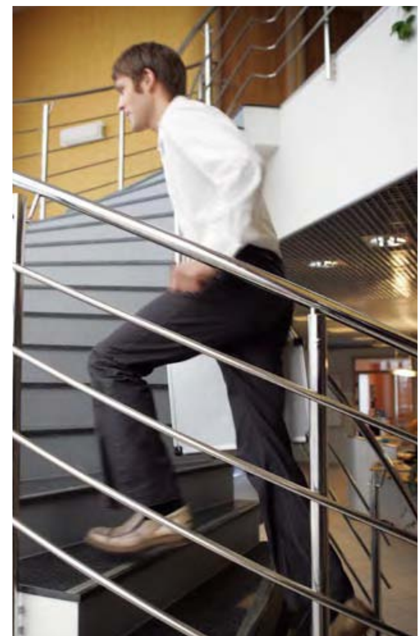
In Finland and Denmark alcohol taxes have been cut closer to the taxation levell of other EU member states. In Estonia the taxes are on a par with the level of the majority of other EU member states. In Sweden and Norway alcohol taxes are still among the highest in the world.

The differences in alcohol taxes, and therefore also in export prices, affect cross-border trade and passenger sales between the various countries. Estonia, which has low alcohol taxes, is actively involved in cross-border trade and passenger sales. Denmark is the most important sourcing area for Swedes and Norwegians, who in the north can purchase their beverages from Finland. Competitive pricing for alcoholic beverages, for example, through tax deductions, is an important measure in the fight against the illegal alcohol trade.


Excise taxes for alcoholic drinks in some countries on 1 January 2006
euro/hl pure alcohol
8000
7000
6000
5000
4000
3000
2000
1000
Minimum rate (EU)
Italy
Spain
Portugal
Greece
Austria
Luxemburg
Germany
France
Netherlands
Belgium
Denmark
Finland
UK
Ireland
Sweden
Norway
Malta
Poland
Estonia
Lithuania
Latvia
Czech
Hungary
Slovakia
Slovenia
Cyprus
Spirits
Wine
Beer
Source : CEPS

OPERATING MODEL
supports growth strategy





Product Group Manager Tarmo Juhanson at Altia Eesti arrives from a customer visit with his training material.

Competition in the Nordic alcohol market has rapidly become international. Success in an increasingly competitive market requires growth, which is why Altia Corporation's operating structure is designed to support a strategy of strong growth. Turning the vision into reality requires corporate acquisitions, which are made possible through a strong financial foundation.

Strong proprietary products and brands combined with service-minded supplier management form the foundation for operations which offers a competitive edge. The goal is a balanced product portfolio in which both proprietary and supplier products benefit from synergies and economies of scale.

The new operating model offers supplier partners opportunities for an ever deeper and more extensive partnership and synergy benefits throughout Altia's geographical operating area. Altia strives for growth for its existing proprietary products in new geographical areas. The other goal for the proprietary brands is to find markets for new consumer-focused products.

Country units are local experts

The various country units guarantee a comprehensive network of sales channels. The independent sales and marketing companies trading under the country organisations understand their own customers and local markets. Customer requests are channelled through the sales and marketing units to the search for new suppliers or supplier products. These requests can also give ideas to the product development of new proprietary products.

Production is focused on efficient units. Versatile packaging solutions and logistics solutions in the Nordic countries and the Baltic States provide a competitive edge for proprietary and supplier products.

Simple and clear structure

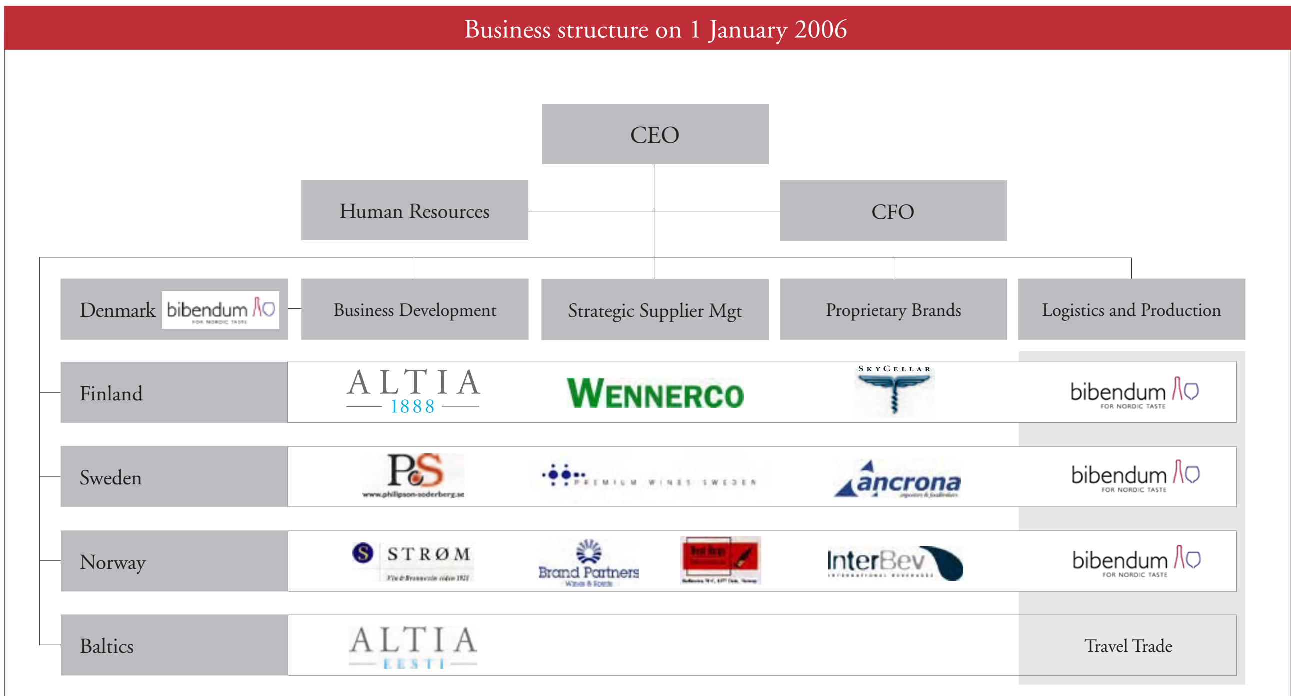
The business structure is simple and clear. Areas of responsibility have been determined in order to assign decision-making power as close to the actual operations as possible. Altia Corporation provides support services and, for example, consumer studies for the entire organisation.

The company's headquarters are located in Helsinki. Other premises are located in Stockholm, Oslo, Tabasalu near Tallinn and Copenhagen. Production facilities are located in Koskenkorva, Rajamäki and Tabasalu.

Two-dimensional brand strategy

Altia Corporation's brand strategy is based on supplier products and proprietary products. The expanding market and new organisation create opportunities for growth in both sectors. Focusing on local players guarantees a profound insight into markets and customers. The sales and marketing units operate quickly, flexibly and close to the customer. The same operating model also brings extensive synergy benefits for both supplier and proprietary products.

> The operating model offers considerable synergy benefits for both supplier and proprietary products.



Education is one of the best ways to ensure competence in brand and sales management. Sommelier/sales **Marcus Ajnemark** (in front) and Sales Manager **Christofer Ocaña** from Brand Partners, Norway, tasting wines at an internal training event for the new sales personnel.

INDIVIDUAL SERVICE
and economies of scale for suppliers

Altia's position as one of the leading players in the Nordic countries and the Baltic States is unique. Altia has affiliated companies in most of these countries, serving a large number of suppliers in a dedicated and confidential manner. These local companies, which differ noticeably from one another, are independently in charge of their product selection and brand management. The goal is a balanced product portfolio that is characteristic for each affiliated company and based on its own operating concept.

A key element in the selection of suppliers is the market environment. As competition for consumers gets progressively tougher, Altia and its affiliated companies are increasingly focusing on cooperating with the leading alcohol brands and producers in various product groups. The resources, quality and innovation invested in brand management and brand building are the bases for success and growth. Intensive strategic and operative long-term cooperation with suppliers and their ablility to fulfil the requirements of consumers in a changing environment are also key factors in our joint success.

If it is strategically sound to create a solution for the entire geographical operating area for a supplier, Altia's supplier management will coordinate and manage operations in close cooperation with suppliers and local units. Custom-made concepts covering the Nordic countries and the Baltic States offer a competitive edge in, for example, brand management, travel retail, logistics and co-packaging solutions. The supplier can benefit from these corporate resources and get a functional distribution solution that serves its brand and strategy best.

With the help of market information and awareness, supplier management creates synergy benefits for marketing throughout the operating area. Local sales and marketing units know their own market well and market awareness is complemented by the specialised consumer and trend data provided by the corporation.

> The basis for success and growth is the resources, quality and innovation invested in brand management and brand building.

Within Altia's operating area, alcoholic beverages are sold mainly in self-service shops, where importance of the packaging is emphasised. Consumers' expectations regarding packaging are increasing and customers want custom-made packaging solutions. In addition, there are increasing demands from the off trade customers for packages with longer shelf life and best before date marking. Altia can help suppliers to respond to these growing demands with its know-how and the packaging solutions offered by its production facilities. For example, the company owns Bag-in-Box packing line.

In logistics Altia offers suppliers high-quality, cost efficient and flexible product flow management throughout the operating area. Altia can facilitate consolidated logistics solutions for the whole region and by that enable suppliers to improve their logistics performance in both cost and quality.

Proprietary products and brands

- attractive and competitive alternatives

Altia's goal is to expand the market for its existing export brands geographically and also open the export market for other Altia products and product groups. Exports of proprietary brands, which are in the spotlight due to the new strategy, are to be increased in the alcohol beverage markets in the Nordic countries and the Baltic States, as well as in selected new vodka markets.

Koskenkorva and Altia's other proprietary brands have been sold so far mostly in Finland and in Estonia. However, Koskenkorva's market position is also strong in Sweden, where it is the largest imported vodka, and in Norway, where it is the second largest. In addition to the Nordic countries and Estonia, exports are focused mainly on Poland and the Czech Republic.

The competitive advantages of the proprietary brands are their excellent price/quality ratio and the product concepts, which appeal to consumers. Consumers are offered attractive beverages in key product categories, in particular strong alcoholic beverages and wines.

The current product portfolio is enhanced by package development, creating regional product concepts for the Nordic and Baltic markets, and launching entirely new products that suit consumers' tastes and desires better. The importance of consumer knowledge, innovative ideas and a close relationship with customers is emphasized in a situation where competition is intensifying and competitiveness of pricing is crucial.

> The competitive edge of the proprietary brands is their excellent price/quality ratio and the product concepts, which appeal to the consumers.

Altia has the opportunity to select the optimal production method for each product. The Koskenkorva and Rajamäki plants offer cost efficient production, even on an international scale. Production at the smaller plant in Tabasalu, Estonia, is a more flexible option. Under special circumstances, selected partners can also produce and bottle some of Altia's products.

Altia's own distribution network is also a guarantee for the growth of the proprietary brands. For example, the distribution of Koskenkorva in Sweden, Norway and Denmark has been transferred to Altia Corporation's local affiliated companies. The local and deep insight into the market provided by the affiliated companies is used in the marketing of the products. Their know-how of customers' tastes and desires is used to customise products to suit the various markets with the help of taste preferences and packaging.

By carefully selecting an affiliated company to handle sales and marketing in each operating area, it is possible to avoid overlapping and competition with supplier products. Altia's partners in the export markets are chosen to fulfil the requirements of select key brands.

Altia's various production facilities provide an opportunity to select the best possible production method for each product. The most efficient production line at the Rajamäki plant has a capacity of 45,000 bottles per hour, while the smaller plant in Tabasalu in Estonia is a more flexible option. Altia Eesti's Quality Manager **Kirsti Dengo** also leads the product development team in Tabasalu.

Management of the logistics chain is the cornerstone of success. Pictured warehouseman **Juha Siiskonen** in Altia's Rajamäki logistics centre, which warehouses and delivers Altia's proprietary products and handles global deliveries of Finlandia Vodka.

LOGISTICS AND PRODUCTION

to support proprietary and supplier brands

Altia Corporation has produced alcoholic beverages for more than one hundred years. The production is complemented by efficient logistics. The production, bottling and logistics offer comprehensive service opportunities for both Altia's proprietary and supplier products.

Altia Corporation produces alcoholic beverages in Rajamäki in Finland and Tabasalu near Tallinn in Estonia. Our own production units enables us to increase production volumes and expand our product range. In addition to our proprietary, traditionally produced brands, our contract production of supplier products has got off to a good start.

At the Koskenkorva plant the company produces barley-based, high-quality grain spirit for the production of Altia's proprietary products, such as Koskenkorva Viina. In addition to grain spirit, the Koskenkorva plant produces technical ethanol, starch, feed and carbon dioxide. The Rajamäki works handle the technical ethanol and foodstuffs operations.

The associated company, Roal Ltd, of which Altia owns 50 per cent, specialises in enzyme operations. The enzyme production and R&D operations are located in Rajamäki.

Strong growth

Both Altia's production and logistics showed strong growth in 2005.

The Rajamäki plant achieved a new production record of 54 million litres (93 million bottles). Most of the growth consisted of exports, both contract production of Finlandia Vodka (brand owned by Brown-Forman Corporation) and export of Altia's proprietary products.

The Rajamäki plant improved operations and production capacity, modernised the handling of wines, and expanded the materials warehouse and the premises used by A-Pullo, that manages the refillable bottle system.

Production in Tabasalu totalled three million litres (six million bottles).

The Koskenkorva plant used 171 million kg of Finnish barley to produce 26 million litres of grain spirit, 49 million kg of starch and 67 million kg of feed. A new operational management system was implemented at the plant, the production of ethanol was improved through operating capacity investments and the starch production capacity was increased. The biofuel operation's prospects were examined and fuel ethanol operations continued.

Efficient and flexible production

The Rajamäki production facility's competitive edge includes its state-of-the-art and efficient production lines, seven modern packing lines, the certified production process, high-quality products and excellent groundwater.

In addition to spirits, the Rajamäki plant produces and packs liqueurs, spirit drinks, cognacs and brandies, whiskies, rum and gin. Grape-based wines are handled and packed using modern, high-quality methods.

The plant has years of experience in the production, packing and delivery of premium products to more than a hundred export countries around the world. Almost half of the plant's production is exported.

The plants produce almost 600 variations of products and packaging annually. The Rajamäki plant's production capacity and efficiency are considerable even on an international scale, and the plant has also potential for substantial additional production.

The packing lines can pack the products in round and flat glass and PET bottles, minibottles and Bag-in-Box packages. Bottles and boxes can be packed into crates, cardboard boxes, trays or compartmentalised trays on shop pallets. Export products are loaded on transport pallets and equipped with the necessary markings or excise stamps.

The advantages of the Tabasalu plant in Estonia include its cost efficiency, flexible production and capacity for additional production without significant investments.

Logistics challenges and opportunities

Altia's logistics offer extensive services for suppliers and the company's proprietary products in the Nordic countries and the Baltic States. Large volumes and comprehensive resources create a competitive edge in transport and warehousing, as well as information transfer and management. The logistics services' quality factors include swift and timely product delivery and cost efficiency. The services are developed in cooperation with customers and business partners.

The total amount of alcoholic beverages handled by Altia's logistics department grew significantly in 2005. The company acquired, warehoused and delivered 105 million litres of beverages to the Nordic and Baltic markets. The growth is due to increased production and the acquisition of the Scandinavian Beverage Group (SBG).

The company's own logistics centres are located in Rajamäki and Tabasalu. The logistics company VSD also offers its services to third party organisations.

The Rajamäki logistics centre warehouses and delivers Altia's own products and handles the global deliveries of Finlandia Vodka. A new version of the warehouse management system was implemented at Rajamäki at the beginning of 2006. Due to the expanding production, the warehousing and delivery of main client products in Finland was handled by Logia Oy in Vantaa. In Sweden, the warehousing and delivery logistics are located in Örebro.

A decision has been made to focus all supplier product logistics into VSD. The first stage of the process was initiated in Finland in the beginning of 2006.

PERSONNEL and competence development

Major changes in Altia's operations, rapid internationalisation and changing market conditions all pose many challenges for the company's personnel and development of competencies. The company's market area has expanded from Finland and the Baltics to the Nordic countries. Now Altia's sights are set on a market-leading position in the Northern European market within five years. The company is experiencing a culture transformation; a time of new management practices and the establishment of new values.

Altia's goal is to become an open, inspiring organisation that considers diversity a resource. The personnel have an opportunity to develop and work to the best of their ability in a relaxed and competent working environment. Trust, enjoyment, courage and responsibility are values the working community adheres to – all for one and one for all.

Changing working culture

In 2005 Altia Corporation employed on average of 971 (713 in 2004) people. Of all personnel, 676 worked in Finland, 118 in Sweden, 105 in Norway, 69 in Estonia and 4 in Denmark. The total number of personnel at the end of 2005 was 947 employees (949 in the end of 2004).

A prerequisite for the creation of a new, inspiring culture and common practices is that everybody has been informed of and is familiar with the goals, and that the entire personnel are involved in the change. Altia's business model focuses on cooperation across borders and tearing down any barriers, while supporting the best features and practices of the various national cultures and working communities. An innovative spirit is appreciated and all personnel are urged to participate in projects and development schemes from their planning stage.

The change has brought new requirements for the employees' competencies, which is why Altia is investing in the development and training of the existing personnel. In particular, the personnel's interactive skills will be developed in the coming years – for example of those in managerial positions as well as sales and marketing – and even areas of competence that are already strong, such as sales and marketing, logistics and production, have to be developed further in order to achieve the company vision. In 2005 English became the corporate language, which means the language skills requirements have increased.

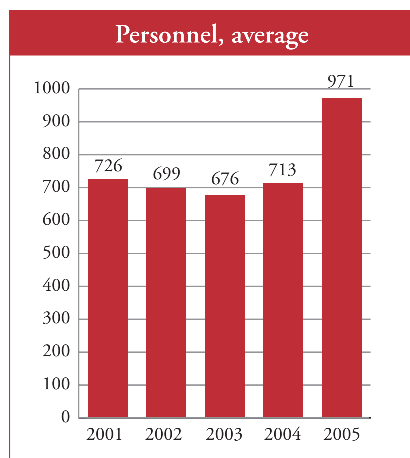
The new management system, values and HR management processes are being established through comprehensive managerial training throughout the organisation. It is particularly important to give feedback on behavior complying with the values. The personnel is encouraged to actively take part in planning their own career development and bring up their wishes in the development discussions. Career development is supported through job rotation and positions are filled by internal applicants wherever possible.

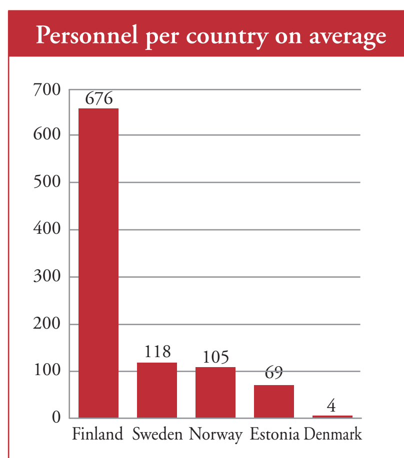
Becoming a professional in the alcoholic beverage industry through apprenticeship

Altia's personnel are committed employees. The personnel turnover is negligible, but the ageing of the personnel will become a challenge in the coming years. Altia's industry requires special skills, and training is not available for all production tasks. In order to secure skilled labour, Altia has invested in apprenticeship training to transfer the existing experience to new experts. Since 1997, the plants in Rajamäki and Koskenkorva have trained almost 100 professionals in the alcoholic beverage industry through apprenticeships. This systematic recruitment and training process will continue in the coming years. The search is also on for suitable, skilled personnel that fit Altia's values and organisational culture to fill positions other than jobs in production.

Encouraging pay structure

The compensation system is based on base salary, benefits, annual bonus system and production bonuses for production personnel. The personal salary increases are determined annually based on employees' performance and their behavior according to the values. The foundation for the annual bonus system is the achievement of the Altia Corporation's, each business/function's and each employee's individual targets which are evaluated through appraisal discussions. A separate perfomance appraisal model has been developed for production personnel in 2005. When developing the compensation system further, the aim is to pay more attention also to non-monetary rewards and incentives.





Joy Strøm style. Strøm is an affiliated company operating in Norway. Pictured in front on the left **Elisabeth Johansen, Andy Douglas, Harriet Høyem** and **Beate Ottem Svanes,** in the middle **Bjørg Hermansen,** on the right **Helge Steingrim** and at the back **Truls Gundersen.**

Real values make it easier to cope and be happy at work, which is also supported by clear roles and areas of responsibility, flowing operating processes and a clear organisational structure.

No precious raw material wasted at the Koskenkorva plant

Environmentally-friendly operating methods are the foundation of efficient operations. This way we can ensure that production does not incur additional costs due to environmental impacts.

The barley used at the Koskenkorva plant is mainly supplied by contract farmers in the region surrounding the plant, which eliminates long transports. Contract farming guarantees environmentally controlled farming conditions.

When the barley is utilised entirely, no precious raw material is wasted. In the efficient production process at the Koskenkorva plant, all parts of the domestic barley grain are processed into high-quality grain spirit and important by-products, such as starch and feed.

The carbon dioxide produced by the fermentation process is used, for example, in soft drinks, foodstuffs packing and water purification. Even the barley husks that are left over from the process are used in energy production. The effective, energy-efficient production processes are developed continuously with the environment in mind and the whole personnel is trained in environmental issues.

In the picture, Process Controller **Pentti Hautala** on an inspection visit to the Koskenkorva distillery.

ENVIRONMENT

Profitable, competitive and efficient operations enable a company to manage its environmental responsibilities. According to the principles of sustainable development, Altia's aim is to minimise environmental impact and use natural resources sparingly. Crucial environmental impacts in production are associated with the grain spirit production process at the Koskenkorva plant and with alcoholic beverage packaging at the Rajamäki plant. Both production plants employ quality and environmental management systems that comply with ISO 9001:2000 and ISO 14001:2004 standards.

Groundwater protection plan at the Koskenkorva plant

In 2005, the environmental management programmes were implemented according to the set goals. The most significant targets were the use of energy and water, the reduction of landfill waste, as well as the amount and load of wastewater. The key figures have mainly developed according to these goals.

Groundwater consumption was monitored in relation to the realisation of the target values and a water balance was prepared. Owing to process technology solutions, the groundwater consumption key figure has been reduced. A groundwater protection plan was completed in 2005. Groundwater monitoring was increased through the drilling of a new monitoring well. In order to ensure water supply, cooperation with a local water company, Kyrönjokilaakson Vesi Oy, was expanded. For several years now, Altia has maintained cooperation with the municipality of Ilmajoki on water and wastewater issues. The key figures for the target amount and load of wastewater have been monitored. The key figures for environmental protection have developed in a positive direction.

Utilisation of the carbon dioxide produced by the fermentation process improved due to the completion of a new collection facility.

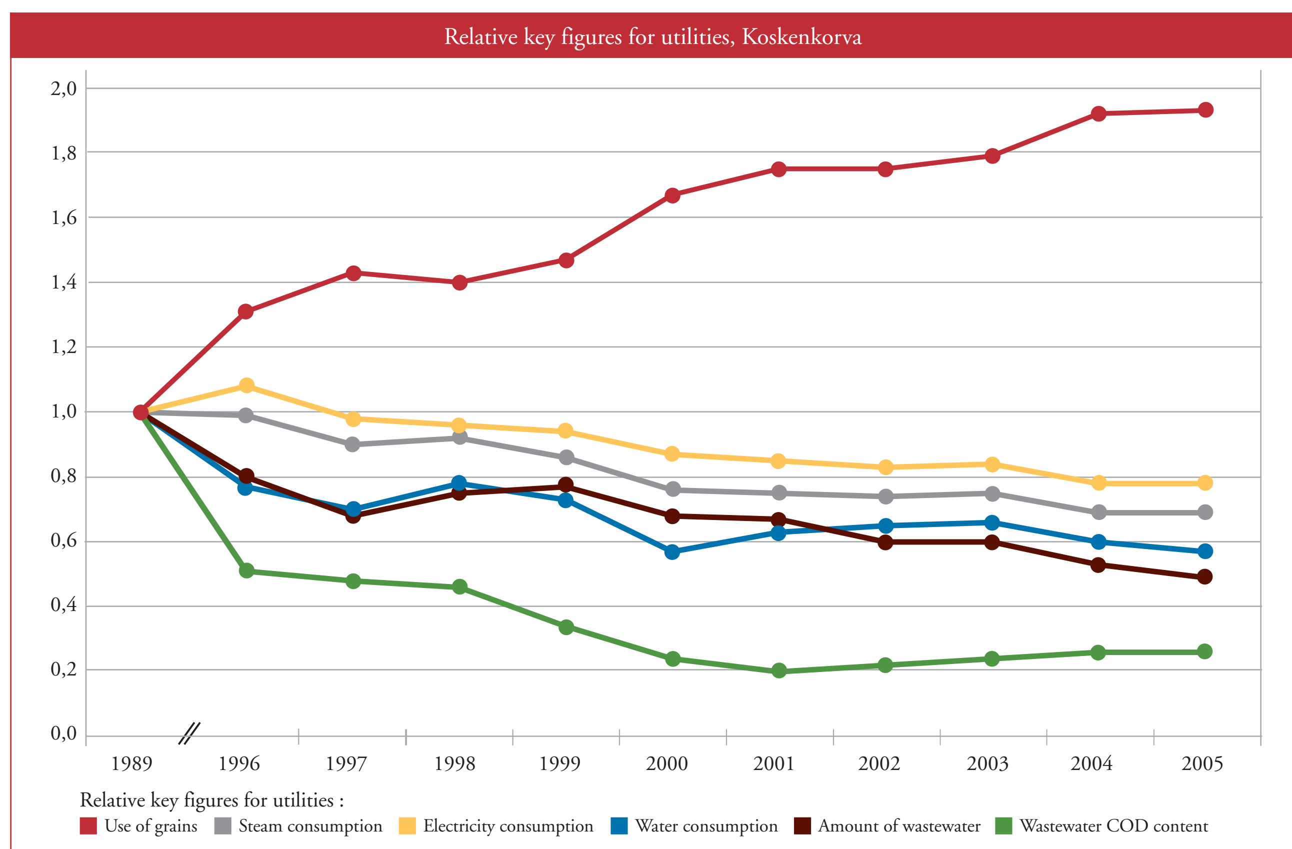
The past year was the first year of monitoring greenhouse gas emissions according to the emissions trade directive for the 2005-2007 period. The Koskenkorva peat power plant falls under the emissions trade directive.

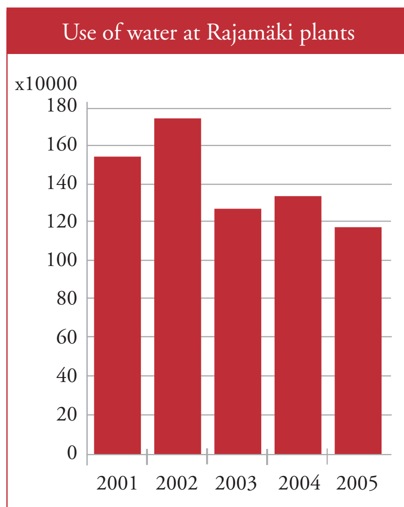
Safety in the storage and use of chemicals was emphasized through personnel training, inspections of the storage tanks and safety basins, as well as modernization measures.

The amount of landfill waste has been reduced through efficient recycling, such as more careful separation of re-usable waste.

Owing to changes in process technology, the energy consumption key figures have developed favourably.

Relative key figures for utilities, Koskenkorva





Top quality water is essential for the production of alcoholic beverages. Area Administrator **Janne Sormunen** at the Rajamäki plant collects water samples from the water supply according to the quality management programme.

Wastewater from the Rajamäki plant to a new treatment plant

The joint wastewater treatment project with the municipality of Nurmijärvi continued. Through this project, the wastewater produced by Altia and the Rajamäki, Röykkä and Klaukkala population centres is directed to a new central water treatment plant in Klaukkala. Construction of the treatment plant began at the end of 2003 and the plant was handed over at the end of 2005. Altia's wastewater pumping station and modernization of the treatment plant associated with the project were completed at the end of 2005. Altia started pumping its wastewater to Klaukkala at the end of December 2005. Altia made a significant contribution towards the construction costs of the central treatment plant and sewers.

The Nurmijärvi Municipal Health Board approved Altia's new water quality monitoring programme for 2005-2010. Altia financed the structural survey of the Noppo-Rajamäki groundwater area carried out by the Geological Survey of Finland. The Noppo water main repairs and the water tower condition survey were completed.

The amount of landfill waste has been reduced annually, for example, by separating re-usable waste and finding ways to prevent the accumulation of waste.

Distribution services are sourced from external haulage contractors and environmental aspects are taken into consideration in the selection of these contractors.

Environmental aspects also considered in Tabasalu

Environmental aspects are taken into consideration at Altia's alcoholic beverage plant in Tabasalu, Estonia, by observing the environmental regulations issued by the authorities. The laboratory at the plant complies with the ISO 17025:1999 standard. Altia Eesti is a member of an organisation that recycles packaging materials (Eesti Taaskasutusorganisatsioon MTÜ (ETO)) and buys services from a company that handles recycling of returned bottles (Eesti Pandipakend OÜ (EPP)).

A-Pullo recycles bottles

Altia's Rajamäki-based affiliated company A-Pullo Ltd delivered approximately fifty-five million beverage bottles to producers of alcoholic beverages. A-Pullo Ltd manages the refillable alcoholic beverage bottle system in Finland. Without this efficient recycling system, twenty-two million kilos more of glass waste would be dumped in landfills every year. There would be no industrial use for this waste.

Economic environmental information

Altia's environmental investments amounted to € 4,1 million. Environmental costs including operating and labour costs totalled € 1,4 million.

Altia has no environmental liabilities or reserves. € 0,07 million were paid in environmental taxes, mainly in the form of fuel taxes for peat. Altia supplies other companies on the Rajamäki industrial estate with clean water, treats their wastewater and partly manages their waste disposal. These services brought in environmental proceeds totalling € 0,7 million.

Altia has no pending environmental legal actions.

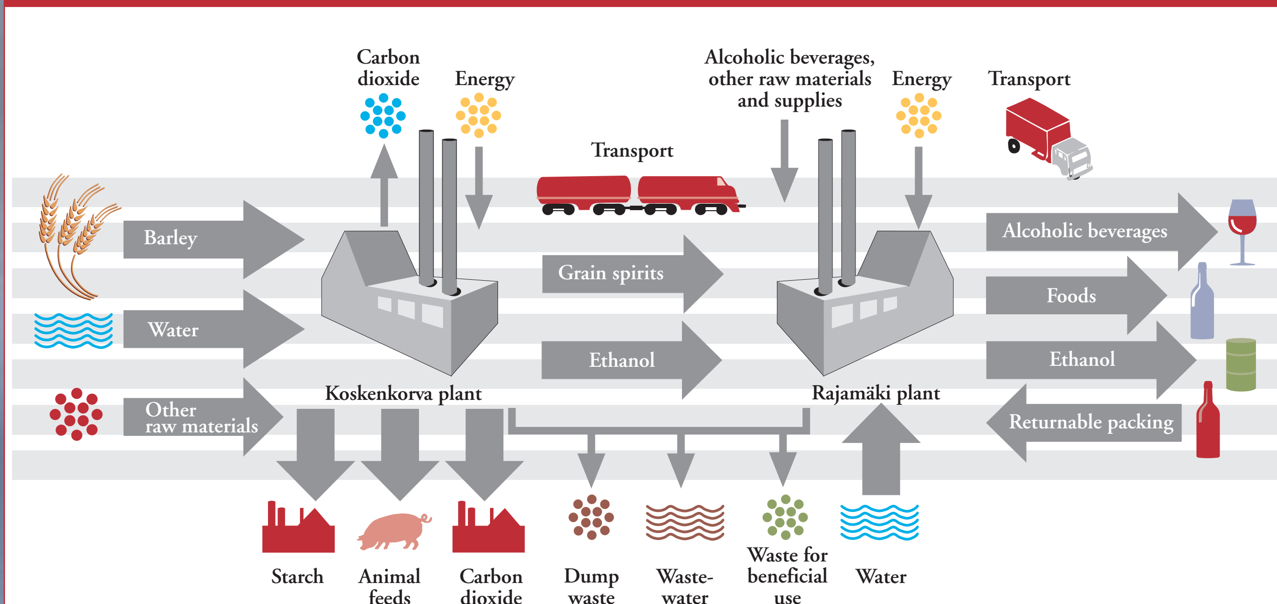
More than 170 million kilos of Finnish barley is used annually at the Koskenkorva plant.

Key environmental figures for Altia's domestic production 2003-2005*

	2005	2004	2003	Unit
Production figures				
Alcoholic beverages	53,800	50,900	47,000	1000 liters
Other production [1]	332,600	313,145	289,245	tons
Use of raw materials and energy				
Use of grain	170,866	169,697	158,230	tons
Use of energy [2]	351	250	229	GWh
Use of water	2,399	2 644	2,578	1000 m^3
Aerial emissions				
CO2 [3]	61,037	60,434	66,170	tons
SO2 [3]	72	62	66	tons
NOX [3]	51	41	42	tons
VOC	51	10	10	tons
Particles [3]	4,1	1,4	1,5	tons
Discharges to water [4]				
Wastewater	816	828	858	1000 m^3
Solid waste				
Landfill waste	118	139	159	tons
Recycled waste	13,923	12,871	13,153	tons
Rate of container recycling				
Bottles	78	79	79	%

* Rajamäki and Koskenkorva plants.
1) Mainly animal feed and starch.
2) Generated at Altia's in-house power plants until 2002. Since October 2002, the thermal energy used in the Rajamäki plant has been generated at the new boiler plant of Fortum Lämpö Oy, which uses forestry waste and/or oil.
3) CO_2 emissions from energy generation at the Koskenkorva plant. The CO_2 emissions from fermentation processes are excluded, as they are part of the natural carbon cycle.
4) Rajamäki wastewater is treated at an in-house treatment plant. Koskenkorva wastewater is treated both at an in-house plant and at the local authority treatment plant.

Altia's material flows and environmental factors



BOARD OF DIRECTORS' REPORT
for the Financial Year 1 January – 31 December 2005

Operating environment

Over the past five years, the global market for alcoholic beverages has remained fairly stable with very little volume growth. We predict growth in both volume and especially in value in the upcoming five-year period. This means that premium and super premium products will see continued growth.

In our operating environment, national consumption habits are somewhat different: Wines are popular in Denmark, Sweden and Norway, whereas in Finland consumption is more strongly focused on spirits. Meanwhile in Estonia, the per-capita consumption of spirits is two times larger than in Finland. As for wines, red wine is much more popular than white wine in Denmark, Sweden, Norway, and these days in Finland as well. In Denmark the per-capita wine consumption is on a Southern European level but showed a slight decrease in 2005 while the consumption of spirits remained the same. In Sweden, the per-capita consumption of wine is little over a half of the figures for Denmark, and was up a few percentage points while the consumption of spirits remained the same. In Norway the consumption of both wine and spirits saw a slight increase. In Finland, red wine consumption rose by 5% but there was no change in terms of white wine. Consumption of spirits remained at the previous year's level. In 2004, there was a more than 17% increase in the sale of spirits. In Estonia, consumers were becoming more interested in wines while the consumption of spirits was at the previous year's level.

Altia's market share of wines and spirits in Denmark is fairly small. In Norway, our market share of wines is 18% and of spirits 9%. The market shares in Sweden are 12% in wines and 8% in spirits, and in Finland 35% and 44%. In Estonia, our market share of spirits is 18% and of wines 2%. On the whole, Altia's market share in the Nordic markets shrank by a few percentage points.

The consumption of alcoholic beverages shown in the statistics grew by 1.2% in Finland in 2005 (6.5% in 2004). The marked increase in 2004 could be attributed to the lowering of the excise tax. Total per-capita alcohol consumption of pure alcohol increased by 2.5% and amounted to 10.6 litres compared with 10.3 litres in 2004. These figures include the consumption recorded in statistics as well as the non-recorded consumption, which accounts for approximately 20%. Non-recorded consumption includes passenger import, home brewing and smuggling. According to estimates, passenger import rose by 12% in 2005 and represented 80% of non-recorded consumption.

Real prices of alcoholic beverages were down by 2.6% (12.5%). The retail of alcoholic beverages grew by 1.7% in 2005 compared with an increase of 8.9% in 2004. Meanwhile sales in restaurants dropped by 1.2% from the previous year while in 2004 sales fell by 4%.

Group structure

Year 2005 marked the first year of operations in which the Scandinavian Beverage Group (SBG) acquired at the end of 2004 was included in the Altia Group. During the year, we have carried out a significant integration process and created a new structure for business operations, which was implemented on the management level in early August. The reorganisation of other operations was completed in the second half of the year.

In the 2004 financial statements, SBG was only included in the balance sheet, which means that the profit and loss account for 2005 is not comparable with the previous year's figures.

In Estonia, Altia Eesti AS merged into AS Ofelia, which was renamed Altia Eesti AS. In Norway, companies with no business activities, namely Vinkompaniet AS and Ölkompaniet AS, were dissolved.

A new company, VSD Logistics A/S, was established in Denmark.

The consolidated financial statements include 32 subsidiaries and two joint ventures in which Altia owns 50%.

Board of Directors and Auditors

Markku Tapio has acted as the Chairman of Altia Corporation's Board of Directors, Heikki Hakala as the Vice Chairman, and members include Riitta Vermas, Satu Heikintalo, Jarmo Leppiniemi, and Jaakko Nenonen as a personnel representative. In the Annual General Meeting held on 6 April 2005, Satu Raiski was elected as a new member of the Board. In 2005, the Board of Directors met 13 times. The participation rate in the meetings was 92%.

The Board has appointed two committees consisting of its members to prepare matters in its purview to present to the Board for decision-making. The Nominations and Remuneration Committee comprised Chairman Markku Tapio and Vice Chairman Heikki Hakala, and the President and CEO who presents the recommendations. Heikki Hakala served as the Chairman of the Audit Committee and Jarmo Leppiniemi and Riitta Vermas as members. Audit Committee meetings were also attended by the company's head auditor, President and CEO, the Head of Internal Auditing, CFO and the Head of Company's Legal Affairs as the secretary.

In the Annual General Meeting held on 6 April 2005, KPMG Oy Ab Authorised Public Accountants were elected company auditors with Lasse Holopainen, Authorised Public Accountant, as the head auditor.

Altia Corporation's Board of Directors appointed Leena Saarinen, M. Sc. (Food Science), as the company's President and CEO effective as of 1 June 2005.

Net sales and result

The Altia Group recorded net sales of EUR 422.7 million (EUR 218.3 million). Comparable net sales decreased by 1.0%. Other

operating income amounted to EUR 6.7 million (EUR 47.2 million). Income consisted primarily of rents, service revenue and the sale of fixed assets. The income for 2004 included the Group's gain of EUR 43.1 million from the disposal of Finlandia Vodka shares.

The Group's personnel costs totalled EUR 48.7 million (EUR 32.3 million). Personnel costs rose as a result of the increase in the number of Group personnel caused by the amalgamation of the SBG companies.

Depreciation according to plan amounted to EUR 17.9 million (EUR 9.5 million). Depreciation included the depreciation of the value of SBG sale price allocated to customer accounts and suppliers in the amount of EUR 6.6 million.

The Group recorded an operating profit of EUR 24.8 million (EUR 68.5 million). The previous year's operating profit included the gain from the disposal of 20% of Finlandia Vodka Worldwide Ltd shares recorded under other operating income. Profit before taxes totalled EUR 23.0 million (EUR 69.1 million). After direct taxes of EUR 6.1 million (EUR 7.3 million), net profit for the period was EUR 17.2 million (EUR 61.8 million).

In Altia's IFRS-compliant reporting, geographic areas represent the primary segments.

The increase in net sales in Finland could be primarily attributed to the inclusion of Oy Wennerco Ab and Bibendum Oy as Group companies. Comparable net sales increased by 2.6%. The operating profit for 2004 included the gain from the disposal of FVW shares. Comparable operating profit decreased as a result of non-recurring items and the decline in the sales of spirits. In Sweden, we lost a few clients, which resulted in a decrease of 3.5% in comparable net sales. Owing to non-recurring items, Swedish operations generated a loss. In Norway, net sales were up by 7.8% on the previous year. Operating profit almost reached the targeted level. Net sales in the Baltic countries grew by 3.5%. However, operating profit fell, mainly due to marketing investments.

Parent company profit and loss account and balance sheet

In 2005, the parent company's net sales were EUR 185.8 million (EUR 181.3 million).

Other operating income amounted to EUR 7.5 million (EUR 47.0 million). Other operating income in 2004 included gain from the disposal of 20% of Finlandia Vodka Worldwide Ltd shares of EUR 41.7 million.

Net financial income in 2005 was EUR 4.6 million compared with EUR 1.7 million in 2004.

The parent company's Group contributions totalled EUR 1.8 million (EUR 0.0 million).

Net profit for the year after taxes was EUR 12.6 million (EUR 53.9 million).

The balance sheet total was EUR 362.8 million (EUR 359.1 million).

Net sales and operating profit by segment were as follows (EUR million):

	Net sales		Operating profit	
	2005	**2004**	**2003**	**2004**
Finland	238.2	212.2	20.4	67.0
Sweden	108.1		-0.6	
Norway	69.7		4.5	
Baltic countries	8.8	8.5	1.1	1.6
Others	2.3		-0.6	
Eliminations	-4.4	-2.3	0.0	-0.1
Total	**422.7**	**218.3**	**24.8**	**68.5**

The Group's gross investments distributed by segment as follows (EUR million):

	2005	**2004**
Finland	14.3	13.0
Sweden	1.2	48.6
Norway	0.6	0.0
Baltic countries	0.2	0.1
Other	0.8	0.0
Total	**17.1**	**61.7**

Investments, financing and research activities

The Group's gross investments totalled EUR 17.1 million (EUR 61.7 million)

The most significant investments in the reporting period included the modernisation of the wastewater system in co-operation with the municipality of Nurmijärvi and the extension of the material warehouse in Rajamäki.
The most significant investment in 2004 was the acquisition of the share capital of the SBG Group's Swedish parent company Scandinavian Beverage Group AB.

The Group's research and development costs totalled EUR 0.8 million (EUR 0.9 million) and involved alcoholic beverage product development.

The Group maintained a good financial position throughout the financial year. Interest-bearing liabilities increased by EUR 11.7 million (EUR 101.4 million) during the year and amounted to EUR 125.1 million (EUR 113.4 million) at the year-end. Financial expenses exceeded financial income by EUR 1.8 million (EUR 0.7 million).

Consolidated balance sheet total at the year-end was EUR 486.3 million (EUR 477.6 million).

Equity ratio was 39.0% (38.2%) at the year-end.

Gearing ratio was 51.5% (45.6%).

Environmental issues

Key environmental impacts of production had to do with the grain spirit production process at the Koskenkorva plant and with alcoholic beverage packaging at the Rajamäki plant. Both production plants employ quality and environmental management systems that have been certified for compliance with ISO 9001:2000 and ISO 14001:2004 standards. Environmental investments in 2005 totalled EUR 4.1 million (EUR 2.6 million). The most significant environmental investment was the joint wastewater treatment project with the municipality of Nurmijärvi that was launched in 2003 and completed in 2005. The project involved directing the wastewater produced by Altia and the Rajamäki, Röykkä and Klaukkala population centres to a new central water treatment plant in Klaukkala.

The past year was the first year during which the greenhouse gases were monitored in accordance with the emissions trading directive. Unused emission rights on 31 December 2005 and those transferred to the next financial year amounted to 10,180 tonnes.

Personnel

The Group employed 971 (713) personnel on average. Of all personnel, 676 (648) worked in Finland and 295 (65) worked abroad. Group personnel at the year-end was 947 (949). Number of personnel at the end of 2004 included SBG's personnel of 249 at the year-end.

Transition to IFRS

The financial statements for 2005 are the first to be prepared in accordance with the International Financial Reporting Standards. The impacts of this transition have been explained in detail in Notes to the Financial Statements.

Operating risks and insecurity factors

The alcohol debate continues in the Nordic countries. The parliamentary elections in Sweden in the coming autumn will raise the issue of lowering taxes on alcoholic beverages, particularly on spirits. If taxes are brought down in Sweden, Norway is likely to follow suit. The potential tax decisions in Sweden and Norway would harmonise the markets and reduce the cross-border trade and illegal alcohol trade. Meanwhile in Finland, the debate on raising the taxes on spirits continues. The tax differences in the deregulated markets, namely Estonia, Denmark and Germany, are still so marked in comparison with the other Nordic countries that the cross-border trade will continue for all alcoholic beverages, not just spirits. With the new and expanding geographic operating environment, efficient logistics chain management is the cornerstone of our success. Consequently, we are building a new logistics solution to accommodate the needs of the new Altia.

Post-balance sheet date events and outlook for the current year

The Altia Group has been able to successfully integrate its business operations, but major challenges this year include integrating the support functions and seeking synergy benefits. Key measures include enhancing the efficiency of country organisations and tapping into the product portfolio and supplier base expansion potential. Another key priority during the year will be to launch our own products and product brands across the entire geographic operating area. Our objective to increase our market shares in all Nordic and Baltic countries will act as the guideline for our operations. We are pursuing acquisitions in order to expand to Denmark and Latvia in the first half of 2006.

The synergy benefits derived from the Altia Group's new business operation structure will start taking effect towards the end of 2006 and in 2007. We expect our business growth to exceed market growth in our operating area and we expect to improve our operating result from the 2005 level.

Personnel was distributed by segment as follows:

	2005	2004
Finland	676	648
Sweden	118	0
Norway	105	0
Baltic countries	69	65
Other	4	0
Total	**971**	**713**

Consolidated income statement

EUR million		1.1.-31.12.2005	11.1.-31.12.2004
NET SALES	1)	422.7	218.3
Change in inventories of finished goods and work in progress		-0.3	0.5
Other operating income	3)	6.7	47.2
Raw material and services used		-276.3	-115.6
Employee benefit expenses	4)	-48.7	-32.3
Depreciation and amortisation expense	5)	-17.9	-9.5
Other operating expenses	6)	-61.4	-40.0
		-404.3	-197.4
OPERATING PROFIT		24.8	68.5
Financial income	8)	7.5	0.4
Financial expenses	9)	-9.3	-1.1
Share of profit of associates		-	1.2
PROFIT BEFORE TAX		23.0	69.1
Income tax expense	10)	-6.1	-7.3
PROFIT FOR THE PERIOD		17.0	61.8
Attributable to:			
Equity holders of the parent		17.2	61.8
Minority interest		-0.2	-0,0
		17.0	61.8
Earnings per share calculated for profit attributable to equity holders of the parent		0.48	1.72

Consolidated balance sheet

ASSETS EUR million		31.12.2005	31.12.2004
NON-CURRENT ASSETS			
Goodwill	11)	102.4	102.5
Other intangible assets	11)	67.7	74.4
Property, plant and equipment	12)	83.0	79.7
Investment property	13)	0.0	0.0
Other receivables		0.0	0.0
Other investments	13)	0.6	0.9
Deferred tax assets	14)	6.3	7.5
TOTAL NON-CURRENT ASSETS		259.9	265.1
CURRENT ASSETS			
Inventories	15)	60.9	58.8
Trade and other receivables	16)	138.1	123.3
Available-for-sale financial assets	17)	10.2	14.3
Financial assets at fair value through profit or loss	17)	0.8	0.2
Cash and cash equivalents	18)	16.5	15.8
TOTAL CURRENT ASSETS		226.4	212.5
TOTAL ASSETS		486.3	477.6

Consolidated balance sheet

EQUITY AND LIABILITIES EUR million		31.12.2005	31.12.2004
Share capital		60.5	60.5
Share premium		0.0	0.0
Translation reserve		-1.1	0.0
Fair value and other reserves		0.4	0.0
Retained earnings		128.0	120.0
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	19)	187.8	180.5
Minority interest		1.8	2.1
TOTAL EQUITY		189.6	182.6
NON-CURRENT LIABILITIES			
Deferred tax liabilities	14)	25.0	27.0
Interest-bearing liabilities	20)	75.9	6.2
Non-interest-bearing liabilities		-	3.1
Employee benefits	21)	2.0	6.1
Provisions	22)	1.7	3.6
TOTAL NON-CURRENT LIABILITIES		104.5	46.0
CURRENT LIABILITIES			
Interest-bearing liabilities	20)	49.2	107.3
Trade and other payables	23)	138.9	136.7
Income tax liability		4.1	5.0
CURRENT LIABILITIES		192.2	249.0
TOTAL LIABILITIES		296.7	295.0
TOTAL EQUITY AND LIABILITIES		486.3	477.6

Consolidated cash flow statements

EUR million	1.1.-31.12.2005	1.1.-31.12.2004
NET CASH FROM OPERATING ACTIVITIES		
Profit before tax	23.0	69.1
Adjustments:		
Depreciation and amortisation	17.9	9.5
Other non-cash transactions	-6.3	-5.2
Financial income and expenses	1.8	0.7
Other adjustments	-4.4	-43.0
OPERATING CASH FLOW BEFORE CHANGE IN WORKING CAPITAL	32.0	31.1
Change in working capital:		
Increase - / decrease + in current non-interest bearing receivables	-12.0	19.6
Increase - / decrease + in inventories	-2.1	-3.7
Increase + / decrease - in current non-interest-bearing liabilities	2.2	-11.1
	-11.9	4.8
Increase + / decrease - in non-current liabilities	-0.3	-
Increase - / decrease + in interest-bearing receivables relating to operations	0.0	-0.0
OPERATING CASH FLOW BEFORE FINANCIAL ITEMS AND TAXES	19.8	36.0
Interest and other financial expenses paid	-5.3	-0.8
Interest received	5.3	0.4
Income taxes paid	-9.2	-4.9
NET CASH FROM OPERATING ACTIVITIES (A)	10.6	30.7
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of intangible assets and property, plant and equipment	-14.6	-14.1
Proceeds from disposal of intangible assets and property, plant and equipment	1.3	0.2
Acquisition of other investments	-0.0	-
Proceeds from disposal of other investments	0.3	-
Acquisition of subsidiaries, net of cash acquired	-0.9	-48.1
Disposal of associates	-0.7	46.8
Dividends received	0.0	0.0
NET CASH FROM INVESTING ACTIVITIES (B)	-14.6	-15.3
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from non-current borrowings	70.0	-
Proceeds from current borrowings	48.2	105.0
Repayments of non-current borrowings	-106.4	-107.0
Dividends paid	-10.1	-10.1
Payments of finance lease liabilities	-0.9	-0.7
NET CASH FROM FINANCING ACTIVITIES (C)	0.9	-12.8
INCREASE + /DECREASE - IN CASH AND CASH EQUIVALENTS (A+B+C)	-3.1	2.7
CASH AND CASH EQUIVALENTS AT 1 JANUARY	30.3	27.7
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD	0.3	-
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	27.5	30.3

Consolidated statements of changes in equity

ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT									MINORITY INTEREST
EUR million	Share capital	Share premium	Fair value reserve	Hedging reserve	Other reserves	Translation reserve	Retained earnings	Total	
EQUITY AT 31 DECEMBER 2003	60.5	0.0	-	-	0.0	0.0	76.6	137.2	2.8
Impact of adopting the IFRSs	-	-	-	-	-	-	-8.5	-8.5	-0.5
ADJUSTED EQUITY AT 1 JANUARY 2004	60.5	0.0	-	-	0.0	0.0	68.2	128.7	2.4
Translation differences	-	-	-	-	-	0.0	-0.0	0.0	0.0
Other changes	-	-	-	-	-	-			-0.1
Profit for the period	-	-	-	-	-	-	61.8	61.8	0.0
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE PERIOD	-	-	-	-	-	-0.0	61.8	61.8	-0.1
Dividends to shareholders	-	-	-	-	-	-	-10.0	-10.0	-0.1
Deferred tax on items taken directly to equity	-	-	-	-	-	-	0.0	0.0	-
Acquisition of SBG Group	-	-	-	-	-	-	0.0	0.0	-
EQUITY AT 31 DECEMBER 2004	60.5	0.0	-	-	0.0	0.0	120.0	180.5	2.1
Impact of adopting IAS 32 and 39							0.9	0.9	-
ADJUSTED EQUITY AT 1 JANUARY 2005	60.5	0.0	-	-	0.0	0.0	120.9	181.4	2.1
Cash flow hedges									
Gains/(losses) taken to equity	-	-	-	0.6	-	-	-	0.6	-
Transferred to profit or loss for the period	-	-	-	-0.1	-	-	-	-0.1	-
Tax on hedges taken directly to equity	-	-	-	-0.1	-	-	-	-0.1	-
Available-for-sale investments:									
Valuation gains/(losses) taken to equity	-	-	-0.0	-	-	-	-	-0.0	-
Transferred to profit or loss for the period	-	-	0.0	-	-	-	-	0.0	-
Translation differences	-	-	-	-	-	-1.1	0.0	-1.1	-
Other changes	-	-	-	-	-	-	-	-	-0.0
Deferred tax on items taken directly to equity	-	-	-	-	-	-	-0.1	-0.1	-
Profit for the period	-	-	-	-	-	-	17.2	17.2	-0.2
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE PERIOD	-	-	-0.0	0.4	-	-1.1	17.1	16.4	-0.2
Dividends to shareholders	-	-	-	-	-	-	-10.0	-10.0	-0.1
EQUITY AT 31 DECEMBER 2005	60.5	0.0	-0.0	0.4	0.0	-1.1	128.0	187.8	1.8

Notes to the consolidated financial statements

Altia Corporation is the parent company of Altia Group, domiciled in Helsinki, Finland. The registered address of Altia Corporation is Salmisaarenranta 7, 00180 Helsinki.

1. ACCOUNTING PRINCIPLES

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) complying with the IAS- and IFRS-standards as well as the SIC- and IFRIC-interpretations in force on 31 December 2005. In the Finnish Accounting Act and ordinances based on the provisions of the Act, IFRSs refer to the standards and to their interpretations adopted in accordance with the procedures laid down in regulation (EC) No 1606/2002 of the European Parliament and of the Council. Notes to the Consolidated Financial Statements are also in accordance with the requirements of the Finnish Accounting and Companies Acts.

Altia Corporation has adopted IFRSs during the year 2005 and IFRS 1 "First time application of IFRS" has been applied. The Group's date of transition to IFRS was January 1, 2004 except the financial instruments standards IAS 32 "Financial Instruments: Disclosure and Presentation", and IAS 39 "Financial instruments: Recognition and Measurement", for which the transition date was January 1, 2005. Allowed by the IFRS 1 exemption, the comparative figures of financial instruments for 2004 are presented in accordance with the Finnish Accounting Standards (FAS). Other comparative figures have been adjusted to comply with the IFRS priciples.

The consolidated financial statements are prepared on the historical cost basis except as disclosed in the following accounting principles. In respect of business combinations that have occurred prior to IFRS transition date, goodwill represents the carrying amount recorded under previous Finnish Accounting Standards. The classification and accounting treatment of these business combinations has not been reconsidered in preparing the Group's opening balance sheet.

An explanation of the IFRS transition and its effects on the Group's profit and financial position as well as the reconciliation of profit and equity are presented in note 28.

Use of estimates

The preparation of financial statements in conformity with IFRSs requires the management to make estimates and assumptions that affect the applying of accounting principles, and the reported amounts of assets and liabilities, income and expenses, and disclosures. The estimates and associated assumptions are based on historical experience ja other factors that are believed to represent the best knowledge of the measurement of such assets and liabilities. Actual results may differ from these estimates.

Basis of consolidation

The financial statements include the parent company Altia Corporation and subsidiaries, of which the parent company owns, directly or indirectly, more than 50% of the voting rights in which the parent company otherwise exercises control.

All business combinations are accounted for by applying the purchase method. The financial statements of acquired subsidiaries are included in the consolidated financial statements from the date that control commences and the financial statements of subsidiaries disposed of until the date that control ceases. Intragroup transactions, receivables, liabilities, and unrealised gains as well as distribution of profits within the Group are eliminated in preparing the consolidated financial statements. Unrealised losses are not eliminated if there is evidence of impairment. Minority interests are presented as a separate item in the income statement and under the consolidated equity in the balance sheet.

Associates are those entities in which Altia Corporation owns 20-50% of the voting rights, or otherwise has significant influence, but not control. Roal Ltd ja Brand Partners AS of which Altia owns 50% have been accounted for by using proportionate consolidation. In 2004, the consolidated financial statements include Altia's share of Finlandia Vodka Worldwide sub-Group on an equity accounted basis until the date of disposal. Unrealised gains between Altia and the associates have been eliminated in proportion to share ownership.

Segment reporting

The Group's five primary geographical segments are Finland, Sweden, Norway, the Baltic countries and other countries. The secondary business segments are Proprietary brands, Supplier brands, Grain, Enzymes and Others.

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate that approximates the rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date. Foreign exchange differences arising on translation are recognised in the income statement. Foreign exchange gains and losses related to purchases and sales are treated as adjustments to respective items and included in the operating profit. Foreign exchange gains and losses related to loans are included in the financial income and expenses.

The income statements of foreign subsidiaries have been translated to euro using the average exchange rates for the accounting period. The balance sheets of foreign subsidiaries have been translated to euro using the exchange rates ruling at the balance sheet date. Foreign exchange differences arising from the translation of the income statements and balance sheets with different exchange rates are recognised in equity. Translation differences arising from eliminating the acquisition cost of foreign subsidiaries and from translating the foreign subsidiaries' accumulated equity subsequent to acquisition are recognised in translation reserve in equity.

Intangible assets

Intangible assets are measured at cost less accumulated amortisation and impairment losses.

Notes to the consolidated financial statements

The useful lives of intangible assets are as follows:

Customer relationships	12 years
Supplier relationships	10 years
Other capitalised expenditure	5 years
Computer software	3 years

Goodwill

Goodwill arising on acquisition of subsidiaries represents the difference between the cost of acquisition and the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is not amortised, but is tested annually for impairment. In respect of associates, goodwill is included in the carrying amount of the investment in the associate and tested in accordance with IAS 36 if there is any indication of impairment.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. The subsequent costs are recognised in the carrying amount of property, plant and equipment if the future economic benefits embodied with the item are in excess of the originally assessed standard of performance. All other expenditure is recognised as an expense as incurred.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives are as follows:

Buildings and constructions	20-40 years
Machinery and equipment	10 years
Transport equipment	5 years
Computer hardware	3 years

The estimated useful lives are reviewed at each balance sheet date and, and if they differ substantially from previous estimates, the depreciation periods are changed accordingly.

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

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is determined by using the weighted average cost method. The cost of finished goods and work in process includes materials, direct labour, other direct costs and an allocable proportion of variable and fixed procurement and production overheads based on normal capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Recycled bottles are included in the cost of inventories.

Financial assets

Financial assets held by the Group are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. Classification is made on initial recognition and is based on the nature of the item.

Financial assets and liabilities at fair value through profit or loss

The financial assets at fair value through profit or loss are accounted for at trade date. They are measured at fair value at the balance sheet date which is their current market bid price. Both unrealised and realised gains and losses resulting from changes in fair value are recognised in profit or loss as incurred. Derivative instruments not qualifying for the criteria of hedge accounting are also included in this category.

Loans and other receivables

Loans and other receivables arise when money, goods or services are delivered to a debtor. They are included in current or non-current assets in accordance with their maturity. Loans and receivables granted by the Group are measured at cost.

Available-for-sale financial assets

Available-for-sale assets comprise publicly listed securities and interest-bearing investments. Purchases and sales are accounted for at trade date and are measured at fair value. The investments in publicly traded securities are measured at fair value based on quoted market bid prices at the balance sheet date. Certain unquoted equity instruments for which fair values cannot be measured reliably are measured at the lower of cost and probable value. Unrealised gains and losses arising from the changes in fair value of available-for-sale financial assets are recognised, net of associated tax effect, in fair value reserve in equity. Cumulative changes in fair values of assets recognised directly in equity are transferred to profit or loss when the asset is sold or otherwise disposed. The significant impairment losses of which there is objective evidence are immediately recognised in profit or loss.

Derivative financial instruments

Derivative financial instruments are classified as financial assets and liabilities at fair value through profit or loss. They are recognised initially at cost and subsequent to initial recognition they are stated at fair value at each balance sheet date.

The fair value of interest rate swaps is calculated by discounting the relating future cash flows which the Group will receive. The fair values of forward and commodity contracts are calculated by using the market prices at the balance sheet date.

The changes in fair value of derivative financial instruments not qualifying for IAS 39 hedge accounting, even if they are considered economical hedges, are recognised in financial income and expenses in the income statement.

The Group applies IAS 39 hedge accounting to the electricity forward contracts and to the currency forward contracts of subsidi-

Notes to the consolidated financial statements

aries operating in Sweden and Norway. Changes in fair value of derivatives designated and qualifying as cash flow hedges and being effective, are recognised in hedging reserve in equity. The ineffective portion of the change in derivative's fair value is recognised immediately in profit or loss. The cumulative gains and losses associated with derivatives are transferred from equity to profit or loss in the same period with the hedged transaction.

Trade receivables

Trade receivables are recognised in the balance sheet at the original invoice value less doubtful receivables. The assessment of doubtful receivables and need to recognise an impairment loss is based on the risk relating to single financial asset items.

Cash and cash equivalents

Cash and cash equivalents comprises cash balances, bank accounts, and other liquid investments with maturities of three months or less at the acquisition date. Bank overdrafts are included in current liabilities.

Provisions

A provision is recognised, when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are stated to the present value of the expenditure required to settle the obligation.

A provision for restructuring is recognised only when a detailed and formal plan has been approved, and the implementation of the plan has either commenced or the plan has been announced to the persons it concerns.

As emissions occur, a provision for the obligation to deliver allowances is recognised.

Financial liabilities

When a financial liability is recognised initially the Group measures it at its fair value less transaction costs. After initial recognition the financial liabilities are measured at amortised cost by using the effective interest method. The financial liabilities are included in non-current and current liabilities and they are both interest-bearing and non-interest-bearing. The interest expenses are calculated by using the effective interest rate method.

Government grants and assistance

Government or other grants are recognised in the income statement in the same periods in which the relating expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised as a deduction of the carrying amount of the asset. The depreciable amount of the asset is determined after deducting the grant.

Research and development expenditure

Research expenditure is recognised in the income statement as an expense as incurred. The Group has no such expenditure on development activities that would qualify the capitalisation criteria of IAS 38 Intangible assets.

Impairment

At each balance sheet date, the carrying amounts of the Group's assets are reviewed to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount is the lower of asset's fair value less costs to sell and its value in use. An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. Irrespective of whether there is any indication of impairment, the recoverable amount of the following items is estimated annually: goodwill, indefinite-lived intangible assets and intangible assets not yet available for use. The need for recognising an impairment loss is considered at the cash-generating unit level.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Leases

Leases where lessee has substantially all risks and rewards incidental to the ownership are classified as finance leases. At the inception of the lease term, a finance lease is recognised as an asset at the amount equal to the lower of its fair value and the present value of the minimum lease payments. Property acquired by way of finance lease is depreciated over the shorter of the useful life and the lease period.

Leases where the lessor retains the risks and rewards of the ownership are classified as operating leases. Payments made under operating leases are expensed on a straight-line basis over the lease periods.

Employee benefits

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

Contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

The obligation in respect of defined benefit pension plans is assessed using the projected unit credit method and the benefit is attributed to periods of service. Pension expenses are recognised to periods of service according to actuarial calculations prepared by authorised actuaries. The amount recognised as a defined benefit liability or receivable comprises the net total of the following: the present value of the defined benefit obligation, the fair value of the plan assets, past service cost, and actuarial gains and losses. The discount rate to determine the present value of the defined benefit obligation is the yield on high quality corporate or government bonds with a similar maturity to the obligation.

Notes to the consolidated financial statements

Actuarial gains and losses are recognised in the income statement over the expected average remaining working lives of the employees participating in the plan, to the extent that their cumulative amount falls outside the higher of 10% of the present value of the pension obligation or 10 % fair value of plan assets.

Altia Group gives the employees long-service benefits classified as long-term employee benefit plan. The current employees participating in the plan have been employed by Altia prior to 31 December 1993. The amount recognised as a liability for this kind of a long-term employee benefit, is the present value of the defined benefit obligation based on actuarial calculations at the balance sheet date.

Income tax

Income tax in the consolidated income statement includes current tax based on taxable income for the financial period, any adjustments to taxes payable in respect of previous years and the deferred tax expense. Current income tax based on taxable income is calculated according to the local tax regulations.

Deferred tax assets and liabilities are recognised using the balance sheet liability method for all temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The most significant temporary differences arise from fixed assets, tax losses carried forward, internal profit included in inventories, and provisions. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the asset can be utilised.

Deferred taxes are calculated using tax rates enacted at the balance sheet date. The deferred tax relating to items recognised directly in equity is also recognised in equity.

Revenue

Revenue from the sales is recognised in the income statement when the significant risks and rewards of ownership of the goods have been transferred to the buyer and there is neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. Usually this coincides with the delivery.

Operating profit

The Group has defined operating profit as follows: operating profit is the net amount of net sales and other operating income less costs of finished goods and work in process adjusted with the change in inventories and the cost of production for own use, costs of employee benefits, depreciation, amortisation and impairment losses, and other operating expenses. Exchange rate differences related to normal business operations are included in operating profit; otherwise they are taken to financial income and expenses.

Non-current assets held for sale and discontinued operations

A non-current asset or a disposal group are classified as for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets held for sale and assets related to discontinued operations are recognised at the lower of carrying amount and fair value less costs to sell, if the carrying amount will be recovered principally through a sale transaction rather than through continuing use and the sale is expected to be highly probable.

A discontinued operation is a major line of business or geographical area of operations, that has been disposed of classified as for sale.

Application of improved or revised IFRS-standards

The Group will adopt in 2006 the following standards and IFRIC interpretations accepted by IASB in 2004 and 2005: IFRIC 4 “Determining Whether an Arrangement Contains a Lease”, IAS 19 (amendment) “Employee Benefits” and IFRS 7 “Financial Instruments: Disclosures”. Group estimates that the new standard will mainly impact the notes to the financial statements.

2. FINANCIAL RISK MANAGEMENT

The Group is exposed to financial risks in its international business activities. The objective of the Group risk management is to minimise the adverse effects arising from fluctuations of financial markets on the Group earnings. The major financial risks are currency risk, interest rate risk and funding risk. The Group hedges its financial risks by using currency forwards, interest rate and currency swaps, and commodity derivatives. The general risk management principles are approved by the Board of Directors. The Group Treasury together with the business divisions is responsible for the implementation of the general risk management principles in practise.

The Group Treasury, in close collaboration with operative divisions, identifies and estimates the risk exposure and acquires the relevant hedging instruments. The hedging transactions are implemented in accordance with the written Treasury Policy approved by the Group management.

Currency risk

Due to its international operations the Group is exposed to transaction risks resulting from foreign exchange positions. The Group is also exposed to risks arising from the translation of a foreign currency denominated investments into the parent company’s functional currency. From the Group’s point of view, the most significant currencies are NOK and SEK. The currency risks arise from business transactions, from monetary balance sheet items and from net investments in foreign operations.

Only the functional currency of the entity in question or commonly used currencies are accepted as the invoicing currencies. The Group hedges its operative cash flows with forward contracts and applies hedge accounting to these derivative instruments.

The subsidiaries hedge transactions with internal derivatives made with the Group Treasury. The segment reporting includes

Notes to the consolidated financial statements

these transactions. The Group Treasury then acquires an external derivative contract from an an external counterparty and this contract is designated and qualifying as a hedging instrument.

The amount of unrealised changes in fair values of derivatives recognised in hedging reserve in equity is specified in the notes.

The Group has net investments in foreign operations and it is exposed to risks arising from the translation of the investments denominated in NOK, SEK and DKK into the functional currency of the parent company. Group's hedges these net investments in foreign operations with either an equal amount of currency denominated loans, with interest rate and currency swaps or with forward contracts. The Group does not apply hedge accounting to the hedging of net investments in foreign operations.

Interest rate risk

Interest-bearing liabilities and their hedging operations expose the Group to the interest rate risk e.g. to the re-pricing risk and to the price risk arising from movements in interest rates. The interest rate risk management is centralised to the Group Treasury.

The Group's policy is to maintain a duration in the main debt currencies that matches a benchmark duration target range based on the company's estimated cash flow, the selected balance sheet ratios, the assumed business cyclicality and also the shape of the interest rate yield curve. The objective of interest rate risk management is to reduce the fluctuations in the interest charge, enabling a more stable profit for the period.

The Group manages interest rate risk by the selection of debt interest periods and by using derivatives such as interest rate swaps and currency swaps.

Liquidity risk and re-financing risk

The Group maintains sufficient liquidity reserves at all times by efficient cash management structures such as cash pools and overdraft facilities. Excess cash is invested in bank deposits in co-operating banks, government bonds, commercial papers with high credit rating, and selected bonds issued by the Finnish companies.

The company utilises uncommitted credit facilities for short-term financial purposes by co-operating banks. The company maintains unused committed credit facilities to ensure sufficient financing resources in all circumstances. Re-financing risk is managed by maintaining a diversified maturity structure of loans and debt facilities, that takes into account the estimated cash flows.

Credit risk

The Group's policy defines principles and credit rating requirements applied with the customers and the counterparties related to the treasury transactions and derivative contracts.

The Group has no substantive credit risks relating to receivables, because of a broad and geographically diversified customer base. Credit granting is limited to the companies with intact credit information. The amount of credit losses recognised during the period is not substantive. The Group enters forward contracts and investment transactions only with highly credit rated (AA) counterparties. The maximum amount of credit risk is limited to the carrying amount of cash and cash equivalents at 31 December 2005.

3. TRANSITION TO IFRSs

For the financial year starting at January 1, 2005 Altia Group has prepared the first consolidated financial statements in accordance with the International Financial Reporting Standards (IFRSs). Prior to this, the consolidated financial statements were prepared in accordance with the Finnish accounting standards (FAS) applicable to the unlisted companies. The Group's date of transition to IFRSs was January 1, 2004. For the financial instruments the Group has applied the exemption granted in IFRS 1. Accordingly, the comparative information for 2004 of IAS 32 and 39 has not been restated.

Transition to IFRSs has changed the calculations included in the financial statements, the notes and the accounting principles that were presented in accordance with the FAS previously applied by the Group. The Financial Statements dated 31 December 2005, the comparative information dated 31 December 2004 and the opening balance sheet according to IFRSs dated 1 January 2004 have been prepared in accordance with the accounting principles presented in the notes.

The differences arising between the IFRSs and FAS previously applied by the Group are explained in the reconciliations and their notes.

In Altia Corporation, the most significant effect of the transition to IFRSs were related to the following items: allocation the cost of acquisition (IFRS 3), employee benefits (IAS 19), financial leases (IAS 17), measurement of property, plant and equipment (IAS 16) and measurement of inventories (IAS 2).

The application of IAS 32 and IAS 39 had no material effect on balance sheet.

Other changes

In addition to the changes given above, the transition to IFRSs has had other insignificant effects relating to the presentation of the balance sheet and income statement items. No material adjustments were made in respect of the cash flow statement.

Notes to the consolidated financial statements

1. Segment reporting

The Altia Group's business operations are divided, primarily, into geographical segments and secondarily, into business segments. The presented segments represent the Group's internal organisational structure and financial reporting structure.

Geographical segments

The primary geographical segments comprise the following:
• Finland
• Norway
• Sweden
• Baltics
• Other countries

In presenting information on the basis of geographical segments, segment sales is based on the geographical location of customers and segment assets is based on the geographical location of the assets.

Inter-segment pricing is mainly determined on an arm's length basis.

Business segments

The secondary format, business segments, comprise the following businesses:
• Proprietary brands
• Supplier brands
• Grain
• Enzymes
• Others

Segment assets and liabilities

Segment assets and liabilities include the assets and liabitilies directly attributable to a segment or those that can be allocated on a reasonable basis. The assets include intangible assets, property, plant and equipment, inventories and non-interest-bearing receivables (trade receivables, prepaid expenses and accrued income and other receivables relating to the segment's operations). Segment liabilities comprise of non-interest-bearing current liabilities that include trade payables and accrued expenses relating to the segment's operations).

Unallocated items

General expenses that arise at the Group level, such as business development and Group management expenses, have not been allocated to the segments. Unallocated assets mainly include items relating to Group administration and tax and financing items. Unallocated liabilities comprise joint Group items such as those relating to administration, non-current and current loans, and income tax liabilities.

1.1 GEOGRAPHICAL SEGMENTS 2005

EUR million	Finland	Norway	Sweden	Baltics	Other countries	Eliminations	Group total
Net sales to external customers							
Sales of goods	233.3	56.1	107.7	8.8	2.3	-	408.2
Sales of services	1.2	13.3	-	-	-	-	14.5
NET SALES TO EXTERNAL CUSTOMERS	234.4	69.5	107.7	8.8	2.3	-	422.7
Inter-segment net sales	3.8	0.2	0.4	-	-	-4.4	-
TOTAL NET SALES	238.2	69.7	108.1	8.8	2.3	-4.4	422.7
Segment operating profit	20.4	4.5	-0.6	1.1	-0.6	0,0	24.8
Uncallocated items	-	-	-	-	-	-	-
OPERATING PROFIT	20.4	4.5	-0.6	1.1	-0.6	-	24.8
Unallocated items	-	-	-	-	-	-	-7.8
Minority interest	-	-	-	-	-	-	0.2
PROFIT FOR THE PERIOD	-	-	-	-	-	-	17.2
Segment assets	220.9	123.0	94.1	4.7	1.6	3.1	447.5
Unallocated assets	-	-	-	-	-	-	38.8
TOTAL ASSETS	220.9	123.0	94.1	4.7	1.6	3.1	486.3
Segment liabilities	81.4	35.6	39.7	2.5	2.7	-20.2	141.7
Unallocated liabilities	-	-	-	-	-	-	155.1
TOTAL LIABILITIES	81.4	35.6	39.7	2.5	2.7	-20.2	296.7
Capital expenditure	14.3	0.6	1.2	0.2	0.8	-	17.1
Depreciation and amortisation	-10.7	-2.4	-4.6	-0.2	-0.0	-	-17.9

Notes to the consolidated financial statements

GEOGRAPHICAL SEGMENTS 2004

EUR million	Finland	Norway	Sweden	Baltics	Other countries	Eliminations	Group total
Net sales to external customers							
Sales of goods	209.7	-	-	8.5	-	-	218.2
Sales of services	0.2	-	-	-	-	-	0.2
NET SALES TO EXTERNAL CUSTOMERS	209.9	-	-	8.5	-	-	218.3
Inter-segment net sales	2.3	-	-	-	-	-2.3	-
TOTAL NET SALES	212.2	-	-	8.5	-	-2.3	218.3
Segment operating profit	67.0	-	-	1.6	-	-0.1	68.5
Uncallocated items	-	-	-		-	-	-
OPERATING PROFIT	67.0	-	-	1.6	-	-0.1	68.5
Share of profit of associates	1.2	-	-	-	-	-	1.2
Unallocated items	-	-	-	-	-	-	-8.0
Minority interest	-	-	-	-	-	-	0.0
PROFIT FOR THE PERIOD	-	-	-	-	-	-	61.8
Segment assets	214.1	117.4	88.1	5.2	0.9	10.8	436.5
Investments in associates	-	-	-	-	-	-	-
Unallocated assets	-	-	-	-	-	-	41.1
TOTAL ASSETS	214.1	117.4	88.1	5.2	0.9	10.8	477.6
Segment liabilities	87.5	36.8	26.2	3.0	1.3	-20.4	134.5
Unallocated liabilities	-	-	-	-	-	160.4	160.4
TOTAL LIABILITIES	87.5	36.8	26.2	3.0	1.3	140.1	295.0
Capital expenditure	13.0	-	48.6	0.1	-	-	61.7
Depreciation and amortisation	-9.4	-	-	-0.2	-	-0.0	-9.5

1.2 BUSINESS SEGMENTS 2005

EUR million	Proprietary brands	Supplier brands	Grain	Enzymes	Other	Group total
Net sales	92.9	217.0	40.2	12.5	60.0	422.7
Segment assets	148.0	248.1	40.9	10.5	38.9	486.3
Capital expenditure	4.0	9.3	1.7	0.2	2.0	17.1

BUSINESS SEGMENTS 2004

EUR million	Proprietary brands	Supplier brands	Grain	Enzymes	Other	Group total
Net sales	48.0	112.1	20.8	6.5	31.0	218.3
Segment assets	145.3	243.6	40.2	10.3	38.2	477.6
Capital expenditure	10.6	45.6	3.7	0.2	1.5	61.7

Notes to the consolidated financial statements

2. Acquisition of subsidiaries

Altia Corporation acquired Scandinavian Beverage Group (SBG) in December 2004. SBG consisted of the companies importing and selling non-alcoholic and alcoholic beverages in Sweden, Norway, Denmark and Finland.

Altia Corporation acquired all the shares of the parent company Scandinavian Beverage Group AB for EUR 48.6 million satisfied in cash.

Only the balance sheets of the parent company Scandinavian Beverage Group and its subsidiaries and joint ventures were consolidated in Altia Corporation's financial statements in 2004.

Allocation of the cost of the business combination to the assets acquired and liabilities assumed

A part of the cost of SBG's acquisition has been allocated to intangible rights, that is, customer and supplier relationships.

When determining the useful lives of the customer relationships, the maintenance of the state monopoly over the alcoholic beverages has been considered, as well as the permanence of customer relationships after a possible break-up. Based on these considerations, the amortisation period of 12 years has been used.

Supplier relationships mainly result from proprietary brands. Historical experience of the relationships' duration has been used in determining their amortisation periods being 10 years.

The fair values of customer and supplier relationships by country were as follows (EUR million):

Finland	7.8
Norway	20.0
Sweden	45.4
	73.2

ACQUIREE'S NET ASSETS AT THE ACQUISITION DATE
EUR million

	Fair values	Carrying amounts before consolidation
Intangible assets	73.6	0.4
Goodwill	68.3	121.1
Property, plant and equipment	1.7	1.7
Investments	0.4	0.4
Inventories	24.6	24.6
Non-current receivables	3.4	3.4
Current receivables	54.1	54.1
Cash and cash equivalents	2.9	2.9
Total assets	229.0	208.6
Minority interest	0.0	0.0
Deferred tax liabilities	21.7	1.3
Interest-bearing liabilities	103.0	103.0
Other liabilities	69.4	69.4
Total liabilities and minority interest	194.0	173.6
Net identifiable assets and liabilities	35.0	35.0
Acquisition cost	-48.6	-48.6
Goodwill	-13.6	-13.6
Consideration paid in cash	48.6	48.6
Cash (acquired)	-2.9	-2.9
Net cash outflow	45.6	45.6

Notes to the consolidated financial statements

3. OTHER OPERATING INCOME EUR million	2005	2004
Gain on sale of intangible assets and property, plant and equipment	1.2	1.5
Rental income	1.4	1.4
Other	4.0	44.3
TOTAL	6.7	47.2

4. EMPLOYEE BENEFIT EXPENSES EUR million	2005	2004
Wages and salaries	41.1	27.8
Pension expenses		
Defined contribution plans	5.5	1.0
Defined benefit plans	-2.0	1.3
Other social security contributions	4.1	2.2
TOTAL	48.7	32.3
Average number of personnel during the period		
Workers	405	406
Clerical employees	566	307
TOTAL	971	713

Information on management employee benefit expense is presented in the note 27. Related party transactions.

5. DEPRECATION AND AMORTISATION EUR million	2005	2004
Depreciation and amortisation by asset type:		
Property, plant and equipment		
Buildings	2.6	2.5
Machinery and equipment	7.0	5.6
Machinery and equipment acquired by finance lease	1.0	0.8
Other tangible assets	0.1	0.1
TOTAL	10.7	9.1
Intangible assets		
Intangible rights	6.7	0.0
Other intangible assets	0.5	0.4
TOTAL	7.2	0.5

Notes to the consolidated financial statements

6. OTHER OPERATING EXPENSES EUR million	2005	2004
Loss on disposal of intangible assets and property, plant and equipment	0.1	0.0
Rental expenses	4.7	3.0
Other items	56.6	37.0
TOTAL	61.4	40.0

7. RESEARCH AND DEVELOPMENT EXPENDITURE

Research and development expenditure amounting to EUR 0.8 million has been recognised in the income statement in 2005 (EUR 0.9 million in 2004).

8. FINANCIAL INCOME EUR million	2005	2004
Interest income	0.4	0.4
Dividend income	-0.0	0.0
Foreign exchange gains	6.0	-
Gain on remeasurement of forward contracts - not designated as a hedge	-0.0	-
Gain on disposal of assets held for trading	0.1	-
Other financial income	0.9	0.0
TOTAL	7.5	0.4

Foreign exchange gains and losses amounting to EUR 0.3 million in 2005 (EUR 0.04 million in 2004) are included in the operating profit.

9. FINANCIAL EXPENSES EUR million	2005	2004
Interest expenses	4.1	0.6
Foreign exchange losses	3.9	0.0
Other financial expenses	1.4	0.5
TOTAL	9.3	1.1

Other financial expenses inluce interest expenses of EUR 0.4 million in 2005 (EUR 0.3 million in 2004) recognised due agreements classified as finance lease.

Notes to the consolidated financial statements

10. INCOME TAX EXPENSE EUR million	2005	2004
Income taxes payable in respect of the taxable profit	6.8	5.2
Adjustments to taxes of prior years	0.0	-0.0
Deferred tax expense	-0.7	2.1
TOTAL	6.1	7.3

The Reconciliation of tax expense EUR 6.1 million recognised in the income statement and tax expense calculated using the Altia Group's domestic corporate tax rate (26 % in 2005, 29 % in 2004).

EUR million	2005	2004
Profit before taxes	23.0	69.1
Income tax using the domestic corporation tax rate	6.0	18.0
Effect of tax rates in foreign jurisdictions	-0.7	-0.4
Tax exempt income	0.2	-12.1
Non-deductible expenses	0.4	0.1
Benefit arising from a previously unrecognised tax loss	0.0	-0.0
Deferred tax income due to change in tax rate	-	-1.1
Losses with no tax benefit	0.2	-
Intragroup profits	0.0	0.0
Origination and reversal of temporary differences	-0.7	1.4
Change in provisions with no tax benefit / expense	0.4	
Fair value remeasurement	0.3	1.4
TAX EXPENSE IN THE INCOME STATEMENT	6.1	7.3

Notes to the consolidated financial statements

11. INTANGIBLE ASSETS EUR million	Intangible rights	Other intagible assets	Prepayments	Total
Cost at 1 January 2005	73.5	6.2	0.2	79.8
Additions	0.3	0.8	0.3	1.4
Disposals	-	-	-	-
Effect of movements in foreign exchange	-1.2	0.0	-	-1.1
Transfers between assets	0.2	0.3	-0.2	0.4
Cost at 31 December 2005	72.8	7.4	0.3	80.5
Accumulated amortisation and impairment losses at 1 January 2005	-0.1	-5.3	-	-5.4
Amortisation for the period	-6.6	-0.3	-	-6.9
Transfers between assets	-0.1	-0.1	-	-0.2
Effect of movements in foreign exchange	-0.1	-0.2	-	-0.3
Accumulated amortisation and impairment losses at 31 December 2005	-6.9	-5.9	0.0	-12.9
Carrying amount at 1 January 2005	73.3	0.9	0.2	74.4
Carrying amount at 31 December 2005	65.9	1.4	0.3	67.7
Cost at 1 January 2004	0.2	5.5	0.0	5.7
Additions	0.0	0.2	0.2	0.4
Acquisition through business combinations	73.3	0.6		73.8
Disposals	0.0	0.0	0.0	-0.1
Transfers between assets	0.0	-	0.0	0.0
Cost at 31 December 2004	73.5	6.2	0.2	79.8
Accumulated amortisation and impairment losses at 1 January 2004	-0.1	-4.7	-	-4.8
Amortisation for the period	0.0	-0.4	-	-0.5
Transfers between assets	0.0	0.0	-	0.0
Accumulated amortisation from acquisitions	0.0	-0.2	-	-0.3
Effect of movements in foreign exchange	0.0	0.0	-	0.0
Accumulated amortisation and impairment losses at 31 December 2004	-0.1	-5.3	0.0	-5.4
Carrying amount at 1 January 2004	0.1	0.8	0.0	0.9
Carrying amount at 31 December 2004	73.3	0.9	0.2	74.4

Notes to the consolidated financial statements

11. GOODWILL EUR million	Goodwill arising from the acquisition of businesses	Goodwill arising from the acquisition of companies	Total
Cost at 1 January 2005	1.3	107.2	108.4
Additions	-	0.8	0.8
Disposals	-	-2.7	-2.7
Effect of movements in foreign exchange	-	1.8	1.8
Transfers between assets	-	-	-
Cost at 31 December 2005	1.3	107.0	108.3
Accumulated amortisation and impairment losses at 1 January 2005	-1.3	-4.6	-5.9
Impairment loss for the period	-	-	-
Disposals and transfers between assets	-	-	-
Accumulated amortisation and impairment losses at 31 December 2005	-1.3	-4.6	-5.9
Carrying amount at 1 January 2005	-	102.5	102.5
Carrying amount at 31 December 2005	-	102.4	102.4
Cost at 1 January 2004	1.3	24.9	26.2
Additions	-	0.4	0.4
Acquisitions through business combinations	-	81.8	81.8
Transfers between assets	-	-	-
Cost at 31 December 2004	1.3	107.2	108.4
Accumulated amortisation and impairment losses at 1 January 2004	-1.3	-4.6	-5.9
Impairment loss for the period	-	-	-
Disposals and transfers between assets	-	-	-
Accumulated amortisation from acquisitions	-	-	-
Effect of movements in foreign exchange	-	-	-
Accumulated amortisation and impairment losses at 31 December 2004	-1.3	-4.6	-5.9
Carrying amount at 1 January 2004	-	20.3	20.3
Carrying amount at 31 December 2004	-	102.5	102.5

Goodwill allocation and impairment testing

During the year 2005 Altia Group's business model has been restructured and the operations of the former Altia and SBG sub-Groups have been integrated accordingly.

Implementation of the new business model will generate synergies to the logistics and warehousing operations and the sales of proprietary brands within the whole area of operations. This will increase the utilisation of Altia's own production capacity. In line with the new business model the strategic supplier relationships are managed centrally.

Goodwill has been allocated to the geographical segments, each of which constitutes a cash-generating unit. The total amount of goodwill amounted to EUR 102.4 million at the end of the period. The allocation to the segments was as follows:

Finland	67.0
Norway	17. 9
Sweden	17. 0
Baltic	0.4
	102.4

Goodwill allocated to the cash-generating units, other intangible assets and property, plant and equipment were tested for impairment for the first time at the IFRS transition date 1 January 2004.

The recoverable amounts of the geographical segments are based on value in use calculations. The variables to determining the cash flows are profitability, weighted average cost of capital (WACC), residual value, the length of the forecast period for the cash flows. The management makes assumptions of the development of these variables on the basis of the internal and external views of the industry history and future. The management's forecast period for the calculations covers 5 years. Thereafter, the cash flow projections are extrapolated using a two per cent growth rate. The weighted average cost of capital of 5.5% is used as a discount rate for the cash flow estimates.

No impairment losses have been recognised as a result of the impairment testing in 2005 or 2004.

Notes to the consolidated financial statements

12. PROPERTY, PLANT AND EQUIPMENT EUR million	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Cost at 1 January 2005	2.7	82.1	146.2	1.5	4.0	236.5
Additions	-	0.7	7.0	0.0	1.3	9.0
Disposals	0.0	0.0	-1.8	0.0	-	-1.9
Acquisitions through business combinations	-	4.5	-	-	-	4.5
Effect of movements in foreign exchange	-	-	0.0	-	-	0.0
Transfers between asset categories	-	2.4	1.2	-	-4.0	-0.4
Cost at 31 December 2005	2.7	89.6	152.6	1.4	1.3	247.7
Accumulated depreciation and impairment losses at 1 January 2005	-	-50.0	-112.9	-0.7	-	-163.6
Depreciation for the period	-	-2.6	-7.0	-0.1	-	-9.7
Disposals and transfers	-	-	1.9	-	-	1.9
Effect of movements in foreign exchange	-	-	0.1	-	-	0.1
Accumulated depreciation and impairment losses at 31 December 2005	0.0	-52.6	-117.9	-0.8	0.0	-171.3
Carrying amount at 1 January 2005	2.7	32.0	33.3	0.7	4.0	72.8
Carrying amount at 31 December 2005	2.7	37.0	34.7	0.6	1.3	76.4
Cost at 1 January 2004	2.7	80.2	134.2	1.5	1.3	219.9
Additions	-	1.8	8.5	-	3.4	13.7
Acquisitions through business combinations	-	-	5.0	-	-	5.0
Disposals	0.0	0.0	-2.1	0.0	-	-2.1
Effect of movements in foreign exchange	-	-	-	-	0.0	0.0
Transfers between asset categories	-	0.0	0.6	-	-0.6	0.0
Cost at 31 December 2004	2.7	82.1	146.2	1.5	4.0	236.5
Accumulated depreciation and impairment losses at 1 January 2004	-	-47.5	-105.9	-0.6	-	-154.0
Depreciation for the period	-	-2.5	-5.6	-0.1	-	-8.3
Accumulated depreciation from acquisitions	-	-	-3.3	-	-	-3.3
Disposals and transfers	-	0.0	1.9	-	-	1.9
Effect of movements in foreign exchange	-	0.0	0.0	-	-	0.0
Accumulated depreciation and impairment losses at 31 December 2004	-	-50.0	-112.9	-0.7	-	-163.6
Carrying amount at 1 January 2004	2.7	32.8	28.2	0.8	1.3	65.9
Carrying amount at 31 December 2004	2.7	32.0	33.3	0.7	4.0	72.8

EUR million	2005	2004
Carrying amount of production machinery and equipment at 31 December	29.7	25.9

Notes to the consolidated financial statements

PROPERTY, PLANT AND EQUIPMENT INCLUDES ASSETS ACQUIRED BY FINANCE LEASE AS FOLLOWS: EUR million	Machinery and equipment acquired by finance lease	Property, plant and equipment total
Cost at 1 January 2005	8.6	245.0
Additions	1.4	10.4
Disposals	-1.2	-3.1
Effect of movements in foreign exchange	0.0	0.0
Cost at 31 December 2005	8.7	256.4
Accumulated depreciation and impairment losses at 1 January 2005	-1.7	-165.3
Depreciation for the period	-1.0	-10.7
Disposals and transfers	0.6	2.5
Effect of movements in foreign exchange	0.0	0.1
Accumulated depreciation and impairment losses at 31 December 2005	-2.1	-173.4
Carrying amount at 1 January 2005	6.9	79.7
Carrying amount at 31 December 2005	6.6	83.0
Cost at 1 January 2004	7.3	227.2
Additions	1.1	14.7
Disposals	1.1	6.1
Effect of movements in foreign exchange	-0.9	-3.0
Cost at 31 December 2004	8.6	245.0
Accumulated depreciation and impairment losses at 1 January 2004	-1.1	-155.2
Depreciation for the period	-0.8	-9.1
Disposals and transfers	-0.3	1.6
Effect of movements in foreign exchange	0.6	0.6
Accumulated depreciation and impairment losses at 31 December 2004	-1.7	-165.3
Carrying amount at 1 January 2004	6.2	72.0
Carrying amount at 31 December 2004	6.9	79.7

Fortum Lämpo Oy has built at its own cost a steam power plant in Altia's factory area. According to the agreement made, Altia is obliged to acquire the plant after the agreement period or at the termination of the agreement. Altia pays Fortum for the plant as energy costs for 15 years after which the right of ownership is transferred to Altia. The depreciation period of the plant included in Altia's property, plant and equipment equals to these 15 years.

13. INVESTMENT PROPERTY AND OTHER INVESTMENTS

INVESTMENT PROPERTY EUR million	2005	2004
Cost at 1 January	0.0	0.2
Disposals	0.0	-0.1
Cost at 31 December	0.0	0.0
Accumulated depreciation at 1 January	-	-0.1
Depreciation for the period	-	0.0
Disposals and transfers	-	0.1
Accumulated depreciation at 31 December	-	0.0
AT THE END OF THE PERIOD	0.0	0.0
FAIR VALUE	1.2	1.8

Altia measures all investment property based on the cost model.

OTHER INVESTMENTS EUR million	Other shares and interest	Holding in associated companies	Total
Cost at 1 January 2005	0.9	-	0.9
Additions	0.0	-	0.0
Disposals	-0.3	-	-0.3
Effect of movements in foreign exchange	0.0	-	0.0
Transfers between asset categories	-0.1	-	-0.1
Cost at 31 December 2005	0.6	-	0.6
Carrying amount at 1 January 2005	0.9	-	0.9
Carrying amount at 31 December 2005	0.6	-	0.6
Cost at 1 January 2004	0.6	4.4	5.0
Acquisitions through business combinations	0.4	-	0.4
Disposals	0.0	-4.4	-4.4
Cost at 31 December 2004	0.9	-	0.9
Accumulated earnings and impairment losses at 1 January 2004	-0.0	-2.7	-2.7
Accumulated earnings shares of decreases and impairment losses	0.0	1.4	1.5
Share of profit for the financial year	-	1.2	1.2
Accumulated earnings and impairment losses at 31 December 2004	-	-	-
Carrying amount at 1 January 2004	0.6	-	0.6
Carrying amount at 31 December 2004	0.9	-	0.9

14. DEFERRED TAX ASSETS AND LIABILITIES EUR million	Balance at 1.1.2005	Recognised in profit or loss	Recognised in equity	Foreign exchange differences	Subsidiaries acquired or disposed of	Balance at 31.12.2005
Change in deferred tax assets and liabilities during 2005:						
DEFERRED TAX ASSETS:						
Tax value of loss carry-forwards recognised	3.1	-0.7	-	0.1	-	2.1
Pension benefits	2.0	-1.1	-	-	-	0.8
Cash flow hedges	-	-	0.1	-	-	0.1
Fair value adjustment in acquisition	-	-	0.0	-	-	0.0
Other items	2.5	0.5	-	0.0	-	3.2
TOTAL	7.5	-1.4	0.1	0.1	-	6.3
DEFERRED TAX LIABILITIES:						
Depreciation differences and optional provisions	5.6	-0.9	-	-0.1	-	4.7
Cash flow hedges	-	0.0	0.3	0.0	-	0.3
Fair value adjustment in acquisition	20.3	-1.8	0.2	-0.3	-	18.4
Other items	1.0	0.5	0.1	0.0	-	1.6
TOTAL	27.0	-2.2	0.5	-0.4	-	25.0

EUR million	Balance at 1.1.2004	Recognised in profit or loss	Recognised in equity	Foreign exchange differences	Subsidiaries acquired or disposed of	Balance at 31.12.2004
Change in deferred tax assets and liabilities during 2004						
DEFERRED TAX ASSETS:						
Tax value of loss carry-forwards recognised	0.2	0.1	-	-	2.8	3.1
Pension benefits	3.3	-1.3	-	-	-	2.0
Other items	2.7	-0.8	-	-	0.6	2.5
TOTAL	6.1	-2.0	-	-	3.4	7.5
DEFERRED TAX LIABILITIES:						
Depreciation differences and optional provisions	4.7	-0.4	-	-	1.3	5.6
Fair value adjustment in acquisition	-	-	-	-	20.3	20.3
Other items	0.5	0.5	-	-	-	1.0
TOTAL	5.2	0.1	-	-	21.6	27.0

A deferred tax liability for the foreign subsidiaries' retained earnings has not been recognised.

Notes to the consolidated financial statements

15. INVENTORIES EUR million	2005	2004
Raw materials and consumables	13.7	12.7
Work in progress	3.5	4.0
Finished goods	17.1	18.2
Goods for resale	26.1	23.8
Advance payments	0.4	0.0
TOTAL	60.9	58.8

The write-down of the Group companies' inventories recognised during the period amounts to EUR 2.6 million.

16. TRADE AND OTHER RECEIVABLES (CURRENT) EUR million	2005	2004
Trade receivables	128.7	114.5
Trade receivables due from associates	0.2	0.6
Prepaid expenses and deferred income		
Interests	0.0	0.0
Other	2.9	2.4
Fair value derivatives	1.2	-
Other receivables	1.9	3.7
Income tax receivable	3.2	2.2
TOTAL	138.1	123.3

17. OTHER INVESTMENTS EUR million	2005	2004
Investment funds	10.2	14.3
TOTAL AVAILABLE-FOR-SALE INVESTMENTS	10.2	14.3
Financial assets held for trading	0.8	0.2
TOTAL FINANCIAL ASSETS HELD FOR TRADING	0.8	0.2

18. CASH AND CASH EQUIVALENTS EUR million	2005	2004
Cash in hand and bank balances	14.5	12.8
Commercial papers (1 - 3 months' maturity)	2.0	3.0
TOTAL	16.5	15.8

Notes to the consolidated financial statements

19. EQUITY

The following reserves are included in equity:

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the foreign subsidiaries' financial statements. These translation differences amounted to EUR -1.1 million at 31 December 2005 (zero at 31 December 2004).

Fair value reserve

Fair value and other reserves consists of Hedging reserve and Fair value reserve. It includes the cumulative change in the fair value of available-for-sale investments and in the fair value of the effective portion of cash flow hedging instruments.

20. INTEREST-BEARING LIABILITIES EUR million	2005 Carrying amounts	2004 Carrying amounts
NON-CURRENT		
Loans from banks	70.0	-
Finance lease liabilities	5.9	6.2
TOTAL	75.9	6.2
CURRENT		
Loans from banks	48.2	106.4
Current portion of finance lease liabilities	1.0	0.9
TOTAL	49.2	107.3

Interest-bearing liabilities are measured at amortised cost on an effective interest basis.

Non-current liabilites mature as follows:

2005 EUR million	2006	2007	2008	2009	2010	later
Loans from banks, floating rate	-	-	-	5.0	10.0	55.0
Finance lease liabilities	1.0	0.7	0.5	0.5	0.5	2.9
Total	1.0	0.7	0.5	5.5	10.5	57.9

2004 EUR million	2 005	2006	2007	2008	2009	later
Finance lease liabilities	0.9	0.5	0.5	0.5	0.5	3.4
Total	0.9	0.5	0.5	0.5	0.5	3.4

Notes to the consolidated financial statements

The currency mix of non-current interest-bearing liabilites is as follows:	2005	2004
EUR million	75.5	5.7
SEK million	4.0	4.8

The weighted average interest rates of non-current liabilities at the balance sheet date:	2005
Loans from banks	2.96 %
Finance lease liabilities	3.0 %

The currency mix of current interest-bearing liabilites is as follows:	2005	2004
EUR million	41.7	107.7
SEK million	78.8	5.4
NOK million	0.6	-

The weighted average interest rates of current liabilities at the balance sheet date:	2005
Loans from banks	2.86 %
Finance lease liabilities	3.0 %

The Group's finance lease liabilities mature as follows: EUR million	2005	2004
Future minimum lease payments		
Less than one year	1.3	1.3
Between one and five years	3.5	3.6
More than five years	2.9	3.4
Total future minimum lease payments	7.7	8.3
The present value of minimum lease payments		
Less than one year	1.0	1.0
Between one and five years	2.3	2.3
More than five years	2.2	2.5
Total present value of minimum lease payments	5.5	5.8
Future finance expenses	2.2	2.5
TOTAL FINANCE LEASE LIABILITIES	7.7	8.3

Notes to the consolidated financial statements

21. NON-CURRENT EMPLOYEE BENEFIT OBLIGATIONS

a) Pension obligations

The Group operates various pension plans in accordance with local conditions and practices in different countries. In the Finnish companies, the legal pension schemes have been arranged in pension insurance companies. The voluntary pension schemes are covered by additional pension insurances. The foreign subsidiaries manage their pension plans in accorance with the local legislation and established practise. In Sweden, the pension plan is arranged through pension insurance companies. In Finland the pension plan is mainly organised through TEL system. At the end of the year 2004 the TEL was changed so that the arrangements in pension insurance companies are accounted for as defined contribution plans. Some pension arrangements may include an option of early retirement or disability benefit.

The Group classifies additional pension insurances as defined benefit plans in Finland and Norway. The Group applies the so called "corridor method" for the accounting of defined benefit plans.

Defined benefit plans have been arranged in pension insurance companies. In the defined benefit plan the benefits at retirement are determined on the basis of salary, years of service and life expectancy.

LIABILITY FOR DEFINED BENEFIT OBLIGATIONS EUR million	2005	2004
Present value of unfunded obligations	30.7	25.2
Present value of funded obligations	-15.6	-19.2
Fair value of plan assets		
Present value of net obligations	15.1	6.0
Unrecognised actuarial gains (+) and losses (-)	-13.0	0.1
RECOGNISED NET LIABILITY FOR DEFINED BENEFIT OBLIGATIONS	1.7	5.8

EXPENSE RECOGNISED IN THE INCOME STATEMENT EUR million	2005	2004
Current service cost	2.6	-0.0
	2.6	-0.0

MOVEMENTS IN THE NET LIABILITY FOR DEFINED BENEFIT OBLIGATIONS RECOGNISED IN THE BALANCE SHEET EUR million	2005	2004
Balance at 1 January	5.2	6.0
Expense recognised in the income statement	-2.6	0.1
BALANCE AT 31 DECEMBER	2.6	6.1

PRINCIPAL ACTUARIAL ASSUMPTIONS AT THE BALANCE SHEET DATE	2005	2004
Finland		
Discount rate	4.5 %	5.0 %
Expected return on plan assets	4.5 %	5.0 %
Future salary increases	3.0 %	3.0 %
Norway		
Discount rate	4.5 %	5.5 %
Expected return on plan assets	4.5 %	5.5 %
Future salary increases	3.3 %	3.3 %

Notes to the consolidated financial statements

b) Long-service benefits

Altia Corporation has calculated long-service benefits for those employed prior to 1 January 1994 based on the length of service. The liability arising from the benefits amounts to:

EUR million	2005	2004
	1.3	1.5

22. PROVISIONS EUR million	2005	2004
Non-current provisions		
Long-term service provisions	1.3	1.5
Other provisions	0.3	2.1
Pension provision	0.1	-
TOTAL	1.7	3.6

EUR million	Pension provisions	Other provisions	Total
Balance at 1 January 2005	-	3.6	3.6
Provisions made during the year	0.1	-	0.1
Provisions used during the year	-	-2.1	-2.1
BALANCE AT 31 DECEMBER 2005	0.1	1.6	1.7

23. TRADE AND OTHER PAYABLES EUR million	2005	2004
Current		
Trade payables	50.4	47.3
Payables due to associates	0.0	0.0
Wages, salary and social security liabilities	9.1	9.1
Interest and other financial liabilities	0.2	0.3
Other prepaid expenses and accrued income	9.9	9.1
Derivative financial instruments	0.6	-
Other liabilities	68.8	71.0
TOTAL	138.9	136.7

Notes to the consolidated financial statements

The following table presents the fair value and the carrying amount of each financial instrument category:

24. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES EUR million		Carrying amount 2005	Fair value 2005	Carrying amount 2004	Fair value 2004
Financial assets					
Available-for-sale investments	17)	10.2	10.2	14.3	15.0
Financial assets at fair value through profit or loss	17)	0.8	0.8	0.2	0.2
Trade and other receivables	16)	138.1	138.1	123.3	123.3
Cash in hand and bank balances	18)	14.5	14.5	12.8	12.8
Securities	18)	2.0	2.0	3.0	3.0
Forward contracts		0.3	0.3	-	-
of which designated as a hedge		0.1	0.1	-	-
Commodity contracts		0.9	0.9	-	-
of which designated as a hedge		0.9	0.9	-	-
Financial liabilities					
Bank loans	20)	118.2	118.2	106.4	106.4
Finance lease liabilities	20)	6.9	6.9	7.2	7.2
Trade and other payables	23)	138.9	138.9	125.1	125.1
Interest rate swaps		0.4	0.4	-	-
of which designated as a hedge		-	-	-	-
Forward contracts		0.2	0.2	-	-
of which designated as a hedge		-	-	-	-

Equity and debt securities
Available-for-sale financial assets mainly include equity and debt securities. Quoted securities are measured at fair value based on market bid price at the balance sheet date. Unquoted equity instruments are measured at cost on the grounds their fair value is not reliably measurable.

Derivative financial instruments
The fair values of forward contracts are determined by using the listed market prices at the balance sheet date. For interest rate swaps the discounted cash flow techniques are used. The fair value is the amount that the Group would pay or receive to terminate the swap at the balance sheet date.

Altia uses electricity forward contracts to manage the price risk of electricity exposure. The Group applies IAS 39 hedge accounting to electricity forward contracts and recognises the changes in the instruments' fair values directly in equity.

Loans from banks (and other interest-bearing liabilities)
The fair value of interest-bearing liabilities has been calculated based on discounted cash flows. The discount rate used equals the external borrowing interest rate at the balance sheet date. The interest rate comprises a risk-free interest rate and a company-specific risk premium.

Finance lease liabilities
The fair value of the finance lease liabilties is based on the present value of estimated future cash flows, discounted at interest rates for homogeneous lease agreements.

Trade and other payables or receivables
For trade and other payables and receivables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value.

Notes to the consolidated financial statements

The Group has 50 % interest in two joint ventures, Brand Partners AS and Roal Ltd. Brand Partners AS operates in a field of import and sale of alcoholic beverages in Norway. Altia's enzyme business is based on its 50 % interest in the associated company Roal Ltd.

The following items that represent the Group's interests in the assets and liabilities, income and expenses of the joint ventures are included in the consolidated financial statements::

25. JOINT VENTURES EUR million	2005	2004
Non-current assets	5.4	6.2
Current assets	11.8	9.3
Non-current liabilities	0.9	0.9
Current liabilities	6.4	4.5
Net assets (-liabilities)	9.9	10.0
Income	21.0	11.9
Expenses	-17.1	-9.7
PROFIT FOR THE PERIOD	3.9	2.2

26. COLLATERALS AND COMMITMENTS, AND CONTINGENT ASSETS AND LIABILITIES EUR million	2005	2004
COLLATERALS AND COMMITMENTS		
Collaterals for own commitments		
Deposits	0.0	0.0
Guarantees	1.3	0.9
Collaterals for own commitments	0.0	0.0
Collaterals given on behalf of Group companies		
Mortgage on real estate	20.2	35.3
Guarantees	-	0.0
Mortgage on company assets	-	0.1
Other commitments		
Leasing liabilities	2.4	4.0
Operating lease commitments	14.0	17.9

CONTINGENT ASSETS kilo tons	2005
Emission allowances received	59.9
Pollutants emitted	-49.7
Emission allowances at 31 December, 2005	10.2

Emission allowances have not been sold during 2005. The allowances in excess of pollutants emitted, 10.2 kilo tons at 31 December 2005 are transferred for the following year. Their fair value at the balance sheet date is EUR 0.2 million. Emission allowances had no effect on the Group profit for 2005.

Notes to the consolidated financial statements

Transactions that have been entered into with related parties are as follows:

27. RELATED PARTY TRANSACTIONS EUR million	2005	2004
a) Sales of goods and services		
Sales of goods		
Other companies included in the related parties	311.3	349.8
Sales of services		
Joint ventures	1.1	-
TOTAL	312.4	349.8
b) Purchases of goods and services		
Purchases of goods		
Other companies included in the related parties	0.8	1.4
Purchases of services		
Other companies included in the related parties	10.8	7.8
TOTAL	11.6	9.2
c) Outstanding balance of sales and purchases of goods and services		
Sales of goods and services		
Other companies included in the related parties	44.1	44.8
Purchases of goods and services		
Other companies included in the related parties	0.9	0.7
Liabilities to and receivables from associates are presented in Note 16. Trade and other receivable (current) and Note 23. Trade and other payables.		
d) Remuneration to key management		
CEO (President and CEO of the parent company)	0.3	0.7
Deputy Managing Director	0.2	0.4
TOTAL	0.4	1.1
Members and deputy members of the Board of Directors	0.1	0.1

The retiring age of the President and CEO of the parent company and the Deputy Managing Director is 61 years.

RELATED PARTY TRANSACTIONS

The parties are considered to be related to each others if the other party can control or have significant influence over the decision-making relating to the financial and business operations of the another party. The Group companies are presented in the Note 29. Subsidiaries and joint ventures.

Altia Corporation has related party relationship also with the Board members, CEO of the parent company and Deputy Managing Director as well as their family members. The State of Finland owns 100% of the share capital of Altia Corporation and is also considered a related party. Transactions with the entities of which the State of Finland owns over 50%, are treated as related party transactions. Transactions with other entities are based on market prices.

There were no loans or commitments granted to President and CEO or the Board members.

Notes to the consolidated financial statements

28. RECONCILIATION OF OPENING BALANCE SHEET EUR million	FAS 31.12. 2003	IFRS - adjustments	IFRS 1.1.2004
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	0.9	-	0.9
Goodwill	20.3	-	20.3
Investment property	0.1	-	0.1
Property, plant and equipment	64.6	7.4	72.0
Investments in associates	1.7	-	1.7
Available-for-sale financial assets	0.0	-	0.0
Non-current trade and other receivables	0.0	-	0.0
Other non-current investments	0.5	-	0.5
Deferred tax asset	2.0	4.1	6.1
NON-CURRENT ASSETS	90.1	11.6	101.7
CURRENT ASSETS			
Inventories	30.5	0.1	30.5
Trade and other receivables	87.2	-	87.2
Income tax asset	2.0	-	2.0
Available-for-sale financial assets	22.4	-	22.4
Cash and cash equivalents	5.2	-	5.2
CURRENT ASSETS	147.3	0.1	147.3
ASSETS	237.4	11.6	249.0
EQUITY AND LIABILITIES			
EQUITY			
Share capital	60.5	-	60.5
Share premium	0.0	-	0.0
Fair value and other reserves	0.0	-	0.0
Translation reserve	0.0	-	0.0
Retained earnings	76.6	-8.5	68.2
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	137.2	-8.5	128.7
MINORITY INTEREST	2.8	-0.5	2.4
EQUITY	140.0	-8.9	131.1
NON-CURRENT LIABILITIES			
Deferred tax liabilities	4.7	0.5	5.2
Non-current interest-bearing liabilities	-	5.6	5.6
Pension obligations	-	9.5	9.5
Non-current provisions	2.1	1.9	4.0
NON-CURRENT LIABILITIES	6.8	17.5	24.3
CURRENT LIABILITIES			
Current interest-bearing liabilities	5.0	0.7	5.7
Trade and other payables	85.5	2.4	87.9
CURRENT LIABILITIES	90.5	3.1	93.6
EQUITY AND LIABILITIES	237.4	11.6	249.0

Notes to the consolidated financial statements

RECONCILIATION OF CONSOLIDATED INCOME STATEMENT FOR THE PERIOD OF 1 JANUARY 2004 - 31 DECEMBER 2004

INCOME STATEMENT EUR million	FAS 1.1.-31.12.2004	IFRS - adjustments	IFRS 1.1.-31.12.2004
NET SALES	218.3	-	218.3
Change in inventories of finished goods and work in progress	0.5	-	0.5
Other operating income	47.1	-	47.2
Raw materials and services used	-116.0	0.4	-115.6
Employee benefit expenses	-36.1	3.8	-32.3
Depreciation and amortisation expense	-10.7	1.2	-9.5
Other operating expenses	-41.0	1.1	-40.0
OPERATING PROFIT	62.1	6.4	68.5
Financial income and expenses	-0.4	-0.3	-0.7
Share of profit of associates	1.2		1.2
PROFIT (LOSS) BEFORE TAX	63.0	6.1	69.1
Income tax expense	-6.0	-1.2	-7.3
PROFIT (LOSS) FOR THE PERIOD	56.9	4.9	61.8
ATTRIBUTABLE TO:			
Equity holders of the parent	56.9	4.9	61.8
Minority interest	-	-0.1	-
	56.9	4.9	61.8

RECONCILIATION OF EQUITY AT 1 JANUARY, 2004 AND 31 DECEMBER, 2004 EUR million	1.1.2004	31.12.2004
EQUITY ACCORDING TO FAS	140.0	189.1
BY IFRSS:		
IAS 2 Inventories	1.2	1.5
IAS 16 Property, plant and equipment	-1.9	-2.3
IAS 17 Leases	-0.1	-0.2
IAS 19 Employee benefits	-8.1	-5.6
Total effect on equity	-8.9	-6.5
EQUITY ACCORDING TO IFRS	131.1	182.6

RECONCILIATION OF PROFIT FOR THE PERIOD OF 1 JANUARY 2004 - 31 DECEMBER 2004 EUR million	1.1.-31.12.2004
PROFIT FOR THE PERIOD ACCORDING TO FAS	56.9
BY IFRSS:	
IAS 2 Inventories	0.4
IAS 16 Property, plant and equipment	-0.3
IAS 17 Leases	-0.1
IAS 19 Employee benefits	2.4
IFRS 3 Business combinations	2.4
Total effect on profit for the period	4.9
PROFIT FOR THE PERIOD ACCORDING TO IFRS	61.8

Notes to the consolidated financial statements

29. SUBSIDIARIES AND JOINT VENTURES 31 DECEMBER 2005	% owned by parent company	% owned by Group
SUBSIDIARIES		
A-Pullo Ltd, Finland	76.24	76.24
Alakari Wines Ltd, Finland	100.00	100.00
Altia Eesti AS, Estonia	100.00	100.00
Ancrona AB, Sweden		100.00
Ancrona Nordic AB, Sweden		100.00
Best Buys International AS, Norway		100.00
BevCo AB, Sweden		100.00
Bibendum AB, Sweden		100.00
Bibendum AS, Norway		100.00
Bibendum Oy, Finland		100.00
Bibendum Wine&Spirit A/S, Denmark		91.00
Cuveco International AB, Sweden		100.00
Oy Finnish Beverage Group Holding Ab, Finland		100.00
Harald Zetterström Oy, Finland	100.00	100,00
Interbev AS, Norway		100.00
P&S Holding AB, Sweden		100.00
Philipson & Söderberg AB, Sweden		100.00
Premium Wines Nordic AB, Sweden		100.00
Premium Wines Norway AS, Norway		100.00
Scandinavian Beverage Group Services AB, Sweden		100.00
Scandinavian Beverage Group AB, Sweden	100.00	100.00
Scandinavian Beverage Group AS, Norway		100.00
Scandinavian Beverage Group Services AS, Norway		100.00
SkyCellar Ltd, Finland	80.10	80.10
Strøm AS, Norway		100.00
Swedish Beverage Group Holding AB, Sweden		100.00
Oy Wennerco Ab, Finland		100.00
VSD Logistics AB, Sweden		100.00
VSD Logistics AS, Norway		100.00
VSD Logistics Oy, Finland		100.00
VSD Logistis A/S, Denmark		100.00
Ölcompagniet i Sverige AB, Sweden		100.00
JOINT VENTURES		
Brand Partners AS, Norway		50.00
Roal Ltd, Finland	50.00	50.00

Group financial indicators

FINANCIAL INDICATOR		2005	2004
INCOME STATEMENT, EUR million			
Net sales		422.7	218.3
Operating profit		24.8	68.5
(% of net sales)		5.9	31.4
Net financial items		-1.8	-0.7
Share of profit of associates		-	1.2
(% of net sales)		-0.4	-0.3
Profit before taxes		23.0	69.1
(% of net sales)		5.5	31.6
Profit for the period		17.2	61.8
(% of net sales)		4.1	28.3
BALANCE SHEET, EUR million			
Liquid assets		27.5	30.3
Balance sheet total		486.3	477.6
Equity attributable to equity holders of the parent		187.8	180.5
Minority interests		1.8	2.1
Provisions		0.3	2.1
Deferred tax liability		25.0	27.0
Interest-bearing liabilities		125.2	113.5
Non-interest-bearing liabilities (incl. deferred tax liability)		171.6	181.5
Invested capital		314.5	294.0
INDICATORS,			
Return on equity, %		9.3	39.7
Return on invested capital, %		8.2	31.9
Equity ratio, %		39.0	38.2
Gearing, %		51.5	45.6
Current ratio		1.2	0.9
Earnings/share	EUR	0.48	1.72
Cash flow/share	"	0.29	0.85
Equity/share	"	5.22	5.02
Dividend/share (proposed)	"	0.28	0.28
Dividend/earnings (proposed)	%	58.1	16.2
NUMBER OF SHARES		35,960,000	35,960,000

DEFINITION		
Liquid assets	=	Cash in hand and at bank + marketable securities
Capital employed	=	Balance sheet total - interest-free liabilities - deferred tax liability - obligatory provisions
Return on equity, % (ROE)	=	Profit before taxes – taxes / Equity + minority interests (average) x 100
Return on invested capital, % (ROI)	=	Profit before taxes + interest expenses and other financial expenses / Invested capital (average) x 100
Equity ratio, %	=	Shareholders' equity + minority interests / Balance sheet total – advances received x 100
Gearing, %	=	Interest-bearing liabilities - liquid assets / Shareholders' equity + minority interests x 100
Current ratio	=	Inventories + receivables / Short term liabilities
Earnings/share	=	Profit for the financial year / Adjusted average number of shares outstanding over the period
Cash flow/share	=	Net operational cashflow / Adjusted average number of shares outstanding over the period
Equity/share	=	Shareholders' equity / Adjusted average number of shares outstanding at end of the period
Dividend/share	=	Dividend / Adjusted average number of shares outstanding over the period
Dividend/ earnings, %	=	Dividend per share / Earnings per share for the financial period x 100

PARENT COMPANY FINANCIAL STATEMENT (FAS)

Parent company income statement

EUR million		1.1.-31.12. 2005	1.1.-31.12. 2004
NET SALES	2)	185.8	181.3
Increase (+)/ decrease (-) in inventories			
finished goods and work in progress		-0.5	0.1
Other operating income	3)	7.5	47.0
Raw material and services used		-93.8	-89.3
Personnel expenses	4)	-30.4	-31.5
Depreciation, amortisation and value adjustments	5)	-9.4	-9.0
Other operating expenses	6)	-44.5	-41.1
OPERATING PROFIT	7)	14.5	57.6
Financial income and expenses	8)	4.6	1.7
PROFIT BEFORE EXTRAORDINARY ITEMS		19.1	59.3
Extraordinary items		-1.8	-
PROFIT BEFORE APPROPRIATIONS AND TAXES		17.3	59.3
Increase (-) or decrease (+) in depreciation reserve	9)	-1.2	-0.3
Direct taxes	10)	-3.5	-5.1
PROFIT FOR THE FINANCIAL YEAR		12.6	53.9

Parent company balance sheet

EUR million		31.12.2005	31.12.2004
ASSETS			
NON-CURRENT ASSETS	11)		
Intangible assets			
Intangible rights		0.5	0.7
Goodwill		12.3	14.1
Other capitalised expenditures		0.7	0.6
Prepayments		0.3	0.2
		13.8	15.5
Tangible assets			
Land and water areas		2.7	2.7
Buildings and constructions		32.5	27.9
Machinery and equipment		26.0	25.2
Other tangible assets		0.5	0.5
Advance payments and construction in progress		1.3	3.6
		63.0	59.9
Financial assets	19)		
Shares in Group companies		64.9	64.0
Shares in associates		8.0	8.0
Other shares and interests		0.5	0.5
		73.4	72.5
CURRENT ASSETS			
Inventories	12)		
Raw materials and consumables		11.6	11.0
Work in progress		3.3	3.9
Finished goods/ goods for resale		7.6	7.3
Advance payments		-	0.0
		22.5	22.1
Receivables	13)		
Long-term			
Receivables from Group companies		102.1	101.7
Short-term			
Trade receivables		61.3	59.9
Receivables from Group companies		8.0	1.4
Receivables from associates		0.2	0.2
Loan receivables		-	0.0
Other receivables		0.5	0.2
Accrued income and prepaid expenses		3.4	2.5
		73.4	64.2
Marketable securities			
Other shares and holdings		9.7	14.5
Other securities		2.0	3.0
		11.7	17.5
Cash in hand and at bank		2.9	5.7
		362.8	359.1

Parent company balance sheet

EUR million		31.12.2005	31.12.2004
LIABILITIES			
SHAREHOLDERS` EQUITY	14)		
Share Capital		60.5	60.5
Retained earnings		99.1	55.2
Profit for the financial year		12.6	53.9
		172.2	169.6
APPROPRIATIONS			
Depreciation reserve	15)	17.3	16.1
PROVISIONS			
Other provisions	16)	0.3	2.1
LIABILITIES	17)		
Long-term labilities			
Loans from financial institutions		70.0	-
Short-term liabilities			
Loans from financial institutions		40.0	105.0
Advances received		-	0.0
Trade payables		16.1	15.1
Liabilities to Group companies		5.1	2.2
Liabilities to associates		-	0.0
Other liabilities		32.2	38.0
Accrued expenses and deferred income		9.6	11.2
		103.0	171.4
		362.8	359.1

Parent company cash flow statement

EUR million	1.1.-31.12.2005	1.1.-31.12.2004
CASH FLOWS FROM INVESTING ACTIVITIES		
Profit before extraordinary items	19.1	59.3
Adjustments:		
Depreciation according to plan	9.4	9.0
Unrealised foreign exchange gains and losses	0.0	0.0
Other non-cash transactions	0.0	0.0
Financial income and expenses	-4.6	-1.7
Other adjustments	-2.9	-41.6
CASH FLOWS BEFORE CHANGES IN WORKING CAPITAL	21.0	25.0
Changes in working capital:		
Increase (-) or decrease in non-interest-bearing short-term receivables	-7.2	20.3
Increase (-) or decrease (+) in inventories	-0.4	-2.6
Increase (+) or decrease (-) in non-interest-bearing short-term liabilities	-2.9	-13.2
	-10.4	4.5
Increase (-) or decrease (-) in short-term interest-bearing operative liabilities	0.0	-101.9
CASH FLOWS BEFORE EXTRAORDINARY ITEMS AND TAXES	10.6	-72.5
Interest and other operative financial expenses	-3.7	-0.4
Dividends received	1.3	1.3
Interest received	5.4	0.4
Direct taxes paid	-4.2	-4.2
CASH FLOWS BEFORE EXTRAORDINARY ITEMS	9.4	-75.3
Cash flows from extraordinary items (net)	-1.8	-
NET CASH FROM OPERATING ACTIVITIES (A)	7.7	-75.3
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in tangible and intangible assets	-10.8	-11.9
Proceeds from sale of tangible and intangible assets	1.2	0.2
Acquisition of other investments	0.0	-
Acquisition of subsidiaries	-0.9	-51.0
Disposal of subsidiaries	-	0.0
Disposal of associates	-0.7	46.8
Dividends received	0.0	0.0
NET CASH FROM INVESTING ACTIVITIES (B)	-11.2	-15.9
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans	40.0	105.0
Repayment of short-term loans	-105.0	-5.0
Proceeds from long-term loans	70.0	-
Dividends paid and other profit distribution	-10.0	-10.0
NET CASH FROM FINANCING ACTIVITIES (C)	-5.0	90.0
INCREASE (+) OR DECREASE (-) IN CASH AND CASH EQUIVALENTS (A+B+C)	-8.6	-1.3
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	23.2	24.4
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	14.6	23.2

Notes to the parent company financial statements

1. ACCOUNTING PRINCIPLES

Receivables and liabilities denominated in foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the foreign exchange rate ruling at the balance sheet date. Foreign exchange differences are recognised in profit or loss.

Valuation of fixed assets

Fixed assets are measured at cost less depreciation according to plan.
Depreciation principles and depreciation periods are specified in the notes to the income statement.
Depreciation and value adjustments are presented in the notes to the balance sheet.

Inventories

The cost of inventory is based on weighted average principle and includes variable expenses.

Marketable securities

Marketable securities are stated at the lower of cost and the fair value at the balance sheet date.

Research and development expenditure

Research and development expenditure is recognised in the income statement as expense as incurred.

Pensions

The pension schemes of the parent company is arranged in pension insurance companies.
Pension expenses have been recognised on the basis of wages and salaries in the income statement.

Extraordinary items

Extraordinary items include substantial items that do not pertain to operative business.

2. NET SALES BY BUSINESS AREA

EUR million	2005	2004
Proprietary brands	84.1	83.5
Supplier brands	26.0	28.1
Grain	40.8	37.8
Other	34.8	31.9
Total	185.8	181.3
NET SALES BY MARKET AREA		
Finland	171.8	173.8
Europe	13.9	7.4
Rest of the world	0.1	0.1
Total	185.8	181.3

3. OTHER OPERATING INCOME

EUR million	2005	2004
Rental income	2.1	2.1
Income from energy sales	2.1	1.6
Gain on disposals	1.2	42.2
Service income	0.7	0.7
Other income	1.5	0.4
Total	7.5	47.0

Notes to the parent company financial statements

4. PERSONNEL EXPENSES

EUR million	2005	2004
Wages and salaries		
CEO and the Deputy Managing Director	0.4	1.1
Members of the Board of Directors	0.1	0.1
Other	22.0	22.7
Social security expenses		
Pension expenses	5.6	5.4
Other social security expenses	2.3	2.1
Total	30.4	31.5
CEO (President of the parent company)		
Salary	0.3	0.2
Emoluments based on the period 2002-2004	-	0.5
Total	0.3	0.7
Deputy Managing Director		
Salary	0.2	0.1
Emoluments based on the period 2002-2004	-	0.3
Total	0.2	0.4

The retiring age of the parent company President and the Deputy Managing Director is 61 years.

NUMBER OF PERSONNEL

Average number of personnel during the financial year	2005	2004
Workers	321	328
Clerical employees	239	236

5. DEPRECIATION, AMORTISATION AND VALUE ADJUSTMENTS

The cost of an asset is depreciated on a straight-line basis.
Depreciation periods are based on the following useful lives:

	years
Goodwill	5 - 10
Other capitalised expenditure	5
Buildings	25 - 40
Constructions	20
Machinery and equipment	10
Vehicles	5
IT hardware	3
IT software	3

6. OTHER OPERATING EXPENSES

EUR million	2005	2004
Loss on disposal of fixed assets included in other oprating expenses		
Disposals and winding up	0.0	0.0

Notes to the parent company financial statements

7. FINANCIAL INCOME AND EXPENSES EUR million	2005	2004
Income from non-current investments		
Dividend income from Group companies	0.3	0.9
Dividend income from associates	1.1	1.0
Dividend income from other companies	0.0	0.0
Other interest and financial income		
Group companies	6.3	0.2
Other companies	1.2	0.4
Value adjustments on marketable securities	0.0	0.0
Interest and other financial expenses		
Group companies	-0.8	-0.3
Other companies	-3.5	-0.5
Total dividend income	1.4	1.9
Total interest income and expenses		
Interest income	5.4	0.5
Interest expenses	-3.2	-0.3
Net interest income	2.2	0.3

8. APPROPRIATIONS EUR million	2005	2004
Increase (-) or decrease (+) in depreciation reserve		
Intangible rights	0.0	-
Other capitalised expenditure	0.0	0.1
Buildings and structures	-0.8	0.2
Machinery and equipment	-0.4	-0.6
	-1.2	-0.3

9. DIRECT TAXES EUR million	2005	2004
Income taxes		
Income taxes on ordinary operations	3.5	5.1
Total	3.5	5.1
Income tax for the financial year	3.5	5.1

Notes to the parent company financial statements

10. NON-CURRENT ASSETS EUR million	Intangible rights	Goodwill	Other capitalised expenditures	Prepayments	Total
INTANGIBLE ASSETS					
Acquisition cost at 1 January 2005	1.1	19.1	5.5	0.2	25.9
Increases	0.1	-	0.3	0.3	0.7
Decreases	-	-	-	-	-
Transfers between assets	-	-	0.1	-0.2	-0.1
Acquisition cost at 31 December 2005	1.1	19.1	5.9	0.3	26.4
Accumulated amortisation at 1 January 2005	-0.4	-4.9	-4.9	-	-10.2
Amortisation for the financial year	-0.2	-1.8	-0.3	-	-2.3
Accumulated amortisation on increases	-	-	-	-	-
Accumulated amortisation and value adjustments on decreases and transfers between assets	-	-	-	-	-
Accumulated amortisation at 31 December 2005	-0.6	-6.7	-5.2		-12.5
Carrying amount at 1 January 2005	0.7	14.1	0.6	0.2	15.5
Carrying amount at 31 December 2005	0.5	12.3	0.7	0.3	13.8
Acquisition cost at 1 January 2004	1.1	19.1	5.3	-	25.5
Increases	-	-	0.2	0.2	0.4
Decreases	-	-	-	-	-
Transfers between assets	-	-	-	-	-
Acquisition cost at 31 December 2004	1.1	19.1	5.5	0.2	25.9
Accumulated amortisation at 1 January 2004	-0.2	-3.1	-4.5	-	-7.8
Amortisation for the financial year	-0.2	-1.8	-0.4	-	-2.4
Accumulated amortisation on increases	-	-	-	-	-
Accumulated amortisation and value adjustments on decreases and transfers between assets	-	-	-	-	-
Accumulated amortisation at 31 December 2004	-0.4	-4.9	-4.9		-10.2
Carrying amount at 1 January 2004	0.9	16.0	0.8	-	17.7
Carrying amount at 31 December 2004	0.7	14.1	0.6	0.2	15.5

Notes to the parent company financial statements

EUR million	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments and contruction in progress	Total
TANGIBLE ASSETS						
Acquisition cost at 1 January 2005	2.7	75.5	119.7	0.5	3.6	202.0
Increases	-	4.5	4.4	0.0	1.3	10.2
Decreases	0.0	-	-1.6	0.0	-	-1.6
Transfers between assets	-	2.4	1.2	-	-3.6	-
Acquisition cost at 31 December 2005	2.7	82.4	123.7	0.5	1.3	210.6
Accumulated amortisation at 1 January 2005	-	-47.6	-94.5	-	-	-142.1
Amortisation for the financial year	-	-2.3	-4.8	-	-	-7.1
Accumulated amortisation on increases	-	-	-	-	-	-
Accumulated amortisation and value adjustments on decreases and transfers between assets	-	-	1.5	-	-	1.5
Accumulated amortisation at 31 December 2005		-49.9	-97.8	-	-	-147.7
Carrying amount at 1 January 2005	2.7	27.9	25.2	0.5	3.6	59.9
Carrying amount at 31 December 2005	2.7	32.5	26.0	0.5	1.3	63.0
Acquisition cost at 1 January 2004	2.7	73.8	114.3	0.5	1.3	192.6
Increases	-	1.8	6.7	0.0	3.0	11.5
Decreases	0.0	-0.1	-2.0	0.0	-	-2.1
Transfers between assets	-	0.0	0.6	-	-0.6	-
Acquisition cost at 31 December 2004	2.7	75.5	119.7	0.5	3.6	202.0
Accumulated amortisation at 1 January 2004	-	-45.4	-92.1	-	-	-137.5
Amortisation for the financial year	-	-2.3	-4.3	-	-	-6.6
Accumulated amortisation on increases	-	-	-	-	-	-
Accumulated amortisation and value adjustments on decreases and transfers between assets	-	0.1	1.9	-	-	2.0
Accumulated amortisation at 31 December 2004	-	-47.6	-94.5	-	-	-142.1
Carrying amount at 1 January 2004	2.7	28.4	22.2	0.5	1.3	55.1
Carrying amount at 31 December 2004	2.7	27.9	25.2	0.5	3.6	59.9

EUR million	2005	2004
Undepreciated balance of production, machines and equipment at 31 December	23.3	22.3

Notes to the parent company financial statements

EUR million	Shares in Group companies	Shares in associates	Other shares and interests	Total
FINANCIAL ASSETS				
Acquisition cost at 1 January 2005	64.0	8.0	0.5	72.5
Increases	0.9	-	0.0	0.9
Decreases	-	-	-	-
Acquisition cost at 31 December 2005	64.9	8.0	0.5	73.4
Accumulated value adjustments at 1 January 2005	-	-	-	-
Accumulated value adjustments on decreases	-	-	-	-
Accumulated amortisation at 31 December 2005	-	-	-	-
Carrying amount at 1 January 2005	64.0	8.0	0.5	72.5
Carrying amount at 31 December 2005	64.9	8.0	0.5	73.4
Acquisition cost at 1 January 2004	15.3	12.4	0.6	28.3
Increases	49.0	-	-	49.0
Decreases	-0.3	-4.4	-0.0	-4.7
Acquisition cost at 31 December 2004	64.0	8.0	0.5	72.5
Accumulated value adjustments at 1 January 2004	-0.3	-	-0.0	-0.3
Accumulated value adjustments on decreases	0.3	-	0.0	0.3
Accumulated amortisation at 31 December 2004	-	-	-	-
Carrying amount at 1 January 2004	15.0	12.4	0.6	28.0
Carrying amount at 31 December 2004	64.0	8.0	0.5	72.5

	2005	2004
Other quoted shares and interests		
Market value at 31 December	0.5	0.4
Carrying amount at 31 December	0.1	0.1
Difference	0.5	0.3

11. INVENTORIES

There are no substantive differences between the replacement cost and the recognised cost of inventories.

Notes to the parent company financial statements

12. RECEIVABLES EUR million	2005	2004
LONG-TERM RECEIVABLES		
Receivables from Group companies		
Loan receivables	102.1	101.7
SHORT-TERM RECEIVABLES		
Receivables from Group companies		
Trade receivables	2.8	0.9
Loan receivables	3.9	-
Other receivables	-	0.3
Accrued income and prepaid expenses	1.3	0.2
Total	8.0	1.4
Receivables from associates		
Trade receivables	0.2	0.2
Accrued income and prepaid expenses		
Prepaid expenses	0.2	0.2
Accrued income	0.9	0.7
Interest receivables	0.0	0.0
Income tax receivable	2.3	1.6
Total	3.4	2.5
MARKETABLE SECURITIES		
Other shares and interests		
Market value on 31 December	10.5	15.2
Book value on 31 December	9.7	14.5
Difference	0.7	0.7

13. CHANGES IN SHAREHOLDERS´ EQUITY EUR million	2005	2004
Share capital at 1 January	60.5	60.5
Share capital at 31 December	60.5	60.5
Retained earnings at 1 January	109.1	65.2
Dividend distribution	-10.0	-10.0
Profit for the financial year	12.6	53.9
Retained earnings at 31 December	111.7	109.1

14. APPROPRIATIONS EUR million	2005	2004
Depreciation reserve		
Intangible rights	0.0	0.0
Other capitalised expenditure	0.1	0.1
Buildings and constructions	6.4	5.6
Machinery and equipment	10.7	10.3
Total	17.3	16.1

Notes to the parent company financial statements

15. PROVISIONS EUR million	2005	2004
Provision for corporate restructuring	-	2.1
Other provisions	0.3	-

16. LIABILITIES EUR million	2005	2004
SHORT-TERM LIABILITIES		
Liabilities to Group companies		
Trade payables	2.0	2.2
Other short-term liabilities	3.1	-
Accrued expenses and deferred income	0.0	-
Total	5.1	2.2
Liabilities to associates		
Trade payables	-	0.0
Accrued expenses and deferred income		
Marketing expenses	0.0	0.6
Holiday pay and other wages and salaries	6.7	8.7
Contract discounts	0.1	0.1
Purchases and other accrued expenses	2.8	1.7
Total	9.6	11.2
INTEREST-FREE AND INTEREST-BEARING LIABILITIES		
Long-term		
Interest-bearing	70.0	-
Short-term		
Non-interest-bearing	63.0	66.4
Interest-bearing	40.0	105.0

Notes to the parent company financial statements

17. GUARANTEES AND CONTINGENT LIABILITIES EUR million	2005	2004
Guarantees issued on behalf of the Group companies		
Debt secured with mortgages		
Debt:		
Loans from financial institutions	-	105.0
Guarantee value:		
Loans from financial institutions	-	15.1
Guarantees issued for Group companies' commitments		
Mortgages	20.2	20.2
Total guarantees	20.2	35.3
Contingent and other liabilities		
Operating and finance lease commitments		
Less than one year	0.5	0.5
More than one year	0.6	0.5
Total	1.2	1.0
Other lease liabilities		
Less than one year	2.8	2.8
More than one year	5.6	8.4
	8.5	11.2
Commitments on behalf of Group companies		
The bank accounts of the parent company are integrated with Group's cash pool accounts		
Total commitments	9.6	12.2
Derivative financial instruments		
Electricity forward contracts		
Fair value	0.9	-0.1
Amount (TWh)	0.1	0.1
Emission allowances		
Emission allowances received (kilo tons)	59.9	-
Pollutants emitted (kilo tons)	-49.7	-
Emission allowances at 31 December (kilo tons)	10.2	-
Fair value of emission allowances at 31 December	0.2	-

Emission allowances have not been sold during 2005. The allowances in excess of pollutants emitted (10.2 kilo tons), will be transferred for the following year. Emission allowances had no impact on profit or loss in 2005.

PARENT COMPANY'S PROPOSAL FOR DISTRIBUTION OF PROFIT

	Group EUR	Parent company EUR
Net profit for the year	17,219,579.84	12,606,477.35
Other unrestricted equity	109,655,075.19	99,079,915.19
Total undertricted equity	126,874,655.03	111,686,392.54
Non-distributable items	13,350,596.23	0.00
Disributable equity	113,524,058.80	111,686,392.54

The Board proposes that

- The amount of net profit to be paid in dividends to shareholders be 16.5% of share capital, or 10,000,000.00
- The amount to be left on the retained earnings account is 2,606,477.35

Signatures to the annual report and financial statements

Helsinki, 13 March 2006

Markku Tapio Heikki Hakala Satu Heikintalo

Jarmo Leppiniemi Satu Raiski Jaakko Nenonen

Riitta Vermas

Leena Saarinen, President and CEO

AUDITORS' REPORT

To the shareholders of Altia Corporation

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of Altia Corporation for the period 1 January - 31 December 2005. The Board of Directors and the President and CEO have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, containing the consolidated balance sheet, income statement, cash flow statement, statement on the changes in equity and notes to the financial statements, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors, the parent company's financial statements and administration.

We have conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report and 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 our audit of the administration is to examine whether the members of the Board of Directors and the President and CEO of the parent company have complied with the rules of the Companies Act.

Consolidated financial statements

In our opinion the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

Parent company's financial statements, report of the Board of Directors and administration

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company's financial statements give a true and fair view of the parent company's result of operations and of the financial position.

In our opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company's financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The consolidated financial statements and the parent company's financial statements can be adopted and the members of the Board of Directors and the President and CEO of the parent company can be discharged from liability for the financial period audited by us. The proposal by the Board of Directors on how to deal with the result for the financial period is in compliance with the Companies Act.

Helsinki, 14 March 2006
KPMG OY AB

LASSE HOLOPAINEN
Authorised Public Accountant

CORPORATION GOVERNANCE policy

The duties of each of the bodies in Altia Corporation are determined by the laws of Finland, the Articles of Association and the company's Corporate Governance Policy, which complies with the Finnish Companies Act. The rules and recommendations of the Helsinki Stock Exchange and the Central Chamber of Commerce of Finland are also followed, where applicable.

The ultimate responsibility for company management and operations of the company lies with the governing bodies of the company registered and existing under the laws of Finland. The governing bodies include the Annual General Meeting of Shareholders, the Board of Directors, the President and Chief Executive Officer (CEO) and the Executive Management Team, operating within the authorities of the CEO.

Altia Corporation's Group management has been designed for running the core business: the production, import and sales of alcoholic beverages. Management of each of the core business is based on the abovementioned decision-making bodies and the operating principles 'one company' and 'hands on'. The management principles of the core business areas are based on an operating organisation comprising the company's Executive Management Team, Business Units and Group Functions. The Business Units operate relatively independently within a framework agreed upon with the President and CEO and the company's Executive Management Team. The Group Functions draw up and coordinate issues across the Business Units and, in certain defined areas, authorities over them. The company's legal structure differs from that of the operating organisation and does not always correspond to the operating organisation. The legal structure merely provides a legal framework for business operations.

The company head office is located in Helsinki, Finland.

General Meeting of Shareholders

According to the Finnish Companies Act, the Annual General Meeting of Shareholders is the highest decision-making body of the company. The exclusive tasks of the General Meeting of Shareholders include amendments of the Articles of Association, decisions of dividends, election of the Board of Directors and auditors, as well as decision on their remuneration, approval of the financial statements and increasing or decreasing share capital. Normally the General Meeting of Shareholders is held once a year.

According to the Articles of Association, the company has only one class of shares, in which each share carries the same voting rights.

Board of Directors

The company is managed by the Board of Directors under Corporate Governance principles. The Board acts within the powers and responsibilities provided under the Finnish Companies Act and other applicable legislation.

The Board supervises the operation and the management of the company and decides on significant matters relating to strategy, investments, organisation and finance. The Board is also responsible for overseeing management and proper organisation of company operations, as well as overseeing the proper supervision of accounting, control of financial matters and risk management. The Board nominates and discharges the President and CEO and his or her deputy, as well as makes decisions concerning their employment contracts and incentive schemes. The Board also nominates the members of the company's Executive Management Team, defines their areas of responsibility according to the strategy and makes decisions concerning their employment contracts and incentive schemes.

In the separate charter of the Board of Directors, the Board defines the duties of the Board as a whole, the duties of individual members and the Chairman of the Board. The Board of Directors also has its own working order. The Board evaluates its operations regularly.

Each member of the Board is expected to act as a resource and offer his or her experience and expertise for the benefit of the company. The Board convenes a minimum of seven times a year.

According to the company's Articles of Association, the Board comprises the Chairman and Vice Chairman, as well as a minimum of one and a maximum of five other members. The members are appointed by the Annual General Meeting of Shareholders for a period ending at the following Annual General Meeting of Shareholders. The Board's work is supported through its committees; the Nomination and Compensation Committee.

In 2005

The Board of Directors comprised six members until 6 April 2005 and thereafter seven members. The Board convened 13 times. The average attendance level at these Board meetings was 92 per cent. Board members who are not employed by a company belonging to the Altia Group received a monthly salary amounting to EUR 2,100/month for the Chairman, EUR 1,600/month for the Vice Chairman and EUR 1,300/month for each member. Each Board member received remuneration for the meetings that they attended to the amount of EUR 500.

President and CEO

According to the Articles of Association, the managing director is referred to as the President and CEO. The President and CEO is responsible for supervising, managing and controlling business operations, with the aim of securing sustained increase in the value of the company for its shareholder. The President and CEO prepares issues for the Board's decision, develops the Group in line with the targets agreed upon with the company Board and ensures proper implementation of the decisions of the Board. The President and CEO is also responsible for ensuring that the Group operates in compliance with local laws and regulations.

The President and CEO has a deputy, who will attend to the duties of the President and CEO when the President and CEO is prevented from fulfilling his or her duties. The President and CEO makes the most important decisions in Executive Management Team meetings, and such decisions are recorded in the minutes of the meeting.

According to a policy by the Minister of Trade and Industry on behalf of the owner, the President and CEO is not a member of the Board of Directors, but attends the Board meetings. The retirement age for the President and CEO and his or her deputy is 61 years.

In 2005

After President and CEO Veikko Kasurinen resigned from his post at Altia Corporation, the Board of Directors appointed Leena Saarinen as his successor from 1 June 2005. Salaries and remunerations paid to the President and CEO in 2005 amounted to EUR 0.263 million.

Salaries and remunerations paid to the CEO's deputy totalled EUR 0.169 million.

Executive Management Team

The company's Executive Management Team comprises the President and CEO, CFO, Senior Vice President, HR and Senior Vice Presidents responsible for the Business Units. The role of the Executive Management Team is to manage the core business of Altia Corporation as a whole. This includes consideration of development projects, corporate principles and procedures, financial performance and the Group's action plan follow-up. Individual members of the Executive Management Team are responsible for the Business Units and the Group Functions, respectively, in matrix. The Executive Management Team convenes once a month.

Business Units

The business units pursue their agreed strategies within the frames set by the President and CEO and the Executive Management Team. In executing their strategies and carrying on business operations, the Business Units operate within the line organisation. The heads of the Business Units may form management or advisory teams to support them in their duties. Forming of such teams, however, does not affect the individual accountabilities under the established reporting lines.

BOARD OF DIRECTORS' COMMITTEES

Audit committee

The Board has an Audit Committee to support the Board in maintaining the integrity of the company's financial reporting and the Board's control function. The committee members shall review the company's internal and external accounting work, the company's financial policies and procedures of risk management in greater detail than is possible for the entire Board.

The Audit Committee comprises a minimum of three members of the Board. At least one of the committee members must have financial administration expertise and significant knowledge and experience in accounting and accounting principles applicable to the company.

The committee convenes regularly a minimum of four times a year. The Chairman of the Audit Committee presents the Board with a report of each of the Audit Committee's meetings. The Audit Committee's tasks, responsibilities and practical way of working are defined in the Audit Committee charter, which is approved by the Board.

Attendees in the meeting are also the auditor responsible for the external auditing and normally the President and CEO, CFO and Head of Internal Auditing.

In 2005

The audit committee comprised Chairman Heikki Hakala, Jarmo Leppiniemi and Riitta Vermas. The committee convened five times during the year.

Nomination and Compensation Committee

The committee's task is to prepare recommendations to the Board regarding new nominations and compensation principles applicable to the executive and senior management. The committee Chairman presents the Board with the committee's proposals. The committee convenes regularly at least once a year. The committee's tasks and responsibilities are defined in its charter, which is approved by the Board. If required, the committee can operate in cooperation with the company's HR unit.

The nomination and compensation committee comprises the Chairman of the Board and one other Board member, as well as the President and CEO, who presents the recommendations.

In 2005

The nomination and remuneration committee comprised Chairman Markku Tapio and Heikki Hakala, and the committee convened four times.

The Auditors and supervisory system

According to the Articles of Association, the company has to have a minimum of one and a maximum of five auditors, appointed by the Annual General Meeting. One of the auditors must be approved by the Central Chamber of Commerce in Finland. An entity of Certified Public Accountants can be elected for the company's sole auditor. Any individual auditor must be under 65 years of age.

External auditors audit annually the accounting records for each financial period, the annual accounts and the corporate governance of the company.

In 2005

The Group's auditor was the APA firm of accountants KPMG Oy Ab and head auditor was APA Lasse Holopainen. The auditing fees paid in 2005 amounted to EUR 0.240 million. The Altia Group acquired services outside statutory audits from firms of accountants to a total amount of EUR 0.625 million, the most important of which were Due Diligence inspections, taxation and IFRS consultancy services.

In planning and monitoring the Group companies and business areas the main focus is on business strategies. The Board of Directors approves the Group's strategy and budget. Appropriate reporting systems are used within the company for follow-up of business operations and monitoring of financial management.

The annual performance bonus system used within the Group is based on the budgeted performance targets and it applies to all Altia personnel. Altia's long-term share-based incentive system targets are based on the company's approved long-term strategy and its implementation. Altia's top management is included in the sharebased incentive system.

Persons belonging to Altia Corporation's management and their immediate circle are not involved in business relationships with the company.

Supervisory functions promote and monitor the achievement of performance targets. The principles, methods and responsibilities of supervision and control are recorded in the Group's management system.

The principal instructions of internal control are the management system, organisation charts, allocation of responsibilities, function and job descriptions, budgets, action plans, performance follow-up, risk management principles and risk evaluation, financial management, as well as internal and external auditing.

The Group's financial situation is reviewed in Board meetings.

The internal auditing function reports directly to the President and CEO with the aim of ensuring supervision at various organisational levels preventing risks from arising and increasing overall efficiency. The focus of the internal auditing is determined according to the company's risk management strategy. The internal auditing function also reports to the auditors and the audit committee.

Shareholder's status

The State as a shareholder has no responsibilities in the Group, other than its shareholder's equity investment.

BOARD OF DIRECTORS AND GROUP

Altia Corporation Board of Directors in 2005

Markku Tapio
b. 1948, M.Sc. (Pol.), Director General, Ministry of Trade and Industry, Chairman of the Board of Altia since 1999, Member of the Board of Kemira Corporation

Heikki Hakala
b. 1941, M.Sc. (Econ.), D. Tech. h.c., Member of the Board of Altia since 2001, Vice Chairman since 2004, Chairman of the Board of Finnkumu Ltd, Vice Chairman of the Board of Lassila & Tikanoja Plc

Satu Heikintalo
b. 1956, M.Sc. (Econ.),
Member of the Board of Altia since 2004,
Member of the Board of Nokian Tyres Plc

Jarmo Leppiniemi
b. 1948, D. Econ., Professor, Helsinki School of Economics and Business Administration, Member of the Board of Altia since 2004, Chairman of the Board of the Mortgage Society of Finland and the AsuntoHypoPankki, Chairman of the Finnish Accounting Standards Board,
Member of The Parish Union of Helsinki, Joint Parish Council and Joint Parish Board

Jaakko Nenonen
b. 1959, machine technician, foreman, personnel representative, Member of the Board of Altia since 2004, Chief Shop Steward, Altia salaried employees, Chairman of the food industry collective bargaining council, Member of the Board of the Union of Salaried Employees TU, Member of the Board of the Finnish Confederation of Salaried Employees STTK

Satu Raiski
b. 1954, M.Sc. (Food Science/Agriculture), MBA, Managing Director, Oy Arla Foods Ab, Member of the Board of Altia as of 6 April, 2005, Member of the Board of Kemira GrowHow

Riitta Vermas
b. 1948, B.Sc. (Econ.),
Managing Director, Oy Finnmatkat Ab,
Member of the Board of Altia since 2003

MANAGEMENT

Executive Management Team in 2005

Leena Saarinen
b. 1960, M.Sc. (Food Science),
President and CEO as of 1 June 2005

Veikko Kasurinen
b. 1946, Doctor of Business Administration,
President and CEO until 31 May 2005

Ossi Loikkanen
b. 1951, B.Sc. (Econ.),
Deputy Managing Director, CFO

Tom Alakari
b. 1956, B.Sc. (Econ.),
SVP, Finland

Dag Fladby
b. 1968, Master of Business and
Marketing (BI),
SVP, Business Development and Denmark

Thomas Føyen
b. 1967, Master of Business and
Marketing (BI),
SVP, Strategic Supplier Management

Stefan Norberg
b.1965, Master of Business and
Marketing (BI),
SVP, Norway

Petteri Pietilä
b. 1967, M.Sc. (Econ.),
SVP, Proprietary Brands

Teuvo Pollari
b. 1955, M.Sc. (Eng.),
SVP, Logistics and production

Outi Sivén
b. 1961, Diploma in Business and
Administration,
SVP, Baltics and Travel Trade

Maarit Tiililä
b. 1966, M.Sc. (Econ.),
SVP, HR

Front from left: Outi Sivén, Thomas Føyen, Maarit Tiililä; second row from left: Petteri Pietilä, Ossi Loikkanen, Dag Fladby, Stefan Norberg, Leena Saarinen, back row from left: Tom Alakari and Teuvo Pollari.

HISTORY

KEY UNITS

Altia
Altia is the leading wine and spirits house in Finland, with traditions reaching back to 1888. It has an extensive product portfolio and over 40 persons working in sales and marketing.

Altia Eesti
Altia Eesti is an alcoholic beverages producer and sales and marketing organization in the Baltic states operating since 1991. Altia Eesti has 71 employees.

Ancrona
This Swedish food and beverages enterprise focuses on importing and sales. It is one of Sweden's largest sales and import companies for fast moving consumer items. The company employs 23 people.

A-Pullo
A-Pullo operates a recycling system for reusable alcoholic beverage bottles in Finland. Altia has 76% interest in the company. It was established in 1997. A-Pullo employs over 40 people.

Best Buys International
Best Buys International was established in 1996. It employs six wine specialists in sales and marketing. The company works mainly with European suppliers and has introduced many successful products to the Norwegian market.

Bibendum
Bibendum is an importer established in 1996. The company operates in Sweden (24 employees), Norway (11 employees) and Denmark (4 employees) in the on-premises consumption sector, with the retail monopolies and in Denmark also through other retail sales channels.

Brand Partners
Brand Partners is a joint venture of Altia Corporation and Pernod Ricard established in 1995. The company operates in Norway and employs 15 people in sales and marketing. Its product portfolio includes strong international wine and spirits brands.

Interbev
This Norwegian alcoholic beverages importer (formerly known as Ølcompagniet) is specialised in beers, ciders and soft drinks. Interbev has 11 employees and a product portfolio consisting of internationally well known brands. Its principal sales channels are grocery stores, convenience market and on-trade market.

Philipson & Söderberg
Philipson & Söderberg was established 1989 through a merger between two well established companies with a history dating back to the 1950`s. Today P&S holds a position as one of the major importers of alcoholic beverages in Sweden. The company works with brand building through both traditional and modern channels. P&S has 25 employees working exclusively within sales and marketing.

Premium Wines Nordic
Premium Wines Nordic has grown rapidly since it was established in 2002 in Sweden. The enterprise has 14 employees and offers a broad selection of international fine wines.

Roal
Altia has 50% interest in the associated company Roal. This company's enzyme manufacturing and R&D operations are carried on in Rajamäki. The other co-owner if Roal is ABF Overseas Ltd.

SkyCellar
SkyCellar, established in 2003, is a joint venture of Altia Corporation and Finnair Catering. The company has 11 employees and it focuses on fine wines in all price categories.

Strøm
Established in 1921, Strøm is one of Norway's largest alcoholic beverage companies with a portfolio of leading international brand products. The company has 13 employees.

VSD Logistics
VSD logistics provides logistic services for the alcoholic beverages business and fast moving consumer goods. The enterprice was established in 1995 and operates in Norway, Sweden, Denmark and Finland with over 60 employees.

Wennerco
Established in 1975, Wennerco has a sound product portfolio and a strong market position in Finland. The company has 20 employees and it focuses on international brand products.

CONTACT DETAILS

Finland

Altia Corporation* (Altia Oyj)
Salmisaarenranta 7
FI-00180 Helsinki, FINLAND
P.O.Box 350, FI-00101 Helsinki,
FINLAND
Tel. +358 9 133 11
Fax +358 9 133 3278
firstname.surname@altiacorporation.com
www.altiacorporation.com

Altia Corporation* (Altia Oyj)
Koskenkorva plant
FI-61330 Koskenkorva, FINLAND
Tel. +358 6 427 5111
Fax +358 6 427 5363

Altia Corporation* (Altia Oyj)
Rajamäki plant
Valta-akseli
FI-05200 Rajamäki, FINLAND
Tel. +358 9 133 11
Fax +358 9 133 1286

Altia 1888
(sales and marketing unit)
Salmisaarenranta 7
FI-00180 Helsinki, FINLAND
P.O.Box 350
FI-00101 Helsinki, FINLAND
Tel. +358 9 133 1888
Fax +358 9 133 3278
firstname.surname@altia.fi
www.altia.fi

A-Pullo Ltd
Valta-akseli
FI-05200 Rajamäki, FINLAND
Tel. +358 9 133 06
Fax +358 9 133 1333
firstname.surname@a-pullo.fi
www.a-pullo.fi

SkyCellar Ltd
Salmisaarenranta 7
FI-00180 Helsinki, FINLAND
PL 1133, 00101 Helsinki
Tel. +358 9 133 05
Fax +358 9 133 2150
firstname.surname@skycellar.fi
www.skycellar.fi

Roal Ltd
Tykkimäentie 15
P.O.Box 57
FI-05200 Rajamäki, FINLAND
Tel. +358 9 290 420
Fax +358 9 2904 2111
firstname.surname@roal.fi

VSD Logistics Oy
Teknobulevardi 3-5
FI-01530 Vantaa, FINLAND
Tel. +358 9 2517 8500
Fax +358 9 2517 8501
asiakaspalvelu@vsd.fi

Oy Wennerco Ab
Salmisaarenranta 7 L
FI-00180 Helsinki, FINLAND
Tel. +358 9 133 04
Fax +358 9 133 3140
www.wennerco.fi

Sweden

Altia Corporation* (SBG AB)
Frihamnen, Hus N
P.O.Box 27084
SE-10251 Stockholm, SWEDEN
Tel. +46 8 598 110 00
Fax +46 8 598 111 29
firstname.surname@altiacorporation.com
www.altiacorporation.com

Ancrona AB
Frihamnen, Hus K
P.O.Box 27022
SE-10251 Stockholm, SWEDEN
Tel. +46 8 566 248 00
Fax +46 8 566 248 15
firstname@ancrona.se
www.ancrona.se

Bibendum AB
Frihamnen, Hus K
P.O Box 27084
SE-10251 Stockholm, SWEDEN
Tel. +46 8 598 110 00
Fax +46 8 598 111 10
firstname.surname@bibendum.se
www.bibendum.se

Philipson & Söderberg AB
Norra Hamnvägen 3-5
P.O.Box 29163
SE-10052 Stockholm, SWEDEN
Tel. +46 8 598 112 00
Fax +46 8 598 112 41
first-two-letters-of -first-name-and-sur-name@p-s.se
www.philipson-soderberg.se

Premium Wines Nordic AB
Lumaparksvägen 9
SE-12031 Stockholm, SWEDEN
Tel. +46 8 694 0700
Fax +46 8 694 0710
firstname.surname@premiumwines.se
www.premiumwines.se

VSD Logistics AB
Årstängvägen 1 A
P.O.BOX 47064
SE-10074 Stockholm, SWEDEN
Tel. +46 8 522 804 00
Fax +46 8 522 804 99, 98

* The name Altia Corporation has been used as a marketing name for the entire group.

Norway

Altia Corporation* (SBG AB)
Hoffsveien 70 C
P.O.Box 342, Skøyen
N-0213 Oslo, NORWAY
Tel. +47 21 50 18 00
Fax +47 21 50 18 01
firstname.surname@altiacorporation.com
www.altiacorporation.com

Best Buys International AS
Hoffsveien 70 C
P.O.Box 386, Skøyen
N-0377 Oslo, NORWAY
Tel. +47 21 50 18 80
Fax +47 21 50 18 81
firstname.surname@bestbuys.no

Bibendum AS
Hoffsveien 70 C
P.O.Box 476, Skøyen
N-0213 Oslo, NORWAY
Tel. +47 22 12 81 60
Fax +47 22 12 81 65
firstname.surname@bibendum.no
www.bibendum.no

Brand Partners AS
Hoffsveien 70 C
P.O.Box 386, Skøyen
N-0213 Oslo, NORWAY
Tel. +47 21 50 18 40
Fax +47 21 50 18 41
info@brandpartners.no
www.brandpartners.no

Interbev AS
Hoffsveien 70 C
P.O.Box 386, Skøyen
N-0213 Oslo, NORWAY
Tel. +47 21 50 18 20
Fax +47 21 50 18 21
firstname.surname@interbev.no
www.interbev.no

Strøm AS
Hoffsveien 70 C
P.O.Box 386, Skøyen
N-0213 Oslo, NORWAY
Tel. +47 21 50 18 60
Fax +47 21 50 18 61
firstname.surname@strom.no
www.strom.no

VSD Logistics AS
P.O.Box 6423
Etterstad
N-0605 Oslo, NORWAY
Tel. +47 23 24 97 00
Fax +47 22 72 02 62
firstname.surname@vsd.no

Denmark

Bibendum Wine & Spirit A/S
Bibendum Wine & Spirit
Broenge 8
DK-2635 Ishøj, DENMARK
Tel. +45 3997 1000
Fax +45 3997 1001
firstname.surname@bibendum.dk

VSD Logistics A/S
c/o Visma Services A/S
Hørkær 26
DK-2730 Herlev, DENMARK
Tel. +46 8 522 804 00
Fax +46 8 522 804 99

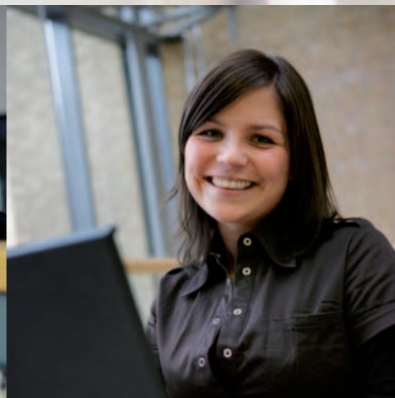
Baltia

Altia Eesti AS
Tammi tee 30
Laabi küla, Tabasalu sjsk
EE-76901 Harjumaa, ESTONIA
Tel. +372 671 2000
Fax +372 671 2001
info@altia.ee

Mobil Plus ADV (as of 22 March 2006)
Kuldigas iela 36a
LV-1083, Riga, LATVIA
Tel. +371 7 62 8884
Fax +371 7 80 5614
mobil@alco.lv

Front cover pictures from left: Operator Hannu Vatsia, Rajamäki plant; Irish Whiskey Promoter Halina McNabb, Brand Partners, Norway; Product Manager Hugo Broen, Bibendum, Norway; and Marketing Coordinator Åsa Hagström, Bibendum, Sweden.

Back cover pictures from left: Sales Representative Peter Andersson, Philipson & Söderberg, Sweden; Brand Promoter Anna Häggkvist, Bibendum, Sweden; Sales Representative Patrick B. Bruna, Bibendum, Sweden; and Logistics Controller Janicke Mortensen, Altia Corporation, Norway.



ALTIA
— CORPORATION —

Salmisaarenranta 7, FI-00180 Helsinki, Finland, www.altiacorporation.com