POSITIIVISESTI SUOMALAINEN

ANNUAL REPORT 2008

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FINANCIAL STATEMENTS 2008

Board of Directors' Report

2008 was a year of major investments and expansion for Olvi Group

Olvi Group continued its strong and successful growth in 2008 both in Finland and the Baltic states. Olvi Group set new records for net sales and overall market position. Olvi Group's net sales increased by 8.3 percent to 222.1 million euro but operating profit declined to 17.5 million euro. In five years, Olvi Group's net sales have doubled and the operating profit has remained on a healthy level. The net sales and overall market position in 2008 were made possible by a continuing increase in the share of Premium products in relation to total sales, development of the overall product range in all operating areas, as well as expansion into new product groups.

Substantial investments in all Olvi Group companies improve the enterprise's competitive ability, increase capacity and provide the preconditions for efficient production operations with all package types. Investments in new recyclable plastic bottle filling lines were made in Finland, Estonia and Lithuania. Storage facilities were extended in Latvia and Lithuania, and investment in Finland went into an automatic high-rise storehouse. Furthermore, investments in new canning lines were made in Latvia and Finland. The value of production investments exceeded 30 million euro.

In Finland, the entire industry made a gradual transition from refillable plastic bottles to single-use recyclable plastic bottles. The transition to the new system was slower than planned, causing substantial additional costs and investments. The phase-out of the refillable package inventory resulted in 3.8 million euro of write-downs on inventories during the operating year.

Olvi Group strengthened and expanded Group control and developed purchasing cooperation within the Group to gain competitive terms and conditions for purchases.

The internationalisation survey initiated in 2007 was expanded to Germany and England. The objective is to enter new profitable market areas with ciders and long drinks.

In Finland, Olvi's overall market share in beers, ciders, long drinks and mineral waters increased to 20 percent. According to a survey commissioned by the M&M magazine from the Taloustutkimus research agency, Olvi beer was ranked Finland's most appreciated beer in 2008. The market shares of the largest product group, beers, were record-setting high in all Olvi Group companies in the operating year 2008.

In the Baltic states, Olvi clearly outperformed average market growth, strengthening its leading position in the Estonian beverage market and further strengthening its number two position in the Latvian beer and long drink markets. The market position also improved in the Lithuanian beer market, with new product groups kvass and wines bringing additional volume late in the year.

In late 2008, Olvi expanded to a new market area, Belarus. The transaction was realised through a private placing arranged by Lidskoe Pivo and subscribed by Olvi plc. Olvi acquired a 51 percent holding in the OAO Lidskoe Pivo brewery located in the city of Lida in Grodno province. The brewery was established in 1879, and its production volume in 2008 was 79.9 million litres. OAO Lidskoe Pivo is the second largest player in the Belarusian beverage industry and the fourth largest brewery. The company's main brands are Lidskoe and Tri Korolja.

Sales of beer declining in Finland, alcohol tax hikes pose a major risk for breweries

Beer sales across the entire industry fell by a total of 2.1 percent in 2008. A total of 2.5 percent less beer, cider, long drinks, mineral waters and soft drinks were consumed than in the previous year. Only the sales of long drinks in-

creased. An increasing proportion of beverages are being packaged in cans, and over half of all beer is now packaged in cans. These figures are based on the sales statistics of members of the Finnish Federation of the Brewing and Soft Drinks Industry.

The increase in alcohol taxation and the worsening economic climate have impacted on beverage sales in 2008. Taxation on brewery beverages was increased by ten percent at the beginning of 2008 and by another ten percent at the beginning of 2009. In connection with its midterm review, the Government has once again decided to propose new alcohol tax hikes.

Finland's beer tax is already the highest in the European Union and almost five times as high as in Estonia. The new alcohol tax hikes that were announced would make the tax differences between the countries intolerable.

A total of 417.4 million litres of Finnish beer was sold in 2008 – a decline of 8.9 million litres, or 2.1 percent, on the previous year. Almost 80 percent of beer was sold through retail outlets. Restaurant sales accounted for just under 18 percent. Alko state-owned alcohol outlets represented 2.6 percent of beer sales. More than one-half of beer sold is now packaged in cans. The proportion of beer sold in cans rose from 38 to 52 percent.

Members of the Federation of the Brewing and Soft Drinks Industry sold a total of 37.4 million litres of cider. Cider sales fell by 9.1 percent, or 3.7 million litres. However, the sales of long drinks continued to rise, now exceeding cider sales. Aggregate sales of long drinks amounted to 38.0 million litres. The beverage category grew by 12.3 percent, or 4.2 million litres, on the previous year. About 40 percent of ciders and long drinks were sold in cans in 2008.

A total of 270.1 million litres of soft drinks and 64.4 million litres of mineral waters were sold. Mineral water sales were down 6.3 percent, or 4.3 million litres, and soft drink sales fell by 8.6 million litres, or 3.1 percent, on the previous year. The proportion of sugar-free soft drinks continued to increase. Almost 35 percent of all soft drinks sold were sugar-free.

DOMESTIC SALES 2008

Beverage	2008 million litres	2007 million litres	Change million litres	Change %
Beer	417.4	426.3	-8.9	-2.1
Cider	47.4	41.2	-3.7	-9.1
Long drinks	38.0	33.8	4.2	12.3
Soft drinks	270.1	278.6	-8.6	-3.1
Mineral waters	64.4	68.7	-4.3	-6.3
Total sales	827.3	848.6	-21.4	-2.5

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

2008 in brief

- The Group's net sales increased by 8.3%
- The market position improved across Olvi Group's entire operating area
- Substantial investments created required additional capacity
- The rainy summer burdened earnings in Finland as well as the Baltic states
- Scrapping of the obsolete package inventory created costs of 3.8 million euro, which burdened earnings in Finland as the entire industry is changing over to single-use packaging
- Olvi Group expanded to Belarus
- The economic downtrend affected the demand for Premium products in the Baltic states

KEY RATIOS:

	1-12/2008	1-12/2007	Change %
Net sales, MEUR	222.1	205.2	+ 8.3
Operating profit, MEUR	17.5	23.1	- 24.3
Gross capital expenditure, MEUR	43.6	25.4	+ 71.3
Earnings per share, EUR	1.22	1.83	- 33.3
Equity per share, EUR	9.07	8.61	+ 5.3
Equity to total assets, %	43.3	47.7	
Gearing, %	62.9	45.6	

"The strengthened market position across our entire operating area and the expansion into Belarus serve as good foundations for Olvi Group's growth," says Lasse Aho, Olvi plc's Managing Director.

CHANGES IN CORPORATE STRUCTURE

On 2 October 2008 Olvi plc signed an agreement to acquire a majority of shares in the Belarusian brewery OAO Lidskoe Pivo. The acquisition was implemented through a private placing directed to Olvi plc by OAO Lidskoe Pivo. The shares received in the private placing were registered on 24 December 2008, resulting in 51 percent of the brewery's stock and voting rights being transferred to Olvi plc. The remaining 49 percent is distributed evenly among the brewery's personnel. The acquisition price was approximately USD 16 million or 11.9 million euro.

OAO Lidskoe Pivo is consolidated in Olvi Group's balance sheet as of 31 December 2008. The company's consolidation with Olvi Group has no effect on the income statement because Olvi plc only acquired control over the company in late December 2008.

OAO Lidskoe Pivo's net sales in 2008 amounted to 28.9 million euro, while the sales volume was 79.9 million litres (Belarus GAAP).

In 2008 Olvi Group increased its holding in A/S Cēsu Alus by 385 shares or 0.31 percent. At the end of December 2008, Olvi plc's holding in A/S Cēsu Alus stood at 98.2 percent, in AB Ragutis 99.57 percent and in AS A. Le Coq 100.0 percent.

SALES VOLUME, NET SALES AND EARNINGS 2008

Olvi Group

Olvi Group's sales volume in 2008 was on a par with the previous year at 340.9 (341.8) million litres. The sales volume increased by 0.6 million litres in Finland but decreased by a total of 7.1 million litres in the Baltic states. The decreased sales volumes in the Baltic states were due to rainy and cold weather in the spring and summer, as well as a decrease in demand due to the progressing economic recession in all of the Baltic states.

Internal sales between Group companies decreased by 5.6 million litres as substantial investments carried out in 2008 brought additional capacity to all Group companies.

The Group's net sales in 2008 amounted to 222.1 (205.8) million euro, representing an increase of 16.9 million euro or 8.3 percent. Net sales in Finland improved by 9.7 million euro or 10.1 percent. Net sales in the Baltic states increased by 5.9 million euro or 4.9 percent. The net sales improvement was attributable to an increase in the mean price for products, which in turn is the result of a shift in consumption increasingly towards cans, recyclable plastic deposit bottles and cases. Correspondingly, the costs of these packaging materials are clearly higher in comparison to refillable bottles previously used.

Olvi Group's operating profit in 2008 stood at 17.5 (23.1) million euro, or 7.9 (11.3) percent of net sales. The operating profit declined by 5.6 million euro on the previous year. The operating profit in Finland was 4.3 (8.5) million euro, representing a change of -4.3 million euro on the previous year. The operating profit in the Baltic states amounted to 12.9 (14.7) million euro (excluding eliminations).

The January-December profit after taxes was 12.7 (18.9) million euro.

Parent company Olvi plc

The parent company Olvi plc's sales in 2008 amounted to 138.2 (137.6) million litres, representing an increase of 0.6 million litres or 0.4 percent. In terms of litres sold as well as proportional growth, the greatest sales increase was seen in long drinks. The sales of beers in Finland increased by one million litres on the previous year. The sales of mineral waters and ciders remained on the previous year's level, while a slight decline was seen in soft drinks. Tax-free sales amounted to 3.4 (3.8) million litres and freighted work for the Baltic subsidiaries to 1.5 (6.0) million litres in 2008, totalling 3.6 (4.8) percent of total sales.

For the first half of the year, Olvi plc's sales development was hindered by a lack of canning capacity. The situation improved substantially in August when a new canning line was introduced to production. The share of canned products has increased to 36 percent of Olvi plc's aggregate sales in Finland.

From the beginning of 2008, Olvi plc's market position in Finland has been monitored using statistics from the Federation of the Brewing and Soft Drinks Industry as AC Nielsen market share monitoring is no longer available in Finland. According to the statistics, Olvi plc's overall market position in the main product groups in the January-December period continued to improve clearly on the previous year. Olvi plc's overall market share in the alcoholic product groups: beers, ciders and long drinks, was 20.0 (18.7) percent. Olvi plc's market share in mineral waters was 19.7 (18.0) percent.

Olvi plc's net sales in 2008 stood at 106.3 (96.5) million euro, representing an increase of 9.7 million euro or 10.1 percent on the previous year. Net sales growth has clearly outperformed the growth in sales volume throughout the year.

Olvi plc's operating profit stood at 4.3 (8.5) million euro or 4.0 (8.8) percent of net sales. The operating profit declined by 4.3 million euro.

The most significant factors underlying the decline in profitability include the scrapping costs of obsolete packaging as the industry is changing over to single-use packages, substantially higher-than-expected demand for canned products, as well as lack of canning line capacity in the spring and summer. The efficiency of operations was hampered by the introduction of several simultaneous major investments, as well as a slower-than-expected pace of adopting the new recyclable plastic bottle system and the resulting costs of maintaining two packaging systems simultaneously. The situation was also affected by higher-than-expected cost increases in raw materials, packaging supplies, energy and logistics, which could not be fully transferred to price

increases during the operating year.

Scrapping of the obsolete package inventory due to the transition to single-use packaging resulted in 3.8 (1.8) million euro of non-recurring write-downs on inventories that burdened the January-December earnings.

AS A. Le Coq

The total sales of the Estonian subsidiary AS A. Le Coq in 2008 amounted to 125.5 (138.2) million litres, representing a decline of 13 million litres or 9.4 percent on the previous year. The total sales include 17.7 (22.4) million litres of freighted work for other Group companies and 0.7 (1.9) million litres of tax-free exports. 7.1 million litres of the sales decline were attributable to domestic sales, while 4.7 million litres were attributable to freighted work for other Group companies. Tax-free exports declined by 1.2 million litres on the previous year.

The sales volume in beers and ciders was on a par with the previous year but declined clearly in mineral waters and well-being beverages, with a slight decline in soft drinks, long drinks and energy drinks. The decline in domestic Estonian sales is attributable to an overall decline in the volumes of all product groups across the Estonian beverage industry.

In spite of the declined sales volume, AS A. Le Coq has strengthened its market position. AS A. Le Coq's market share in beers is approximately 40 percent. AS A. Le Coq is the clear market leader in ciders and long drinks with a share of more than 55 percent. With the exception of mineral waters, AS A. Le Coq's market share has remained on a healthy level also in other product groups.

Net sales in 2008 stood at 72.0 (72.5) million euro, representing a decline of 0.5 million euro or 0.7 percent on the previous year.

AS A. Le Coq's operating profit was 11.6 (10.9) million euro or 16.1 (15.0) percent of net sales. The operating profit improved by 0.8 million euro or 7.2 percent. The operating profit improvement was made possible by production efficiency, an increased share of Premium products and cost control.

A/S Cēsu Alus

The sales of A/S Cēsu Alus operating in Latvia totalled 58.7 (54.1) million litres in 2008. This represents an increase of 4.6 million litres or 8.6 percent. 1.8 million litres of the sales improvement came from increased intra-Group sales. The growth in Latvian domestic sales volume was attributable to beers that represent approximately 70 percent of total sales. The sales of soft drinks, mineral waters, ciders and long drinks were on a par with the previous year, while the sales of juices declined.

In the primary product group, beers, A/S Cēsu Alus's market share is approximately 27 percent, and the brewery is clearly the number two player in the market. A/S Cēsu Alus's market share in ciders and long drinks is approximately 40 percent. The overall volumes of the Latvian beverage market are declining across all product groups.

Net sales in 2008 amounted to 31.4 (26.7) million euro, representing an increase of 4.7 million euro or 17.5 percent.

A/S Cēsu Alus's operating profit in 2008 was 1.3 (2.3) million euro, or 4.1 (8.6) percent of net sales. The operating profit declined by 1.0 million euro on the previous year.

AB RAGUTIS

The total sales of the Lithuanian subsidiary AB Ragutis in 2008 amounted to 44.1 (42.8) million litres, an increase of 1.3 million litres or 3.1 percent on the previous year. The sales increase is attributable to intra-Group sales. Sales to other Group companies amounted to 2.7 (1.0) million litres, an increase of 1.7 million litres. Tax-free exports increased by 0.2 million litres, while domestic sales in Lithuania declined by 0.6 million litres.

The sales of soft drinks and the low-alcoholic Kvass malt beverage purchased from OAO Lidskoe Pivo increased clearly. The sales of beers and long drinks remained on the previous year's level, while the sales of ciders and juices declined.

The market share of AB Ragutis's beers has improved to 10.0 (9.2) percent, and the market share of long drinks has improved to some 24 (21) percent. The company's market share in ciders is approximately 35 percent.

The company's net sales in 2008 amounted to 23.8 (22.1) million euro, representing an increase of 1.7 million euro or 8.0 percent.

The operating profit stood at 0.03 (1.5) million euro, which was 0.1 (7.0) percent of net sales. Factors hampering the company's profitability include increases in the prices of raw materials

and packaging supplies, as well as increased personnel and logistics costs. Problems with commissioning the new plastic bottle filling line delayed the start of production and utilisation of the investment.

FINANCING AND INVESTMENTS

Olvi Group's balance sheet total at the end of 2008 was 244.2 (187.0) million euro. Equity per share stood at 9.07 (8.61) euro. The amount of interest-bearing liabilities was 82.2 (45.0) million euro, including current liabilities of 39.8 (16.4) million euro.

Olvi Group's gross capital expenditure in 2008 was exceptionally high. Capital expenditure increased to 43.6 (25.4) million euro. The parent company Olvi plc accounted for 25.6 million euro and the subsidiaries in the Baltic states for 18.0 million euro of the total.

The parent company Olvi plc's capital expenditure includes the acquisition price for shares in OAO Lidskoe Pivo, 12.0 million euro. The parent company's production investments in 2008 included a filling line for recyclable plastic deposit bottles, an automatic storage facility and a new canning line.

The largest investments in the Baltic subsidiares included a canning line and a storehouse extension in Latvia, as well as a PET plastic bottle filling line and a fermentation cellar extension in Lithuania.

The equity to total assets ratio was 43.3 (47.7) percent and remained good in spite of Olvi Group's substantial investments and the acquisition in Belarus.

PRODUCT DEVELOPMENT

Research and development includes projects to design and develop new products, packages, processes and production methods, as well as further development of existing products and packages. R&D costs in 2008 amounted to a total of 0.5 (0.4) million euro, of which 0.45 million euro was recognised as expenses and 0.08 million euro was capitalised on the balance sheet.

NEW PRODUCTS

2008 was an active year of product development. Olvi plc introduced products to the well-being and sports beverages segments. While representing only a very small volume up to date, these product groups reflect Olvi's desire of expanding into new product segments and developing healthier products for the beverage market. The recyclable plastic deposit bottle designed for Olvi plc by the internationally distinguished Finnish designer Harri Koskinen was introduced into use gradually, and in late 2008 it completely replaced the old refillable PET plastic bottle. New package sizes included a pint-size (0.568-litre) can, as well as a 0.95-litre recyclable plastic deposit bottle for soft drinks and mineral waters that was well-received by consumers and trade. The number of new products launched was more than thirty.

Olvi plc brought several novelties to retail stores on 1 January 2009. The most innovative was the TEHO energy drink effervescent tablet. The energy drink packaged in six-tablet tubes was well-received at retailers all over the country. Other new products included the OLVI Fruit soft drink, KevytOlo Sweet Pineapple and Sweet Queen in 0.95-litre packages, OLVI Light Grapefruit Long Drink in 0.5-litre cans and the Sandels 5-litre keg that brought draft beer to the home.

Several new products will be introduced in Finland on 1 April 2009. The soft drinks segment will be strengthened with four new products in 0.95-litre bottles that are sweetened with fruit sugar. This reduces the calorie count without artificial sweeteners.

Olvi plc will also launch the OLVI KevytOlo spring water. The product is a fresh natural product from Suomenselänharju springs. Naturalness is also emphasised in the new TEHO Apple-Citrus Energy Drink, with its 100% natural energising ingredients. The product is free of preservatives. The non-alcoholic segment will also see the introduction of KevytOlo Strawberry-Lemon, which gets its flavour from natural berries and fruits. An old favourite from years past, the OLVI Vaakuna beer, will be re-introduced after a break of approximately 10 years. The OLVI Long Drink range will be supplemented by a new cranberry flavour. The FIZZ Cooler range will be expanded by Tropical and Perry&Grape flavours.

Baltic states

2008 was a year of more intensified product development collaboration in the Baltic states. Several new products were introduced in all of the Baltic subsidiaries with the same content and either a local or Group-wide brand. These were supplemented by a number of local novelties to respond to local consumer demand. The Dynamite energy drink launched in 2007 established its position in 2008 as one of the most significant

energy drinks in all of the Baltic states.

New product launches by the Estonian AS A. Le Coq included the A. Le Coq X-mas Porter beer and Limpa Wild Berry juice in late 2008, as well as the Sweet Orange nectar and a sports beverage with added apple juice in February 2009. New products were also launched for the Christmas season in Latvia, including the Cēsu Christmas Porter beer, Cēsu Dzins Winter Punch long drink and a Christmas soft drink.

CORPORATE GOVERNANCE

Olvi plc complies with the Finnish Corporate Governance Code 2008 issued by the Securities Market Association that entered into force on 1 January 2009.

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

According to the implementing provisions of the Finnish Corporate Governance Code, a separate corporate governance statement shall be issued for the first time for a financial period commencing on 1 September 2008 or later.

Olvi plc maintains a public and company-specific insider register, as well as project-specific insider registers for individual projects. Public insiders comprise the members of the Board of Directors and Management Group, auditors and their closely related parties.

PERSONNEL

The aim of Olvi Group's personnel strategy is to promote the achievement of the Group's business objectives. A crucial objective of the personnel strategy is well-being personnel that possess the best competence in the industry and are managed in a controlled manner under constant change. It is most important to guarantee the attractiveness of the company as an employer and ensure the availability of personnel, commitment to the company and continuous development.

Olvi's business strategies and objectives are put into practice in the organisation through result cards, appraisal discussions and regular feedback. The competence of personnel is maintained through continuous training and development of operations.

Olvi plc's operations are anchored in four values:

Finnishness

We want to be among the best experts of the Finnish consumer. We offer a Finnish alternative and customise our products for Finnish consumers. Our independent decision-making allows rapid response when necessary.

Profitability
Good results require competent and well-being personnel. Efficient operations and solid finances guarantee the continuity of independent business. By focusing on the things that we know best, we can make a profit and fulfil our commitments to personnel, shareholders, society and other interest groups.

Positiveness
Positiveness is our way of operating and responding to challenges. Positiveness, openness and the Olvi spirit are attitudes that translate our objectives into results and success.

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

Olvi Group's average number of personnel in 2008 was 1,256 (1,211), which represents an increase of 45 people or 3.7 percent on the previous year. The total number of personnel at the end of December was 2,069 (1,204), of which the OAO Lidskoe Pivo brewery accounted for 927 employees.

OLVI GROUP'S AVERAGE PERSONNEL DURING THE ACCOUNTING PERIOD:

	2008	2007	2006
Olvi plc, Finland	431	389	346
AS A. Le Coq, Estonia	388	409	393
A/S Cēsu Alus, Latvia	231	211	195
AB Ragutis, Lithuania	206	202	192
Total	1,256	1,211	1,126

	2008	2007	2006
Wages, salaries and emoluments in the accounting period (EUR 1,000)	26,492	24,546	21,307

Bonus schemes

The achievement of objectives is supported by incentive bonus schemes.

In Finland, Olvi plc has a performance-based bonus scheme covering the entire personnel. The company also has a functional personnel fund. All of the Baltic subsidiaries have a performance-based bonus scheme covering key personnel.

Olvi plc's Board of Directors decided on 26 January 2006 on a share-based long-term incentive scheme for Olvi Group's key personnel. The scheme includes two vesting periods, the first one extending from 1 January 2006 to 31 December 2007 and the second one from 1 January 2008 to 31 December 2010. The share-based bonus scheme is a part of the incentive and commitment scheme for the Group's key personnel and its purpose is to combine the objectives of shareholders and key personnel to improve the company's value. The amount of bonuses payable out of the scheme is linked to Olvi Group's net sales and the operating profit percentage in relation to net sales. The bonuses are payable partially in the company's Series A shares and partially in cash. The cash portion will be used to pay taxes and related official charges arising from the shares.
A total of 32,000 Olvi plc Series A shares became payable for the first vesting period from 2006 to 2007 on the basis of completely achieved targets. The share-based bonuses were paid in April 2008 in accordance with the terms and conditions of the scheme. The shares carry a ban on transferring them within two years of reception.

On 17 December 2007, Olvi plc's Board of Directors decided on the targets for the second vesting period and the people included in the scheme. At the same time, the maximum number of shares that may be granted on the basis of the share-based incentive scheme was increased from 40,000 to 80,000. Any bonuses for the second vesting period will be paid in April 2011. 50 percent of the shares received as bonus for the second vesting period may be transferred after one year of reception, and 100 percent after two years of reception. The right to dividends begins when the shares are transferred to the key employees' book-entry accounts.

On the basis of this incentive scheme, a total of 48,000 Olvi plc Series A shares may become payable in 2011 for the second vesting period if the targets are achieved in full.
The target group of the scheme currently includes 21 key employees.

No accounting entries associated with the 2008–2011 vesting period were recognised in 2008.
Olvi Group has no warrants or options.

MANAGEMENT AND AUDITORS

Olvi plc's Annual General Meeting held on 10 April 2008 elected the following members to the Board of Directors: Heikki Hortling, M.Sc. (Econ), Iisalmi, Esa Lager, Chief Financial Officer, LL.M., M.Sc. (Econ), Kauniainen, Lauri Ratia, Managing Director, M.Sc. (Eng), Helsinki, Heikki Sinnemaa, LL.M., Member of the Bar, Iisalmi, and Harri Sivula, M.Adm.Sc., Tuusula. All of them have been in office during the fiscal year. Heikki Hortling has served as Chairman of the Board, while Esa Lager has served as Vice Chairman.

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

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

BOARD OF DIRECTORS' AUTHORISATIONS

On 10 April 2008, the General Meeting of Shareholders of Olvi plc decided to authorise the Board of Directors to decide on the acquisition of the company's own shares using distributable funds. The authorisation is valid for one year starting from the General Meeting and covers a maximum of 245,000 Series A shares. The Board of Directors may also decide that any shares acquired on the company's own account be cancelled by reducing the share capital. The Board of Directors of Olvi plc has not exercised the authorisation granted by the General Meeting to acquire treasury shares in 2008.

On 10 April 2008, the General Meeting of Shareholders of Olvi plc decided to authorise the Board of Directors to decide on the transfer of the company's own shares. On the basis of the authorisation granted by the General Meeting of Shareholders, the company's Board of Directors decided to hand over treasury shares acquired in 2006 and 2007 for use as rewards in Olvi Group's share-based incentive system for key personnel for the achievement of targets for 2006 and 2007. A total of 29,600 treasury shares were handed over to the Group's key personnel in April 2008.

TREASURY SHARES

In the beginning of 2008, Olvi plc possessed a total of 32,000 of its own Series A shares, and 29,600 of them were handed over to the Group's key employees in April 2008. No further acquisitions of the company's own Series A shares took place in 2008.

At the end of December 2008, Olvi plc held a total of 2,400 of its own Series A shares acquired for a price of 54 thousand euro. Treasury shares held by Olvi plc represent 0.02 percent of the share capital and 0.01 percent of the aggregate number of votes. The treasury shares represent 0.03 percent of all Series A shares and associated votes.

ENVIRONMENTAL ISSUES

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

Olvi Group's environmental principles:

- Olvi favours efficient reuse and recycling of packages.
- Olvi routes by-products and production waste to recovery.
- In the development of products and procedures, Olvi is committed to the efficient use of raw materials and energy, as well as the reduction of environmental impacts.
- Olvi favours co-operation partners that show environmental responsibility.
- Olvi openly discloses information on its operations and the environmental impacts of its products.
- Olvi encourages its personnel to take responsibility and show innovation also with regard to their work environment.

Olvi plc joined a voluntary energy savings agreement for industry in 2007, committing to reductions in its energy consumption. This way Olvi plc engages in the implementation of the national energy savings target. An energy review in accordance with the Motiva model was carried out at the production facility at Iisalmi, determining energy consumption by application and measures for saving energy. During 2008, Olvi plc has improved the control systems for ventilation equipment and air compressors, as well as heat recovery. The use of district heating to heat buildings was intensified.
Olvi's environmental permit was granted on 30 September 2003 and is valid until 2014.
Olvi Group companies have not been involved in any legal or administrative proceedings related to environmental issues, and the company is not aware of any environmental risks that would have a significant effect on the Group's financial position.

CAPITAL AND RISK MANAGEMENT

The main principle of capital and risk management is to maintain Olvi Group's strong financial position and to ensure that the Group's financing needs can be fulfilled cost-efficiently also under critical financial market conditions. Olvi Group aims to improve the flexibility of its cost structures in order to maintain competitiveness also when sales volumes fluctuate and change. The Group also wants to ensure that its liquidity will cover financing needs in both the short and the long term.

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

Long-term financing is secured through existing loan agreements.

Olvi Group's business operations are exposed to risks that may arise from changes in the operating environment or events caused by operations. The most significant risks include exchange rate risks with regard to the Baltic and Belarusian currencies, increases in the costs of raw materials, packaging, personnel and logistics, as well as changes in the overall beverage industry market.

The economic recession may affect the solvency of the Group's customers and the schedule of payments, thus increasing credit loss risks. The Group aims to control credit risks through continuous monitoring of its customers' payment practices and creditworthiness.

As an international group of companies, Olvi is exposed to fluctuations in foreign exchange rates. Olvi plc has investments in foreign subsidiaries in Estonia, Latvia, Lithuania and Belarus. The Estonian kroon and the Lithuanian litas are pegged to the euro but with regard to the investments in Latvia and Belarus, the Group is exposed to risk arising from the conversion of the subsidiary investments made in LVL and BYR

into the parent company's operating currency.

Olvi Group's earnings development may also be endangered if the Group is unable to transfer increases in the costs of production, personnel or logistics into product prices at the correct time or if it does not achieve its profitability targets.

BUSINESS RISKS AND UNCERTAINTIES IN THE NEAR TERM

The economy of the Baltic states is in recession. Construction and industrial investments have declined, and unemployment has increased substantially. Devaluation of currencies is a threat to all of the Baltic states, and this would substantially deteriorate the profit-making capacity denominated in euro. The Finnish economy is also in a decline, which is reflected in consumer behaviour.

The markets of the brewing industry are expected to decline in Finland and in the Baltic states. As the consumers' purchasing power is declining and inflation is going up, less expensive products will be in favour instead of Premium products.

The global financial crisis and subsequent economic decline have increased the costs of financing.

NEAR-TERM OUTLOOK

The overall beverage market will decline in Finland and in the Baltic states.
However, Olvi Group companies have good opportunities to retain their overall market position also in the prevailing difficult economic situation. Completed investments will guarantee sufficient capacity and enable cost-efficient production across versatile product ranges and packaging alternatives. A crucial target is to utilise the completed additional capacity and to improve the entire Olvi Group's profitability and competitive ability.

We expect Olvi Group's profitability to remain at the present level or slightly improve in 2009.

BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFIT

Olvi plc has pursued an active and earnings-based dividend policy. The aim has been to distribute approximately 40 percent of Olvi Group's annual earnings per share as dividend to the shareholders.

The parent company Olvi plc had 39.9 (45.3) million euro of distributable funds on 31 December 2008, of which profit for the period accounted for 2.2 (8.5) million euro.

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

- A dividend of 0.50 euro shall be paid for 2008 on each Series K and Series A share, totalling 5.2 million euro. The dividend represents 41.0 percent of Olvi Group's earnings per share. The proposal calls for the payment of dividends in April 2009.
- 34.7 million euro shall be retained in the parent company's non-restricted equity.

In accordance with the Annual General Meeting's decision, a dividend of 0.80 euro on each Series K and Series A share, totalling 8.3 million euro, was paid for 2007.

The information called for by the Companies Act and the Decree of the Ministry of Finance on the Regular Duty of Disclosure of an Issuer of a Security, such as the series of shares, shareholders, related parties and financial indicators is presented in the notes to the financial statements.

An annual summary of disclosures made by the company in 2008 can be found at www.olvi.fi under "Financial reports".

FINANCIAL REPORTS IN 2009

Olvi Group's financial statements and Board of Directors' report for the year 2008 will be published on the company's Web site on 31 March 2009. The Annual General Meeting of the shareholders of Olvi plc will be held in Iisalmi, Finland, on 7 April 2009. A notice to convene the meeting will be published in March 2009.

The following interim reports will be released in 2009:

Interim Report 1Q,
January to March, on 30 April 2009
Interim Report 2Q,
January to June, on 27 August 2009
Interim Report 3Q,
January to September, on 29 October 2009

OLVI GROUP

CONSOLIDATED FINANCIAL STATEMENTS 2008

CONSOLIDATED BALANCE SHEET

	Note	31 Dec 2008 EUR 1,000	%	31 Dec 2007 EUR 1,000	%
ASSETS					
Non-current assets					
Tangible assets	12	132 028		97 706	
Goodwill	13	10 743		10 679	
Intangible assets	13	1 023		1 002	
Financial assets available for sale	15	288		284	
Non-current assets held for sale	2	429		63	
Loan receivables and other non-current receivables	16	350		118	
Deferred tax receivables	19	1 042		362	
Total non-current assets		**145 903**	**59.7**	**110 215**	**59.0**
Current assets					
Inventories	17	33 699		30 159	
Accounts receivable and other receivables	18	48 839		42 181	
Deferred tax receivables	19	23			
Liquid assets	20	15 748		4 332	
Total current assets		**98 309**	**40.3**	**76 672**	**41.0**
TOTAL ASSETS		**244 213**	**100.0**	**186 887**	**100.0**
SHAREHOLDERS' EQUITY AND LIABILITIES					
Total shareholders' equity held by parent company shareholders					
Share capital	21	20 759		20 759	
Other reserves		1 092		1 092	
Treasury shares	21	-63		-722	
Retained earnings		59 632		48 978	
Net profit for the period		12 684		18 944	
Total shareholders' equity held by parent company shareholders		**94 104**	**38.5**	**89 051**	**47.6**
Minority interest		11 618	4.8	136	0.1
Total shareholders' equity		**105 722**	**43.3**	**89 188**	**47.7**
Non-current liabilities					
Interest-bearing liabilities	23	42 361		28 592	
Interest-free liabilities		4		0	
Deferred tax liabilities	19	1 421		1 113	
Current liabilities					
Interest-bearing liabilities	23	39 840		16 383	
Interest-free liabilities	24	54 864		51 721	
Total liabilities		**138 490**	**56.7**	**97 809**	**52.3**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**244 212**	**100.0**	**186 997**	**100.0**

The notes constitute an essential part of the financial statements.

OLVI GROUP

CONSOLIDATED INCOME STATEMENT

	Note	1 Jan to 31 Dec 2008 EUR 1,000	%	1 Jan to 31 Dec 2007 EUR 1,000	%
NET SALES	1	**222 124**	**100.0**	**205 188**	**100.0**
Increase (+)/decrease (-) in inventories of finished and unfinished products		1 092	0.5	607	0.3
Manufacture for own use		106	0.0	75	0.0
Other operating income	3	1 005	0.5	894	0.4
Materials and services		96 459	43.4	82 656	40.3
Personnel expenses	6	31 983	14.4	29 857	14.6
Depreciation and impairment	5	14 155	6.4	11 759	5.7
Other operating expenses	4	64 251	28.9	59 392	28.9
OPERATING PROFIT		**17 478**	**7.9**	**23 101**	**11.3**
Financial income	8	247	0.1	186	0.1
Financial expenses	9	-3 420	-1.5	-1 953	-1.0
PROFIT BEFORE TAXES		**14 305**	**6.4**	**21 334**	**10.4**
Income taxes	10	-1 631	-0.7	-2 354	-1.1
NET PROFIT FOR THE YEAR		**12 674**	**5.7**	**18 979**	**9.2**
Attributable to:					
- parent company shareholders		12 684	5.7	18 943	9.2
- minority		-10	-0.0	36	0.0
Ratios calculated from the profit belonging to parent company shareholders:					
Undiluted earnings per share (EUR)		1.22		1.83	

The notes constitute an essential part of the financial statements.

OLVI GROUP

CONSOLIDATED CASH FLOW STATEMENT

	Note	2008 EUR 1,000	2007 EUR 1,000
Cash flow from operations			
Net profit for the period		12 674	18 980
Adjustments:	27		
Depreciation and impairment	5	14 156	11 759
Financial income	8	-247	-186
Financial expenses	9	3 420	1 953
Income taxes	10	1 631	2 354
Other adjustments		11	-339
Change in net working capital:			
Increase (-)/decrease (+) in current interest-free accounts receivable and other receivables		884	-9 925
Increase (-)/decrease (+) in inventories		102	-4 986
Increase (+)/decrease (-) in current interest-free liabilities		-6 268	13 314
Interest paid		-2 959	-1 806
Interest received		234	72
Taxes paid		-3 054	-3 307
Cash flow from operations (A)		**20 584**	**27 884**
Cash flow from investments			
Acquisition of subsidiary less acquired liquid assets		-1 601	0
Investments in tangible and intangible assets		-30 558	-25 140
Capital gains on disposal of tangible and intangible assets		245	308
Expenditure on other investments		-1	
Cash flow from investments (B)		**-31 915**	**-24 832**
Cash flow from financing			
Withdrawals of loans		78 000	16 000
Repayments of loans		-46 965	-9 665
Acquisition of treasury shares	21	0	-432
Dividends paid		-8 288	-6 725
Cash flow from financing (C)		**22 747**	**-822**
Increase (+)/decrease (-) in liquid assets (A+B+C)		**11 416**	**2 230**
Liquid assets 1 January		4 332	2 102
Liquid assets 31 December	20	15 748	4 332
Change in liquid assets		11 416	2 230

The Group's liquid assets on 31 December 2008 include the liquid assets of the acquired subsidiary OAO Lidskoe Pivo on the date of acquisition 31 December 2008.

The notes constitute an essential part of the financial statements.

OLVI GROUP

CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

	SHAREHOLDERS' EQUITY BELONGING TO PARENT COMPANY SHAREHOLDERS								
EUR 1,000	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**
Shareholders' equity 1 Jan 2007	20 759	857	127	-290	143	-18	55 688	101	77 367
Transfer of reserve to retained earnings					-35		35		0
Acquisition of treasury shares				-432					-432
Change in translation difference						9			9
Payment of dividends							-6 736		-6 736
Net profit for the period							18 980		18 980
Share of profit belonging to the minority							-35	35	0
Shareholders' equity 31 Dec 2007	20 759	857	127	-722	108	-9	67 932	136	89 188

	SHAREHOLDERS' EQUITY BELONGING TO PARENT COMPANY SHAREHOLDERS								
EUR 1,000	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**
Shareholders' equity 1 Jan 2008	20 759	857	127	-722	108	-9	67 932	136	89 188
Change in translation difference						-14		-1	-15
Transfer of treasury shares				659					659
Payment of dividends							-8 291		-8 291
Net profit for the period							12 674		12 674
Change in minority interest due to acquisition of subsidiary								11 507	11 507
Other changes in minority interest							14	-14	0
Share of profit belonging to the minority							10	-10	0
Shareholders' equity 31 Dec 2008	20 759	857	127	-63	108	-23	72 339	11 618	105 722

A = Share capital
B = Share premium account
C = Legal reserve
D = Treasury shares reserve
E = Other reserves
F = Translation differences
G = Retained earnings
H = Minority interest
I = Total

The notes constitute an essential part of the financial statements.

Notes to the Consolidated Financial Statements

Basic information on the Group

Olvi Group manufactures beers, ciders, long drinks, mineral waters, juices, soft drinks, energy drinks and other beverages. Olvi operates in Finland, as well as in the Baltic states of Estonia, Latvia and Lithuania. In late 2008 Olvi plc also acquired a subsidiary in Belarus.

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

A copy of the consolidated financial statements is available on the Internet at www.olvi.fi or from the headquarters of Olvi Group's parent company at Olvitie I-IV, 74100 Iisalmi.

The accounting period of all Group companies corresponds to the calendar year and ended on 31 December 2008.

Olvi plc's Board of Directors has approved the disclosure of these financial statements at its meeting on 23 February 2009.
According to the Finnish Companies Act, shareholders have the option to approve or reject the financial statements at a General Meeting of Shareholders to be held after disclosure. The General Meeting of Shareholders may also decide on amending the financial statements.

Accounting policies

Basis of preparation

The consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS), observing the IAS and IFRS standards as well as SIC and IFRIC interpretations valid on 31 December 2008. In the Finnish Accounting Act and regulations enacted by virtue of the Act, International Financial Reporting Standards refer to the standards approved for use in the European Union in accordance with the procedure specified in the EU regulation (EC) No 1606/2002. The notes to the financial statements are also in compliance with Finnish legislation concerning accounting and corporate law.

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

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

Consolidated Accounting Policies

Subsidiaries

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

Intra-Group shareholdings have been eliminated using the purchase method. Acquired subsidiaries are included in the consolidated financial statements as of the date the Group has acquired a position of control, and divested subsidiaries are included until the date the Group's control is discontinued. All intra-Group business transactions, receivables, liabilities, unrealised gains and internal profit distribution are eliminated during the preparation of the consolidated financial statements. Unrealised losses are not eliminated if they are caused by impairment. The distribution of profit for the financial period between the parent company's shareholders and the minority is presented in connection with the

income statement, and the share of equity belonging to the minority is presented as a separate item within shareholders' equity in the balance sheet. The maximum amount recognised in the consolidated financial statements as the minority's share of accrued losses is the amount of the investment.

Business combinations between enterprises under common control

Business combinations between enterprises under common control have been accounted for on the basis of original cost. The so-called Parent Company model applies to the acquisition of minority interests; the difference between the acquisition cost and acquired equity is recognised as goodwill.

Conversion of items in foreign currency

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

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

The income statements of non-Finnish consolidated companies have been converted into euro at the average exchange rate for the accounting period, which refers to the average of the mean exchange rates quoted by the European Central Bank on the last day of each month. Balance sheet items have been converted into euro at the mean exchange rate quoted by the European Central Bank on the balance sheet date. The different exchange rates applicable to the conversion of profit or loss on the income statement and balance sheet result in a translation difference recognised in shareholders' equity. Translation differences arising from the elimination of the acquisition cost of foreign Group companies, as well as translation differences arising from equity items accumulated after the acquisition, are recognised in shareholders' equity. When a subsidiary is divested in full or in part, accumulated translation differences are recognised in the income statement as part of the sales gain or loss.

Property, plant and equipment

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

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

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

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

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

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

Intangible assets

Goodwill

Goodwill corresponds to the share of acquisition cost of an entity acquired after 1 January 2004 that exceeds the Group's share of the fair value of the entity on the date of acquisition. Goodwill arising from business combinations carried out before 2004 corresponds to book value in accordance with previous accounting standards that has been used as the deemed cost under IFRS.

No regular amortisation is booked on goodwill but it is tested for impairment annually or, if necessary, more frequently. For this purpose, goodwill is allocated to cash generating units that cor-

respond to the management's way of supervising the business and associated goodwill. In the Group, cash generating units correspond to reporting segments. Goodwill is recognised at original cost deducted by impairment.

Research and development costs

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

Other intangible assets

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

The amortisation periods for other intangible assets are the following:

Computer software	5 years
Other	5 years

Lease agreements

The Group as a lessee

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

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

The Group as a lessor

Items leased out by the Group in which a significant part of the risks and benefits characteristic of ownership have been transferred to the lessee are treated as finance lease agreements and recognised as receivables in the balance sheet. The receivable is recognised at present value. The financial income on a finance lease agreement is recognised as income during the lease period so that the remaining net investment will produce the same percentage of yield over the lease period. The Group does not currently have any substantial finance lease agreements as a lessor.

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

Impairment

The balance sheet values of non-current tangible and intangible assets are assessed for impairment on the balance sheet date and every time there is evidence that the value of an asset may have been impaired. The impairment test estimates the amount recoverable from an asset. Recoverable amount equals to the fair value of an asset deducted by costs arising from its transfer, or value in use if this is higher.

An impairment loss is recognised in the income statement when the book value of an asset exceeds its recoverable amount. If an impairment loss is attributable to a cash generating unit, it is first allocated to reduce the goodwill attributable to the cash generating unit and then to reduce other asset items within the unit on a pro rata basis. An impairment loss will be reversed if there is a change in the circumstances and the amount recoverable from an asset has changed since the recognition of the impairment loss. However, any impairment loss reversal may not

exceed the amount that would be the book value of the asset if the impairment loss was not recognised. Impairment losses recognised on goodwill are not to be reversed in any circumstances.

Impairment testing

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

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

Borrowing costs

Borrowing costs are recognised as expenses in the period during which they have arisen.

Government grants

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

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

Inventories

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

Employee benefits

Pension obligations

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

Share-based payments

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

Arrangements settled in equity instruments are measured at fair value on the date of granting and recognised as expenses in the income statement in equal instalments over the validity period of the right. Arrangements settled in cash are measured at fair value at each closing of the accounts, and changes in the fair value of the liability are recognised in the income statement.

Provisions

A provision is recognised in the balance sheet when the Group has a legal or factual obligation based on a previous event, it is probable that the fulfilment of the obligation requires payment or causes a financial loss, and the amount of the obligation can be reliably estimated. If there is a possibility to receive compensation for part of the obligation from a third party, the compensation is recognised as a separate asset item but this is only done once the possibility of receiving compensation is practically certain. Provisions are measured at the present value of the costs required to cover the obligation.

An operational restructuring provision is recognised when the Group has prepared a detailed restructuring plan and started its implementation or disclosed the matter. A restructuring plan includes at least the following information: the business operations associated with the arrangement, the principal sites affected by the arrangement, the locations, tasks and estimated number of the people that will receive compensation for termination of employment, the costs that will be realised and the time of implementing the plan. No provisions are recognised for costs associated with the Group's continuous operations.

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

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

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

Taxes

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

Deferred taxes are calculated on all temporary differences between book value and tax base. No deferred tax is recognised on impairment losses on goodwill that are not tax deductible, and no deferred tax is recognised on undistributed accrued profits of subsidiaries to the extent that the difference will probably not be eliminated during the foreseeable future. The most substantial temporary differences arise from depreciation on property, plant and equipment, arrangements settled in equity instruments, as well as the fair valuation of derivative contracts.

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

Deferred tax receivables are recognised up to the probable amount of taxable income in the future against which the temporary difference can be utilised.
The amount of deferred tax receivables and the probability of utilisation are assessed at every closing of the accounts.

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

Principles for recognition of income

Goods sold and services produced

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

Rental income

Rental income is recognised in equal instalments over the rental period.

Dividends and interest

Interest income is recognised using the effective interest method, and dividend income is recognised once the dividend becomes vested.

Long-term assets held for sale and discontinued operations

Long-term assets held for sale and assets associated with discontinued operations are classified as assets held for sale and measured at book value or a lower fair value deducted by sales costs if the amount corresponding to the book value is going to be accrued mostly from the sale of the asset instead of continuous use. The prerequisites for classification as an item held for sale are considered to be fulfilled when a sale is highly probable and the asset can be immediately sold in its current condition on usual and conventional terms, management is committed to the sale, and it is expected to be carried out within one year of classification. Depreciation of these assets will be discontinued at the time of classification.

Financial assets and liabilities

Financial assets

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

Loans and receivables

The group of loans and receivables includes the Group's accounts receivable and other receivables. They are measured at original amortised cost using the effective interest method. Current accounts receivable are recognised in accordance with the original invoiced amount deducted by uncertain receivables. The uncertainty associated with receivables is assessed regularly, and credit losses are recognised as ex-

penses when it seems uncertain that payments would be received.

Financial assets available for sale

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

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

Liquid assets

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

Impairment of financial assets

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

Financial liabilities

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

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

Financial liabilities are derecognised once the liability or a part thereof has ceased to exist – in other words, once the obligation specified in the contract has been fulfilled or annulled or it has ceased to be valid.

Derivative contracts and hedge accounting

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

Share capital and treasury shares

Outstanding Series K and Series A shares are presented as share capital. Costs associated with the issuance or acquisition of equity instruments are presented as a deduction of shareholders' equity. If Olvi plc reacquires its own equity instruments, the acquisition cost shall be deducted from shareholders' equity.

Dividend distribution

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

Operating profit

The standard IAS 1 *Presentation of Financial Statements* does not define the concept of operating profit. The Group has defined it as follows: operating profit is the net amount created by adding other operating income to net sales, subtracting purchase costs adjusted by change in inventories of finished and unfinished products and costs of manufacture for own use, and

subtracting costs of employee benefits, depreciation and amortisation, any impairment losses and other operating expenses. All income statement items other than the above are presented below operating profit. Exchange rate differences are included in operating profit if they arise from items associated with business operations; otherwise they are recognised in financial items.

Earnings per share

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

The average weighted number of shares used for the calculation of diluted earnings per share includes the dilution effect of options outstanding during the accounting period. The calculation of the dilution effect includes consideration for the number of treasury shares acquired using funds received from the exchange of options. Olvi Group has no warrants or options on 31 December 2008.

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

Estimates and assumptions regarding the future have to be made during preparation of the financial statements, and the outcome may differ from the estimates and assumptions. Furthermore, the application of accounting policies requires consideration.

Consideration associated with the selection and application of accounting policies

The Group's management uses consideration when making decisions on the selection and application of accounting policies. This applies particularly to cases in which valid IFRS standards provide for alternative methods of recognition, measurement or presentation. Among other things, the management has used consideration in the classification of lease agreements and financial assets, as well as the presentation of the financial statements.

Factors of uncertainty associated with estimates

Estimates made in connection with the preparation of financial statements are based on the management's best understanding on the balance sheet date. The background of the estimates includes previous experience and assumptions concerning the future that are deemed most probable on the balance sheet date with regard to issues such as the expected development of the Group's financial operating environment concerning sales and the level of costs. The Group regularly assesses the realisation of estimates and assumptions, as well as changes in the underlying factors, jointly with the business units by applying several sources of information, both internal and external. Any changes in estimates and assumptions are recognised in the accounting period during which the estimates and assumptions are adjusted.
Accounting estimates and consideration by management have been applied, for example, when determining the potential of liquidating certain assets, the useful life of tangible and intangible fixed assets, deferred tax receivables, allocation of acquisition cost related to business combinations, as well as impairment testing in which the recoverable amounts from cash generating units are determined through calculations based on value in use. The estimates are based on the management's best understanding at the present time but it is possible that actual figures deviate from the estimates used in the financial statements.

Application of new or amended IFRS standards and IFRIC interpretations

The IASB has published the following standards and interpretations that will enter into force in 2009 or later. The Group has decided not to apply these standards and interpretations early and will adopt them in upcoming accounting periods.

In 2009 the Group will adopt the following standards and interpretations:

IAS 1 (Revised), Presentation of Financial Statements. The purpose of the amendment is to improve the opportunities of the users of financial statements to analyse and compare information presented in financial statement calculations by measures such as separating changes in equity related to transactions with shareholders from other changes in equity. Changes not related to shareholders shall be presented in the statement of comprehensive income. It is likely that the Group will in the future disclose

both an income statement and a statement of comprehensive income.

IAS 23 (Revised), Borrowing Costs. The amendment requires that borrowing costs associated with assets fulfilling certain conditions be capitalised as part of the acquisition cost. Direct recognition of these costs as expenses will be disallowed. The Group will start to capitalise borrowing costs in projects that start in 2009 and fulfil the conditions specified in the standard.

Amendments to **IFRS 2 Share-based Payments.** The amendment to the standard requires that no other conditions but service conditions and performance conditions are vesting conditions. Any conditions not resulting in the vesting of a final right must be taken into account when determining the fair value of issued equity instruments on the date of granting. Furthermore, the amendment to the standard provides more detailed guidelines concerning cancellations. The Group is currently investigating the effects of these amendments on its upcoming financial statements.

IFRS 8, Operating Segments. The standard supersedes IAS 14. According to the standard, the presentation of segment information must use the "management approach", presenting information similarly to internal reporting. The Group's geographical segments for reporting will continue to be the same as the business segments in accordance with the IAS 14 standard but the presentation of segment information will be amended to correspond to the company's internal reporting.

IFRIC 11, IFRS 2 – Group and Treasury Share Transactions. The interpretation clarifies the handling of transactions related to treasury shares or Group companies in the financial statements of the parent company and Group companies by providing guidelines for the classification into share-based transactions settled in equity or in cash. This interpretation does not have any substantial effect on the consolidated financial statements.

IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The interpretation applies to post-employment defined benefit plans in accordance with IAS 19 and other long-term defined benefit plans that involve a minimum funding requirement. The interpretation also specifies the preconditions for recognising an asset in the balance sheet through upcoming refunds or deductions from future payments to the plan. The Group's management estimates that this interpretation is not likely to have any substantial effect on the consolidated financial statements.

In May 2008, the IASB published improvements to 34 standards as part of its annual Improvements to IFRSs. The following is a description of the amendments that the Group will adopt in 2009 and that may have an effect on the consolidated financial statements as estimated by Group management:

IAS 1 (Amendment), Presentation of Financial Statements. The amendment clarifies that some rather than all financial assets classified as held for trading in accordance with IAS 39 belong to current assets. The Group's management estimates that this amendment will not have any substantial effect on the consolidated financial statements.

IAS 16 (Amendment), Property, Plant and Equipment (and consequential amendment to IAS 7 Statement of Cash Flows). Entities whose ordinary activities comprise renting and subsequently selling assets present proceeds from the sale of those assets as net sales and should transfer the book value of the asset to inventories when the asset becomes held for sale. A consequential amendment to IAS 7 states that cash flows arising from the purchase, rental and sale of those assets are classified as cash flows from operations. The Group's management estimates that this amendment will not have any substantial effect on the consolidated financial statements.

IAS 19 (Amendment), Employee Benefits. The amendment clarifies, among other things, that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment. An amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation. The Group's management estimates that this amendment will not have any substantial effect on the consolidated financial statements.

IAS 20 (Amendment), Accounting for Government Grants and Disclosure of Government Assistance. The benefit of a below-market-rate government loan is measured as the difference between the carrying amount in accordance with IAS 39 and the proceeds received, and the benefit is accounted for in accordance with IAS 20. The Group's management estimates that

this amendment will not have any substantial effect on the consolidated financial statements.

IAS 23 (Amendment), Borrowing Costs. The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39. The Group's management estimates that this amendment will not have any substantial effect on the consolidated financial statements.

IAS 27 (Amendment), Consolidated and Separate Financial Statements. Where an investment in a subsidiary that is accounted for under IAS 39 is classified as held for sale under IFRS 5, IAS 39 would continue to be applied. The Group's management estimates that this amendment will not have any substantial effect on the consolidated financial statements.

IAS 36 (Amendment), Impairment of Assets. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The amendment will require more information to be disclosed in the notes with regard to impairment testing.

IAS 38 (Amendment), Intangible Assets. An advance payment may only be recognised as an asset in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The amendment will not affect the consolidated financial statements.

IAS 38 (Amendment), Intangible Assets. Deletion of wording that states that there is "rarely, if ever" support for use of a method that results in a lower rate of amortisation than the straight-line method. The Group's management estimates that this amendment will not have any effect on the consolidated financial statements.

IAS 39 (Amendment), Financial Instruments: Recognition and Measurement. Among other things, the amendments clarify the classification of derivatives in case of changes in hedge accounting, clarify the definition of instruments held for trading, and require the use of a revised effective interest rate for remeasuring the carrying amount of a debt instrument on cessation of fair value hedge accounting. The Group's management estimates that this amendment will not have any substantial effect on the consolidated financial statements.

The following new standards and interpretations entering into force in 2009 will not have any effect on the consolidated financial statements:

IAS 32 (Amendment), Financial Instruments: Presentation and IAS 1 (Amendment), Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation. The amendments to the standards require that certain types of puttable financial instruments be classified as equity rather than liabilities, provided they have particular features. This amendment will not have any effect on the consolidated financial statements.

IFRIC 13, Customer Loyalty Programmes. The Group does not have any customer loyalty programmes referred to in the interpretation, so the interpretation will not have any effect on the upcoming consolidated financial statements.

IFRIC 15, Agreements for the Construction of Real Estate. The interpretation provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11 *Construction Contracts* or IAS 18 *Revenue* and, accordingly, when revenue from the construction should be recognised. This interpretation does not have any effect on the consolidated financial statements. *

IFRIC 16, Hedges of a Net Investment in a Foreign Operation. IFRIC 16 clarifies the accounting for hedges of a net investment in a foreign operation. This means that hedging a net investment in a foreign operation relates to differences in the functional currency rather than the presentation currency. Furthermore, the holder of a hedging instrument can be any Group company. The provisions of IAS 21, *The Effects of Changes in Foreign Exchange Rates*, apply to the hedged item. This interpretation does not have any effect on the consolidated financial statements. *

IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards and IAS 27 (Amendment), Consolidated and Separate Financial Statements. According to the amended standard, first-time adopters of IFRS are allowed to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. As a consequence of this amendment, the definition of the "cost method" is removed from IAS 27 and replaced with a requirement to present dividends as income in the separate financial statements of the investor. The amendment to the standard does

not have any effect on the consolidated financial statements, and the Group's subsidiaries do not apply IFRS standards to their separate financial statements.
The following Improvements to IFRSs published by the IASB in May 2008 do not have any effect on the consolidated financial statements:

IAS 28 (Amendment), Investments in Associates (and consequential amendments to IAS 32, Financial Instruments: Presentation and IFRS 7, Financial Instruments: Disclosures). Where an investment in an associate is accounted for in accordance with IAS 39, only certain (rather than all) disclosure requirements in IAS 28 need to be made in addition to disclosures required by IAS 32 and IFRS 7. The Group has no associates.

IAS 28 (Amendment), Investments in Associates (and consequential amendments to IAS 32, Financial Instruments: Presentation and IFRS 7, Financial Instruments: Disclosures). An investment in associate is treated as a single asset for the purposes of impairment testing, and any impairment loss is not allocated to specific assets included within the investment, such as goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The Group has no associates.

IAS 31 (Amendment), Interests in Joint Ventures (and consequential amendments to IAS 32 and IFRS 7). Where an investment in a joint venture is accounted for in accordance with IAS 39, only certain (rather than all) disclosure requirements in IAS 31 need to be made in addition to disclosures required by IAS 32 and IFRS 7. The Group has no interests in joint ventures.

IAS 40 (Amendment), Investment Property (and consequential amendments to IAS 16). Property that is under construction or development for future use as investment property is within the scope of IAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable. The amendment will not affect the consolidated financial statements.

IAS 41 (Amendment), Agriculture. According to the amended standard, a market-based discount rate must be used where fair value calculations are based on discounted cash flows, and the prohibition on taking into account biological transformation when calculating fair value is removed. This will not affect the consolidated financial statements.

In 2010 the Group will adopt the following standards and interpretations published by the IASB:

IFRS 3 (Revised), Business Combinations. The revised standard still requires the use of the purchase method in handling business combinations, however with certain substantial changes. For example, all payments related to the acquisition of businesses must be recognised at fair value at time of acquisition, and certain types of contingent consideration shall be measured at fair value through profit or loss after acquisition. Goodwill can be calculated on the basis of the parent company's share of net assets, or it may include goodwill allocated to minority interest. All transaction costs shall be recognised as expenses. The Group's management is investigating the effect of this amendment on the consolidated financial statements. *

IAS 27 (Revised), Condolidated and Separate Financial Statements. The revised standard requires all minority transactions to be recognised in equity if control is not transferred. Therefore minority transactions will no longer result in the recognition of goodwill, profit or loss. The standard also defines the handling of transactions when control is transferred. Any remaining share of the acquired entity is measured at fair value, and the profit or loss is recognised. The Group's management is investigating the effect of this amendment on the consolidated financial statements. *

IAS 39 (Amendment), Financial instruments: Recognition and Measurement – Eligible Hedged Items. According to the amendment, inflation cannot be separately designated as a hedged portion of a fixed-rate debt. Furthermore, when hedge accounting is applied to options, the time value of an option may no longer be considered as part of the effective hedge. This amendment does not have any effect on the consolidated financial statements. *

IFRS 5 (Amendment), Non-current Assets Held for Sale and Discontinued Operations (and consequential amendment to IFRS 1, First-time Adoption of International Financial Reporting Standards). The amendment belongs to the annual improvements published

by the IASB in May 2008. It clarifies that if a partial disposal sale plan results in loss of control, all of a subsidiary's assets and liabilities are classified as held for sale, and if the definition of a discontinued operation is fulfilled, the relevant disclosures should be made. A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRSs. The Group's management is investigating the effect of this amendment on the consolidated financial statements. *

IFRIC 17, Distributions of Non-cash Assets to Owners. The interpretation clarifies the measurement of asset distribution when an entity distributes dividends to owners in non-cash assets. The Group's management is investigating the effect of this amendment on the consolidated financial statements. *

IFRIC 18, Transfers of Assets from Customers. The interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services. The Group's management is investigating the effect of this amendment on the consolidated financial statements. *

The following new standards and interpretations entering into force in 2010 will not have any effect on the consolidated financial statements:

IFRIC 12, Service Concession Arrangements. The interpretation applies to contractual arrangements in which a private entity engages in the development, financing or implementation of public services or the upkeep of infrastructure.*

* The standard/interpretation has not yet been approved for application in the EU.

Notes to the Consolidated Financial Statements

1. Segment information

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

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

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

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

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

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

Sales of geographical segments in 2008 and 2007

1,000 litres	Finland	Estonia	Latvia	Lithuania	Belarus	Elimination	Group
SALES in 2008	138 155	125 170	58 753	44 085		-25 225	340 938
SALES in 2007	137 586	138 163	54 124	42 778		-30 886	341 765

Geographical segments 2008 in accordance with asset locations

1,000 litres	Finland	Estonia	Latvia	Lithuania	Belarus	Elimination	Group
INCOME							
External sales	105 445	64 113	29 951	22 615			222 124
Internal sales	846	7 882	1 415	1 209	0	-11 352	0
Total net sales	106 291	71 995	31 366	23 825	0	-11 352	222 124
EARNINGS							
Operating profit for the segment	4 252	11 618	1 281	32	0	295	17 478
Interest income							247
Interest expenses							-3 420
Income taxes							-1 631
Net profit for the period							12 674

OTHER INFORMATION							
Segment assets	118 349	98 418	39 405	29 178	38 627	-163 878	160 100
Unallocated company-level assets							84 112
Total consolidated assets							244 212
Segment liabilities	28 767	9 258	4 332	3 341	9 918	-1 645	53 972
Unallocated company-level liabilities							84 518
Total consolidated liabilities							138 490
Capital expenditure	25 572	3 361	10 066	4 557	0	0	43 557
Depreciation	5 573	4 523	2 193	1 936	0	-70	14 155

Geographical segments 2007 in accordance with asset locations

EUR 1,000	Finland	Estonia	Latvia	Lithuania	Elimination	Group
INCOME						
External sales	93 551	63 885	26 126	21 626		205 188
Internal sales	2 995	8 609	560	443	-12 607	0
Total net sales	96 546	72 494	26 686	22 069	-12 607	205 188
EARNINGS						
Operating profit for the segment	8 514	10 838	2 294	1 553	-98	23 101
Interest income						186
Interest expenses						-1 953
Income taxes						-2 354
Net profit for the period						18 980
OTHER INFORMATION						
Segment assets	77 406	124 525	31 473	26 212	-159 431	100 185
Unallocated company-level assets						86 812
Total consolidated assets						186 997
Segment liabilities	33 151	11 893	4 412	3 715	-2 306	50 865
Unallocated company-level liabilities						46 944
Total consolidated liabilities						97 809
Capital expenditure	8 565	8 026	5 422	3 413		25 426
Depreciation	4 796	3 409	1 831	1 666	57	11 759

Geographical segments 2008 in accordance with customer locations

EUR 1,000	Finland	Estonia	Latvia	Lithuania	Elimination	Group
External sales	105 445	64 113	29 951	22 615		222 124
Internal sales	846	7 883	1 415	1 208	-11 352	0
Total net sales	106 291	71 996	31 366	23 824	-11 352	222 124

Geographical segments 2007 in accordance with customer locations

EUR 1,000	Finland	Estonia	Latvia	Lithuania	Elimination	Group
External sales	90 884	63 169	26 112	22 203	2 820	205 188
Internal sales	81	3 547	5 639	3 340	-12 607	0
Total net sales	90 965	66 716	31 751	25 543	-9 787	205 188

Business segments 2008

EUR 1,000	Alcoholic beverages	Non-alcoholic beverages	Elimination	Group
External sales	177 272	56 205	-11 352	222 124
Segment assets	244 251	79 727	-163 878	160 100
Unallocated company-level assets				84 112
Total consolidated assets				244212
Capital expenditure	32 260	11 297		43 557

Business segments 2007

EUR 1,000	Alcoholic beverages	Non-alcoholic beverages	Elimination	Group
External sales	161 613	56 182	-12 607	205 188
Segment assets	190 911	68 705	-159 431	100 185
Unallocated company-level assets				86 812
Total consolidated assets				186 997
Capital expenditure	16 913	8 513		25 426

2. Non-current assets held for sale, EUR 1,000	2008	2007
Non-current assets held for sale	429	63
Total	429	63

Non-current assets held for sale consist mainly of a filling line decommissioned by the parent company.

3. Other operating income, EUR 1,000	2008	2007
Sales gains on property, plant and equipment	-16	38
Rental income	100	90
Others	921	766
Total	1 005	894

Other operating income consists mostly of marketing subsidies, project grants and grants from the sales of production waste.

4. Other operating expenses, EUR 1,000	2008	2007
Sales losses and scrapping of property, plant and equipment	4	0
Rental costs	2 542	2 590
External services	36 425	33 565
Others	25 281	23 236
Total	64 251	59 392

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

5. Depreciation and impairment, EUR 1,000	2008	2007
Depreciation on tangible assets:		
Buildings	2 814	2 622
Machinery and equipment	10 183	7 473
Other tangible assets	787	739
Total depreciation on tangible assets	13 784	10 835
Depreciation on intangible assets:		
Intangible rights	0	0
Other intangible assets	372	924
Total depreciation on intangible assets	372	924
Total	14 155	11 759

6. Costs of employee benefits, EUR 1,000	2008	2007
Pension costs - defined contribution	26 492	24 546
Pension costs - defined contribution	2 482	2 219
Other personnel expenses	3 009	3 091
Total	31 983	29 857

Group personnel on average during the period	2008	2007
Finland	431	389
Estonia	388	409
Latvia	231	211
Lithuania	206	202
Total	1 256	1 211

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

7. Research and development costs

The income statement includes 451 thousand euro of R&D costs recognised as expenses in 2008 (377 thousand in 2007), corresponding to 0.2% (0.2%) of net sales.

8. Financial income, EUR 1,000	2008	2007
Dividend income	5	6
Other interest and financial income	242	180
Total	247	186

9. Financial expenses, EUR 1,000	2008	2007
Interest expenses	3 339	1 914
Other financial expenses	81	39
Total	3 420	1 953

Interest expenses include 88 thousand euro of changes in the fair value of interest rate swaps used to hedge against interest rate risk.

10. Income taxes, EUR 1,000

10. Income taxes, EUR 1,000	Note	2008	2007
Tax based on the taxable income for the period		882	3 062
Deferred taxes, reversal of tax receivable recognised on AB Ragutis' retained losses		362	-362
Deferred taxes, change in the fair value of derivatives	19	-24	3
Deferred taxes, change in depreciation difference	19	305	-292
Deferred taxes, internal margin on inventories		-2	0
Deferred taxes, share-based bonuses, reversal of tax		111	-49
Deferred taxes, finance leasing	19	-4	-8
Total		1 631	2 354

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

EUR 1,000	2008	2007
Earnings before tax	14 305	21 333
Taxes calculated at the home country's rate	3 719	5 547
Effect of different tax rates for foreign subsidiaries	-2 111	-3 222
Tax effect of non-deductible items	26	24
Taxes from previous accounting period	-3	5
Taxes in income statement	1 631	2 354

11. Earnings per share

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

Olvi plc held a total of 32,000 of its own Series A shares on 31 December 2007. In April 2008, on the basis of an authorisation granted by the General Meeting of Shareholders on 10 April 2008, Olvi plc's Board of Directors decided to hand over Olvi plc's Series A shares for use as rewards in Olvi Group's share-based incentive system for key personnel for the achievement of targets for 2006 and 2007. A total of 29,600 treasury shares were handed over to the Group's key personnel in April 2008. Olvi plc held 2,400 of its own Series A shares on 31 December 2008.

	2008	2007
Profit belonging to parent company shareholders (EUR 1,000)	12 684	18 944
Weighted average number of shares during the period (1,000)	10 379	10 379
Effect of treasury shares (1,000)	-11	-21
Weighted average number of shares for the calculation of EPS (1,000)	10 368	10 358
Undiluted earnings per share (euro per share)	1.22	1.83

In the calculation of earnings per share adjusted for dilution, the weighted average number of shares includes the diluting effect of the conversion of all potential options outstanding during the period. When calculating the weighted average number of shares adjusted for dilution, the number of treasury shares in the company's possession is deducted from the number of shares. The calculation of the dilution effect includes consideration for the number of treasury shares acquired using funds received from the exchange of options. Olvi Group did not have options in 2007 or 2008, due to which earnings per share adjusted for dilution is not presented for those years.

12. Property, plant and equipment

EUR 1,000	Land and water properties	Buildings	Machinery and eqpt	Other tangible assets	Advance and payments unfinished purchases	Total
Acquisition cost 1 Jan 2008	1 854	65 102	121 401	5 741	13 471	207 569
Increase	0	11 652	46 818	5 843	12 450	76 762
Transfer to non-current assets classified as held for sale	0	0	-429	0	0	-429
Decrease	0	0	-483	-223	-19 192	-19 898
Exchange rate differences	-2	-155	-273	-47	-69	-547
Acquisition cost 31 Dec 2008	1 851	76 599	167 033	11 314	6 660	263 457
Accumulated depreciation and impairment 1 Jan 2008	0	23 540	82 643	3 679	0	109 862
Depreciation	0	2 814	10 183	787	0	13 784
Decrease	0	440	5 072	2 406	0	7 918
Exchange rate differences	0	-15	-95	-24	0	-134
Accumulated depreciation and impairment 31 Dec 2008	0	26 778	97 802	6 849	0	131 430
Book value 1 Jan 2008	1 854	41 562	38 758	2 062	13 471	97 706
Book value 31 Dec 2008	1 851	49 821	69 230	4 465	6 660	132 027

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

EUR 1,000	Land and water properties	Buildings	Machinery and eqpt	Other tangible assets	Advance and payments unfinished purchases	Total
Acquisition cost 1 Jan 2007	1 854	60 679	108 277	5 523	7 338	183 671
Increase	0	4 409	13 620	948	10 053	29 031
Transfer to non-current assets classified as held for sale	0	0	0	-26	0	-26
Decrease	0	0	-519	-707	-3 931	-5 158
Exchange rate differences	0	13	23	4	10	50
Acquisition cost 31 Dec 2007	1 854	65 102	121 401	5 741	13 471	207 568
Accumulated depreciation and impairment 1 Jan 2007	0	20 916	75 645	3 636	0	100 197
Depreciation	0	2 622	7 473	739	0	10 835
Decrease	0	0	-485	-698	0	-1 183
Exchange rate differences	0	2	10	2	0	13
Accumulated depreciation and impairment 31 Dec 2007	0	23 540	82 643	3 679	0	109 862
Book value 1 Jan 2007	1 854	39 763	32 632	1 886	7 338	83 474
Book value 31 Dec 2007	1 854	41 562	38 758	2 062	13 471	97 706

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

Finance lease contracts

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

EUR 1,000	Machinery and eqpt	Other tangible assets	Total
31 Dec 2008			
Acquisition cost	2 625	3 806	6 431
Accumulated depreciation	-1 212	-2 082	-3 294
Book value	1 413	1 724	3 137

EUR 1,000	Machinery and eqpt	Other tangible assets	Total
31 Dec 2007			
Acquisition cost	2 862	1 990	4 852
Accumulated depreciation	-1 113	-1 100	-2 213
Book value	1 749	890	2 639

13. Intangible assets

EUR 1,000	Goodwill	Development costs	Intangible rights	Other intangible assets	Total
Acquisition cost 1 Jan 2008	15 655	59	9 543	8 282	33 539
Increase	68	52	4	524	648
Decrease	-3	0	-1	-183	-187
Exchange rate differences	0	0	0	-7	-7
Acquisition cost 31 Dec 2008	15 720	111	9 546	8 616	33 993
Accumulated depreciation and impairment 1 Jan 2008	4 977	59	9 213	7 610	21 859
Depreciation	0	1	0	371	372
Exchange rate differences	0	0	0	-4	-4
Accumulated depreciation and impairment 31 Dec 2008	4 977	60	9 213	7 976	22 227
Book value 1 Jan 2008	10 679	0	330	673	11 681
Book value 31 Dec 2008	10 743	51	333	639	11 766

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

EUR 1,000	Goodwill	Intangible rights	Other intangible assets	Total
Acquisition cost 1 Jan 2007	15 652	9 543	8 054	33 249
Increase	3	0	286	289
Decrease	0	0	0	0
Exchange rate differences	0	0	0	0
Acquisition cost 31 Dec 2007	15 655	9 543	8 341	33 539
Accumulated depreciation and impairment 1 Jan 2007	4 977	9 213	6 745	20 935
Depreciation	0	0	924	924
Exchange rate differences	0	0	0	0
Accumulated depreciation and impairment 31 Dec 2007	4 977	9 213	7 669	21 859
Book value 1 Jan 2007	10 675	330	1 310	12 314
Book value 31 Dec 2007	10 679	330	673	11 681

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

14. Impairment testing of goodwill

The most significant goodwill item is goodwill allocated to the Estonian segment with a book value of 8,146 thousand euro. The book value of goodwill allocated to the Lithuanian segment is 2,241 thousand euro, while 288 thousand euro is allocated to the Latvian segment and 68 thousand euro to the Belarusian segment.

The estimated future cash flows used for impairment testing are based on the financial plans of the geographical segments approved by Group management. Taking the prevailing financial uncertainty into account, the cash flow estimates are generally based on financial plans for the next year. In the assessment of future cash flows, management has also compared previous financial plans with actual development.
The discount rate is weighted average cost of capital (WACC) before taxes, in Estonia and Lithuania 11.82 percent (2007 10.2 percent) and in Latvia 11.82 percent (2007 11.3 percent).
Estimated sales and production volumes are based on existing fixed assets.
According to sensitivity analysis applied to impairment testing, there is currently no need for recognition of impairment.
The Board of Directors is actively monitoring the development in the Baltic states and any effects this may have.

15. Financial assets available for sale

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

EUR 1,000	Note	2008	2007
Book value 1 January		285	253
Increase		3	31
Book value 31 December	26	288	285

16. Receivables, EUR 1,000

16. Receivables, EUR 1,000	Note	2008	2007
Loans receivable	26	14	14
Other non-current receivables		336	104
Total		350	118

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

17. Inventories, EUR 1,000

17. Inventories, EUR 1,000	2008	2007
Materials and supplies	24 065	21 019
Unfinished products	1 772	1 382
Finished products/goods	6 607	6 967
Other inventories	1 256	791
Total	33 700	30 159

Non-marketability deductions on inventories have been booked for 4,175 thousand euro in 2008 (2,457 thousand euro in 2007).

18. Accounts receivable and other receivables, EUR 1,000

18. Accounts receivable and other receivables, EUR 1,000	Note	2008	2007
Accounts receivable	26	42 635	38 402
Prepayments and accrued income	26	3 477	3 304
Other receivables	26	2 727	475
Total		48 839	42 181

Essential items included in prepayments and accrued income are associated with the accruals of rents and the costs of marketing and sales, insurance and administration, as well as discounts and marketing subsidies. During the accounting period, the Group has recognised 199 thousand euro of credit losses on accounts receivable (66 thousand euro in 2007). There are no significant credit risk concentrations associated with receivables.

Maturity distribution of accounts receivable, EUR 1,000	2008	2007
Not due	39 342	36 895
Overdue less than 1 month	2 452	1 126
Overdue more than 1 but less than 3 months	454	211
Overdue more than 3 but less than 6 months	107	59
Overdue more than 6 months	281	110
Total	42 635	38 402

Accounts receivable by currency	2008	2007
EUR	22 876	23 428
EEK	105 443	115 382
LVL	2 413	2 852
LTL	4 513	13 619
BYR	15 293 391	0

19. Deferred tax receivables and liabilities

Non-current deferred tax receivables, EUR 1,000	2008	2007
Deferred tax receivables 1 January	362	65
Reversal of tax receivable recognised on AB Ragutis' retained losses	-362	362
Transfer to current tax receivables	0	-65
Deferred tax for OAO Lidskoe Pivo	1 036	0
Deferred tax on internal margin on inventories	6	0
Non-current deferred tax receivables 31 December	1 042	362

Current deferred tax receivables, EUR 1,000	2008	2007
Deferred tax receivables 1 January	110	0
Share-based bonuses to management, change in deferred tax	-111	49
Fair valuation of derivatives, change in deferred tax	24	-3
Transfer from non-current tax receivables	0	65
Current deferred tax receivables 31 December	23	110

The Group's unused tax losses for which no tax receivable has been recognised amounted to 9,291 thousand euro at the end of the accounting period (6,705 thousand euro in 2007).

Non-current deferred tax liabilities, EUR 1,000	2008	2007
Deferred tax liabilities 1 January	1 113	1 413
Property, plant and equipment, change in deferred tax	305	-292
Finance leasing, change in deferred tax	3	-8
Non-current deferred tax liabilities 31 December	1 421	1 113

Of the deferred tax liabilities, 1,416 thousand euro is attributable to deferred tax on property, plant and equipment. No deferred tax liability has been recognised on the undistributed earnings of AS A. Le Coq, 60,254 thousand euro in 2008, as the criteria under IAS 12, 39 are fulfilled.

20. Liquid assets, EUR 1,000	Note	2008	2007
Cash and bank accounts	26	15 748	4 332
Total		15 748	4 332

The liquid assets presented in the cash flow statement comprise cash and bank deposits.
The Group's liquid assets include the liquid assets of the acquired subsidiary OAO Lidskoe Pivo, amounting to 10,444 thousand euro on the date of acquisition 31 December 2008.

21. Notes concerning shareholders' equity

The following is a reconciliation of numbers of shares:

EUR 1,000	Number of K shares (1000)	Number of A shares (1000)	Share capital	Share premium account	Treasury shares	Total
1 January 2007	1 866	8 498	20 759	857	-290	21 326
Acquisition of treasury shares		-16			-432	-432
31 December 2007	1 866	8 482	20 759	857	-722	20 895
Transfer of treasury shares		29			659	659
31 December 2008	1 866	8 511	20 759	857	-63	21 553

The maximum number of shares is 6.0 million K shares and 24.0 million A shares (6.0 million K shares and 24.0 million A shares in 2007). The minimum number of K shares is 1.5 million. The par value of the shares is 2.00 euro per share. The Group's maximum share capital is 60.0 million euro (60.0 million euro in 2007), and the minimum capital is 15.0 (15.0) million euro. All issued shares have been paid in full.

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

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

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

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

Dividends
After the balance sheet date, the Board of Directors has proposed a dividend of 0.50 euro per share for 2008 on
each Series K and Series A share, totalling 5.2 million euro. The proposal calls for the payment of dividends in April 2009. Dividend for 2007 was paid at 0.80 euro per share, totalling 8.3 million euro. The dividends were paid on 22 April 2008.

22. Share-based payments

Olvi plc's Board of Directors decided on 26 January 2006 on a share-based incentive scheme for Olvi Group's key personnel. The share-based bonus scheme is a part of the incentive and commitment scheme for the Group's key personnel and its purpose is to combine the objectives of shareholders and key personnel to improve the company's value. The scheme includes two vesting periods, the first one extending from 1 January 2006 to 31 December 2007 and the second one from 1 January 2008 to 31 December 2010. The amount of bonuses payable out of the scheme is linked to Olvi Group's net sales and the operating profit percentage in relation to net sales.

The bonuses are payable partially in Olvi plc's Series A shares and partially in cash. The proportion payable in cash covers the taxes and other statutory fees arising from the share-based bonus. The bonuses for the first vesting period were paid in April 2008. The shares carry a ban on transferring them within two years of reception.

On 17 December 2007, Olvi plc's Board of Directors decided on the targets for the second vesting period and the people included in the scheme. At the same time, the maximum number of shares that may be granted on the basis of the share-based incentive scheme was increased from 40,000 to 80,000. Any bonuses for the second vesting period will be paid in April 2011. 50 percent of the shares received as bonus for the second vesting period may be transferred after one year, and 100 percent after two years of reception. The right to dividends begins when the shares are transferred to the key employees' book-entry accounts.

On the basis of this incentive scheme, a total of 48,000 Olvi plc Series A shares may become payable in 2011 for the second vesting period if the targets are achieved in full. The target group of the scheme currently includes 21 key employees. No accounting entries associated with the 2008-2010 vesting period were recognised in January-December 2008. Olvi Group has no warrants or options.

23. Interest-bearing liabilities

EUR 1,000	Note	Balance sheet values 2008	Balance sheet values 2007
Non-current liabilities			
Loans from financial institutions	26	39 864	26 867
Finance lease liabilities	26	2 468	1 697
Other liabilities	26	29	29
Total		42 362	28 592
Current liabilities			
Loans from financial institutions	26	38 243	15 439
Finance lease liabilities	26	1 598	943
Total		39 840	16 383

Most of the liabilities have a variable interest rate. Loans falling due in 2009-2017 with a balance sheet value of 5.1 (9.8) million euro on 31 December 2008 have been converted to fixed interest rates using interest rate swaps.

Ranges of interest rates on interest-bearing liabilities	2008	2007
Loans from financial institutions	3,55% - 6,27%	3,29% - 5,76%
Interest rate swaps	4,38% - 4,99%	4,01% - 4,38%
Finance lease liabilities	4,00% - 6,50%	4,00% - 5,80%
Other liabilities	2,39% - 4,78%	3,42% - 4,29%

Non-current liabilities will fall due as follows:

EUR 1,000	2008	2007
in 2009	0	8 331
in 2010	9 288	6 403
in 2011	6 033	3 250
in 2012	4 995	2 201
in 2013	4 799	7 007
Later	17 247	1 401
Total	42 362	28 592

Finance lease liabilities, EUR 1,000	Note	2008	2007
The finance lease liabilities will fall due as follows:			
Finance lease liabilities - total of minimum rents			
Due within one year		1 689	943
Within more than one but less than five years		2 686	1 692
After more than five years		1	5
	26	4 377	2 641
Finance lease liabilities - present value of minimum rents			
Due within one year		1 689	943
Within more than one but less than five years		2 686	1 692
After more than five years		1	5
	26	4 377	2 641
Total amount of finance lease liabilities	26	4 377	2 641

24. Accounts payable and other liabilities, EUR 1,000	Note	2008	2007
Current			
Accounts payable	26	23 065	22 935
Accrued expenses	26	9 249	8 655
Other liabilities	26	24 147	20 132
Total		56 461	51 721

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

Distribution of accounts payable by currency

EUR 1,000	2008	2007
EUR	13 887	17 219
EEK	67 599	51 481
LVL	690	694
LTL	1 227	4 111
DKK	0	37
USD	251	20
CHF	1	8
BYR	7 602 300	0

25. Management of financing risks

The Group is exposed to several financing risks in its normal course of business. The objective of Olvi Group's risk management is to minimise the adverse effects of changes in the financial markets on the Group's earnings, equity and liquidity.
The general principles of the Group's risk management are approved by the Board of Directors of the parent company, and the parent company's management together with the management of subsidiaries is responsible for their practical implementation.
Responsibility for Olvi Group's financing tasks is centralised in the parent company Olvi plc.

Foreign exchange risk
Olvi Group operates internationally, and its business involves risks arising from exchange rate fluctuations. Foreign exchange risks arise from commercial transactions, in other words cash flows from purchases and sales, as well as investments in foreign subsidiaries and the conversion of their balance sheet items into euro. The Group's primary trading currencies are EUR, EEK, LVL, LTL and, from the beginning of 2009, also BYR.

Due to the nature of the business, the time between order and delivery is short, which results in minor foreign exchange risk. The Group's realised foreign exchange losses in 2008 amounted to 74 thousand euro (6 thousand euro in 2007).

The Group has investments in foreign subsidiaries in Estonia, Latvia, Lithuania and Belarus. The Estonian kroon and the Lithuanian litas are pegged to the euro but with regard to the investments in Latvia and Belarus, the Group is exposed to risk arising from the conversion of the subsidiary investments made in LVL and BYR into the parent company's operating currency.
The Group has not engaged in active currency hedging in 2008 or 2007. The need for currency hedging is assessed regularly.

Interest rate risk
The Group's short-term money market investments expose its cash flow to interest rate risk but the overall impact is not substantial. Most of the Group's income and operational cash flows are independent of market interest rate fluctuations. The Group is primarily exposed to fair value interest rate risk, which is mostly related to the loan portfolio. The Group has diversified its borrowing between fixed- and variable-rate loans. Furthermore, the Group uses interest rate swaps to reduce interest rate risk if required by the market conditions.

On the balance sheet date, fixed-rate loans accounted for 15.9 percent of interest-bearing loans. Of the variable-rate loans, 5.9 percent were converted to fixed-rate through interest rate swaps. Variable-rate loans accounted for 78.2 percent of all interest-bearing loans. The principal-weighted average maturity of interest-bearing loans was 5.3 years.

The amount of payment obligations under finance leasing contracts on 31 December 2008 was 4.4 million euro (2.6 million euro in 2007).
Sensitivity analysis of interest rate risks according to IFRS 7

The following assumptions have been used when preparing the interest rate risk analysis:
The sensitivity analysis represents the pre-tax net earnings effect of a reasonably potential change (+/- 1%). The effect of a change in the interest rate level is calculated on the amount of interest-bearing variable-rate debt at year-end, in other words, net debt is assumed to remain at the year-end level for the entire accounting period.
Variable-rate net debt on 31 December 2008 amounted to 59,767 thousand euro. A change of one (1) percent in the interest rate level would cause a change of +/- 598 thousand euro in financial expenses. The change does not have any essential effect on consolidated net profit before tax or the consolidated balance sheet.

Credit risk
Creditworthiness requirements for the Group's customers are reviewed annually and always when entering into agreements with new customers. The Group only extends credit to businesses with flawless credit ratings. The Group does not have any significant concentrations of credit risk on receivables because its accounts receivable are distributed across a wide and geographically diversified customer base. The largest customer accounts for 17.1 percent (16.4 in 2007) of the Group's total sales. The amount of credit losses recognised in 2008 was 199 thousand euro (66 thousand euro in 2007). Investments related to cash management are made in liquid money market instruments having a fundamentally low risk.

Liquidity risk
Olvi Group endeavours to continuously assess and monitor the amount of funding required for business operations in order to maintain sufficient liquid assets to fund the Group's everyday operations and investments, as well as to repay any loans falling due. The Group aims to secure the availability and flexibility of funding by centralising the management of the Group's liquid assets with the parent company. The Group uses several banks and several forms of financing. The Group aims to secure the availability and flexibility of funding with an account overdraft facility and credit limits.

The parent company Olvi plc issued a 20 million euro commercial paper programme in 2002 in order to secure short-term liquidity needs quickly and cost-efficiently. At the time of closing the accounts, Olvi plc did not have any short-term loans withdrawn under the commercial paper programme (compared to 7.0 million euro in 2007).
The Group had 15,748 thousand euro of liquid assets on 31 December 2008 (4,332 thousand euro in 2007). The Group's liquidity on the balance sheet date was good. The current ratio on 31 December 2008 was 1.0 (1.1 in 2007).
The Group does not apply hedge accounting in accordance with IAS 39.

Commodity risk
Within the scope of its operations, Olvi Group is exposed to commodity risk associated with the availability and price fluctuations of inputs in production. The Group aims to reduce these risks by entering into Group-level and local annual agreements concerning the most critical raw materials, packaging supplies and services with well-known and long-term contracting partners.

26. Fair values of financial assets and liabilities

The fair values of Olvi Group's financial assets and liabilities do not substantially deviate from their book values. The face value of interest rate swaps was 5.1 million euro in 2008 and 9.8 million euro in 2007.

Financial assets
Unquoted equity investments are recognised at purchase price as they cannot be recognised at fair value using the valuation methods. The original book value of receivables corresponds to their fair value.

Financial liabilities
The fair values of interest rate swaps have been determined using the method of present value of future cash flows, supported by market interest rates and other market information on the balance sheet date. The fair values of loans from financial institutions, finance lease liabilities, accounts payable and other liabilities do not substantially deviate from their balance sheet values.

27. Adjustments to business cash flows, EUR 1,000	2008	2007
Transactions with no associated payment:		
Depreciation	14 156	11 759
Other adjustments	4 815	3 783
Total	18 971	15 542

Other adjustments consist mainly of income taxes, as well as financial income and expenses.

28. Other lease contracts

The Group as a lessee, EUR 1,000	2008	2007
Minimum rents receivable on the basis of other non-cancellable leases:		
Due within one year	945	1 099
Within more than one but less than five years	1 431	1 576
After more than five years	170	213
Total	2 545	2 888

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

The Group as a lessor, EUR 1,000	2008	2007
Minimum rents receivable on the basis of other non-cancellable leases:		
Due within one year	929	913
Total	929	913

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

29. Collateral and contingent liabilities, EUR 1,000	2008	2007
Pledges and contingent liabilities		
For own commitments	6 227	1 134
For others	5	0
Package liabilities	6 402	4 604
Other liabilities	1 980	1 980
Debts for which mortgages have been given as collateral		
Loans from financial institutions		
For own commitments	1 594	0
For others	0	0

The package liability corresponds to Olvi plc's share of the entire stock of recyclable beverage packages in accordance with proportions determined by Ekopulloyhdistys ry, deducted by packages in Olvi plc's inventory on 31 December 2008. Ekopulloyhdistys ry administers the stock of refillable beverage packages. Every member in the system maintains a stock of packages required for the requirement declared to Ekopulloyhdistys ry for each type of package it uses.

30. Related party transactions

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

	Holding (%)	Share of voting rights (%)
Parent company Olvi plc, Iisalmi, Finland		
Olvin Juomaa Oy, Iisalmi, Finland	100.00	100.00
AS A. Le Coq Group, Tartu, Estonia	100.00	100.00
AS A. Le Coq, Tartu, Estonia	100.00	100.00
AS Saare Õlu, Saaremaa, Estonia	100.00	100.00
A/S Cēsu Alus, Cēsis, Latvia	98.20	98.20
AB Ragutis, Kaunas, Lithuania	99.57	99.57
OAO Lidskoe Pivo, Lida, Belarus	51.00	51.00

Employee benefits to management

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

EUR 1,000	2008	2007
Managing Directors	995	577
Chairman of the Board	209	203
Other members of the Board	109	106
Total	1 313	886

Olvi plc's Board of Directors has decided on a share-based incentive scheme for Olvi Group's key personnel. This is described in more detail in Note 22.

No loans have been granted to management.

31. Costs arising from audit, EUR 1,000	2008	2007
Fees for statutory audit	131	129
Other services	51	43
Total	182	173

32. Acquired business operations

Acquisitions in fiscal 2008

In early October 2008, Olvi Group acquired a majority holding of the Belarusian brewery OAO Lidskoe Pivo through a private placing. The shares were registered in Olvi plc's ownership on 24 December 2008. After the transaction, Olvi plc holds 51 percent of OAO Lidskoe Pivo's share capital and voting rights. The acquisition price of the shares was 11,9 million euro, in addition to which the acquisition cost includes attorneys' and other experts' fees for 0.1 million euro. The acquisition was recognised as preliminary in compliance with the one-year limit under IFRS 3.

	EUR 1,000
Price of shares in private placing	11 926
Costs incurred from the acquisition	119
Total acquisition cost	12 045

The acquisition generated goodwill of 68 thousand euro based on synergy benefits expected from the acquisition of the OAO Lidskoe Pivo brewery.
OAO Lidskoe Pivo is consolidated with Olvi Group as of 31 December 2008, which means that the acquisition has no effect on Olvi Group's income statement or earnings for 2008. The balance sheet of Lidskoe Pivo is consolidated with Olvi Group as of 31 December 2008 using the purchase method.
OAO Lidskoe Pivo's sales volume in 2008 amounted to 79,928 thousand litres. The brewery's net sales in 2008 stood at 28,893 thousand euro, while the operating profit was 4,512 thousand euro (Belarus GAAP).
Belarus constitutes a separate geographical segment in Olvi Group's reporting starting from 1 January 2009.

The values of acquired assets and assumed liabilities on the date of acquisition stood as follows:

EUR 1,000	Fair values recognised at consolidation	Book values before consolidation
Property, plant and equipment	18 230	16 997
Financial assets available for sale	2	
Intangible assets	3	1
Deferred tax receivables	1 036	
Inventories	3 995	8 931
Current receivables	5 885	1 827
Liquid assets	10 444	10 444
Non-current interest-free liabilities	-4	
Non-current interest-bearing liabilities	-1 337	-4 687
Current interest-free liabilities	-9 914	-5 503
Current interest-bearing liabilities	-4 854	-1 616
Net assets	23 486	26 394
Minority interest 49%	-11 509	
Group's share of net assets	11 977	
Acquisition cost	12 045	
Goodwill	68	
Sales price paid in cash	12 045	
Liquid assets of the acquired subsidiary	-10 444	
Cash flow effect	1 601	

OLVI GROUP

Consolidated Financial Ratios 2004 to 2008

BUSINESS VOLUME AND PROFITABILITY

EUR 1,000	2008 IFRS	2007 IFRS	2006 IFRS	2005 IFRS	2004 IFRS	2004 FAS
Net sales **)	222 124	205 188	169 434	147 519	128 894	128 894
Change, %	8.3	21.1	14.9	14.4	12.5	12.5
Operating profit	17 478	23 101	18 481	12 962	9 274	7 925
% of net sales	7.9	11.3	10.9	8.8	7.2	6.1
Financial income and expenses	-3 172	-1 767	-1 244	-1 726	-1 996	-3 702
Profit before tax	14 305	21 334	17 237	11 236	7 279	4 222
% of net sales	6.4	10.4	10.2	7.6	5.6	3.3
Balance sheet total	244 212	186 997	155 993	140 396	132 753	132 369
Cash flow ratio, %	12.1	15.0	15.1	14.5	12.4	10.7
Return on investment, % (ROI)	11.0	18.7	16.7	12.4	9.3	7.9
Return on equity, % (ROE)	13.0	22.8	20.5	15.0	9.8	4.5
Equity to total assets, %	43.3	47.7	49.6	47.9	45.1	45.3
Current ratio	1.0	1.1	1.2	1.4	1.4	1.4
Gearing, %	62.9	45.6	47.3	49.6	66.7	66.6
Gross capital expenditure on fixed assets	43 557	25 426	20 933	17 442	18 361	18 361
% of net sales	19.6	12.4	12.4	11.8	14.2	14.2
Net investments in fixed assets	43 112	23 416	19 751	16 627	17 424	17 424
% of net sales	19.4	11.4	11.7	11.3	13.5	13.5
Average number of personnel:						
Olvi plc	434	389	346	333	334	334
Companies in Estonia, Latvia and Lithuania	835	822	780	741	698	698
Total employees	1 269	1 211	1 126	1 074	1 032	1 032

PER-SHARE RATIOS

	2008 IFRS	2007 IFRS	2006 IFRS	2005 IFRS	2004 IFRS	2004 FAS
Earnings per share (EPS), euro	1.22	1.83	1.43	0.95	0.58	0.29
EPS adjusted for dilution from warrants, euro	1.22	1.83	1.42	0.95	0.56	0.29
Equity per share, euro	9.07	8.61	7.46	6.48	5.94	5.95
*) Pay-out ratio, %	40.9	43.7	45.5	89.2	56.1	110.7
Price/Earnings ratio (P/E)	12.7	13.1	14.0	22.1	22.7	44.9

The doubled number of shares after the bonus issue in 2006 has been taken into account in the calculation of per-share ratios.

*) The amount of dividend used for calculating the 2008 ratio is the Board of Director's proposal to the Annual General Meeting.
**) Net sales for 2006 have been adjusted for comparability with 2007.

OLVI PLC

PARENT COMPANY'S BALANCE SHEET (FAS)

	Note	31 Dec 2008 EUR 1,000	%	31 Dec 2007 EUR 1,000	%
ASSETS					
FIXED ASSETS					
Intangible assets	13	768		631	
Tangible assets	13	30 960		23 768	
Shares in Group companies	14	47 292		11 791	
Other investments	14	278		278	
TOTAL FIXED ASSETS		**79 299**	**46.5**	**36 468**	**24.5**
CURRENT ASSETS					
Inventories	16	9 970		11 511	
Non-current receivables	17	52 575		72 967	
Current receivables	17	24 881		25 463	
Financial securities		0		0	
Cash in hand and at bank		3 766		2 588	
TOTAL CURRENT ASSETS		**91 193**	**53.5**	**112 529**	**75.5**
TOTAL ASSETS		**170 492**	**100.0**	**148 996**	**100.0**
EQUITY AND LIABILITIES					
SHAREHOLDERS' EQUITY					
Share capital		20 759		20 759	
Share premium account		857		857	
Legal reserve		127		127	
Other reserves		0		0	
Retained profit		37 714		36 794	
Net profit for the period		2 164		8 468	
TOTAL SHAREHOLDERS' EQUITY	18	**61 620**	**36.1**	**67 005**	**45.0**
ACCUMULATED APPROPRIATIONS	19	**6 125**	**3.6**	**4 952**	**3.3**
LIABILITIES					
Non-current liabilities		39 277		27 593	
Current liabilities		63 470		49 447	
TOTAL LIABILITIES	20	**102 746**	**60.3**	**77 040**	**51.7**
TOTAL EQUITY AND LIABILITIES		**170 492**	**100.0**	**148 996**	**100.0**

OLVI PLC

PARENT COMPANY'S INCOME STATEMENT (FAS)

	Note	1 Jan to 31 Dec 2008 EUR 1,000	%	1 Jan to 31 Dec 2007 EUR 1,000	%
NET SALES	1	**106 291**	**100.0**	**96 546**	**100.0**
Increase (+)/decrease (-) in inventories of finished and unfinished products		352	0.3	55	0.1
Manufacture for own use		106	0.1	75	0.1
Other operating income	2	596	0.6	511	0.5
Materials and services	3	40 040	37.7	31 154	32.3
Personnel expenses	4	19 014	17.9	17 694	18.3
Depreciation and impairment	8	5 106	4.8	4 478	4.6
Other operating expenses	9	38 980	36.7	35 372	36.6
OPERATING PROFIT		**4 205**	**4.0**	**8 490**	**8.8**
Financial income and expenses	10	101	0.1	1 869	1.9
PROFIT BEFORE APPROPRIATIONS AND TAXES		**4 306**	**4.1**	**10 359**	**10.7**
Appropriations	11	-1 173	-1.1	1 125	1.2
Income taxes	12	-969	-0.9	-3 017	-3.1
NET PROFIT FOR THE YEAR		**2 164**	**2.0**	**8 468**	**8.8**

OLVI PLC

PARENT COMPANY'S CASH FLOW STATEMENT

	Note	2008 EUR 1,000	2007 EUR 1,000
Cash flow from operations			
Profit before extraordinary items		4 306	10 359
Adjustments:			
Depreciation according to plan and impairment	8	5 106	4 478
Financial income and expenses	10	-101	-1 869
Other adjustments		-35	33
Cash flow before change in working capital		9 276	13 001
Change in net working capital:			
Increase (-)/decrease (+) in current interest-free accounts receivable and other receivables		2 175	-6 959
Increase (-)/decrease (+) in inventories		1 540	-559
Increase (+)/decrease (-) in current interest-free liabilities		-3 897	10 057
Interest paid		-2 692	-1 743
Interest received		171	54
Taxes paid		-3 054	-3 307
Cash flow from operations (A)		**3 519**	**10 546**
Cash flow from investments			
Investments in tangible and intangible assets		-12 533	-7 712
Capital gains on disposal of tangible and intangible assets		117	35
Expenditure on other investments		-35 502	-30
Cash flow from investments (B)		**-47 918**	**-7 707**
Cash flow from financing			
Withdrawals of loans		78 005	16 000
Repayments of loans		-44 875	-10 150
Acquisition of treasury shares	18	343	-432
Dividends paid	18	-8 288	-6 725
Pitkäaikaisten lainasaamisten vähennys (+)		20 392	0
Cash flow from financing (C)		**45 577**	**-1 306**
Increase (+)/decrease (-) in liquid assets (A+B+C)		**1 178**	**1 533**
Liquid assets 1 January		**2 588**	**1 056**
Liquid assets 31 December		**3 766**	**2 588**
Change in liquid assets		**1 178**	**1 533**

Parent Company's Accounting Policies

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

Fixed assets

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

Depreciation periods according to plan:

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

Inventories

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

Research and development costs

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

Pension cover for personnel

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

Derivative contracts

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

Deferred taxes

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

Foreign currency items

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

Treasury shares

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

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

NOTES TO THE INCOME STATEMENT AND BALANCE SHEET (EUR 1,000)

1. Net sales by market area	2008	2007
Finland	102 967	90 830
Estonia	1 444	3 304
Other exports	1 880	2 412
Total	106 291	96 546

2. Other operating income	2008	2007
Capital gains on disposals of fixed assets	9	22
Others	586	489
Total	596	511

3. Materials and services	2008	2007
Materials and supplies (goods):		
Purchases during the year	34 402	28 655
Change in stocks	1 892	-503
Outsourced services	3 746	3 002
Total	40 040	31 154

4. Personnel expenses	2008	2007
Wages, salaries and emoluments	15 160	13 998
Profit-sharing contribution to personnel fund	0	0
Pension expenses	2 482	2 219
Other personnel expenses	1 372	1 477
Total	19 014	17 694

5. Management salaries and emoluments	2008	2007
Managing Director	406	257
Chairman of the Board	209	203
Other members of the Board	109	106
Total	724	566

6. Parent company's personnel on average during the period		2008	2007
Full-time	clerical employees	122	119
	workers	230	202
Part-time	clerical employees	1	1
	workers	78	67
Total		431	389

7. Auditors' fees	2008	2007
Fees for statutory audit	60	61
Other services	47	42
Total	107	103

8. Depreciation and impairment	2008	2007
Planned depreciation on tangible and intangible assets	5 106	4 478
Total	5 106	4 478

9. Other operating expenses	2008	2007
Sales freights	15 788	14 073
Costs of marketing and sales	11 627	10 566
Other variable costs	4 779	4 143
Others	6 786	6 590
Total	38 980	35 372

10. Financial income and expenses	2008	2007
Total income from long-term investments	5	6
Other interest and financial income		
From Group companies	3 069	3 516
From others	180	140
Total	3 249	3 655
Total dividend income and other interest and financial income	3 254	3 661
Interest expenses and other financial expenses		
Payable to others	3 152	1 792
Total	3 152	1 792
Total financial income and expenses	101	1 869

11. Appropriations	2008	2007
Difference between depreciation according to plan and depreciation applied in taxation	1 173	-1 125
Total	1 173	-1 125

12. Income taxes	2008	2007
Income tax on business operations	885	3 057
Taxes from previous fiscal years	-3	5
Change in deferred tax liability	87	-45
Total	969	3 017

13. Fixed assets

Intangible assets

	Formation costs	Intangible rights	Development costs	Others intangible assets	Total
Acquisition cost 1 Jan 2008	6	8 774	0	7 580	16 361
Increase	0	0	52	479	532
Acquisition cost 31 Dec 2008	6	8 774	52	8 059	16 892
Accumulated depreciation and impairment 1 Jan 2008	6	8 774	0	6 949	15 730
Depreciation	0	0	1	393	394
Accumulated depreciation 31 Dec 2008	6	8 774	1	7 343	16 124
Book value 1 Jan 2008	0	0	0	631	631
Book value 31 Dec 2008	0	0	51	717	768

Tangible assets

	Land and water properties	Build-ings	Machinery and eqpt	Other tangible assets	Advance payments and unfinished purchases	Total
Acquisition cost 1 Jan 2008	1 078	22 667	62 839	28	6 819	93 431
Increase	0	1 669	15 009	1	2 108	18 787
Decrease	0	0	-111	0	-6 772	-6 883
Acquisition cost 31 Dec 2008	1 078	24 336	77 736	28	2 156	105 334
Accumulated depreciation and impairment 1 Jan 2008	0	15 091	54 571	0	0	69 663
Depreciation	0	1 101	3 611	0	0	4 712
Accumulated depreciation 31 Dec 2008	0	16 193	58 182	0	0	74 374
Book value 1 Jan 2008	1 078	7 576	8 267	28	6 819	23 768
Book value 31 Dec 2008	1 078	8 143	19 555	28	2 156	30 960

	31 Dec 2008	**31 Dec 2007**
Book value of production machinery and equipment on 31 December	18 642	7 312

14. Investments

	Shares in Group companies	Other shares	Total investments
Acquisition cost 1 Jan 2008	13 409	278	13 687
Increase	35 502	35 502	
Acquisition cost 31 Dec 2008	48 910	278	49 188
Impairment 1 Jan 2008	1 618	0	1 618
Impairment 31 Dec 2008	1 618	0	1 618
Book value 31 Dec 2008	47 292	278	47 570

15. Group companies

	Group's holding %	Parent company's holding %
Olvin Juomaa Oy, Iisalmi, Finland	100.00	100.00
AS A. Le Coq Group, Tartu, Estonia	100.00	100.00
AS A. Le Coq, Tartu, Estonia	100.00	
AS Ösel Foods, Reola, Estonia	100.00	
AS Saare Õlu, Saaremaa, Estonia	100.00	
A/S Cēsu Alus, Cēsis, Latvia	98.20	
AB Ragutis, Kaunas, Lithuania	99.57	
OAO Lidskoe Pivo, Lida, Belarus	51.00	

16. Inventories

	2008	2007
Materials and supplies	7 795	9 687
Unfinished products	497	611
Finished products/goods	1 678	1 212
Total	9 970	11 511

17. Receivables

	2008	2007
Non-current receivables		
Loans receivable from Group companies	52 470	72 863
Deposits pledged as collateral	105	104
Total non-current receivables	52 575	72 967

Current receivables		
Receivables from Group companies		
Accounts receivable	73	439
Total	73	439
Receivables from non-Group companies		
Accounts receivable	22 126	23 237
Other receivables	1	1
Prepayments and accrued income	2 658	1 676
Deferred tax receivables	23	110
Total	24 808	25 024
Total current receivables	24 881	25 463
Total receivables	77 457	98 430
Deferred tax receivables		
Deferred tax receivables 1 January	110	65
Share-based bonuses to management, change in deferred tax	-111	49
Fair valuation of derivatives, change in deferred tax	24	-3
Deferred tax receivables 31 December	23	110

18. Shareholders' equity	**2008**	**2007**
Share capital 1 January	20 759	20 759
Increase of share capital	0	0
Share capital 31 December	20 759	20 759
Share premium account 1 January	857	857
Bonus issue	0	0
Share premium account 31 December	857	857
Legal reserve 1 January and 31 December	127	127
Other reserves 1 January	0	290
Acquisition of treasury shares	0	-290
Other reserves 31 December	0	0
Retained earnings 1 January	45 262	43 962
Dividend distribution	-8 291	-6 736
Acquisition / transfer of treasury shares	743	-432
Retained earnings 31 December	37 714	36 794
Net profit for the period	2 164	8 468
Total shareholders' equity	61 620	67 005

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

	2008 qty	**2008 EUR 1,000**	**2008 votes**	**2007 qty**	**2007 EUR 1,000**	**2007 votes**
Series K (20 votes/share), registered	1 866 128	3 732	37 322 560	1 866 128	3 732	37 322 560
Series K total	1 866 128	3 732	37 322 560	1 866 128	3 732	37 322 560
Series A (1 vote/share), registered	8 513 276	17 027	8 513 276	8 513 276	17 027	8 513 276
Series A total	8 513 276	17 027	8 513 276	8 513 276	17 027	8 513 276
Total 31 December	10 379 404	20 759	45 835 836	10 379 404	20 759	45 835 836

Treasury shares
On the basis of an authorisation granted by the General Meeting of Shareholders on 10 April 2008, the company's Board of Directors decided to hand over treasury shares acquired in 2006 and 2007 for use as rewards in Olvi Group's share-based incentive system for key personnel for the achievement of targets for 2006 and 2007. A total of 29,600 treasury shares were handed over to the Group's key personnel in April 2008.

On 10 April 2008, the General Meeting of Shareholders of Olvi plc decided to authorise the Board of Directors of Olvi plc to decide on the acquisition of the company's own Series A shares using distributable funds. The authorisation is valid for one year starting from the General Meeting and covers a maximum of 245,000 Series A shares. The Board of Directors of Olvi plc has not exercised the authorisation granted by the General Meeting to acquire treasury shares in 2008.

At the end of December 2008, Olvi plc held a total of 2,400 of its own Series A shares acquired for a price of 54 thousand euro. Treasury shares held by Olvi plc represent 0.02 percent of the share capital and 0.01 percent of the aggregate number of votes. The treasury shares represent 0.03 percent of all Series A shares and associated votes. The acquisition costs of treasury shares are presented as a deduction of shareholders' equity, and transfers are presented as an increase in shareholders' equity.

19. Accumulated appropriations

Accumulated appropriations consist of accumulated depreciation difference.

20. Liabilities

20. Liabilities	2008	2007
Non-current liabilities		
Loans from financial institutions	30 000	26 867
Pension loans	8 550	0
Other liabilities	29	29
Total	38 579	26 895
Liabilities to Group companies:		
Other liabilities	698	698
Total	698	698
Total non-current liabilities	39 277	27 593
Current liabilities		
Loans from financial institutions	33 817	15 439
Accounts payable	11 687	13 104
Accrued expenses	4 701	6 587
Other liabilities	13 224	14 286
Total	63 429	49 415
Liabilities to Group companies:		
Accounts payable	40	31
Total	40	31
Total current liabilities	63 470	49 447
Total liabilities	102 746	77 040
Accrued expenses		
Provisions for personnel costs	3 502	4 744
Provision for income taxes	0	491
Provision for interest on loans	826	365
Other accrued expenses	374	986
Total accrued expenses	4 701	6 587
Interest-free liabilities 31 December	30 351	34 945

Liabilities falling due later than five years from now:		
Loans from financial institutions	16 950	8 200

21. Share-based payments

Olvi plc's Board of Directors decided on 26 January 2006 on a share-based incentive scheme for Olvi Group's key personnel.
The share-based bonus scheme is a part of the incentive and commitment scheme for the Group's key personnel and its purpose is to combine the objectives of shareholders and key personnel to improve the company's value.

The scheme includes two vesting periods, the first one extending from 1 January 2006 to 31 December 2007 and the second one from 1 January 2008 to 31 December 2010. The amount of bonuses payable out of the scheme is linked to Olvi Group's net sales and the operating profit percentage in relation to net sales.

The bonuses are payable partially in Olvi plc's Series A shares and partially in cash. The proportion payable in cash covers the taxes and other statutory fees arising from the share-based bonus. The bonuses for the first vesting period were paid in April 2008. Olvi Group's key personnel received a total of 29,600 Olvi plc Series A shares as bonuses. The shares carry a ban on transferring them within two years of reception.

On 17 December 2007, Olvi plc's Board of Directors decided on the targets for the second vesting period and the people included in the scheme. At the same time, the maximum number of shares that may be granted on the basis of the share-based incentive scheme was increased from 40,000 to 80,000. Any bonuses for the second vesting period will be paid in April 2011. 50 percent of the shares received as bonus for the second vesting period may be transferred after one year of reception, and 100 percent after two years of reception. The right to dividends begins when the shares are transferred to the key employees' book-entry accounts. The target group of the scheme currently includes 21 key employees.

On the basis of this incentive scheme, a total of 48,000 Olvi plc Series A shares may become payable in 2011 for the second vesting period if the targets are achieved in full.
No accounting entries associated with the 2008-2011 vesting period were recognised in 2008. Olvi plc has no warrants or options.

22. Pledges, contingent liabilities and other commitments	2008	2007
Pledges and contingent liabilities		
For own commitments		
Mortgages on land and buildings	1 134	1 134
Other off-balance sheet liabilities		
Package liabilities	6 402	4 604
Other liabilities	2 477	1 980
Total pledges and contingent liabilities	10 014	7 718

23. Leasing liabilities	2008	2007
Due within one year	929	909
Due later	1 643	1 403
Total	2 572	2 312

24. Derivative contracts	Nominal value	Market value	Market value
Derivatives	5 100	88	3

The business significance of the derivative contracts is minor. The derivative contracts are interest rate swaps on loans and will reach maturity in 2008 and 2010.

Shares and share capital 31 Dec 2008

	Shares	%	Votes	%
Series K shares, registered	1 866 128	18.0	37 322 560	81.4
Series A shares, registered	8 513 276	82.0	8 513 276	18.6
Total	10 379 404	100.0	45 835 836	100.0

Registered share capital, EUR 1,000	20 759

The Series A and Series K shares received a dividend of 0.80 euro per share for 2007 (0.65 euro per share for 2006), totalling 8.3 (6.7) million euro.
The dividends were paid on 21 April 2008.

Nominal value of A and K shares, EUR	2.00
Votes per Series A share	1
Votes per Series K share	20

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

DISTRIBUTION OF HOLDINGS AND INFORMATION ON SHAREHOLDERS

Largest shareholders on 31 December 2008

	Series K	Series A	Total	%	Votes	%
1. Olvi Foundation	1 181 952	421 286	1 603 238	15.45	24 060 326	52.49
2. Hortling Heikki Wilhelm *)	450 712	85 380	536 092	5.09	9 099 620	19.85
3. The Heirs of Hortling Kalle Einari	93 552	12 624	106 176	1.02	1 883 664	4.11
4. Hortling Timo Einari	82 912	17 304	100 216	0.97	1 675 544	3.66
5. Hortling-Rinne Marit	51 144	1 050	52 194	0.50	1 023 930	2.23
6. Skandinaviska Enskilda Banken nominee register		1 283 944	1 283 944	12.37	1 283 944	2.80
7. Nordea Bank Finland plc nominee register		516 393	516 393	4.98	516 393	1.13
8. Ilmarinen Mutual Pension Insurance Company		515 748	515 748	4.97	515 748	1.13
9. Oy AutoCarrera Ab		221 891	221 891	2.14	221 891	0.48
10. Pensionsförsäkringsaktiebolaget Veritas Pension Insurance Company		208 000	208 000	2.00	208 000	0.45
11. Odin Finland		172 330	172 330	1.66	172 330	0.38
12. Kamprad Ingvar		162 099	162 099	1.56	162 099	0.35
13. Vidgren Einari		158 113	158 113	1.52	158 113	0.34
14. Säästöpankki Kotimaa mutual fund		111 800	111 800	1.08	111 800	0.24
15. Svenska Handelsbanken Ab (Publ) Filialverksamheten i Finland nominee register		105 159	105 159	1.01	105 159	0.23
16. Fondita Nordic Micro Cap mutual fund		90 000	90 000	0.87	90 000	0.20
17. Lahti Ari Juhani		90 000	90 000	0.87	90 000	0.20
18. Nordea Vakaa Tuotto mutual fund		87 313	87 313	0.84	87 313	0.19
19. Evli Select Mutual Fund		70 014	70 014	0.67	70 014	0.15
20. Finnish Broadcasting Company Pension Foundation		63 000	63 000	0.61	63 000	0.14
Others	5 856	4 119 828	4 125 684	39.75	4 236 948	9.24
Total	1 866 128	8 513 276	10 379 404	99.92	45 835 836	100.00

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

Olvi plc had 6,427 (5,667) shareholders registered in the book-entry system on 31 December 2008, 7 (10) of them nominee-registered.

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

Management's interests
The members of the Board of Directors and the Managing Director of Olvi plc held a total of 450,712 K shares and 97,380 A shares on 31 December 2008, which represent 5.3 percent of the total number of shares and 20.1 percent of the votes.

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

Shareholders by size of holding on 31 December 2008

Number of shares	Number of shares	% of shareholders	Number of book entries	% of book entries	Voting rights	% of votes
1-1000	5 688	88.50	1 453 575	14.00	1 458 439	3.18
1 001-10 000	670	10.42	1 694 695	16.33	1 801 095	3.93
10 001-100 000	55	0.86	1 419 854	13.68	2 391 590	5.22
100 001-1 000 000	12	0.19	2 905 418	27.99	14 821 762	32.34
1000001-999999999999	2	0.03	2 887 182	27.82	25 344 270	55.29
In collective book-entry account			18 680	0.18	18 680	0.04
Total	6 427	100.00	10 379 404	100.00	45 835 836	100.00

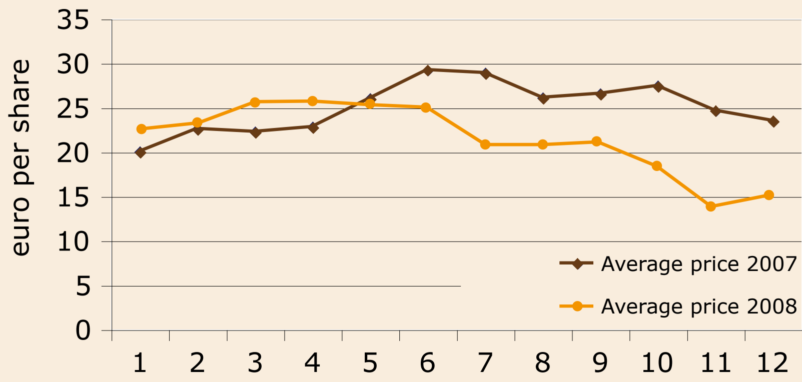
Shareholders by category on 31 December 2008

	Number of share-holders	% of share-holders	Number of book entries	% of book entries	Nominee-registered Number of book entries	% of book entries	Voting rights	% of votes
Businesses	327	5.09	2 331 378	22.46	304	0.00	24 788 770	54.08
Financial institutions and insurance companies	37	0.58	414 704	4.00	1 908 186	18.38	2 322 890	5.07
Public sector organisations	7	0.11	852 864	8.22	852 864	1.86		
Non-profit organisations	70	1.09	321 101	3.09	321 101	0.70		
Households	5 952	92.61	4 255 798	41.00	16 283 406	35.53		
Non-Finnish shareholders	34	0.53	275 389	2.65	1 000	1 248 125	2.72	
In collective book-entry account	0.00	18 680	0.18	18 680	0.04			
Total	6 427	100.00	8 469 914	81.60	1 909 490	18.40	45 835 836	100.00

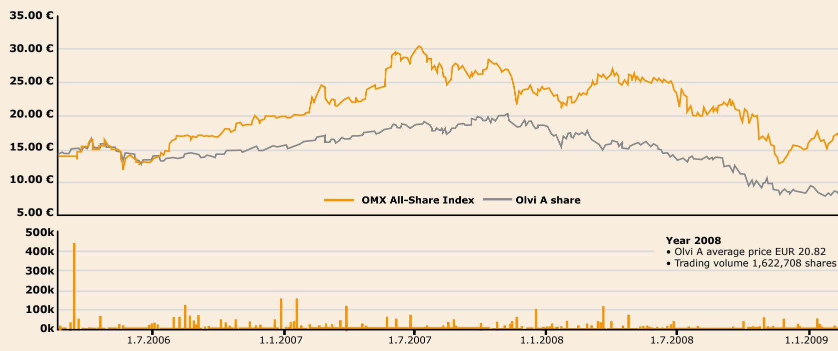
Foreign and nominee-registered holdings on 31 December 2008

	Number of shareholders	% of shareholders	Number of book entries	% of book entries	Voting rights	% of votes
Foreign total	33	0.51	275 389	2.65	1 247 125	2.72
Nominee-registered (foreign) total	1	0.02	1 000	1 000	0.00	
Nominee-registered (Finnish) total	6	0.09	1 908 490	18.39	1 908 490	4.16
Total	40	0.62	2 184 879	21.05	3 156 615	6.89

PRICE DEVELOPMENT OF OLVI A SHARES in 2008



Olvi A vs OMX All-Share Index 2006 to 2008



OLVI PLC

Parent Company's Financial Ratios 2004 to 2008

BUSINESS VOLUME AND PROFITABILITY EUR 1,000	2008	2007	2006	2005	2004
Net sales	106 291	96 546	79 458	73 509	69 299
Change, %	10.1	21.5	8.1	6.1	-1.4
Operating profit	4 205	8 490	7 012	4 120	3 278
% of net sales	4.0	8.8	8.8	5.6	4.7
Financial income and expenses	101	1 869	2 099	1 557	2 406
Profit before extraordinary items	4 306	10 359	9 111	5 678	5 684
% of net sales	4.1	10.7	11.5	7.7	8.2
Profit before provisions and taxes	4 306	10 359	9 111	5 678	5 684
% of net sales	4.1	10.7	11.5	7.7	8.2
Balance sheet total	170 492	148 996	131 862	126 186	124 000
Cash flow ratio, %	7.9	12.2	13.9	12.0	12.5
Return on investment, % (ROI)	5.8	10.9	9.7	6.8	6.7
Return on equity, % (ROE)	4.9	10.4	9.5	6.1	5.6
Equity to total assets, %	38.8	47.4	53.5	54.0	53.3
Current ratio	0.6	0.8	0.9	1.2	1.2
Gearing, %	103.7	56.2	48.1	43.7	51.8
Gross capital expenditure on fixed assets	25 572	7 786	1 562	4 106	4 732
% of net sales	24.1	8.1	2.0	5.6	6.8
Net investments in fixed assets	25 683	7 773	1 522	4 002	4 727
% of net sales	24.2	8.1	1.9	5.4	6.8
Average number of personnel	434	389	346	333	334

PER-SHARE RATIOS	2008	2007	2006	2005	2004
Earnings per share (EPS), euro	0.32	0.71	0.63	0.40	0.37
EPS adjusted for dilution from warrants, euro	0.32	0.71	0.63	0.40	0.36
Equity per share, euro	6.37	6.83	7.11	6.91	6.96
*) Nominal dividend per share, euro	0.50	0.80	0.65	0.85	0.65
*) Effective dividend yield, %	2.6	3.3	3.3	4.0	4.9
*) Pay-out ratio, %	155.4	112.9	103.3	214.1	177.0
Price/Earnings ratio (P/E)	48.4	33.9	31.7	53.1	35.9
Price of Series A share					
- at year-end, euro	15.59	24.00	20.00	21.10	13.17
- high, euro	27.00	30.80	20.19	21.60	14.18
- low, euro	12.50	19.50	10.50	13.30	11.56
- average price, euro	20.82	24.14	14.70	16.43	12.81
Trading volume of A shares	1 622 708	2 286 279	3 052 970	1 912 335	1 767 881
% of all A shares outstanding	19.1	26.9	35.9	44.9	43.3
Market capitalisation of A shares 31 Dec, MEUR	132.7	204.3	170.3	89.8	53.6
Market capitalisation of K shares 31 Dec, MEUR	29.1	44.8	37.3	19.7	12.3
Total market capitalisation, MEUR	161.8	249.1	207.6	109.5	65.9
Number of shares					
- year's average number, adjusted for share issues **)	10 368 444	10 358 296	10 376 311	10 292 806	9 916 982
- average number of shares adjusted for dilution from warrants **)	10 368 444	10 358 296	10 413 050	10 378 178	10 210 004
- number at year-end, adjusted for share issues **)	10 377 004	10 347 404	10 363 404	10 379 404	10 028 204

*) The amount of nominal dividend has not been adjusted for the effect of the bonus issue. Nominal dividend refers to the dividends paid on each year's number of shares. The amount of dividend used for calculating the 2008 ratio is the Board of Directors' proposal to the Annual General Meeting. The doubled number of shares after the bonus issue in 2006 has been taken into account in the calculation of per-share ratios.

**) Treasury shares held by Olvi plc deducted.

CALCULATION OF FINANCIAL RATIOS

Cash flow ratio, % = 100 x (Operating profit + depreciation + financial income and expenses + extraordinary income and expenses-taxes) / (Net sales)

Return on investment, % (ROI) = 100 x (Profit before taxes + interest and other financial expenses) / (Balance sheet total - interest-free liabilities (average))

Return on equity, % (ROE) = 100 x (Profit before taxes - taxes) / (Shareholders' equity + minority interest + voluntary provisions and depreciation difference deducted by deferred tax liability (average during the year))

Equity to total assets, % = 100 x (Shareholders' equity+minority interest+voluntary provisions and depreciation difference) / (deducted by deferred tax liability Balance sheet total - advance payments received)

Current ratio = (Liquid assets+inventories) / (Current liabilities)

Gearing, % = 100 x (Interest-bearing liabilities+advance payments received+cash and other liquid assets) / (Shareholders' equity+voluntary provisions and depreciation difference deducted by deferred tax liability)

Earnings per share (EPS) = (Profit before taxes - taxes +/- minority interest) / (Average number of shares during the year, adjusted for share issues)

Equity per share = (Shareholders' equity+voluntary provisions and depreciation difference) / (deducted by deferred tax liability and minority interest Number of shares on 31 December, adjusted for share issues)

Dividend per share = (Dividend per share for the fiscal year) / (Share issue adjustment factor)

Effective dividend yield, % = 100 x (Dividend per share, adjusted for share issues) / (Last trading price of the year, adjusted for share issues)

Price/Earnings ratio (P/E) = (Last trading price of the year, adjusted for share issues) / (Earnings per share)

Pay-out ratio, % = 100 x (Dividend per share) / (Earnings per share)

Market capitalisation at year-end = Number of shares at year-end, adjusted for share issues x Price of A share at year-end

Board of Directors' proposal for the distribution of profit

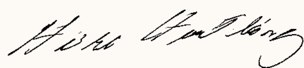
The parent company Olvi plc had 39.9 million euro of distributable funds, of which profit for the period 1 January to 31 December 2008 accounted for 2.2 million euro.

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

- A dividend of 0.50 euro shall be paid for 2008 on each Series K and Series A share, totalling 5.2 million euro. The dividend represents 41.0 percent of Olvi Group's earnings per share. The proposal calls for the payment of dividends in April 2009.
- 34.7 million euro shall be retained in the parent company's non-restricted equity.

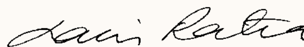
Date and Signatures

Signed in Iisalmi, this 24th day of February 2009



Heikki Hortling
Chairman
of the Board

Esa Lager
Vice Chairman
of the Board



Lauri Ratia
Member of the Board

Heikki Sinnemaa
Member of the Board

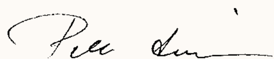
Harri Sivula
Member of the Board

Lasse Aho
Managing Director

Auditor's Note

A report of the audit has been submitted today.

Signed in Iisalmi, this 10th day of March 2009



Pekka Loikkanen
Authorised Public Accountant

Olvi plc’s Board of Directors 2008

Heikki Hortling, b. 1951

- Master of Science (Economics)
- Chairman of Olvi plc’s Board of Directors since 1998
- Vice Chairman of Olvi plc’s Board of Directors 1987–1997
- Member of the Board of Iisalmen Puhelin Oy
- Member of the Board of Ylä-Savon Pääomarahasto Oy

Esa Lager, b. 1959

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

Lauri Ratia, b. 1946

- Master of Science (Engineering)
- Member of Olvi plc’s Board of Directors since 1999
- Chairman of the Board of Tecnomen Corporation since 2001
- Chairman of the Board of Edita Plc since 2005
- Chairman of the Board of Sponda Plc since 2007
- Chairman of the Board of Medisize Corporation since 2007
- Member of the Board of OJSC LSR Group, St. Petersburg, Russia, since 2007
- Member of the Board of Inspecta Oy since 2007
- Member of the Board of Samesor Oy since 2008
- Chairman of the Board of VR-Group Ltd (Finnish Railways) since 2008

Heikki Sinnemaa, b. 1949

- Master of Laws, Member of the Bar
- Member of Olvi plc’s Board of Directors since 2004
- Chairman of Olvi Foundation’s Board of Directors since 2006
- Member of Olvi Foundation’s Board of Directors 2002–2005
- Vice Chairman of the Board of Iisalmen Puhelin Oy
- Member of the Board of T. Makkonen

Harri Sivula, b. 1962

- Master of Administrative Sciences
- Managing Director of Onninen Oy
- Member of Olvi plc’s Board of Directors since 2007

Managing Director Lasse Aho, b. 1958

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