



Responsible and service-oriented

Contents

About Alko

Welcome	1
Alko in brief	2
Review by the President and CEO	4
Strategy	6
Projects	7
Alko 80 years	8
Governance and organisation	10
Annual General Meeting	11
Supervisory Board	12
Supervisory Board members	13
The Board of Directors and committees	14
Members of the Board	15
Committees of the Board of Directors	18
Executive Committee	19
Auditing Committee	20
Personnel Committee	21
The Alcohol Policy Committee	22
Management	23
Remuneration	25
Salary and remuneration report 2011	26
Internal supervision	29
Internal auditing	30
Risk management	31
Internal auditing and auditing	32
Compliance with the Finnish Corporate Governance Code	33
Communications and information	34
Legislation	35
Contact	36
Glossary	37

Customer service and products

Service lives at Alko	39
Customer service development	40
Our service network expanded	41
Measuring customer service	42
Customer communications	44
Responsibility in customer service	45
Young customers	46
Intoxication	47
Handovers	48

Supervision tools	49
Consumption of alcoholic beverages	50
Consumption of milder beverages increases	51
Price trends	52
Product range planning	53
Quality and product safety	54
Product defects	55
Alcohol Control Laboratory (ACL)	56
Sales of alcoholic beverages at Alko	57
Wines	58
Strong beverages	60
Brewery products	61
Ethical trade products	62
Responsibility	
Managing corporate responsibility	63
Alcohol legislation determines operations	64
Alko's social responsibility management system	65
Responsibility goals and implementation 2011	67
Stakeholder cooperation	69
Distribution of added economic value	72
Customers	74
Suppliers	75
Personnel	76
The owner	77
Society	78
Communities	79
Investments	80
In the Company of Children	81
In the Company of Children 2011	83
Alko's cooperation projects	84
Donations to universities and colleges	86
Responsibility towards personnel	87
Duration and quality of employment relationships	89
Equality	91
Salaries and employee benefits	92
Incentive scheme	93
Other staff benefits	94
Relations with organisations	95
Occupational safety committee	96
Absences due to sickness and accidents	97
Occupational well-being	98

Early intervention	100
Ergonomics	101
Store safety	102
Recruitment	103
Skills	104
Staff survey	105
Responsibility in procurement	107
Environmental responsibility in Alko's operations	109
The environmental impact of the head office	110
Green Office	111
Green Ambassador	112
The environmental impact of the stores	113
Electricity consumption in stores	114
LED lighting	115
Waste sorting	116
Recycling shelf frames	117
Recycling drinks packaging	118
Packaging and gift articles	120
Transport	121
GRI table	122
The scope and contents of the report	131
Board of Directors' report and Financials	
Report of the Board of Directors	132
Income statement, FAS	139
Balance sheet, FAS	140
Cash flow statement, FAS	141
Accounting principles	143
Notes to the income statement, FAS	145
Notes to the balance sheet, FAS	149
Key figures	159
The Board of Directors' proposal about the distribution of profit and Auditor's report	160
Statement by the Supervisory Board	161
Our efforts in action	
The environment	162
Alko in society	163
Quality and product safety	164
The committed professional	165
Responsibility in procurement	166
Responsibility in customer service	167



Welcome to Alko's online Annual Report and Corporate Social Responsibility Report 2011

Alko is a responsible and service minded company, specialised in the sale of alcoholic beverages. In this Annual Report and Corporate Social Responsibility Report we will describe the year 2011 and our responsible actions.

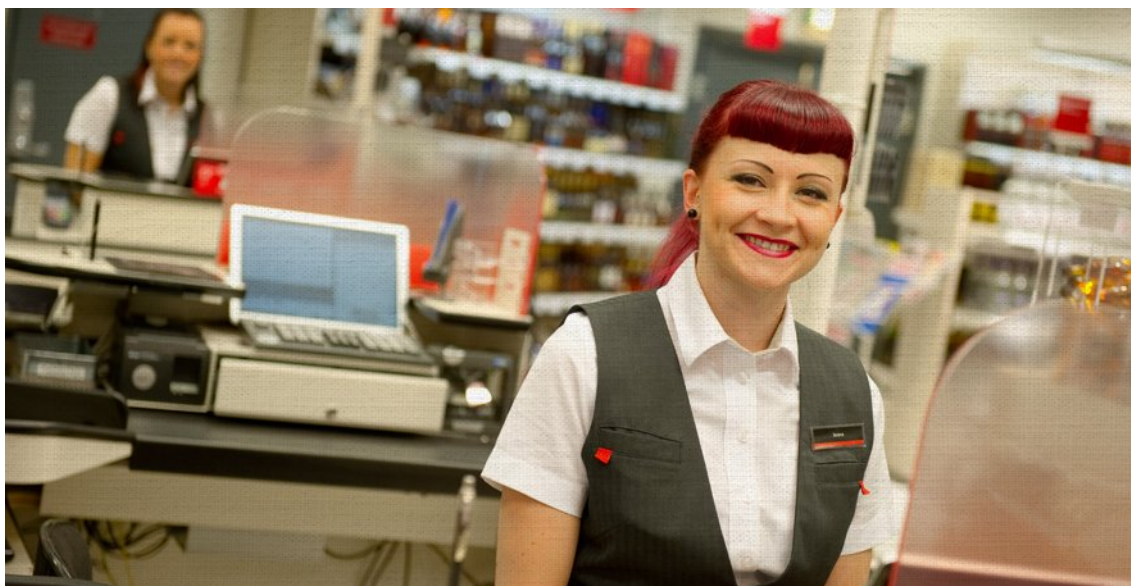
In the Alko as a Company section there is information on Alko (now 80 years old) and our management practices. In the Customer Service and Products section there are details of Alko's product quality and safety as well as our means of developing services. Under the Responsibility section you will find information on corporate and social responsibility which is part of everything we do.

The Alko toolbar is available at the top of every page. With the toolbar you can:

- Download the 2011 Annual Report and Corporate Social Report as one file.
- Save individual pages using the Add Page function to your report.
- Compile your own report from contents that you want from your Download Library, where your saved pages accumulate. In the Download Library you can choose individual pages or complete sections to meet your needs. You can print or save complete reports as a PDF document.
- Change the text size on the website using the A+ / A- function.

The site also provides a search function and a detailed site map as well as a GRI index. At the bottom of the site the social media buttons allow you to share our report articles online.

Our web-based Annual Report and Corporate Social Responsibility Report include external links. Alko is not responsible for the operation of these links.



Alko is responsible and service minded

Alko is a knowledgeable and responsible business specialised in alcoholic beverages and will be 80 years old on the 5th of April 2012. We offer our customers quality products from a diverse selection. Alko has a network of stores and complimentary order points which cover the whole of Finland.

YEAR 2011

Stores	348
Order points	110
Customers (million)	62
Products in main product range	2,100
Company service stores	21

KEY ECONOMIC INDICATORS 2011, (EUR MILLION)

	2011	2010	2009
Turnover	1,172.3	1,174.8	1,170.2
Turnover without alcohol tax	601.0	591.5	600.6
Investments in fixed assets	7.1	30.7	4.2



Alko Inc. is a state-owned Finnish company with responsibility for the retail sale of alcoholic beverages. The company's function and its sole right for the sale of drinks containing more than 4.7% alcohol are justified, above all, by social and health policy goals. The Ministry of Social Affairs and Health is responsible for the ownership, steering and supervision of Alko Inc. due to the special task assigned to Alko Inc. by law.

In the photo: Jonna Jauhiainen, shop assistant, Helsinki



Alko will not compromise on responsibility or service

In 2011, at Alko we succeeded in both our customer service and corporate responsibility. Additionally, our approval among the population was further strengthened. Alko's sales by litre have been declining slightly in recent years and this trend also continued in 2011. However, by continuously making our operations more efficient the company has maintained its operating result at a good level according to plan.

We decided in 2010, to develop our strategic areas of focus by creating a project portfolio defining the company's strategically important projects. Their success and achievements are leading the way towards the company's goal and vision of being the best retailer in Finland, in responsibility in operations and in customer service.

Central to our corporate responsibility activities are the "In the Company of Children" programme and our donations towards substance abuse research and medical treatment for addiction. Age limit checks in shops, suspected cases of intoxication and handovers of alcohol still remain important issues that need to be raised. In 2011, we took an even stronger stance on the promotion of environmental responsibility and responsibility in purchasing.

The large-scale information system project, aimed at reforming our financial reporting and developing our logistics processes, is proceeded according to plan. Our goal is to replace the existing information system in the first half of 2013. Customer service continues to develop and we initiated several projects that will raise the level of service, enriching and enhancing the customer experience. In addition, an exceptionally strong effort was launched to promote occupational well-being in the company. One of the objectives of this is to make Alko the best workplace in Finland over the coming years.



We measure our business operations in numerous studies and surveys and we have succeeded in developing our corporate responsibility, customer service and economic efficiency. Alko's staff commitment has been rising steadily for four years.

Through the commitment of the staff Alko has truly become a responsible and service minded company. I would like to thank our staff, customers and all our other stakeholders!

Jaakko Uotila

President and CEO



Aiming to be the best retailer in Finland

Alko aims to be the best retailer in Finland in responsibility in operations and customer service.



The strategy was updated in 2011. Key elements to the strategy include responsibility in operations, the development of customer service and further strengthening staff commitment and expertise.

The company bears responsibility for the harmful effects of the alcoholic beverages sold. Alko emphasizes a comprehensive form of responsibility: where environmental responsibility, responsible purchasing and responsibility towards personnel are all essential elements. Product quality and safety remain important. Stakeholder partnerships will be developed increasingly more systematically in the future.

At the beginning of 2011 Alko moved to a project portfolio model. The company's strategically important projects are defined in the portfolio. Working with the model relies heavily on teamwork, a common direction and consistent communications.



Projects

COMPREHENSIVE SOCIAL RESPONSIBILITY AND INCREASED EFFORTS IN STAKEHOLDER COOPERATION

The aim of the project is to develop aspects of responsibility evenly and take them to a new level. The project will promote environmental responsibility, responsible purchasing, financial communications and community relations. Promoting a responsible alcohol policy is central to Alko's retail sales monopoly for alcoholic beverages. One of the key actions implemented through the alcohol policy is the "In the Company of Children" programme, in addition to the donations to colleges and universities for research into substance abuse, which is also used to monitor the progress of the project.

CREATING A UNIQUE SERVICE EXPERIENCE AND ENSURING EXPERTISE

The project aims to create a unique service experience and to ensure and develop expertise. The project objective is to raise Alko's customer service experience to a new level of excellence, the very best in Finland. The development work will be based on achieving a deeper level of consumer and customer awareness.

The project consists of broadly balanced development in co-operation and service, skills and know how, and developing the stores and product range. The project takes into account all categories - wines, beers, spirits and accessories.

THE DEVELOPMENT OF A MULTI-CHANNEL SERVICE NETWORK

The project will evaluate all of Alko's current sales and service channels, examining the customer's expectations and creating a model for Alko's future multi-channel service network. The model is being developed to explore Alko's opportunities for combining both traditional and electronic channels keeping in mind the basic task defined in the Alcohol Act.

THE BEST WORKPLACE IN FINLAND - PROJECT FOR OCCUPATIONAL WELL-BEING

The occupational well-being of all employees at Alko is being promoted through preventive and long-term action. The project will develop supervisory and leadership skills, the know-how and skills of the personnel, the working environment and community at the workplace. By developing different aspects of well-being the project also aims to reduce absences due to sickness and accidents, and encourage the staff to stay in work longer than earlier.

FINANCIAL AND LOGISTICS DEVELOPMENT PROJECT

The project aims to replace logistics and financial management information systems which have reached the end of their lives. It is a renewal investment. The systems renewal provides an opportunity to develop the functionality and business processes of the order and supply-chain information systems. The new information systems will provide an effectively integrated solution, which will be capable of serving business processes more efficiently.



Alko 80 years 2012

Alko began operations on 5th April 1932 at 10 o'clock a.m. A familiar set of numbers can be derived from the date and time: 5-4-3-2-1-0.

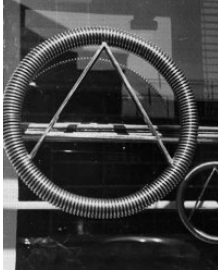
Alcohol legislation was renewed in 1995, when Finland joined the European Union. This led to the re-allocation of the then Alko's functions among various players and the establishment of an independent company in 1999 called Alko Oy.

Read Alko's entire history on our website:

► [Alcohol sales since 1932](#)



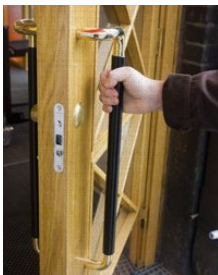
OLYMPIC YEAR 1952



In the Olympic year 1952, Alko had 92 stores and the consumption of alcoholic beverages when converted to 100 per cent alcohol was 1.4 litres per person. Alko's product range grew dramatically. The range was heavily European in flavour. In the spring price list there were 515 products.

The photo shows a door handle from the year 1952 at a shop on Toivonkatu in Helsinki.

OLYMPIC YEAR 2012




In the Olympic year 2012, Alko has 348 stores and the consumption of alcoholic beverages when converted to 100 per cent alcohol is 10 litres per person. The product range is broad and of high quality, with over 2,000 products and wines from around the world from over 50 countries.

The photo shows a door handle from the year 2012 at a shop on Arkadiankatu in Helsinki.

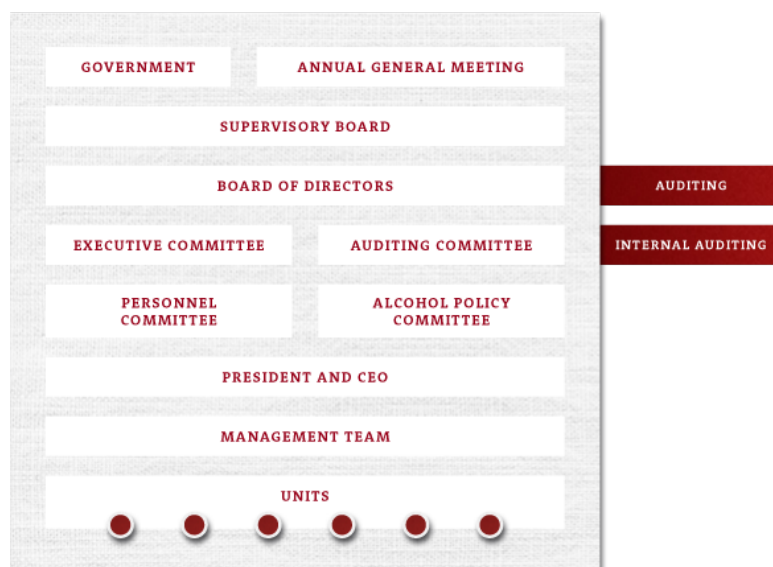


Corporate governance

Alko Inc. is a limited company owned by the Finnish Government. Alko's business activities are based on the Alcohol Act (1143/1994) and the Decree on the Operation of the Alcohol Company (243/2000), as well as on the Companies Act and Alko Inc.'s Articles of Association. According to the Alcohol Act, Alko Inc.'s task is to carry on, with certain exceptions, the retail trade of alcoholic beverages prescribed exclusively for it, while aiming to prevent the adverse effects of alcohol consumption. The Ministry of Social Affairs and Health is responsible for the ownership, steering and supervision of Alko Inc. due to the special task assigned to Alko Inc. by law. The Ministry of Social Affairs and Health adheres to the Ownership Steering Act (1368/2007) and cooperates with the Ownership Steering Department of the Prime Minister's Office.

 [Corporate Governance](#), Alko Inc. year 2011 as a whole. (.pdf, 320 Kb)

CORPORATE GOVERNANCE STRUCTURE





Annual General Meeting

Alko Inc.'s Annual General Meeting must take place once a year before the end of June. The Ministry of Social Affairs and Health appoints a representative to the Annual General Meeting.

The Annual General Meeting, in accordance with the Companies Act, decides on such matters as approval of the financial statements, profit distribution, exemption from liability, the election and fees of the members of the Supervisory Board and the Board of Directors, and auditors and their remuneration, as well as on whether or not to amend the Articles of Association.

Alko Inc.'s Board of Directors elects to convene the Annual General Meeting. Notice of the meeting and the agenda are sent at least one week prior to the meeting.



Supervisory Board

Alko's Supervisory Board consists of twelve members, which the Government appoints for four calendar years at a time. The Government also appoints the Chairman and the Vice Chairman. The work of the Supervisory Board is carried out according to the principles in the Supervisory Board's approved rules of procedure.

The Supervisory Board's tasks are as follows:

- to ensure that the company's affairs and administration are handled according to sound business principles, with an eye to profitability, and that the law, the provisions of the Articles of Association, the decisions of the Annual General Meeting and other approved instructions are complied with
- to give instructions to the Board of Directors in far-reaching matters of fundamental importance
- to monitor alcohol-related trends both in Finland and abroad and, on the basis of this, issue general guidelines on the development of the alcohol company's operations
- to confirm the action plan aimed at preventing the adverse effects of alcohol in accordance with Section 1 of the Decree on the Operation of the Alcohol Company (243/2000)
- to provide the report referred to in Section 36 Paragraph 1 Subparagraph 2 of the Alcohol Act on the development of the company's retail sales and the measures that the company has initiated in the manner required by the Act and
- to give the Annual General Meeting a statement concerning the company's financial statements and auditors' report.



Members of the Supervisory Board

The Supervisory Board for 2012-2015 consists of Sari Sarkomaa (Chairman) and Eila Tiainen (Vice Chairman) and, as members Timo Heinonen, Anne Holmlund, Saara Karhu, Heli Paasio, Reijo Hongisto, Arja Juvonen, Markku Rossi, Simo Rundgren, Mats Nylund and Leena Rauhala. Director Kari Paaso represents the Ministry of Social Affairs and Health.

The Supervisory Board for 2008-2011 consists of Petri Salo (Chairman) and Markku Rossi (Vice Chairman) and, as members, Janina Andersson, Christina Gestrin, Hanna-Leena Hemming, Reijo Kallio, Saara Karhu, Mikko Kuoppa, Jari Larikka, Heli Paasio, Klaus Pentti and Pekka Vilkuna.

Representation of the Ministry of Social Affairs and Health on the Supervisory Board is decreed by Section 38 of the Alcohol Act. The Supervisory Board meets approximately five times a year.

► [Link to salary and remuneration report](#)



Board of Directors

The Annual General Meeting elects the Chairman and Vice Chairman of the Board and a minimum of three and a maximum of six members. A Board member's term of office lasts from his/her election until the end of the following Annual General Meeting. Two personnel representatives take part in the meetings. The Annual General Meeting is convened on the invitation of the Chairman or the Vice Chairman of the Board. The work of the Board of Directors is carried out according to the principles in the Board of Directors' approved rules of procedure.

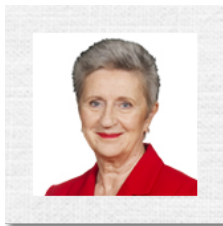
The key tasks of the Board of Directors are as follows:

- to direct and oversee the company in accordance with the decisions of the Annual General Meeting, the Companies Act and the Articles of Association
- to direct and oversee the company in accordance with alcohol-related statutes and to strengthen the company's strategy
- to approve the annual action plan and budget and to oversee their implementation
- to approve significant investments as well as the acquisition and sale of real-estate shares
- to strengthen the principles of internal monitoring and supervise their implementation and sufficiency
- to strengthen the principles of risk management
- to strengthen the internal audit directive and the annual plan
- to supervise the independence and work of the auditors and prepare a proposal on the election of the auditors for the Annual General Meeting
- to consider and approve the interim reports, the annual report and the financial statements
- to decide on the company's organisational structure and management system
- to appoint and relieve from their posts the President & CEO, the President & CEO's deputies and other members of the Management Team
- to decide on the salaries and other benefits of the President & CEO and the members of the Management Team
- to approve an incentive scheme for management and personnel
- to consider the results of the company's workplace atmosphere surveys
- to approve the company's corporate governance and the operating procedures of the Board of Directors and the committees, and to review their contents annually
- to consider the reports of the committees of the Board of Directors
- to consider matters presented by the members of the Board or the President & CEO
- to address issues related to regulatory control.

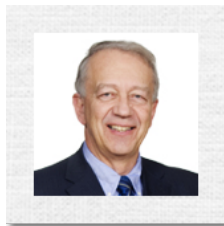


Members of the Board of Directors

On 23 March 2011 the Annual General Meeting elected Soili Suonoja as Chairman to Alko's Board of Directors and Pekka Puska as Vice Chairman. Petri Aaltonen, Arto Honkaniemi, Liisa Leino, Päivi Sillanaukee and Helena Walldén were elected as members of the Board. Personnel representatives Juri Helmiö (Chairman of Alkoholialan Toimihenkilöt ry) and Saku Salonen (Chairman of Alkoholikaupan Ammattiliitto ALV ry) will attend the meetings of the Board of Directors without the right to vote.



Soili Suonoja,
Chairman,
b. 1944
Commercial
Counsellor
Member of the
Board since 2004



Pekka Puska, Vice
Chairman
b. 1945
Professor, Doctor of
Medicine and
Surgery, Master of
Political Sciences
Director General of
the National
Institute for Health
and Welfare
Member of the
Board since 2007



Petri Aaltonen,
Member of the Board
b. 1966
LL.M.
Director, Itella Posti Ltd
Member of the Board
since 2010



Arto Honkaniemi,
Member of the
Board
b. 1946
Master of Laws,
Master of Science
(Economics and
Business
Administration)
Senior Financial
Counsellor,
Ownership Steering
Department, Prime
Minister's Office
Member of the
Board since 2007



Liisa Leino,
Member of the
Board
b. 1960
Master of Arts
(Education)
Leinovalu Oy
Member of the
Board since 2009



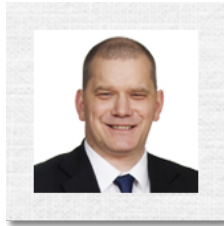
Päivi Sillanaukee,
Member of the Board
b. 1964
Doctor of Medicine
Director-General,
Ministry of Social Affairs
and Health
Member of the Board since 2010



Helena Walldén,
Member of the
Board
b. 1953
Master of Science
(Technology)
Member of the
Board since 2009



Juri Helmiö,
Chairman of
Alkoholialan
Toimihenkilöt ry
b. 1952



Saku Salonen,
Chairman of
Alkoholikaupan
Ammattiliitto ALV ry
b. 1977

► [Link to salary and remuneration report](#)

The Board meets approximately ten times a year. The Board evaluates the effectiveness of its activities annually, as well as its procedures and success in accomplishing its task.

The Board members are independent of the company. Board member Päivi Sillanaukee serves in the Ministry of Social Affairs and Health and Arto Honkaniemi works for the Ownership Steering Department of the Prime Minister's Office.

Participating in Board meetings are President and CEO Jaakko Uotila, Executive Vice President (Finance) Minna Alitalo and Executive Vice President (Corporate Relations) Maritta Iso-Aho as Secretary to the Board.



Committees of the Board of Directors

Alko Inc.'s Board of Directors has four committees: the Executive, Audit, Personnel and Alcohol Policy committees. The Board appoints the Chairman of the committees and the members to each one. The Board has established rules of procedure for each committee, which include the central tasks and principles for the committee.

► [Link to salary and remuneration report](#)



Executive Committee

The task of the Executive Committee is to prepare the agendas for the Board of Directors' meetings. The committee is formed by its Chairman and Vice Chairman. The company's President and CEO acts as the presiding officer and the Executive Vice President (Corporate Relations) acts as secretary.

The Executive Committee consists of Chairman Soili Suonoja, member Pekka Puska, Presiding Officer Jaakko Uotila and Secretary Maritta Iso-Aho.



Auditing Committee

The Auditing Committee assists the Board of Directors in managing the supervision tasks that it has been assigned. The Auditing Committee's tasks are as follows

- to oversee the financial reporting process
- to evaluate the sufficiency and functionality of internal auditing and risk management
- to oversee internal auditing activity
- to process and evaluate auditing and auditor-related matters
- to ensure compliance with laws, regulations and other provisions.

The committee consists of at least three and at most five members of the Board of Directors. The Chairman of the committee must have sufficient knowledge of accounting practices. The President & CEO and the Chief Financial Officer act as the committee's presiding officers, while the Auditing Director acts as secretary for the committee. The Auditing Committee meets approximately five times a year.

The Auditing Committee consists of Chairman Helena Walldén, members Petri Aaltonen, Arto Honkaniemi and Soili Suonoja, Presiding Officers Jaakko Uotila and Minna Alitalo, and Auditing Director Heli Riivari as Secretary.



Personnel Committee

The function of the Personnel Committee is to assist the Board of Directors in supervising and preparing the company's personnel policies and practices as well as in the development of the organisation, in addition to assisting the Board of Directors in all the tasks related to remuneration schemes and employment relationships. The committee consists of three members from the Board of Directors. The company's President & CEO acts as the Presiding Officer and the director responsible for personnel acts as the Secretary of the Committee. The Personnel Committee meets approximately six times a year.

The Personnel Committee consists of Chairman Liisa Leino, members Päivi Sillanaukee and Soili Suonoja, Presiding Officer Jaakko Uotila and Secretary Erkki Tommila.



The Alcohol Policy Committee

The task of the Alcohol Policy Committee is to assist and support the company's Board of Directors in an advisory role in order to achieve social and health policy objectives in accordance with the Alcohol Act and related legislation. The committee consists of one member from the Board of Directors, two representatives from the Ministry of Social Affairs and Health and one representative from the company. The director responsible for corporate relations acts as the secretary for the working group. The Alcohol Policy Committee meets approximately five times a year.

The Alcohol Policy Committee consists of Chairman Pekka Puska and members Kari Paaso (Ministry Representative), Ismo Tuominen (Ministry Representative) and Jaakko Uotila, with Maritta Iso-Aho as Secretary.



Management

PRESIDENT AND CEO

The task of the President & CEO is to manage the company's business operations in accordance with the law, the Articles of Association and the instructions issued by the Board of Directors. He or she also ensures that decisions taken at the Annual General Meeting and by Supervisory Board and Board of Directors are carried out. The President & CEO has two deputies.

President & CEO Jaakko Uotila is entitled to retire at the age of 63. The pension in full amounts to 60 per cent of the pensionable salary. The notice of termination period to be observed in the President and CEO's employment is six months, and, in addition to the salary for the notice of the termination period, he must be paid dismissal compensation corresponding to six month's salary if the termination of employment is through no fault of his own.

MANAGEMENT TEAM

The Management Team at Alko consists of seven members. Alko's Board of Directors appoints the President & CEO, the President & CEO's deputies and the other members of the Management Team.

Alko's Management Team assists the President & CEO in leading the company and in implementing its strategic and operational objectives. The Management Team handles the company's strategy and its action plan and budget, as well as other matters to be presented to the Board of Directors. The task of the Management Team is to monitor financial performance, business operations and the implementation of operational decisions.

The company's Management Team consists of President & CEO Jaakko Uotila, 1st Deputy CEO, Executive Vice President (Corporate Relations) Maritta Iso-Aho, 2nd Deputy CEO, Executive Vice President (Customer Services) Kari Pennanen, Executive Vice President, (Finance) Minna Alitalo, Executive Vice President (Purchases) Tiina Lukkari, Executive Vice President (Communications and Marketing) Mika-Pekka Miettinen, and Executive Vice President (Personnel) Erkki Tommila. The Management Team meets regularly on average twice a month. More detailed information regarding the members of the Management Team is appended to this report.

► [Link to salary and remuneration report](#)



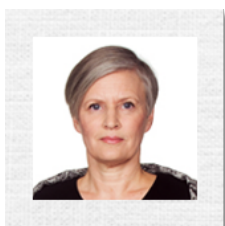
Jaakko Uotila,
President and CEO
b. 1949
Qualified Chemist



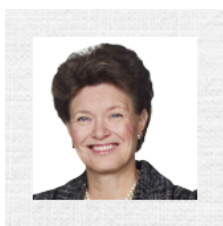
Maritta Iso-Aho,
Executive Vice President,
Corporate Relations
b. 1964
Master of Administrative
Sciences, eMBA



Kari Pennanen,
Executive Vice President,
Customer Services
b. 1964
Master of Social Sciences



Minna Alitalo,
Executive Vice President,
Finance
b. 1962
Master of Economics and
Business Administration



Tiina Lukkari,
Executive Vice President,
Purchases
b. 1954
Master of Philosophy



Mika-Pekka Miettinen,
Executive Vice President,
Communications and
Marketing
b. 1964
Master of Economics and
Business Administration



Erkki Tommila,
Executive Vice President
b. 1961
Master of Education, eMBA

All the members of the company's Management Team and other key persons have fully declared their commitments. Based on the statements received, all of the Management Team's representatives and the key people appointed are found to be independent of any interest groups.

 [More information](#)



Remuneration

The Annual General Meeting has decided upon the following monthly fees for the Supervisory Board:

- Chairman's monthly fee: EUR 900
- Vice Chairman's monthly fee: EUR 500
- Members' monthly fee: EUR 400

The Annual General Meeting has decided upon the following monthly fees decided for the Board of Directors:

- Chairman's monthly fee: EUR 2,750
- Vice Chairman's monthly fee: EUR 1,300
- Members' monthly fee: EUR 1,100

Moreover, the Annual General Meeting has decided that a meeting fee of EUR 600 will be paid to the members of the Supervisory Board and to the members responsible for the ownership-steering of the Ministry of Social Affairs and Health for attending a meeting of the Supervisory Board. A fee of EUR 600 is to be paid to members of the Board of Directors and to members of committees established by the Board of Directors for attending a Board or Committee meeting.

Alko's system of remuneration aims to support the achievement of the company's strategic objectives. The Board annually decides on the principles and performance targets of the incentive schemes for the personnel and the Management Team based on a proposal made by the Personnel Committee. The Board annually approves the Management Team's fees. The Management Team's incentive scheme is based on strategic targets and on indicators describing their attainment, as well as on personal strategic development targets. The 2011 incentive bonus is set at most to 32% of the annual salary.

The purpose of the incentive scheme for the personnel is to encourage Alko employees to achieve the strategic goals of the company. The starting point for the incentive scheme is group-specific rewards. The 2011 incentive bonus is, depending on the job concerned, limited to 6 - 12% of the annual salary.



Salary and remuneration report 2011

The Annual General Meeting has decided the following fees for the Supervisory Board in 2011:

- Chairman of the Supervisory Board EUR 900 per month
- Vice Chairman of the Supervisory Board EUR 500 per month
- Member EUR 400 per month
- Meeting fees EUR 600

The Supervisory Board met four times in 2011 and the member's participation rates at the meetings of the Board were as follows:

Member of the Board	Attendance in meetings, %
Petri Salo (Chairman)	100
Markku Rossi, (Vice Chairman)	100
Janina Andersson	100
Christina Gestrin	75
Hanna-Leena Hemming	100
Reijo Kallio	75
Saara Karhu	100
Mikko Kuoppa	100
Jari Larikka	75
Heli Paasio	75
Klaus Pentti	100
Pekka Vilkkuna	100
Total	92

The Annual General Meeting has decided the following fees for the Board of Directors in 2011:

- Chairman of the Board EUR 2,750 per month
- Vice Chairman of the Board EUR 1,300 per month
- Member EUR 1,100 per month
- Meeting fees EUR 600.

The Board of Directors met 12 times and the member's attendance rate in the meetings of the Board were as follows:

Member of the Board	Attendance in meetings, %
Soili Suonoja (Chairman)	100
Pekka Puska (Vice Chairman)	100
Petri Aaltonen	92
Arto Honkaniemi	100
Liisa Leino	83
Päivi Sillanaukee	92
Helena Walldén	100
Total	95

The Board member's attendance in meetings of the Board appointed committees was 97%.



INCENTIVE SCHEMES OF THE MANAGEMENT TEAM AND PERSONNEL

Alko's remuneration systems support the achievement of strategic objectives. The Board decides annually on the principles and performance targets of the incentive schemes of the Management Team and personnel on the basis of what is presented by the Personnel Committee. The Board approves the fees that are realised annually.

Management Team's incentive scheme is based on targets (customers, accountability, human resources, operational efficiency) selected from the company's performance card and on indicators describing their attainment as well as on personal strategic development targets. The maximum 2011 incentive bonus is limited to 32% of the annual salary.

The personnel incentive scheme aims at encouraging Alko employees to perform towards the achievement of the strategic objectives (customers, accountability, human resources, operational efficiency). The starting point is group-specific rewards. Depending on the job concerned, the maximum 2011 incentive bonus is limited to 6-12% of the annual salary.

Salaries are based on the demands of the position, work experience and work performance. In addition, rewards are given for excellent achievement of the set work objectives, skills development and participation in the business development.



REMUNERATION FOR THE PRESIDENT & CEO AND THE MANAGEMENT TEAM

Remuneration for the President & CEO and the Management Team is decided by the Board on the basis of what is presented by the Personnel Committee.

	Gross Salary, euro		Short-term incentive bonus payments annually, euro		Total, euro	
	2011	2010	2011	2010	2011	2010
President & CEO Jaakko Uotila	262,945	253,997	48,441	64,320	311,386	318,317
The rest of the Management Team	779,065	755,390	144,889	183,089	923,954	93,8479
Total	1,042,010	1,009,387	193,330	247,409	1,235,340	1,256,796

	Retirement age	Pension benefits	Period of notice	Severance pay in addition to the period of notice
			6 months in case of termination by President & CEO and 6 months in case of dismissal by the company	
President & CEO Jaakko Uotila	63 years	last 10 years	company	Six-month salary
The rest of the Management Team	Two members 61 years Four member 63 years	66% of the pensionable salary 60% of the pensionable salary; the calculation is based on earnings in the last 10 years	3 months in case of termination by Member of the Management Team and 4-6 months in case of dismissal by the company	-

ADDITIONAL ANNUAL PENSION PAYMENTS

	2011, EUR*	2010, EUR
President & CEO Jaakko Uotila	189,413	128,997
The rest of the Management Team	103,740	74,936
Total	293,153	203,933

* estimate based on advance payments, to be specified in April 2012



Internal supervision

The Ministry of Social Affairs and Health supervises compliance with the Alcohol Act and the rules and regulations issued under it. The National Supervisory Authority for Welfare and Health, Valvira, reports annually to the European Commission on how fully Alko Inc., as the holder of the sole right to sales of alcoholic beverages in Finland, has observed the required impartiality and transparency in its relations with suppliers. The report also takes account of a statement made by the Finnish Competition Authority. The National Supervisory Authority for Welfare and Health, Valvira, monitors Alko's retail sales. Any Alko decision concerning the retail of alcoholic beverages can be appealed to Valvira and further to the Supreme Administrative Court.



Internal supervision

The Management Team is responsible for the internal supervision of Alko. The purpose of the internal supervision system is to ensure that the operations serve their purpose and are efficient, that economic and operative reporting is reliable, and that the regulations and operating principles are being complied with. The most important aspects of internal supervision include: governance and the organisation culture and reporting and internal communications, in addition to monitoring and supervision.

Alko's financial reporting and related supervision consists of three components, namely:

1. the effective and high-quality recording and processing of transactions,
2. financial reporting regulatory compliance, and
3. financial reporting to support business operations and decision-making.

The company's reporting is based on the Finnish Accounting Standards (FAS), as well as on internal reporting related to accounting guidelines and financial rules. The Finance Unit is responsible for the financial reporting process and the development of its supervision practices, as well as for ensuring that financial reporting-related laws and regulations are complied with. The Executive Vice President Finance reports the company's financial results and forecasts at meetings of the Auditing Committee and the Board of Directors.

Alko's values and its business method principles and impartiality guidelines, as well as its instructions on listing alcoholic beverages in its product range and on retail sales, form the basis of the company's management and cooperation with key interest groups.



Risk management

Alko's Board of Directors approves the company's risk management policy and monitors that risk management measures are adequate and effective. The President & CEO, together with the Management Team, is responsible for the risk management policy and its enforcement as well as for ensuring that risk management is arranged appropriately. Alko's risk management is based on systematically and pro-actively analysing and managing threats and opportunities related to its activities. The risks are classified as strategic, operational, economic and accident risks.



Internal auditing and auditing

INTERNAL AUDITING

The company's internal auditing, in accordance with the operating principles approved by the Board of Directors, evaluates the adequacy and efficiency of Alko's supervision, as well as its risk management, the quality of its operations and its management process. Internal auditing is an independent function that administratively falls under the authority of the 1st Deputy to the President & CEO and reports to the Board of Directors.

AUDITING

The company has one auditor, which must be a firm of independent public accountants approved by the Central Chamber of Commerce in Finland. The auditor's term of office is one financial year and the auditor's work ends upon completion of the next Annual General Meeting following its election. In spring 2011, the Annual General Meeting elected the Authorised Accounting Firm KPMG Oy Ab as the company's auditor, with Authorised Public Accountant Reino Tikkanen as the auditor with the main responsibility.



Compliance with the Finnish Corporate Governance Code

Alko complies, where applicable, with the Finnish Corporate Governance Code issued on 15 June 2010 by the Securities Market Association. In addition to the corporate governance of Finnish listed companies, Alko Inc. complies with the ownership-steering strategy of the Ministry of Social Affairs and Health and the Cabinet Committee on Economic Policy directive on state-owned companies' remuneration and pension schemes given on 8 September 2009.

Deviations from the Finnish Corporate Governance Code result from the company's ownership structure: the company has one shareholder and the company's shares are not publicly quoted, and the company has no share-based bonus or incentive schemes. The deviations are with regard to the following recommendations, identified in brackets, contained within the Corporate Governance Code: recommendation 1 (publishing information on general meetings), recommendation 3 (attendance of the Board of Directors and auditor at a general meeting), recommendation 4 (attendance of a prospective director at a general meeting), recommendation 11 (notification of director candidates), and recommendation 55 (some of the above-mentioned deviations depart from the disclosure of information on the company website).



Communications

Details about Alko Inc.'s corporate governance can be found on the company's website, www.alko.fj. In addition, Alko Inc. publishes details about its corporate governance annually in connection with its annual report and corporate social responsibility report.



Legislation

Alko's operations are guided by specific legislation and ownership policy objectives set by the State. Alko Inc. is one of the State's special assignment companies, "which have been assigned a certain task by the State or which do not operate in a competitive environment due to a granted exemption". The key laws and regulations affecting the operation of Alko Inc. are the following:

- The Alcohol Act (1143/1994)
- The Alcohol Decree (1344/1994)
- The Decree on the Operation of the Alcohol Company (243/2000)
- The Decree on Alcoholic Beverages and Spirits (1344/1994)
- The Decree on the retail sale of alcoholic beverages by sending them to the customer or the buyer (680/1996)
- The Act on Excise Duty (182/2010)
- The Act on Excise Duty on Alcohol and Alcoholic Beverages (1471/1994)
- The Act on Excise Duty on Certain Beverage Containers (1037/2004)
- The Waste Act (1072/1993), with a new act, 646/2011, coming into force from 1 May 2012
- Council of State Decision on packaging and packaging waste (962/1997)
- The Government Decree on refund systems of some packaging containers (180/2005)

Alko Inc.'s business activities are carried out according to the Articles of Association and the Companies Act (624/2006) and in accordance with the special legislation affecting the company. In addition, Alko Inc. complies with the Government Resolutions on State Ownership Policy (7 June 2007, 8 September 2009 and 3 November 2011) and, where applicable, with the Finnish Corporate Governance Code issued on 15 June 2010 by the Securities Market Association.



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ALKO'S ANNUAL AND CORPORATE SOCIAL RESPONSIBILITY REPORT

Published in English and Finnish.

REPORT PRODUCED BY

Alko's corporate social responsibility department in cooperation with communications agency Miltton Oy and online communications firm MediaCabinet Oy.

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PHOTOGRAPHS

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Hotel and Restaurant Museum, in section Alko 80 years

VIDEO PRODUCTION

GoodMood Oy (Quality and product safety video)



Glossary

The Alcohol Act (1143/1994)

The Act aims at guiding the consumption of alcohol in order to prevent the harmful social and health effects caused by drinks containing alcohol. It applies to drinks containing alcohol, their manufacture, import, export, sale and other handover, use, possession, transportation and advertising.

Alcohol policy action plan

Alko is responsible for the retail sales of alcoholic beverages with the aim of preventing the harmful effects of alcohol consumption. Alko's Board of Administration approves an action plan for achieving this aim for one calendar year at a time.

Documented consumption of alcoholic beverages

Sales by Alko shops and supplies of alcoholic beverages by wholesalers to food shops and licensed bars and restaurants.

Ethyl alcohol

An ingredient in all alcoholic beverages (ethanol, pure alcohol C_2H_5OH), intoxicating, with a pungent odour and burning taste when in pure form.

Listing procedure

Alko has no brands or production of its own and it purchases products from domestic and foreign suppliers of alcoholic beverages. Decisions on the selection and pricing are made on grounds that are impartial and non-discriminating, regardless of the manufacturer's or seller's nationality or domicile, as described in Alko's publication entitled Listing Procedure and Retail Sale of Alcoholic Beverages.

Mild alcoholic beverages

Containing not more than 22 per cent ethyl alcohol by volume.

Mystery Shopping research

Research method based on observation, with research assistants or test customers telephoning, doing business with or contacting the company electronically as ordinary customers requiring service.

Order point

Alko sets up order points at population centres in sparsely populated areas where there is no Alko shop. An order point is a service company operating in the community area that hands over on behalf of Alko alcoholic beverages ordered by customers.

Per cent alcohol by volume in alcoholic beverages

Defines the proportion of the volume of a certain quantity of drink accounted for by pure alcohol. If a drink contains 40 per cent alcohol by volume, one litre contains four decilitres of pure alcohol.

Strong alcoholic beverages

Containing more than 22 per cent ethyl alcohol by volume.

**Total consumption**

The total consumption of alcohol includes both documented and undocumented consumption of alcoholic beverages.

Undocumented consumption of alcoholic beverages

Imports of alcohol by travellers, homemade legal and illegal alcohol, smuggling, alcohol substitutes and alcohol drunk by travellers abroad.

Wines

Mild alcoholic beverages made by fermentation from grapes (red wine, rosé, white wine, sparkling wine). Fruit wine is made entirely or in part from berries and fruit.



Customer service is the solution

Many of our customers have the opinion that service lives at Alko. We believe that our customers find their experience of Alko stores, the product range and services that Alko provides better than ever before. And, of course, we do our best to improve our customers' experience. Our goal is to exceed our customers' expectations, thoughts, feelings and impressions of Alko and the service that we provide in our stores.



How we developed our customer service at Alko in 2011

In 2011, we actively offered help and additional individual service. Our service theme was to develop better staff attitudes and the courage to serve customers better. As part of this theme, we paid special attention to younger customers. We stressed the fact that help and customer service is available to all customers, as well as the fact that we need to take into account all of our drink categories. Service training days for the sales staff and store managers were intended to strengthen the service skills and attitudes of the sales staff.

During peak times, the stores' hosts and hostesses concentrated 100 per cent on customer service; their "May I help you" badges alerted customers to this fact. We delighted our customers at Friday peak times with our in-store Friday themes. The theme could even be something very simple, such as a weekend greeting.

THE LOOK OF THE STORES IS IMPORTANT

We renewed the look of 29 stores in 2011. We believe that our customers experience the stores more positively when the stores are clearer and more comfortable. The staff's comfort is also important in the stores. For instance, by placing the cash registers in a different location, we can create better opportunities for the sales staff to pay attention to arriving customers. The customers' approach to the stores passes more closely to the cash registers, so that the sales staff can greet customers better and create a better first impression of the service.



Our service network expanded

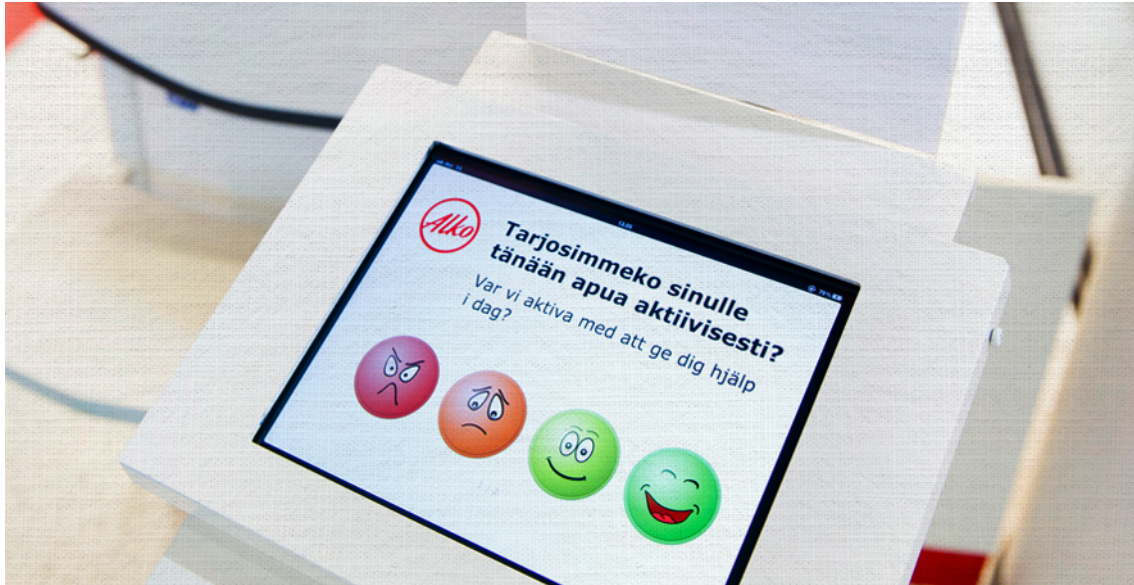
We improved our service network with five new stores in 2011.

- Ii
- Karisma in Lahti
- Söderkulla in Sipoo
- Lähderanta in Espoo
- Eurajoki

Alko's retail chain consisted of 348 stores at the end of 2011. Customers are also served through 110 order points, where customers can order and collect alcoholic beverages if the locality does not have an Alko store.

The sales network is divided into 11 administrative regions headed by regional managers. The regional organisation is headed by an Executive Vice-President for Customer Services who reports to the President and CEO. More than 2,300 employees were working in the shops at year-end.

Alko's shops were visited by approximately 62 million customers in 2011. Alko also serves many corporate customers. There are a total of 21 company service stores located throughout the country. Alko's company service stores are located in the capital region, in large towns and in holidaying areas close to downhill skiing centres.



Service quality and customer satisfaction was diligently monitored

Alko measured its service quality and customer satisfaction in the following surveys:

- Taloustutkimus (market research company): Finland Today - National customer service survey
- TNS Gallup: Alko customer satisfaction and commitment survey
- TNS Gallup: Mystery Shopping survey on service processes

In addition to these studies, we collect feedback from customers in their dealings in the stores. In 2011, special devices for collecting customer feedback were installed in ten stores, where customers could answer a variety of changing questions, e.g. about service quality. We also freely encouraged customers in the stores to verbally provide feedback on how well we succeeded in serving them.

THE MAIN CUSTOMER SATISFACTION SURVEY FINDINGS

- Those customers who come in to our stores and are familiar with us and our services are satisfied with us.
- The friendliness, service-minded attitudes and expertise of our sales staff are our best strengths.
- Alko is perceived as having a diverse product range and being a quality shopping place.
- Alko is also perceived as being both responsible and friendly at the same time.
- The sales staff are considered highly competent and convincing.
- Alko is not considered a particularly trendy or otherwise conspicuous place to shop.
- Alko improved customer satisfaction for its fourth consecutive year compared to other retail chains.
- At the end of 2011, Alko was the number one retail chain.
- Alko had the fifth most satisfied customers out of 105 Finnish companies studied.



SERVICE PROCESS QUALITY IN 2011

- In service processes, our strengths are friendliness and expertise, control of the situation and giving initial greetings.
- Our sales staff offered help twice as fast as in 2010.
- Product recommendations were more active and more justified than in 2010.
- Information regarding red wines was better in terms of customer service than for other products.
- We offered assistance to women and some additional service to male customers a little more actively.
- Some areas for further development included needs assessment and offering additional service.
- Regional homogeneity declined slightly compared to 2010.
- Ostrobothnia was the best of the regions in terms of both customer service and monitoring the age limit.
- The Lohja City Market store team handled service processes the best in the whole of Finland. In addition, the same Lohja Alko improved its service processes the most in 2011.
- 42 stores achieved a perfect one hundred point score during the year (3 per cent of the Mystery Shopping survey visits).



Service in stores and in many other channels

Customers meet our sales staff in stores over 62 million times a year. In addition to the service in the stores, customers can also receive information and service through a number of electronic channels.

The latest channels include Alko's Facebook pages, which started in April 2011 at facebook.com/alkopalvelee. At the heart of Alko's Facebook page is the customer helpline: this is where customers can provide feedback, provide comments and ask about products or services.

Alko's electronic channels were enhanced in May 2011 when the website for Alko's customer magazine "Etiketti" came online at etiketti.fi. The pages are updated regularly on topical themes and compliment the printed version of the magazine, which comes out four times a year.

Alko's web pages, which can be found at alko.fi, received an average of 80,000 visitors a week in 2011. Alko also provides a mobile web service at m.alko.fi. On the mobile web site, you can find information about Alko's stores and products.

In 2011, Alko also launched its own pages on [Youtube](https://youtube.com/alko). Alko's short TV films can now be found together in one place.



Responsibility in customer service

The control and supervision of the sale of alcohol to minors, intoxicated people or those suspected of intending to hand over alcohol to others is an integral part of Alko's social responsibility and responsible customer service and sales work.

In doing this, we aim to prevent and reduce the harmful social and health effects of alcohol. We have already registered our sales supervision measures in the cash register system for fifteen years. The registration system has enabled us to measure our success and helped us to develop staff expertise in corporate responsibility.



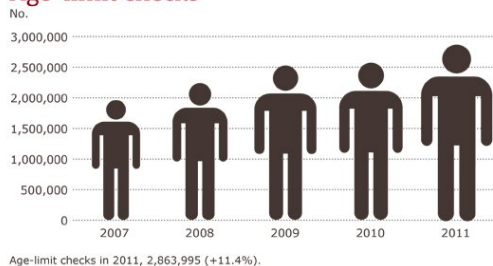
We ask young people for ID papers

In 2011, approximately 4.6 per cent of Alko's customers showed proof of their legal age when visiting an Alko shop. We registered over ten per cent more age verification checks than in 2010. Our age verification checks led to refusals to sell in approximately 5–10 per cent* of cases.

Our aim is to monitor age limits in such a way that the different stores and sales personnel carry out age verification checks in the same manner and ever more homogeneously. For this purpose, minimum target percentages are set both for the stores and for the sales staff.

* No official comments were raised regarding Alko's supervision of age limits, suspected cases of intoxication or handovers in 2011.

Age-limit checks



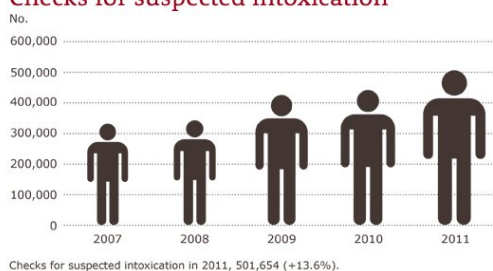


We do not sell to clearly intoxicated people

We recorded over 14 per cent more cases of suspected intoxication in 2011 than in 2010. From the beginning of 2009, we set percentage targets for each store regarding cases of suspected intoxication in order to encourage staff in taking up suspected cases. This has increased the number of registered cases of suspected intoxication. The levels are checked during performance appraisals. Approximately half* of the suspected intoxication bookings lead to a refusal to sell.

* No official comments were raised regarding Alko's supervision of age limits, suspected cases of intoxication or handovers in 2011.

Checks for suspected intoxication



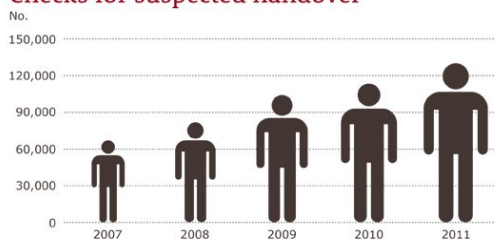


Proving suspected handovers of alcohol is difficult

It is more difficult to supervise suspected handovers of alcohol than to supervise age limits and suspected intoxication. In spite of this, there has been an upward trend in registered cases of suspected handovers. We also registered approximately 15 per cent more suspected handovers in 2011 than in the previous year.

During the spring and the autumn of 2011, Alko carried out a sales supervision campaign in its shops and on TV called "Kiitos, kun et välitä" ("Thank you for not handing over").

Checks for suspected handover



Checks for suspected handover in 2011, 130,396 (+15.0%).



Sales supervision ground rules - guide and pass - for use as customer service tools

We train our staff in supervising and monitoring age limits, suspected cases of intoxication and handovers. It is important to take customer service into consideration in supervisory situations.

The "Sales supervision ground rules" are a guide for all Alko employees that cover responsible customer service practices and challenging situations.

.....

Every new Alko employee must successfully take the Sales Supervision Pass test before their first shift on the cash register. We renewed the entire guide and test in 2011. As a result, the entire Alko staff took the new sales supervision test in autumn of 2011.

MYSTERY SHOPPING ALSO TESTS RESPONSIBILITY

Alko measures service quality using the Mystery Shopping Test customer method. During 2011, there were four mystery test customer visits to each Alko shop. Additionally, the success of sales supervision as well as the level of service for young customers was tested on visits from two 18-24 year old customers. The age of the young customers was checked in 74 per cent of the test visits. The comparable success rate in 2010 was 79 per cent.



Alcohol consumption has levelled off

In 2011, the overall consumption of alcohol in Finland came to 54 million litres of 100 per cent alcohol or 10 litres per capita. Alcohol consumption increased slightly from the previous year, but the per capita amount remained at the 2010 level. Imports by travellers into Finland accounted for approximately 3/4 of undocumented alcohol consumption.

ALKO SOLD LESS OF THE ALCOHOL CONSUMED BY FINNS

In 2011, Alko sold 40 per cent of the total amount of alcohol consumed by Finns. The share fell by one per cent from 2010. The share rose in supermarkets to 46 per cent. The percentage of alcoholic beverages served under license came to 14 per cent of documented consumption. Undocumented consumption of alcohol, meaning travellers' imports, home production and smuggling remained at 19 per cent.

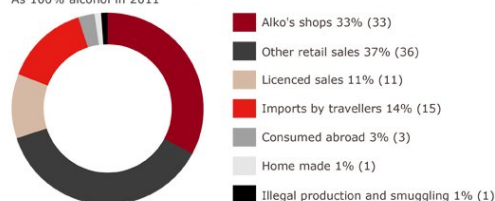
CONSUMPTION OF ALCOHOL

Litres per capita in 100% alcohol	1995	2003	2007	2008	2009	2010	2011
Recorded consumption	6.7	7.7	8.7	8.5	8.3	8.1	8.1
Unrecorded consumption	2.1	1.7	1.8	1.9	1.9	1.9	1.9
Total consumption	8.8	9.4	10.5	10.4	10.2	10.0	10.0

Source: Valvira, advance information

The structure of the consumption of alcoholic beverages

As 100% alcohol in 2011



Source: Valvira, advance information



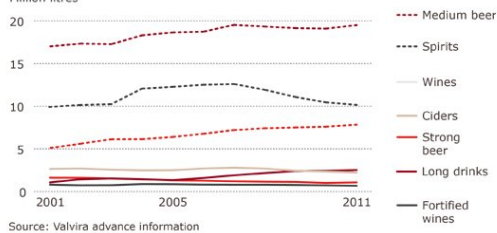
Spirits were sold less

Spirits were sold less and wines more than in the previous year 2010.

The quantity of spirits sold domestically and imported by travellers in 2011 was lower than in 2010. In their place, the sale and travellers' imports of wines increased. Domestic beer sales remained at approximately the previous level, but traveller imports increased slightly.

Consumption of alcoholic beverages

In 100% alcohol by drink category in 2001–2011
Million litres





The price of alcoholic beverages rose moderately

The nominal prices of alcoholic beverages in 2011 were on average 1.5 per cent higher than a year earlier. Retail prices rose by 0.5 per cent and licensed trade by 3.5 per cent from the previous year. Alko's retail prices rose by an average of half a per cent, though the price of alcoholic beverages fell by 1.9 per cent in real terms.

PRICE FORMATION OF ALCOHOLIC BEVERAGES IN 2011

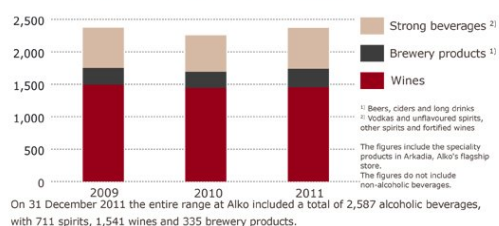
Spirits, 0.70 litres, 40% by volume		Retail price 18.10 €
Purchase price + Alko's sales margin	14%	2.57
Excise duties	67%	12.15
VAT	19%	3.38
Wine, 0.75 litres, over 8% by volume		Retail price 7.56 €
Purchase price + Alko's sales margin	50%	3.81
Excise duties	31%	2.34
VAT	19%	1.41
Beer, 0.33 litres, 5.2% by volume		Retail price 1.53 €
Purchase price + Alko's sales margin	48%	0.73
Excise duties	33%	0.51
VAT	19%	0.29



Alko's product range is broad, diverse and high quality

Customers can easily find a drink for every occasion from the product range. The standard range is supplemented by seasonal products and a small range of limited availability products. The range of drinks is updated continuously throughout the year.

The number of alcoholic beverage brands in the standard product range for 2011



SELECTIONS ARE CAREFULLY PLANNED

They are designed by product category teams, which include purchasers and category managers. When planning the product range, the teams:

- identify customers' needs and wishes, using a variety of customer surveys
- actively monitor trends in drinking here and elsewhere and
- listen to the opinions and wishes of customers and wine lovers.

THE MAIN PRINCIPLES GUIDING PURCHASING

The main principals guiding purchasing are transparency and the equal treatment of all tenderers. Producers, importers and agents can offer Alko their own products or the products they represent through Alko's website according to the purchasing plan.

Our purchasing plan has strict criteria for the products that we seek. An independent expert panel assesses the products utilising the human senses. The products receiving the highest scores are chosen to complement our product range. Approximately 6,000 new products are offered to Alko every year. In 2011, we added 712 new products to the product selection in the stores.



The quality and safety of our products can be trusted

In Alko stakeholder surveys, product safety and quality have time and time again proven to be seen as extremely key areas of responsibility for Alko. The activities of Alko's quality control and Alcohol Control Laboratory (ACL) are directly related to product quality and safety. In the purchasing unit Alko's quality control analyses the products through the use of the senses and is involved in many of the product selection processes. The ACL, which belongs to the Corporate Responsibility Unit, performs chemical and microbiological checks on the products.

In other words in quality control the quality of alcoholic beverages is monitored through the senses. In the assessment of the fragrance and flavour no device or machine is yet able to completely replace the "human instrument". The method is good, affordable and fast and produces consistent quality assurance. A purely sensory evaluation is not however sufficient, so the end result is achieved using the support and know-how of the internationally recognised Alcohol Control Laboratory. Together, through these two functions Alko guarantees high product quality and product safety in a cost-effective manner.



In ancient history emperors and other rulers had their own wine tasters. The taster's job was not to see if the wine had oxidized or was aged too long. The taster's job was to determine whether rivals for power had deliberately poisoned the drink. Today Alko's customers have the emperor's role and Alko's quality control is the taster, and ensures that the products are safe and of high quality.



The number of product defects has declined

In 2011 Alko received 15,767 customer complaints, which was 3.6 per cent lower compared to the previous year. Eighty-nine per cent of the complaints were directed at wines, which is understandable because wine is in a natural product in a continuous state of development. Complaints regarding the taste and smell of cork in the wine decreased noticeably due to the more widespread adoption of metal screw caps. On the other hand the increase in bag in box sales and subsequent damages through transportation brought new challenges for product quality control.

Thirteen product batches were withdrawn from sale during 2011. The most common reason was faulty label information and deterioration in the quality of wines. Alko can react very swiftly to deviations in product safety. If necessary the sale of a single product can be discontinued immediately in all stores.



Alcohol testing laboratory recognized

To ensure consumer protection, the products forming part of Alko's standard selection in addition to new products are inspected at regular intervals by the ACL. They are subjected to investigations that are more extensive than the ones that are effective in the area of the EU. In 2011, in addition to basic surveys, the emphasis was placed on investigations that had to do with defects in drinks and contaminants in them. In the laboratory analytical methods for determining levels of preservative ascorbic acid, sugars, defective cork compounds and acetaldehyde oxidation in alcoholic beverages.

In 2011, a total of about 8,200 alcoholic beverage samples were analysed, which was 3 per cent less than in 2010. The ACL also sells its services to companies and authorities outside Alko.

The ACL takes part in meetings of the subdivision for wine and alcohol matters at the Ministry of Agriculture and Forestry, and represents Finland at the OIV. Participation in the organisation's activities makes it directly possible to receive information on quality defects in wines as early as possible. Pekka Lehtonen, the laboratory director, is the Vice-President of the Sub-Commission of Methods of Analysis for the OIV for the three-year period 2009–2012. In addition, the ACL participates with the other Nordic sole rights alcohol companies in quality issues together with the quality control unit.

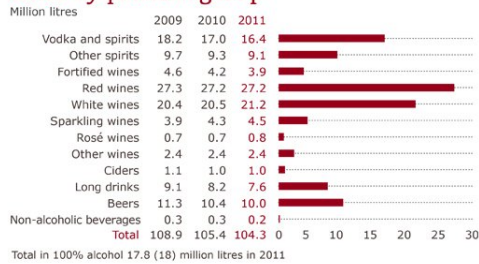
The ACL is accredited by the Centre for Methodology and Accreditation as an officially recognised and impartial testing unit for the testing of alcohol-containing beverages, industrial alcohol and techno-chemical products. It has also been appointed Finland's official laboratory for the analysis of alcoholic beverages to the EU by the ministry of foreign affairs.



Alko's sales by volume fell

In 2011 Alko's sales by volume came to 105 million litres. Compared to 2010 sales fell by three per cent. Converted to 100 per cent alcohol, the sales added up to 18 million litres, which was just under four per cent less than a year earlier. One explanatory factor is most probably the increase in alcohol taxes over the past few years. Alko's sales structure changed and the sale of milder beverages increased. The sale of alcoholic beverages below 22 per cent alcohol by volume increased in proportion to the sale of spirits.

Sales by product group





Wines

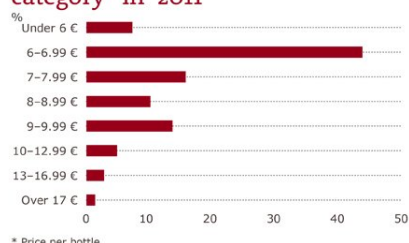
The growth in the sales of wines continued to increase in 2011. The wines sold most are the low-cost red and white wines priced below EUR 7. As more people take up food and wine as a hobby, the consumers' knowledge of wines has increased and so has their interest in products from around the world.

We serve our customers by purchasing a range of specialities, which we call the limited availability wines. This way we can place specialities from around the world within the reach of enthusiasts and breath new life into Alko's standard product range. The rarest and most desirable of these products are offered to consumers in a lottery, which ensures that all consumers have equal access to these limited availability wines. Consumer interest in ecological and ethical wines has also continued to increase. The range has been expanded and sales increased in 2011. Demand for half and miniature bottles of wine at Alko has grown. In 2011, the product range was expanded to include more of these wines. Similarly, Alko has sought to diversify these wines by acquiring smaller speciality selections.

Red wines sales by country of origin in 2011

	Sales 1,000 L	Change on previous year, %	% of sale
Chile	7,794	-2.8	28.7
Australia	3,616	7.5	13.3
Spain	3,534	2.1	13.0
Argentina	3,043	-5.5	11.2
Italy	2,709	5.1	10.0
South Africa	2,527	2.6	9.3
France	2,350	-0.6	8.6
USA	471	-5.4	1.7
Portugal	470	3.4	1.7
Others	679	-8.2	2.5

Red wines sales breakdown by price category* in 2011

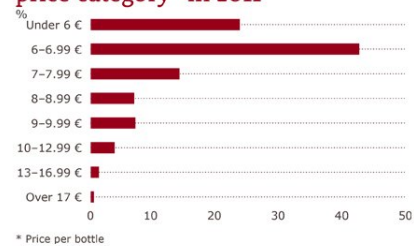




White wines sales by country of origin in 2011



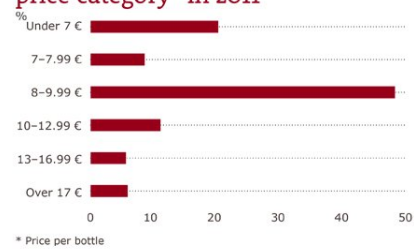
White wines sales breakdown by price category* in 2011



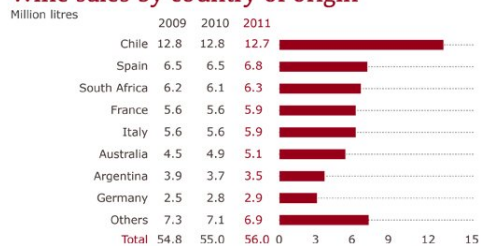
Sparkling wines sales by country of origin in 2011

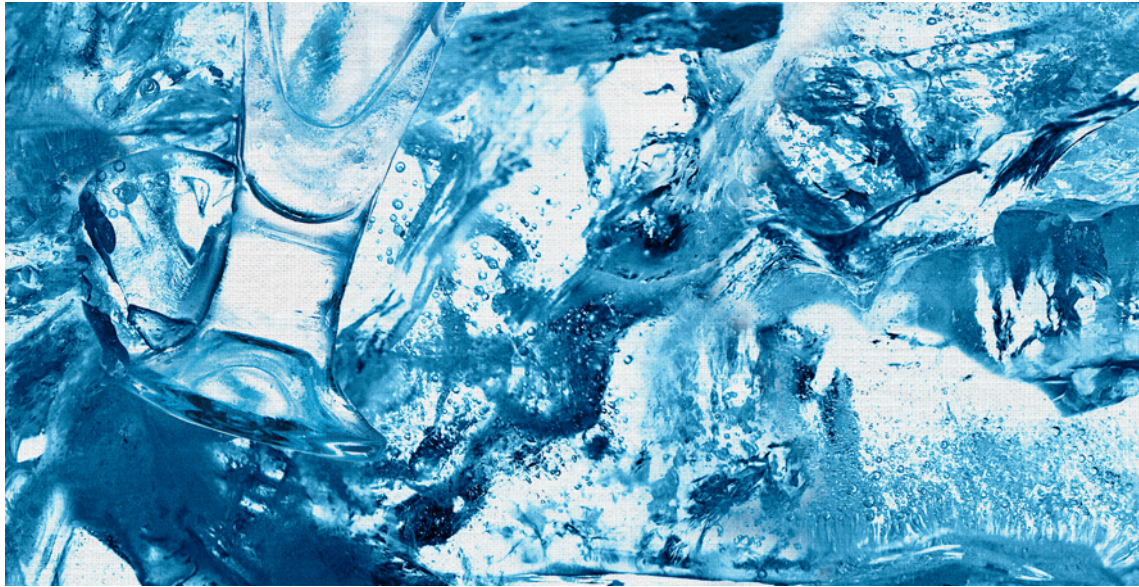


Sparkling wines sales breakdown by price category* in 2011



Wine sales by country of origin





Sales of spirits decreased

Sales of spirits fell proportionately more than the sales of milder beverages. In 2011, the sales by volume for spirits fell by a good three per cent and the sales of fortified wines fell by just over six percent in volume. Although the overall sales by volume for spirits decreased, the sales of some spirits e.g. Scottish malt whisky (9.2%) and Calvados (8%) increased. Unflavoured vodka however accounts for the largest sales in spirits at Alko. In 2011, the retail price of vodka and unflavoured spirits rose an average of 6 per cent, while other spirits saw a rise of just 4 per cent.



The fall in beer sales slowed and cider sales were up

Beer sales fell 3.9 percent at Alko in 2011. The decline in sales slowed significantly compared to last year's 8 percent. In 2011, Alko changed the organisation of the beer department so that it is based on beer type, presenting customers with eight main kinds of beer.

Sales of lager beers fell the same as in previous years, but sales of other types of beer grew compared to the previous year. Customers also showed a growing interest in both international and domestic micro-brewery beers. The average price per litre of beer rose by nearly 8 per cent. Cans have become a more popular form of packaging for beer than bottles: cans accounted for 53 per cent of beer sales and bottles 47 per cent.

Sales of cider rose by 3.9 per cent compared to the previous year. Consumers are interested in strong Nordic ciders and ciders from traditional cider producing countries. The range of ciders has also been expanded.

Sales of long-drinks at Alko decreased by 7.3 per cent. In its place imports of long-drinks by travellers grew by 7 per cent in 2011 (source: TNS Gallup survey).



Ethical trade products

Sales of organic, Fairtrade and Fair for Life products have grown significantly in recent years. Alko will continue to add these products to the product range. In addition to traditional glass corked bottles, different types of wine packaging have grown in popularity. Sales of products packaged using bag-in-box, Tetra pack and reusable plastic bottles have increased at Alko. Screw cap wine bottles have also established themselves.

CLIMATE CHANGE WILL AFFECT WINE-GROWING IN MANY WAYS

World-wide global warming:

- will allow for wine-growing in new areas: to the south in the southern hemisphere and to the north in the northern hemisphere, and higher above sea level
- will make growing more difficult in warm regions
- means that current harvest times will take place earlier little by little
- means that many areas will have to move towards more heat-tolerant crop species, if the law permits it
- means that the character of the wines will become more softly acidic and fuller due to the warmer climate.

Local climate changes may be much more drastic and include intense heat waves, droughts, storms and heavy rains. In Europe, making ice wine in traditional areas is under threat.



Managing corporate responsibility

Alko's corporate social responsibility is managed as part of the normal company management operations. The company differs from other companies promoting social responsibility in respect to its responsibility for alcohol policy. This area of social responsibility is based on the Finnish Alcohol Act and Decree. In addition to this, the corporate social work is based on the company's values, vision and strategy.

Areas of economic and social responsibility, as well as environmental responsibility, are developed in the company in line with the main stakeholder expectations.

Photo: Alko's supervisor day event in May 2011 in Flamingo, Vantaa




Finnish Alcohol legislation determines Alko's operations

The company's position is controlled by Finnish alcohol legislation. Its goal is to prevent the harmful effects of the consumption of alcohol. This objective will also determine the company's alcohol policy in the coming years. A further aim is that the Finnish population understand and approve of Alko's responsible retail sale of alcoholic beverages. In future years, Alko aims to be clearly seen as carrying out the sale of alcohol in as responsible and service minded a manner as possible.

The Ministry of Social Affairs and Health is responsible for alcohol policy steering and development. In the Government's policy decision on alcohol policy alignments (9th October 2010), it was decided that the retail sale of alcoholic beverages would be preserved in accordance with the Alcohol Act as the exclusive right of the state-owned alcohol company. The same approach will continue under Prime Minister Jyrki Katainen's governmental programme (17th July 2011), in which Alko's retail sales monopoly will remain in force under the Alcohol Act.

The National Alcohol Programme launched in May 2008 will continue from 2012 to 2015. The National Alcohol Programme's central measures include a regional coordination model, a comprehensive revision of the Alcohol Act and a revision of excise duties.

All the supervisors of the organisation are responsible for ensuring that the staff are familiar with and understand the essential business practice requirements. The principles of risk management, internal control and internal supervision are described in  [Alko's administration principles](#). The procurement of alcoholic beverages follows the principles specified in the Alcoholic beverage product listing and retail sales guide. [The guide is available on Alko's website](#).



Alko's corporate social responsibility leadership organisation

Alko's responsible business practices are guided by its values, its strategy and its management system, as well as by Alko's internal policies.

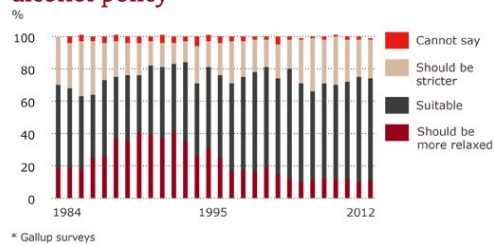
The Supervisory Board annually approves an action plan to reduce alcohol-related harm and provides a report to the Ministry of Social Affairs and Health on alcohol-related trends. The Board of Directors approves the company's strategy and action plan and the most important programmes and principles. The company's management team is responsible for corporate social responsibility throughout the organisation.

The company has an Alcohol Policy Committee that oversees the development and implementation of the alcohol policy.

The Corporate Responsibility Unit develops the company's corporate social responsibility programme. Comprehensive social responsibility and stakeholder cooperation is being developed in a project. The business practice guidelines include instructions on the equal treatment of suppliers. Alko is committed to acting ethically and complying with society's norms in all its activities and it expects the same of its business partners. All of Alko's personnel must comply with the company's good business principles.



Finns' opinions about the prevailing alcohol policy *



ALKO HAS EVER MORE SUPPORT

According to a Gallup poll carried out in January 2012, 87% (88) of all Finns find the current alcohol policy restrictions appropriate or want stricter restrictions.

In the survey, 11% (10) of the population thought that the restrictions should be broader. 91% (92) of the population is of the opinion that strong alcoholic beverages should only be available at Alko. The majority of the population wants to keep the sales of strong beer and wine solely with Alko and approve of the current sales arrangements for medium strength beer. 71% (65) of Finns are of the opinion that the state monopoly of Alko and its sole right to sell alcoholic beverages are a good way of controlling the extent of the harmful effects of alcohol. 98% (96) of the population even find that the current age limit of 18 for the purchase of beer and wines is either appropriate or too low.

92% (93) of the population find the age limits regulating purchasing of spirits either appropriate or too low. Approximately half of the Finns think the current prices of beer, wine and spirits are reasonable.

Source: Finnish Gallup 1/2012. The survey, which is taken yearly into the attitude towards Finnish alcohol policy, has been conducted since 1984.



Responsibility goals and implementation 2011

OBJECTIVES	MEASURES AND IMPLEMENTATION
The prevention of harmful effects caused by the consumption of alcohol <u>Alcohol policy</u> (Ministry of Social affairs and Health)	<p>The In the Company of Children - programme activities</p> <ul style="list-style-type: none">• Father and Son's Winter Fishing Trip - short film on television and the Internet. The target groups are adults and parents.• lastenseurassa.fi - web pages (for the In the Company of Children website) are ever more interactive.• Cooperation partners (The National Institute for Health and Welfare, the A-Clinic Foundation, the Mannerheim League for Child Welfare and the Finnish Parents' Association) have all achieved the goals they set. <p>Cooperation developed and refined (THL, Young Finland Association, Youth Academy, Policemen of the Year award).</p> <p>Age limits - and handover checks</p> <ul style="list-style-type: none">- The topic was emphasised in internal and external communications and training. Survey to measure attitudes towards sales supervision, carried out by THL. Watch related videos on Youtube (in Finnish) <p>Donations from Alko to universities and colleges providing support for research and teaching in the field of substance abuse.</p>
The promotion of occupational well-being through long-term and preventive actions	<ul style="list-style-type: none">• A survey on the occupational well-being of the entire staff was carried out.• Recreational and free-time activities were promoted.• Leadership skills were developed.
A comprehensive network of stores	<ul style="list-style-type: none">• The network of stores covers the entire country. Ninety per cent of those 18 and over are less than 10 kilometres from the nearest store.
Responsibility in procurement - Responsibility in the product range - Responsibility in the procurement of goods and services	<ul style="list-style-type: none">• The principles of responsibility in purchasing have been developed.• A field study trip with other Nordic state alcohol monopolies to visit two wine-producing countries was conducted.• A joint action plan for responsible purchasing 2012-2014 was drafted by the Nordic alcohol monopolies.• Training on responsible procurement organised for alcoholic beverage suppliers.• The number of ethical products was increased as much as possible in the product range.



**To reduce the environmental impacts of
Alko's operations**

- To increase the staff's level of environmental awareness
- To save energy
- To make transportation more efficient and environmentally favourable
- Efficiency in recycling and materials
- An effective recycling system for beverage containers

- The environmental guidelines for the stores were updated.
- The e-learning programme Kompassi (Compass) on environmental responsibility was made available for the entire staff.
- An environmentally responsible person was chosen for the stores.
- The Green Office activities were continued at the head office.
- Preparations were made for the environmental auditing of the stores.
- Cooperation with Systembolaget and Vinmonopolet on environmental matters was developed.
- LED technology was used for in-store lighting solutions.
- Environmentally friendly and recyclable packaging and bag options were re-selected.
- Preparations were made to transfer the management of Alko's disposable glass bottle recycling system to Suomen Palautuspakkaus Oy beginning 1 February 2012.

Communications regarding responsibility

- Communications were developed regarding responsibility
 - www.alko.fi/vastuullisuus (in Finnish)
 - <http://www.lastenseurassa.fi>
 - Online annual report and corporate social responsibility report prepared
 - Strength and responsibility brochure prepared for stores



Stakeholders determine our actions

When evaluating social responsibility, the expectations of the stakeholders must be taken into account. Alko's key stakeholders include customers, citizens, the owner, political parties, the personnel, authorities, suppliers and the media.

Alko conducted a number of electronic stakeholder surveys in the spring of 2009 and 2010, which were used to explore stakeholders' expectations and opinions of Alko's social responsibility and communications on the topic. The results of the surveys are taken into consideration in implementing and managing social responsibility. The questionnaire was addressed to, for example, customers, suppliers, employees, the owner and the media.

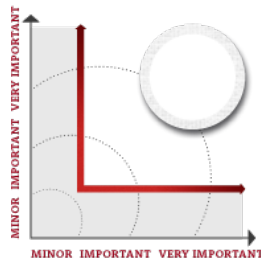
According to stakeholders, the 5 most important areas of Alko's social responsibility are as follows:

- Product safety and quality
- Responsible sales and sales supervision
- High levels of customer service and product knowledge
- Staff training, skills development and respect for well-being and equality
- Recycling and reuse of packaging materials

In 2012, a report on the effectiveness of stakeholder cooperation will be produced.



THE ISSUES RELEVANT TO CORPORATE RESPONSIBILITY ARE PRESENTED IN THE MATRIX.



The essential matters related to corporate social responsibility were graded according to estimates on the significance of their impact on Alko's operations and how important they were from the viewpoint of the stakeholder groups.





ALKO COMMENDED FOR PROMOTING THE BEST IMAGE OF RESPONSIBILITY IN THE TRADE AND SERVICES SECTOR



According to a TNS Gallup survey done last autumn, Alko ranks among the best Finnish companies in terms of company reputation and responsibility. Alko was ranked number one in improving its image of corporate responsibility amongst companies in the trade and services category. Alko was also ranked highly according to reputation, coming third in the trade and services group. Respondents especially appreciated

Alko's skilled personnel, its high-quality products and services, and its customer focus.

The study included 52 companies in 5 branches. A total of 5,677 respondents took part in the study and there were a total of more than 20,000 assessments.



Our financial responsibility is demonstrated through efficiency, equality and transparency

By acting responsibly, we produce long-term added value for our various stakeholder groups. Sustainable economic results are achieved through responsible values and purposeful actions. As the owner of the company, the state ensures that we take care of the position we have been granted in an exemplary manner.

Carrying out the specific task we have been assigned also requires operational efficiency. Efficiency is needed to achieve an economically sustainable overall result and to improve existing processes. There is also an ongoing financial and logistics development project, which aims to renew the systems that support business operations and to make processes simpler. By efficiently using resources, we make the company's operations possible and at the same time invest in the future.

Equality and well-being for our stakeholders is also a part of our economic responsibility. Showing equal stakeholder consideration and consistency in our actions are, in our view, elements that allow us to respond to our stakeholders' expectations in the best possible way and to produce added economic value. It is also important to develop our operations through continual stakeholder discussions so that we better understand the needs and expectations of the stakeholders.

The objective of transparency is to verify the responsibility of our actions. Financial responsibility means that we are able to be transparent about how and at what cost we implement the objectives and tasks that have been set for us. In 2011, our financial situation remained stable and the operational risks were small.



The added economic value that is generated for stakeholders manifests itself in many ways. The added economic value is divided into cash flows for different stakeholder groups:

ADDED ECONOMIC VALUE FROM ALKO'S OPERATIONS FOR DIFFERENT STAKEHOLDER GROUPS IN 2011





Customers

EUR 1,172.3 million

The range of services and products that Alko offers generates added economic value for customers. In 2011, revenues from alcoholic beverages amounted to EUR 1,158 million (compared to EUR 1,161 million euros in 2010). EUR 14 million (EUR 13.1 million) worth of services and supplies were offered to customers during the year. This added value includes the proceeds from the Alcohol Control Laboratory's research work, which amount to 0.40 million (EUR 0.45 million). The coverage of the shop network, the wide range of products and staff expertise all contribute to increasing the added economic value for the customer.

Other operating income came to EUR 2.4 million (EUR 1.2 million), which in 2011 primarily included rental income from the real estate company Kiinteistö Oy Arkadiantalo.

Read more:

▸ [Sales of alcoholic beverages at Alko](#)

▸ [Alcohol Control Laboratory \(ACL\)](#)



Suppliers

EUR 995.5 million

Working partnerships with suppliers creates added value for both parties. Procurements are made in view of the overall economic outcome, where, in addition to the direct purchase price, the indirect advantages and disadvantages of the purchase are taken into consideration. Fairness and transparency are key principles used by Alko for purchasing alcoholic beverages.

The majority of Alko's purchases are alcoholic beverages, of which EUR 934.1 million in 2011 (933.1 million euros in 2010) were purchased from the alcoholic beverage industry and wholesale traders. Other products and services were purchased to the value of EUR 61.4 million in 2011 (EUR 60.6 million in 2010).

Other products and services include items such as IT services, transportation, real estate rentals for the stores and employee clothing.

- EUR 6.5 million (EUR 5.8 million) was used for IT services and consultation.
- Transportation costs remained at the same level as in the previous year: EUR 6.6 million (EUR 6.6 million).
- 323 of Alko's 348 stores are located on rented premises, for which EUR 16.1 million (EUR 16.6 million) was paid in rent.
- Personnel clothing was purchased for EUR 0.5 million (EUR 0.5 million).

Alko's purchases also indirectly affect players outside the immediate market area of the suppliers; these players should also be considered as part of the produced added economic value. The indirect effects have not been evaluated in monetary terms here.

Read more:

► [Responsibility in procurement](#)



Personnel

EUR 86.6 million

Added economic value for the personnel occurs in the form of salaries and other staff expenses, as well as in organised training and investments in occupational well-being. In 2011, the wages and salaries paid amounted to EUR 66.5 million (EUR 65.2 million). Pension costs came to EUR 16.4 million (EUR 9.3 million). Other personnel-related expenses in turn came to EUR 3.7 million (EUR 3.8 million).

The training and e-learning environment is designed to provide continuous personal development for the staff. EUR 1.6 million was used for staff training (compared to EUR 1.8 million in 2010, though this is not completely comparable due to changes in accounting practices). Alko emphasised well-being at work through, among other things, support for recreational activities, meal benefits and medical care. The investment per employee was EUR 1,752 (EUR 1,640) and came to a total of EUR 4.6 million overall (EUR 4.3 million).

PENSIONS

Alko has a supplementary pension scheme in addition to the statutory earnings-related pensions. The supplementary pensions are managed by private pension companies, which also include the Alko Pension Fund (Division A). At the end of 2011, 503 Alko staff were covered by the Alko Pension Fund Division A supplementary pension and 14 by the Vistalcom supplementary pension, whereas 5 members of the Management Team were covered by the management supplementary pension.

All 7 members of the Management Team are covered by supplementary pensions. The retirement age for the President and CEO and his deputy is 63 years of age and the pension amounts to 60 per cent of their salaries. For other members of the Management Team, the retirement age is 63 years and the pension is 60 per cent of their salaries, except for the two members of the Management Team belonging to the Alko Pension Fund Division A, whose retirement age is 61 years and the pension amounts to 66 per cent of their salaries.

The retirement age for staff belonging to the Alko Pension Fund Division A and Vistalcom supplementary pensions is 58-63 years of age, depending on the person's duties and period of service.

In 2011, Alko paid EUR 4.0 million for supplementary pension insurance payments, which is 6.1 per cent of the company's total payroll.

Read more:

► [Responsibility towards personnel](#)



The owner

EUR 111.0 million

Alko is owned by the Finnish state. Alko paid the owner a dividend of EUR 111.0 million (EUR 55.0 million) from its results in 2010. The dividend was paid in two instalments in 2011: EUR 52.3 million in April and EUR 58.7 million in September. Alko does not receive any financial assistance from the state.

Read more:

► [Governance and organisation](#)



Society

EUR 105.9 million

Society gains added economic benefit from Alko's operations through tax revenues. Alko paid EUR 38.9 million (EUR 42.7 million) in taxes on alcohol on an accrual basis for all alcoholic beverages passing through its central warehouse. Value added tax came to EUR 49.6 million (EUR 51.1 million) and customs duty amounted to EUR 17.4 million (EUR 40.2 million). Through tax revenues Alko plays an indirect role in the production of well-being for society as a whole.



Communities

EUR 1.2 million

Alko participates in the "In the Company of Children" programme together with the A-Clinic Foundation, the Mannerheim League for Child Welfare, Public Health Institute and the Finnish Parents' Association. The cooperation is contract-based and, overall, Alko contributed EUR 154,000 to these activities.

In addition to this, Alko engages in activities with the Youth Academy, the Young Finland Association and the Junior Chamber International Helsinki (in the Policemen of the Year award). Of these activities, the prize for the Policemen of the Year award is EUR 3,000 and the Young Finland scholarship is EUR 3,000. Other areas of cooperation amounted to EUR 30,000. The effects of the grants on profit for the whole year came to EUR 0.3 million.

Alko also donated EUR 2.5 million to universities and colleges in 2010. In 2011, Alko paid a sum of EUR 875,000 as a part of this donation.

Alko does not give grants or subsidies to political parties.

Read more:

- [In the Company of Children](#)
- [Alko's cooperation projects](#)
- [Donations to universities and colleges](#)



Investments

EUR 7.1 million

Investments are carried out for the development of the stores and for strategic projects. EUR 4.2 million (EUR 3.0 million) was invested in the development of its stores. The investments were related to the launching of a new store, new business premises and renewing the internal visual appearance of a store. Investments of EUR 2.7 million (EUR 0.6 million) were made in the financial and logistics development project and its IT systems. Other investments came to EUR 0.2 million in 2011 (EUR 27.3 million, of which shares in Kiinteistö Oy Arkadiantalo accounted for EUR 26.7 million).

Read more:

► [Our service network expanded](#)



The In the Company of Children Programme reaches out to its audience

Alko started its programme called In the Company of Children in March 2009. The project, now spanning many years, aims to affect the use of alcohol in Finland in multiple ways. The target groups are adults and parents. Alko's cooperation partners in the programme include the National Institute for Health and Welfare, the A-Clinic Foundation, the Mannerheim League for Child Welfare and the Finnish Parents' Association.

The programme aims at getting adults and family members to consider their use of alcohol in the company of children. In addition to the adult perspective, the In the Company of Children Programme stresses that under-age drinking should not be tolerated or encouraged and that alcoholic drinks should not be sold or handed over to minors.



ALKO INVOLVED IN CHRISTMAS CHARITY COLLECTION

Alko donated EUR 20,000 to the "Hyvä Joulumieli" (Christmas Cheer) collection.

The collection has brought Christmas cheer to poor families with children since 1997.

The money that is collected is channelled as assistance to needy families in Finland through the Mannerheim League for Child Welfare and the Finnish Red Cross. The families are selected by the local branches of the organisations in cooperation with child health clinics and social and welfare workers. Gift certificates are given to families with children living in a difficult financial situation. This may include single parenthood, long-term unemployment, illness or other crisis situations.

During the Christmas 2011, YLE Morning TV, the Finnish Red Cross, the Mannerheim League for Child Welfare and Kesko (the trading sector service provider) collected the Christmas Cheer money for the fifteenth time. The collection target was EUR 1,050,000; this was exceeded by more than EUR 40,000.



2011 Father and son's trip to cottage stirs discussion

Alko's theme for the year in 2011 was responsibility. This complimented the implementation of the In the Company of Children Programme. A television campaign was aired in late autumn of 2011 about a father and son's fishing trip and visit to their cottage in the countryside. The aim of the short film was to provide some food for thought and discussion, especially for families with teenage children. The same theme was presented on many web pages as well. In addition to the media campaign, Alko saw to it that the programme was promoted among customers and personnel and as a Google search term.

Other Alko activities in 2011

- In the Company of Children web pages - lastenseurassa.fi

Cooperation partner activities in 2011

- A-Clinic Foundation: A video on parental use of alcohol from the perspective of children, a teenager's experience with parental use of alcohol via a survey, "If you had three wishes" - a workbook on substance abuse issues for early childhood workers
- Mannerheim League for Child Welfare: Family coffee table activities, student support activities, the Sober Life for Children Programme, and The Cat's Out of the Bag brochure
- Finnish Parents' Association: Parents' evenings
- National Institute for Health and Welfare (THL): Programme assessment study.

The visibility and effectiveness of the programme was studied in THL's assessment and additionally in the Finnish Association of Parents membership survey, as well as in THL's survey on Finnish adult health behaviour. The findings and information about all of the surveys can be found in the [assessment study](#).



We cooperate with stakeholders in order to reduce the harmful effects of alcohol

Alko participated in the National Alcohol Programme from 2008 to 2011 as an expert in its field, or in other ways in several national, regional or local cooperation projects. The projects focussed on supporting the aims of the National Alcohol Programme and creating new operating models.

Substance Abuse Prevention Week took place from 5 to 13 November 2011. The theme of the week was "Changing the substance abuse climate". During the theme week, different players from around Finland introduced themselves through a variety of campaigns and events. The aim was to have a positive impact on substance abuse locally and to provoke discussions on current topics related to substance abuse. The aims also included making preventive substance abuse work and the people involved in it better known and improving cooperation between those involved.

In 2011, the week's activities were mainly addressed to the personnel. The events of the Substance Abuse Prevention Week were coordinated by the Finnish Centre for Health Promotion, which Alko assisted financially in organising the week.

Policeman of the Year

The Policeman of the Year is an award given by Junior Chamber International Helsinki, the Finnish Police Federation and the Ministry of the Interior Police Department. The prize has been awarded since 1975. Alko has been one of the most long-standing supporters of the project.

The Youth Academy

The Youth Academy and its cooperation partners work together to promote young people's well-being. The aim is to offer young people opportunities to do, learn and succeed both with their hobbies and at school. The Youth Academy and its cooperation partners support youth activities through a variety of materials and grants and by training adults to participate in youth activities. Alko has been participating in the activities of the Youth Academy since 2000 and has supported the organisation financially.

The Young Finland Association

The Young Finland Association is an independent organisation, whose objective is to promote children's and young people's well-being and joy of life through physical activity. Alko and the Young Finland Association have been cooperating since 2007. The aim of the cooperation between the Young Finland Association and Alko is to prevent problems for young people caused by substance abuse. In 2011, Alko gave one of the specially approved Young Finland Association clubs a weekend camp as a reward for exemplary work on preventing substance abuse.



ALKO'S SUBSTANCE ABUSE SCHOLARSHIP GOES TO LAHTI

The Young Finland Association is an independent organisation, which works in cooperation with local and regional sports clubs, schools and child-care centres. Alko and the Young Finland Association have had cooperation since 2007. The aim of the cooperation is to prevent substance abuse in young people. Each year Alko donates a weekend camp trip to one of the Young Finland clubs known as seal clubs which has done exemplary work against substance abuse in its own club.



Young Finland and Alko awarded the athletics division of the Lahden Ahkera sports club a EUR 3,000 weekend camp scholarship. The stipend was awarded at the national seal society seminar in Helsinki in October 2011.

The Lahden Ahkera athletics division has an absolute zero tolerance for substance abuse and bullying: parents, coaches, athletes and club management never turn up to practice or for competition trips intoxicated. Through a lecture pack titled "The 24-hour Athlete" Lahden Ahkera provides information on a sporting life-style at season opening events and camps. Bullying is also tackled immediately.

In the spring of 2011, the club engaged in highly effective cooperation with the regional police, the Päijät-Hämeen Police Unit.

"On our tour of ten schools we met about 2,000 children. We measured school-children's running speeds using a radar, and at the same time talked about abstinence from using alcohol and substances and discussed school bullying," says the youth manager at Lahden Ahkera, Matti Hannikainen. Lahden Ahkera will continue the cooperation work with local police in the future as well.

Photo: Elisa Hakamäki ja Matti Hannikainen.

FUN AND BALL GAMES

In 2010, we organised a campaign based on returning small balls to the stores, which we used to collect feedback about Alko's customer service. At the end of the campaign we donated about 100,000 red balls to the Keva-Koti home for Finnish speaking mentally handicapped in Pietarsaari.



At the Keva-Koti home the balls have a variety of uses. For instance they can be used as materials for therapeutic ball blankets. Ball blankets have many positive effects - the blanket can reduce hyperactivity, strengthen the body and provide a deep feeling of relaxation. You can also use the balls for improving dexterity in the fingers or even for making curtains for instance. The balls were also given out to provide some joy at centres for the mentally disabled and at day care.



Donations to universities and colleges

In addition to implementing the programme, Alko donated EUR 2.5.million to universities and colleges. Donation agreements were drawn up in 2010 and the donations are to be paid to the recipients during the years 2010-2012. The donations will support education and research in the field for several years. Through its donations, Alko wishes to emphasise the significant role of education and research into addiction for society as a whole.



Associate Professor Solja Niemelä in a research and education role, at a seminar at Turku University in which he presented a substance abuse education programme to doctors.



Aiming to be the best workplace in Finland

Alko's goal is to create the best workplace in Finland. The commitment and expertise of our staff are the greatest contributors to the success of our strategy. The aim of Alko's personnel management is to create the conditions for the successful completion of work, skills development and well-being in the workplace.

PERSONNEL AT THE END OF THE YEAR	2011
Permanent, full-time employment relationship *	914
Permanent, part-time employment relationship	1,392
Fixed term	447
Total	2,753

* average weekly working time of at least 30 h



PERSONNEL BY AREA 31.12.2011	%
Helsinki area	13.6
Uudenmaa area	13.5
Southwest Finland area	10.1
Pirkanmaa area	9.8
Päijät-Häme area	7.3
Central Finland area	7.1
Southeast Finland area	7.6
Eastern Finland area	7.1
Ostrobothnia area	6.9
Oulu area	7.1
Lapland area	5.1
Head office	4.8
Total	100.0

In the photo Erja Laanto Helsinki



Long-term employment relationships

At the end of 2011, the number of personnel was 2,753 (2,692), which was 2.3 per cent higher than the previous year. There were more fixed term employees because of the Christmas season than in other years and slightly more than the corresponding period for the previous year. In terms of working years, the total for full-time and part-time work amounted to 1,926 (1,991) working years, a slight decrease from the previous year. The average age of the personnel is approximately 38 years old.

For the staff at Alko with permanent employment relationships:

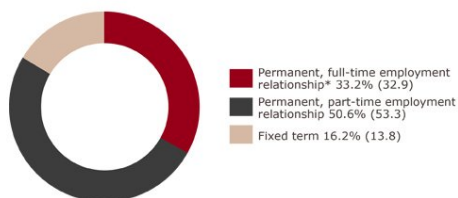
- the employment relationship has lasted, on average, 10.5 years
- the staff turnover was 13.5 per cent
- retirement accounted for 23 (25) per cent of terminated employment relationships.

The average retirement age, including retirement due to disability, was 59.6 years, which represented a slight decrease compared to the previous year.

There were 12 employment relationships that were terminated by the employer. Alko complies with the termination notice periods defined in the labour legislation.

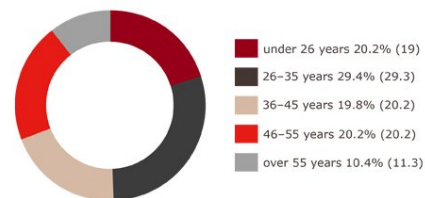
Of Alko's permanent employees, approximately 62 per cent work part-time (working less than 30 hours a week), mainly in sales. Extra work is always first offered to Alko's part-time staff. Alko currently uses a text messaging system to offer temporary available extra work to all part-time workers who want extra work.

Personnel breakdown 31 December 2011



* Average weekly working time of at least 30 hours

Personnel age breakdown 31 December 2011





PERSONNEL TURNOVER	2009	2010	2011
New employment relationships, excl. fixed term	102.0	160.0	243
Terminated employment relationships, excl. fixed term	236.0	253.0	311
Turnover, % *	8.6	10.9	13.5
Average retirement age **	60.0	60.1	59.6
Those granted invalidity pension	9	2	5

*The number of permanent contracts terminated during the year divided by the number of permanent employees (excl. fixed term).

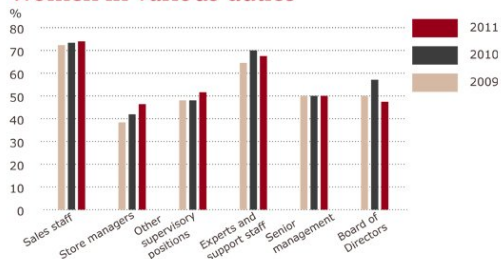
**The retirement age for female sales assistants with long-term service at Alko is 58 years, and for the rest of the personnel it is 61 or 63 years, depending on the number of service years.



In senior management and supervisory roles equally men and women

A gender equality plan is drawn up yearly in cooperation with workers' representatives. Women account for 74 per cent of the sales personnel. In senior management and supervisory roles, the balance between male and female workers is even. The proportion of female shop managers has further increased and is already 46 (42) per cent. Alko's Management Team consists of four men and three women, and there are four women and three men on the Board.

Women in various duties



In the photo Maritta Iso-Aho, Kari Pennanen, Tiina Lukkari, Erkki Tommila, Minna Alitalo ja Mika-Pekka Miettinen, members of the Management Team.



Salaries and employee benefits

PERSONNEL COSTS, EUR million	2009	2010	2011
Wages, salaries and remuneration	66.5	65.2	66.5
Other personnel costs	17.2	13.1	20.1
Total	83.7	78.3	86.6

SALARIES

Personnel costs came to EUR 86.6 (78.3) million. Alko paid a total of EUR 66.5 (65.2) million in wages, salaries and remuneration.

Task-specific salaries for sales staff and shop managers are paid according to the collective agreement. Remuneration for managerial and office duties is based on how demanding the duties are.

In addition, the most successful sales staff and shop managers receive a personal annual reward in addition to their paid work, which is agreed upon in conjunction with employee representatives.

The criteria for determining the personal reward for the sales staff were as follows:

- competence
- professional responsibility
- service, cooperation and communication skills
- flexibility
- developmental readiness and
- efficient use of time and quality of work.

The criteria for determining the personal reward for shop managers were as follows:

- service management
- responsibility
- leadership in organising the workplace
- leadership in instigating change
- operational efficiency.

Personal rewards were paid to 343 sales staff and 43 shop managers.



Incentive scheme

The staff are encouraged to carry out Alko's strategic objectives through the incentive scheme, which encompasses the entire staff. There is a separate incentive scheme for the Management Team.

The indicators used in the staff incentive scheme include customer, responsibility, staff and financial perspectives. The system is founded on group-specific rewards. Part of the remuneration for supervisors is additionally based on the success of their work.

Alko's Board of Directors makes a decision yearly on the staff incentive scheme. The incentive reward is paid once a year with a level of cost effectiveness that has been defined beforehand as a prerequisite for payment.

In 2011, the amount reserved for the incentive scheme as an additional personnel cost was 3.6 (3.6) per cent of the personnel costs.



Other staff benefits

- Occupational health care. In addition to statutory occupational health care, GP-level health care is offered to all staff.
- Meal benefit. The entire Alko staff receives a meal benefit for every working day. In this manner the staff are encouraged to enjoy a healthy and varied diet.
- Cultural vouchers. Fitness and cultural interests of the Alko staff during their free time are supported through cultural vouchers.
- Holiday destinations. There are holiday destinations at the disposal of Alko staff at Vierumäki, Ylläs, Tahkovuori and Luosto.
- Hobby clubs. There are 12 hobby clubs that Alko supports financially.
- Employee phone and car when required by tasks at work.



Relations with organisations

As an employer, Alko is a member of the Federation of Finnish Commerce. Alko's President and CEO, Jaakko Uotila, is a Member of the Board of the Federation of Finnish Commerce and Executive Vice President, Personnel, Erkki Tommila, is the Chairman of the federation's Labour Committee.

Alko's personnel is mainly organised into two trade unions: the sales staff are in Alkoholikaupan ammattiliitto ALV ry and shop managers and office staff are in Alkoholialan toimihenkilöt ry. Alkoholikaupan ammattiliitto ALV ry belongs to the Service Union United PAM and Alkoholialan Toimihenkilöt ry belongs to the Federation of Salaried Employees Pardia.

The working conditions are defined by company-specific agreements that apply to sales and office staff. These supplement the trade sector's collective agreement. Collective bargaining itself takes place at the union level.

Both unions have signed collective agreements in accordance with the central labour market framework agreement that will be valid until 30/04/2014.

To give advice on cooperation on a company level in Alko, there is a consultative committee; it met 5 times in 2011.



Occupational safety committee

Alko has an occupational safety committee for organising cooperation on work safety on a company level. The sales staff have 4 representatives on the committee, while the office staff and the employer both have 2 representatives. Additionally, an occupational health doctor and a nurse participate in the meetings of the committee.

The occupational health committee met four times in 2011.



Absences due to accidents and sickness

In 2011, a total of 102 (118) work-related accidents occurred involving Alko employees, of which 22 (33) occurred on trips to or from work. The accidents caused, on average, 9 (9.6) days of leave. (The figures for 2010 have been slightly revised since the publication of the previous report, and the figures for 2011 may yet be slightly adjusted.)

Absences due to sickness accounted for 4.6% (4.7% in 2010) of the theoretical regular working time. Absences due to sickness decreased compared to the previous year, and remained slightly below the average for the service sector (4.5% in 2010 according to the survey by Confederation of Finnish Industries EK) and well below the average for the retail trade sector overall (5.8 in 2010 according to the EK survey on working times).

ABSENCES DUE TO SICKNESS AND ACCIDENTS	2009	2010	2011
Absences due to sickness, percentage	4.7	4.6	4.5
Number of accidents	90.0	118.0	102

During the year, 5 people received decisions granting invalidity or partial invalidity.



Developing occupational well-being to be the best in Finland

The central elements of occupational well-being have been emphasised for a long time, e.g. skills and leadership. Further development of well-being at work is being started through a multi-year, strategic well-being project called Ilona (which means joy/delight) after a competition to find the best name. The underlying idea behind the name was as follows: when you know your work well, you are happy with yourself, you make your customers happy, and you make your colleagues and those close to you happy.

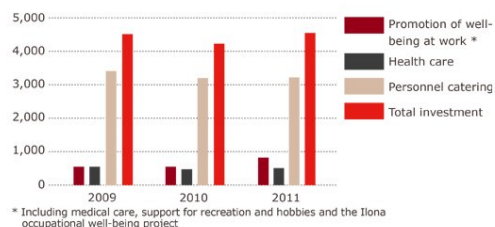
Occupational well-being was examined as a whole for the Ilona project and action plans were drawn up around the respective areas. The project will focus on health, skills and knowledge, a safe and functional working environment, workplace skills and leadership. The concept of good work lies at the core of the development activity. Work is good when it is interesting and the conditions for carrying out the work are in good order.



The Ilona project is one way of making Alko the best workplace in Finland. The project is being carried out in cooperation with employee organisations, occupational health services and the pension company.

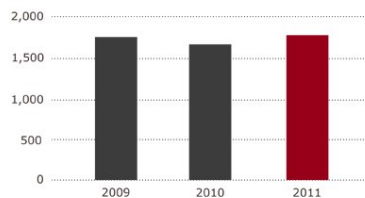
Investments in well-being at work

€ 1,000



Investments in well-being at work, per employee

€



In the photo there are shop managers Tuomas Penttinen from the town of Nurmijärvi and Hanna Långström from Klaukkala in Nurmijärvi



Taking a new model for early intervention into use

The new model of early intervention was developed in collaboration with the occupational health services. The model ensures that threats to well-being at work are handled at a sufficiently early stage at the workplace. A central element in the new method is a discussion on well-being that takes place between the subordinate and a supervisor, which happens whenever a possible problem affecting occupational well-being is discovered.

Those on prolonged sick leave are kept in regular contact, thereby ensuring timely support measures from the occupational health services as well as a focus on a successful return to work.

The early intervention model is considered a key tool in developing occupational well-being, and all managers are being prepared in its use. Training will be carried out in the early part of 2012. However, implementing the model is not just a task for the managers alone; it is hoped that this will encourage all Alko employees to bring up any concerns regarding their own or their colleagues' well-being for discussion as early as possible.



Investments in ergonomics are paying off

In 2010, a member of the staff in each Alko shop was chosen to be responsible for ergonomics and, correspondingly, in 2011 for the head office as well. Further training is being arranged for the personnel responsible for ergonomics so that they can better take care of ergonomically correct working practices and familiarise new employees with ergonomic issues. The training is being planned and carried out in cooperation with the occupational health services.

Ergonomics was a central theme for the fitness overhaul courses arranged for Alko staff. Three courses were held altogether, with one especially for supervisors. Each course lasted a week and, additionally, included a review session of two days. Altogether, 54 Alko employees participated in the courses and the review days.

The emphasis on ergonomics aims to achieve better health for the workers and, through this, improved well-being at work. The investments are beginning to yield results: musculoskeletal disorders were still the largest single cause of absence due to illness, but the associated number of days of sick leave decreased significantly.



Safety in the stores is the top priority

Safety plays a significant role and is a major factor in work and customer satisfaction. Alko aims to prevent threats to safety and security by reporting all threatening situations within the organisation. To ensure effective reporting, a new electronic threat reporting system is being developed, and will be introduced in 2012.

The stores are inspected using the security inspection method of the Federation of Finnish Commerce. In 2011, 25 stores were inspected. All Alko stores have camera surveillance.



13,000 job applications

According to an annual survey on national corporate image conducted by Taloustutkimus Oy in 2011, Alko had the best image as an employer in the retail trade.

Alko received over 13,000 open applications or job applications addressed for open positions. The number of recruitments remained unchanged from the previous year. Approximately 600 people were hired for fixed term posts of variable length or permanent positions. There were about 277 permanent openings during the year. The throughput time for recruiting was, on average, 18 days.

To ensure securing employees, Alko ran a recruiting campaign on its web pages on the theme "Test to see whether you could be an Alko sales person!" Recruitment days were also held around the country for seasonal job seekers.

New employees and supervisors learn about their duties through a combination of on-the-job training, e-learning, tutor support and participating in training days for newcomers.



Skills and know-how developed in a diverse manner

Each employee participates in an appraisal discussion twice a year. In the discussion, goals for work and skills development are set, and work performance and development are monitored.

Alko emphasises the staff's product and service expertise. It used 3.5 (4.0) days per employee for training store personnel. Alko's own service and product trainers as well as sales staff and store managers (acting as trainers in addition to their own work) train the staff regularly in monthly training sessions and courses that focus on a particular theme. The training is divided into a basic and advanced level and additional levels of training.

All Alko employees were also able to develop their skills in their own time online from the end of the year in the so-called "Open Alko Workshop". The online learning environment also provides support for service and product skills courses. Additionally, part of the monthly training for the stores takes place online. The online learning environment aims to make the learning process more efficient and to provide more flexible opportunities for learning, and to improve the accountability of the studies.

Retail and specialised vocational training still interested Alko staff. Fourteen people completed the customised, shop supervisor's specialized vocational qualification. Additionally, a 14-person group started studying for the new shop supervisor's specialized vocational qualification in September 2011.

- Additionally 26 people attended vocational sales training
- Customer service skills development continued with store-specific service training sessions
- A supervisor training program, which included things such as practising for service coaching
- Safety skills were maintained through cooperation with the Finnish Red Cross with more than 200 Alko employees completing the basic safety certificate training
- Self-initiated study supporting sales staff work is supported through self-study.



Staff commitment has improved

A staff survey is conducted annually. The survey maps the following areas:

- staff commitment
- the ability to exert influence at work
- interaction and atmosphere
- organisation of activities
- supervisory activities and
- leadership.

Informal, free form feedback is additionally collected.

Seventy-five per cent (77) of the Alko staff responded to the survey. Staff commitment has become more positive than ever. The level of staff commitment is slightly higher than in the average Finnish company and for the retail sector in Finland. According to the survey, the supervisor's work and the atmosphere at the workplace were major strengths in this regard.

For the development of well-being at work, supervisors were trained on the basis of staff survey results.

Supervisors also receive regular feedback through the supervisor evaluation process. In the evaluations subordinates give feedback on their own supervisor and in some cases on their colleagues. The supervisor also evaluates his/her own activities.

The Supervisor of the Year was chosen for the fourth time.



PERCENTAGE OF THOSE RESPONDING TO STAFF SURVEY	2009	2010	2011
	79	77	75

Photo: Sales manager Seppo Metsola, Manager of the Year in Alko and Jaakko Uotila, President and CEO.



Responsibility in procurement

Alko takes responsibility for human and labour rights, as well as environmental issues, when procuring products from foreign alcohol-producing countries. Legislation on the operation of the state alcohol company and Alko's sole right concerning the sale of alcohol regulates Alko's purchasing operations. According to legislation decisions on the selection of alcoholic drinks are to be made on grounds that are impartial and non-discriminating, regardless of the manufacturer's or seller's nationality or domicile.

ETHICAL PRINCIPLES AS A PART OF ALCOHOLIC BEVERAGE PURCHASING

The Nordic state alcohol monopolies introduced a common set of ethical principles for use in alcoholic beverage suppliers' terms of contract from the beginning of 2012. Alko's Board of Directors approved the ethical principles and the approach to responsible purchasing on 13/04/2011.

► [Responsible purchasing on Alko's website](#)

The ethical principles are based on the UN's Global Compact initiative, which promotes human rights, labour, the environment and anti-corruption issues.

Alko and the Swedish alcohol company Systembolaget became members of the European BSCI system in April 2011 and will be using the ethical principles of the [BSCI auditing model](#). This is to ensure that the products on sale are made under socially and ethically acceptable conditions.

During 2012, Alko's suppliers must commit to the ethical principles and provide a declaration that they are being applied.



FIELD TRIP TO CHILE AND ARGENTINA

A 12-person group from the Nordic countries visited Argentina and Chile in the summer of 2011. The group visited wine producers, labour organizations, trade associations, embassies and auditors.

The purpose of the visit was to present and explain the Nordic alcohol companies' cooperation on responsible purchasing and common ethical principles. The aim was also to receive information about aspects of social responsibility via discussion.

"It was good to note that in Chile and Argentina, the environmental aspects of wine production in particular are being developed, but areas of social responsibility are also moving in a better direction. On the trip, mainly on the basis of observations, the areas for improvement relevant to social responsibility include better working conditions for harvest workers, freedom of association and a guaranteed minimum wage," says Petri Aalto, a wine category manager who took part in the trip.



The group met with 17 different stakeholder group representatives in the Mendoza region of Argentina and in Santiago as well as the Maipo region of Chile. The local people warmly welcomed the visiting Nordic group.

"We received positive feedback on the Nordic alcohol retail companies adopting the use of shared ethical principles. The parties also appreciated the constructive approach we have used," emphasises Petri Aalto.



Environmental responsibility is part of Alko's daily activities

Alko's operations have environmental impacts. Stores consume electricity and water, and also produce waste. The transportation of products to the stores causes emissions and a great deal of waste is produced from empty drinks packages.

Information on the environmental effects throughout the life cycle of alcoholic beverages is not complete at this stage. The carbon footprint study by the Swedish alcohol monopoly, Systembolaget, shows that the company's largest environmental impacts come from packaging, from agriculture, and from producing and transporting the products.

Environmental responsibility means working for the long-term to prevent and reduce the environmental impacts of our operations. Alko's management of environmental issues is based on the Finnish Decree on the Operation of the Alcohol Company (243/2000), Alko's strategy and environmental policy. Practical actions related to environmental responsibilities are guided by the ISO 14001 environmental management system objectives and responsibilities. Environmental impacts are reported on Alko's website, as well as yearly in Alko's annual report and corporate social responsibility report.

Photo: Shop Manager Nanna Koivu, Alko Helsinki and cleaner Mikko Ahola, ISS Siivouspalvelut



The environmental impact of the head office

Alko's head office is located in Salmisaari, in Helsinki. The building's property company recycles energy, organic waste paper and cardboard. In the same building, the Alcohol Control Laboratory (ACL) sends all harmful chemicals to the hazardous waste handling company Ekokem Oy.

The head office premises are cleaned by companies that use an ISO 14001 environmental programme.

Alko's headquarters and regional offices continued to use the distance conferencing system acquired in 2009. Distance conferencing has proved useful in many ways, for example by allowing regional managers to maintain regular contact and for recruitment. Altogether 85 distance conferences (between more than 4 offices) were held in 2011. The average length of the meeting was 1.5 hours.

HEAD OFFICE'S ENVIRONMENTAL IMPACT CONTINUALLY MONITORED

The impacts are monitored in four areas:

- electricity consumption
- paper consumption
- domestic and international travel

The energy consumption of the head office fell compared to the previous year and was 126,539.6 kWh (131,713 kWh). Paper use in turn grew slightly from the previous year to 1,220 reams (1,208).



Alko's head office is part of the Green Office Network

Alko's head office joined the Green Office environmental management system in 2009, and the WWF granted it use of the Green Office logo in the spring of 2010.

The task of the Green Office team at the head office is to encourage the staff to be environmentally friendly in their daily activities. The team arranged an environmentally themed brunch for the head office staff in the spring of 2011. Alko also participated in the Motiva Energy Saving Week by publishing energy conservation and recycling tips on the company's intranet. The staff were also encouraged to participate in the Earth Hour climate change event in March.



Green Ambassador communicates environmental values

Saleswoman Sirpa Alaluukas, from Tornio, was chosen as Alko's Green Ambassador for 2010. Sirpa promotes environmental issues at her workplace as well as in her free time. Through the recycling tips on Alko's intranet and the environmental column in the staff magazine, Sirpa encourages the staff to consider the environmental impact of their own actions and to implement proven practices in all stores.

Photo: Sirpa Alaluukas, Green Ambassador, works in the Alko shop in Tornio.



The stores operated in accordance with the ISO 14001 environmental management system

In 2011 all Alko stores introduced the ISO 14001 environmental management system. This functional system helps to identify and reduce adverse environmental impacts as well as to reduce costs.

We updated the environmental guidelines in our stores. Each store selected its own environmental officer to take care of practical environmental work and provide guidance in their own stores. The staff participated in the environmentally themed, online training program.

During the year, preparations were made for internal environmental audits in the stores. In early 2012, environmental audits will be started to determine whether the stores operate according to the principles of the environmental management system. In the future all stores will be audited every two years.

THE LARGEST ENVIRONMENTAL IMPACTS ARISE FROM THE STORES

Alko has 348 stores (31 December 2011) of which 25 operate from their own premises. The overall floor space in the stores comes to a total of 109,212 square metres, i.e. the average floor space of each store is 315 square metres. The business premises, i.e. stores, regional offices and the head office, are mainly leased premises. Alko operates 25 stores as self-owned facilities. The direct environmental impacts of the premises consist of heating, electricity and water consumption. Heat, water and waste management are generally included in the rent for the premises. For this reason, specific data on consumption is not available.

Alko values locating its stores in business centres, and places special emphasis on opportunities for diverse waste sorting, environmentally friendly heating systems and energy recovery.

In the spring of 2012 Alko will gain a comprehensive picture of the stores' real overall environmental impact by calculating the carbon footprint of the stores. On this basis, Alko's current environmental objectives and targets may be adjusted if necessary.



Electricity consumption increased slightly in stores

The estimated power consumption in Alko stores increased slightly to 16.8 GWh compared to the previous year (16.1 GWh in 2010). The increase in electricity consumption can be partially attributed to the five new stores launched in 2011. A colder than normal winter and a very hot summer also contributed to the increased electricity consumption.

Energy consumption can be reduced in the stores by using less lighting at night, while still ensuring that safety is not compromised. The staff is also directed to turn unnecessary lights off in storage and social areas.

Alko buys electricity that has the Fortum Renewable Eco-label for those shops where it is possible to do so. The electricity is produced completely from renewable sources of energy .



Jalasjärvi store is a pioneer in utilizing LED lighting

Opened in 2009, in Helsinki, the Töölöntori store was the first store space in Finland to exclusively use LED lighting. The Jalasjärvi store, located in South Ostrobothnia, was transferred to a new energy efficient building in April 2011. The store benefits from, among other things, condensate and air heat recovery in the underfloor heating of the premises. This is the first Alko store to fully utilise LED technology alone for its lighting. The store's general lighting, spotlights, shelf and special lighting are all LED lights. The electricity consumption in the store is estimated to be 30-35 per cent lower than in traditionally lit stores. Since 2006, Alko has used LED technology in all its illuminated advertising signs.



Research is constantly being done on how to use LED technology. In addition to electricity consumption, the price development, product life-cycles and maintenance costs are being monitored.



The stores follow standardised waste guidelines

Alko's head office, stores and regional offices follow their own guidelines in addition to municipal guidelines and regulations. All offices are instructed to recycle, save energy and acquire environmentally friendly office products .

As a general rule, waste management, with the exception of hazardous waste, is included in the lease contract for the stores. The treatment of hazardous waste has its own environmental guidelines, and Alko's Alcohol Control Laboratory (ACL) sends all harmful chemicals to the hazardous waste handling company Ekokem Oy. Discarded equipment, largely cash registers, is sent to Työ & Toiminta Ry. All the recyclable material is then recovered.

RECYCLING BAGS FROM WINE BOXES

In the spring of 2011, we tested recycling the bags from wine boxes in just under 30 stores in Turku and the surrounding area. Customers could return the aluminium box bags and plastic wine bags to a recycling box in the stores. The materials from the box bags can be entirely used in the production of cement.

The recycling was positively received. In particular, boaters and cottage owners appreciated the possibility of recycling and they were interested in hearing more about the utilisation of the wine bag materials.

The results of the recycling trial will be analysed and a decision on the future continuation of the recycling will be made later.

► [Read more about our packaging recycling](#)



Recycling shelf frames is more efficient

The materials for the furniture in the stores and office premises are selected while keeping in mind that they should be harmless to health, recyclable and reusable. Shop renovations and furnishing of the shops are handled centrally.

.....

The aim is that all the old shelf frame material is recycled, either at our own renovation locations or at locations outside the company. We have managed to make the recycling of metal shelf frames more efficient because the furniture in our renovated stores is of a higher quality than previously. The re-utilisation rate for furniture frames is approximately 65 per cent (52 per cent in 2010). All renovations and shop relocations in 2011 were documented from a recycling perspective.

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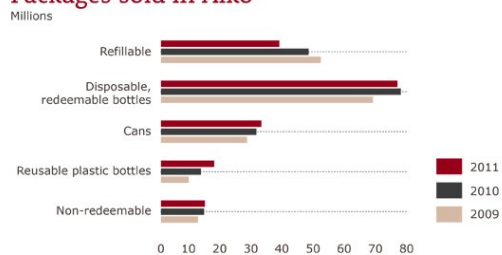


Empty drinks packaging is efficiently recycled

In 2011, Alko sold a total of nearly 180 million packages of varying sorts containing alcoholic beverages, including:

- 77 million redeemable, single-use glass bottles
- 38 million reusable glass bottles
- 33 million cans
- 17 million redeemable plastic bottles for recycling
- 7 million bag-in-box containers
- 2 million cartons
- slightly less than 5 million non-redeemable plastic bottles

Packages sold in Alko



The recycling of empty cans and bottles is one of Alko's most visible environmentally responsible activities. You can return all redeemable glass bottles, plastic bottles and cans to Alko stores. This goes for both foreign and domestic products. Non-deposit drinks packaging can be returned to municipal recycling points.



In 2011 Alko had 293 jointly managed collection points with other chain stores and 55 of its own collection points. Through these points, 31.4 million kilos of disposable glass bottles to be broken for waste were deposited. In addition to this, mainly through wholesalers, 6.8 million kilos of disposable bottles belonging to Alko's recycling system were returned. Crushed glass is sorted and then put to use mainly in the construction industry, e.g. in the production of insulation wool and foam glass.

Alko is one of the owners of Suomen Palautuspakkaus Oy (PALPA), a company that recycles cans and plastic bottles, and is a member of the glass recycling organisation Keräyslasiyhdistys. PALPA has for several years been responsible for the recycling systems for redeemable cans and plastic bottles in Finland. In 2011, Alko helped prepare the new PALPA-administered disposable glass bottle system that became operational on 15 November 2011. The new system will replace the current Alko glass recovery system during the spring of 2012 and, at the same time, the network of recovery points will expand to several thousand. Due to these changes, some of the products that belonged to Alko's previous recycling system will no longer be redeemable, though the recycling machines will accept the products and forward them along with other glass items for recycling.



Environmental factors taken into account in the selection of packaging and gift accessories

In addition to beverages, Alko sells packaging and accessory products. In terms of volume, plastic bags are sold the most.

- The plastic bags are recyclable and are made of 60 per cent recycled and recyclable material. The bags are reusable and their size makes them suitable for use as rubbish bags or they may also be disposed of by burning.
- In the production of paper bags for Alko, only paper bearing the EU Flower Eco-Label is permitted. The mark guarantees that the paper meets the demanding European Union environmental standards for copy and printing paper. The paper bags decompose and they may be used for holding compost or newspapers for recycling. Because the paper bags sold in Alko decompose, they may also be used for holding biodegradable waste.
- Artificial fibre cloth bags are also a viable ecological alternative because they may be used many times and because their carbon footprint is small. If so required, the bags can be destroyed as energy waste.
- The Eco gift packaging line is made from recycled materials. The Eco Gift Boxes are made from 100 per cent recycled cardboard, and the Eco Gift Bags contain 100 per cent recycled paper.



Products transported in one trip to stores

Most of the pallets, cases or similar recyclable equipment for transporting alcoholic beverage products and other products sold by Alko can be redeemed and are reused almost 100 per cent of the time.

Alko does not have its own transport fleet, so the transportation of products to the shops is outsourced. The two largest transporters of Alko's products in Finland both have environmental management systems in place. Alko arranges the transport directly to shops in close cooperation with its suppliers so that each load combines as many different deliveries from different stocks as possible. The combining of the deliveries takes place in the transport company's terminal. With this system, it is possible to reduce both transport costs and emissions. Return transportation from the shops carries as much necessary material for transportation as possible, such as scrap glass, reusable bottles and other recyclable material. Products purchased from abroad using Alko's import services are transported regularly by five transport firms, three of which have the ISO 14001 environmental standard.

Alko has begun to monitor the amount of CO₂ emissions resulting from transportation. The CO₂ emissions caused by the importation of products was 1,025 tons in 2010, and for domestic distribution it came to 1,794 tons. These figures included all of the transport involved in deliveries, which is to say about 80 per cent of the total volume. The return trips are not included. The calculations are more advanced when compared with the statistics from 2010, which is why the figures are not comparable.

Alko's central storage is organised through Itella Logistics Centre in Vantaa, which gained ISO 14001 certification in 2009.



GRI table

The contents and the reporting principles of Alko's Annual Report are, where applicable, in line with the recommendations of the GRI Guidelines.

Comparison with the GRI Guidelines' recommendations	Included	Link	Observations
1. Strategy and analysis			
1.1 Statement by the President and CEO	Yes	Review by the president and CEO	
1.2 Description of impacts, risks and possibilities	Partially	Review by the president and CEO Strategy Internal Supervision Risk management Managing corporate responsibility Alcohol legislation determines operations Alko's social responsibility management system Responsibility goals and operations 2011 The scope and contents of the report	
2. Organizational profile			
2.1–2.9 Basic information about Alko	Yes	Alko in brief Governance and organisation Compliance with the Finnish Corporate Governance code Our service network expanded Sales of alcoholic beverages at Alko Responsibility towards personnel Product range planning Contact	
2.10 Awards received in the accounting period	Yes	Stakeholder cooperation	
3. Report parameters			
3.1–3.4. Report profile and reporting period	Yes	The scope and contents of the report Contact	
3.5–3.11 Report scope and boundary partially	Partially	The scope and contents of the report Stakeholder cooperation	
3.12 Comparison with the GRI reporting guidelines	Yes	GRI table	
3.13 External assurance of the report	Yes	The scope and contents of the report	The report has not been assured



4. Governance, commitments and engagement

4.1–4.10 Governance	Yes	Governance and organisation Annual General Meeting Supervisory Board The Board of Directors and Committees Remuneration Environmental responsibility in Alko's operations Personnel Committee Equality Report of the Board of Directors
4.11–4.13 Commitments to external initiatives in corporate social responsibility	Partially	In the Company of Children Alko's cooperation projects Responsibility in procurement Green Office Recycling drinks packaging Relations with organisations Alcohol Control Laboratory Risk management
4.14–4.17 Stakeholder engagement	Yes	Stakeholder cooperation In the Company of Children

5. Management approach and the organisation's economic goals

Economic performance indicators

EC1 Direct economic value generated and distributed	Yes	Distribution of added economic value Customers Suppliers Personnel The owner Society Communities Investments Report of the Board of Directors
EC2 Financial implications and other risks and opportunities for the organisation's activities due to climate change no	Partially	Ethical trade products



ALKO ANNUAL REPORT AND CORPORATE SOCIAL RESPONSIBILITY REPORT 2011

GRI table

EC3 Coverage of the organisation's defined benefit plan obligations and pension commitments	Yes	Salaries and employee benefits Remuneration Incentive scheme Other staff benefits Report of the Board of Directors Notes to the income statement Salary and remuneration report	
EC4 Significant financial assistance received from government	Yes	The owner	Alko does not receive the support referred to by GRI
EC6-EC7 Locally based procurement and recruiting	Partially	Responsibility in procurement	Principles of impartiality and non-discrimination in the supplier chain of alcohol
		Investments Responsibility towards personnel	
EC8 Development and impact of infrastructure investment, and services provided primarily for the public good	Partially	Recycling drinks packaging	
		Donations to Universities and Colleges	
EC9 Indirect economic impacts and their extent	Partially	Suppliers Society	
Environmental performance indicators			
EN1-EN2 Used and recycled materials	Partially	Recycling shelf frames Recycling drinks packaging Packaging and gift articles	
EN3 Direct energy consumption from primary energy sources	No		
EN4 Indirect energy consumption from primary energy source	Partially	The environmental impact of stores Electricity consumption in stores The environmental impact of the head office	Reported about those shops which themselves buy their electricity
EN5 Energy saved due to conservation and efficiency improvements	Partially	Green Office Electricity consumption in stores LED lighting	
EN6 Energy-efficient or renewable energy based products and services	No		



ALKO ANNUAL REPORT AND CORPORATE SOCIAL RESPONSIBILITY REPORT 2011

GRI table

EN7 Measures to reduce indirect energy consumption and savings achieved	Partially	The environmental impact of the head office Green Office The environmental impact of stores Electricity consumption in stores LED lighting Green Ambassador	
EN8-EN10 Water use	No		Accurate data on water consumption not available
EN11-EN15 Impacts on biodiversity	No		Not an integral part of Alko's functions, Alko does not own land
EN16-EN17 Greenhouse gas emissions	Partially	Transport	
EN18 Initiatives to reduce greenhouse gases	Partially	The environmental impact of the head office Transport	
EN19-EN20 Emissions of ozone-depleting substances and NO and SO emissions	No		
EN21 Effluent discharges	No		All waste water goes into the municipal sewer system. Accurate data on waste water is not available.
EN22 Total amount of waste, broken down by the type of waste and destination	Partially	The environmental impact of the head office Environmental responsibility in Alko's operations The environmental impact of stores Waste sorting Packaging and gift articles Recycling shelf frames Recycling drinks packaging	Accurate data on the quantity of waste is unavailable.
EN23-EN25 Chemical, oil and other spills plus hazardous waste	Partially	The environmental impact of the head office	
EN26 Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	Partially	Recycling drinks packaging The environmental impact of stores Packaging and gift articles LED lighting Waste sorting	



EN27 Percentage of recycled products and packaging materials of products sold	Partially	<u>Recycling drinks packaging</u>	
		<u>Packaging and gift articles</u>	
EN28 Sanctions for non-compliance with environmental laws and regulations	Yes		Alko has never been fined or sanctioned on environmental matters
EN29 Products and materials, transportation and commuting caused significant environmental impact	Partially	<u>The environmental impact of the head office</u>	
		<u>Transport</u>	
EN30 Environmental protection expenditures and investments by type	No		Not an integral part of Alko's functions, Alko does not own land
Labour practices and work performance indicators			
LA1 Workforce by employment type and type of employment contract	Yes	<u>Responsibility towards personnel</u>	
		<u>Equality</u>	
		<u>Duration and quality of employment relationships</u>	
LA2 Employee turnover	Partially	<u>Duration and quality of employment relationships</u>	
LA3 Benefits that are offered to full-time employees which are not offered to temporary or part-time workers	No		
LA4 Percentage of employees covered by collective bargaining agreements	Yes	<u>Duration and quality of employment relationships</u>	
		<u>Relations with organisations</u>	
LA5 Minimum notice period(s) including whether specified by collective agreements	Yes	<u>Duration and quality of employment relationships</u>	
LA6 Percentage of total workforce, which is represented in the staff and management occupational health and safety monitoring committees	Yes	<u>Occupational safety committee</u>	
LA7 Rates of injury, occupational diseases, lost workdays and absenteeism	Yes	<u>Absences due to sickness and accidents</u>	



ALKO ANNUAL REPORT AND CORPORATE SOCIAL RESPONSIBILITY REPORT 2011

GRI table

LA8 Education, training and counselling to assist workforce members, their families, or other community members regarding serious contagious diseases	Yes	<u>Occupational well-being</u>	
		<u>Early intervention</u>	
		<u>Ergonomics</u>	
		<u>Alko in society</u>	
		<u>In the Company of Children</u>	
LA9 Health and safety topics covered in formal agreements with trade unions	Partially	<u>Occupational safety committee</u>	
LA10 Average hours of training per year per employee per employee category	Yes	<u>Skills</u>	Applies to all according to one's function
LA11 Programs for skills management and lifelong learning for employees	Partially	<u>Skills</u>	
LA12 Percentage of employees receiving regular performance and career development reviews	Yes	<u>Skills</u>	
LA13 Composition of governance bodies and breakdown of employees belonging to them per category according to gender, age group, minority group membership, and other indicators of diversity partially	Partially	<u>The Board of Directors and Committees</u>	
		<u>Management</u>	
		<u>Supervisory Board members</u>	
LA14 Ratio of basic salary of men to that of women by employee category	Yes	<u>Salaries and employee benefits</u>	Gender equality plan
Human rights performance indicators			
HR1-HR2 Human rights performance indicators	Partially	<u>Responsibility in procurement</u>	
HR 3 Staff training on human rights-related policies and operational practices	No		
HR4 Number of incidents of discrimination and actions taken	Partially		In 2011 one case of discrimination was dealt with in the Court of Appeal



ALKO ANNUAL REPORT AND CORPORATE SOCIAL RESPONSIBILITY REPORT 2011

GRI table

HR5 Activities involving the freedom of association and right to collective bargaining under attack	No	
HR6–HR7 Risk of using child labour, forced labour, or labour performed under a penal system	Partially	<u>Responsibility in procurement</u>
HR8 Number of security staff trained in human rights policies and practices	No	
HR9 Incidents of violations involving rights of indigenous people and action taken	No	
Society performance indicators		
SO1 Programs and practices that assess and manage the impacts of operations on local communities	Partially	<u>In the Company of Children</u>
		<u>Responsibility in procurement</u>
SO2 Percentage and total number of business units analysed for risks related to corruption	Partially	Ethical principles adopted, internal investigations monitor the practical implementation of those principles
SO3 Percentage of employees trained in anti-corruption practices	Partially	<u>Managing corporate responsibility</u>
SO4 Actions taken in response to incidents of corruption	No	No cases of corruption have been detected in Alko
SO5 Participation in public policy development and lobbying	Yes	<u>Alko's cooperation projects</u>
		<u>Alcohol legislation determines operations</u>
SO6 Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	Yes	<u>Communities</u>



ALKO ANNUAL REPORT AND CORPORATE SOCIAL RESPONSIBILITY REPORT 2011

GRI table

SO7 Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices, related actions and their outcomes no	Yes		Alko has not been fined or sanctioned
SO8 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Yes	<u>Young customers</u>	
SO9 Operations with significant potential or actual negative impacts on local communities	Partially	<u>Alko in society</u>	
		<u>Strategy</u>	
S10 Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities	Partially	<u>In the Company of Children</u>	
		<u>Responsibility in customer service</u>	
		<u>Intoxication</u>	
Product responsibility performance indicators			
PR1 Assessment and development measures for health and safety impacts of products and services in different stages of their life cycle and percentage of significant product and service categories subject to such procedures	Yes	<u>Quality and product safety</u>	
		<u>Product defects</u>	
		<u>Alcohol Control Laboratory</u>	
PR2 Product health and safety violations	Yes		No such violations as indicated by the GRI guidelines
PR3 Type of product and service information required and their percentage	Partially	<u>Product defects</u>	
PR4 Violations of the product information and product labelling regulations and related voluntary codes of conduct	Yes		No such violations as indicated by the GRI guidelines



PR5 Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Yes	<u>Measuring customer service</u>
		<u>Stakeholder cooperation</u>
		<u>Managing corporate responsibility</u>
PR6 Practices related to adherence to laws, standards, and voluntary codes related to marketing communications	No	
PR7 Violations of laws and regulations concerning marketing communications	Yes	No such violations as indicated by the GRI guidelines
PR8 Complaints related to breaches of customer privacy and loss of customer information	Yes	No such violations as indicated by the GRI guidelines
PR9 Number of fines incurred through violation of legislation and regulations related to use of major product and services	Yes	Alko has not been fined or sanctioned for breaches of regulations in matters related to products, safety or marketing



The scope and contents of the report

ALKO INC. ANNUAL REPORT AND CORPORATE SOCIAL RESPONSIBILITY REPORT 2011

The report on corporate social responsibility follows the recommendations for sustainable development drawn up by the Global Reporting Initiative (GRI/G3) and the Government Resolution on State Ownership Policy on 3 November 2011. The recommendations and resolution have been taken into account wherever possible.

Alko's corporate social responsibility report was prepared for external verification for the first time in 2010. The report was verified by the Authorised Accounting Firm KPMG Oy Ab. The report for 2011 has not been verified. The information presented in the report is based on statements made in support of the company's operational activities and the figures from the audited accounts and financial statements.

Alko's operations and its reasons for existence are based on responsibility.

Alko's report for 2011 is a combined annual report and corporate social responsibility report (1 January to 31 December 2011). The report has been published for the first time as an online report, and it has been published online in English as well as in Finnish. Alko publishes its annual report and corporate social responsibility report annually.

This report presents all of the key financial indicators and financial statements, the political responsibility for alcohol policy, and economic, social and environmental responsibility.

The report covers all of Alko's operations. The information on financial responsibility is based on Alko's financial reports, the registration system for sales supervision, audited accounts and financial statements. The indicators for social responsibility are drawn from the personnel data system, payroll systems, service providers and accounts. The figures regarding environmental responsibility are largely drawn from our own system and service providers.

The staff figures are calculated according to the Accountancy Board's general guidelines for preparation. The applicable parts of the Finnish Corporate Governance Code are applied and the financial statements have been prepared according to Finnish Accounting Standards (FAS).



Report of the Board of Directors

The Finnish economy started to decline in 2011 due to the problems in the national economies and financial markets of the eurozone. The consumers' perceived uncertainty was reflected in reduced private demand.

The consumption of alcoholic drinks per capita came to 10 litres of 100 per cent alcohol, which was the same as in 2010. Sales from Alko stores accounted for 40 per cent of documented consumption. Other retail sales of alcoholic beverages containing a maximum 4.7 per cent pure alcohol came to 46 per cent and restaurant sales amounted to 14 per cent. Alko's portion of sales decreased by one percentage point from the previous year. The figures presented are for the parent company.

SALES

In 2011 Alko sold 104.3 million litres of alcoholic beverages. Sales decreased by EUR 1.1 million or 1.1 per cent compared to 2010.

Product group	Sales for 2011 in millions of litres	Sales for 2010 in millions of litres	Change from previous year, in millions of litres	Change from previous year, as a percentage
Vodkas and unflavoured spirits	16.4	17.0	-0.7	-3.9
Other strong alcoholic beverages	9.1	9.3	-0.2	-2.5
Fortified wines	3.9	4.2	-0.3	-6.4
Red wines	27.2	27.2	0.0	0.1
White wines	21.2	20.5	0.7	3.7
Sparkling wines	4.5	4.3	0.2	5.3
Rose wines	0.8	0.7	0.0	2.2
Other wines	2.4	2.4	0.0	-1.1
Ciders	1.0	1.0	0.0	3.9
Long drinks	7.6	8.2	-0.6	-7.3
Beers	10.0	10.4	-0.4	-3.9
Non-alcoholic drinks	0.2	0.3	0.0	-4.8
Total	104.3	105.4	-1.1	-1.1
Total as 100% alcohol	17.8	18.0	-0.3	-1.6

Sales of spirits decreased by 1.2 million litres and sales of beer by about one million litres. Alko's sale of milder beverages increased as sales of wines grew by around a million litres. Sales of alcohol measured as 100 per cent pure alcohol came to 17.8 million litres, which was 0.3 less than the previous year.

PRICES AND TAXATION

Alko's retail prices on the sale of alcoholic beverages rose by an average of 0.5 per cent. This was due to changes in the suppliers' sales prices. Alko did not change any of the pricing principles for the products. The excise duty on low-strength alcoholic beverages of no more than 2.8 percent alcohol increased slightly in connection to an increase on excise duties for soft drinks.



FINANCES

Key figures	2011	2010	2009
Net sales, million EUR	1,172.3	1,174.8	1,170.2
Net sales without alcohol beverage tax, million EUR	601.0	591.5	600.6
Operating profit, million EUR	67.0	71.9	74.6
Extraordinary items, million EUR	-0.5	81.9	0.0
Income tax on ordinary operations, million EUR	17.6	18.9	20.3
Income tax on extraordinary operating items, million EUR	-0.1	21.3	
Profit for financial year, million EUR	51.0	115.2	57.7
Income from ordinary operations, million EUR	51.4	52.3	57.7
Return on equity, %	44.4	46.5	65.2
Equity ratio, %	31.9	42.1	32.2
Balance sheet total, million EUR	268.6	347.9	272.4
Gross investments in fixed assets, million EUR	7.1	30.7	4.2
Average number of personnel during the financial year	2,624	2,606	2,641

Alko's net sales for 2011, with alcohol beverage tax came to EUR 1,172.3 million (EUR 1,174.8 million in 2010). Net sales decreased slightly as sales by volume declined.

The change in sales structure, caused by the increase in sales of wines, increased the net sales without alcohol tax by 1.6 per cent. Net sales without alcohol beverage tax came to EUR 601.0 million (EUR 591.5 million).

Operating profit came to EUR 67.0 million (EUR 71.9 million), which was 5.7 per cent (6.1 per cent) of net sales including tax on alcohol. Alko's operating profit decreased by EUR 4.9 million and was 6.8 per cent lower than the previous year.

The operating profit decreased due to personnel costs which grew by EUR 8.3 million. These came to EUR 86.6 million (EUR 78.3). Of this sum, wages and salaries paid amounted to EUR 66.5 million (EUR 65.2 million). Salary costs increased by 2 per cent, i.e. EUR 1.3 million due to increases under collective bargaining agreements. The dismantling for the pension fund led to an exceptional reduction in pension costs in 2010. In 2011 these grew by EUR 7.1 million.

Operating profit improved due to an increase in other operating income of EUR 1.3 million, as well as an additional EUR 1.3 million margin due to the sales structure. Other operating income increased primarily due to the rental property in the Kiinteistö Oy Arkadiantalo real estate property. EUR 0.8 million was saved from other expenses including depreciation.

Total financial income and expenses were EUR 2.0 million (EUR 1.6 million).

Extraordinary items decreased the result by EUR 0.5 million. These consisted of the return of a surplus of EUR 0.5 million due to the pension fund liquidation, inspection fees related to stock transfer of EUR 0.7 million and EUR 0.3 million related to the liabilities from the sale of the pension fund assets.

The result was achieved according to plan. The profit for the financial year came to EUR 51.0 million (EUR 115.2 million). The comparable operating profit from ordinary operations without the effect of dismantling the pension fund came to EUR 51.4 million (EUR 52.3 million). In 2010, the pension fund surplus of EUR 81.9 million was returned to Alko Inc. and it was recorded in the income statement as extraordinary income.



The most significant changes to the balance sheet were in cash in hand and on deposit, which decreased by EUR 82.8 million. In addition, profit funds reduced the dividend payment and accumulated net profit by EUR 60.9 million.

The company's current non-interest-bearing liabilities decreased by EUR 18.7 million. In the previous year non-interest bearing liabilities had an extraordinary income tax liability of EUR 21.3 million.

The equity ratio was 31.9 per cent (42.1 per cent).

FINANCE

Alko has no interest-bearing liabilities and the company's financial position remained good for the whole financial year. Cash reserves on 31 December 2011 amounted to EUR 105.6 million (EUR 191.5 million). The average cash reserves in 2011 were EUR 99.0 million (EUR 82.1 million).

The average cash reserves for 2011 and the reserves at end of the previous year, were exceptionally high because of the extraordinary items from the 2010 financial year. The division of the dividend payment into two payments also added to the average cash reserves.

INVESTMENTS

Alko's investments amounted to EUR 7.1 million (EUR 30.7 million), of which EUR 4.2 million (EUR 3.6 million) was invested in the retail network and the rest mainly in information systems. In 2010, investments included the acquisition of the entire share capital of the Kiinteistösaakehtiö Arkadiantalo real estate company, which amounted to EUR 26.7 million.

At the end of 2011 Alko had 348 (343) stores. Five new stores were launched during the year and 21 stores were moved to new business premises. The retail network was supplemented by 110 (116) order points.

STRATEGY 2012-2016

Alko would like to maintain a high degree of social approval. The company aims to be the best retailer in Finland, both in its responsibility in operations and customer service.

The key elements of Alko's strategy are responsibility, the development of customer service and the continuing development of staff commitment and expertise. Stakeholders consider responsible sales and product quality as important. Alko's goal is to meet customers' various and ever-changing needs and exceed each client's individual service expectations. The professionally skilled and committed staff create a personalized service. The company has also launched a financial and logistics development project, which aims to renew the systems that support business operations and to make processes simpler.

RESPONSIBILITY FOR THE ALCOHOL POLICY

According to the Decree on the Operation of the Alcohol Company (243/2000), Alko's task is to carry out the retail sales of alcoholic beverages with the aim of preventing the harmful effects of alcohol consumption.



Part of Alko's work regarding responsibility for alcohol policy consists of responsible customer service, which includes age limit and suspected intoxication checks, as well as control of suspected handovers. In age limit checks on young people, almost ten per cent of the checks lead to a refusal to sell. The effectiveness of the age limit checks is also verified through the use of the *Mystery Shopping method*. According to the results in 2011 Alko checked the age of younger customers in 74 per cent (79) of the test cases.

In 2009, Alko launched the "In the Company of Children" programme, which aims to influence parents and adults in the use of alcohol, so that the harmful effects on children are reduced. In addition to Alko, the National Institute for Health and Welfare, the Mannerheim League for Child Welfare and the A-Clinic Foundation are participating in the programme.

In Finland the opinion of the population regarding alcohol policy is surveyed each year. In January 2012, the data collected showed that 87 per cent (88) of Finns considered the existing alcohol policy restrictions appropriate, or would tighten them. An even larger proportion, 91 per cent (92), stated that strong alcoholic beverages should be available only from Alko. The majority want to keep the sales of strong beer and wine solely with Alko and approve of the current sales arrangements for medium strength beer. 71 per cent (65) of the population are of the opinion that Alko and its sole right to sell alcoholic beverages are a good way of controlling the extent of the harmful effects of alcohol.

ENVIRONMENTAL RESPONSIBILITY AND RESPONSIBLE PROCUREMENT

Alko's most significant environmental areas of concern are the waste arising from beverage packaging, transport generated emissions, the stores' energy consumption and their use of building materials. The aim is to continually reduce the harmful environmental impacts of the company's operations. In 2011, Alko introduced an ISO 14001 environmental management system in all stores.

All the Nordic state monopolies introduced an ethical set of principles for use in the supplier contracts for alcoholic beverage suppliers from the beginning of 2012. Alko and Systembolaget, the Swedish alcohol company introduced the ethical principles of the Business Social Compliance Initiative (BSCI) audit system in 2011.

Alko performed well in a survey by TNS Gallup titled, "Corporate reputation and responsibility". According to the survey Alko was found to be most responsible company in the retail group.

Alko publishes a report on corporate social responsibility yearly as part of its Annual Report. It is drafted according to the recommendation for sustainable development drawn up by the Global Reporting Initiative (GRI/G3) and the Government Resolution on State Ownership Policy (3rd January 2011).

PRODUCTS

Alko's selection consists of products from 61 (62 in 2010) countries: from 122 (100) importers or manufacturers in Finland, and from 222 (270) product suppliers from abroad.

There were 2,110 brands in the year's final price list (2,071). Apart from buying from the general selection, consumers can also buy products from the sale-to-order selection, which in December 2011 had 1,512 brands (1,709). In addition to this, Alko's flagship shop in Helsinki carries a special selection of close to 150 products.



Alko lists new products for sale on a weekly basis. Alko shops also carry non-alcoholic beverages and a range of accessories.

SERVICES AND CUSTOMERS

In 2011 about 62.2 million customers visited Alko (62.5 million in 2010). The number of customers fell by around 0.5 per cent from the previous year.

The staff undergo regular training in products, services and other areas. In addition to the customer feedback for 2011, the quality of service processes and customer satisfaction was monitored by taking three surveys. Alko achieved a result of 82 (84) in the service process *Mystery Shopping survey*. The results of the broader customer satisfaction survey indicated that levels of satisfaction and customer commitment remained unchanged at 57. In the national customer feedback survey Alko's rating and ranking figures for 2011 also remained unchanged. Alko was ranked second in the stores group and fifth overall out of all Finnish service companies.

PERSONNEL

The number of personnel at the end of the year was 2,753 (2,693). This was a slight increase compared to the previous year. In man years, the total for full-time and part-time work amounted to 1,926 (1,991) man-years, which was a fall from the previous year of 3 per cent.

There were on average 3.5 (4.0) training days per employee. The training was diversified by expanding the e-learning programme. Investments in occupational well-being for the staff also included a large scale project named Ilona. The project aims to improve occupational well-being over the long term. The measures were introduced in the last part of the year.

The entire personnel is covered by an incentive scheme. Success is measured in a number of different strategic areas. Rewards are based on group success. In addition, part of the remuneration for supervisors is based on the success of their work.

Wages, salaries and rewards for the personnel amounted to EUR 66.5 million (EUR 65.2 million in 2010). An incentive provision of EUR 3.1 million in 2011 (EUR 2.9 million in 2010) for the personnel and management was recorded, inclusive of personnel-related expenses, accounting for 3.6 per cent (3.6 per cent) of personnel costs.

SHARES AND SHARE HOLDERS

The Government is the owner of the entire share capital (10,000,000 shares).

MANAGEMENT AND ADMINISTRATION

Based on the decision of the Annual General Meeting held on 23 March 2011 the dividend of EUR 111 million was paid in two instalments. The first instalment of EUR 52.3 million was paid on 1 April 2011, and the remaining EUR 58.7 million on 1 November 2011.

Based on a proposal by the Board, the AGM decided to establish an occupational well-being fund. EUR 4.0 million were transferred to the fund from the company's distributable profits. The AGM also decided to change the Articles of Association for Alko, so that the upper age limit of 68 years was removed for the Chairman of the Board, Vice Chairman and members.



The AGM elected to the Board of Directors Soili Suonoja as Chairman and Pekka Puska as Vice Chairman. Petri Aaltonen, Arto Honkaniemi, Liisa Leino, Päivi Sillanaukee and Helena Walldén were elected as members of the Board. Maritta Iso-Aho is the secretary to the Board. Personnel representatives Juri Helmiö and Saku Salonen attend the meetings of the Board without the right to vote.

Alko Inc.'s Board of Directors has four committees: these consist of the Executive, Audit, Personnel and Alcohol Policy committees.

The Supervisory Board for 2008–2011 consisted of Chairman Petri Salo, Vice Chairman Markku Rossi and, as members, Janina Andersson, Christina Gestrin, Hanna-Leena Hemming, Reijo Kallio, Saara Karhu, Mikko Kuoppa, Jari Larikka, Heli Paasio, Klaus Pentti and Pekka Vilks. Director Kari Paaso represented the Ministry of Social Affairs and Health in the Supervisory Board. Representation of the Ministry of Social Affairs and Health in the Supervisory Board is decreed by Section 38 of the Alcohol Act. On 21 December 2011 the Government appointed the Supervisory Board for period from 2012 to 2015.

Alko complies, where applicable, with the Finnish Corporate Governance Code issued on 15 June 2010 by the Securities Market Association. In addition, Alko abides by the ownership steering strategy of the Ministry of Social Affairs and Health.

The auditors for the company are the Authorised Accounting Firm KPMG Oy Ab, and the auditor with the main responsibility is Reino Tikkanen, Authorised Public Accountant.

RISK MANAGEMENT

Alko's Board of Directors is responsible for the company's risk management policy and monitors its implementation. The President and CEO, together with the Management Team, ensure that the risk management policy is complied with and risk management is appropriately taken care of.

Alko's risk management means analysing and managing threats related to its activities in a systematic and anticipatory way. The risks are classified into strategic, operational, economic and accident risks.

The company has defined possible risks that may influence its future development and profitability:

- Changes in the Alcohol Act may have a significant impact on the company.
- An increase in the alcoholic beverage tax could lead to more imports of alcoholic beverages by travellers and thus result in a decrease in product demand.
- Responsible customer service forms a central part of Alko's operations, by not selling alcohol to minors or intoxicated people. Possible deviations from this policy will result in a temporary closure of the shop in question.
- The company's business is based on efficient and reliable information systems. Possible malfunctions in the information systems or their incompatibility with business demands may cause interruptions in the business.

PROSPECTS IN THE NEAR FUTURE AND AFTER THIS FINANCIAL PERIOD

Alko estimates that the results for 2012 will be significantly lower than the previous year. The decrease in the result will be due to alcohol tax increases, and decrease in Alko's products' pricing from 1 January 2012. Alko stopped its own glass recycling system from 1st February 2012, which was replaced by a new system organised by Suomen Palautuspakkaus Oy.



BOARD OF DIRECTORS' PROPOSAL ON THE USE OF PROFITS

On 31st December 2011 the parent company had EUR 64.8 million (EUR 129.7) in distributable profit funds, of which the profit for the year accounts for EUR 51.0 million (EUR 115.2 million).

The Board proposes to the Annual General Meeting that the distributable funds be distributed as follows:

	EUR million
distributed as a dividend	50.0
retained under equity	14.8
	64.8

Helsinki, 7th March 2012

The Board of Directors



Income statement, FAS

EUR million	Alko Group		Alko Inc.	
	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Net sales	1,172.7	1,174.9	1,172.3	1,174.8
Other operating income	2.4	1.2	2.4	1.2
Materials and services	-953.9	-957.7	-953.9	-957.7
Total personnel costs	-86.6	-78.3	-86.6	-78.3
Depreciation and write-downs	-5.9	-7.6	-5.9	-7.5
Other operating expenses	-61.8	-60.8	-61.4	-60.6
Operating profit	66.9	71.8	67.0	71.9
Financial income and expenses	2.0	1.6	2.0	1.6
Profit/loss before extraordinary items	68.9	73.3	68.9	73.4
Extraordinary items	-0.5	81.9	-0.5	81.9
Profit/loss after extraordinary items	68.4	155.2	68.5	155.4
Income taxes	-17.4	-40.2	-17.4	-40.2
Minority share	0.0	0.0		
Profit/loss for financial year	51.0	115.1	51.0	115.2

FAS=Finnish Accounting Standards

All figures are rounded, so the sum of the individual figures may deviate from the presented total sum.



Balance sheet, FAS

EUR million	Alko Group		Alko Inc.	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
Assets				
Non-current assets				
Intangible assets	4.1	2.2	4.1	2.2
Tangible assets	41.3	42.2	14.6	15.3
Investments	6.8	7.1	34.1	34.7
Non-current assets	52.2	51.5	52.8	52.2
Current assets				
Inventories	66.6	65.6	66.6	65.6
Non-current receivables	1.6	1.6	1.6	1.6
Deferred tax assets	0.4	0.3		
Current receivables	25.7	23.9	25.7	23.9
Cash in hand and on deposit	122.0	204.9	121.9	204.7
Current assets	216.2	296.3	215.8	295.7
Assets	268.4	347.8	268.6	347.9

Shareholders' equity and liabilities

Total shareholders' equity

Share capital	16.8	16.8	16.8	16.8
Other funds	4.0	4.0	4.0	4.0
Retained profit	13.0	9.8	13.8	10.5
Profit/loss for financial year	51.0	115.1	51.0	115.2
Total shareholders' equity	84.9	145.8	85.7	146.5

Minority share

	0.4	0.4		
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Mandatory reserves

	0.3		0.3	0.0
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Liabilities

Long-term interest-bearing liabilities	0.0	0.0		
Current interest-bearing liabilities	0.0	0.0		
Current non-interest-bearing liabilities	182.8	201.6	182.7	201.4
Liabilities	182.8	201.6	182.7	201.4
Shareholders' equity and liabilities	268.4	347.8	268.6	347.9

FAS=Finnish Accounting Standards



Cash flow statement, FAS

EUR million	Alko Group		Alko Inc.	
	2011	2010	2011	2010
Cash flow from operations				
Profit/loss for financial year	51.0	115.1	51.0	115.2
Adjustments:				
Depreciation and write-downs	5.9	7.6	5.9	7.5
Non-current asset items: sales profits (-)/ losses (+)	0.1	0.6	0.1	0.6
Other income and expenses that do not involve payment		30.6		30.6
Financial income and expenses	-2.0	-1.6	-2.0	-1.6
Income taxes	17.4	40.2	17.4	40.2
Minority share	0.0	0.0		
Other adjustments	0.5	-81.9	0.5	-81.9
Cash flow before change in working capital	72.8	110.5	72.9	110.5
Change in working capital:				
Increase (-) /decrease (+) in inventories	-1.0	5.7	-1.0	5.7
Increase (-) /decrease (+) in current non-interest-bearing accounts receivable	1.0	13.2	1.0	13.2
Increase (+) /decrease (-) in current non-interest-bearing liabilities	1.2	-2.4	1.3	-2.5
Change in provision	0.3	0.0	0.3	0.0
Cash flow from operations before financial items and taxes	74.3	127.0	74.4	127.0
Interest paid and payments on other financial operating expenses	0.0	-0.1	0.0	-0.1
Dividends received from operations	0.0	0.0	0.0	0.0
Interest received from operations	1.8	1.1	1.8	1.1
Other financial items from operations	0.0	0.5	0.0	0.5
Direct taxes paid	-40.1	-20.9	-40.1	-20.9
Cash flow before extraordinary operating items	36.0	107.5	36.1	107.6
Cash flow due to extraordinary operating items	-0.5	51.4	-0.5	51.4
Cash flow from operations	35.5	158.9	35.7	158.9
Cash flow from investments				
Investments in tangible and intangible assets	-7.0	-4.3	-7.0	-4.3
Income from surrender of tangible and intangible assets	0.0	0.0	0.0	0.0
Acquisition of subsidiaries	0.0	-26.6	0.0	-26.7
Sold shareholdings in associates	0.4	0.6	0.4	0.6
Other investments	-0.1	-0.3	-0.1	-0.3
Surrendered income from other investments	0.1	0.2	0.1	0.2
Cash flow from investments	-6.6	-30.3	-6.6	-30.4



ALKO ANNUAL REPORT AND CORPORATE SOCIAL RESPONSIBILITY REPORT 2011

Cash flow statement, FAS

Cash flow from financial operations

Short-term loan withdrawals	0.0	0.0		
Long-term loan repayments	0.0	0.0		
Dividend paid	-111.0	-55.0	-111.0	-55.0
Received and paid Group contributions	-0.9	-1.5	-0.9	-1.5
Cash flow from financial operations	-111.9	-56.5	-111.9	-56.5

Change in financial position

	-82.9	72.1	-82.8	72.1
Financial resources at the beginning of the year	204.9	132.8	204.7	132.7
Change in financial position	-82.9	72.1	-82.8	72.1
Financial resources at the end of the year	122.0	204.9	121.9	204.7



Accounting principles

SCOPE OF THE CONSOLIDATED STATEMENT AND ACCOUNTING PRINCIPLES

The Alko Group includes the parent company and six real estate companies as subsidiaries: Hanko Vuorikatu 9 (58,26%), Nastonharjun Liiketalo (75,6%), Puolangan Keskus (50,48%), Raahen Asemakatu 12 (57,9%), Vuoksenniskan Harjulanrinne (73,08%) and Kiinteistö Oy Arkadiantalo (100%). The capital stock of Kiinteistö Oy Arkadiantalo was purchased in the previous financial year.

The consolidated financial statements are combined from all of the companies in the group. The associated companies are not included in the consolidated financial statements because they are not of material importance to the group's results and financial position.

INTERNAL SHAREHOLDINGS

The consolidated financial statements have been prepared using the purchase method of accounting. The difference between the subsidiaries' acquisition cost and the equity matching the acquired share has, for the most part, been allocated to non-current assets. Depreciation is made according to the depreciation plan for non-current assets.

INTERCOMPANY TRANSACTIONS AND MARGINS

Intra-Group transactions, internal deliveries, internal receivables and payables, as well as internal profits, are eliminated.

MINORITY INTERESTS

Minority interests are separated from the group's equity and profits as a separate item.

COMPARABILITY OF THE FINANCIAL STATEMENTS

The financial statements are comparable.

VALUATION PRINCIPLES

Net sales

Net sales includes excise taxes.

Fixed asset valuation

Fixed assets are stated at cost less planned accumulated depreciation. The planned depreciation has been calculated on a straight-line basis over the useful life of the item concerned. Depreciation has started the month following the date of the introduction of the item. The depreciation plan is the same as in the previous year.

**Depreciation time:**

	years
Buildings	25–40
Construction	20
Machinery and equipment (purchased before 2002)	10
Machinery and equipment (purchased in or after 2002)	7
Machinery and equipment (purchased in or after 2009)	5
Transport equipment	5
Computer hardware	3
Computer software	3
Renovation of shop premises	5

Valuation of inventories

Inventories have been measured with variable costs according to the average price principle.

The value of shop inventories includes an excise duty. The central warehouse in Viinikkala, Vantaa is excise duty free.

Valuation of financial assets

Financial securities are valued at historical cost or, if lower, at the likely price of surrender.

Items denominated in foreign currency

Any receivables and liabilities denominated in foreign currencies are converted into euros at the rate on the last day of the financial year.



Notes to the income statement, FAS

TOTAL OTHER OPERATING INCOME

EUR million	Alko Group		Alko Inc.	
	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Rental income	1.8	0.6	1.8	0.6
Other operating income	0.6	0.4	0.6	0.4
Profit on sale of fixed assets	0.1	0.2	0.1	0.2
Total other operating income	2.4	1.2	2.4	1.2

MATERIALS AND SERVICES

EUR million	Alko Group		Alko Inc.	
	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Purchases during financial period	-951.0	-948.0	-951.0	-948.0
Increase/decrease in inventories	1.0	-5.7	1.0	-5.7
Materials, consumables and supplies	-950.0	-953.7	-950.0	-953.7
Outsourced services	-3.9	-4.0	-3.9	-4.0
Total materials and services	-953.9	-957.7	-953.9	-957.7

TOTAL PERSONNEL COSTS

EUR million	Alko Group		Alko Inc.	
	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Average personnel during the financial year	1926	1991	1926	1991
Total personnel costs				
Wages, salaries and remuneration	-66.5	-65.2	-66.5	-65.2
Pension expenses	-16.4	-9.3	-16.4	-9.3
Other personnel-related expenses	-3.7	-3.8	-3.7	-3.8
Total personnel costs	-86.6	-78.3	-86.6	-78.3

Alko employees whose employment contract started before 31 December 1991 are covered by the supplementary pension system. Their retirement age is 61 years and their pensions are 66% of their salaries.

The OP-Life group pension insurance chosen by the parent company has an additional insurance fund of EUR 20.4 million.

This fund can be used as insurance against supplementary pension index increases and other obligations.



SALARIES, REMUNERATIONS AND FRINGE BENEFITS PAID TO THE MANAGEMENT

EUR million	Alko Group		Alko Inc.	
	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
President and CEO	0.3	0.3	0.3	0.3
Members of the Board	0.2	0.2	0.2	0.2
Supervisory Board wages, salaries and remuneration	0.1	0.1	0.1	0.1
Total	0.6	0.6	0.6	0.6

All the members of the management team are covered by the group pension insurance. The retirement age for the President and CEO and his deputy is 63 years and the pension amounts to 60% of their salaries. For other members of the Management Team, the retirement age is 63 years and the pension is 60% of their salaries, except for the two members of the Management Team, whose retirement age is 61 years and the pension amounts to 66% of their salaries.

DEPRECIATION AND WRITE-DOWNS

EUR million	Alko Group		Alko Inc.	
	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Depreciation according to plan	-5.9	-8.0	-5.7	-7.9
Amortization of goodwill on the Group & reduction of consolidation difference	0.0	0.0		
Depreciation according to plan on non-current assets and goodwill	-5.9	-8.0	-5.7	-7.9
Reversed impairment on non-current asset items	0.0	0.4	-0.2	0.4
Total depreciation and write-downs	-5.9	-7.6	-5.9	-7.5

AUDITOR'S FEES

EUR million	Alko Group		Alko Inc.	
	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
KPMG Oy Ab				
Audit	0.0	0.0	0.0	0.0
Other fees	0.0	0.0	0.0	0.0
Total	0.1	0.1	0.1	0.1



OTHER OPERATING EXPENSES

EUR million	Alko Group		Alko Inc.	
	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Rental expenses	-19.5	-19.6	-19.5	-19.6
Voluntary personnel-related expenses	-4.3	-4.1	-4.3	-4.1
Capital losses on non-current assets	-0.1	-0.8	-0.1	-0.8
Support given	-0.3	-0.3	-0.3	-0.3
Energy	-1.5	-1.4	-1.5	-1.4
Work outfits and equipment	-3.1	-3.1	-3.1	-3.1
Construction and repair services	-2.7	-2.4	-2.7	-2.4
IT services	-6.5	-5.8	-6.5	-5.8
Transport	-6.6	-6.6	-6.6	-6.6
Other outsourced services	-6.1	-6.4	-6.1	-6.4
Communications and marketing	-3.3	-2.9	-3.3	-2.9
Telecommunications	-2.1	-2.1	-2.1	-2.1
Credit card commissions and the handling of cash	-3.1	-2.9	-3.1	-2.9
Other expenses	-2.7	-2.3	-2.3	-2.2
Total other operating expenses	-61.8	-60.8	-61.4	-60.6

FINANCIAL INCOME AND EXPENSES

EUR million	Alko Group		Alko Inc.	
	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Financial income				
Dividends from others	0.0	0.0	0.0	0.0
Income from holdings	0.0	0.0	0.0	0.0
Other interest and financial income from others	2.0	1.6	1.9	1.6
Other financial income	2.0	1.6	1.9	1.6
Total financial income	2.0	1.7	2.0	1.7
Financial expenses				
Other interest and financial expenses	0.0	-0.1	0.0	-0.1
Other financial expenses	0.0	0.0	0.0	0.0
Total of other interest and financial expenses	0.0	-0.1	0.0	-0.1
Total financial expenses	0.0	-0.1	0.0	-0.1
Total financial income and expenses	2.0	1.6	2.0	1.6
Exchange rate profit	0.0	0.0	0.0	0.0
Total exchange rate profit/loss	0.0	0.0	0.0	0.0



EXTRAORDINARY ITEMS

EUR million	Alko Group		Alko Inc.	
	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Extraordinary income, pension fund return of surplus	0.5	81.9	0.5	81.9
Repair reserve for Kiinteistö Oy Helsingin Marskinkulma	-0.3		-0.3	
Extraordinary expenses, pension fund final settlement	-0.7	0.0	-0.7	0.0
Total extraordinary items	-0.5	81.9	-0.5	81.9

DIRECT TAXES

EUR million	Alko Group		Alko Inc.	
	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Income tax on ordinary operations	-17.6	-19.0	-17.6	-19.0
Total income taxes on extraordinary income	0.1	-21.3	0.1	-21.3
Income tax on extraordinary items		0.1		0.1
Changes in deferred tax liabilities and assets	0.0			
Income tax on ordinary operations	-17.4	-40.2	-17.4	-40.2



Notes to the balance sheet, FAS

INTANGIBLE ASSETS

Intangible assets 2011

EUR million	Alko Group			Total
	Development expenditure	Other capitalised expenditure	Advance payments	
Acquisition cost 1 January	0.0	9.4	0.6	10.0
Increase	0.0	0.1	2.6	2.7
Acquisition cost 31 December	0.0	9.6	3.2	12.8
Accumulated depreciation 1 January	0	-7.9		-7.86
Depreciation for financial year	0	-0.9		-0.86
Accumulated depreciation 31 December	0.0	-8.7		-8.7
Book value 31 December	0.0	0.9	3.2	4.1

Intangible assets 2011

EUR million	Alko Inc.		Total
	Other capitalised expenditure	Advance payments	
Acquisition cost 1 January	9.4	0.6	10.0
Increase	0.1	2.6	2.7
Acquisition cost 31 December	9.5	3.2	12.8
Accumulated depreciation 1 January	-7.8		-7.8
Depreciation for financial year	-0.9		-0.9
Accumulated depreciation 31 December	-8.7		-8.7
Book value 31 December	0.8	3.2	4.1



TANGIBLE ASSETS

Tangible assets 2011

EUR million	Alko Group				Total
	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	
Acquisition cost 1 January	13.2	15.9	54.1	0.2	83.4
Increase	0.0	0.0	4.3	0.0	4.3
Decrease	0.0	0.0	-3.7	0.0	-3.7
Acquisition cost 31 December	13.2	15.9	54.6	0.2	84.0
Accumulated depreciation 1 January	0.0	-2.2	-39.1	0.0	-41.3
Accumulated depreciation on decrease and transfers	0.0	0.0	3.6	0.0	3.6
Depreciation for financial year	0.0	-0.2	-4.8	0.0	-5.0
Accumulated depreciation 31 December	0.0	-2.4	-40.3	0.0	-42.7
Book value 31 December	13.2	13.5	14.3	0.2	41.3

Tangible assets 2011

EUR million	Alko Inc.				Total
	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	
Acquisition cost 1 January	0.0	0.1	54.1	0.2	54.4
Increase	0.0	0.0	4.3	0.0	4.3
Decrease	0.0	0.0	-3.7	0.0	-3.7
Acquisition cost 31 December	0.0	0.1	54.6	0.2	54.9
Accumulated depreciation 1 January	0.0	-0.1	-39.0	0.0	-39.1
Accumulated depreciation on decrease and transfers	0.0	0.0	3.6	0.0	3.6
Depreciation for financial year	0.0	0.0	-4.8	0.0	-4.8
Accumulated depreciation 31 December	0.0	-0.1	-40.3	0.0	-40.3
Book value 31 December	0.0	0.0	14.3	0.2	14.6

Acquisition cost does not include upward value adjustments



INVESTMENTS

Investments 2011

EUR million	Holdings in Group's companies	Alko Group		Total
		Holdings in associates	Other shares and holdings	
Acquisition cost 1 January	-0.2	2.9	5.3	8.0
Increase	0.0	0.0	0.1	0.1
Decrease	0.0	-0.4	0.0	-0.4
Acquisition cost 31 December	-0.2	2.5	5.3	7.6
Accumulated write-downs and adjustments to capital proportion 1st January *	0.2	-0.7	-0.4	-0.9
Divestment-accumulated write-downs				
Accumulated write-downs on decrease and transfers	0.0	0.0	0.0	0.0
Write-downs for the period	0.0	0.0	0.0	0.0
Accumulated depreciation 31 December	0.2	-0.7	-0.4	-0.9
Book value 31 December	0.0	1.9	4.9	6.8

Investments 2011

EUR million	Holdings in Group's companies	Alko Inc.		Total
		Holdings in associates	Other shares and holdings	
Acquisition cost 1 January	28.1	2.9	5.3	36.3
Increase	0.0	0.0	0.1	0.1
Decrease	0.0	-0.4	0.0	-0.4
Acquisition cost 31 December	28.1	2.5	5.3	36.0
Accumulated write-downs and adjustments to capital proportion 1st January *	-0.5	-0.7	-0.4	-1.6
Accumulated write-downs on decrease and transfers	0.0	0.0	0.0	0.0
Write-downs for the period	-0.2	0.0	0.0	-0.2
Accumulated depreciation 31 December	-0.7	-0.7	-0.4	-1.8
Book value 31 December	27.4	1.9	4.9	34.1

Acquisition cost does not include upward value adjustments



SHARES

Shares 2011	Parent company's holdings, %	Holding of equity, EUR 1,000	Equity	Number of shares	Nominal value EUR/share	Shares/holdings		Profit/loss according to the latest financial statements, EUR 1,000
						Nominal value 31 December 2010, EUR 1,000 Total	Book value 31 December 2010, EUR 1,000	
Holdings in Group's companies								
Kiinteistö Oy Arkadiantalo	100.00		19,680				26,721	-72.9
Kiinteistö Oy Hanko Vuorikatu 9, Hanko	58.26	0	301	882	168.00	148	188	-12.3
Kiinteistö Oy Nastonharjun Liiketalo, Nastola	75.60	0	227	7,560	1.70	13	100	0.0
Kiinteistö Oy Puolangan Keskus, Puolanka	50.48	0	371	275	56.00	15	118	0.0
Kiinteistö Oy Raahen Asemakatu 12, Raahе	57.90	0	426	14,476	17.00	246	140	-2.3
Kiinteistö Oy Vuoksenniskan Harjulanrinne, Imatra	73.08	1	940	7,308	0.30	2	120	-16.8
Total holdings in Group's companies		1					27,386	-31.4



ALKO ANNUAL REPORT AND CORPORATE SOCIAL RESPONSIBILITY REPORT 2011

Notes to the balance sheet, FAS

Shares 2011	Parent company's holdings, %	Holding of equity, EUR 1,000	Equity	Number of shares	Nominal value EUR/share	Shares/holdings		Profit/loss according to the latest financial statements, EUR 1,000
						Nominal value 31 December 2010, EUR 1,000 Total	Book value 31 December 2010, EUR 1,000	
Holdings in participating interest companies								
Kiinteistö Oy Enon Kauppakeskus, Eno	37.00	0	459	259	5.05	1	118	-0.2
Asunto Oy Juvan Myllynkerä, Juva	31.50	0	472	3,150	0.25	1	150	-7.0
Kaavin Yrittäjätalo Oy, Kaavi	23.20	0	525	348	16.82	6	101	-66.7
Kiinteistö Oy Kaivolankulma, Puumala	36.37	0	292	2,515	67.28	169	100	0.0
Kiinteistö Oy Kannuksen Torinkulma, Kannus	46.03	0	719	2,900	1.68	5	155	0.3
Kiinteistö Oy Mantsintie 1–3, Ilomantsi	28.19	0	386	311	50.46	16	135	-0.1
Kiinteistö Oy Nilsinportti, Nilsjä	31.49	0	1,420	1,606	16.82	27	168	-5.4
Kiinteistö Oy Parikkalan Sahanranta, Parikkala	41.21	0	615	4,121	1.68	7	70	4.2
Asunto-osakeyhtiö Pieksälä, Pieksämäki	26.82	0	548	54,800	1.68	92	84	-189.6
Kiinteistö Oy Pulkkilan Kauppakeskus, Pulkila	49.84	0	547	4,984	0.34	2	70	-41.9
Kiinteistö Oy Saarijärven Paavonaukio, Saarijärvi	29.58	0	503	392	168.19	66	120	0.6
Asunto Oy Sandelsinkatu 4, Helsinki	24.85	0	139	6,835	0.34	2	251	-47.1
Kiinteistö Oy Savitaipaleen Torinkulma, Savitaipale	23.00	0	804	2,300	0.34	1	103	1.7
Kiinteistö Oy Urpala, Rantasalmi	36.88	0	800	2,950	0.34	1	100	1.3
Kiinteistö Oy Äänekosken Torikatu 5, Äänekoski	36.29	0	857	450	16.82	8	130	-2.5
Total holdings in participating interest companies		3					1,855	-352.4



ALKO ANNUAL REPORT AND CORPORATE SOCIAL RESPONSIBILITY REPORT 2011

Notes to the balance sheet, FAS

Shares 2011	Shares/holdings				
	Parent	Number of shares	Nominal value EUR/share	Nominal value 31	Book value 31
	company's holdings, %			December 2010, EUR 1,000 Total	December 2010, EUR 1,000
Other shares and holdings					
Asunto Oy Helsinginkatu 15, Helsinki	17.73	1,773	1.68	3	42
Kiinteistö Oy Karakeskus, Kouvola	4.60	5,013	0.17	1	360
Kaukotalo Oy, Helsinki	6.02	407	50.46	21	471
Kiinteistö Oy Keritori, Kerimäki	9.76	332	1.68	1	63
Kiuruveden Linja-autoaseman Kiinteistö Oy, Kiuruvesi	14.99	2,514	16.82	42	135
Kiinteistö Oy Kolarin Ylläs Chalets VII		122			244
Kontulan Ostoskeskus Oy, Helsinki	9.46	745	68.62	51	673
Kiinteistö Oy Lappeenrannan Brahenkatu 7, L-ranta	15.59	1,216	16.82	20	380
Asunto Oy Nilsiä Tahkokuuri Chalets B		1,805			178
Kiinteistö Oulun Kirkkokatu 14, Oulu	1.43	500	16.82	8	17
Kiinteistö Oy Paltamon Tervahamina, Paltamo	10.00	1,000	1.68	2	100
Kiinteistö Oy Pyhäsalmen Liiketalo, Pyhäsalmi	16.00	288	1.68	0	101
Savonlinnan Linja-autoasema Oy, Savonlinna	10.47	1,540	168.19	259	168
Kiinteistö Oy Siilinjärven Torikalla, Siilinjärvi	19.22	36,520	0.17	6	200
Tahko Golf Club Aoy, A 597					9
Tahko Golf Club Aoy, A 1044					9
Kiinteistö Oy Tampereen Hämeenpuisto 27b, Tampere	1.56	440	17.00	283	38
Tikkurilan Kauppatalo Oy, Helsinki	10.05	1,130	117.73	133	500
Asunto Oy Vuorimiehenkatu 33, Helsinki	15.41	4,445	16.82	75	228
Kiinteistö Oy Ämmänievari, Suomussalmi	1.36	3,915	16.82	66	10
Bostads Ab Östra Esplanadgatan 17, Uusikaarlepyy	19.18	211	1.68	0	22
Vierumäki Golf Garden Oy					488
Vierumäki Golf Garden Oy					38
Vierumäki Chalets					298
Elisa Communications Oyj		23,080			49
Luoston Huolto Oy	1.87	28	8.41	0	3
Luottokunta		1			0
Uusi Oulun Puhelin Oyj		2,160			4
Satakunnan Puhelin Oyj		266			2
Suomen Palautuspakkaus Oy	12.50	150			25
Total other shares and holdings				972	4,854
Other non-itemised shares and holdings (in telephone companies)					46
Total other shares and holdings					4,900
Total shares					34,142



CASH IN HAND AND ON DEPOSIT

EUR million	Alko Group		Alko Inc.	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
Shops' cash registers	16.0	14.3	16.0	14.3
Commercial papers	24.0	53.2	24.0	53.2
Bonds	11.2	17.2	11.2	17.2
Bank accounts	70.7	120.3	70.6	120.1
Total	122.0	204.9	121.9	204.7

BOND MARKET AND BOOK VALUE DIFFERENCE

EUR million	Alko Group		Alko Inc.	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
Financial securities' market value	11.6	17.2	11.6	17.2
Financial securities' book value	11.2	17.2	11.2	17.2
Difference	0.4	0.0	0.4	0.0

INVENTORIES

EUR million	Alko Group		Alko Inc.	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
Finished products and goods	66.3	65.2	66.3	65.2
Advance payments on inventories	0.4	0.3	0.4	0.3
Total inventories	66.6	65.6	66.6	65.6
Non-current other receivables	1.6	1.6	1.6	1.6
Other	1.6	1.6	1.6	1.6
Total	1.6	1.6	1.6	1.6

CURRENT RECEIVABLES

EUR million	Alko Group		Alko Inc.	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
Accounts receivable	20.2	18.9	20.2	18.9
Current receivables (from others)	5.5	5.0	5.5	4.9
Other	0.0	0.0	0.0	0.0
Total	25.7	23.9	25.7	23.9
Current receivables	25.7	23.9	25.7	23.9



MAJOR ITEMS IN PREPAID EXPENSES AND ACCRUED INCOME

EUR million	Alko Group		Alko Inc.	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
Income tax receivable	2.7		2.7	
Lunch vouchers	0.4	0.5	0.4	0.5
Social Insurance Institution compensation for occupational health care	0.6	0.5	0.6	0.5
Collection system payments	0.6	0.6	0.6	0.6
Interest receivables	0.4	0.2	0.4	0.2
Change money in transit	0.1	0.1	0.1	0.1
Trade invoiced in different period as received	0.4	2.1	0.4	2.1
Statutory insurance premiums	0.0	0.6	0.0	0.6
Current receivables	0.3	0.3	0.3	0.3
Total	5.5	5.0	5.5	4.9

DISTRIBUTABLE EARNINGS

EUR million	Alko Group		Alko Inc.	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
Retained profit			14.7	16.0
Profit/loss for financial year			51.0	115.2
Transfer to other funds				-4.0
Donations			-0.9	-1.5
Total adjustments			-0.9	-5.5
Distributable earnings			64.8	125.7

MANDATORY RESERVES

EUR million	Alko Group		Alko Inc.	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
Other short-term provisions			0.3	
Short-term provisions			0.3	

LONG-TERM LIABILITIES

EUR million	Alko Group		Alko Inc.	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
Long-term liabilities				
Interest-bearing				
Liabilities to other	0.0	0.0		
Long-term interest-bearing liabilities	0.0	0.0		



CURRENT LIABILITIES

EUR million	Alko Group		Alko Inc.	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
Loans from financial institutions	0.0	0.0		
Accounts payable	148.5	145.3	148.4	145.3
Accrued expenses and deferred income	18.3	39.0	18.2	38.9
Other liabilities	16.0	17.3	16.0	17.2
Advances received		0.0		
Total	182.8	201.6	182.7	201.4
Current liabilities	182.8	201.6	182.7	201.4
Debts to Group companies:				
Short-term debts to group companies				0.0
Total				0.0

MAJOR ITEMS IN ACCRUED EXPENSES AND DEFERRED INCOME (non-current and current)

EUR million	Alko Group		Alko Inc.	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
Payroll timing items, including social insurance costs	17.6	17.3	17.6	17.3
Timing of employer insurance	0.2	0.8	0.2	0.8
Timing of income tax		20.0	0.0	20.0
Other current accrued expenses and deferred income	0.5	0.9	0.4	0.8
Total	18.3	39.0	18.2	38.9

CHANGE IN SHAREHOLDERS' EQUITY 2010

EUR million	Alko Group			
	Share capital	Other funds	Profit funds	Total
Equity 1 January	16.8	0.0	70.3	87.2
Distribution of dividend			-55.0	-55.0
Direct entry into profit funds			-1.5	-1.5
Transfers between items		4.0	-4.0	0.0
Profit for financial year			115.1	115.1
Total equity 31 December 2010	16.8	4.0	124.9	145.8

CHANGE IN SHAREHOLDERS' EQUITY 2011

EUR million	Alko Group			
	Share capital	Other funds	Profit funds	Total
Equity 1 January	16.8	4.0	124.9	145.8
Distribution of dividend			-111.0	-111.0
Direct entry into profit funds			-0.9	-0.9
Profit for financial year			51.0	51.0
Total equity 31 December 2011	16.8	4.0	64.1	84.9



CHANGE IN SHAREHOLDERS' EQUITY 2010

EUR million	Alko Inc.			Total
	Share capital	Other funds	Profit funds	
Equity 1 January	16.8		71.0	87.8
Distribution of dividend			-55.0	-55.0
Direct entry into profit funds			-1.5	-1.5
Transfers between items		4.0	-4.0	0.0
Profit for financial year			115.2	115.2
Total equity 31 December 2010	16.8	4.0	125.7	146.5

CHANGE IN SHAREHOLDERS' EQUITY 2011

EUR million	Alko Inc.			Total
	Share capital	Other funds	Profit funds	
Equity 1 January	16.8	4.0	125.7	146.5
Distribution of dividend			-111.0	-111.0
Direct entry from profit funds			-0.9	-0.9
Profit for financial year			51.0	51.0
Total equity 31 December 2011	16.8	4.0	64.8	85.7

Securities given, contingent and other liabilities
Other securities given

LEASING LIABILITIES

EUR million	Alko Group		Alko Inc.	
	2011	2010	2011	2010
Payable the following the year	0.3	0.3	0.3	0.3
Payable later	0.3	0.3	0.3	0.3
Total	0.7	0.5	0.7	0.5

The leasing contracts are predominantly 3-year contracts with redemption items 0.0 0.1 0.0 0.1

RENTAL LIABILITIES

EUR million	Alko Group		Alko Inc.	
	2011	2010	2011	2010
Payable the following the year	17.8	16.7	17.8	16.7
Payable later	88.9	83.3	88.9	83.3
Total	106.7	100.0	106.7	100.0

* Land and water area possible depreciations include write-offs for the row



Key figures

EUR million	Alko Group			Alko Inc.				
	2011	2010	2009	2011	2010	2009	2008	2007
Net sales	1,172.7	1,174.9	1,170.3	1,172.3	1,174.8	1,170.2	1,133.4	1,067.5
Operating profit	66.9	71.8	74.5	67.0	71.9	74.6	71.5	70.9
Proportion of net sales, %	5.7	6.1	6.4	5.7	6.1	6.3	6.3	6.6
Profit before extraordinary items, voluntary provisions and income taxes	68.9	73.3	76.6	68.9	73.4	76.7	74.5	73.7
Proportion of net sales, %	5.9	6.2	6.5	5.9	6.3	6.6	6.6	6.9
Profit before extraordinary items and income taxes	68.4	155.2	76.6	68.5	155.4	76.7	74.5	73.7
Proportion of net sales, %	5.8	13.2	6.5	5.8	13.2	6.6	6.6	6.9
Return on equity, %	44.2	46.5	65.2	44.4	46.5	65.2	64.3	67.5
Return on investment, %	59.1	62.8	88.2	59.4	62.8	88.2	87.4	91.7
Equity ratio, %	31.9	42.0	32.2	31.9	42.1	32.2	33.7	35.3
Current ratio	1.2	1.5	1.3	1.2	1.5	1.3	1.3	1.3
Gross investment in fixed assets	7.1	30.7	4.2	7.1	30.7	4.2	9.0	12.6
Proportion of net sales, %	0.6	2.6	0.4	0.6	2.6	0.4	0.8	1.2
Average number of personnel during the financial year	2,624	2,606	2,641	2,624	2,606	2,641	2,640	2,609

Return on equity, %	(Profit before extraordinary items – income taxes of the actual operations) x 100 Equity (average*)
Return on investment, %	(Profit before extraordinary items + financial expenses for current liabilities) x 100 Balance sheet total (average*) – non-interest-bearing liabilities (average*)
Equity ratio, %	Equity x 100 Balance sheet total – advances received
Current ratio	Inventories + Financial assets Current liabilities

*) Averages have been calculated as the averages of the final monthly balances.



The Board of Director's proposal about the distribution of profit and Auditor's report

On 31 December 2010, the parent company had EUR 64,834,949.82 in distributable profit funds, of which the profit for the year amounts to EUR 51,024,498.54.

The Board proposes that the distributable funds be distributed as follows:

– distributed as a dividend	50,000,000.00 EUR
– retained under equity	14,834,949.82 EUR
	64,834,949.82 EUR

No substantial changes have taken place in the company's financial situation since the end of the financial year. The company's liquidity is good and, in the opinion of the Board, the proposed distribution of profit does not put the company's liquidity at risk.

Helsinki, 7 March 2012

Soili Suonoja,
Chairman

Pekka Puska

Petri Aaltonen

Arto Honkaniemi

Liisa Leino

Päivi Sillanaukee

Helena Walldén

Jaakko Uotila
President and CEO

Auditor's report

A report has been given today on the audit carried out.

Helsinki, 7 March 2012

KPMG Oy Ab

Reino Tikkanen
APA



Statement by the Supervisory Board

The Supervisory Board of Alko Inc. has studied the company's financial statements and auditors' report for 2011 and proposes to the 2012 Annual General Meeting that the company income statement and balance sheets for the 2011 financial year be approved. The Supervisory Board agrees with the Board of Directors' proposal for disposal of the profits.

Helsinki, 8th of March, 2012

Sari Sarkomaa

Eila Tiainen

Timo Heinonen

Anne Holmlund

Reijo Hongisto

Arja Juvonen

Saara Karhu

Mats Nylund

Heli Paasio

Leena Rauhala

Markku Rossi

Simo Rundgren



The environment

For the staff at Alko environmental concern is not just a catchy phrase or a fad, it is part of everyday life. We ensure that the empty beverage containers that our customers return are recycled. In addition to beverage containers, we also recycle transport items such as pallets, plastic wrappings and cardboard boxes. For example part of the plastic pallet wrappings are used as raw material for plastic bags. Drinks are not transported at random, rather the transports combine as much to carry in one load as possible. This saves staff time and reduces costs and negative effects on the environment.

Our customers have become more aware and interested in the environmental impacts of the products than before and want to influence them through their own choices. There is a growing interest in organic and ethical trade products.

The best environmental ideas often occur in the everyday routines of the workplace. Big changes are not always needed, even small improvements can accomplish a great deal. Good practices can then be applied in other stores as well. Good practices also pay off in other ways. Once people become used to recycling at work the same principles are also often applied at home.



Alko in society

Alko endeavours to fulfil its role as sole-right retailer of alcohol to the best of its ability. Customer satisfaction with Alko's services is an indispensable requirement for the company's operations. The level of customer service is monitored on a regular basis with benchmarks and developed on the basis of the findings. Customer expectations concerning Alko and its services have increased year by year. Alko wants to respond to these expectations by providing more individualised and increasingly varied services for its customers.

Alko makes a contribution to advancing moderate ways of using alcohol and also disseminates information on the harmful effects of the use of alcohol. The company acts both on its own and in cooperation with other parties in order to prevent the harmful effects of the consumption of alcohol and to curb consumption.



Quality and product safety

Products sold at Alko are highly researched, safe and of high quality.

Quality is an overall process which starts with purchasing. The product quality is determined using sensory analysis, which is done by skilled quality control product specialists. Product safety and quality is also ensured using chemical and microbiological means of analysis.

In the laboratory, we ensure that the products meet the requirements defined in legislation and serve our customers by providing additional information on the properties of the beverages such as the presence of additives such as sweeteners. We also test the drinks at regular intervals for possible contaminants such as allergy-causing substances. All the products sold at Alko go through the entire quality control process and are reviewed regularly in the laboratory.

The Alcohol Control Laboratory is the official European Union designated laboratory (so- called Notified Body) for the testing of alcohol. It is the only officially approved testing laboratory in Finland for alcoholic beverages. When an official analysis of an alcoholic beverage is required in Finland, then the Alcohol Control Laboratory will conduct the testing.



The committed professional

The commitment and expertise of our staff are the greatest contributors to the success of our strategy. The aim of Alko's personnel management is to ensure that each of its employees values his/her work, is ready to serve, and is competent and committed.

This means paying more attention to service orientation when choosing new employees. It also means substantial investment to improve the expertise and service skills of the personnel and maintaining the safety and ergonomics of the workplace. Good supervisory practices ensure that the number and quality of our personnel meet the requirements for customer service and responsible, efficient operations. The supervisor of the year chosen for 2011 was Seppo Metsola, who received votes from both his current and former subordinates. He was also supported by his own colleagues.



Responsibility in procurement

Alko takes responsibility for working conditions, human rights issues, the environment and anti-corruption measures. The goal is that all the products we sell are produced under socially and ethically acceptable terms and conditions.

The Nordic alcohol monopolies work in close partnership with the aim of developing a sustainable supply chain for alcoholic beverages. This has resulted in a Code of Conduct that is included in all supplier agreements as from the beginning of 2012. The Code of Conduct is based on international agreements.

Compliance with the Code of Conduct is important – our customers and stakeholders require that human rights issues are respected, that proper working conditions are provided and that unnecessary pollution is avoided in the production of the beverages we sell.



Responsibility in customer service

Responsible operations are a priority for Alko, and sales supervision is one of the many sub-sectors of responsibility we are constantly developing. The number of age-limit checks has not been increasing substantially any more, and the focus in age-limit control has shifted towards ensuring consistency. Our aim is to ensure that the same proportion of checks is carried in all shops in relation to the number of customer visits and customer structure – with a view to uniform quality and customer service considerations.