



Responsible and service-oriented



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In 2012, Alko's 350 shops served nearly 62 million customers.



Welcome to Alko's online Annual Report and Corporate Social Responsibility Report 2012

Alko is a responsible and service-minded company specialising in the sale of alcoholic beverages. In this Annual Report and Corporate Social Responsibility Report we will describe the year 2012 and our responsible actions.

In the Alko as a Company section there is information on Alko 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 2012 Annual Report and Corporate Social Responsibility 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.
- Print or save complete reports 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 in brief

Alko provides service in a responsible manner

Alko is owned by the Finnish State. The company's purpose is to carry out the retail sale of alcoholic beverages, in such a way that it takes into account the harmful effects of the products in its sales operations. 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. in law.

Alko was founded on 5 April 1932. The year 2012 was the company's 80th year of operation.

We offer quality products from a diverse selection at our shops. Alko's network of shops and complimentary order points cover the whole of Finland.

Year 2012

	2012	2011
Stores	350	348
Order points	107	110
Customers (millions)	61.7	62.3
Products in main product range	2,180	2,100
Company service stores	21	21

Key economic indicators, (EUR million)	2012	2011	2010
Turnover	1,207.2	1,172.3	1,174.8
Turnover without alcohol tax	590.7	601.0	591.5



Our service network has broadened and been renewed



Alko's sales network consisted of 350 shops at the end of 2012. Service was also provided to customers at 107 separate order points. In localities where there are no Alko shops, customers can order and collect alcoholic beverages from the order points.

During 2012 three new shops were established

- at Helsinki Vantaa airport
- at Pakila in Helsinki
- at the Market Hall in Turku

Alko renewed the appearance of 25 shops and 18 shops moved premises. Building work was carried out in 17 shops.

Our sales network is divided administratively into eleven areas. There were **2,594** employees working in Alko shops at the end of 2012.

Alko's shops were visited by 61.7 million customers in 2012. Alko also serves numerous business customers. For this purpose there are 21 special company service stores. Alko's company service stores are located in the capital region, in large towns and in holidaying areas close to downhill skiing centres.

Alko's head office is located in Salmisaari in Helsinki. There were 135 employees working at the head office on 31 December 2012. There were 27 people altogether working in Alko's regional offices.



Review by the President and CEO



Alko's net sales in 2012 increased by almost three percent mainly due to the increases in taxes on alcoholic beverages. The overall result, of EUR 44.4 million, was significantly lower than the previous year due to changes in pricing, but was however, better than expected.

We are very proud of the fact that in 2012 Alko achieved its aim of becoming the number one retail chain in terms of customer satisfaction and responsibility. Our strengths are friendliness, our service attitude and expertise.

Good service comes from our shop staff and their encounters with our customers - and this can also be seen in our levels of job satisfaction. Another strategic goal is to build towards making Alko the best working community in Finland. The personnel's level of commitment at Alko has risen again in comparison with the previous year and is higher than that for the retail sector in general. We have achieved this through a variety of means. In addition to product training, we have focused on developing communication skills of the supervisors and teams, as well as improving the atmosphere in the working place.

The network of shops was developed further. Three new shops were launched, and in addition to them 18 shops changed location and 25 received a new look. Work on generating and testing ideas for shop and customer service concepts is ongoing. Over 700 new products joined our already approximately 2,700 strong product range. The quality and safety of our products is first class. This is guaranteed through our sensory based quality control, as well as our accredited laboratory, which celebrated its 40 year anniversary.

The management of large volume flows in our business requires streamlined processes and information systems. Our financial and logistics project aims to automate and verify the management of information and material flows, and to free up time for shop staff for customer service. The development work was carried out throughout the year in 2012, and the financial system was introduced in early 2013.



One area of priority regarding responsible sales at Alko is age limit checks, which have increased in number by almost five percent. With respect to responsible purchasing our suppliers signed "code of conduct" contracts covering our entire product range, and supplier audits were initiated. As for the environment, we prepared a comprehensive environmental certification covering our entire shop chain. Communications focusing on responsibility included, among other things, the "In the Company of Children" programme that reaches from one to two million citizens in a year according to a survey.

Alko's sales by volume accounted for about a third of all documented consumption of alcohol in Finland. Alko's share of the alcohol sold in Finland grew by one percentage point compared to the previous year. Alcohol consumption has begun to decline in general, and the total consumption of alcoholic beverages, converted to 100% alcohol, was 9.6 litres per person in Finland.

Alko's role in limiting the harmful effects of alcohol is important, and it continues to receive strong support from the Finnish population. More than 80 percent of citizens are in favour of, or would like to further tighten the existing alcohol policy restrictions. Essential to our acceptability is the fact that we continually improve our customer service and corporate social responsibility.

As Alko's appointed CEO and President from the beginning of 2013 I would like to thank the staff for their warm reception and support. On behalf of myself and our previous CEO and President Jaakko Uotila I would also like to thank all of our stakeholders for their roles in achieving the results for 2012.

Hille Korhonen

President and CEO



Best retailer in Finland



Alko's mission is the responsible sales of alcoholic drinks and good customer service together with economic efficiency all in mutual balance. We aim to be the best retailer in Finland in responsible operations and customer service.

Our operations are guided by strategic aims and our common values. The strategy was revised in June 2012. Its main sectors are:

- comprehensive social responsibility and deepening of stakeholder cooperation
- creating an individual customer experience
- to be Finland's best working community
- developing the quality of operations and ensuring efficiency



Alko employees have five value pledges: Responsibility, Succeeding together, Result orientation, Customer service and Expertise. The company takes responsibility for the harmful effects of alcoholic beverages. Alko emphasises comprehensive responsibility: responsibility for personnel, quality and safety of products, responsible procurement and environmental responsibility are key sectors of the strategy.

Our strategic aims and values are evident in e.g. the company performance card, [our incentive scheme](#) and project portfolio. The indicators of the performance card and incentive scheme extensively represent our strategic approach. [The project portfolio](#) defines the company's strategically important projects. The project portfolio model provides strong encouragement for working together and achieving joint objectives.



Strategic projects

Corporate social responsibility and stakeholder cooperation

We are developing our corporate social responsibility at Alko through an initiative, in which we take particular account of stakeholder expectations. The most important aspect from the Finnish alcohol policy perspective is to prevent the harmful effects of alcohol in advance through our actions. We are also constantly developing the environmental aspects related to our stores. Additionally, our responsible purchasing processes comply with the UN Global Compact principles. We are developing this area within the entire supply chain for alcoholic beverages.

In 2012, the initiative consisted of numerous projects and processes. In these we are developing ways to prevent the harmful effects of alcohol. We are also developing the management of a responsible supply chain through the BSCI system and developing towards ISO 14001 certification in our environmental areas of responsibility. The "In the Company of Children" programme is also part of the initiative.

Customer experience

At Alko we aim to raise the already excellent customer experience to a new level: to achieve the highest level in Finland. To this end, we have a development project that aims to create both an individualised service and to ensure the highest levels of expertise available to the customer. The development is based on a better understanding of the customer, so for this purpose recent research data plays a key role.

The project consists of dozens of activities, that jointly develop service, expertise, the look of the shops and the product range – all taking into account the customer's perspective as well as possible.

In 2012, completed measures in the project included, among other things, a new customer service training programme, a set of taste styles and other information expressed in a colourful graphic informative manner.

Multi-channel service network

In this project we are assessing all of Alko's current sales and service channels, finding out about our customers' expectations and creating a model for Alko's future multi-channel service network. In drafting the model we are examining Alko's opportunities for combining traditional and electronic channels taking into consideration the basic task defined for Alko in the Alcohol Act.



The best workplace in Finland - project for occupational well-being

This project aims at the long-term development of well-being in the workplace. Well-being at work contributes to making the work itself run more smoothly and towards helping the working community and working environment to function better, and towards the health of the employees, as well as improving skills and leadership.

In 2012, we invested in skills, leadership and the development of working communities. The company wide "Ilona" training project for the entire staff began in 2012 and will continue until 2014. Alko became a smoke free workplace on 1 March 2012 and we supported giving up smoking in a number of ways.

Financial and logistics IT development project

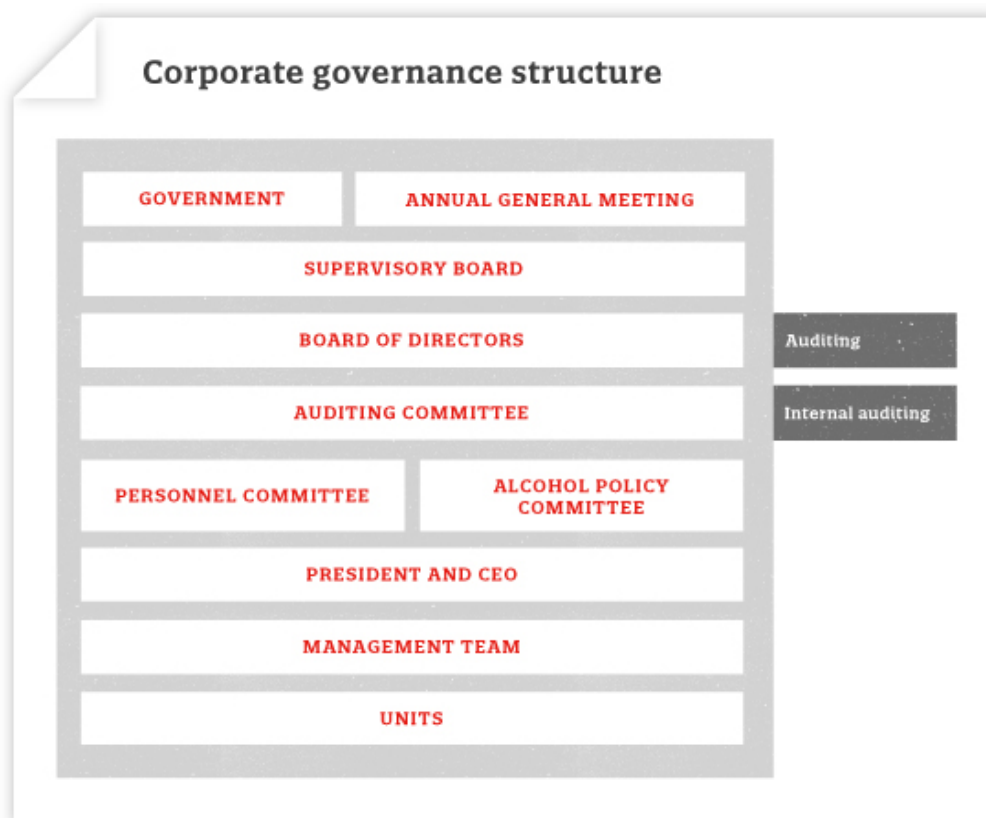
This project is aimed at renewing and developing our financial and logistic information systems. The basic aim of the project is to replace the existing logistics and financial management information systems. The systems renewal also provides the opportunity to develop the functionality and business processes of the order and supply chain and financial information system. The new information systems will provide an effectively integrated solution, which will be capable of serving business processes more efficiently.



Alko Inc.'s 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. as a whole.](#)





Annual General Meeting and Supervisory Board

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 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 operation
- 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.



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



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 statement
- 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.



On 13 April 2012 the Annual General Meeting elected Soili Suonoja as Chairman to Alko's Board of Directors and Pekka Puska as Vice Chairman. Sari Aalto-Matturi, Arto Honkaniemi, Leila Kostinen, Matti Pörhö and Päivi Sillanaukee were elected as members of the Board. Päivi Sillanaukee resigned from Alko Board on 30 September 2012 after her appointment as Permanent Secretary of the Ministry of Social Affairs and Health. Personnel representatives Juri Helmiö and Saku Salonen will attend the meetings of the Board of Directors without the right to vote.

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 Arto Honkaniemi works for the Ownership Steering Department of the Prime Minister's Office. Participating in Board meetings are President and CEO Hille Korhonen, Executive Vice President (Finance) Minna Alitalo and Executive Vice President (Corporate Relations) Maritta Iso-Aho as Secretary to the Board.



Board of Directors



Soili Suonoja

b. 1944

Chairman
Commercial Counsellor
Member of the Board since
2004



Pekka Puska

b. 1945

Vice Chairman
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



Sari Aalto-Matturi

b. 1966

Member of the Board
Licentiate in Political
Science
Executive Director
Ehkäisevä päihdetyö EHYT
ry
Member of the Board since
2012



Arto Honkaniemi

b. 1946

Member of the Board
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



Leila Kostinen

b. 1950

Member of the Board
Master of Laws
Secretary General of The
Finnish Confederation of
Professionals STTK
Member of the Board since
2012



Matti Pörhö

b. 1952

Member of the Board
Commercial Counsellor
President and CEO
Pörhön Autoliike Oy
Member of the Board since
2012



Päivi Sillanaukee
b. 1964
Member of the Board
Doctor of Medicine
Director-General,
Ministry of Social Affairs
and Health
Member of the Board since
2010 (until 30.9.2012)



Juri Helmiö
Personnel representative
b. 1952
Chairman of Alkoholialan
Toimihenkilöt ry



Saku Salonen
Personnel representative
b. 1977
Chairman of
Alkoholikaupan
Ammattiliitto ALV ry



Committees of the Board of Directors

Alko Inc.'s Board of Directors has three committees: the 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.

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 Leila Kostiainen, members Arto Honkaniemi and Soili Suonoja, Presiding Officers Hille Korhonen 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 Remuneration Committee consists of Chairman Matti Pörhö, member Soili Suonoja, Presiding Officer Hille Korhonen 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 member Sari Aalto-Matturi and expert Ismo Tuominen (Ministry Representative) and Hille Korhonen, with Maritta Iso-Aho as Secretary.



Management


President & 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.

The retirement benefits of President and CEO Hille Korhonen are determined in line with the Employees Pensions Act (TyEL). 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, she must be paid dismissal compensation corresponding to six month's salary if the termination of employment is through no fault of her 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 Hille Korhonen, 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 in  [Alko Inc's Corporate Governance](#).

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.



Hille Korhonen
b. 1961



Minna Alitalo
b. 1962



Maritta Iso-Aho
b. 1964



President and CEO
Chairman of
the Management Team
Licentiate in
Technology
Joined the company in
2013

Master of Economics
and Business
Administration
Joined the company in
2009

Executive Vice President,
Corporate Relations
Master of Administrative
Sciences, eMBA
Joined the company in 2008



Tiina Lukkari
b. 1954
Executive Vice
President,
Purchases
Master of Philosophy
Joined company in
1989



Mika-Pekka Miettinen
b. 1964
Executive Vice
President,
Communications and
Marketing
Master of Economics
and Business
Administration
Joined company in
1999



Kari Pennanen
b. 1964
Executive Vice President,
Customer Services
Master of Social Sciences, eMBA,
Certified Real Estate Manager
Joined company in 1989



Erkki Tommila
b. 1961
Executive Vice
President,
Personnel
Master of Education
Sciences, eMBA
Joined company in
1996



Jaakko Uotila
b. 1949
President and CEO
(ending 31.12.2012)
Qualified Chemist



Benefits, bonuses and remuneration

The Annual General meeting has decided that a monthly remuneration will not be paid to members of the Supervisory Board from 1 May 2012. The Annual General Meeting has decided upon the following meeting fees for the Supervisory Board:

- Chairman's meeting fee: EUR 1,000
- Vice Chairman's meeting fee: EUR 800
- Members' meeting fee: EUR 700

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 2012 incentive bonus is set at most to 32% of the annual salary. The 2013 incentive bonus is set at most to 15% 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 groupspecific rewards. The 2011 incentive bonus is, depending on the job concerned, limited to 6 - 12% of the annual salary. More information on [benefits, bonuses and remuneration](#).



Salaries and remuneration 2012

The Annual General Meeting decided on 23 March 2011 on the Supervisory Board's remuneration for the period starting from 1 January and ending on 30 April 2012 as follows:

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

The Annual General Meeting decided, on 13 April 2012, in line with the Government's state ownership policy decision dated 3 November 2011, that a monthly remuneration will not be paid to members of the Supervisory Board from 1 May 2012. Meeting fees are paid to Supervisory Board members who are present at a meeting as follows:

- Chairman of the Supervisory Board EUR 1,000
- Vice Chairman of the Supervisory Board EUR 800
- Member of the Supervisory Board EUR 700

The Supervisory Board convened five times in 2012 and its members were in attendance as follows:

Member of the Supervisory Board	Participation in Meetings, %
Sari Sarkomaa, Chairman	100
Eila Tiainen, Vice Chairman	100
Timo Heinonen	60
Anne Holmlund	100
Reijo Hongisto	100
Arja Juvonen	80
Saara Karhu	100
Mats Nylund	100
Heli Paasio	60
Leena Rauhala	100
Markku Rossi	100
Simo Rundgren	100
In total	92



The Annual General Meeting has decided on the following fees for the Board of Directors in 2012:

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

The Board convened 12 times and its members were in attendance as follows:

Member of the Board	Participation in meetings, %
Soili Suonoja, Chairman	100
Pekka Puska, Vice Chairman	92
Sari Aalto-Matturi *)	100
Arto Honkaniemi	100
Leila Kostiainen *)	89
Matti Pörhö *)	89
Päivi Sillanaukea **)	89
Petri Aaltonen ***)	100
Liisa Leino ***)	60
Helena Walldén ***)	100
In total	95

*) Member of the Board from 13 April 2012

**) Member of the Board until 30 September 2012

***) Member of the Board until 13 April 2012

Board members participated in all meetings of committees appointed by the Board.



Management team and staff incentive system

Alko's incentive system supports the attainment of strategic aims. The Board decides annually on the principles of staff and management team incentives and performance targets on the basis of a proposal by the Staff Committee. The Board approves annually the paid remuneration.

The management team's incentive system is based on aims taken from the company scorecard (customers, responsibility, staff and operational efficiency) and indicators for monitoring their realisation and strategic personal development targets. In 2012 the incentive pay amounted to a maximum of 32% annual salary. In 2013 the incentive pay amounted to a maximum of 15% annual salary.

The purpose of the staff incentive system is to encourage Alko staff to work to achieve the strategic objectives (customers, responsibility, staff and operational efficiency). The idea is that incentive rewards are awarded by team. In 2012 the incentive pay amounted to a maximum of 6 to 12% of annual salary.

The basis for the incentive are the demands set by each task, work experience and job performance. In addition, achieving performance targets, competence development and participation in operational development are rewarded.



Remuneration of the President and CEO and the management team

The Remuneration Committee decides on remuneration for the President and CEO and the Management Team.

	Total salary, euros		Short term incentive, paid annually, euros		Total salary, euros	
	2012	2011	2012	2011	2012	2011
President and CEO Jaakko Uotila	297,806	262,945	69,562	48,441	367,368	311,386
The rest of the Management Team	853,965	779,065	198,267	144,889	1,052,232	923,954
In total	1,151,771	1,042,010	267,829	193,330	1,419,600	235,340

	Retirement age	Retirement benefits	Period of notice	Severance pay in addition to pay for the period of notice
President and CEO *) Jaakko Uotila	63 years	60 % of annual wages serving as the basis for the calculation of pension, calculated on the basis of wages of the last ten years	By President and CEO 6 months and by the company 6 months	6 months salary

The rest of the Management Team	Two members 61 years	66 % of annual wages serving as the basis for the calculation of pension	By Management Team Member 3 months and by the company 4-6 months	-
	Four members Retirement age is in line with earnings-related pension scheme legislation	TyEL insurance and additional pension based on 10% of annual salary		



Annual payments of additional pensions

	2012, euros **)	2011, euros
President and CEO Jaakko Uotila	85,280	189,413
The rest of the Management Team	90,702	87,296
In total	175,982	276,709

*) The pension of Hille Korhonen, who was appointed President and CEO from the start of 2013 will be determined in line with Employees Pensions Act (TyEL).

**) Assessment based on advance payment, to be finalised in April 2013



Internal Supervision, Risk Management and Internal Auditing

External supervision

The Ministry of Social Affairs and Health supervises compliance with the Alcohol Act and the rules and regulations issued under the Act. The National Supervisory Authority for Welfare and Health, Valvira, reports annually to the European Commission on how fully Alko, 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. Alko's decisions concerning the trading of alcoholic beverages can be appealed to Valvira, to the Administrative Court and further to the Supreme Administrative Court.

Internal supervision

The Management Team is responsible for the internal supervision of Alko. The purpose of internal supervision is to ensure that operations are appropriate and efficient, that financial and operational reporting is reliable, and that regulations and operating principles are being complied with. The most important aspects of internal supervision include: management methods and organisational culture; reporting and internal communications; and monitoring and supervision.

Alko's financial reporting and related supervision have three sectors:

- 1) efficient but high-quality registration and processing of business transactions,
- 2) compliance with financial reporting regulations and
- 3) financial reporting on business operations and decision making.

The company reporting is based on Finnish Accounting Standards (FAS), accounting rules for internal reporting and the company financial rules. Alko Finance is responsible for developing the financial reporting process and supervision of the process and compliance with law and regulations concerning financial reporting. The company CFO reports on the financial result and forecasts of the company at meetings of the Auditing Committee and the Board of Directors. Alko's values, business practices and equality guidelines, as well as its instructions on retail sales and on the listing of alcoholic beverages in its product range form the basis of the company's management and cooperation with its 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 appropriately arranged. Alko's risk management is based on systematic and anticipatory analysis and the control of opportunities and threats related to the company's activities. Alko's risks are divided into strategic, operational, financial and accident risks.

Internal auditing

The company's internal auditing assesses, in accordance with operating principles approved by the Board of Directors, the sufficiency and effectiveness of supervision in different parts of Alko as well as risk management, operational quality and the management process. Internal auditing is an independent function that administratively falls within the authority of the 1st Vice CEO and reports to the Board of Directors.



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 13 August 2012 and the Government Resolution on State Ownership Policy given on 3 November 2011.

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.fi. 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 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 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 (646/2011)
- Council of State Decision on packaging and packaging waste (962/1997)
- The Government Decree on refund systems of some packaging containers (180/2005)

Alko'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 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.

In 2011 the Ministry of Social Affairs and Health started preparatory work for the comprehensive reform of the Alcohol Act in line with the Government Programme.

The Ministry gave Valvira, the National Supervisory Authority for Welfare and Health, an assignment to draw up a list of changes needed in the Alcohol Act arising from supervision and execution of the alcohol legislation. The National Institute for Health and Welfare (THL) will also draw up a report on current alcohol consumption, its harmful effects and methods used to fight the harmful effects of alcohol consumption. Alko has participated in the work of the advisory boards mapping the needs for change on invitation from Valvira.



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.



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Alko's annual report and corporate social responsibility report 2012 have been published both in English and Finnish.

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The English Centre



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.

Pricing coefficients

Alko's sales margin covers the expenses of retail sales and its administration as well as the company's operating profit. The sales margin is included in the product's retail price by using pricing coefficients. More information on the pricing coefficients in [the Listing procedure and retail sale of alcoholic beverages -publication.](#)



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



In many of our customers' opinion service truly lives at Alko. We believe that our customers find their experience of Alko stores, as well as the product range and services that Alko provides, better than ever and more so increasingly. Our goal is to provide services that exceed our customers' expectations and to act so that the impression that our customers gain of Alko is even more positive than before.



How we developed our customer service at Alko in 2012

In 2012, we focused more than ever on the customer. It is important for the sellers to understand how the customer experiences the service, how the customer thinks and feels. In a customer service situation, the seller must be able to "jump into the customer's shoes".

To promote these skills we actively train customer service staff for all of our stores. Their mission is to inspire colleagues to work in such a way that attitudes towards service are more highly attuned and that all the agreed procedures for customer service become familiar to everyone working in the shops.

Our customer service theme for the year included getting the customer to smile and creating a good first impression. We also stressed how important it is to be polite at the checkout. At peak times in our stores our dedicated service staff continued concentrating purely on customer service. These staff were indicated with "May I help you?" badges to aid customers. It was also stressed that despite being busy, good service must always come into play. So even during Friday rush hour we delighted our customers at peak times with our in-store Friday themes.

Service training based on customer safaris

In 2012 we began a training programme for our shop sales staff, which will take a couple of years for the staff in the whole chain to go through. The main content of the training focuses on learning to understand the wishes of the customer in greater depth. As background to the training, the customer's feelings towards customer service situations were studied. We used a type of study known as "customer safaris" for the research. Professional coaches, as well as trained and trainee customer service ambassadors at Alko, made observations in our stores as customers themselves. During these safaris the service situation was observed from the customer's point of view.

Based on the results of the safari's, we have created the objectives and contents for a training day that will take place in the midst of genuine customer encounters in the shops. The most important thing is to learn through positive feedback that every encounter with the customer can be a positive experience. This easily spreads to the customer.



Service quality and customer satisfaction was diligently monitored



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

- Taloustutkimus: Finland Today - National customer service survey
- TNS Gallup: Alko's customer satisfaction and commitment survey
- TNS Gallup: Mystery Shopping survey on service processes

In addition to conducting the surveys we also collect feedback from customers in their dealings with the store. There were customer feedback collection devices located in 56 shops, which allowed customers to respond to changing questions e.g. service quality.

The main findings of the customer satisfaction survey

At the end of 2012 Alko was the number one retail chain. Alko improved customer satisfaction ratings for the fifth year in a row compared to other retail chains. Alko had the 6th the most satisfied customers out of 105 Finnish companies surveyed.

- Customers who are familiar with visiting our shops and familiar with our services, are more more satisfied with us.
- Our friendly sales staff, service minded attitude and our expertise are our greatest 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 to be a very trendy, or otherwise conspicuous place to shop.



Quality of service processes in 2012

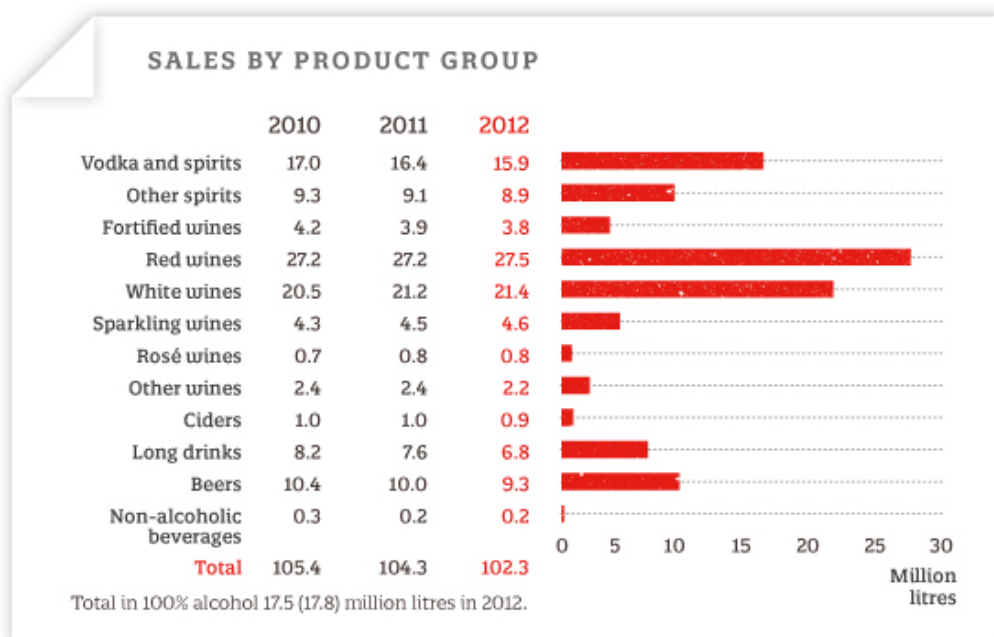
- In our service processes our strengths are the friendliness and expertise of our staff, our control of the situation and in giving initial greetings.
- Last year we improved offering assistance in closing situations on the shop floor and in offering additional services.
- Information regarding red wines was better in terms of customer service than for other products.
- Some areas for further development were noticed in needs assessment and offering additional service.
- Regional homogeneity in service improved compared to 2011.
- Central Finland and Pirkanmaa were the best regions in terms of implementing their service processes.
- The Alko shops at Ilomantsi, Kemiönsaari Kemiö, and Pertunmaa Kuortti achieved the best service processes in the whole of Finland. The Ylöjärvi team in Pirkanmaa improved its service processes the most in 2012.
- 58 shops achieved a perfect one hundred point score during the year (4 per cent of the Mystery Shopping survey visits). The numbers have increased since 2011.



Alko's share of alcohol sales grew

In 2012 Alko sold a total of 102.3 million litres of beverages. Alko's share of alcohol sales in Finland grew to 41.4 per cent (40.2). However, sales fell by 1.9 per cent in comparison with the previous year. Converted to 100% alcohol, the sales added up to 17.5 million litres, which is almost 1.6 percent less than a year earlier.

Alcoholic beverages are sold in Finland in Alko shops and in addition fermented alcoholic beverages containing up to 4.7 per cent alcohol by volume at other retail sales points such as foodstores and kiosks. In addition, restaurants had different categories of alcohol licences. In 2012 sales fell in all these distribution channels.





Continued increase in wine sales



Mild wines are the largest of Alko product group. This product group includes e.g. red, white and sparkling wines. Over half of the litres we sell are mild wines. In 2012 our sales of mild wines amounted to 56.4 million litres, i.e. 0.7 percent more than in 2011.

The most popular Alko mild wine purchased by Finns are red wines. Cheap red wines costing less than 7 euros are the best-sellers among red wines. Sales volumes of red wines continued to increase in 2012. Chilean red wines are flying high in popularity; nearly a third of the red wines sold by Alko are from Chile. Spain, Australia and Italy are equally popular wine countries.

Sales volumes of white wines continued to grow in 2012. White wines costing less than 7 euros have highest sales volumes among white wines. The most popular countries of origin were Chile, South-Africa and Germany.

Sparkling wines maintain their popularity. Spain increases its popularity; nearly 38 percent of sparkling wines purchased from Alko are from Spain. Rosé wines pique the interest of more and more customers.



RED WINE SALES BY COUNTRY OF ORIGIN IN 2012

	Sales 1,000 l	Change on previous year, %	% of sale	
Chile	7,852	0.8	28.6	
Spain	3,852	6.4	14.0	
Australia	3,417	-5.4	12.4	
Italy	3,123	15.3	11.4	
Argentina	2,752	-9.6	10.0	
South Africa	2,592	2.7	9.4	
France	2,439	3.6	8.9	
Portugal	473	0.7	1.7	
United States	458	-2.6	1.7	
Others	510	-14.0	1.9	

WHITE WINE SALES BY COUNTRY OF ORIGIN IN 2012

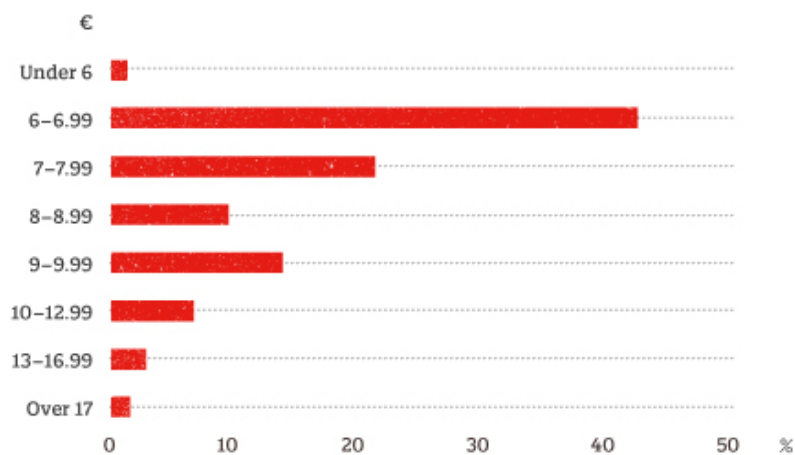
	Sales 1,000 l	Change on previous year, %	% of sale	
Chile	4,619	9.6	21.5	
South Africa	3,635	1.1	17.0	
Germany	2,340	-6.1	10.9	
Italy	2,304	-3.3	10.7	
France	2,217	4.0	10.3	
Spain	1,521	7.9	7.1	
United States	1,478	-1.7	6.9	
Australia	1,105	-12.7	5.2	
Hungary	925	-1.1	4.3	
Others	1,292	-1.7	6.0	



SPARKLING WINE SALES BY COUNTRY OF ORIGIN IN 2012

	Sales 1,000 l	Change on previous year, %	% of sale	
Spain	1,726	12.2	37.8	
France	982	-7.5	21.5	
Italy	721	-6.0	15.8	
Germany	296	-6.6	6.5	
Australia	212	-4.0	4.6	
South Africa	161	62.0	3.5	
Hungary	142	-17.8	3.1	
Others	332	8.9	7.3	

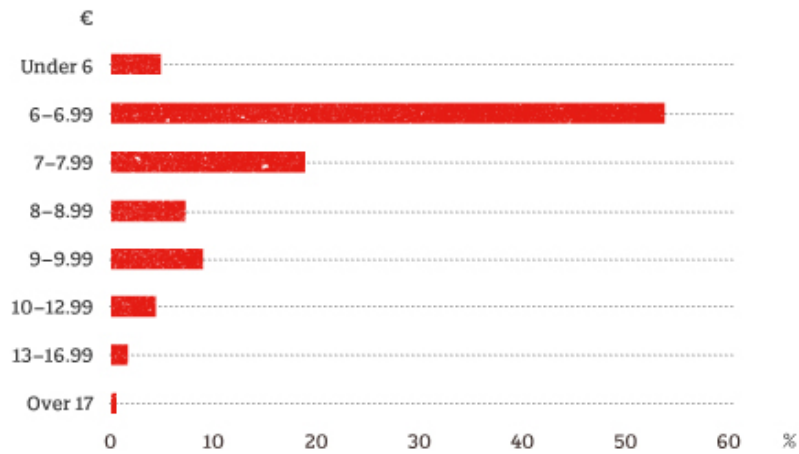
RED WINE SALES BREAKDOWN BY PRICE CATEGORY* 2012



* Price per bottle

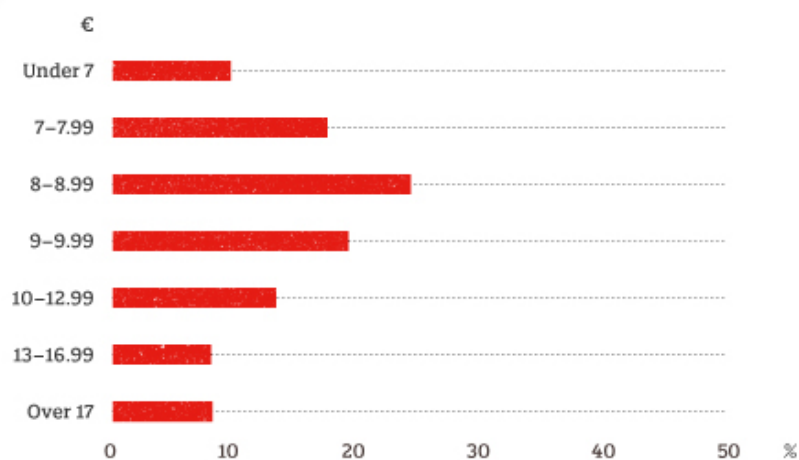


WHITE WINE SALES BREAKDOWN BY PRICE CATEGORY* 2012



* Price per bottle

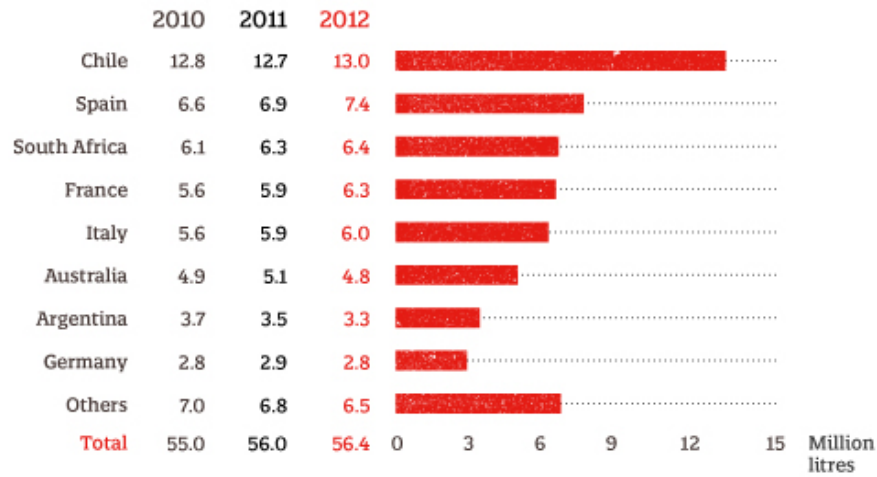
SPARKLING WINE SALES BREAKDOWN BY PRICE CATEGORY* 2012



* Price per bottle



WINE SALES BY COUNTRY OF ORIGIN





Less spirits

The consumption of spirits has decreased in Finland since 2007 and the trend continued in 2012.

In 2012 the sales of spirits continued to fall in Alko shops in line with the trend of previous years. Total sales of spirits and vodkas by volume (litres) fell by 3.0 percent, of other spirits by 2.2 percent and of fortified wines by 2.8 percent. Sales of some strong alcoholic beverages went up. These included Scottish malt whiskeys (5.8%), Irish whiskeys (6.7%), dark rums (5.7%), spiced liqueurs (3.4%) and herb liqueurs (2.6%).

Retail prices of Alko vodkas and spirits rose by an average of 7 percent and prices of other strong beverages by slightly less than 6 percent from the previous year. The rise in prices was affected in particular by the 10 percent increase in the alcohol beverage tax.

Customers purchased less strong beverages not only from Alkos but also from restaurants. The reason for this may be that Finns have traditionally imported strong beverages from trips abroad. According to a TNS Gallup survey the imports of strong beverages by travellers did indeed increase in 2012 by 2.5 percent.



Consumption of beer and other brewery products fell across the board



Consumption of brewery products, i.e. beers, long drinks and ciders fell in Finland in 2012. This was evident in retail and restaurant sales. Consumption fell e.g. due to the fact that the retail prices of brewery products rose. This in turn was due to the increase in the alcohol beverage tax. In addition, cold and rainy weather contributed to the drop in sales.

In 2012 Alko sold 6.6 percent less beer than during the previous year. According to Valvira statistics total sales of beer in Finland fell by a total of 7.5 percent, which meant that sales of beer by Alko fell less than through other sales channels. Retail prices of beers sold by Alko rose on average by 6 percent from the previous year.

Lager and strong lager beers in the Alko product range were the most popular among Finns. However, sales of these products have fallen and this trend continued in 2012. Sales of ale, pils and wheat beers went up. In addition, customers expressed more interest in beers made by small international and Finnish breweries.

Sales of ciders in Alko fell by 8.2 percent from the previous year. According to Valvira statistics consumption of cider fell by 12 percent in Finland.

Sales of Long Drinks in Alko shops fell by 10.8 percent in 2012. According to Valvira's statistics consumption of Long Drinks in Finland fell by a total of 5.5 percent, which meant that sales of Long Drinks by Alko fell more strongly than across the overall market. Retail prices of Long Drinks in Alko shops rose by slightly over 4 percent from the previous year.

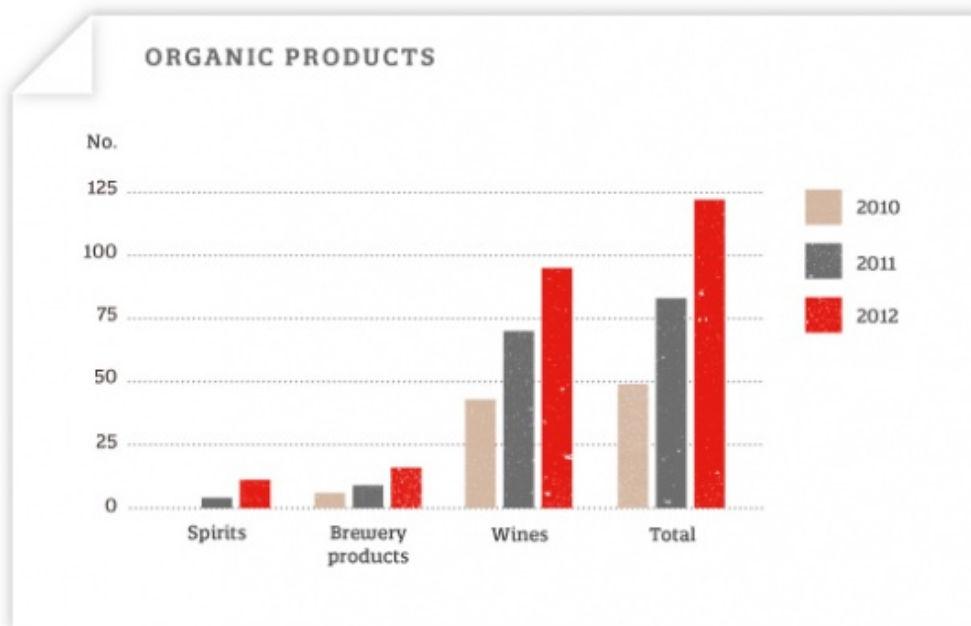
According to a survey conducted by TNS Gallup travellers imported 16 percent less beer, 31 percent less Long Drinks and 23 percent less ciders over the previous year.



Organic and ethical trade products

Organic alcoholic beverages are made from organically grown raw materials in compliance with the EU Organic Regulation. The organic products sold in Alko are certified by local associations and authorities supervising organic production. Alko has had organic products in its selection since 1994.

Ethical trade is based on the principle of paying the employees fairly for their work. All ethical trade products in our range (including Fairtrade and Fair for Life products) have international certification. Ethical trade products have been part of Alko's selection since 2007.





Less alcohol consumed in Finland



Consumption of alcohol decreased markedly in 2012. The overall consumption of alcohol in Finland came to 9.6 litres per capita of 100 per cent alcohol. In 2011 a total of 10.1 litres was consumed.

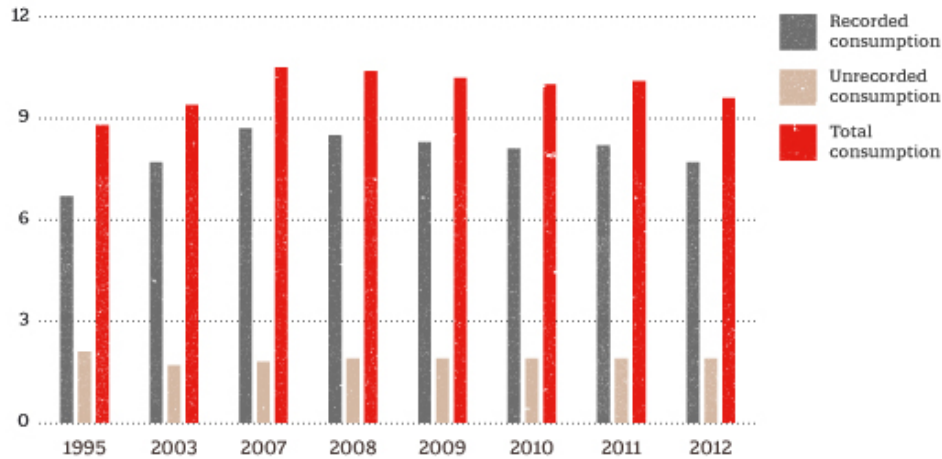
According to Valvira, the National Supervisory Authority for Welfare and Health, and The National Institute for Health and Welfare (THL) documented and undocumented consumption decreased. Finns purchased less alcoholic beverages from Alko shops and other retail sales points. Sales of alcohol in restaurants also fell.

Finns imported less alcoholic beverages from their trips abroad. Around 75 per cent of undocumented consumption of alcohol was imported by travellers.



CONSUMPTION OF ALCOHOL IN FINLAND 1995–2012

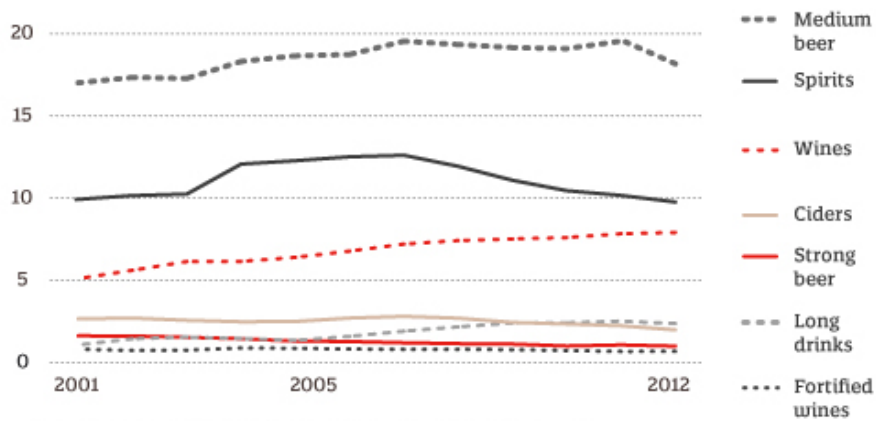
Litres per capita in 100% alcohol



Source: National Institute for Health and Welfare, National Supervisory Authority for Welfare and Health (Valvira)

CONSUMPTION OF ALCOHOLIC BEVERAGES IN FINLAND BY DRINK CATEGORY

As 100 % alcohol, million litres



Source: National Institute for Health and Welfare, National Supervisory Authority for Welfare and Health (Valvira)



STRUCTURE OF THE CONSUMPTION OF ALCOHOLIC BEVERAGES IN FINLAND

As 100 % alcohol in 2012



Source: National Institute for Health and Welfare, National Supervisory Authority for Welfare and Health (Valvira)

Beverage trends reflect international influences



Sparkling wines are not just a welcoming drink at a 50-year anniversary party anymore

Finns have started to drink sparkling beverages in the 2000s: champagne sales have quadrupled and the sales of other sparkling wines have doubled. There are a variety of reasons for this. Alko has introduced additional brands with smaller bottles and even cheaper prices in its product range. Life styles have also changed and consumers want everyday luxuries. Some after work get-togethers now feature sparkling wine instead of beer. Sparkling wine is also drunk throughout the meal and not just as aperitive or for toasting.

Chile is a Finnish favourite

Distant Chile is the number one wine country in Finland. Finns prefer Chilean red and white wines which top Alko sales lists. Finns view Chilean red wines as being full-bodied but soft with a fruitful flavour. In other words Finns like these wines - even the price is reasonable! Finns believe that especially wines priced under 10 euros have a good price-quality ratio. Alko has introduced Chilean wines from new cooler areas, which has brought something extra to the beverage trend appreciating freshness, lightness and nuances.

Sales of rosé wines up

The rosé wine trend is slowly reaching Finland. The sales of rosé wines have risen by around three per cent in 2012. In other countries the trend has continued for the last five years, whereas in Finland rosé wines are more of a summer-time drink. They are now coming in on the fresh and light beverage trend.



New trends in spirits and beers

Sales of dark rums are up by nearly six per cent in 2012 and there are more ways to enjoy them than before. Dark rum is drunk with cognac and whiskey in 'café avec' style or straight up. Whiskey is enjoying growing popularity as well. This has led to increased consumption of malt whiskeys.

Local breweries are now popular among beer enthusiasts. In February 2012 and 2013, Alko has introduced unique craft beers made by small breweries in its product range. Alko has had the pleasure to help customers in product selection even better than before. We have introduced a taste guide for beers and wines at shops to help consumers find the right beverage for particular tastes and purposes. The guide is on display at all Alko shops.



The quality and safety of our products can be trusted

Product safety and quality are central to Alko's responsible operations. Implementing this area is the responsibility of Alko's Quality Control and the Alcohol Control Laboratory (ACL). Quality control in the purchasing department is an important part of the selection process for many products. In the process, the labelling is checked for its conformity to law and products are tested by using the human senses. The ACL conducts chemical and microbiological analyses of the products that Alko sells.

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

Product deviations under good management

In 2012, customers made 16,736 complaints (15,767 in 2011) to Alko. The majority of the complaints (90%) were directed at wines, which is understandable considering the nature of this product group. Complaints regarding cork taste and smell declined due to the broadening adoption of metal screw caps. On the other hand, the increase in bag-in-box sales and subsequent damages to their delicate packages through transportation and other reasons resulted in new tasks for quality control.

23 (13) product batches were withdrawn from sale during 2012. The most common reasons were due to inadequate labelling or reduced quality during storage. Thanks to the internal product management system, product deviations are noticed quickly and Alko is able to react immediately.



Alko's Alcohol Control Laboratory (ACL) verifies the chemical quality of products

Products in Alko's standard product range as well as new products are examined thoroughly at the ACL. The standards are more stringent than the level set by official regulations in the EU. In 2012, the focus was on additives and foreign matter in beverages, in addition to normal checks. Existing methods of analysis were revamped and analysis methods were developed for detecting acetaldehyde - an oxidation product of alcohol.

In 2012 more than 6,000 alcoholic beverage samples were analysed at the laboratory. The ACL also sells analysis services to other companies and to the authorities.

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 International Organisation of Vine and Wine (OIV). Membership in the organisation makes it possible to obtain information on wine quality problems well in advance. The ACL's director was a member of the OIV analysis methods subcommittee's presidium in 2005–2012. The ACL participates in quality cooperation between Nordic state alcohol monopolies together with Alko Quality Control.

The ACL has been officially accredited for the required measures of competence and impartiality by The Centre for Metrology and Accreditation to test spirits, alcoholic beverages and technochemical products. It has also been appointed Finland's official laboratory for the analysis of alcoholic beverages to the EU by the Ministry for Foreign Affairs.





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 products of limited availability that remain in our range for a restricted period. The range of drinks is updated continuously throughout the year.

Selections are carefully planned

They are designed by product category teams, which include purchasers and category managers. As background for 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 principles 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.

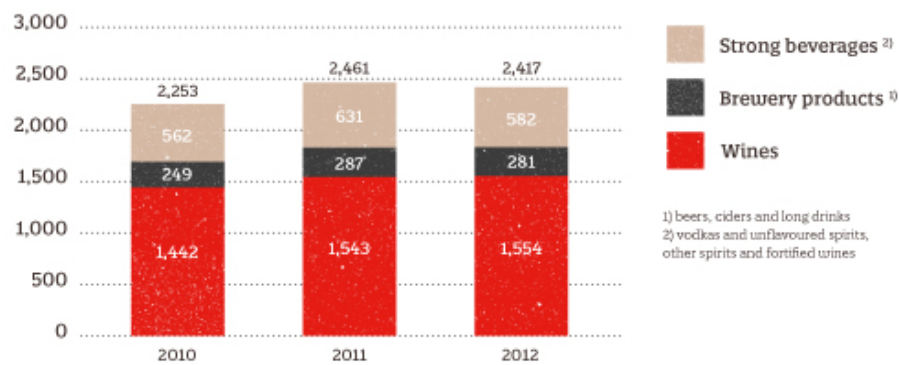
Our purchasing plan has strict criteria for the products that we seek. An independent expert panel assesses the products based on sensory evaluation, and the most successful ones are chosen to complement our product range. Approximately 6,300 new products are offered to Alko every year. In 2012, we added 807 new products to the product selection in the stores.

Supplier of the Year 2012

Since 2010, Alko has presented a Supplier of the Year award. Concha y Toro Finland Oy was selected as the Supplier of the Year in 2012. A total of 28 direct suppliers that met the selection criteria were included in the comparison.



THE NUMBER OF ALCOHOLIC BEVERAGE BRANDS IN THE STANDARD PRODUCT RANGE FOR 2012



Alko had the total of 2,662 alcoholic beverages. These figures include the special products sold at the Arkadia store in Helsinki. The data doesn't include non-alcoholic beverages.



Environmental factors taken into account in selection of packaging and gift articles



Our shops offer a wide range of packaging and gift articles. The biggest selling article is the plastic bag.

- Plastic bags are 'recycled plastic bags' which are made from 60% recycled plastic. Some of the reused material comes from protective plastic films used in the transport of Alko goods. The bag can be reused as a garbage bag or it can be disposed of as energy waste.
- Alko paper bags decompose and can therefore put in the compost and or in recycled paper receptacles. Paper bags sold in the shops also decompose which means they can be used to collect organic waste.
- The reusable bags made from artificial fibres are an ecological choice due to their reusability and the small carbon footprint from their manufacturing. If so required, the bag can be disposed of as energy waste.
- Eco gift wraps are made from recycled material. The Eco paperboard packaging is 100 per cent recycled paperboard the paper in Eco gift bags is 100 per cent recycled paper.



Globe Hope

We recycle the seasonal textiles from our shops into products. Bags and two-bottle bags made from the recycled textiles are sold at Alko shops. Our partner in the design and manufacturing of the bags is Globe Hope Ltd. from Nummela.

Ethical products shop

A new section selling certified products was opened at Alko's flagship shop Arkadia in Helsinki in spring 2012. The shop's product range includes ecological and ethical kitchen, beverage and packaging articles. The product range has over the past year included glasses made from recycled glass and ecologically manufactured products from Ekobo and Feed projects supporting craftsmanship.



**We focus on the key elements
of well-being at work such as
expertise and leadership.**



Management of corporate social responsibility

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

Financial, social and environmental responsibility are developed in line with expectations set by main interest groups.



Responsibility goals and implementations 2012

Goals	Measures and implementation
<u>Prevention of harmful effects caused by the consumption of alcohol</u>	<p>Activities under the programme In the Company of Children</p> <ul style="list-style-type: none">• A radio and online campaign in the winter, a partial rerun in the autumn• A more interactive website, involvement in Facebook• A seminar organised with the parliamentary group For Children• The goals set in the programme were achieved by all the partners (the National Institute for Health and Welfare, the A-Clinic Foundation, the Mannerheim League for Child Welfare and the Finnish Parents' League). The film Hirviöt (the Monsters) produced by the A-Clinic Foundation also attracted international attention <p>Cooperation with partners</p> <ul style="list-style-type: none">• We developed and re-targeted our cooperation with the National Institute for Health and Welfare, the Young Finland Association and Junior Chamber International Helsinki. <p>The EUR 2.5 million donation made by Alko in 2010 to higher education institutions continued to support research and education in the field of substance abuse in 2012.</p>
<u>Responsibility in customer service</u>	<p>We continued to develop our <u>Responsibility in customer service</u></p> <ul style="list-style-type: none">• In a national survey of customer service feedback, Alko ranked fourth of all companies surveyed and first of all retail groups.• We focused on <u>controlling the sale of alcohol to minors, intoxicated persons and those suspected of intending to hand over alcohol to others</u>. Our success in the supervision of age limits is measured using the Mystery Shopping method, and we exceeded our target of 80.



Safe and high-quality products

Sensory and chemical quality carefully tested in our selection process

A comprehensive shop network

Our network of shops covers the entire country. Ninety percent of those aged 18 live at a distance of 10 kilometres or less from their nearest shop.

Promoting occupational well-being through long-term and preventive actions

We developed leadership skills and promoted recreational and free time activities.

Responsibility in procurement

- Responsibility in the product range and procurement of goods and services

The principles of responsibility in procurement were developed.

A field trip with other Nordic state monopolies to visit two wine-producing countries was organised.

An audit was carried out in Chile.

A joint action plan for responsible purchasing 2012–2014 was drafted by the Nordic alcohol monopolies.

Training on responsible procurement was provided for alcohol beverage suppliers.

The number of ethical products was increased as much as possible in the product range.

Good administrative practices and responsible business guidelines

Reducing the environmental impacts of Alko's operation

- Increasing the staff's level of environmental awareness
- Saving energy
- More efficient and environmentally friendly transport
- Efficiency in recycling and materials use
- An effective recycling system for

The business practice guidelines and management principles were updated.

The environmental guidelines for the shops were updated

An e-learning programme on environmental responsibility was completed by the entire shop staff.

Green Office activities were continued in the head office.

An internal environmental audit was carried out in 158 Alko shops.

Cooperation with Systembolaget and Vinmonopolet on environmental issues was developed.

LED technology was used for in-shop lighting solutions.

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

An experiment of recycling inner bags of bag-in-box containers



beverage containers	<p>continued in the shops in Southwest Finland.</p> <p>Alko's disposable glass bottle recycling system is now administered by Suomen Palautuspakkaus Oy > the network for returning recyclable glass bottles expanded from 350 to nearly 5,000 collection points.</p>
Communications regarding responsibility	<p>Communications on responsibility were developed</p> <ul style="list-style-type: none">• www.alko.fi/vastuullisuus• www.lastenseurassa.fi• The online Annual Report and Corporate Social Responsibility Report were prepared• A brochure on strengths and responsibilities was prepared for the shops




Alcohol legislation sets parameters for company 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 managers in the organisation are responsible for making sure that personnel are familiar with and understand the business practice requirements.  The business practices were rewritten in autumn 2012. All Alko staff members will review the business practices by the end of May 2013. Alko's administration principles describe the principles of risk management, internal supervision and internal audit. The procurement of alcoholic beverages follows the principles specified in the Alcoholic beverage product listing and retail sales guide



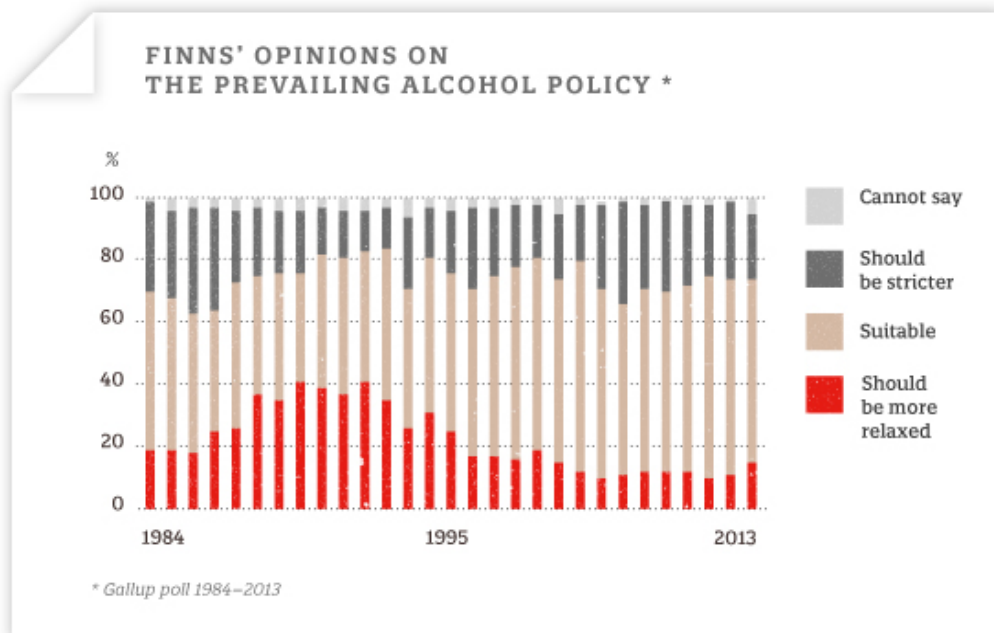
Alko corporate responsibility management system

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 decrease the harmful effects of alcohol consumption and draws up a report for 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 at the company level.

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.





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 an extensive survey on stakeholder expectations in 2009 and 2010. In 2012 we asked Finnish decision-makers whether cooperation between Alko and its stakeholders had been successful. The report indicated that Alko had an excellent reputation and quality rose as the strongest sector. Alko has succeeded in handling its role defined by the alcohol policy and the Alko monopoly has strong backing among decision-makers. It appeared that Alko had most room for improvement in enhancing the level of activity of stakeholder cooperation and communicating about its activities. Key points for improvement were openness and ethicality related to corporate governance and supply chain transparency.

Corporate responsibility 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.





Our customers appreciate sales supervision



Customers appreciate the expertise Alko's sales staff can offer on their products. Pictured left Kimmo Saarijärvi.

Our customers appreciate the fact that we want to prevent and reduce social and health hazards due to alcohol consumption. We try to reach this goal by making statutory age limit checks and by making sure that clearly intoxicated customers cannot purchase alcohol from our shops and that alcoholic beverages do not end up in the illicit alcohol trade.

We have an indicator to express how many checks we have made. For over 15 years we have recorded incidents involving breaches of the age limit, intoxication and illicit trade laws in our cash register system. Keeping a record helps us measure how successful we are and helps us develop the responsibility skills of our staff.

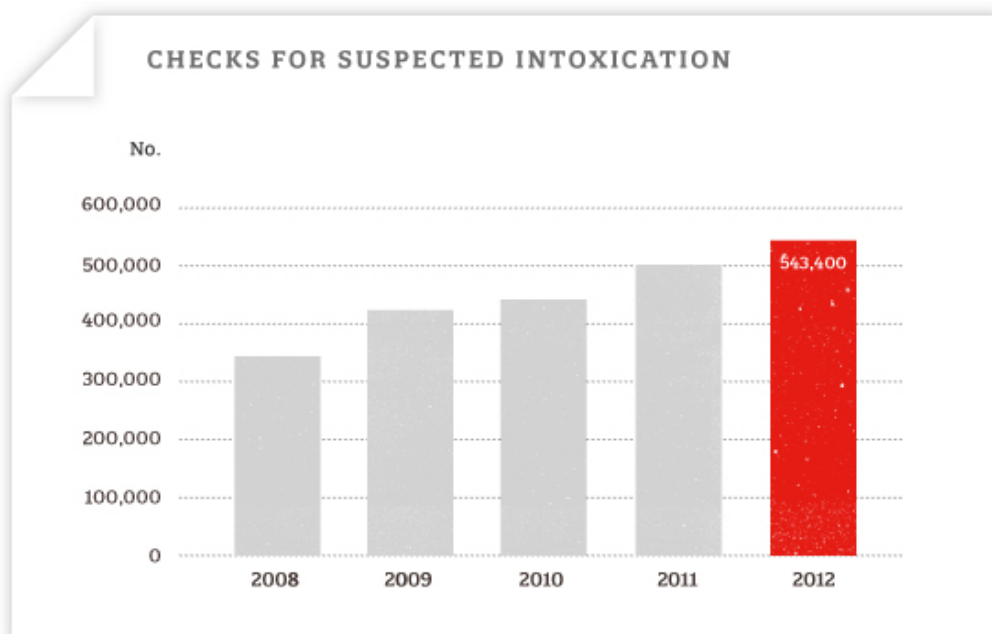


No alcohol to intoxicated customers

Our task is to assess whether customers are intoxicated at the time they come to our shop to purchase alcoholic beverages and we do not sell alcohol to those who are clearly intoxicated. We made around ten per cent more checks to assess the level of intoxication of customers in 2012 in comparison with 2011. We set a percentage target for each shop at the beginning of 2009 for intoxication checks with the intention to encourage prevention of sales of alcohol to intoxicated customers. This has served to further increase the number of recorded checks of intoxication. The number of checks is reassessed at performance appraisal discussions. Approximately half* of the suspected intoxication bookings lead to a refusal to sell.

Alko introduced in October 2012 a written purchase ban agreement enabling customers to temporarily limit, at their own initiative, the purchasing of alcoholic beverages at designated Alko shops. The agreement cannot be made against the will of customers. The purchase ban agreement is being trialled for one year at Alko shops.

* In 2011 Alko's age limit, intoxication and illicit trade supervision did not lead to any admonitions by the authorities.





We ask minors for identification



Our aim is to check IDs from anyone below 25 years.

In 2012, approximately 4.8 percent of Alko's customers provided proof of adulthood when visiting an Alko shop. We recorded five percent more age limit monitoring checks in 2012 than in 2011. Approximately 5 to 10%* of the inspections result in the refusal to sell to the customer.

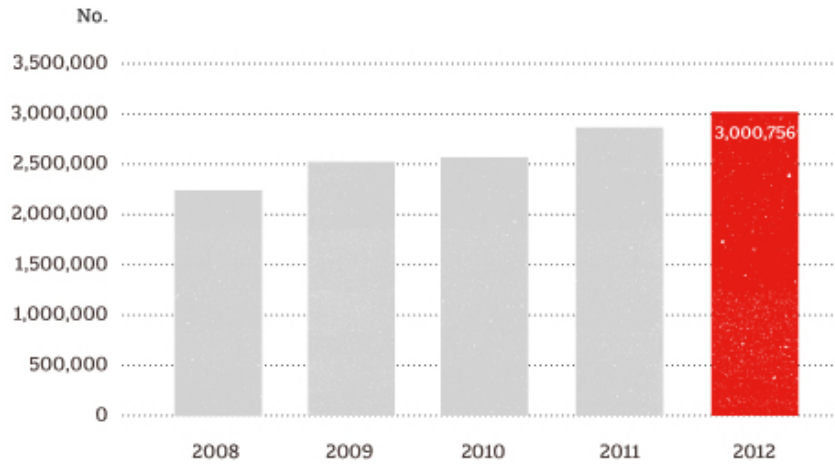
Our aim is to supervise the age limits so that all shops and sales staff are consistent in their performance. Therefore, shops and sales staff have been given a percentage target to be attained when supervising age limits.

Young customers frequent Alko shops very actively on New Year's Eve, on May Day's Eve, on the last days of the school term, on days before the start of school, on the day before Midsummer's Eve, on Midsummer's Eve and on the last day of school for high-school graduates. Before these days of high seasonal sales, staff of shops are reminded of the importance of sales supervision and in particular age limit supervision.

* In 2012 Alko's age limit, intoxication and illicit trade supervision did not lead to any admonitions by the authorities.



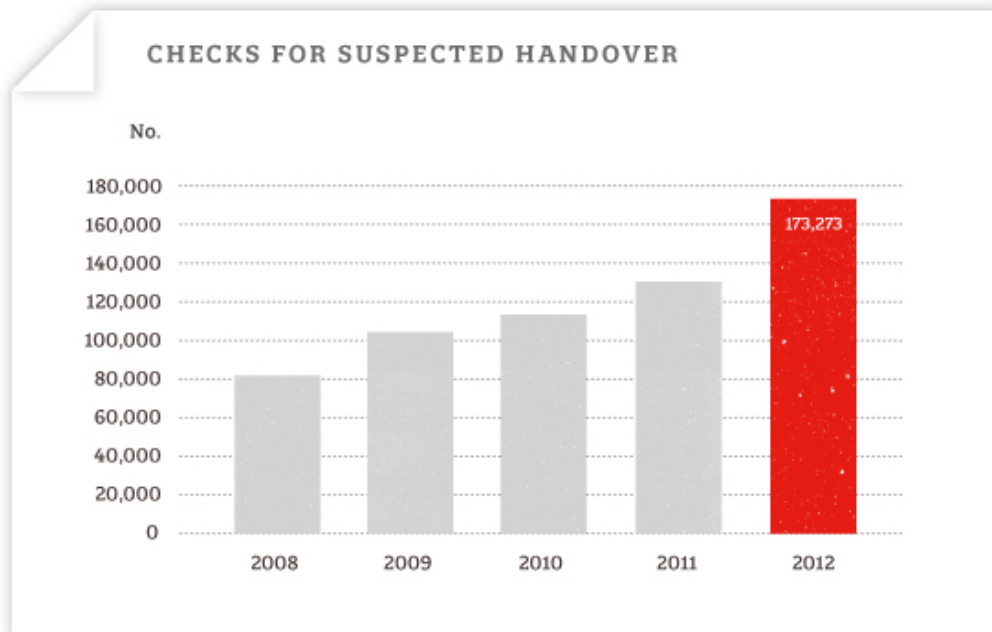
AGE-LIMIT CHECKS





Proving handovers of alcohol is challenging

Proving suspected cases of handing over alcohol is more challenging than controlling age limits or cases of suspected intoxication. Despite this, there has been an upward trend in the recorded number of suspected handovers. There were 30 per cent more suspected cases of illicit handovers in 2012 compared to the previous year. At Alko last year, we also set a percentage goal related to suspected handovers for each Alko shop in order to further develop our sales supervisory measures. This has clearly increased the number of suspected handover cases.





Mystery Shopping also tests responsibility

Alko measures service quality using the Mystery Shopping test customer method. In 2012 there were four test customer visits to each Alko shop. In addition, sales supervision and service to young customers was tested by two mystery shoppers aged 18 to 24 (average age of the customers 19.5 years). In 2012 age limit supervision was tested with a total of 700 visits. The age of young customers was checked in 82% of the test visits. The comparable success rate in 2011 was 74%.

Local Pakka project shopping tests

Alcohol shopping tests are also part of best practices of The National Institute for Health and Welfare's national alcohol programme and local alcohol policy project (PAKKA). Shopping tests were conducted in line with the programme at a number of locations around the country at regular intervals. In 2012 age limit supervision tests were made at e.g. Salo and Pori.

In the Salo shopping test in October 2012 a total of 95 test purchases were made of which ten were at Alko shops. The success rate of Alko shops was one hundred per cent — no young person was sold alcoholic beverages. At other shops, kiosks and service station shops the success rate was 41%. The total success rate of the shopping test was 47.4%.

In a shopping test in the Pori region conducted as part of the Pakka project, a total of 173 test purchases were made in 2012, of which 18 visits were made to Alko shops in Pori, Ulvila and Merikarvia. The success rate of Alko shops was one hundred per cent — no young person was sold alcoholic beverages. At other shops, kiosks and service station shops the success rate was 31%. The total success rate of the shopping test was 38.2%.



Alko cooperates to mitigate harmful effects of alcohol



MP Sari Sarkomaa, Chair of Alko's Supervisory Board emphasised Alko's role in preventing the harmful effects of alcohol. Sarkomaa spoke at a seminar held by Alko's In the Company of Children programme and the Parliament's Lapsen puolesta group on September 18, 2012.

Alko engages in a wide range of multiparty cooperation with well known Finnish organisations to mitigate the harmful effects of alcohol. For the "In the Company of Children" programme we team up with The National Institute for Health and Welfare (THL), The A-Clinic Foundation, The Mannerheim League for Child Welfare and The Finnish Parents' League. In addition to these organisations we have long-term cooperation with the Young Finland Association (nowadays the national organisation for physical exercise and sports, Valo), the Youth Academy and Junior Chamber International Helsinki in the selection of the Police Officer of the Year. Alko also supported the preventive substance abuse work week, coordinated by Ehyt ry NGO. Alko also donated funds for the Hyvä Joulumieli Christmas fundraising campaign in 2012. The donations totalled around 400,000 euros.

In 2010 Alko donated 2.5 million euros to universities and higher education institutions. The funds are used to develop substance abuse research and substance abuse prevention training. The projects at universities and higher education institutions last until the end of 2014.



The "In the Company of Children" programme raises awareness

There is no single answer to the question of what amounts to a non-harmful use of alcohol, from the perspective of children and young people. Parents and adults should have a natural and controlled relationship with alcohol, so that the use of alcohol does not result in harm to the child or young person. Moreover, it is important that the parents and adults view negatively any use of alcohol by children and youth.

Alko's long-term "In the Company of Children" programme supports the Ministry of Social Affairs and Health's Alcohol Programme. 2012 was the fourth year of the programme.

The programme aims to

- reduce the use of alcohol by parents and adults in front of children and youth and its indirectly associated harmful effects and
- strengthen Alko's corporate social responsibility.

The programme partners include the National Institute for Health and Welfare, the Mannerheim League for Child Welfare (MLL), the A-Clinic Foundation and the Finnish Parents' League.

The partner organisation has its own action plan for cooperation regarding the responsibility programme. The programme includes actions to be implemented by Alko itself and with the cooperation partners.

In 2012, Alko engaged in a public image campaign related to the "In the Company of Children" programme which was supported online. The programme also launched its own Facebook page.

The National Institute for Health and Welfare (THL) developed and launched a new online clinical manual which took up the use of alcohol. The THL produces a programme based on the latest research annually.

The A-Clinic Foundation planned and produced a film titled "Hirvot" (Monsters), which achieved acclaim both in Finland and abroad.

The Mannerheim League for Child Welfare trained workers for telephone helplines and web services to discuss problems due to the harm brought through the use of alcohol.

The Finnish Parents' League organized education evenings, as well as the organisation and member association events.

Alko cooperates with stakeholder organisations



The purpose of this cooperation is to prevent harmful effects caused by alcohol, especially in young people and children.

The National Alcohol Programme is an umbrella term for cooperation aiming to combat the harmful effects of alcohol. Alko participated in the National Alcohol Programme as an expert in its field and took part in other ways in several national, regional or local cooperation projects that support the goals of the Alcohol Programme and create new operating models.



Alko cooperates with the following partners: **POLICE OFFICER OF THE YEAR**

The Police Officer 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 project partners.



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, mainly within the framework of Mahis activities.

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 had cooperation since 2007. The aim of this cooperation is to prevent problems caused by young people's substance abuse. In 2012, Alko donated one of the specially approved Young Finland clubs a weekend camp as a reward for exemplary work to prevent substance abuse. In June 2012, the Finnish Sports Federation, the Young Finland Association, the Finnish Sport for All Association and the Finnish Olympic Committee established a joint umbrella organisation. The new joint organisation called Valo (the Finnish Sports Confederation) has been operating from 1 January 2013.

SUBSTANCE ABUSE PREVENTION WEEK

Alko made a donation to support the organisation of Substance Abuse Prevention Week events and activities coordinated by the Finnish Association for Substance Abuse Prevention.



Donations to universities and higher education institutions

Alko donated in 2010 a total of 2.5 million euros for programmes aiming to mitigate the harmful effects of alcohol. The donations were divided as follows:

- Turku, Tampere, Eastern Finland and Oulu university medical faculties were allocated a total of EUR 1.5 million to ensure medical education and research into substance abuse
- EUR 0.5 million was allocated for developing education and research into substance abuse welfare work.
- The National Institute for Health and Welfare was allocated EUR 0.5 million in support of biomedical alcohol research through the University of Helsinki, Faculty of Medicine.

To ensure the effectiveness of the donations there will be a series of pre-defined minimum requirements along with regular reporting to Alko. The National Institute for Health and Welfare (THL) drew up a report in autumn 2012 on the use of donated funds on the basis of reports provided by the universities.

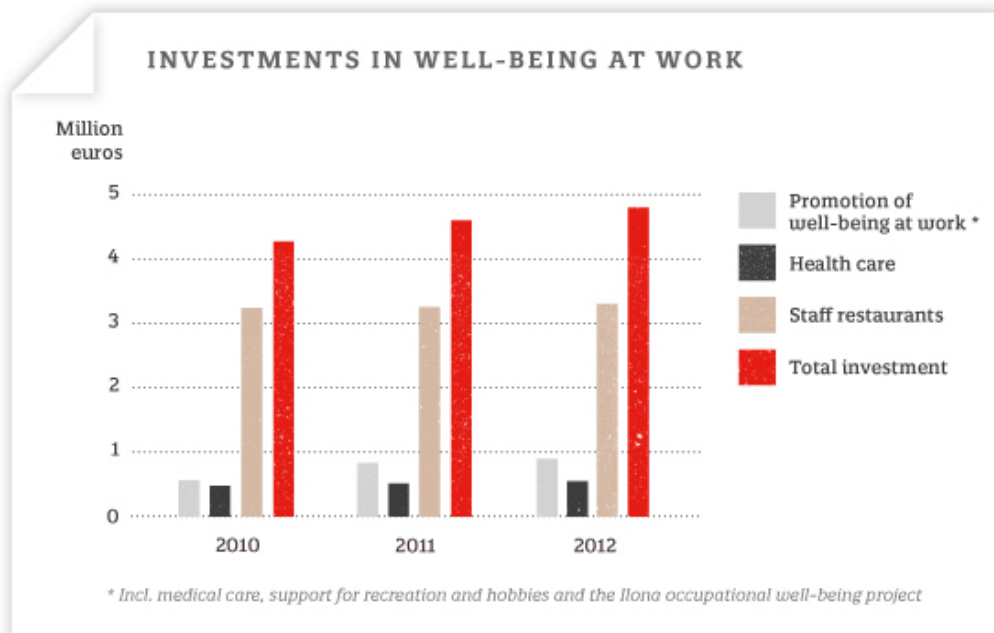
Alko Supervisory Board visited Seinäjoki on 3 September 2012 to learn more on the Pohjanmaa project. The project features for instance development of alcohol abuse prevention work and research on the subject at three Ostrobothnian universities of applied sciences with funds donated by Alko. A seminar held on 18 September 2012 by the Finnish Parliament's Lapsen puolesta group and the "In the Company of Children" programme featured University of Jyväskylä researcher Maritta Itäpuisto's study on how children in families with parental substance abuse problems are handled by alcohol and substance abuse counseling services.

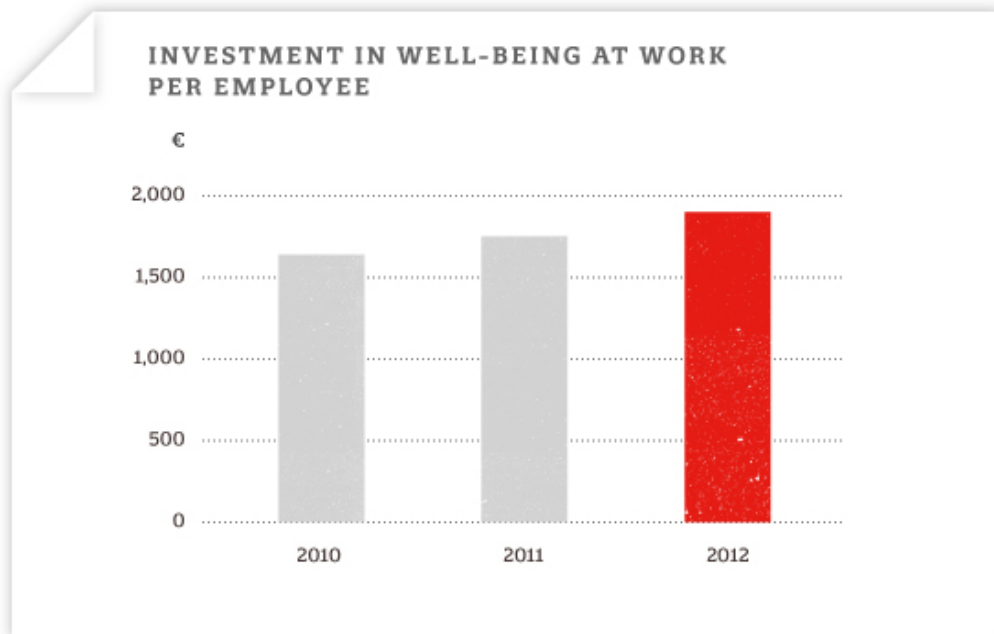


Aiming to be the best in Finland in well-being in the workplace

We have for a considerable time now invested in key elements for well-being in the workplace, such as developing competence and management. With the ongoing strategic project on well-being in the workplace we try to further develop the various sectors of well-being in the workplace.

These sectors include: competence, management, workplace climate, health and social relations at work and the key factor of job satisfaction. The well-being in the workplace project implements measures for all sectors of well-being at work. The project is implemented together with employee organisations, occupational health care and a pension insurance company.







Competence

We are doing sustained work to improve staff competence. Shop staff used 4.3 days (3.5) for training per employee.

Full-time service and product trainers and part-time sales staff and shop managers who work as trainers train staff regularly in monthly training sessions and in service and product training courses. Service and product training is divided into

- basic level,
- advance level and
- supplementary training.

Online learning and content (new features e.g. electronic product guide) support multifaceted and more flexible learning while improving the monitoring of the studies.

The product guide was published and given to all staff.

We improved our service competence by selecting customer service ambassadors from among our staff who were trained in giving customer service training in shops. Such training will be provided at all shops by the end of 2013.

In addition to service and product training, Alko staff studied commercial vocational and specialist vocational qualifications, maintained safety skills and organised other targeted training:

- A vocational qualification on sales was given to 26 sales staff.
- In addition, a further 22 were still studying for a degree.
- A specialist vocational qualification on commercial management tailored for Alko shop managers was completed by 11 shop managers.
- Staff of shops with large volumes of Russian customers received tailored training.
- Independent studies supporting sales work was supported with self-study possibilities.

Safety know-how and skills were kept up in cooperation with the Turvapassi first aid course of the Finnish Red Cross, completed by 258 Alko staff. In addition, 303 staff went on refresher courses.



Management



Personal development reviews and appraisal discussions are held with each employee twice per year. Targets for work performance and competence development are set in the discussions. Performance and development are also reviewed.

In 2012 we launched a three-year well-being in the workplace management training programme targeting all Alko staff in connection with a [well-being in the workplace project](#). The training programme has two training days for managers and one for teams including the team's supervisor. The training aims to increase understanding on well-being in the workplace and offer managers tools for managing well-being in the workplace. The team training focuses in particular on identifying different personalities and taking advantage of different strengths in teams.

Supervisors gain regular feedback through the supervisor evaluation process. Feedback is given by subordinates, superiors and in some cases by colleagues. The supervisors also carry out self-evaluation on their performance. The evaluation was revamped to focus on management of well-being in the workplace.

We chose the Manager of the Year for the fifth time. With the title we want to emphasize the importance of excellent managerial work.



Working environment

The safety and security of staff and customers is a significant factor in work and customer satisfaction. We try to prevent security threats by reporting all security threats encountered within the organisation. To ensure reporting we adopted an electronic threat reporting system.

All shops are inspected using the security inspection method outlined by the Federation of Finnish Commerce. In 2012 four shops were inspected. All Alko shops have camera surveillance in place.

All Alko shops have had an ergonomics specialist since 2010 and at the head office since 2011. The ergonomics specialist sees to ergonomically correct working methods and gives an introductory briefing to all new employees on work ergonomics.

We provide supplementary education to the ergonomics specialists on an annual basis. We plan and implement the training in cooperation with occupational health services.

In 2012 we introduced an office exercise programme at all offices encouraging office and shop staff to do exercises during the working day.

Ergonomics was a central theme for Alko workers on the physical condition overhaul courses arranged for the staff. We arranged three courses focusing on ergonomics one of which was for managers. Each course lasted one week and was followed up with a two day review session. Altogether 55 Alko workers participated in the courses and the review sessions.

By focusing on ergonomics we support staff health and well-being in the workplace. The investments yield measurable results: musculoskeletal disorders continued to be the biggest cause of absence due to sickness but their share of overall sickness absences continued to fall.



Health

Alko became a non-smoking workplace from 1 March 2012. We supported stopping smoking by paying for nicotine replacement therapies, by organising physical condition overhaul courses to support giving up smoking and by offering staff the possibility to check the condition of their lungs at events organised in cooperation with Pulmonary Association Heli.

All managers received training on the revamped early intervention model. With the model, coherent and timely measures can be performed in case well-being in the workplace is threatened. Implementation of the model is not up to managers alone, rather within the model all staff members are encouraged to care for their own well-being and that of their co-workers by bringing up their concerns.

We encouraged staff to engage in everyday exercise to support a healthy lifestyle with the "On ilo liikkua yhdessä" fitness campaign. We supported physical exercise and comprehensive well-being with well-being in the workplace events with over one hundred staff participating.



Social relations at work

Development of social relations at work and social skills at the workplace featured strongly in the well-being in the workplace project. The team training day focused in particular on identifying different personalities and taking advantage of different strengths in teams.

We supported the sense of communality in the workplaces with additional recreational allowance which the teams could themselves allocate. The head office well-being working group was responsible for allocating the head office extra allowance. The funding was used to support a wide range of events supporting a sense of communality and togetherness.



Strong image as an employer attracts applicants

In the annual survey on the national corporate image, conducted by Taloustutkimus Oy in 2012, Alko had the best image as an employer among commercial sector employers.

The number of recruitments rose slightly in comparison with the previous year. We hired around 750 (600) persons for fixed-term or permanent positions. Interest in Alko as an employer rose slightly. We received over 17,000 (13,000) job applications or open applications. Recruitment processes lasted on average 19 days.

We revamped Alko's online recruitment page. Three videos on sales staff work from different angles were made for the page. We arranged recruitment days for seasonal workers in all parts of the country. We developed recruitment processes and a recruitment support system and communicated on the changes to staff involved in recruitment.

New employees and managers were introduced to their tasks through a variety of induction methods including: on the job learning, online tutorage, mentors and by participating in the 'new employee day'.



Staff commitments at a high level

We conduct a staff survey on an annual basis. With the survey we looked into

- staff commitment
- staff well-being in the workplace and
- managerial work.

In addition, we collected other feedback.

78% (75) of Alko staff responded to the staff survey. Staff commitment continued to develop in a positive direction. Commitment is at a high level and is clearly higher than at other Finnish companies or in the commercial sector in Finland or on average in Europe.



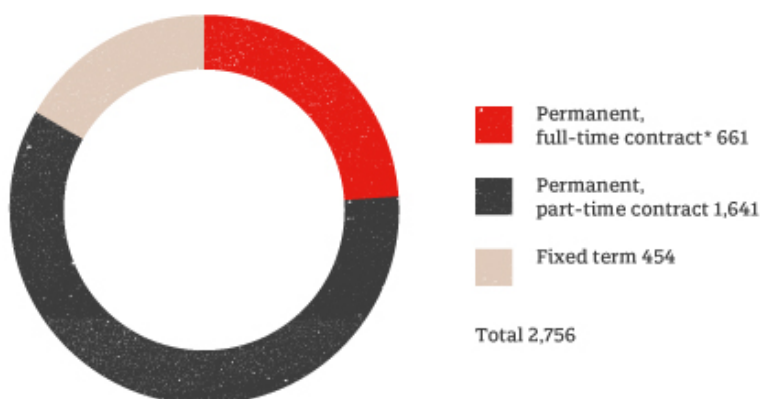
Aiming to be the best workplace in Finland



Starting from left, Jukka Muurimäki, Annakaisa Koskinen, Sari Karjalainen, Kristiina Lilienkamp and Aura Hedengren from Alko's communications team are the lead figures in spreading wellbeing at work.

We aim to be the best workplace in Finland. Staff commitment and expertise form the cornerstone of Alko's success. We invest in staff well-being, develop our skills in a number of ways and focus in particular on good management. This way we can be sure that we act responsibly and efficiently and our customers receive high-quality service in all situations.

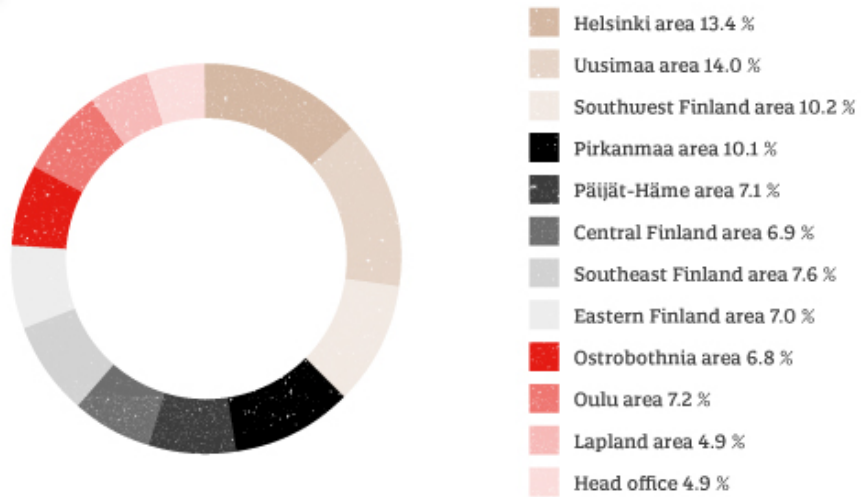
PERSONNEL 31 DECEMBER 2012



* Average weekly working time of at least 37.5 h at the shops and 30.5 h at the offices.



PERSONNEL BY AREA 31 DECEMBER 2012





Number of staff remained unchanged



At the end of 2012 Alko had 2,756 (2,753) employees with the numbers of employees remaining at the previous year's level. There were more temporary employees at the end of the year due to the Christmas holiday season than during the rest of the year and slightly less than during the corresponding period for the previous year. When converted into working years, the work done by full-time and part-time staff amounted to 1,928 (1,926) working years, remaining at the previous year's level.

The average age of staff in permanent employment relationships

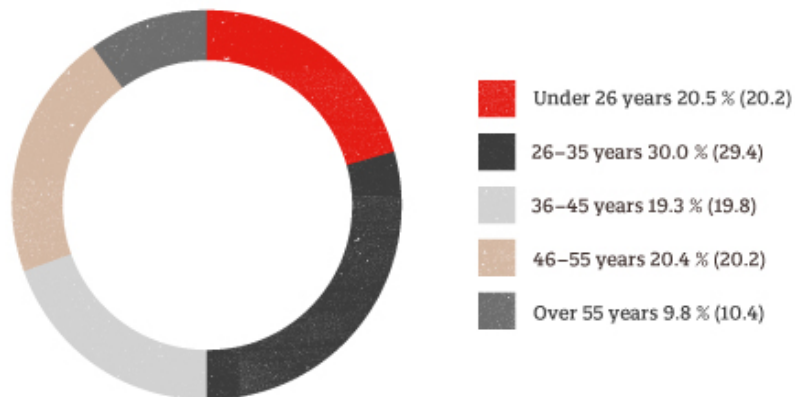
- was around 37.5 years
- the employment relationship has lasted around 9.5 years
- staff turnover was 11.5 per cent
- the average retirement age was, including those on invalidity pension, 59.7 years.

A total of 13 employment relationships were terminated by the employer. We comply with statutory periods of notice.

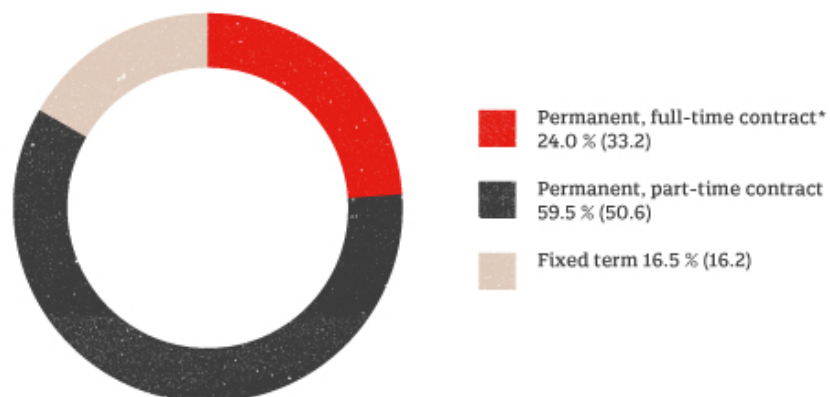
In total 71 per cent of permanent employees performed part-time work with a majority of them being sales personnel. In 2012 we launched a project with a view of increasing the weekly working hours for part-time staff. Extra work is always first offered to Alko's part-time staff. Alko currently uses a text messaging system to offer available temporary extra work equally to all part time workers who want extra work.



AGE BREAKDOWN 31 DECEMBER 2012



CONTRACT TYPES 31 DECEMBER 2012

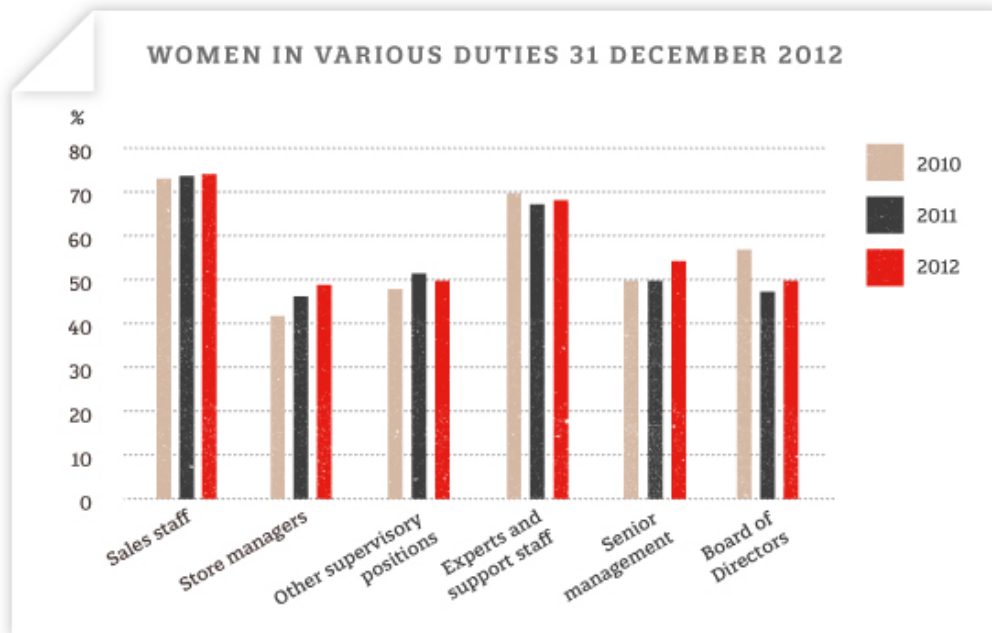


* Average weekly working time of at least 37.5 h at the shops and 30.5 h at the offices.



Managerial positions are staffed by men and women in equal numbers

A gender equality plan is drawn up yearly in cooperation with staff representatives. Women still account for 71 (70) per cent of all personnel. In management and supervisory roles the balance between male and female workers is fairly even. Women account for 49 (47) per cent of all managers. At the end of the year there were four men and three women in Alko's management team and three men and three women in the board.





Salary

Alko's personnel costs totalled 86.6 (78.3) million euros. A total of 66.5 (65.2) million euros were paid in salaries and fees.

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

We reward the best sales personnel and shop managers with an annual individual pay component which is determined in line with criteria set together with staff representatives.

We revamped the individual pay component criteria for sales staff. The new criteria were derived directly from Alko's values:

- responsibility
- customer service
- expertise
- succeeding together and
- result orientation.

The individual pay component criteria for shop managers were

- service management
- responsibility
- work community management
- change management and
- operational efficiency.

Personal rewards were paid to 351 sales staff and 46 shop managers.



Incentive system

Staff is encouraged to promote the realisation of joint strategic aims. The entire Alko personnel is covered by the incentive system.

The staff incentive system is strongly based on Alko's strategy and values: the system has a number of indicators on responsibility, customer service, personnel and finance and encourages profitability and being successful together. Alko teams receive team-specific rewards. In addition, managers are rewarded for succeeding in managerial duties.

Alko's Board of Directors decides annually on the staff incentive system. The reward is paid once per year and the prerequisite for getting it is a predetermined level of cost-effectiveness. In 2012, the amount reserved for the incentive scheme with its personnel expenses was 3,6 (3.3%) of the personnel costs. There is a separate incentive scheme for the members of the Management Team.

Other staff benefits

- Occupational health care: In addition to statutory occupational health care we offer all staff general practitioner level medical care
- Meal benefit: All Alko personnel receive a meal benefit for every working day. We want to encourage the staff to have a healthy and balanced diet.
- Cultural vouchers: We support the fitness and cultural activities of staff in their free time.
- Recreational allowance: We support the joint activities of teams with a recreational allowance.
- Holiday destinations: We offer holiday destinations in Vierumäki, Ylläs, Tahkovuori and Luosto.
- Personnel clubs: Alko has 15 clubs for personnel which receive financial assistance from Alko.
- A company phone and car are provided in line with task requirements.



Relations with organisations

As an employer, Alko is a member of the Federation of Finnish Commerce. Alko's President and CEO Jaakko Uotila was a board member of the Federation of Finnish Commerce and Executive Vice President, Personnel Erkki Tommila was chairman of the Workplace Committee of the Federation of Finnish Commerce.

Alko's personnel are mainly organized into two trade unions, the sales staff belong to the Alkoholikaupan ammattiliitto ALV ry and office staff to the Alkoholialan Toimihenkilöt ry. Alkoholikaupan Ammattiliitto ALV ry belongs to 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 assistants and office staff. These are supplemented by the trade sector's collective agreement. Collective bargaining itself takes place on the union level. The collective agreements are in effect until 30 April 2014.

To give advice on cooperation on a company level, there is a consultative committee, which met four times in 2012.



Substance abuse rehabilitation program revamped

Alko has an occupational safety committee for organising cooperation on work safety. The sales staff have four representatives, and the office workers and employer have two representatives each. In addition, an occupational health physician or nurse participate in the meetings.

The committee convened four times in 2012.

We revamped Alko's rehabilitation programme and reviewed the rules with the staff. We paid particular attention to preventing all forms of harassment and improper treatment.



Accidents and absence through sickness

In 2012, a total of 100 (105) work accidents took place in Alko. Of these, 24 (22) were accidents involving travel to and from work. Accidents accounted for an average of 9 days leave (11 days in 2009).

The percentage of absences due to sickness was 4.4% (4.4%) of the theoretical regular working hours. Absences due to sickness remained at last year's level. The percentage stayed below the retail sales average (4.7% in 2011, Confederation of Finnish Industries EK working time report).



Our economic responsibility provides guidance for our performance



Our economic responsibility is based on sustainable economic performance achieved through responsible values and practices. To implement economic responsibility we need further efficiency in operations, open and transparent financial reporting, and to pay even and fair attention to our stakeholders.

A large measure of our financial responsibility for 2012 was how our responsible purchasing principles were taken into account in our purchasing operations. We have joined the international Business Social Compliance Initiative (BSCI) which focuses on spreading responsible procurement practices. It requires suppliers to act in accordance with international agreements and laws adopted by the United Nations. We have sought guarantees from all of our producers and importers that the beverages we buy are produced in an ethically sustainable way. Ethical trading principles have also been applied to the general conditions of supply that we use for the procurement of other goods and services. The purpose of responsible purchasing is to better meet the expectations of ever better informed customers and to increase economic accountability throughout the supply chain.

We also took financial responsibility for our personnel. Despite the economic downturn, jobs throughout Finland have been preserved.



Customers 1,209.9 € million

We provide our customers with products and services. For us it is important that ethical principles are taken into account in their acquisition. In 2012, revenue from alcoholic beverages amounted to EUR 1,197.9 million (EUR 1,158.0 million in 2011). We offered services and supplies worth EUR 8.9 million (EUR 14.0 million). These services included revenues worth EUR 355,000 from research activities conducted at the Alcohol Control Laboratory (EUR 400,000). In addition to providing safe and high quality products, we consider our comprehensive network of shops, our wide range of products as well our expert personnel providing excellent service as part of our financial responsibility towards customers.

Other operating income amounted to EUR 2.7 million (EUR 2.4 million) and was mainly rental income.

The glass bottle recycling system was transferred from Alko on 1 February 2012 to the management of Suomen Palautuspakkaus Finland Oy (Palpa). As a result we paid EUR 2.1 million to Palpa for the transfer of the deposit system. From Palpa we received handling compensation amounting to EUR 1.8 million (EUR 0.4 million) for the treatment of Alko's own recovery points. The handling compensation is included in the overall sales for services and supplies. The amount of the handling compensation is affected by the overall quantity of returned bottles and cans to recovery points.

Suppliers of goods and services EUR 1,042.4 million

Our responsible procurement principles can be most clearly seen by our suppliers of goods and services. Commitment to ethical principles is part of our overall economic way of thinking. In addition to the direct purchase price we also take indirect advantages and disadvantages into consideration. In our procurement of alcoholic beverages we pay attention to the instructions set out in the legislation (The Decree on the Operation of the Alcohol Company 243/2000) regarding the equal and transparent treatment of suppliers.

Most of our purchases are alcoholic beverages, which we bought from the alcoholic beverage industry and wholesale traders. These purchases totalled EUR 985.4 million in 2012 (EUR 934.1 million in 2011). We purchased other products and services for EUR 57.0 million in 2012 (EUR 61.4 million in 2011).



Other product and service purchases include items such as transportation, IT services, rents, communications and marketing:

- Transportation costs amounted to EUR 1.8 million. (EUR 6.6 million. euros). The reason for the significant reduction was the transfer of the glass bottle recycling system from Alko to Suomen Palautuspakkaus Oy and eliminating the use of refillable wine and liquor bottles. Recovered glass bottles have not been transported back to the terminal after February.
- We invested EUR 6.1 million in IT services and consultation, which was slightly less than in 2011 (EUR 6.5 million). The majority of the IT costs came from software licenses, maintenance and support.
- 326 of our 350 shops are located in rented premises, for which we paid EUR 16.7 million in rent (EUR 16.1 million). Both index increases and our increased sales network (348 shops in 2011) contributed to the increase in rental expenses.
- We used EUR 3.7 million (EUR 3.3 million) in total for communications and marketing. Communications and marketing costs arose from customer communications, such as price lists and the Etiketti (Etiquette) circular magazine, among other things. In 2012, we started with the new alko.fi web site design. The site will open in spring 2013.

Our purchases through our suppliers of goods and services have indirect impacts on external players. We can take our indirect impacts into account with the help of ethical trading principles, but we have not evaluated the exact monetary value here.

Personnel EUR 88.1 million.

Finland's economic situation was challenging in 2012. The economic downturn affected many companies and their jobs. One of our key investments in 2012 was in our personnel. In 2012 we invested EUR 449,000 in our project for well-being at the workplace, which aims to make Alko the best workplace in Finland.

For our personnel, our economic responsibility is visible in accrued salaries and remunerations. In 2012, EUR 68.1 million was paid in salaries and remunerations (EUR 66.5 million in 2011). Pension expenses amounted to EUR 15.9 million (EUR 16.4 million) and other personnel-related expenses amounted in turn to EUR 4.0 million in 2012 (EUR 3.7 million).

In addition to salaries and remunerations, we invested financially in our personnel in well-being at work and training.

The investment in well-being at work was higher than usual in 2012 because of the project on well-being at the workplace. In addition to the project, we have supported well-being in the workplace through recreational support, meal benefits and medical care. Our investment per employee was EUR 1899 (EUR 1,752 million) and a total of EUR 5.0 million overall (EUR 4.6/4.3 million).



In addition to actual training given, the personnel can partake in learning through the internal online learning environment. EUR 2.2 million was invested in training (EUR 1.6 million). As well as achieving increased product knowledge we want to be able to influence the customer contact experience. Shop teams started customer experience training in 2012, which focused on development for a variety of customer service situations.

Alko celebrated its 80th anniversary in 2012. We wanted to share this anniversary between the staff and among our stakeholders. We invested EUR 856,000 in the anniversary celebrations.

Pensions

Alko has a supplementary pension plan in addition to the statutory earnings-related pensions. Additional pension cover is managed by private pension companies, and also by the Alko Pension Fund (division A) supplementary pension. At the end of 2012, 449 of our personnel belonged to the Alko Pension Fund Division A supplementary pension, 12 fell under Vistalco supplementary pension cover and 4 members of the Management Team were covered by the management supplementary pension.

The President and the CEO has no supplementary pension scheme, but six Management Team members have a supplementary pension. Two members of the Management Team belong to the Alko Pension Fund Division A, their retirement age is 61 years and their pension is 66 percent of their salaries. Four members of the Management Team have an accrued supplementary pension. The supplementary pension retirement age is determined by the Employees Pensions Act (TyEL) and the annual benefit paid is 10 percent of annual income, without incentive pay.

The retirement age for the Alko Pension Fund Division A supplementary pension is from 58 to 63 years depending on the job and length of service. The pension is 66 per cent of the salary.

In 2012, we paid EUR 4.0 million in supplementary pension insurance payments, which is 5.9 percent of the company's total payroll.

Society EUR 99.2 million

Alko pays taxes to society. We paid EUR 37.8 million (EUR 38.9 million) in taxes on alcohol on an accrual basis for alcoholic beverages passing through our central warehouse, of which EUR 0.5 million was beverage packaging tax. We paid EUR 46.7 million (EUR 49.6 million) in VAT and EUR 14.3 million (EUR 17.4 million) in income tax. The taxes we pay go through the state budget to finance general government expenditure and are in this way distributed for the benefit of society as a whole.



Communities EUR 0.4 million

Alko participates in the "In the Company of Children" programme together with the A-Clinic Foundation, the Mannerheim League for Child Welfare, the National Institute for Health and Welfare (THL) and the Finnish Parents' League. The cooperation is contract-based and overall we contributed EUR 145,000 in 2012 (EUR 154,00 in 2011) in compensation for the activities of these societies.

In addition to this, Alko engages in activities with the Youth Academy and the Young Finland Association, and with Junior Chamber International Helsinki for the Police Officer of the Year award. The Police Officer of the Year award comes to EUR 3,000 (EUR 3,000) and The Young Finland Association scholarship to EUR 3,000 (EUR 3,000). Other areas of cooperation are in the form of compensation for activities, and they amounted to EUR 23,000 (30,000). We also contributed EUR 4,000 in support of the preventive substance abuse work week. The effects of the grants on profit for the whole year came to EUR 0.4 million (0.3 million).

We also supported the research activities of the Finnish Foundation for Alcohol Studies with EUR 68,000 and contributed EUR 15,000 towards the Yhteiskuntapolitiikka publication.

Before Christmas Alko donated EUR 100,000 to the "Hyvä Joulumieli" (Christmas Cheer) collection organised by the Finnish Red Cross and the Mannerheim League for Child Welfare. The "Hyvä Joulumieli" collection goes towards helping families with children who are poor or in difficult life situations, so that they can buy groceries for Christmas.

We did not give any grants or subsidies to political parties.

The owner EUR 50.0 million

Alko is owned by the Finnish state (100%). We paid the owner a dividend of EUR 50.0 million from the results from 2011 (EUR 110.0 million from the results from 2010). The dividend was paid in two instalments in 2012: EUR 20.0 million in April and EUR 30.0 million in September. The dividend for 2012 was clearly smaller than in previous years, due to price cuts at Alko starting on 1 January 2012.

Alko does not receive any financial assistance from the state.



Investments EUR 7.1 million

Investments were carried out for the development of the shops and for strategic projects. We invested EUR 3.9 million in the development of our shops in 2012 (EUR 4.2 million in 2011). Three new shops were launched and 18 shops changed premises. One shop was closed. The investments arose from renewing the internal visual appearance of the shops and improving the cash registers ergonomically. 25 shops renewed their internal visual appearances and other renovations were carried at 17 shops.

Our largest strategic development project investment was for the financial and logistics process and IT systems development project. These investments amounted to EUR 2.4 million (EUR 2.7 million), which also includes the renewal of the financial reporting and budgeting system. Investments in the customer experience project came to EUR 0.1 million and EUR 0.5 million were entered as costs. EUR 0.2 million were invested in the service network development project and EUR 0.1 million were entered as costs. The project on well-being at the workplace for personnel and investments in corporate social responsibility and strengthening stakeholder cooperation were entered as costs.

There were additionally EUR 0.4 million in other investments (EUR 0.2 million), which mainly included the plumbing renovations for the Kallio property in Helsinki.

Business ethics in Alko



Lisää Veronica Rubio from BSCI trained Alko suppliers in Helsinki on 29 and 30 May. The training covered the Code of Conduct, or ethical principles that Alko follows and requires its suppliers to comply with.

Ever increasing numbers of Alko's customers are seeking naturally and ethically produced beverages. With their choices they support environmental protection and fair salaries for harvesters and growers. To meet the expectations of ever better informed customers Alko is committed to following the principles of responsible procurement.

Responsibility in a nutshell means that Alko demands that its suppliers follow UN treaties and international law on safety, human rights and minimum pay. The company cannot, for instance, allow its producers to use child labour and demands that they have humane working-times and minimum wages. In addition, suppliers must see to occupational health and environmental matters.

"We have obtained assurances from all producers and importers that the beverages we buy are produced in an ethically sustainable way," says product group manager Petri Aalto, who is responsible for wine procurement, as he explains the company's aims and operating methods.

Ethics toolkit

Alko has been honing its ethical programme for five years. The programme focuses on domestic and international suppliers from small farmers to importers. The company purchases beverages from over 60 countries.

Work remains to be done but the tools for bearing responsibility are now available: Alko has joined the international Business Social Compliance Initiative (BSCI) which focuses on spreading responsible procurement practices. The company also cooperates closely with other Nordic alcohol monopolies.



Petri Aalto says the joint operational method makes it considerably easier for Alko to take its first steps as a responsible purchaser.

"It would be difficult to act alone but now we have the support organisation in place."

The suppliers' assurances on complying with ethical standards do not remain merely rhetoric as the method includes an auditing process where an independent auditor checks the validity of the assurances, after which the shortcomings are addressed.

The intention is to audit two thirds of purchases from high-risk countries by the end of 2014.

Mr. Aalto emphasises that small shortcomings will sometimes appear due to cultural differences between countries. The key issue is that corrective measures are taken in these cases if the need arises.

Ethics programme tested in Chile

Alko started its responsibility programme last year in Chile, which accounts for most of the wines sold in Finland. The company is satisfied with the results from the trial. The key points of interest - labour and human rights issues - were in order at the audited producers. The defects noticed during the inspection were mainly with technical deficiencies in documentation and complying with safety regulations. This year we are focusing on correcting the defects. Our partners are not left to deal with these issues by themselves, we provide them with support.

"Our intention is not to discontinue business relations when problems are detected, but to develop operations where improvements are needed together with our partners," Petri Aalto explains regarding Alko's principles.

Responsible procurement has not been at the forefront as strongly as, for instance, in our neighbouring country Sweden. However, Alko has taken a strong position in making sure that its suppliers follow ethical guidelines because Finnish consumers too expect these issues to be in order.

BSCI is not limited to companies in the alcoholic beverages industry and has 850 member companies from a range of sectors, for instance, large food companies and clothing chains.



Sustained work to mitigate environmental impact

Alko's operations have environmental impacts. The most significant impacts are caused by transportation of products, consumption of electricity and heat and waste produced from drinks packages.

We are engaged in sustained work to prevent and mitigate environmental impacts. 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.

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 issues are part of the Nordic [responsible procurement model](#). The goal of the cooperation is to mitigate the adverse environmental effects of e.g. packaging of alcoholic beverages and their transport.



Shops operate in accordance with the environmental management system

We are engaged in sustained work to achieve the aims and objectives set for our environmental work. Through the environmental management system we are able to identify and reduce harmful environmental impacts and reduce their related costs. Since the beginning of 2011, all of our retail outlets have followed the principles specified in the international ISO 14001 environmental management system. The system will be certified in 2013.

At Alko shops:

- integrated environmental guidelines have been adopted
- environmental training is provided for the personnel
- all package related and other waste is sorted and forwarded for further utilisation
- transporting equipment (pallets, honeycomb boards, baskets) is recycled
- environmentally friendly cleaning agents are used

Each shop selects an environmental officer, whose task is to ensure that the personnel are aware of the environmental impact of their own work and that the shop complies with Alko's environmental guidelines. The environmental officer also ensures that new workers are familiar with Alko's environmental practices, and participates in the environmental audit for the shop.

Environmental audits were started

The internal environmental audits are a form of self-evaluation. The audit seeks to determine as accurately as possible how the shop's environmental practices meet the set criteria for the environmental policy and objectives. The audits are part of the internal audit for the shops and all the shops are checked every two years. The audit is carried out using an environmental auditing form and the results are saved in an auditing database. The audits were started in February 2012 and during the year 158 outlets were inspected.



Environmental impacts monitored more closely

Alko has 350 shops (31 December 2012), of which 23 operate in their own premises. The total floor area of the shops amounts to 108,933 square metres, meaning that the average floor area for one shop is approximately 311 square metres. The shops, regional offices and head office operate primarily in leased facilities. The direct environmental impacts of the premises include heat, electricity and water consumption. Heating, water and waste management are mostly included in the rent for the operating premises. For this reason accurate consumption data is not fully available. We value locating our shops in business centres, and place special emphasis on opportunities for diverse waste sorting, environmentally friendly heating systems and energy recovery.

The environmental impact of Alko shops was studied in the spring in 2012 through a carbon footprint study. The study included seven shops in different locations in Finland. On the basis of the study it could be seen that the largest environmental impacts of the shops resulted from heating, the use of electricity, transportation and waste. The impacts differ somewhat from each other. These differences are due, among other things, to geographic location, the size of the shop, as well as differences in heating systems. The information obtained through the study will be of benefit to Alko's environmental management system and will contribute towards development work in Alko shops.



Empty beverage containers recycled efficiently



We sold over 154 million alcoholic beverage containers in 2012:

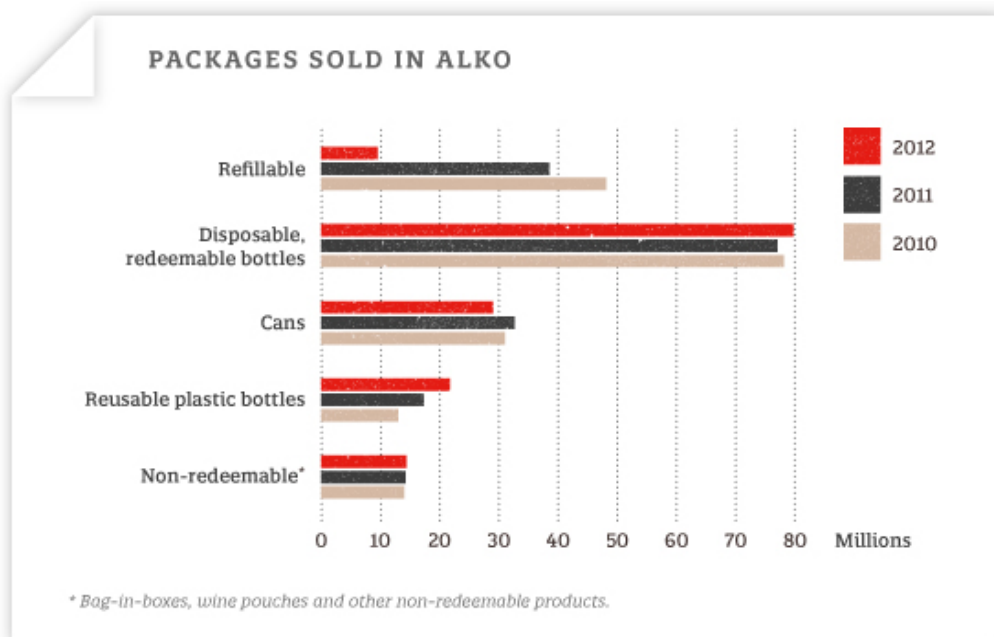
- 80 million redeemable, single-use glass bottles
- 9 million reusable glass bottles
- 29 million cans
- 22 million redeemable plastic bottles for recycling
- 7 million bag-in-box containers
- 2 million cartons
- 5 million non-redeemable glass bottles or plastic bottles

Alko cooperates on recycling of empty beverage containers with other retail chains. At the end of 2012, most collection points (300 in total) at supermarkets or shopping centres were joint machines where customers can return all redeemable glass bottles and plastic bottles and cans. In addition Alko had 48 collection points at its own shops. Most of the recycling machines also accept non-redeemable glass bottles but it is recommended that they be taken to municipal recycling points.



Alko is one of the owners of Suomen Palautuspakkaus Oy (PALPA), a company that administers and develops deposit-based systems for recycling of metal cans and plastic bottles. We are also a member of the Finnish glass recycling organisation Keräyslasiyhdistys. PALPA has for several years been responsible for the recycling systems for redeemable cans and plastic bottles in Finland.

In spring 2012 recycling systems of glass bottles underwent significant changes as Alko's own recycling system of single-use glass bottles was discontinued and replaced with PALPA's glass bottle recycling system. Most of the products in Alko's old system were transferred into the new system and remained within the deposit system. With the new system customers have better glass bottle recycling possibilities with the recycling network expanding from 350 to several thousand collection points to cover nearly all supermarkets.





Fewer emissions by combining transports



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. 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 transports are combined at transport company terminals. With this arrangement, it is possible to cut both transport costs and emissions.

The two largest transporters of Alko's products in Finland both have environmental management systems in place. Products purchased from abroad using Alko's import services are transported regularly by five transport firms, three of which have the ISO 14001 environmental certificate.

We monitor the CO₂ emissions of our transports. In 2012, the CO₂ emissions of import transports were 755 tonnes (1,025 tonnes in 2011) with the figure for domestic delivery transports being 136 tonnes. The figures include all combined transports deliveries, i.e. nearly 80 per cent of the total volume of shop deliveries. Return transports are not included in the figures.

Alko's central storage is organised through Itella Logistics Centre in Vantaa, which has ISO14001 certification.



Waste guidelines and shelf frames recycling

The stores follow standardised waste guidelines

In addition to their own waste sorting guidelines, Alko's head office, stores and regional offices follow municipal guidelines and regulations. All offices are instructed to sort waste, save energy and acquire environmentally friendly office products. Pallets, cases and other reusable transport equipment are used for the transport of alcoholic beverages and other products sold at Alko. Most of these are deposit products and nearly all are recycled. Cardboard and plastic waste generated in the stores is sorted and forwarded for further utilisation. The plastic wrapping surrounding transport pallets is also utilised in the production of plastic bags at Alko.

Waste disposal, apart from handling hazardous waste, is mainly included in the rental contracts for the stores. Handling hazardous waste has its own environmental guidelines, and Alko's Alcohol Control Laboratory (ACL) sends all harmful chemicals to Ekokem Oy. Equipment taken out of operation, which consists mainly of cash registers, is sent to Työ & Toiminta Ry for the recovery of all recyclable material.

Shelf frames recycling savings achieved

The materials for the furniture in the shops and other work premises are selected keeping in mind that they should be long lasting, recyclable and reusable. Shop renovation and furnishing 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. The re-utilisation rate for furniture frames is approximately 60 percent (65 percent in 2011). All renovations and shop relocations in 2012 were documented from a recycling perspective.



Alko head office member of 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.

Alko's head office is located in Salmisaari in Helsinki. We recycle energy and biowaste, glass, paper and cardboard. Alko's Alcohol Control Laboratory (ACL) operating in the same building sends all harmful chemicals to Ekokem Oy. The head office premises are cleaned by a company that has an ISO 14001 environmental programme.

The task of the Green Office team at the head office is to encourage the staff to be environmentally friendly in their daily activities. 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.

We monitor the head office's environmental impact in four areas:

- electricity consumption
- paper consumption
- domestic and international travel

The energy consumption of the head office in 2012 was 178,723 kWh (126,539 in 2011). The figure cannot be directly compared with the consumption of the previous year as it includes Alko's Alcohol Control Laboratory's annual electricity consumption for the first time. Paper use, 619 reams fell from the previous year (1220 reams). The number of airmiles decreased in comparison with the previous year whereas the the number of miles driven by road grew slightly.

A teleconferencing system has been used in communications between the head office and area offices since 2009. With the equipment Alko tries to act in an ever more flexible and cost-effective manner. Teleconferencing has proved useful in many ways, for example by allowing regional managers to cut travelling between Alko premises, thus saving working time.





Electricity and heating

Electricity consumption in stores

The estimated power consumption in Alko stores decreased to 15.1 GWh compared to the previous year (16.8 GWh). The decrease in electricity consumption can be partially attributed to the fact that we instructed staff to pay particular attention to electricity consumption and saving electricity. The staff is also directed to turn unnecessary lights off in storage and social areas. Energy consumption can be reduced in the stores by using less lighting at night, while still ensuring that safety is not compromised.

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.

During the past year remote read electricity meters have been installed in shops. In 2013 the monitoring of consumption of centrally purchased electricity will become more accurate with the introduction of the new system. The new system enables live monitoring of electricity consumption in shops equipped with the system.

LED lighting and new heating solutions for the benefit of the environment

Alko has used only LED technology in all its illuminated advertising signs since 2006. The use of LED technology in lighting solutions for the stores is also being continuously examined. In addition to the energy consumption we monitor the purchase price development, life cycle of the devices and the maintenance costs.

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. 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 30-35 percent lower than in traditionally lit stores. The Arabia store in Helsinki, renovated in the autumn of 2012, now almost fully uses LED lighting. The store also piloted the use of so called presence detectors in the background areas of the store. These sensors can be used to significantly reduce lighting electricity consumption.

The heating and cooling systems for the premises of the stores at Jalasjärvi and Äkäslompolo in Ylläs utilise renewable energy sources and cold condensate heat released from cooling equipment. In its first year of operation the Jalasjärvi property obtained 90 percent of its required heat through condensate heat recovery. The store also benefits from air heat recovery in the underfloor heating of the premises



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 of the president and CEO	
1.2 Description of impacts, risks and possibilities	Partially	Review of the president and CEO Strategy Internal Supervision, Risk Management and Internal Auditing Responsibility management Alcohol legislation sets parameters for company operations Alko corporate responsibility management system Responsibility goals and implementations 2012 Report scope and contents	
2. ORGANIZATIONAL PROFILE			
2.1–2.9 Basic information about Alko	Yes	Alko in brief Alko Inc's corporate governance 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	No awards received

3. REPORT PARAMETERS

3.1–3.4. Report profile and reporting period	Yes	Report scope and contents	
3.5–3.11 Report scope and boundary partially	Osittain	Report scope and contents	
		Stakeholder cooperation	
3.12 Comparison with the GRI reporting guidelines	Yes	GRI table	
3.13 External assurance of the report	Yes	Report scope and contents	The report has not been assured

4. GOVERNANCE, COMMITMENTS AND ENGAGEMENT

4.1–4.10 Governance	Yes	Alko Inc.'s Corporate Governance	
		Annual General Meeting	
		Board of Directors and Committees	
		Benefits, bonuses and remuneration	
		Environmental responsibility in Alko's operations	
		Responsibility towards personnel	
		Report of the Board of Directors	
4.11–4.13 Commitments to external initiatives in corporate social responsibility	Partially	In the Company of Children programme	
		Other stakeholder cooperation	
		Responsibility in procurement	
		Recycling drinks packaging	
		Environmental effects of the headoffice	



4.14–4.17 Stakeholder engagement

Alcohol Control Laboratory

Supervision tools

Internal Supervision, Risk
Management and Internal Auditing

Other stakeholder cooperation

Yes Stakeholder cooperation

Alko cooperates to mitigate harmful
effects of alcohol

**5. MANAGEMENT APPROACH AND THE
ORGANISATION'S ECONOMIC GOALS**

Economic performance indicators

EC1 Direct economic value generated and distributed

Yes Economical responsibility

Donations to Universities and
Colleges

EC2 Financial implications and other risks and opportunities for the organisation's activities due to climate change no

Partially Organic and ethical trade products

EC3 Coverage of the organisation's defined benefit plan obligations and pension commitments

Yes Salaries and employee benefits

Benefits, bonuses and remuneration

Notes to the income statement

Economical responsibility

EC4 Significant financial assistance received from government

Yes Alko does not receive the support referred to by GRI

EC5 Entry level wage compared to local minimum wage

Partially Salaries and employee benefits

EC6–EC7 Locally based procurement and recruiting

Partially Responsibility in procurement



		Economical responsibility	
		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	Economical responsibility	
Environmental performance indicators			
EN1-EN2 Used and recycled materials	Partially	Recycling drinks packaging	
		Waste guidelines and shelf frames recycling	
		Packaging and gift articles	
EN3 Direct energy consumption from primary energy sources	No		
EN4 Indirect energy consumption from primary energy source	Partially	Electricity and heating	
		Environmental effects of the headoffice	
EN5 Energy saved due to conservation and efficiency improvements	Partially	Electricity and heating	
		Environmental effects of the headoffice	
EN6 Energy-efficient or renewable energy based products and services	No		
EN7 Measures to reduce indirect energy consumption and savings achieved	Partially	Electricity and heating	
		Environmental effects of the headoffice	
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	Environmental responsibility in Alko's operations
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	Recycling drinks packaging
		Waste guidelines and shelf frames recycling
		Environmental effects of the headoffice
EN23–EN25 Chemical, oil and other spills plus hazardous waste	Partially	Alcohol Control Laboratory
		Environmental effects of the headoffice
EN26 Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	Partially	Recycling drinks packaging
		Packaging and gift articles
		Environmental responsibility in Alko's operations
EN27 Percentage of recycled products and packaging materials of products sold	Partially	Recycling drinks packaging



		<u>Packaging and gift articles</u>	
EN28 Sanctions for non-compliance with environmental laws and regulations	No		Alko has never been fined or sanctioned on environmental matters
EN29 Products and materials, transportation and commuting caused significant environmental impact	Partially	<u>Transport</u>	
EN30 Environmental protection expenditures and investments by type	No	<u>Transport</u>	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>Lenght and type of contracts</u>	
LA2 Employee turnover	Partially	<u>Lenght and type of contracts</u>	
LA3 Benefits that are offered to full-time employees which are not offered to temporary or part-time workers	No		
LA4-LA5 Percentage of employees covered by collective bargaining agreements and minimum notice period(s) including whether specified by collective agreements	Yes	<u>Lenght and type of contracts</u>	
		<u>Other stakeholder cooperation</u>	
LA6 Minimum notice period(s) including whether specified by collective agreements	Yes	<u>Occupational safety</u>	
LA7 Rates of injury, occupational diseases, lost workdays and absenteeism	Yes	<u>Accidents and absence through sickness</u>	
LA8 Education, training and counselling to assist workforce members, their families, or other community members regarding	Yes	<u>Health</u>	



serious contagious diseases			
		Working environment	
LA9 Health and safety topics covered in formal agreements with trade unions	Partially	Occupational safety	
LA10 Average hours of training per year per employee per employee category	Yes	Competence	Applies to all according to one's function
LA11 Programs for skills management and lifelong learning for employees	Partially	Competence	
		Management	
LA12 Percentage of employees receiving regular performance and career development reviews	Yes	Management	
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	Board of Directors and Committees	
		Annual General Meeting	
		Management	
LA14 Ratio of basic salary of men to that of women by employee category	Yes	Salaries and employee benefits	

Human rights performance indicators

HR1–2 Human rights performance indicators	Partially	Responsibility in procurement	
HR 3 Staff training on human rights-related policies and operational practices	No		
HR4 Number of incidents of discrimination and actions taken	Yes		No discrimination incidents
HR5 Activities involving the freedom of association and right to collective	No		



bargaining under attack			
HR6-7 Risk of using child labour, forced labour, or labour performed under a penal system	Partially	Responsibility in procurement	
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	In the Company of Children programme	
		Responsibility in procurement	
SO2 Percentage and total number of business units analysed for risks related to corruption	Partially		
SO3 Percentage of employees trained in anti-corruption practices	Partially	Alcohol legislation sets parameters for company operations	
SO4 Actions taken in response to incidents of corruption	No		Alko has not been fined or sanctioned
SO5 Participation in public policy development and lobbying	Yes	Alko cooperates to mitigate harmful effects of alcohol	
SO6 Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	Yes	Economical responsibility	
SO7 Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices, related actions and their outcomes no Alko has not been fined or sanctioned	Yes		
SO8 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Yes		Two cases have been handled directly with the offenders, one is still under



processing.

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	Quality and products	
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	Quality and products	
PR4 Violations of the product information and product labelling regulations and related voluntary codes of conduct			
PR5 Practices related to customer satisfaction, including results of surveys measuring customer satisfaction			
PR6 Practices related to adherence to laws, standards, and voluntary codes related to marketing communications			
PR7 Violations of laws and regulations concerning marketing communications			
PR8 Complaints related to breaches of customer privacy and loss of customer information			
PR9 Number of fines incurred through violation of legislation and regulations related to use of major product and services			



Alko Inc. Annual Report and Corporate Social Responsibility Report 2012

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 of 3 November 2011. The recommendations and resolution have been taken into account whenever possible. The authors of the report were mindful of the efforts to develop the GRI. Any changes will be taken into account in reports for 2013.

Alko's Corporate Social Responsibility Report was subjected to an external verification in 2010. The report was verified by KPMG Oy Ab. The reports for 2011 and 2012 have 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 publishes an Annual Report and a Corporate Social Responsibility Report on a yearly basis. Alko's Annual Report and Corporate Social Responsibility Report 2012 (in Finnish and in English) is the company's second online report. Previously, these reports were published as printed versions. The 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 systems and from service providers.

The staff figures are calculated according to the Accountancy Board's general guidelines for the preparation of annual reports. The applicable parts of the Finnish Corporate Governance Code were followed for the Corporate Governance section. The financial statements were prepared in compliance with the Finnish Accounting Standards (FAS).



Alko's Annual Report and Corporate Social Responsibility Report 2012 have been published in Finnish and English. This report comprises all indicators for Alko's social, financial and environmental responsibility and results for 2012. It also provides information on Alko's special tasks in preventing the harmful effects caused by alcohol consumption.

The theme of the report is Alko's 80-year history as a responsible and service-oriented supplier of alcoholic beverages. The report was compiled in compliance with the Global Reporting Initiative (GRI) guideline G3.1.

To access Alko's Annual Report and Corporate Social Responsibility Report 2012, visit the company's website at www.alko.fi. The report is only available as an online version, and each visitor to the website can use the content to put together a pdf package meeting their needs or print pages for their own use.





Report of the Board of Directors

Alko's sales by volume and net sales excluding alcohol beverage tax declined. The 2012 result declined on the previous year mainly due to a decrease in Alko's product pricing. Alcohol consumption continued to decline in 2012 and Alko's share of alcohol sold in Finland rose by around one percent.

Key figures	2012	2011	2010
Net sales, million EUR	1,207.2	1172.3	1,174.8
Net sales without alcohol beverage tax, million EUR	590.7	601.0	591.5
Operating profit, million EUR	57.3	67.0	71.9
Extraordinary items, million EUR	0.3	-0.5	81.9
Income tax on ordinary operations, million EUR	-14.2	-17.6	-18.9
Income tax on extraordinary operating items EUR	-0.1	0.1	-21.3
Profit for financial year, million EUR	44.4	51.0	115.2
Income from ordinary operations, million EUR	44.0	51.4	52.3
Return on equity, %	54.0	44.4	46.5
Equity ratio, %	30.7	31.9	42.1
Balance sheet total, million EUR	261.9	268.6	347.9
Gross investments in fixed assets, million EUR	7.1	7.1	30.7
Average number of personnel during the financial year	2,657	2,624	2,606

The company aims to be the best retailer when it comes to responsibility and service. According to the Corporate reputation and responsibility survey, Finns deemed Alko as the most responsible company in the retailing field. In the Suomi Tänään national customer feedback survey Alko ranked first in the retail group and fourth among all Finnish service companies. The tax on alcoholic beverages was raised on 1 January 2012. Concurrently Alko's prices were cut. Alko also gave up its own disposable glass recycling system on 1 February 2012.

Alko's net sales for 2012, with alcohol beverage tax came to EUR 1,207.2 million (EUR 1,172.3 million in 2011). Net sales grew by EUR 34.9 million which was mainly due to the raise in the alcohol beverage tax in the beginning of January 2012.

Alko's net sales excluding alcohol beverage tax came to EUR 590.7 million (EUR 601.0 million). Net sales excluding alcohol beverage tax declined due to changes in pricing, smaller sales volumes and giving up Alko's own disposable glass recycling system.



Operating profit came to EUR 57.3 million (EUR 67.0 million), which was 4.7% (5.7%) of net sales including alcoholic beverage tax. Changes in pricing and smaller sales volumes reduced the operating profit by around EUR 14.8 million. The transfer of the deposit system to Suomen Palautuspakkaus Oy reduced the operating profit by around EUR 2.0 million. The increase in the alcohol beverage tax improved operating profit by around EUR 3.3 million.

Fixed costs EUR 150.3 million (EUR 153.9 million). Alko's personnel-related expenses increased by EUR 1.5 million mainly due to salary increases agreed in collective agreements. This also reduced the operating profit. However, man-days remained at last year's level. Rents went up by EUR 1.0 million. Rental costs were affected partly by the opening of three new shops and the closing of one shop. Cost savings in transports and smaller depreciations than last year improved operating profit by EUR 5.5 million. Other items contributing to the improved operating profit amounted to nearly one million euros.

Financial income came to EUR 1.0 million (EUR 2.0 million). Financial income came down from last year due to smaller interest earnings and cash reserves. Extraordinary items in the financial report included releasing a 0.3 million provision as income in connection to the dismantling of Alko's pension fund in 2010 and concurrent real estate transactions. Profit for the financial year amounted to EUR 44.4 million (EUR 51.0 million) and was better than expected.

Alko's balance sheet total came to EUR 261.9 million (EUR 268.6 million). The balance sheet's total volume fell by EUR 6.7 million on last year. The volume fell due to a decrease in inventories and elimination of receivables connected to the single-use glass recycling system.

The equity ratio came to 30.7 percent (31.9 percent). The equity ratio fell due to a weaker financial performance than last year.

The company's total investments amounted to EUR 7.1 million (EUR 7.1 million). Investments focused mainly on revamping of shops and information system projects.

Taxation and prices

From the start of 2012 the alcoholic beverage tax rose by an average of 13.1 percent. The tax on beer and mild fermented alcoholic beverages was raised by around 15 percent and the tax on other alcoholic beverages by 10 percent.

Alko's retail sales prices changed four times in 2012 and rose by an average of 5.1 percent during the year. In January prices rose by 4.0 percent due to the increase of the alcohol beverage tax and changes in Alko's pricing. Suppliers had the opportunity to change their sales prices when the prices were changed in February, June and October. In total purchase prices of alcoholic beverages to Alko rose by 3.6 percent during the year.



Sales

Alcohol consumption continued to fall in Finland, according to Valvira's statistics. The total consumption of alcoholic beverages, converted to 100% alcohol, decreased to 9.6 litres per capita in 2012 (from 10.1 litres in 2011). Alcohol sales declined in Alko, in other retail outlets and in restaurants. The overall consumption of alcohol in Finland came to 42.0 million litres (44.4 million litres) of 100 per cent alcohol. According to a survey conducted by TNS Gallup travellers imported less alcohol than before. Alko's share of alcohol sold in Finland grew to 41.4 percent (40.2 percent).

Total sales of Alko shops by volume (litres) fell to 102.3 million litres, or 1.9 percent less than the year before (104.3 million litres). The sales of strong alcoholic beverages decreased by 2.7 percent in comparison with the previous year. Sales of mild wines grew by 0.7 percent. Sales of brewery products fell by 8.1 percent.

Product group	Sales for 2012 in millions of litres	Sales for 2011 in millions of litres	Change in comparison with the previous year in millions of litres	Change in comparison with the previous year, percent
Vodkas and spirits	15.9	16.4	-0.5	-3.0
Other strong alcoholic beverages	8.9	9.1	-0.2	-2.2
Fortified wines	3.8	3.9	-0.1	-2.8
Red wines	27.5	27.2	0.3	1.0
White wines	21.4	21.2	0.2	0.9
Sparkling wines	4.6	4.5	0.1	2.0
Rosé wines	0.8	0.8	0.0	2.8
Other wines	2.2	2.4	-0.2	-8.2
Ciders	0.9	1.0	-0.1	-8.2
Long Drinks	6.8	7.6	-0.8	-10.8
Beers	9.3	10.0	-0.7	-6.1
Non-alcoholic drinks	0.2	0.2	0.0	-33.8
In total	102.3	104.3	-2.0	-1.9
In total as 100% alcohol	17.5	17.8	-0.3	-1.6



Strategy 2013-2017

Alko's operations are guided by strategic objectives and joint values. The main sectors of the strategy are comprehensive corporate social responsibility and deepening of stakeholder cooperation, creating an individual customer experience, becoming the best workplace in Finland, developing functional quality and ensuring efficiency.

The strategic objectives and values are evident in e.g. the company scorecard, incentives system and project portfolio. The scorecard and incentives system indicators represent the strategic viewpoints in a comprehensive manner. The project portfolio includes the company's strategically important projects. The project portfolio model represents working together the achieving joint objectives.

Responsibility for alcohol policy

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

The success of age limit supervision is monitored with the Mystery Shopping method. The age of young customers was checked in 82 percent of cases by requesting that customers provide proof of age (74 percent in 2011). The number of controls of suspected handovers in shops rose by 30 percent in comparison with the previous year. In May and June we launched an age limit supervision campaign entitled "Please show your identity papers".

For our "In the Company of Children" programme we team up with The National Institute for Health and Welfare (THL), The A-Clinic Foundation, The Mannerheim League for Child Welfare and The Finnish Parents' League. The programme featured in magazines, the radio and online media at the beginning of the year.

In Finland the opinion of the population regarding alcohol policy is surveyed each year. In January 2013, the data collected showed that 80 percent (87 percent) of Finns considered the existing alcohol policy restrictions appropriate, or would tighten them. An even larger proportion, 90 percent (91 percent), stated that strong alcoholic beverages should be available only from Alko. Over 60 percent of Finns think that wines and strong beers should be available only from Alko. Over 83 percent approve the current system of selling beer. Slightly more than 67 percent (71 percent) of Finns 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

Internal environmental audits started at shops and by the end of 2012 a total of 158 shops had been audited. The audits will continue in 2013. In 2012 we also prepared for ISO 14001 certification.

At the beginning of 2012 Alko adopted a responsible procurement model. Based on the model Alko received from all its suppliers of alcoholic beverages assurances on complying with ethical principles.

Alko takes part in the international Business Social Compliance Initiative (BSCI) which was developed by European retail chains to improve their social compliance. Alko uses the BSCI auditing model to assess the ethical principles of its suppliers. The first pilot audit was conducted in Chile in the spring of 2012.



Products

Alko's product range features products from 63 (61 in 2011) countries. Products were purchased from 132 (122) domestic importers or manufacturers and from 230 (222) foreign suppliers.

The last price list of 2012 had 2180 beverages (2110). Apart from buying from the general selection, consumers can buy products from the sale-to-order selection, which in December 2012 had 1499 (1512) brands. In addition to this, Alko's flagship shop in Helsinki carries a special selection of close to 200 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

At the end of 2012 Alko had a total of 350 (348 in 2011) shops. The retail network was supplemented by (107) 110 order points. Alko shops saw 61.7 million (62.2 million) customer visits in 2012 amounting to around one percent less in comparison with the previous year. Alko improved its customer satisfaction grade for the fifth year in a row. In the Suomi Tänään customer feedback survey Alko ranked first in the retail group and fourth among all Finnish service companies.

Personnel

At the end of the year Alko's personnel numbered 2756 (2753 in 2011). In terms of computational person-workyears, the total for full-time and part-time work was 1928 (1926) person-workyears.

There were an average of 4.3 (3.5) training days per employee. We launched a new well-being in the workplace management training programme targeting all Alko staff in connection with a well-being in the workplace project. Service know-how was strengthened by training staff as customer service ambassadors.

The entire personnel is covered by an incentive scheme. The staff incentive system has a large number of indicators on responsibility, customer service, personnel and finance and encourages profitability and being successful together. Alko teams receive team-specific rewards. In addition, managers are rewarded for succeeding in managerial duties.

Salaries and incentive pay to staff totalled EUR 68.1 million euros (EUR 66.5 million). An incentive provision of EUR 3.2 million in 2012 (EUR 2.9 million) for the personnel was recorded, inclusive of personnel-related expenses, accounting for 3.6% (3.3%) of personnel costs.



Shares and share holders

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

Management and administration

By the decision of the Annual General Meeting held on 13 April 2012, EUR 50 million was distributed as a dividend in two instalments. The first instalment, EUR 20.0 million, was remitted on 16 April 2012 and the remaining instalment, EUR 30.0 million, on 3 September 2012.

The Annual General Meeting elected kauppaneuvos (Finnish honorary title) Soili Suonoja as Chairman of the Board and Director General, Professor Pekka Puska (MD, M.Soc.Sc.) as Vice Chairman. Director Sari Aalto-Matturi (L.Soc.Sc.), finanssineuvos (Finnish honorary title) Arto Honkaniemi (M.Sc. (Econ.), LL.M.), Leila Kostinen (LL.M.), kauppaneuvos (Finnish honorary title), Managing Director Matti Pörhö and Director General Päivi Sillanaukee (MD) were elected as members of the Board. Päivi Sillanaukee resigned from Alko Board on 30 September 2012 after her appointment as Permanent Secretary of the Ministry of Social Affairs and Health. Personnel representatives Juri Helmiö and Saku Salonen attended the meetings of the Board of Directors without the right to vote.

Alko Oy's Board of Directors has three committees, namely the Audit, Staff and Alcohol Policy Committees.

The Supervisory Board for 2012–2015 consisted of Chairman Sari Sarkomaa, Vice Chairman Eila Tiainen and members Timo Heinonen, Anne Holmlund, Reijo Hongisto, Arja Juvonen, Saara Karhu, Mats Nylund, Heli Paasio, Leena Rauhala, Markku Rossi and Simo Rundgren. Director Kari Paaso represents the Ministry of Social Affairs and Health. The representation of the Ministry of Social Affairs and Health in the company's Board of Administration is decreed by Section 38 of the Alcohol Act.

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

President and CEO Jaakko Uotila who worked at the company since 2001 retired on 31 December 2012. The Board appointed Hille Korhonen as the new President and CEO from 1 January 2013.

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, ensures 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 can influence its future development and profitability.

- Changes in the Alcohol Act may have a significant impact on the company's operations.
- 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, for example, 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 can cause interruptions in the business.

Prospects in the near future and after this financial period

Value added tax was raised on 1 January 2013, raising retail prices across the board. In addition, the bleak economic outlook is cutting private spending. Alko's net sales are likely to remain at the current level or fall slightly from the previous year. The result of the financial period is expected to fall below the 2012 figure.



Income statement, FAS

	Alko Group		Alko Inc.	
EUR million	1.1.—31.12.2012	1.1.—31.12.2011	1.1.—31.12.2012	1.1.—31.12.2011
Net sales	1,207.5	1,172.7	1,207.2	1,172.3
Other operating income	2.7	2.4	2.7	2.4
Materials and services	-1,002.3	-953.9	-1,002.3	-953.9
Total personnel costs	-88.1	-86.6	-88.1	-86.6
Depreciation and write-downs	-5.3	-5.9	-5.2	-5.9
Other operating expenses	-57.1	-61.8	-57.0	-61.4
Operating profit	57.4	66.9	57.3	67.0
Financial income and expenses	1.0	2.0	1.0	2.0
Profit/loss before extraordinary items	58.4	68.9	58.3	68.9
Extraordinary items	0.3	-0.5	0.3	-0.5
Profit/loss after extraordinary items	58.7	68.4	58.6	68.5
Income taxes	-13.4	-17.4	-14.3	-17.4
Minority share		0.0		
Profit/loss for financial year	45.3	51.0	44.4	51.0

FAS=Finnish Accounting Standards



Balance sheet, FAS

	Alko Group		Alko Inc.	
EUR million	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Assets				
Non-current assets				
Intangible assets	6.3	4.1	6.3	4.1
Tangible assets	41.9	41.3	13.5	14.6
Investments	7.2	6.8	33.9	34.1
Non-current assets	55.4	52.2	53.7	52.8
Current assets				
Inventories	63.7	66.6	63.7	66.6
Non-current receivables	1.6	1.6	1.6	1.6
Deferred tax assets	0.8	0.4		
Current receivables	16.9	25.7	16.8	25.7
Cash in hand and on deposit	126.1	122.0	126.0	121.9
Current assets	209.2	216.2	208.2	215.8
Assets	264.5	268.4	261.9	268.6



Shareholders' equity and liabilities

Total shareholders' equity

Share capital	16.8	16.8	16.8	16.8
Other funds	3.6	4.0	3.6	4.0
Retained profit	15.0	13.0	15.1	13.8
PROFIT/LOSS FOR FINANCIAL YEAR	45.3	51.0	44.4	51.0
Total shareholders' equity	80.7	84.9	79.9	85.7

Minority share

0.4

Mandatory reserves

0.0

0.3

0.0

0.3

Liabilities

Imputed tax liability

1.7

Long-term interest-bearing liabilities

0.0

Current interest-bearing liabilities

0.0

Current non-interest-bearing liabilities

182.1

182.8

182.0

182.7

Liabilities

183.8

182.8

182.0

182.7

Shareholders' equity and liabilities

264.5

268.4

261.9

268.6

FAS=Finnish Accounting Standards



Cash flow statement, FAS

	Alko Group		Alko Inc.	
EUR million	2012	2011	2012	2011
Cash flow from operations				
Profit/loss for financial year	45.3	51.0	44.4	51.0
Adjustments:				
Depreciation and write-downs	5.3	5.9	5.2	5.9
Non-current asset items: sales profits (-)/ losses (+)	0.2	0.1	0.2	0.1
Financial income and expenses	-1.0	-2.0	-1.0	-2.0
Income taxes	14.3	17.4	14.3	17.4
Other adjustments	-1.1	0.5	-0.3	0.5
Cash flow before change in working capital	62.9	72.8	62.7	72.9
Change in working capital:				
Increase (-) /decrease (+) in inventories	2.9	-1.0	2.9	-1.0
Increase (-) /decrease (+) in current non-interest-bearing accounts receivable	5.8	1.0	5.8	1.0
Increase (+) /decrease (-) in current non-interest-bearing liabilities	-2.7	1.3	-2.6	1.3
Change in provision	-0.3	0.3	-0.3	0.3
Cash flow from operations before financial items and taxes	68.6	74.3	68.6	74.4



ANNUAL REPORT AND CORPORATE SOCIAL RESPONSIBILITY REPORT 2012

Cash flow statement, FAS

Interest paid and payments on other financial operating expenses	0.0	0.0	0.0	0.0
Dividends received from operations	0.0	0.0	0.0	0.0
Interest received from operations	1.3	1.8	1.3	1.8
Other financial items from operations	0.0	0.0	0.0	0.0
Direct taxes paid	-9.6	-40.1	-9.6	-40.1
Cash flow before extraordinary operating items	60.4	36.1	60.3	36.1
Cash flow due to extraordinary operating items	0.3	-0.5	0.3	-0.5
Cash flow from operations	60.7	35.5	60.6	35.7

Cash flow from investments

Investments in tangible and intangible assets	-6.7	-7.0	-6.7	-7.0
Income from surrender of tangible and intangible assets	0.1	0.0	0.1	0.0
Acquisition of subsidiaries	0.4	0.0	0.4	0.0
Sold shareholdings in associates		0.4		0.4
Other investments	-0.4	-0.1	-0.4	-0.1
Surrendered income from other investments	0.3	0.1	0.3	0.1
Cash flow from investments	-6.4	-6.6	-6.3	-6.6



ANNUAL REPORT AND CORPORATE SOCIAL RESPONSIBILITY REPORT 2012

Cash flow statement, FAS

Cash flow from financial operations

Short-term loan withdrawals		0.0		
Long-term loan repayments		0.0		
Dividend paid	-50.0	-111.0	-50.0	-111.0
Received and paid Group contributions	-0.2	-0.9	-0.2	-0.9
Cash flow from financial operations	-50.2	-111.9	-50.2	-111.9

Change in financial position	4.1	-82.9	4.1	-82.8
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Financial resources at the beginning of the year	122.0	204.9	121.9	204.7
Change in financial position	4.1	-82.9	4.1	-82.8
Financial resources at the end of the year	126.1	122.0	126.0	121.9



Accounting principles

Scope of the consolidated statement and accounting principles

The Alko Group includes the parent company and four real estate companies as subsidiaries: Puolangan Keskus (50,48%), Raahen Asemakatu 12 (57,9%), Vuoksenniskan Harjulanrinne (73,08%) and Kiinteistö Oy Arkadiantalo (100%). Group consolidation includes Kiinteistö Oy Arkadiantalo. Other subsidiaries have no material effect in the result or the financial position.

Internal shareholdings

The consolidated financial statements have been prepared using the purchase method of accounting. 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

There are no minority interests.

Comparability of the financial statements

Financial closing is not comparable at group level. Group consolidation 2011 includes all subsidiaries.

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

	Alko Group		Alko Inc.	
EUR million	1.1.—31.12.2012	1.1.—31.12.2011	1.1.—31.12.2012	1.1.—31.12.2011
Rental income	1.9	1.8	1.9	1.8
Other operating income	0.8	0.6	0.8	0.6
Profit on sale of fixed assets	0.0	0.1	0.0	0.1
Total other operating income	2.7	2.4	2.7	2.4

Materials and services

	Alko Group		Alko Inc.	
EUR million	1.1.—31.12.2012	1.1.—31.12.2011	1.1.—31.12.2012	1.1.—31.12.2011
Purchases during financial period	-994.8	-951.0	-994.8	-951.0
Increase/decrease in inventories	-2.9	1.0	-2.9	1.0
Materials, consumables and supplies	-997.7	-950.0	-997.7	-950.0
Outsourced services	-4.5	-3.9	-4.5	-3.9
Total materials and services	-1,002.3	-953.9	-1,002.3	-953.9
Average personnel during the financial year	1,931	1,926	1,931	1,926

Total personnel costs

	Alko Group		Alko Inc.	
EUR million	1.1.—31.12.2012	1.1.—31.12.2011	1.1.—31.12.2012	1.1.—31.12.2011
Total personnel costs				
Wages, salaries and remuneration	-68.1	-66.5	-68.1	-66.5
Pension expenses	-15.9	-16.4	-15.9	-16.4
Other personnel-related expenses	-4.0	-3.7	-4.0	-3.7
Total personnel costs	-88.1	-86.6	-88.1	-86.6



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 19.4 million.

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

Salaries, remunerations and frindge benefits paid to the management

EUR million	Alko Group		Alko Inc.	
	1.1.—31.12.2012	1.1.—31.12.2011	1.1.—31.12.2012	1.1.—31.12.2011
President and CEO	0.4	0.3	0.4	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

President and CEO who retired at the year end 2012 was covered by an additional pension arrangement until April 30th, 2012. His retirement age was 63 years and the pension amounts to 60% of their salaries. Two members of the Management Team have a pension arrangement with retirement age of 61 years and the pension amounts to 66% of their salaries. Other Management Team members have an additional pension with retirement age was 63 years and annual payment of 10% of the annual salary excluding bonuses. Current President and CIO starting January 1st, 2013 has no additional pension arrangement.



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Notes to the income statement, FAS

Depreciation and write-downs

	Alko Group		Alko Inc.	
EUR million	1.1.—31.12.2012	1.1.—31.12.2011	1.1.—31.12.2012	1.1.—31.12.2011
Depreciation according to plan	-5.4	-5.9	-5.3	-5.7
Amortization of goodwill on the Group & reduction of consolidation difference		0.0		
Depreciation according to plan on non-current assets and goodwill	-5.4	-5.9	-5.3	-5.7
Reversed impairment on non-current asset items	0.2	0.0	0.2	-0.2
Total depreciation and write-downs	-5.3	-5.9	-5.2	-5.9

Auditor's fees

	Alko Group		Alko Inc.	
EUR	1.1.—31.12.2012	1.1.—31.12.2011	1.1.—31.12.2012	1.1.—31.12.2011
KPMG Oy Ab				
Audit	30,181.38	28,320.00	25,000.00	28,320.00
Other fees	400.00	21,897.93	400.00	21,897.93
Total	30,581.38	50,217.93	25,400.00	50,217.93



ANNUAL REPORT AND CORPORATE SOCIAL RESPONSIBILITY REPORT 2012

Notes to the income statement, FAS

Other operating expenses

	Alko Group		Alko Inc.	
EUR million	1.1.—31.12.2012	1.1.—31.12.2011	1.1.—31.12.2012	1.1.—31.12.2011
Rental expenses	-20.5	-19.5	-20.5	-19.5
Voluntary personnel-related expenses	-5.0	-4.3	-5.0	-4.3
Capital losses on non-current assets	-0.3	-0.1	-0.3	-0.1
Support given	-0.4	-0.3	-0.4	-0.3
Energy	-1.5	-1.5	-1.5	-1.5
Work outfits and equipment	-3.0	-3.1	-3.0	-3.1
Construction and repair services	-2.8	-2.7	-2.8	-2.7
IT services	-6.1	-6.5	-6.1	-6.5
Transport	-1.8	-6.6	-1.8	-6.6
Other outsourced services	-4.8	-6.1	-4.8	-6.1
Communications and marketing	-3.7	-3.3	-3.7	-3.3
Telecommunications	-1.6	-2.1	-1.6	-2.1
Credit card commissions and the handling of cash	-3.1	-3.1	-3.1	-3.1
Other expenses	-2.6	-2.7	-2.5	-2.3
Total other operating expenses	-57.1	-61.8	-57.0	-61.4



Financial income and expenses

	Alko Group		Alko Inc.	
EUR million	1.1.—31.12.2012	1.1.—31.12.2011	1.1.—31.12.2012	1.1.—31.12.2011
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	1.0	2.0	1.0	1.9
Other financial income	1.0	2.0	1.0	1.9
Total financial income	1.0	2.0	1.0	2.0
Financial expenses				
Other interest and financial expenses	0.0	0.0	0.0	0.0
Other financial expenses	0.0	0.0	0.0	0.0
Total of other interest and financial expenses	0.0	0.0	0.0	0.0
Total financial expenses	0.0	0.0	0.0	0.0
Total financial income and expenses	1.0	2.0	1.0	2.0
Exchange rate profit	0.0	0.0	0.0	0.0
Total exchange rate profit/loss	0.0	0.0	0.0	0.0



ANNUAL REPORT AND CORPORATE SOCIAL RESPONSIBILITY REPORT 2012

Notes to the income statement, FAS

Extraordinary items

	Alko Group		Alko Inc.	
EUR million	1.1.—31.12.2012	1.1.—31.12.2011	1.1.—31.12.2012	1.1.—31.12.2011
Extraordinary income, pension fund return of surplus	0.3		0.3	
Extraordinary income, pension fund return of surplus		0.2		0.2
Extraordinary expenses, pension fund final settlement		-0.7		-0.7
Total extraordinary items	0.3	-0.5	0.3	-0.5

Direct taxes

	Alko Group		Alko Inc.	
EUR million	1.1.—31.12.2012	1.1.—31.12.2011	1.1.—31.12.2012	1.1.—31.12.2011
Income tax on operations	-14.2	-17.6	-14.2	-17.6
Total income taxes on extraordinary income	-0.1	0.1	-0.1	0.1
Changes in deferred tax liabilities and assets	0.8	0.0		
Income tax on ordinary operations	-13.4	-17.4	-14.3	-17.4



Notes to the balance sheet, FAS

Non-current assets

	Alko Group		Alko Inc.	
EUR million	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Intangible assets				
Other capitalised expenditures	0.7	0.9	0.7	0.8
Advance payments on intangible assets	5.5	3.2	5.5	3.2
Intangible assets	6.3	4.1	6.3	4.1
Tangible assets				
Land and water areas	13.9	13.2	0.0	0.0
Buildings and constructions	14.5	13.5	0.0	0.0
Machinery and equipment	13.3	14.3	13.3	14.3
Other tangible assets	0.2	0.2	0.2	0.2
Tangible assets	41.9	41.3	13.5	14.6
Investments				
Holdings in Group's companies	0.4		27.1	27.4
Holdings in associates	1.9	1.9	1.9	1.9
Other shares and holdings	4.9	4.9	4.9	4.9
Investments	7.2	6.8	33.9	34.1
Total non-current assets	55.4	52.2	53.7	52.8



Intangible assets

Intangible assets 2012

Alko Group

EUR million	Development expenditure	Other capitalised expenditure	Advance payments	Total
Acquisition cost 1 January	0.0	9.6	3.2	12.8
Increase	0.0	0.3	2.3	2.6
Real estate companies excluded from group consolidation	0.0	0.0		0.0
Decrease		-0.2	0.0	-0.2
Acquisition cost 31 December	0.0	9.6	5.5	15.2
Accumulated depreciation 1 January	0.0	-8.7		-8.7
Real estate companies excluded from group consolidation	0.0	0.0		0.0
Accumulated depreciation on decrease and transfers		0.2		0.2
Depreciation for financial year		-0.4		-0.4
Accumulated depreciation 31 December	0.0	-8.9		-8.9
Book value 31 December	0.0	0.7	5.5	6.3



Intangible assets 2012

Alko Inc.

EUR million	Other capitalised expenditure	Advance payments	Total
Acquisition cost 1 January	9.5	3.2	12.8
Increase	0.3	2.3	2.6
Decrease	-0.2	0.0	-0.2
Acquisition cost 31 December	9.6	5.5	15.2
Accumulated depreciation 1 January	-8.7		-8.7
Accumulated depreciation on decrease and transfers	0.2		0.2
Depreciation for financial year	-0.4		-0.4
Accumulated depreciation 31 December	-8.9		-8.9
Book value 31 December	0.7	5.5	6.3



Tangible assets

Tangible assets 2012

Alko Group

EUR million	Land and water areas	Buildings and constructions	Machinery and equipment		Total
Acquisition cost 1 January	13.2	15.9	54.6	0.2	84.0
Increase	0.0	0.0	4.1	0.0	4.1
Realestate companies excluded from group consolidation	0.7	-1.2	0.0	0.0	-0.6
Decrease	0.0	0.0	-3.0	0.0	-3.0
Acquisition cost 31 December	13.9	14.7	55.6	0.2	84.4
Accumulated depreciation 1 January	0.0	-2.4	-40.3	0.0	-42.7
Realestate companies excluded from group consolidation	0.0	2.3	0.0	0.0	2.3
Accumulated depreciation on decrease and transfers	0.0	0.0	2.9	0.0	2.9
Depreciation for financial year	0.0	-0.1	-5.0	0.0	-5.1
Accumulated depreciation 31 December	0.0	-0.2	-42.4	0.0	-42.5
Book value 31 December	13.9	14.5	13.3	0.2	41.9



Tangible assets 2012

Alko Inc.

EUR million	Land and water areas	Buildings and constructions	Machinery and equipment		Total
Acquisition cost 1 January	0.0	0.1	54.6	0.2	54.9
Increase	0.0	0.0	4.1	0.0	4.1
Decrease	0.0	0.0	-3.0	0.0	-3.0
Acquisition cost 31 December	0.0	0.1	55.6	0.2	56.0
Accumulated depreciation 1 January	0.0	-0.1	-40.3	0.0	-40.3
Accumulated depreciation on decrease and transfers	0.0	0.0	2.9	0.0	2.9
Depreciation for financial year	0.0	0.0	-5.0	0.0	-5.0
Accumulated depreciation 31 December	0.0	-0.1	-42.4	0.0	-42.4
Book value 31 December	0.0	0.0	13.3	0.2	13.5

* Acquisition cost does not include upward value adjustments



Investments

Investments 2012

Alko Group

EUR million	Holdings in Group's companies	Holdings in associates	Other shares and holdings	Total
Acquisition cost 1 January	-0.2	2.5	5.3	7.6
Increase	0.0	0.0	0.4	0.4
Realestate companies excluded from group consolidation	1.6			1.6
Decrease	-0.4	0.0	-0.5	-0.8
Acquisition cost 31 December	1.0	2.5	5.3	8.8
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	-0.9			-0.9
Write-downs for the period	0.1	0.0	0.1	0.2
Accumulated depreciation 31 December	-0.6	-0.7	-0.4	-1.7
Book value 31 December	0.4	1.9	4.9	7.2



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Notes to the balance sheet, FAS

Investments 2012

Alko Inc.

EUR million	Holdings in	Other shares		Total
	Group's companies	Holdings in associates	and holdings	
Acquisition cost 1 January	28.1	2.5	5.3	36.0
Increase	0.0	0.0	0.4	0.4
Decrease	-0.4	0.0	-0.5	-0.8
Acquisition cost 31 December	27.7	2.5	5.3	35.5
Accumulated write-downs and adjustments to capital proportion 1st January *	-0.7	-0.6	-0.4	-1.8
Accumulated write-downs on decrease and transfers	0.1	0.0	0.1	0.2
Accumulated depreciation 31 December	-0.6	-0.7	-0.4	-1.7
Book value 31 December	27.1	1.9	4.9	33.9

*Acquisition cost does not include upward value adjustments



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Notes to the balance sheet, FAS

Shares 2012

Holdings in Group's companies	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 2012, EUR 1,000 Total	Book value 31 December 2012, EUR 1,000	
Kiinteistö Oy Arkadiantalo	100.00		19,690				26,721	81.3
Kiinteistö Oy Puolangan Keskus, Puolanka	50.48	185	366	275	56.00	15	118	-2.1
Kiinteistö Oy Raahen Asemakatu 12, Raahen	57.90	251	433	14,476	17.00	246	140	-0.9
Kiinteistö Oy Vuoksenniskan Harjulanrinne, Imatra	73.08	689	942	7,308	0.30	2	120	1.8
Total holdings in group's companies		1,125					27,099	

Holdings in participating interest companies	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 2012, EUR 1,000 Total	Book value 31 December 2012, EUR 1,000	
Kiinteistö Oy Enon Kauppakeskus, Eno	37.00	169	457	259	5.05	1	118	-1.3
Asunto Oy Juvan Myllynkerä, Juva	31.50	147	467	3,150	0.25	1	150	-4.3
Kaavin Yrittäjätalo Oy, Kaavi	23.20	116	501	348	16.82	6	101	-24.0
Kiinteistö Oy Kaivolankulma, Puumala	36.37	106	292	2,515	67.28	169	100	0.0



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Notes to the balance sheet, FAS

Kiinteistö Oy Kannuksen Torinkulma, Kannus	46.03	331	718	2,900	1.68	5	155	-0.6
Kiinteistö Oy Mantsintie 1–3, Ilomantsi	28.19	109	386	311	50.46	16	135	-0.1
Kiinteistö Oy Nilsiänpotti, Nilsiä	31.49	448	1,424	1,606	16.82	27	168	3.8
Kiinteistö Oy Parikkalan Sahanranta, Parikkala	41.21	275	667	4,121	1.68	7	70	2.3
Asunto-osakeyhtiö Pieksälä, Pieksämäki	26.82	147	547	54,800	1.68	92	84	-189.6
Kiinteistö Oy Pulkkilan Kauppakeskus, Pulkila	49.84	255	512	4,984	0.34	2	70	-35.1
Kiinteistö Oy Saarijärven Paavonaukio, Saarijärvi	29.58	149	502	392	168.19	66	120	-1.1
Asunto Oy Sandelsinkatu 4, Helsinki	24.85	41	163	6,835	0.34	2	251	26.8
Kiinteistö Oy Savitaipaleen Torinkulma, Savitaipale	23.00	185	805	2,300	0.34	1	103	1.1
Kiinteistö Oy Urpala, Rantasalmi	36.88	295	799	2,950	0.34	1	100	1.3
Kiinteistö Oy Äänekosken Torikatu 5, Äänekoski	36.29	309	851	450	16.82	8	130	-10.6
Total holdings in participating interest companies		3,083					1,855	



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Notes to the balance sheet, FAS

Shares 2012

Shares/holdings

Other shares and holdings	Parent company's holdings, %	Number of shares	Nominal value EUR/share	Nominal value 31 December 2012, EUR 1,000 Total	Book value 31 December 2012, EUR 1,000
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 Nilsin 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 Ämmäkievari, Suomussalmi	1.36	3,915	16.82	66	10



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Notes to the balance sheet, FAS

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
Luoston Huolto Oy	1.87	28	8.41	0	3
Luottokunta		1			0
Suomen Palautuspakkaus Oy	12.50	150			25
Total other shares and holdings				972	4,839
Other non-itemised shares and holdings (in telephone companies)					84
Total other shares and holdings					4,923
Total shares					33,876



Cash in hand on deposit

EUR million	Alko Group		Alko Inc.	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Shops' cash registers	16.4	16.0	16.4	16.0
Commercial papers	0.0	24.0	0.0	24.0
Bonds	0.5	11.2	0.5	11.2
Bank accounts	109.2	70.7	109.1	70.6
Total	126.1	122.0	126.0	121.9

Bond market and book value difference

EUR million	Alko Group		Alko Inc.	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Financial securities' market value	0.5	11.6	0.5	11.6
Financial securities' book value	0.5	11.2	0.5	11.2
Difference	0.0	0.4	0.0	0.4

Inventories

EUR million	Alko Group		Alko Inc.	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Finished products and goods	63.4	66.3	63.4	66.3
Advance payments on inventories	0.3	0.4	0.3	0.4
Total inventories	63.7	66.6	63.7	66.6
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

Alko Group Alko Inc.



ANNUAL REPORT AND CORPORATE SOCIAL RESPONSIBILITY REPORT 2012

Notes to the balance sheet, FAS

EUR million	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Accounts receivable	12.7	20.2	12.7	20.2
Current receivables (from others)	4.1	5.5	4.1	5.5
Other	0.1	0.0	0.0	0.0
Total	16.9	25.7	16.8	25.7
Current receivables	16.9	25.7	16.8	25.7

Major items in prepaid expenses and accrued income

EUR million	Alko Group		Alko Inc.	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Income tax receivable	0.0	2.7	0.0	2.7
Lunch vouchers	0.7	0.4	0.7	0.4
Social Insurance Institution compensation for occupational health care	0.6	0.6	0.6	0.6
Collection system payments	0.0	0.6	0.0	0.6
Interest receivables	0.0	0.4	0.0	0.4
Change money in transit	0.1	0.1	0.1	0.1
Trade invoiced in different period as received	2.4	0.4	2.4	0.4
Statutory insurance premiums	0.1	0.0	0.1	0.0
Current receivables	0.2	0.3	0.2	0.3
Total	4.1	5.5	4.1	5.5

Distributable earnings

EUR million	Alko Group		Alko Inc.	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Retained profit			14.8	14.7
Profit/loss for financial year			44.4	51.0
Transfer from other funds			0.4	
Donations			-0.2	-0.9



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Notes to the balance sheet, FAS

Total adjustments	0.3	-0.9
Distributable earnings	59.5	64.8

Mandatory reserves

EUR million	Alko Group		Alko Inc.	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Other short-term provisions				0.3
Short-term provisions				0.3



Long-term liabilities

EUR million	Alko Group		Alko Inc.	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Long-term liabilities				
Interest-bearing				
Liabilities to other		0.0		
Long-term interest-bearing liabilities		0.0		

Current liabilities

EUR million	Alko Group		Alko Inc.	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Loans from financial institutions		0.0		
Accounts payable	145.2	148.5	145.2	148.4
Accrued expenses and deferred income	20.5	18.3	20.5	18.2
Other liabilities	16.4	16.0	16.3	16.0
Total	182.1	182.8	182.0	182.7
Current liabilities	182.1	182.8	182.0	182.7

Debts to group companies

EUR million	Alko Group		Alko Inc.	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
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.	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Payroll timing items, including social insurance costs	17.9	17.6	17.9	17.6
Timing of employer insurance	0.3	0.2	0.3	0.2



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Notes to the balance sheet, FAS

Timing of income tax	2.0		2.0	
Other current accrued expenses and deferred income	0.2	0.5	0.2	0.4
Total	20.5	18.3	20.5	18.2

**Change in shareholders' equity****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 2012

EUR million	Alko Group			
	Share capital	Other funds	Profit funds	Total
Equity 1 January	16.8	4.0	64.1	84.9
Distribution of dividend			-50.0	-50.0
Direct entry into profit funds, lahjoitukset			-0.2	-0.2
Siirrot erien välillä, työhyvinvointirahasto		-0.4	0.4	0.0
Konsernista poistetut kiinteistöyhtiöt		0.0	0.7	0.6
Profit for financial year			45.3	45.3
Total equity 31 December 2012	16.8	3.6	60.3	80.7

Change in shareholders' equity 2011

EUR million	Alko Inc.			
	Share capital	Other funds	Profit funds	Total
Equity 1 January	16.8		125.7	146.5
Distribution of dividend			-111.0	-111.0
Direct entry into profit funds, contributions			-0.9	-0.9



ANNUAL REPORT AND CORPORATE SOCIAL RESPONSIBILITY REPORT 2012

Notes to the balance sheet, FAS

Profit for financial year			51.0	51.0
Total equity 31 December 2011	16.8	4.0	64.8	85.7



Change in shareholders' equity 2012

EUR million	Alko Inc.			Total
	Share capital	Other funds	Profit funds	
Equity 1 January	16.8	4.0	64.8	85.7
Distribution of dividend			-50.0	-50.0
Direct entry into profit funds, contributions			-0.2	-0.2
Transfers between items, fund for work welfare		-0.4	0.4	0.0
Profit for financial year			44.4	44.4
Total equity 31 December 2012	16.8	3.6	59.5	79.9

Securities given, contingent and other liabilities

Other securities given

Leasing liabilities

EUR million	Alko Group		Alko Inc.	
	2012	2011	2012	2011
Payable the following the year	0.4	0.3	0.4	0.3
Payable later	0.5	0.3	0.5	0.3
Total	0.8	0.7	0.8	0.7

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

0.0 0.0 0.0 0.0

Rental liabilities

EUR million	Alko Group		Alko Inc.	
	2012	2011	2012	2011



ANNUAL REPORT AND CORPORATE SOCIAL RESPONSIBILITY REPORT 2012

Notes to the balance sheet, FAS

Payable the following the year	17.4	17.8	17.4	17.8
Payable later	86.8	88.9	86.8	88.9
Total	104.2	106.7	104.2	106.7



Key figures

	Alko Group			Alko Inc.				
EUR million	2012	2011	2010	2012	2011	2010	2009	2008
Net sales	1,207.5	1,172.7	1,174.9	1,207.2	1,172.3	1,174.8	1,170.2	1,133.4
Operating profit	57.4	66.9	71.8	57.3	67.0	71.9	74.6	71.5
Proportion of net sales, %	4.8	5.7	6.1	4.7	5.7	6.1	6.3	6.3
Profit before extraordinary items, voluntary provisions and income taxes	58.4	68.9	73.3	58.3	68.9	73.4	76.7	74.5
Proportion of net sales, %	4.8	5.9	6.2	4.8	5.9	6.3	6.6	6.6
Profit before extraordinary items and income taxes	58.7	68.4	155.2	58.6	68.5	155.4	76.7	74.5
Proportion of net sales, %	4.9	5.8	13.2	4.9	5.8	13.2	6.6	6.6
Return on equity, %	54.0	44.2	46.5	54.0	44.4	46.5	65.2	64.3
Return on investment, %	70.0	59.1	62.8	70.1	59.4	62.8	88.2	87.4
Equity ratio, %	30.5	31.9	42.0	30.7	31.9	42.1	32.2	33.7
Current ratio	1.1	1.2	1.5	1.1	1.2	1.5	1.3	1.3
Gross investment in fixed assets	7.1	7.1	30.7	7.1	7.1	30.7	4.2	9.0
Proportion of net sales, %	0.6	0.6	2.6	0.6	0.6	2.6	0.4	0.8
Average number of personnel								
during the financial year	2,657	2,624	2,606	2,657	2,624	2,606	2,641	2,640



ANNUAL REPORT AND CORPORATE SOCIAL RESPONSIBILITY REPORT 2012

Key figures

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

*) 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 2012, the parent company had EUR 59,503,198.50 in distributable profit funds, of which the profit for the year amounts to EUR 44,369,748.68.

The Board proposes that 444 500,00 euros is transferred from other profit funds to retained profits to cover work welfare costs.

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

– distributed as a dividend	44,000,000.00 EUR
– retained under equity	14,503,198.50 EUR
	<hr/>
	59,503,198.50 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, 8 March 2013

Soili Suonoja, Chairman

Pekka Puska

Sari Aalto-Matturi

Arto Honkaniemi

Leila Kostiainen

Matti Pörhö

Hille Korhonen President and
CEO



ANNUAL REPORT AND CORPORATE SOCIAL RESPONSIBILITY REPORT 2012

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

Auditor's report

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

Helsinki, 8 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 2012 and proposes to the 2013 Annual General Meeting that the company income statement and balance sheets for the 2012 financial year be approved. The Supervisory Board agrees with the Board of Directors' proposal for disposal of the profits.

Helsinki, 14th of March, 2013

Sari Sarkomaa

Eila Tiainen

Anne Holmlund

Reijo Hongisto

Arja Juvonen

Saara Karhu

Pauli Kiuru

Mats Nylund

Heli Paasio

Leena Rauhala

Markku Rossi

Simo Rundgren



80 years together

We have built Alko's story together for 80 years. Everyone participating have their own view on the company's past and present. Read more about the stories of Ismo Tuominen, Jukka Sopenperä, Kristiina Jaako, Anna Tamminen and Marianna Laherma by clicking the images.



ISMO TUOMINEN
Ministerial Counsellor, Helsinki



KRISTIINA JAAKO
Shop Manager, Ylläs



ANNA TAMMINEN
Shop Assistant, Ulvila



MARIANNA LAHERMA
Customer, Helsinki



JUKKA SOPENPERÄ
Product Training Manager, Helsinki



"These doubts are, however, easy to answer," says Ismo Tuominen, Ministerial Counsellor.

"We, the Finnish electorate, have ordered Alko to sell us alcohol in a responsible manner. The first time this order was issued was in a referendum in 1932. The citizens of Finland wanted to change from prohibition to having a state-owned alcohol monopoly."

Since then the Alcohol Act has been modified twice and both times Parliament has enacted Alko to its current tasks. With this arrangement alcoholic beverages cause significantly less harm and cost than alternative means - for example through the free sale of alcohol. After all, the availability of alcohol is restricted by the Alcohol Act.

"In the background also lie staff training and expertise as well as a key principle of the Alcohol Act: that operating profit is not the main goal, but rather Alko takes care of our trust by performing its specific task well. Each seller's smile is genuine - regardless of whether the customer wishes to buy or not."



Kristiina takes an interest as a native Laplander in nature and green values.

"Our shop is located in the same building as the Jounin Kauppa village shop, which is well known to visitors to Lapland. We benefit a lot from this cooperation as green values have been taken into account in the building's heating and cooling solutions. During internal auditing when our shops went through the environmental audits, we passed with flying colours. Our shop's sales team was also selected as the best in the area in 2012. The grounds for the award praised our enthusiastic and professional attitude."

A splendid eight person team works at Alko shops in the centre of Kolari and in Ylläs.

"Interest in improving service and promoting green values is something the entire team shares," says Kristiina.



Anna's talent has been noticed at the company. She was chosen for training where 22 persons were trained as customer service ambassadors.

"There are three of us in the Pirkanmaa area. We go to shops in the area in pairs to train staff. I have had the chance to go on training missions in other areas as well. We have been very excited about our work. Customer service training and all other training in the company promotes better service at Alko," says Anna.

"I would like to convey the feeling that it's a good idea to show interest in what the customer says and requests – it's worth the effort."

During the training day the shop team tries to find ways to enable the sharing of the best practices for customer service. As ambassadors we try to encourage them to embark on a journey of exploration of these individual habits. The shop teams draw up joint service targets and pledges to provide even better customer service.



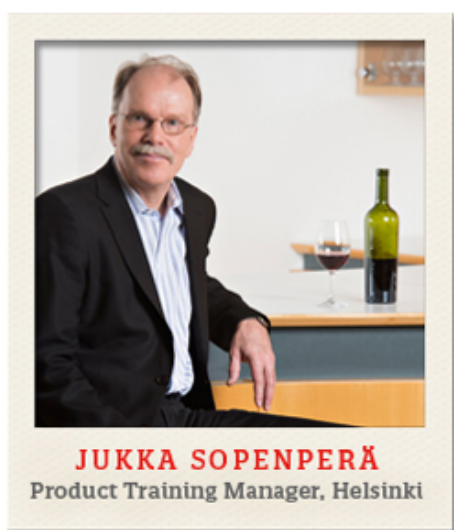
"The seller listened and appreciated the fact that someone of my age may be interested in the wine selection. The whole visit was exemplary and everything from the service I received to the age check I underwent was successful!"

Marianna appreciates Alko's selection

"The range is wide, with wines from around the world and made from many kinds of grapes. In Italy, my favourite place to visit, the wine selection is much more limited though. Sure, there are many wines, as well as points of sale. The wines are almost always Italian, however, with the exception of a very few foreign wines, and the most distant of these seem to be from France."

Age is checked at Alko

"Young people, at least in my case, are well served at Alko and not dismissed due to their age. What is important is that the sellers ask politely for papers. I gladly show them, for me it is positive that as a 21-year-old I look under 25! I believe that good customer service and the ability to carry out age checks nicely at Alko is the result of extensive training."



"Training became a calling for me. The interest in alcoholic beverages, and in particular in wine, has remained with me throughout my working life. I also take an interest in these issues in my free time," laughs Jukka.

Changes in training methods

Twenty years ago product training sessions lasted two or three days.

"We started training by lecturing to the tune of five hours in a row. Only then would we get to tasting. There wasn't much possibility for interaction. Nowadays we start tasting the products from the start and discuss them. Training is conducted by area where staff is located. The training curriculum is uniform and regional differences have diminished."

Previously data networks were not overflowing with information. Now there is more than enough.

"When customers get information from the same sources it challenges us who work for a monopoly to stay at the forefront of knowledge and know-how. Over the years we have set up a basics register which is a fabulous data bank to support training and purchasing."

Jukka has trained a vast number of employees during his career.

"If I had to guess I would say it's a five-figure number, maybe not quite six figures," says Jukka.

"The level of knowledge of those I train has risen and teaching methods are more familiar to them. Information on products is available and obviously those who have an interest in beverages and combining food and drink are interested in a career at Alko."



Of the five design products made by Finlayson the biggest selling articles have been shopping bags with compartments. The Uniikki design is found on e.g. paperboard and paper gift wraps and shopping bags.

Finlayson's Uniikki products:

- Bag with compartments for six bottles
- Bag with compartments for two bottles
- Pot holder
- Serviettes
- Kitchen towel

Other Finlayson's Uniikki products:

- Gift bags and cases
- Shopping bags
- Coasters
- Beer cooler



Internal auditing – part of good corporate governance



"Over the years the auditing activities have evolved but internal auditing has a long history and an established position in Alko," says Heli Riivari and continues:

"We are a significant part of good corporate governance. Our activities have become more standardised because we follow international professional standards closer than, for instance, five years ago."

The emphasis on internal auditing at Alko is on its shops but Internal Auditing also audits all functions and organisations of the company. We audit shops every other year and select objects of audit on the basis of a risk assessment.

"Alko's Internal Auditing conducts work which requires a high level of expertise. We support the company's risk management, supervision and management and administrative processes. Internal Auditing has two full-time staff and in addition a number of shop managers audit shops in addition to their other duties."

"Our task is to produce information for the company Board, management and other senior staff to support them in decision making. We certainly also offer suggestions for improvement."

"We produce information by examining and assessing whether the processes of key functions and systems are purposeful and efficient and whether internal auditing has been taken into account."



Kasvata urheilijaksi scholarship to Mikkelin Luistelijat



Maritta Iso-Aho, Executive Vice President Corporate Relations, Alko Inc (right), Annemi Usva-Vänttinen, Marketing Manager, Young Finland Association (left). The scholarship was received by Jaana Parkkonen and Noora Vahvaselkä-Lahtinen.

Each year Alko donates a 3,000 euro training camp weekend to a specially approved Young Finland Association that has done exemplary work on preventing substance abuse in its own club. The 2012 Kasvata urheilijaksi scholarship was awarded to Mikkelin Luistelijat for work on preventing substance abuse and for supporting healthy living habits.

Mikkelin Luistelijat is strongly committed to supporting the healthy living habits of its skaters and to supporting their growth. The club has its own strategy for mental health and for combating substance abuse which is discussed at e.g. code of conduct meetings. The club's events, training camps and competitions are free of intoxicating substances. In addition, the club has concluded a non-intoxication pledge with children, parents and coaches. Mikkelin Luistelijat has organised figure skating activities for 50 years. The club has 100 competitive and amateur skaters.

Alko has cooperated with the Young Finland Association since 2007.



Jaakko Uotila, President and CEO of Alko, retired at the end of 2012.

While major changes took place in the operating environment during his twelve years as President and CEO, Alko responded well to the challenges they brought about. These included the abolishment of travellers' alcohol import quotas and many types of changes in the state of the market. Mr Uotila believes that the plans made in the company, once they have been put to practice, will secure and enhance Alko's position.

As a key issue Mr Uotila stresses focusing on occupational well-being at work.

"It is vital that Alko employees can feel that their work is significant, that they are motivated and that we have the right person in the right job. Such major investments in the staff are unusual in Finnish companies."



One hundred colourful years in Arkadia



Erected in the corner of Heikinkatu and Arkadiankatu streets, the Arkadia building designed by architect Jarl Eklund was completed in 1913. The first occupant of the building was Sergei Nikolajeff, one of the first car dealers in Finland. The modern car sales outlet known as the Car Palace featured some wonders of its era, including a car elevator, a built-in vacuum cleaning system, two tennis courts and a bowling alley. The exhibition room on the second floor could accommodate up to 100 cars.

As the First World War broke out, there was a slump in the car trade and Nikolajeff's car salesroom was turned into a munitions factory. In 1918, the Car Palace became the head offices of the Central Cooperative Hankkija. However, Nikolajeff's car dealership continued operating in a section of the building facing Salomoninkatu street until 1978.

In 1973, the building again changed hands and was passed on from Hankkija to Alko Pension Fund. The Alko store in the underground passage of Helsinki railway station that had been closed down the year before moved into new facilities on the ground floor of Arkadia in 1974.

Today, the ground floor of the building is home to Alko's flagship store in Helsinki. The building also houses training facilities, which are actively used to provide product training for our staff, for example.