ALTIA

ANNUAL REPORT 2018

Altia in brief

ALTIA IS A LEADING NORDIC ALCOHOLIC BEVERAGE BRAND COMPANY operating in the wines and spirits markets in the Nordic and Baltic countries. We produce, import, market, sell and distribute both own and partner brand beverages. We also have production in Cognac, France. Further, Altia exports alcoholic beverages to approximately 30 countries in Europe, Asia and North America. We want to support the development of a modern, responsible Nordic drinking culture.

Our business model is based on offering a strong portfolio of our own brands and a versatile range of international partner brands. Our key export brands are Koskenkorva, O.P. Anderson and Larsen. Other iconic Nordic brands are Chill Out, Blossa, Xanté, Jaloviina, Leijona, Explorer and Grönstedts, among others.

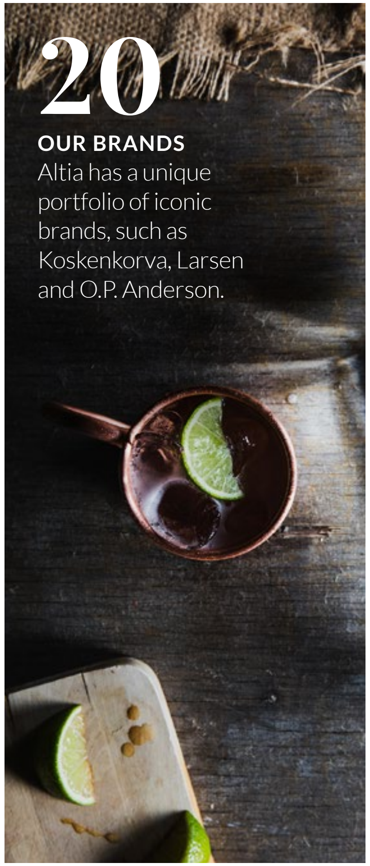
We also provide our customers with production, packaging and logistics services. In addition, by-products from the production process, such as starch, feed components and technical ethanols, are sold to industrial customers.

Sustainability is an important business factor for us. For example, the operations at our Koskenkorva distillery are based on bio- and circular economy, making use of 100% of the Finnish barley it uses as a raw ingredient. The circular economy at the Koskenkorva distillery brought Altia the Green Company of the Year award in 2018.

Altia's shares are listed on Nasdaq Helsinki.

7 **CEO'S REVIEW**
Pekka Tennilä comments on Altia's year 2018.

14 **CIRCULAR ECONOMY**
The Koskenkorva distillery is based on bio and circular economy. The distillery runs mostly on bioenergy produced from barley husks.



20 **OUR BRANDS**
Altia has a unique portfolio of iconic brands, such as Koskenkorva, Larsen and O.P. Anderson.

49 **CORPORATE RESPONSIBILITY**
Altia and Koskenkorva distillery were chosen as the Green Company of the Year 2018. Read more about our corporate responsibility work.

HOW TO READ THIS REPORT

Altia's Annual Report 2018 consists of business overview, report by the Board of Directors, corporate responsibility section, governance statements and financial statements. You can navigate within the Report by scrolling down the pages or by using the hyperlinks on the top navigation and contents pages.

Menu symbol leads to this page

Contents

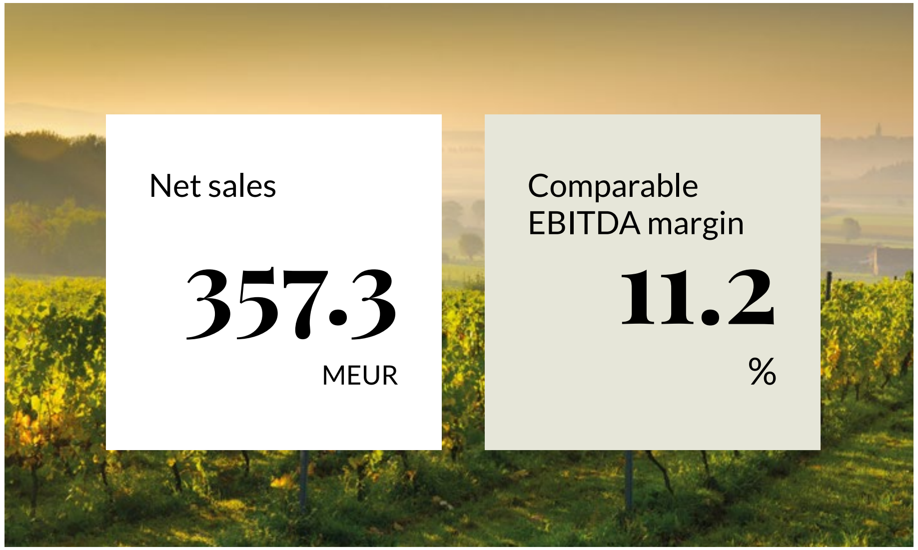
*More detailed table of contents of financial statements can be found on page 109.

Financial key ratios 2018

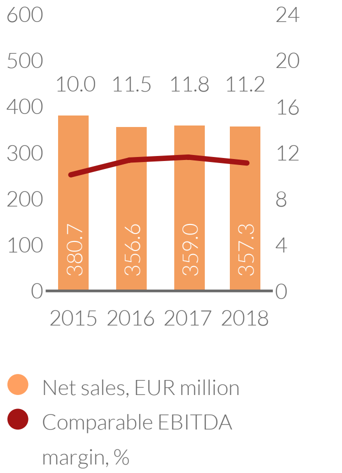
	2018	2017	2016
Net sales, EUR million	357.3	359.0	356.6
Comparable EBITDA, EUR million	40.0	42.4	40.8
% of net sales	11.2	11.8	11.5
EBITDA, EUR million	34.0	40.3	60.8*
Comparable operating result, EUR million	25.6	28.2	26.4
% of net sales	7.2	7.8	7.4
Operating result, EUR million	19.7	26.1	46.3
Result for the period, EUR million	15.1	18.3	36.1
Earnings per share, EUR	0.42	0.51	1.00
Net debt / comparable EBITDA	1.2	1.1	0.1
Equity ratio, %	38.4	34.3	44.2
Gearing, %	31.6	34.9	2.5
Average number of personnel	718	762	829

* Year 2016 included a gain of EUR 16.3 million on settlement of defined pension benefit obligation, which has been considered as an item affecting comparability for the year ended 31 December 2016.

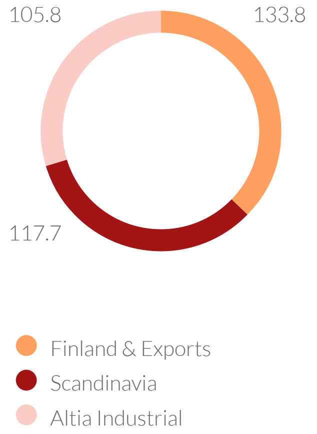
Reconciliation of alternative key ratios to IFRS figures is presented on page 47.



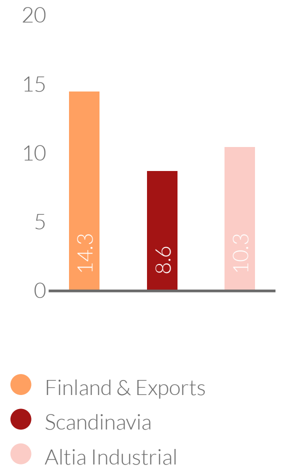
Net sales and comparable EBITDA margin



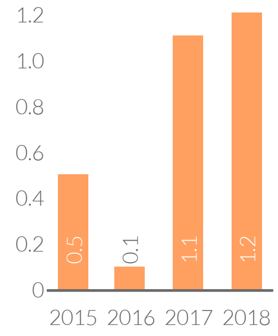
Net sales by segment, EUR million



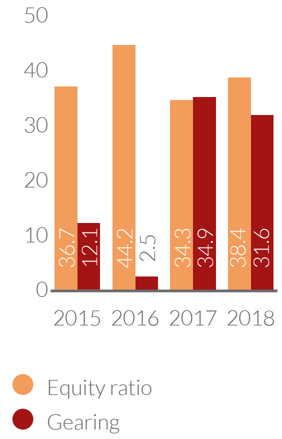
Comparable EBITDA margin by segment, %



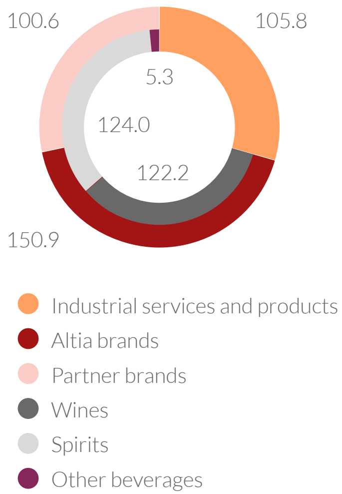
Net debt / comparable EBITDA



Equity ratio and gearing, %



Net sales by product categories, EUR million



Financial targets and dividend policy

Altia has set the following long-term financial targets:

2%

Annual net sales growth of 2 per cent over time (CAGR)

15%

Comparable EBITDA margin of 15% in the long-term

<2.5x

The Company's target is to keep reported net debt in relation to comparable EBITDA below 2.5x in long-term

≥60%

Altia pursues an active dividend policy, and the result of the period not considered necessary to grow and develop the company will be distributed to the shareholders. According to the dividend policy, the Company targets a dividend pay-out ratio of 60% or above of the result for the period.

Responsibility key figures 2018

	2018	2017	2016
Produced or imported beverages (million liters)	95.1	93.8	90.0
Average alcoholic strength of Altia's own production (% vol.)	31.3	31.7	31.6
Use of barley (million kg)	211.7	206.0	192.2
Reduction in Koskenkorva CO_2 emissions compared to 2014 base year	54%	56%	42%
Average waste recycling & reutilisation rate	99.7%	99.5%	99.5%
Water use (1 000 m³)	660.3	663.4	1 136.0
Sickness absence %	3.4	3.3	3.2
Number of accidents in relation to hours worked	13	11	8

54 %
Reduction in carbon dioxide emissions

CEO's review

2018 was an important year for Altia. We reached a significant milestone when Altia was listed on Nasdaq Helsinki in March. By the end of the year, Altia's shareholder base had grown to nearly 18 000 shareholders.

Our long-term sustainability work at the Koskenkorva distillery received global recognition in November when we won the Green Company of the Year award in the highly respected The Drinks Business Green Awards 2018. Our Koskenkorva distillery is a forerunner in circular economy and we have done continuous sustainability work there for many years. Sustainability is a key trend increasingly driving both our business and the whole drinks industry in a long-term.

Our Nordic core brands, such as Koskenkorva Vodka and Larsen Cognac, have continued their good performance, driven by export growth. In addition, the opening of grocery trade in Finland and the sales of our own wine brands, Blossa and Chill Out, developed well.

However, our financial development was challenged by a tough operating environment. Increased barley costs and negative currency impacts have driven our financial results down compared with the previous year.

Our reported net sales in 2018 were EUR 357.3 million, which is 0.5% below the previous year. When the negative impact of the weak SEK and NOK is excluded, we are pleased with the net sales growth of 1.4%.

In Finland, alcohol legislation and taxation changed at the beginning of 2018, which had an impact on the volumes of the Finnish retail monopoly. On a positive note, the new Alcohol Act opened the grocery trade channel for ethanol-based beverages of up to 5.5% alcohol by volume. We successfully launched a wide selection of low-alcohol beverages under our iconic brands such as Koskenkorva, Leijona and Jaloviina.

In Sweden, we improved our market position in wine with the addition of a new partner, J. García Garrión. We also strengthened our position in the growing craft gin category by starting a collaboration with the award-winning premium gin distillery Hernö Gin.

"Our Nordic core brands have continued their good performance.

PEKKA TENNILÄ

Altia Industrial contributed positively to Group net sales as a result of good volumes in industrial products and the completed price increases following the higher barley prices. The Koskenkorva plant ran at full capacity throughout the year and hit another record, 211.7 million kilos, of barley use. At the Rajamäki alcoholic beverage plant, we continued investments to increase efficiencies and production capabilities.

Innovations in all product categories

New innovations are an important source of growth for us. In our innovation work we focus especially on our Nordic core brands and growing categories. Yet again in 2018, we proved our capability of launching innovations in all product categories, something I'm very happy about.

The novelties in the spirits category included O.P. Anderson Björk, Xanté Sour and Renault Avec, among others. In addition, we extended the Explorer brand with a new bag-in-box with two ready-to-drink cocktails. We introduced also more low-alcohol versions under our Nordic core brands, such as Koskenkorva Lemon Lime Yarrow 21%. In Finland, we launched several new low-alcohol products to the grocery trade and extended our ready-to-drink series with new flavours.

We also developed our wine offering with a wide selection of rosé wines to respond to the growing rosé category.

Towards the year-end, we introduced an extensive selection of Blossa glöggs, both in alcoholic and non-alcoholic categories. Blossa Annual 18, with the taste of limoncello and Mediterranean herbs, was well received by consumers.

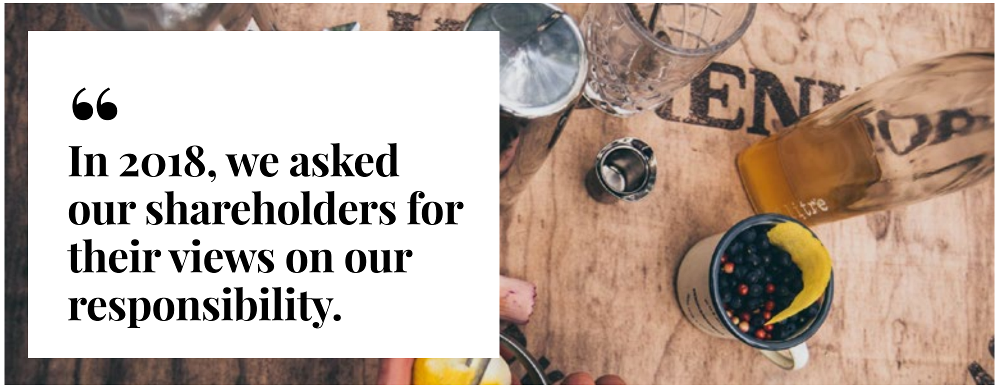
Taking the right steps in digitalising Altia

Work with our digital platforms viinimaa.fi and folkofolk.se – which are our key channels in communicating directly with consumers in Finland and Sweden – has proven successful and the site traffic has increased. In May 2018, we opened a new web-shop and brand site, nordicspirits.com, for the German market with a selection of the most iconic Nordic beverage brands such as Koskenkorva Vodka, O.P. Anderson Aquavit and Blossa Glögg.

Corporate responsibility at the core of our strategy

2018 marked the first year of Altia's corporate responsibility action programme for 2018–2020. We continued our work as an amfori BSCI member to ensure responsibility throughout our supply chain. Altogether, 21 audits were conducted at our partners, suppliers or sub-suppliers. To meet the increasing demand for ethically certified wines, we applied for the Fair for Life certification, which we were granted at the end of 2018.

As part of the responsibility action programme 2018–2020, we asked our new shareholders and other stakeholders for their views on Altia's corporate responsibility. The most important corporate responsibility aspects highlighted by our shareholders were the quality and safety of Altia's products, the circular economy, conserving groundwater, sustainable packaging and a responsible supply chain.



> **“In 2018, we asked our shareholders for their views on our responsibility.**

In 2019, the key development focus of our corporate responsibility will be the development of Altia's sustainability strategy and long-term sustainability targets. Planning started at the end of 2018, and we will publish the new sustainability strategy during 2019.

Our work to renew Altia continues

In 2019, especially in the first quarters of the year, the negative impact of the increased barley cost will be reflected as higher raw material costs in comparison with the same period last year. We have already taken actions to improve our comparable EBITDA from the 2018 level through price increases in beverage products as well as cost savings. In the Scandinavia and Finland & Exports segments, we have completed organisational changes, and price increases in beverage products in the three monopoly markets are being implemented during the first quarter of 2019. In addition, we have identified initiatives to improve supply chain efficiency.

Our work to renew Altia continues. Based on our strategy to create profitable growth, we have identified further specific initiatives to reach the earlier communicated long-term net sales and profitability targets. These additional initiatives focus on sales growth, revenue management, supply chain efficiencies, procurement savings and overall organisational efficiency.

Finally, I'd like to take the opportunity to thank all our customers, partners, shareholders and especially our personnel for the year 2018.

Pekka Tennilä
CEO

Altia's year 2018

January

Altia introduced O.P. Anderson Aquavit to the US market

Altia partnered with Frederick Wildman and Sons to bring the Swedish aquavit classic O.P. Anderson to the US market, where it was launched in the beginning of 2018.

New Alcohol Act in Finland

Finland's new Alcohol Act opened the grocery trade channel outside of monopolies for Altia's noted brands, such as Koskenkorva, Leijona and Jaloviina.

Altia strengthens distribution of Larsen Cognac in Asia

Altia partnered with AsiaEuro to distribute Larsen Cognac in China and Hong Kong, Macau, Singapore, Malaysia and Indonesia. The long-term partnership includes distribution of the entire Larsen range and two new cognacs – Larsen VSOP Reserve and Larsen XO Reserve – launched exclusively for AsiaEuro's portfolio in Asia.

Launch of Koskenkorva Salmiakki alcohol-free

Altia launched an alcohol-free version of the classic Koskenkorva Salmiakki liqueur in Finland.

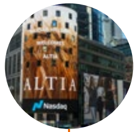
Altia wins Grand Effie with Koskenkorva Vodka brand renewal

Altia and Koskenkorva Vodka won the Grand Effie at the Effie Awards Finland 2017. Altia earned the Grand Effie prize with Koskenkorva Vodka brand renewal and marketing communications campaign, launched in 2016.

March

Altia represents J. García Carrión's wine portfolio in Sweden

Altia became the exclusive representative of J. García Carrión's wine portfolio in Sweden. J. García Carrión, founded in 1890, is one of the biggest wine producers in Europe and has wineries in ten D.O. areas in Spain.



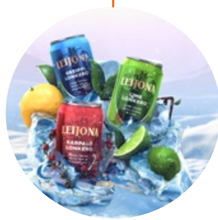
Altia was listed on Nasdaq Helsinki

Trading in Altia's shares started on the prelist of the Helsinki Stock Exchange on 23 March 2018, and on the official list of the Helsinki Stock Exchange on 27 March 2018.

Launch of Renault Avec

Renault Avec is a Cognac created specifically to drink with coffee. Avec's taste profile is achieved by using a new and unique process of cask-making that involves triple steaming and fire toasting. Renault Avec was placed 7th in The Spirits Business' list of Top 50 innovative new spirits of 2018.

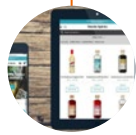
April



Launch of Leijona long drinks

Altia launched Leijona long drinks on the Finnish grocery trade market. New long drink selection, Leijona Lonkero, consists of three fresh flavours: grape, lime and cranberry.

May



Altia opened Nordic Spirits webshop and brand site

The Nordic Spirits webshop opened for the German market with a selection of Altia's most iconic beverage brands, such as Koskenkorva Vodka, O.P. Anderson Aquavit, Larsen Cognac and Blossa Glögg.

Q1 report:

Start of the year in line with expectations, comparable EBITDA improving.

June

Launch of Koskenkorva Vichy

Altia launched Koskenkorva Vichy on the Finnish grocery trade market. Koskenkorva Vichy is a sugar-free low-ABV combination of carbonated spring water, natural berry and fruit flavours and original Koskenkorva Vodka.

Launch of Chill Out Spritzers

Altia launched new Chill Out wine spritzers on the Finnish grocery trade market. The new wine spritzers come in two tasty variants, Chardonnay and Shiraz Rosé.

August

Q2 report:

Continued stable development despite a demanding operating environment

Koskenkorva Village Experience

The highlight of harvest time is the Koskenkorva Village Experience, organised for the second time in August 2018. The event gathered around 100 guests from 13 countries visiting the village of Koskenkorva for three days.

Altia and the Rajamäki plant celebrate 130 years

Altia and the Rajamäki plant celebrated their 130th anniversary in 2018. Altia's story began on 20 August 1888, when a group of engineers decided to establish a yeast plant in Rajamäki.

September

Altia partners with Hernö Gin, the most awarded gin in Europe

Altia and the Swedish premium gin distillery Hernö Gin began a partnership that covers the Nordic and Baltic regions. Hernö Gin, founded in Dala, Sweden, in 2011, is the most awarded gin in Europe today.

Altia to participate Baltic Sea Action Group's Carbon Action pilot

Altia made a new Baltic Sea Commitment to enhance sustainable agriculture. The new Commitment includes participation by Altia and selected contract farmers in the Carbon Action pilot project, which is being carried out in collaboration between the Baltic Sea Action Group, the Finnish Meteorological Institute, and the Finnish Innovation Fund Sitra.

Introducing Blossa 18

Blossa has launched a new flavour ahead of every winter season since 2003. Each vintage has a new and unique bottle design. In 2018 Blossa headed to the Amalfi Coast with a taste of limoncello and Mediterranean herbs.

October

Koskenkorva successful in Vodka Masters

Koskenkorva Vodka won several medals in Vodka Masters 2018, organised by The Spirits Business magazine. The highest of these awards was the Master award received by Koskenkorva Sauna Barrel in the Favoured/Infused Vodka category.

Launch of O.P. Anderson Björk

In celebration of the re-opening of Nationalmuseum in Stockholm on 13 October, Altia launched O.P. Anderson Björk Aquavit in collaboration with Restaurang Nationalmuseum.

November

Altia and Koskenkorva distillery chosen as the Green Company of the Year

Altia won the Green Company of the Year award in the highly respected The Drinks Business Green Awards 2018. Altia was selected as the winner due to the bio and circular economy achieved at the Koskenkorva distillery in Finland.

Q3 report:

Stable development continued

Niklas Nylander is Altia's new CFO

Niklas Nylander was appointed as Altia's new CFO and member of the Executive Management Team as of 1 January 2019. Previous CFO, Matti Piri, stayed in his position until the end of November 2018.

Koskenkorva Salmiakki wins the prestigious Masters prize in Liqueur Masters

Koskenkorva liqueurs won multiple prizes in the Liqueur Masters 2018, organised by The Spirits Business magazine. The highest of these was the Masters award received by Koskenkorva Salmiakki in the Confectionary category.

STRATEGY

Our purpose – Let's drink better

Altia wants to support the development of a new, modern and responsible drinking culture.

Grow Nordic Core Brands

Strengthen strategic partnerships

Execute a step change in wines

Channel expansion and development

Fund and enable the growth

Megatrends

- AUTHENTICITY
- SUSTAINABILITY
- HEALTH CONSCIOUSNESS
- PREMIUMISATION
- CONVENIENCE
- DIGITALISATION

Our vision

We are the drinks company that understands consumers and shapes the market to grow share.

We aim to be an important partner for state retail monopolies, the grocery trade and ontrade customers, and to create positive value development in all markets.

STRATEGY

Altia's strategy focuses on creating sustainable and profitable growth

Grow Altia's Nordic core brands

Our iconic Nordic core brands are the expression of our long heritage in the Nordic region and are among the region's best-known spirit and wine brands. Through continuous innovation and product development supported by efficient brand building and marketing, we continue to introduce exciting novelties, line extensions and new products under our Nordic core brands. We target growing categories, new consumer segments and occasions, as well as new geographical markets. We expect to grow both in volume and value in our home and export markets.

Execute a step change in wines

We continue to grow Altia's own wine brands portfolio by offering new products, brands and packaging to meet Nordic market trends and consumer needs. We focus on strengthening our market shares in growing wine segments such as sparkling and rosé wines, and on innovative wine-based products such as aromatised wines.

Our extensive network of partners, and bulk wine partners representing all wine categories and countries of origin relevant to Nordic consumers and our customers, offers opportunities for product innovation.

We also focus on addressing the growing consumer demand for sustainability and ecological wine sourcing and production, and modern wine packaging such as tetras, pouches and bag-in-boxes (BIB).

Strengthen strategic partnerships

We continue to strengthen our strategic partnerships and offer the best route-to-market for Nordic and Baltic consumers. We leverage our extensive competences in sales and marketing execution, and provide the necessary consumer and market insights to help our partners find and develop new business opportunities covering the whole value chain – product and liquid innovation, packaging solutions, production, and warehousing and logistics services. Our partners benefit from our distribution network covering all relevant channels such as monopolies, on-trade, grocery trade and travel retail. Further, partner brands are promoted through Altia's digital platfroms.

Let's drink better

Channel expansion

We continue to further develop Altia's grocery trade offering and the ready-to-drink (RTD) category. We focus on category management and launching new products and line extensions in the growing segment of low and non-alcoholic beverages.

Altia is a leading player in digital sales and marketing in the Nordic wine and spirits market through its digital platforms Viinimaa, Folk-o-Folk, Joogikultuur and Nordicspirits.com. We focus on continuously developing our data-driven marketing capabilities, digital reach, presence and visibility in the markets.

Fund and enable growth – Continuous improvement of overall efficiency

We continuously improve overall efficiencies, productivity, our capabilities and ways of working across the entire Group and in all functions. We focus on areas such as procurement, the supply chain, product portfolio management and organisational efficiency.

Active brand portfolio management

We continue to actively manage and develop our brand portfolio. This may include potential selective acquisitions and/or divestments to support growth in selected categories or regions.

Value created: Let's drink better

THE KEY TRENDS SHAPING OUR BUSINESS: *Authenticity Sustainability Health consciousness Premiumisation Convenience Digitalisation*

OUR ASSETS

OUR PEOPLE
We employ 718 people with unique capabilities and knowhow.

OUR BRANDS
We develop and build our own brands as well as those of the partners we represent.

OUR PARTNERS
We build partnerships with our brand partners and develop relationships with suppliers.

PHYSICAL ASSETS
We have production, logistics and office sites in seven countries.

FINANCIAL CAPITAL
Altia's total assets amounted to EUR 390.4 million in 2018.

NATURAL RESOURCES
Barley, water and energy are key inputs for our activities. We utilise the resources efficiently – up to 100% in the case of barley.

OUR BUSINESS ACTIVITIES

SOURCING
We source Finnish barley, wine, other raw materials and packaging materials to produce high quality products, and purchase wines and spirits from our partners.

LOGISTICS & WAREHOUSING
We operate own logistics centres and cooperate with our suppliers and partners to ensure sustainable logistics.

DISTILLING, MATURATION & BLENDING
We have distilleries in Koskenkorva and Sundsvall, production plants in Rajamäki and Tabasalu, and production and aging cellars in Cognac.

BOTTLING & PACKAGING
We use environmentally friendly packaging materials and efficient bottling systems.

SALES & MARKETING
We sell and market our products responsibly to our customers in home and export markets.

INDUSTRIAL PRODUCTS & SERVICES
We utilise efficiently the side-streams of our production to produce a variety of end products and services.

At Koskenkorva distillery, the raw material and all the outputs are utilised fully, with no waste.

OUR PRODUCTS

- WINES
- SPIRITS
- OTHER BEVERAGES
- TECHNICAL ETHANOLS
- STARCH
- FEED COMPONENTS

INNOVATION & CONTINUOUS IMPROVEMENT

We continuously develop our offering and provide new products in premium, low-alcohol and non-alcohol categories. We improve our ways of working and investigate new sources of improved operational performance.

VALUE CREATED

CUSTOMERS & CONSUMERS: We offer products for positive occasions: higher quality, local production, lighter, organic, environmental friendly and ethically produced.
- Good and shared moments
- New and innovative quality products
- Unique and comprehensive brand portfolio, consisting of locally produced products and leading international wine and spirit brands

SOCIETY: We are committed to promoting responsible alcohol consumption and take seriously the harm caused by alcohol misuse. We promote good working conditions in our supply chains.
- Responsible drinking culture
- Support for Finnish agriculture
- Significant tax contribution
- Responsibility in supply chain
- Transparency and good governance

ENVIRONMENT: We minimise the environmental impacts of our own production and promote sustainable practices in our value chain.
- Production based on circular economy principles
- Sustainable & recyclable packaging solutions
- Sustainable agriculture
- Conserving groundwater

EMPLOYEES: We provide meaningful work, inspiring targets and a possibility to make a difference.
- Employment and salaries
- Meaningful work and on-the-job learning
- Work-life balance
- Occupational health and safety

CIRCULAR ECONOMY

Koskenkorva plant uses 100% of the barley grain

Altia's distillery in the village of Koskenkorva uses about 210 million kilos of Finnish barley a year. The distillery produces grain spirit for Altia's alcoholic beverages. The Koskenkorva plant is based on bio and circular economy: 100% of the grain is utilised. None of it goes to waste. Altia received the Green Company of the Year 2018 award for the circular economy at the Koskenkorva distillery.

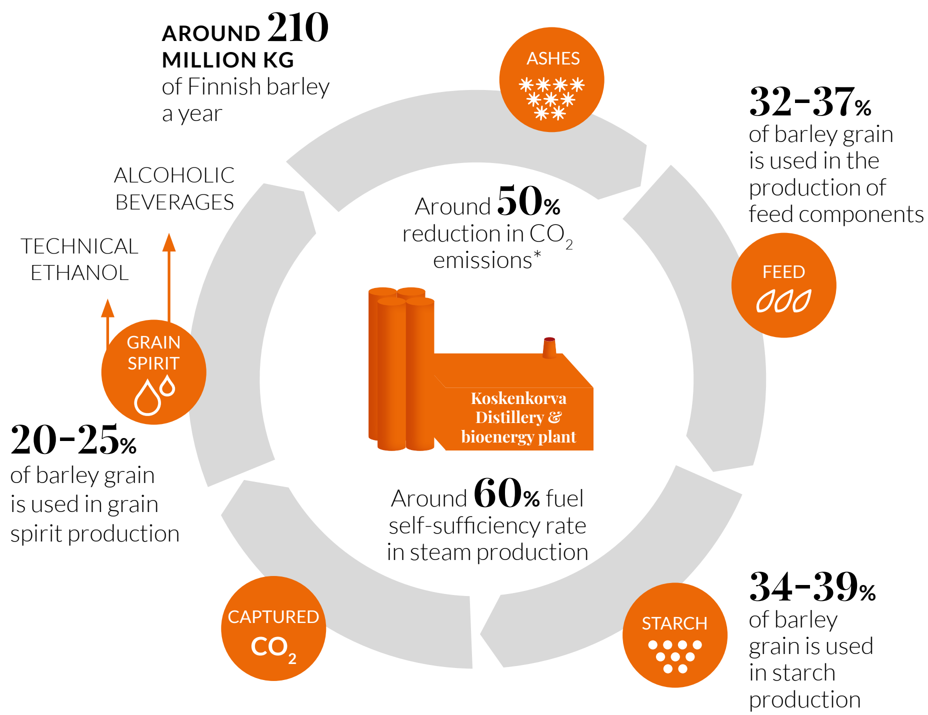
In addition to grain spirit, the Koskenkorva plant produces several by-products, such as starch and raw material for animal feed. Even the carbon dioxide generated in the fermentation process is collected and used – for example, in greenhouse cultivation. Barley starch is used in the paper and board industries, as well as the food industry and breweries. A versatile product range enables the Koskenkorva plant's unique material efficiency. The barley husk that would otherwise not be used in the Koskenkorva plant's production is incinerated in the plant's own bioenergy power plant, which supplies steam energy for the distillery.

The 10-megawatt bioenergy power plant has been operating at full capacity since January 2015, and it uses barley husk as its primary fuel. Barley husk is peeled in Koskenkorva's grain spirit and starch production throughout the year. In terms of technology and fuel mix, the Koskenkorva bioenergy power plant is the first of its kind in Finland.

Thanks to the bioenergy power plant and renewable fuel, the Koskenkorva plant has been able to reduce its carbon dioxide emissions by over 50% since 2014. The plant's steam generation fuel self-sufficiency is about 60%. To make the circular economy circle complete, ashes from the bioenergy power plant are used as fertiliser on the fields.

Altia was awarded as the Green Company of the Year in the highly respected The Drinks Business Green Awards 2018. Altia was selected as the winner due to the bio and circular economy achieved at the Koskenkorva distillery.

CIRCULAR ECONOMY



*In comparison with 2014

SEGMENTS

Finland & Exports

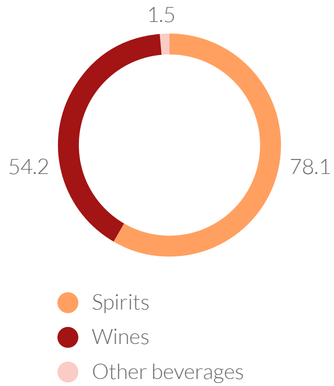
The Finland & Exports segment comprises the import, sale and marketing of wines, spirits and other beverages in Finland and the Baltics, as well as exports and travel retail.

EUR million	2018	2017	2016
Net sales	133.8	133.9	133.9
Comparable EBITDA	19.2	19.6	20.2
Comparable EBITDA, % of net sales	14.3	14.6	15.0
Average number of personnel	95	100	104

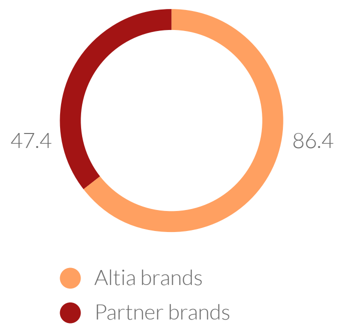
KEY OWN BRANDS:
Koskenkorva, Leijona, Jaloviina, Chill Out, Blossa, Renault, Larsen, Saaremaa

KEY FOCUS AREAS:
- Developing ways of working with the state retail monopoly to continue as an important partner
- Growing exports of key brands Koskenkorva, Larsen and O.P. Anderson in the key markets of Russia, Asia and the US, and capturing new markets
- Continuing to develop and grow grocery trade in Finland through innovation and novelties
- Continuing to develop Altia's digital reach via viinimaa.fi and nordicspirits.com to consumers and customers
- Continuous evaluation of product portfolio and on-going revenue management

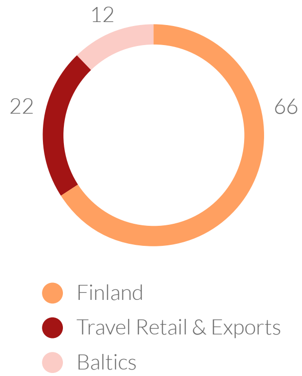
Net sales by product category, EUR million



Net sales by brand group, EUR million



Net sales by country, %



Read more about the segment's performance in 2018 on page 30

SEGMENTS

Scandinavia

The Scandinavia segment comprises the import, sale and marketing of wines, spirits and other beverages in Sweden, Norway and Denmark.

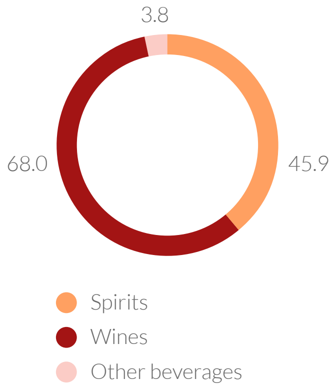
EUR million	2018	2017	2016
Net sales	117.7	123.7	127.4
Comparable EBITDA	10.1	11.5	10.4
Comparable EBITDA, % of net sales	8.6	9.3	8.2
Average number of personnel	85	86	87

KEY OWN BRANDS:
O.P. Anderson, Explorer, Grönstedts, Koskenkorva, Blossa, Chill Out, Larsen, Xanté

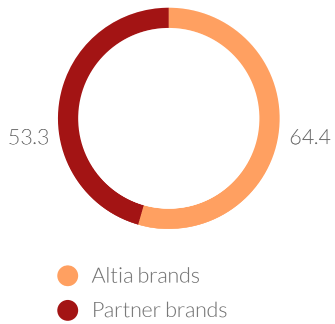
KEY FOCUS AREAS:

- Developing and growing the Nordic core brands through innovations in new occasions and categories as well as with line extensions
- Strengthening strategic wine and spirits partnerships and cooperation throughout the value chain
- Continuing to develop Altia's digital reach to consumers and customers via folkofolk.se
- Continuous evaluation of product portfolio and on-going revenue management

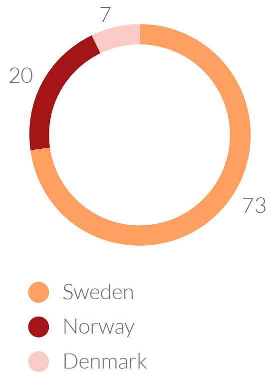
Net sales by product category,
EUR million



Net sales by brand group,
EUR million



Net sales by country,
%



Read more about the segment's performance in 2018 on page 31

SEGMENTS

Altia Industrial

The Altia Industrial segment comprises Koskenkorva plant operations and the starch, feed component and technical ethanol businesses, as well as contract manufacturing and logistics services. It also includes supply chain operations, i.e. production and logistics operations in different countries and sourcing.

EUR million	2018	2017	2016
Net sales	105.8	101.3	95.2
Comparable EBITDA	10.9	12.5	8.4
Comparable EBITDA, % of net sales	10.3	12.3	8.8
Average number of personnel	426	452	507

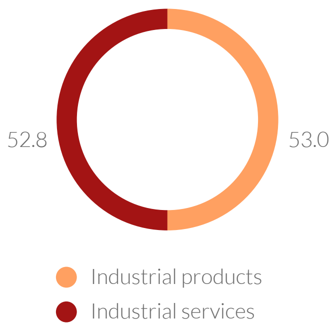
INDUSTRIAL PRODUCTS: Finnish barley is the focus of our operations and the products include barley starch, grain sprits, technical ethanols and feed components.

INDUSTRIAL SERVICES: Contract manufacturing and logistics services for leading wine and spirits companies and for producers and retailers of technical ethanol and solvent products.

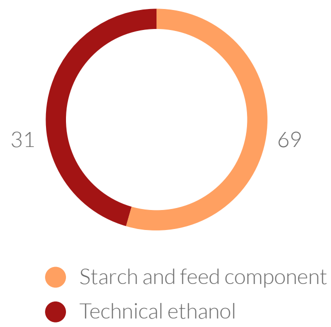
KEY FOCUS AREAS:

- Growing sales and developing marketing of industrial products. Continuously developing technology and automation to improve efficiency, use of energy and water.
- Deepening the co-operation and relationships with contract service partners
- Continuously improving the supply chain efficiency focusing on work safety, quality, automation and digitalisation. Expanding supply chain capabilities focusing on agility, flexibility, wine packaging and low alcohol production.

Net sales by category, EUR million



Net sales split of Industrial products, %



Read more about the segment's performance in 2018 on page 32

OPERATING ENVIRONMENT

The Nordic wine and spirits market in brief

We have extensive experience in operating with monopolies and in regulated markets

Altia operates in the wine and spirits markets in the Nordic and Baltic countries, as well as in travel retail in the Nordics. These constitute Altia's home market.

The wine and spirits markets in Finland, Sweden and Norway are highly regulated. The variations in regulations between these countries have an impact on national retail sales structures, advertising and pricing mechanisms.

In the off-trade markets in Finland, Sweden and Norway, the majority of wines and spirits are sold through state retail monopolies (Alko, Systembolaget and Vinmonopolet respectively), which form Altia's largest sales channel.

In the monopoly markets, grocery trade is a channel for low and non-alcoholic wines and glöggs, ready-to-drink products (RTDs), beers and ciders.

In Denmark and the Baltics, the off-trade markets mainly consist of grocery trade.

The on-trade ("HoReCa") channel plays an important role in new product launches and provides Altia with an opportunity to promote and increase customers' brand awareness as well as monitor and affect future consumer trends.

Travel retail, comprising airline, sea and border trade, has traditionally been an important channel in the Nordic and Baltic region due to price differences between countries caused by different alcohol tax levels and duty-free sales.

All consumer product sales outside Altia's home market are defined as exports. Altia exports alcoholic beverages to approximately 30 countries, for example, Koskenkorva Vodka to Russia and the US, Larsen Cognac to China and O.P. Anderson to the US.

Altia competes in the wine and spirits market with global, Nordic and smaller local spirits brands and wine producers and importers. Compared to the spirits market, the wine market is fragmented, as there are several smaller producers, importers and distributors.

We operate in the large and non-cyclical Nordic wine and spirits market

The value of the Nordic wine and spirits market including Finland, Sweden, Norway and Denmark is estimated to be EUR 12.4 billion, and the share of spirits is about 36% and of wine about 64%. In volume terms, spirits have reached about 77.5 million litres, with vodkas and whiskies being the two largest categories. The wine market volume is about 510 million litres with red wine being the single biggest category accounting for about half of the volume.*

The historical value development of the Nordic wine and spirits market has been stable. During the period 2012–2017, the market value grew by 1.8% compared to the volume growth rate of 0.5%. For the period 2018–2022, the value of the Nordic wine and spirits market is estimated to grow by 2.5% compared to the estimated volume growth rate of 0.3%.*

Read more about the development of the wine and spirits sales in the three Nordic retail monopolies in 2018 in the Report by the Board of Directors on page 26.

Industrial business

Altia produces grain spirit at its Koskenkorva distillery. The share of grain spirit that is not used in the production of alcoholic beverages is processed into technical ethanol at Rajamäki. Barley starch and feed components are produced as by-products from the distillation process. These industrial products – technical ethanol, starch and feed components – are sold to industrial customers.

Technical ethanols are sold to various industries – from the pharmaceutical and healthcare to the chemical and techno chemical industries.

Barley starch is used as a binding agent in the paper and paperboard industries, as a fermentation and freshness agent in beer production, and in other food industry applications. A significant part of the barley starch is sold to the paper and paperboard industry. The Koskenkorva plant is the only producer of barley starch in the world.

Feed components are delivered on a continuous basis to A-Rehu Oy's production facility which is located in close proximity of the Koskenkorva plant.

General economic conditions affect the demand for industrial products. The recent growth in the paper and paperboard industries has increased the demand for starch.

*) Source: Euromonitor International Ltd. Alcoholic Drinks data 2018 edition (May 2018). Nordic market refers to Finland, Sweden, Norway and Denmark. Value data calculated with retail selling prices, fixed 2017 exchange rates and current prices. All growth rates are CAGR %.

OPERATING ENVIRONMENT

Our brand portfolio is well positioned to capture the growth pockets created by key market trends

AUTHENTICITY – In an uncertain and changing world, consumers seek what they can trust.
- Connoisseurship
- Locality, provenance and heritage
- Craftsmanship

SUSTAINABILITY – Consumers favour environmentally-friendly packaging. Recyclability is more important than ever.
- Ethical wellbeing
- Fairly traded
- Environmental responsibility
- Transparency

HEALTH CONSCIOUSNESS – There is an increasing demand for low and non-alcoholic, and lower sugar products. Natural ingredients have become more important than ever.
- Balanced life
- Clean culture movement
- Freshness and simplicity
- Natural ingredients

PREMIUMISATION – Consumers seek quality over quantity.
- Quality all around
- Scarcity is luxury
- Premium experiences

CONVENIENCE – Smaller serving sizes and ready-to-drink solutions as well as easy to serve and share.
- On-demand
- Easy access
- Convenient packaging

BRANDS

Our Nordic core brands

Altia's strategy is to create value through its brands. We have a unique portfolio of iconic brands, which are rooted in the Nordic heritage and are among the region's best-known spirits and wine brands.

In 2018, we refined our portfolio of Nordic core brands to better reflect strategic growth opportunities. The ambition is to achieve greater focus and impact. Our key export brands are Koskenkorva Vodka, Larsen Cognac and O.P. Anderson Aquavit. The focus for these brands is geographical growth and expanding their footprint into new channels and technologies.

We are also investing in our other iconic Nordic brands, which are Chill Out, Blossa and Xanté, as well as Leijona and Jaloviina in Finland, and Explorer and Grönstedts in Sweden. In addition to these Nordic core brands, Altia has a considerable portfolio of other local brands that play across categories and price ties, enabling Altia to be involved where the consumer opportunities lie.

Everything we do starts with the consumer. Through continuous consumer research, we have created a profound understanding of Nordic consumers and their needs. Every development project is guided by strong consumer engagement, whether innovation and product development or the marketing of our brands. The continuous involvement of Altia's own consumer community enables us to be close to the people who love our brands and help us develop them further.

BRANDS

Our key export brands

KOSKENKORVA

Koskenkorva is a classic vodka made from nature's best ingredients. Koskenkorva has been distilled in the village of Koskenkorva since 1953. We use the northernmost grown barley, pure unfiltered groundwater and continuous distillation, which make for the product's unique style. Koskenkorva has won several awards in international industry competitions.

Sustainability is an instrumental part of the Koskenkorva brand. The Koskenkorva distillery is a forerunner in the bio and circular economy. Altia and the Koskenkorva distillery won the 2018 Green Company of the Year, awarded by the Drinks Business Green Awards.

The ambition for Koskenkorva is that it will become the world's most trusted and respected vodka.

LARSEN COGNAC

Larsen Cognac is a combination of the open-minded and courageous Scandinavian spirit and the craftmanship and expertise of French Cognac connoisseurs. The history of the brand stems from a young Norwegian adventurer, Jens Reidar Larsen. We want to challenge the status quo of the Cognac industry and explore new and surprising ways of consuming Cognac. Our Cognac has a unique identity and style, just as Jens Reidar always intended.

Larsen Cognac has recently been introduced to China and is one of our key export brands.

The ambition for Larsen is that it will become the innovative and original Cognac choice for brown spirit explorers.

O.P. ANDERSON

Aquavit is an exciting, very Nordic, spirits category. The bartender community sees it as an exquisite cocktail ingredient. O.P. Anderson is the oldest and leading aquavit brand in Sweden, and it is taking promising steps elsewhere in the Nordics. The classic spice formula of O.P. Anderson has inspired many of today's aquavits. Although O.P. Anderson is associated with tradition, it is the modern take on the brand that makes it so exciting.

The O.P. Anderson organic Björk and the ready-to-drink alternative respond to the more responsible drinking quest of the modern consumer.

The ambition for O.P. Anderson is that it will become the leader, going beyond the traditional aquavit category.

ALTIA AS AN INVESTMENT

Key investment highlights

- **Nordic market leader with a unique portfolio of iconic brands**, which are rooted in the Nordic heritage and are among the best known spirits and wine brands in the region. In addition, Altia has an **extensive wine portfolio** including both own and numerous well-known partner wine brands. Altia's brand portfolio is in a good position to meet both Nordic and global market trends. Read more about brands on page 20.
- **Experience and scale that provide a strong capacity to operate in the stable and profitable Nordic market.** Our scale, wide assortment, product innovation capabilities, market expertise and consumer knowledge place us in a good position to react to the growth opportunities provided by market trends. Read more about the market on page 18.
- **Clear strategy that builds profitable growth.** Read more about strategy on page 11.
- Altia's **integrated operating model enables full capacity utilisation.** Operations and resources are combined and shared between Altia's own brands, partner brands and industrial products. The integrated operating model allows a wider use of product development and innovation capabilities as well as market knowledge. **Sustainability is a key success factor** for Altia's business operations. The Koskenkorva plant's operations are based on the circular economy, making use of one-hundred per cent of the barley grain. Read more about the circular economy on page 14.
- An **experienced management team** with a proven record of creating and executing Altia's strategy. The management team members have strong and extensive experience in the Nordic and Baltic alcohol markets as well as in operating in a brand-focused and trend-driven market environment. Altia's management is presented on page 106.
- Altia's operations are characterised by **stable and diversified revenue streams** underpinned by resilient consumption of wine and spirits. A significant part of Altia's net sales comes through the state alcohol retail monopolies in Finland, Sweden and Norway. By focusing on improving profitability, carefully managing capital expenditure requirements and efficiently managing working capital, Altia is able to support high and **stable cash flow that enables an attractive dividend yield**. Read more in the Financial Statements from page 108 onwards.

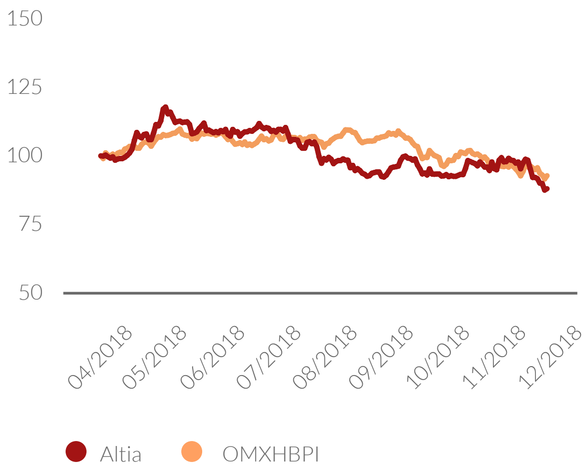
Key information about Altia's share

Market:	Nasdaq Helsinki Ltd.
Sector:	Food & Beverage/ Consumer goods
Trading code:	ALTIA
ISIN code:	FI4000292438
Listing date:	23 March 2018

	2018
Market cap:	**EUR 256 million**
High:	**EUR 9.50**
Low:	**EUR 7.015**
Closing:	**EUR 7.07**

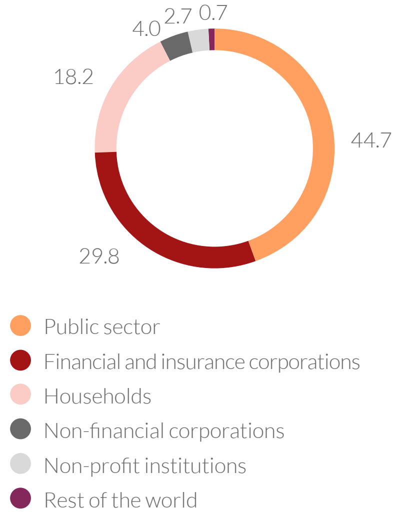
Share price development

Share quotations, index 100 = 23.3.2018



Source: Nasdaq Helsinki

Ownership structure as at 31 Dec 2018
Shareholders by sector,
% of shares



Share of nominee-registered shares was 26.7%

Source: Euroclear Finland

ALTIA AS AN INVESTMENT

Information for shareholders

Annual General Meeting

Altia's Annual General Meeting (AGM) is planned to be held on Wednesday, 15 May 2019 in Merikaapelihalli in Kaapelitehdas, at Tammasaarenlaituri 5, entrance M1, Helsinki.

Participation

Instructions for those wishing to attend the AGM are given in the notice to the meeting which will be published on Altia's website at www.altiagroup.com/agm2019.

Dividend proposal

The Board of Directors proposes to the AGM that a dividend of EUR 0.38 per share be distributed for the financial period ending 31 December 2018.

Financial information in 2019

7 February	Financial Statements Bulletin 2018
Week 12	Annual Report 2018
8 May	Business Review for January–March 2019
15 August	Half-Year Report for January–June 2019
7 November	Business Review for January–September 2019

Altia applies a silent period of 30 days before the publication of financial statements, half-yearly reports and interim reports.

Updated information about Altia and the financial calendar can be found at www.altiagroup.com/investors. Investor Relations contacts can be found on the website.

CASE

IPO in brief

THE INITIAL PUBLIC OFFERING (IPO) OF ALTIA was carried out during March 2018. The IPO attracted strong demand and was significantly oversubscribed.

The IPO included a share sale by the State of Finland of 23 000 000 existing shares to private individuals and entities in Finland and to institutional investors as private placements in Finland and internationally, as well as an issue of 180 485 new shares to the permanent employees of Altia in Finland and Sweden.

The subscription price for the sale shares was set at EUR 7.50 per sale share and EUR 6.75 per share in the personnel offering. A total of 6 000 000 shares were allocated to private individuals and entities in Finland, and 17 000 000 shares were allocated to institutional investors. Approximately 16 500 investors submitted a subscription commitment in the public share sale.

Following the IPO, Altia's market capitalisation was approximately EUR 271.1 million. Trading in Altia's shares commenced on Nasdaq Helsinki on 23 March 2018.

Find out more about the IPO on our website at www.altiagroup.com/ipo

Report by the Board of Directors

Report by the Board of Directors

Altia is a leading Nordic alcoholic beverage brand company operating in the wines and spirits markets in the Nordic countries, Estonia and Latvia. We produce, import, market, sell and distribute both own and partner brand beverages. We also have production in Cognac, France. Further, Altia exports alcoholic beverages to approximately 30 countries.

Altia's financial development in 2018 was challenged by external factors in the operating environment. Increased raw material costs and the negative impact from currencies have driven financial results down.

When excluding the negative impact from currencies, net sales grew by 1.4%. Altia's Nordic core brands such as Koskenkorva Vodka and Larsen Cognac continued to perform at a good level driven by growth in exports. In addition,

KEY RATIOS

	2018	2017	2016
Net sales, EUR million	357.3	359.0	356.6
Comparable EBITDA, EUR million	40.0	42.4	40.8
% of net sales	11.2	11.8	11.5
EBITDA, EUR million	34.0	40.3	60.8*
Comparable operating result, EUR million	25.6	28.2	26.4
% of net sales	7.2	7.8	7.4
Operating result, EUR million	19.7	26.1	46.3
Result for the period, EUR million	15.1	18.3	36.1
Earnings per share, EUR	0.42	0.51	1.00
Net debt / comparable EBITDA	1.2	1.1	0.1
Average number of personnel	718	762	829

*) Year 2016 included a net gain of EUR 16.3 million on settlement of defined pension benefit obligation, which has been considered as an item affecting comparability for the year ended 31 December 2016.

Altia Group's 2018 financial statements are prepared in accordance with IFRS. Comparative information is based on corresponding figures for 2017 (figures in brackets), unless otherwise stated.

the opening of the grocery trade in Finland and Altia's own wine brands, Blossa and Chill Out, performed well.

In the Nordic monopoly markets, volume growth was solid in Sweden and Norway, and the market in Finland declined in 2018. Due to the changes in alcohol legislation and taxation in Finland at the beginning of year 2018, the volumes in the Finnish monopoly market have declined. In total, the three monopoly markets for spirits and wine showed flat volume development during 2018. In these markets, Altia strengthened its market position in wines, but lost slightly in spirits due to partner portfolio changes in Sweden.

Altia Industrial's positive contribution to net sales was driven by the continued good development in industrial products and the completed price increases following the higher barley price.

Market development in 2018

Overall market development on the three Nordic monopoly markets has been flat compared to the previous year. The decline in the Finnish retail monopoly was offset by the growth in the retail monopolies in Sweden and Norway.

In the summer of 2018, the weather conditions were exceptional in the Nordic region with warm and sunny weather starting in early May and continuing through the whole summer. The good weather could be linked with an increased sale of white, sparkling and rosé wines, and on the other hand with lower sales of red wine.

The following table illustrates the trends in the sales of wine and spirits in the retail monopolies in Finland, Sweden and Norway. The figures are based on the sales volumes by litre published by the retail monopolies (Alko, Systembolaget and Vinmonopolet).

DEVELOPMENT OF WINE AND SPIRITS SALES IN THE NORDIC RETAIL MONOPOLIES

% change compared to previous year	2018	2017
Finland, total sales	**-3.3**	**-0.2**
Spirits	-3.6	-0.4
Wine	-3.2	-0.1
Sweden, total sales	**+2.1**	**+0.2**
Spirits	+2.7	+0.9
Wine	+2.0	+0.2
Norway, total sales	**+1.5**	**-1.1**
Spirits	+0.1	-0.9
Wine	+1.7	-1.1

Finland

In 2018, the Finnish retail monopoly's sales volumes of wine and spirits were down by 3.3% in comparison to the previous year.

The spirits category was down by 3.6%. Large volume categories like vodka, blended Scotch whiskey and VS Cognac declined and this could not be offset by growth in the smaller volume categories like gin and Irish and American whiskeys. Wine sales were down by 3.2%. The volumes were weak for red wines, while the development of white and sparkling wines was flat. Rosé wines experienced double-digit growth rates compared to the previous year. The sale of glöggs (mulled wines) decreased and the non-alcoholic category grew.

The Finnish Alcohol Act was changed at the beginning of 2018. The new Alcohol Act allows ethanol-based beverages of up to 5.5 per cent alcohol by volume (ABV) to be sold in grocery stores and the use of spirits brands in the products sold in grocery stores. Alcohol taxation was changed at the beginning of 2018 as follows: for spirits +5%, for wines +13%, and for the other categories between +7.2% and +12.9%. These changes are contributing to the negative development in the Finnish retail monopoly.

The excise duty on alcohol was further increased as of 1 January 2019 as follows: for spirits +2.0%, for wine +3.7% and for beer and cider +2.7% and +2.1% respectively.

Sweden

In 2018, the Swedish retail monopoly's sales volumes of wine and spirits continued to grow by 2.1% in comparison to previous year.

Growth was driven mainly by strong sales over the summer. The spirits category grew by 2.7%, driven by the positive development in sales of gins, other liqueurs (shots), dark rums and other spirits. The wine category grew by 2.0% with sparkling wines growing the fastest followed by rosé and white wines. Red wines continued to decline in favour of lighter varietals. Glögg showed a slightly positive development in the fourth quarter compared to the previous year.

Norway

In 2018, the Norwegian retail monopoly's sales volumes of wine and spirits grew by 1.5% in comparison to the previous year.

This growth was driven by good summer sales and the growth in wine sales. The spirits category is flat at +0.1% with good sales of liqueurs (shots) and gin which balance off the negative development within grape spirits, vodka and other spirits. The wine category grew by 1.7% driven by white, rosé and sparkling wines. Red wines continue to lose shares.

Strategy and financial targets

The core of Altia's strategy is to deliver profitable growth through the five strategic streams:

- Grow Nordic core brands
- Execute a step change in wines
- Strengthen strategic partnerships
- Channel expansion and development
- Fund and enable growth - Efficiency and performance initiatives.

To support the abovementioned organic strategic streams, Altia continues an active brand portfolio management, which includes potential selective acquisitions and/or divestments.

Financial targets

Altia has set the following long-term financial targets:

- Comparable EBITDA margin of 15% in the long-term
- Annual net sales growth of 2 per cent over time (CAGR)
- The target is to keep reported net debt in relation to comparable EBITDA below 2.5x in long-term

Dividend policy

Altia pursues an active dividend policy, and the result of the period not considered necessary to grow and develop the Company will be distributed to the shareholders. According to the dividend policy, the Company targets a dividend pay-out ratio of 60% or above of the result for the period.

Key events in 2018

Initial public offering (IPO)

The IPO of Altia Plc was carried out during March 2018. The IPO included a share sale by the State of Finland and a personnel offering to the permanent employees of Altia in Finland and Sweden.

Growth of Nordic core brands

During 2018, Altia's Nordic core brands have developed well and the positive development of exports plays an important role. The exports of Larsen Cognac to Asia was started at the beginning of the year. For Koskenkorva Vodka Russia is an important market and in the US Altia continues to strengthen distribution. With O.P. Anderson Aquavit Altia is targeting the US market.

Altia has launched innovations under the Nordic core brands. For example, Renault Avec cognac for which an innovative maturation method has been used. Further, launches have been made for Explorer vodka, Xanté liqueur, O.P Anderson Aquavit and Koskenkorva Vodka.

Innovations in wine

During 2018, Altia continued to develop its wine offering by bringing several wine novelties to the Nordic retail monopolies. Among others, an extensive line up of rosé wines to respond to the strong rosé wine trend especially during the summer. The portfolio of sparkling wines was also added with new products such as Amies Amies and the aromatised sparkling Say Blush in Sweden. In the red wine category, Altia launched its own innovation Novellus both in Sweden and Finland. In the glögg category, Altia presented an extensive line up of Blossa glöggs and a new Blossa Annual.

Partner wines representing global wine regions in all categories play an important role in Altia's overall wine portfolio.

New strategic partnerships

During 2018, Altia strengthened its market position on the large Swedish wine market with the addition of a new strategic partner, García Carrión.

In addition, Altia further strengthened its gin portfolio on the Swedish market with the start of collaboration with the award-winning Swedish premium gin producer Hernö Gin.

Channel expansion

In the beginning of 2018, the grocery trade opened up for Altia in Finland. During the year, Altia has proved its innovation capability and presented a extensive line up of new products under its Nordic core brands such as Koskenkorva Vichy and Village series, Leijona and Jaloviina long drinks. The distribution of the new low-alcohol (ABV below 5.5%) grocery trade products has developed well.

Altia continuously develops its digital platforms Viinimaa in Finland and folkofolk in Sweden. Through more focused initiatives and optimised content, the user traffic to the sites has increased.

In May 2018, Altia opened a webshop for Nordic alcoholic beverages on the German market – www.nordicspirits.com.

Financial review

In 2018, Altia's reported net sales amounted to EUR 357.3 (359.0) million, corresponding to a decrease of 0.5%. The impact of the weak SEK and NOK is significant as the net sales in constant currencies grew by 1.4%. The net sales of both the Finland & Exports and the Scandinavia segments in constant currencies were at the same level as last year. Altia Industrial's net sales increased mainly as a result of price increases due to the barley cost push and good volumes in industrial products.

The net sales of spirits declined from last year due to lower volumes in Finland, partner portfolio changes in Sweden and the currency impact. The decline was partly offset by growth in exports and grocery trade in Finland. Despite the good volume development in wine, the net sales declined driven by the currency impact.

NET SALES BY SEGMENT

EUR million	2018	2017	Change, %
Finland & Exports	133.8	133.9	-0.1
Scandinavia	117.7	123.7	-4.9
Altia Industrial	105.8	101.3	4.4
TOTAL	**357.3**	**359.0**	**-0.5**

NET SALES BY PRODUCT CATEGORY

EUR million	2018	2017	Change, %
Spirits	124.0	125.9	-1.5
Wine	122.2	124.7	-2.0
Other beverages	5.3	8.4	-37.2
Industrial products and services	105.8	101.3	4.4
Other	0.0	-1.3	
TOTAL	**357.3**	**359.0**	**-0.5**

In 2018, the comparable EBITDA, i.e. EBITDA excluding items affecting comparability (IAC), was EUR 40.0 (42.4) million, which is 11.2% (11.8%) of net sales. Items affecting comparability totalled EUR -6.0 (-2.1) million out of which EUR 4.6 million relate to the initial public offering of Altia. In addition, restructuring costs from efficiency measures in Finland and Sweden as well as costs related to the closed voluntary pension schemes impact the IAC amount. Reported EBITDA was EUR 34.0 (40.3) million.

COMPARABLE EBITDA BY SEGMENT

EUR million	2018	2017
Finland & Exports	19.2	19.6
Scandinavia	10.1	11.5
Altia Industrial	10.9	12.5
Other	-0.3	-1.1
TOTAL	**40.0**	**42.4**
% net sales	11.2	11.8

ITEMS AFFECTING COMPARABILITY

EUR million	2018	2017
Comparable EBITDA	**40.0**	**42.4**
Net gains or losses from business and assets disposals	0.4	1.3
Cost for closure of business operations and restructurings	-1.1	-1.1
Major corporate projects		
Costs related to the closed voluntary pension scheme	-0.7	
Costs related to a planned stock exchange listing	-4.6	-2.4
Total items affecting comparability	**-6.0**	**-2.1**
EBITDA	**34.0**	**40.3**

Other operating income amounted to EUR 7.4 (8.3) million, consisting mainly of proceeds of sales of fixed assets of EUR 0.5 (1.6) million; income from the sales of steam, energy and water of EUR 3.4 (3.4) million; and rental income of EUR 1.4 (1.0) million.

Employee benefit expenses totalled EUR 49.9 (52.0) million, including EUR 37.9 (40.4) million in wages and salaries.

Other operating expenses amounted to EUR 73.9 (72.9) million.

Net financial expense amounted to EUR 2.3 (1.9) million. The share of profit in associates and income from interests in joint operations totalled EUR 1.2 (0.9) million.

Taxes for the reporting period were EUR 3.6 (6.7) million which corresponds to an effective tax rate of 19.1% (27.0%). In 2017, the effective tax rate was high due to a re-assessment of deferred tax liability relating to Estonia.

The result for the period amounted to EUR 15.1 (18.3) million, and earnings per share were EUR 0.42 (0.51).

Cash flow, balance sheet and investments

Net cash flow from operations in 2018 totalled EUR 6.5 (37.6) million. The decline in cash flow is driven by the development in working capital, the decline in reported profits including the costs from the IPO and other items reported under items affecting comparability as well as the taxes paid during the financial year. On the working capital side, the receivables increased by EUR 7.4 million driven by the channel expansion in exports and the offering in grocery trade. Especially the impact from the Chinese New Year is visible in the last quarter of the year. Also, the increased overall volumes in the Altia Industrial segment and the higher invoicing at the end of the year for increased barley costs are further boosting the receivables. The EUR 5.5 million increase in inventory is driven mainly by increased purchases of barley at the end of the year due to barley market fluctuations. In addition, extended grocery trade offering, new partner brands as well as the increased volumes in Altia Industrial segment impacted the inventory level. The negative impact from trade and other payables amounted to EUR 4.3 million in the year-end as the payables were not optimised to offset the increased asset levels. Taxes paid during the year were based on a taxable income estimate for the year. The estimate used exceeded the currently expected outcome thus generating a too high cash tax outflow for the year.

In total, the receivables sold amounted to EUR 80.2 (83.6) million at the end of the period.

At the end of the period, the Group's net debt amounted to EUR 47.4 (47.7) million and the reported net debt to comparable EBITDA ratio was 1.2 (1.1). Gearing was 31.6% (34.9%) and equity ratio was 38.4% (34.3%).

The Group's liquidity reserve comprised a revolving credit facility of EUR 60.0 million of which EUR 0.0 (10.0) million was in use as well as an overdraft facility of EUR 10.0 million, which was unused as of 31 December 2018 and 2017. Altia Group's liquidity position was good throughout the review period.

The total in the consolidated balance sheet decreased to EUR 390.4 (398.4) million.

Gross capital expenditure totalled EUR 7.7 (11.9) million. Capital expenditure was primarily related to investments at the Rajamäki plant and the further development of information technology and digital capabilities.

BALANCE SHEET KEY FIGURES

	2018	2017
Reported net debt / comparable EBITDA	1.2	1.1
Borrowings, EUR million	89.4	100.1
Net debt, EUR million	47.4	47.7
Equity ratio, %	38.4	34.3
Gearing, %	31.6	34.9
Capital expenditure, EUR million	-7.7	-11.9
Total assets, EUR million	390.4	398.4

Business review

Finland & Exports

The Finland & Exports segment comprises the import, sale and marketing of wine and spirits, and other beverages in Finland and the Baltics, as well as travel retail and exports.

EUR million	2018	2017	Change, %
Net sales	133.8	133.9	-0.1
Comparable EBITDA	19.2	19.6	-1.9
Comparable EBITDA, % of net sales	14.3	14.6	
Average number of personnel	95	100	

EUR million	2018	2017	Change, %
Spirits	78.1	76.1	2.6
Wine	54.2	56.3	-3.7
Other beverages	1.5	1.3	11.6
Other		0.2	
TOTAL	**133.8**	**133.9**	**-0.1**

In 2018, net sales for the Finland & Exports segment were EUR 133.8 (133.9) million. The positive development in exports of Altia's Nordic core brands and the good development in the Finnish grocery trade have offset the challenges in the segment's other markets. In exports, the opening of the Asian distribution for Larsen Cognac in particular has contributed to its growth. Throughout the year, the spirits and wine volumes of the Finnish retail monopoly have been at a lower level compared to the previous year, which has impacted Altia's monopoly sales of spirits and wine negatively. However, despite of the volume decline, Altia's market shares both in spirits and wine have remained on the same level as last year. The net sales in travel retail and the Baltics continued to decline driven mainly by weak development in sea traffic and Tallinn harbour trade.

In 2018, the comparable EBITDA was EUR 19.2 (19.6) million, which equals a comparable EBITDA margin of 14.3% (14.6%). Profitability has been impacted by the weak monopoly and travel retail sales, but with the cost control of operating expenses the impact has been largely mitigated.

Business events in 2018

Since the beginning of 2018, Altia has launched a good line up of low-alcohol products aimed at the Finnish grocery trade. Products have been launched under Altia's iconic spirits brands, such as Koskenkorva Vichy and Koskenkorva Village series, as well as Jaloviina and Leijona long drinks. The products have been well received and gained a good distribution.

During 2018 Altia brought several novelties to the Finnish retail monopoly both in the spirits and wine segments. These included a new type of cognac, Renault Avec, and a number of rosé wines in the growing rosé wine category.

The digital platform Viinimaa which is Altia's key channel in communicating directly with consumers in Finland, has developed strongly during 2018. The site traffic has increased by over 80% from last year's level because of more focused actions and optimised content. In May, Altia opened a webshop for Nordic alcoholic beverages (www.nordicspirits.com) in Germany. The webshop is an addition to Altia's existing digital platforms, and complements traditional exports channels.

Scandinavia

The Scandinavia segment comprises the import, sale and marketing of wine and spirits, and other beverages in Sweden, Norway and Denmark.

EUR million	2018	2017	Change, %
Net sales	117.7	123.7	-4.9
Comparable EBITDA	10.1	11.5	-12.1
Comparable EBITDA, % of net sales	8.6	9.3	
Average number of personnel	85	86	

EUR million	2018	2017	Change, %
Spirits	45.9	49.8	-7.8
Wine	68.0	68.5	-0.7
Other beverages	3.8	7.0	-45.7
Other		-1.5	
TOTAL	**117.7**	**123.7**	**-4.9**

In 2018, reported net sales for the Scandinavia segment were EUR 117.7 (123.7) million, with a considerable negative impact caused by the weak SEK and NOK. The business has shown a stable development throughout the year and in constant currencies net sales improved by 0.6% compared to the previous year. In Sweden, wine sales have grown as a result of deliveries from a new partner starting in June 2018. Spirits sales in Sweden have declined due to partner portfolio changes. In Norway, spirits sales have continued to develop well.

In 2018, the comparable EBITDA was EUR 10.1 (11.5) million, which equals a comparable EBITDA margin of 8.6% (9.3%). The weak SEK and NOK are the main reason for driving the profitability down and to some extent partner portfolio changes. Cost control of operating expenses has partly compensated for the negative impacts.

Business events in 2018

Altia has actively launched new products in the Swedish retail monopoly throughout the year. For example, in spirits new flavours were launched under Altia's key brands. The Explorer brand was extended with a bag-in-box with two ready-to-drink cocktails, the O.P. Anderson brand was extended with O.P. Björk and the Xanté brand was extended with Xanté Sour.

Altia further strengthened its gin portfolio with the start of collaboration with the award-winning Swedish premium gin producer Hernö Gin.

In wines, Altia's market positions strengthened with the new partner. In addition, Altia's own wine brand, Chill Out was revamped with a new design and packaging.

The digital platform folkofolk, which is Altia's key channel in communicating directly with consumers in Sweden, has developed strongly during 2018. Focusing and aligning the platform and social media channels as well as using efficient data analytics have improved site traffic.

Altia Industrial

The Altia Industrial segment comprises Koskenkorva plant operations and the starch, feed component and technical ethanol businesses, as well as contract manufacturing and logistics services. It also includes supply chain operations, i.e. production and logistics operations in different countries and sourcing.

EUR million	2018	2017	Change, %
Net sales	105.8	101.3	4.4
Comparable EBITDA	10.9	12.5	-12.2
Comparable EBITDA, % of net sales	10.3	12.3	
Average number of personnel	426	452	

In 2018, net sales for the Altia Industrial segment were EUR 105.8 (101.3) million. The increase in net sales is driven by good volume development in the starch and feed component businesses as well as the price increases due to the barley cost push. The demand for technical ethanol has been stable and contract manufacturing volumes were slightly above last year's level.

In 2018, the comparable EBITDA was EUR 10.9 (12.5) million, which equals a comparable EBITDA margin of 10.3% (12.3%).

Production volumes and key projects

During 2018, the Rajamäki alcoholic beverage plant produced 64.7 (63.4) million litres of spirits and wine.

The strong demand of starch has enabled the Koskenkorva plant to run at full capacity throughout the year.

The use of grain at the Koskenkorva plant reached a record high of 211.7 (206.0) million kilos, an increase of 2.8% compared to the previous year mainly driven by higher volumes in starch production. Grain spirits production including technical ethanols was 22.0 (22.9) million kilos, starch production was 68.9 (64.5) million kilos and feed component production was 62.2 (59.8) million kilos.

At the Koskenkorva plant the investment to increase starch capacity was finalised and a new process automation system was taken into use. During 2018, Koskenkorva started to offer Viljatori web-based services to purchase grain. Farmers can monitor Altia's grain purchase offers and close the deals with the web services. Also, the receiving process of grain was digitalised. The time slots for unloading the grain deliveries can be booked 24/7 by the suppliers.

At the Rajamäki alcoholic beverage plant investments to increase efficiencies continued. Installation of new filling equipment for production of wine and low alcohol beverages was completed.

Research and development activities

The Group's direct research and development expenditure amounted to EUR 3.3 (3.4) million and was related to the product development of alcoholic beverages.

Corporate Governance Statement

A separate Corporate Governance Statement has been issued and published in connection with the Board of Directors' Report. The statement is also available on Altia's website at www.altiagroup.com.

General Meetings of Shareholders

Extraordinary General Meeting

The Extraordinary General Meeting of Altia Plc held on 22 February 2018 elected Mr Jukka Ohtola to the Board of Directors of Altia Plc.

Annual General Meeting

The 2018 Annual General Meeting of Altia Plc, convened on 1 March 2018, adopted the financial statements for the financial year 2017. The members of the Board of Directors and the CEO were discharged from liability for the financial year 2017. The Annual General Meeting elected the members of the Board of Directors and the auditor. As proposed by the Board of Directors, the Annual General Meeting decided that no dividend is distributed for the financial year 2017.

Board composition and Board Committees

The Annual General Meeting elected the following members to the Board of Directors:

- Sanna Suvanto-Harsaae, chairman
- Kai Telanne, vice chairman
- Kim Henriksson
- Annikka Hurme
- Tiina Lencioni
- Jukka Ohtola
- Torsten Steenholt

The Board of Directors has assessed the independence of its members. All members of the Board of Directors are independent of the company. Jukka Ohtola holds an office with the Ownership Steering Department of the Prime Minister's Office. All other members of the Board of Directors are independent of the shareholders of the company.

The Board of Directors has two committees, the Audit Committee and the Human Resources Committee. The members of the Audit Committee are Kim Henriksson (chairman), Tiina Lencioni and Sanna Suvanto-Harsaae. The members of the Human Resources Committee are Sanna Suvanto-Harsaae (chairman), Annikka Hurme, Jukka Ohtola and Kai Telanne.

Shareholders' Nomination Board

In October 2018, the Company announced that its three largest registered shareholders have nominated the following representatives to the Shareholders' Nomination Board:

- Jarmo Väisänen, Ownership Steering Department, Prime Minister's Office
- Hanna Kaskela, Varma Mutual Pension Insurance Company
- Annika Ekman, Ilmarinen Mutual Pension Insurance Company

The Nomination Board elected Jarmo Väisänen as its chairman. The chairman of Altia's Board of Directors, Sanna Suvanto-Harsaae acts as an expert in the Nomination Board.

Auditor

Altia Plc's auditor is authorised public accountants PricewaterhouseCoopers Oy, with Ylva Eriksson, APA, as the principal auditor.

Group structure

There were no changes in Group structure during 2018.

Chief Executive Officer and Group Management

In 2018, the Executive Management Team of Altia comprised the following members:

- Pekka Tennilä, CEO
- Janne Halttunen, SVP Scandinavia
- Kari Kilpinen, SVP Finland & Exports
- Kirsi Lehtola, SVP Human Resources
- Matti Piri, CFO (until the end of November 2018)
- Kirsi Puntila, SVP Marketing
- Hannu Tuominen, SVP Altia Industrial

In November, the appointment of Niklas Nylander as Altia's new Chief Financial Officer (CFO) and member of the Executive Management Team as of 1 January 2019 was announced.

Share capital and shares

At the end of the reporting period, Altia Plc's share capital amounted to EUR 60 480 378.36 and the number of issued shares was 36 140 485.

The initial public offering (IPO) of Altia Plc was carried out during March 2018. The IPO included a share sale by the State of Finland of 23 000 000 existing shares to retail and institutional investors and an issue of 180 485 new shares to the permanent employees of Altia in Finland and Sweden. The subscription price for the sale shares was set at EUR 7.50 per sale share and EUR 6.75 per share in the personnel offering. Altia's shares are listed on the Nasdaq Helsinki. All shares carry one vote and have equal voting rights. The trading code of the shares is "ALTIA", and the ISIN code is FI4000292438.

Shareholders and trading

At the end of December 2018, Altia had 17 879 registered shareholders and 9 659 252 shares representing 26.7% of the total number of shares were nominee-registered. During 2018, the highest share price was EUR 9.50 and the lowest price EUR 7.015. At the end of December, the closing price of Altia's share was EUR 7.07 and the market capitalisation was approximately EUR 256 million. The number of Altia's shares traded on Nasdaq Helsinki during 2018 was 29 910 623.

There were no flagging notifications during 2018.

On 31 December 2018, the members of the Board of Directors, the CEO and the members of the Executive Management Team including their controlled corporations owned a total of 100 790 shares corresponding to 0.28% of the total number of shares.

During 2018, Altia did not have share option programmes or share-based incentive programmes. Also, Altia did not have authorisations for share repurchases and did not hold any own shares.

SECTOR DISTRIBUTION 31 DECEMBER 2018

Sector	Number of shares	% of shares
Public sector	16 147 068	44.7
Financial and insurance corporations	10 763 830	29.8
Households	6 581 940	18.2
Non-financial corporations	1 430 189	4.0
Non-profit institutions	956 089	2.7
Rest of the world	261 369	0.7
TOTAL	**36 140 485**	

Source: Euroclear Finland

DISTRIBUTION BY SIZE OF HOLDING 31 DECEMBER 2018

Number of shares	Number of shareholders	% of shareholders	Number of Shares	% of shares
1–100	5 600	31.3	437 958	1.2
101–500	9 215	51.5	2 336 398	6.5
501–1 000	1 981	11.1	1 439 858	4.0
1 001–5 000	901	5.0	1 692 437	4.7
5 001–10 000	97	0.5	694 645	1.9
10 001–50 000	61	0.3	1 304 996	3.6
50 001–100 000	7	0.0	545 382	1.5
100 001–500 000	10	0.1	2 084 670	5.8
500 001–& above	7	0.0	25 604 141	70.8
TOTAL	**17 879**	**100.0**	**36 140 485**	**100.0**

Source: Euroclear Finland

LARGEST SHAREHOLDERS 31 DECEMBER 2018

	Sector	Number of shares	% of shares
1	Prime Minister's Office	13 097 481	36.2
2	Varma Mutual Pension Insurance Company	1 550 000	4.3
3	Ilmarinen Mutual Pension Insurance Company	1 088 300	3.0
4	OP-Finland Small Firms Fund	559 516	1.5
5	Åbo Akademi University Foundation	455 700	1.3
6	Veritas Pension Insurance Company Ltd.	404 895	1.1
7	Säästöpankki Pienyhtiöt	265 481	0.7
8	Mandatum Life Unit-Linked	181 301	0.5
9	Säästöpankki Kotimaa	150 000	0.4
10	Takanen Jorma	122 617	0.3
TOTAL		**17 875 291**	**49.5**
Nominee-registered shares		9 659 252	26.7

Source: Euroclear Finland

Personnel

In 2018, Altia Group had an average of 718 (762) employees. On 31 December 2018, Altia Group had 678 (703) employees, of whom 402 (411) were in Finland, 114 (117) in Sweden, 19 (21) in Denmark, 28 (29) in Norway, 32 (37) in Latvia, 61 (65) in Estonia, and 22 (23) in France.

The decrease in personnel was primarily due to non-replacement or other internal arrangements in Finland, and due to continued reorganisation of operations in Latvia. Negotiations on reorganisation of Altia's Scandinavia segment and on operational changes in Finland sales were completed towards the end of the year. These arrangements aimed at renewing ways of working as well as simplifying the organisational structure, and will affect the number of personnel in 2019.

In 2018, training courses were arranged for the commercial organisation, sales and marketing personnel and Let's Lead Better training for managers was continued. The Altia Tasting personnel survey was conducted in January-February 2018. The new survey gave more accurate tools for managers to develop their leadership. In the Rajamäki plant, a leadership program was carried out with focus on building the safety culture.

Incentive programmes

Altia's salaried, senior salaried employees and management participate in an annual performance bonus program. The potential annual bonus is based on both the Group's and its business units' targets, as well as on personal targets. Bonuses are paid either once a year or more frequently as an annual bonus or sales bonus. Workers participate in a production bonus system. The production bonuses are based on the targets of each production unit. Altia's CEO, the members of the Executive Management Team and selected key employees are part of a long-term incentive scheme for 2017–2019.

Based on the profit for 2017, annual performance bonuses amounting to EUR 2.6 (3.7) million, including social expenses, were paid in 2018. Sales commissions totalling EUR 0.1 (0.1) million were paid during the year. Production bonuses totalling EUR 0.4 (0.4) million were included in the result for the period. In connection with the IPO in 2018, the top management were paid a one-off reward totalling EUR 1.4 million for investing the net sum of the received award in the company by subscribing shares in the personnel offering. Additionally, a 130-year celebration bonus totalling EUR 0.6 million was paid to Altia employees, excluding top management.

Corporate Responsibility

In December 2018, Altia was nominated as the Green Company of the Year in the international Drinks Business Green Awards 2018, organised by the Drinks Business magazine. The recognition was awarded to Altia for the bio and circular economy achievements at the Koskenkorva distillery.

For Altia, responsibility is both a strategic priority and a key success factor in its business. The aim of Altia's efforts in the area of corporate responsibility is to build sustainable long-term business. Altia wants to support the development of a modern and responsible Nordic drinking culture in its operating countries in accordance with the company's purpose, Let's Drink Better.

The focus areas of Altia's responsibility work are divided into four cornerstones: Altia & Customers, Altia & Society, Altia & Environment and Altia & Employees. The cornerstones are based on Altia's purpose and strategy, stakeholder expectations, the company's own operating principles and codes of conduct, as well as the amfori BSCI Code of Conduct, which in turn is based on key international agreements protecting workers' rights. Altia has joined the amfori BSCI initiative and aims at annually increase the traceability and transparency of product and raw material supply chains. Altia launched its new Code of Conduct in 2018 to further highlight the company's commitment to responsibility, transparency and integrity.

In 2018, Altia updated its corporate responsibility materiality analysis based on investor views. This was done by conducting a web based survey for private shareholders and interviews with a number of institutional investors. Based on the findings, the focus areas of Altia's corporate responsibility cornerstones were amplified. The most important corporate responsibility aspects highlighted by Altia's shareholders were the quality and safety of Altia's products, the circular economy, conserving groundwater, sustainable packaging and responsible supply chain.

Altia has defined a group level corporate responsibility action plan for 2018–2020, based on its strategy and responsibility cornerstones. The action plan progressed as planned in 2018. More details can be found in the Non-Financial Statement published in connection with the Report by the Board of Directors and in the Annual Report's dedicated section on Corporate Responsibility.

Health, safety and environment

Occupational health and safety

Occupational safety is a vital part of Altia's corporate responsibility. Altia aims to reduce the number of accidents, absences caused by accidents and sickness absences. To achieve these goals, various occupational safety targets were set and related actions were conducted across different Altia sites during 2018.

In 2018, the sickness absence rate was 3.4% (3.3%). The accident frequency (the number of accidents per one million working hours) for accidents requiring at least one day of absence was 13 (11). There were no fatal work-related accidents in 2018 (0).

The environment and energy efficiency

Altia's work with environmental matters focuses on minimising the environmental impacts generated by Altia's own operations. The most significant environmental impacts of Altia's operations are energy consumption, water consumption, waste water quality, waste generation and the non-quality costs generated from scrapped raw materials, packaging materials and end products. Environmental indicators have been defined to support the reduction of these impacts. Annual targets and related actions were defined for different locations.

The environmental indicator for reducing waste volume in relation to production volume decreased at Tabasalu but increased at Rajamäki in 2018, compared to the levels in 2017. Organic loading of wastewater increased both at Rajamäki and Koskenkorva plants during the reporting period. At Koskenkorva, the increase resulted from including A-Rehu's wastewater amounts into the calculation. A-Rehu operates on Koskenkorva plant area. Water consumption relative to production decreased at Tabasalu, Rajamäki and Koskenkorva. The absolute amount of water used decreased at Rajamäki and Tabasalu and increased at Koskenkorva. The average waste reutilisation rate for the Altia production sites in Rajamäki, Koskenkorva and Tabasalu, was 99.7% in 2018 (99.5%).

The bioenergy power plant at Koskenkorva, which uses barley husks as its primary fuel, has enabled the Koskenkorva plant to reduce its carbon dioxide emissions and achieve a 59.9% self-sufficiency rate in fuels for steam production in the reporting period. The bioenergy power plant has been operating at full capacity since January 2015. The use of renewable fuel has reduced the Koskenkorva plant's carbon dioxide emissions by 54% in 2018 compared to the base year 2014 level.

Energy efficiency achieved through various energy saving measures is a major development area for the company both in terms of profitability and environmental responsibility. Altia is committed to the Finnish energy efficiency agreement for the period of 2017–2025, with the target to reduce energy consumption by 10% by the year 2025, compared to the base year 2014. In 2018, energy use relative to production volume increased slightly at the Rajamäki plant and remained at the previous year's level at the Koskenkorva plant.

Risks and risk management

Risk management

Altia's risk management aims to support the realisation of the company's strategy, risk identification, and means to reduce the likelihood and impact of risk materialisation, as well as to safeguard business continuity. Risks may be the result of an internal or external event. The Group's risk management policy has been approved by Altia Plc's Board of Directors.

The risk management policy describes the goals, principles and responsibilities of Altia's risk management and the related reporting principles. In line with this, the risk management steering group supports and coordinates risk management as part of the Group's planning and control processes and reports key risks to the company's management and Audit Committee. The most significant risks and uncertainties are assessed yearly in the Report of the Board of Directors.

Altia's business areas are responsible for risks related to their operations, as well as for their identification, prevention and key limitation methods. The Group's finance department manages financial risks according to the hedging principles defined in the company's financial policy. The management principles of the Group's most significant financial risks are described in more detail in the Notes to the Consolidated Financial Statements, under section 4.1. Financial risk management (p. 145). The finance department is also responsible for insurance programmes that cover the entire Group.

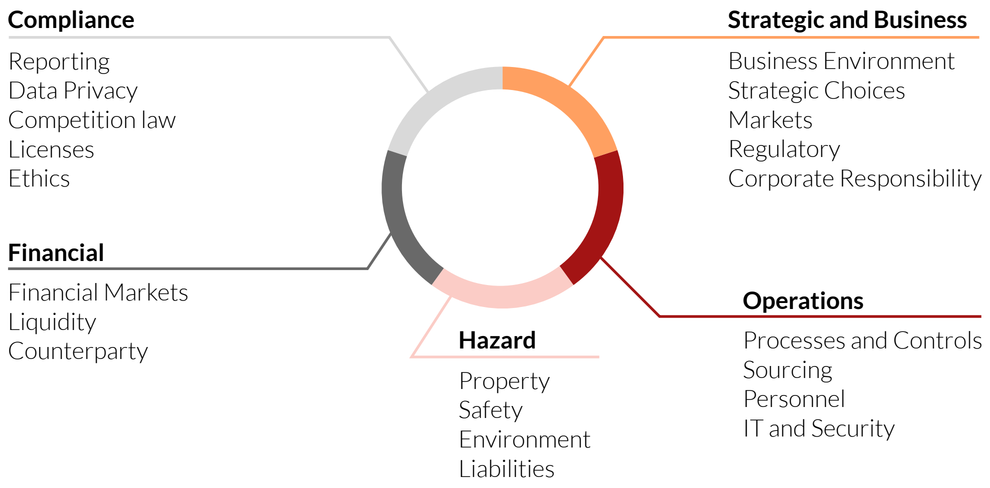
Altia's risk management process is based on the ISO 31000 standard, as applicable. The Corporate Governance Statement includes a more detailed description of the risk management process (p. 37).

Most significant risks and uncertainties

For reporting and risk assessment purposes, risks are categorised into five classes: strategic and business risks, operational and process-related risks, damage risks, financial risks and compliance risks. The Board of Directors assesses these central risks and the measures aiming to reduce the likelihood of their materialisation every three months.

Strategic and business risks relate to decision-making, resource allocation, management systems and the capacity to respond to changes in the operating environment (Strategy period: long-term, 3–5 years). Responsibility risks

ALTIA'S RISK CHART



related to business operations are described in the Non-Financial Statement (p. 40) published in connection with the Report by the Board of Directors.

Operational risks concern the implementation of strategy and day-to-day business operations. Such risks include deviations in processes, systems and conduct (Budget period: short-term, 1–2 years).

Damage risks are errors, malfunctions and accidents occurring within Altia or its operating environment, resulting in damage or loss.

Financial risks pertain to changes in market prices, the short- and long-term adequacy of financial assets and the ability of counterparties to meet their financial obligations.

Compliance risks involve violations of laws and permits as well as ethically sustainable business practices applicable to the company's operations and industry. The following table contains a summary of key uncertainties with an either positive or negative effect on Altia's operations:

Risk	Description	Risk management
Raw material price risk	The availability of domestic barley and its market price has a significant impact on the profitability of Altia's business.	Altia ensures the availability of barley with contract farming and the price of barley in cooperation with farmers and grain companies.
Risks related to customers and consumer demand	Our customers in Altia's market areas include Nordic retail monopolies, wholesalers who sell alcohol, restaurants, retail stores, travel retail, international wine and spirits companies and importers operating in the export markets. The wide customer base provides Altia with diverse opportunities for the long-term development of customer cooperation. Changes in consumer behaviour may, in the long term, shift the emphasis in the demand for Altia's products between different product categories.	A strong market position, efficient industrial processes, good quality and well-known brands improve Altia's chances to manage the risk. Changes in consumption patterns and the need to adjust operations are prepared for by investing in consumer-driven product development.
Product safety risks	As a wine and spirits company, it is particularly important for Altia to ensure the quality and safety of raw materials and finished goods throughout the supply chain.	Altia employs modern methods to ensure the safety of production processes and to eliminate various microbiological, chemical and physical hazards. In ensuring product safety, Altia complies with the operating methods required by food safety management and quality certificates.
Damage risks	Altia has production facilities in Finland, Estonia and France. A fire or other unforeseen event may interrupt the operations of a production facility.	All of our production facilities have insurance policies for material damage and the interruption of operations in the Group's insurance programme. Key production facilities are subject to a risk survey every 1–2 years. Continuity plans serve to limit any possible loss of profits.
Financial risks	The key risks related to finance in Altia's operations are currency transaction and translation risks, interest rate risks and refinancing and liquidity risks.	Financial risk management aims to mitigate any impact that price fluctuations and other uncertainties in the financial markets have on operating results, the balance sheet and cash flow and to ensure sufficient liquidity. The management principles of the Group's most significant financial risks are described in more detail in the Notes to the Consolidated Financial Statements, under section 4.1. (p. 145) Financial risk management.
Compliance	Key compliance risks in Altia's operations relate to the breach of laws, regulations and decisions by authorities concerning reporting, permits and licenses, marketing of alcoholic beverages, competition law and processing of personal data.	Compliance risk management aims to avoid sanctions, consequences and official investigations and decisions that may damage the company's profitability, business continuity and reputation. Altia aims to manage compliance risks and ensure ethically sustainable business practices with guidance and regular training.

Price risk associated with commodities

Barley

In 2018, Altia consumed approximately 211.7 (206) million kilos of Finnish barley to produce ethanol and starch. The availability of high-quality domestic barley is ensured through contract cultivation and cooperation with grain growers and grain handling companies. The market price of barley fluctuates significantly year by year as a result of several factors that affect Finnish barley supply and demand. The price of barley is therefore considered to be a significant risk for Altia during the financial year. The price risk has not been hedged against with derivative instruments.

Electricity

A strong increase in the market price of electricity is a significant risk for Altia. The risk is managed by following Altia's principles for electricity procurement. These principles determine the hedging limits within which the electricity price risk is hedged against. The hedges are executed with the OTC-derivatives of Nasdaq OMX Oslo ASA.

The hedging service for electricity procurement has been outsourced.

At the end of 2018, the hedging ratio for deliveries for the next 12 months was 64.1% (67.6%), in line with the set targets. In 2018, the average hedging ratio was 68.0% (70.0%).

Cash flow hedge accounting in accordance with IFRS 9 is applied to the hedges against electricity price risk, and hedge effectiveness is tested quarterly. All hedging was effective in 2018 (the ineffective portion EUR -0.1 million in 2017 was recognised in financial costs).

Altia purchases its electricity straight from the Nord Pool Spot markets as a delivery tied to the spot price of the Finnish price area.

Sensitivity to market risks

The following table describes the sensitivity of the Group's profit and equity (before taxes) to changes in electricity prices, foreign exchange rates and interest rates. When Altia applies hedge accounting, the sensitivity is directed at equity. When hedge accounting is not applied, the sensitivity is recognised as a potential impact on profit or loss.

The sensitivity to foreign exchange rate changes is calculated from the net currency position resulting from financial instruments.

The total group floating rate liability position consists of floating rate liabilities EUR 75.0 (85.0) million and floating leg of interest rate swap EUR 20.0 (20.0) million which is netting the interest rate risk.

An increase of one percentage point in interest rates would have an effect of EUR -0.5 (-0.5) million on the income statement. The effect of the increase in market interest rates on the Group's profit is determined by net interest expenses.

Short-term risks and uncertainties

The most significant uncertainties in the company's operations relate to the overall economic development and its impacts on consumption, as well as the effects of alcohol taxes and legislation on consumer behaviour. Unexpected and unforeseen disruptions in production and deliveries form the major short-term risks related to operations, as well as sudden and significant changes in prices of raw materials, especially related to barley.

Altia Plc's Board of Directors has confirmed the Group Risk Management Policy. Risk management is aimed at supporting the implementation of Altia Group's strategy, the identification of risks and methods for reducing the probability and impacts of risks, as well as ensuring business continuity. Risks may arise from internal or external events.

Sensitivity of financial instruments to market risks (before taxes) in accordance with IFRS 7	2018		2017	
EUR million	Income statement	Equity	Income statement	Equity
+/-10% electricity	-	+/-0.3	-	+/-0.3
+/-10% change in EUR/NOK exchange rate	+/-0.1		+/-0.1	
+/-10% change in EUR/SEK exchange rate	+/-2.0		+/-2.0	
+/-10% change in EUR/USD exchange rate	-/+0.5		-/+0.4	
+/-10% change in EUR/AUD exchange rate	-/+0.2		-/+0.2	
+/-1%-points change in interest rates	-0.5	+ 0.6	-0.7	+ 0.8

Note: +10% increase in EUR/SEK exchange rate would have an EUR +2.0 million effect in income statement. Other risks with same principle.

Outlook 2019

Market outlook

The development of the Group's business operations and profitability are affected by the competitive environment, the overall economic outlook, imports by consumers and changes in alcohol taxation. Uncertainty related to changes in consumer buying behaviour and consumer demand continues.

Seasonality

There are substantial seasonal fluctuations in the consumption of alcoholic beverages impacting the net sales and cash flow of Altia. The company typically generates large amounts of its revenue and cash flow during the fourth quarter of the year whereas, the first quarter of the year is significantly lower. In addition, excise taxes related to the high season at the end of the year are paid in January, resulting in large cash outflows at the beginning of the year.

Guidance

The comparable EBITDA is expected to improve from the 2018 level.

The positive trend of Altia's Nordic core brand portfolio is expected to continue. Market development in Finland is expected to flatten out in comparison to 2018 and the markets in Sweden and Norway are expected to grow.

The negative impact of the increased barley cost will be reflected in high raw material costs especially in the first quarters of the year. The guidance assumes a normal harvest in 2019.

In addition, the impact from the implementation of the new IFRS 16 standard is expected to improve comparable EBITDA by 3–4 million.

Dividend proposal

According to the financial statements on 31 December 2018, the parent company's distributable funds amount to EUR 72 084 125.87 including profit for the period of EUR 14 102 839.85.

There have been no significant changes to the parent company's financial position after the end of the financial year.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.38 per share be paid for the financial year 2018. The Board's proposal is based on earnings per share (EPS) and takes into consideration the items affecting comparability included in the result for 2018.

Annual General Meeting 2019

Altia Plc's Annual General Meeting (AGM) 2019 is planned to be held on 15 May 2019 in Helsinki. The Board of Directors will summon the AGM later.

Financial calendar 2019

The Annual Report 2018 including the financial statements, Board of Directors' report, Auditor's report, the Corporate Governance statement and the remuneration statement will be published in English and Finnish on Altia's website during week 12 (the week starting on 18 March).

Altia will publish financial reports in 2019 as follows:

- 8 May 2019: Business Review for January–March 2019
- 15 August 2019: Half-Year Report for January–June 2019
- 7 November 2019: Business Review for January–September 2019

Events after the period

On 30 January, the proposals by the Shareholders' Nomination Board to the Annual General Meeting were announced. The Nomination Board proposes that the number of members of the Board of Directors be seven (7) and that the present members Kim Henriksson, Tiina Lencioni, Jukka Ohtola, Torsten Steenholt, Sanna Suvanto-Harsaae and Kai Telanne be re-elected and Anette Rosengren be elected as a new member.

Further, the Nomination Board proposes that the remuneration to be paid to the members of the Board of Directors during the next term consist of a monthly term of office fee as follows: EUR 4 000 per month, Chairman; EUR 2 500 per month, Vice Chairman; EUR 2 000 per month, member.

In addition to the monthly fee, the Board members would receive a meeting fee for the Board of Directors and Board Committee meetings of EUR 600 per meeting for Board members residing in Finland and EUR 1 200 per meeting for Board members residing abroad. Travel expenses would be reimbursed in accordance with the company's travel policy.

Helsinki, 6 February 2019
Altia Plc
Board of Directors

Non-financial statement

Introduction

Corporate responsibility is both a strategic priority and a key success factor for Altia. The aim of the company's responsibility efforts is to build a sustainable long-term business. Altia wants to promote a modern and responsible Nordic drinking culture. This target is summarised in the company's purpose, Let's Drink Better. Better drinking can be interpreted as, for example, a drinking culture that is of a higher quality, moderate in quantity, lighter, more social or more environmentally friendly.

Altia has reported on the company's responsibility efforts for ten years in accordance with the model for corporate responsibility reporting for state-owned companies[1] and the Global Reporting Initiative (GRI) guidelines.

This non-financial statement describes, in accordance with the Finnish Accounting Act, Altia's approach to the management of environmental, social and employee matters, as well as matters related to respect for human rights and anti-corruption and bribery, in its operations. More detailed information about our responsibility work is provided in a separate section on Corporate Responsibility in Annual Report.

Business model

Altia's business model is based on offering a strong portfolio of its own brands and a versatile range of international partner brands, as well as providing services to its customers utilising the company's production, packaging and logistics capacity. In addition, by-products from the production process are sold to industrial customers in other industries. The integrated operating model creates significant economies of scale in sourcing, production and distribution, and allows the company to take advantage of its shared operations – such as consumer research, innovation, product development and overall know-how – and use its centralised support functions efficiently. The Business Overview section contains a description of how Altia creates value.

Environmental matters

a. Policies and ways of working (including due diligence)

Altia's work on environmental matters focuses on minimising the environmental impacts of the company's own operations. Altia aims for high material and resource efficiency, and develops products and their packaging with a view to achieving a lower environmental impact. In addition, necessary measures are taken to protect the groundwater resources used as an ingredient in Altia's products.

The environmental aspects relevant to the company are assessed at three-year intervals. In the assessment conducted in 2018, energy consumption, water consumption, wastewater and its quality, as well as waste generation, were identified as the most significant environmental aspects. Environmental key performance indicators and annual reduction targets were defined to support the reduction of these impacts. Plant-specific targets and the actions necessary to achieve the targets are set annually, and progress is monitored monthly with the help of the indicators.

The standards, policies and principles relevant to Altia's environmental work include:

- Altia Code of Conduct
- Altia Quality, Safety and Environmental Principles
- ISO14001 Environmental Management System standard; the certification covers Altia's operations in Finland

b. Principal risks and their management

Environmental risks are assessed regularly as part of the assessment of Altia's environmental impacts and of Altia Group's risk management. The principal risks identified include possible leaks to the soil or waterways (including groundwater areas), overruns of the wastewater quality limits in Altia's environmental permits, and the costs related to maintaining compliance with increasingly strict environmental regulations as well as the fines and sanctions resulting from any non-compliance with the said regulations.

The risks are managed through various measures, including the maintenance of an environmental management system in accordance with the ISO14001 standard, regular monitoring of wastewater quality, ownership of land in groundwater areas and monitoring legislative developments.

c. Outcome and KPIs

Altia's environmental work received notable international recognition in 2018 when the company was nominated as the Green Company of the Year in The Drinks Business Green Awards. The recognition was awarded to Altia for the bio and circular economy achievements at the Koskenkorva distillery.

In Finland, Altia has joined the voluntary Energy Efficiency Agreement, the other parties of which are the Ministry of Economic Affairs and Employment, industry associations and companies. With the agreement, Altia commits to reducing its energy consumption by 10%

[1] Government Resolution on State Ownership Policy 3 November 2011, Annex 3

KPI	2018	2017	2016
Energy efficiency (MWh/m³ of product or tonne of barley)	Koskenkorva: 0.63 Rajamäki and Tabasalu: 0.31	Koskenkorva: 0.63 Rajamäki and Tabasalu: 0.28	Koskenkorva: 0.71 Rajamäki and Tabasalu: 0.34
Water efficiency (m³/m³ of product or tonne of barley)	Koskenkorva: 2.26 Rajamäki and Tabasalu: 1.61[1]	Koskenkorva: 2.28 Rajamäki and Tabasalu: 1.46	Koskenkorva: 2.79 Rajamäki and Tabasalu: 1.47
Quality of wastewater (kg COD/m³ of product or tonne of barley)	Koskenkorva: 3.10 Rajamäki and Tabasalu: 3.35[2]	Koskenkorva: 2.23 Rajamäki and Tabasalu: 2.92	Koskenkorva: 1.97 Rajamäki and Tabasalu: 2.71
Waste volume (kg/m³ of product)	Rajamäki and Tabasalu: 52.06[3]	Rajamäki and Tabasalu: 44.83	Rajamäki and Tabasalu: 49.22
Average rate of recycling and reutilisation	99.7%	99.5%	99.5%
Monetary value of fines and number of non-monetary sanctions	0	0	0

[1] Monitoring of the KPI for water efficiency was discontinued at the beginning of 2018 at the Rajamäki plant of the Industrial Products unit, because the KPI is not material for the operations. With regard to Rajamäki, the indicator includes the alcoholic beverage plant.
[2] The KPI for the quality of wastewater is not monitored at the Tabasalu plant.
[3] The KPI for waste volume is not monitored at the Rajamäki and Koskenkorva plants of the Industrial Products unit, because it is not material for the plants in question. With regard to Rajamäki, the indicator includes the alcoholic beverage plant.

by 2025, compared to the base year 2014. In 2018, energy use relative to production volume increased slightly at the Rajamäki plant and remained at the previous year's level at the Koskenkorva plant.

The limit values for wastewater loads are specified in Altia's environmental permits. The organic load of the wastewater of the Rajamäki plant increased from the previous year. The daily limit for biological oxygen demand specified in the requirements for the environmental permit was exceeded six times during the year. Investigations aiming to reduce the wastewater load and prevent any further exceeding of permit limits are ongoing. The measurement method concerning the biochemical oxygen demand at the Koskenkorva plant was changed at the beginning of the review period (the wastewater of A-Rehu, which operates in the same plant area, was included in the ratio of the Koskenkorva plant), due to which the load increased from the previous year.

The results of Altia's key environmental indicators are summarised in the table above and discussed in more detail under Altia & the Environment in the section on Corporate Responsibility.

The bioenergy power plant at the Koskenkorva plant enabled Altia to reduce the Koskenkorva plant's carbon dioxide emissions by 54% in 2018, compared to 2014. The plant's fuel self-sufficiency in steam production was 59.9% in 2018, which is lower than the year before. This is explained by the smaller grain size in 2018, due to which the volume of the husk to be incinerated was lower than in the previous year.

Social and employee matters

Consumer and product related matters

a. Policies and ways of working (including due diligence)

Product safety is a top priority for Altia, and the company continuously improves the quality of raw materials and final products. Altia markets its products responsibly and in compliance with applicable marketing laws, and provides consumer information in accordance with applicable regulations.

The key processes related to product quality and safety have been defined and the relevant instructions are maintained in Altia's management system. Key performance indicators regarding quality, targets included, have been set, and their monitoring began in 2018. The KPIs concern quality costs, customer feedback and the proportions of deviating batches. Plant-specific targets and the actions necessary to achieve those targets are furthermore set annually, and progress is monitored monthly with the help of the indicators.

Altia wants to build a responsible drinking culture. Given that the company's own employees are in a key position for driving the change, Altia has launched an employee alcohol policy. The policy is applicable to all Altia employees and everyone working on Altia's production sites or in its offices.

Altia's Rajamäki plant has the international Fair Trade and Fair for Life certifications. The Fair for Life certification was granted to the plant in the reporting year 2018. The Koskenkorva distillery, the Rajamäki alcoholic beverage plant and the distillery in Sundsvall are certified for organic production.

The standards, policies and principles relevant to the safety, quality, marketing and consumption of Altia's products include:

- Altia Code of Conduct
- ISO9001 Quality Management standard; the certification covers Altia's operations in Finland as well as the Tabasalu plant in Estonia
- ISO22000 Food Safety Management standard; the certification covers Altia's Rajamäki plant
- Altia Quality, Safety and Environmental Principles
- Altia Marketing Guidelines
- Altia Employee Alcohol Policy

b. Principal risks and their management
The risks are assessed as part of quality and safety risk assessments and as part of Altia Group's risk management. The principal risks identified include failure to comply with hygiene requirements, lack of consistency in the quality of products, any contamination of products, as well as defects in raw materials or packaging. Such incidents can lead to product recalls or make the company subject to legal claims. As the alcohol business is highly regulated, stricter regulation regarding the marketing and advertising of alcoholic beverages or their taxation, for example, could have an impact on the company's operations.

To manage risks of this type, Altia maintains quality and food safety management systems in accordance with international standards. Quality is monitored continuously during production by means of line inspections and testing, as well as the analysis of end products. Instructions and process are maintained in view of possible recalls and situations are practised regularly by way of phantom testing. Applicable legislation and any developments therein are reviewed regularly.

c. Outcome and KPIs
Altia's Rajamäki plant received the ISO 22000 food safety certificate in 2017, and food safety was improved in accordance with the ISO 22000 standard during the reporting period. During the year, the company arranged training for all employees through an online platform, enhanced quality monitoring during production by, for instance, adopting a manufacturing execution system (MES), and continued to improve the plant's condition by carrying out floor and wall repairs, among others. Plant-specific targets and the actions necessary to achieve those targets are set annually and progress is monitored monthly with the help of the indicators.

KPI	2018	2017	2016
Amount of income taxes paid and excise taxes collected	EUR 452.3 million The full tax footprint is available in the section on Corporate Responsibility	EUR 425.6 million The full tax footprint is available in the section on Corporate Responsibility	EUR 466.3 million The full tax footprint is available in the 2016 Responsibility Report

Employee matters

a. Policies and ways of working (including due diligence)
Altia is committed to building a culture with a motivating and supportive working environment based on safety, openness, equality and trust. The company values diversity and promotes equal treatment and equal opportunities. Altia maintains a continuous dialogue with its employees by sharing information and engaging the employees, and respects the freedom of association and the right to collective bargaining. All Altia employees are expected to respect each other's rights to fair treatment and to act in accordance with the Altia Behaviours. These are *Renew Bravely*, *Show Direction*, *Build Success Together* and *Implement*!

Altia wants to ensure safe and healthy working conditions for all its employees. The goal is to reduce sickness absences, the number of accidents and the number of absences caused by accidents. Plant-specific targets and the actions necessary to achieve those targets are set annually, and progress is monitored monthly by way of key performance indicators. Targets are also set and action plans prepared for operating locations that are not within the scope of the OHSAS 18001:2007 certification.

The standards, policies and principles relevant to employee matters include:

- Altia Code of Conduct
- Altia Behaviours
- OHSAS 18001:2007 Occupational Health and Safety Management standard; the certification covers Altia's operations in Finland
- Altia Quality, Safety and Environmental Principles
- amfori BSCI Code of Conduct

b. Principal risks and their management
The risks are assessed as part of Altia Group's risk management. The principal risks relate to Altia's ability to recruit, develop, motivate and retain the right know-how and succeed in daily leadership, the maintenance of good collaboration practices with employees and their unions, as well as the occurrence of accidents. To manage the risks, Altia develops its employer value proposition, recruitment and retention, conducts the employee satisfaction survey Altia Tasting on an annual basis, maintains frequent collaboration with unions, and maintains an occupational health and safety management system in accordance with the OHSAS 18001 standard.

c. Outcome and KPIs
The company has organised training for its commercial organisation, as well as the sales and marketing personnel, every year since 2016. The Let's Lead Better training for managers was kicked off in 2017. The Let's Lead Better training is based on the principles of the Altia Behaviours, which are part of all the development and training of Altia's people.

Altia's annual Altia Tasting employee survey was organised in January 2018. The revised

KPI	2018	2017	2016
Sickness absence, %	3.4	3.3	3.2
Accident absence rate	13	11	8
Accident absence, %	0.07	0.29	0.22
Number of accidents	17	16	N/A

The number of accidents was not monitored at all sites in 2016, due to which the KPI for 2016 is missing. An accident is defined as any accident leading to at least one day of absence. More details about the indicators are available under Altia & Employees in the section on Corporate Responsibility.

survey provided managers with increasingly precise results for the development of their own leadership. The most important development targets uncovered in the employee survey related to the communication of opportunities for competence development, the development of leadership skills and the visibility of the executive management. Several measures were carried out during the year to develop these areas, such as the Let's Lead Better training sessions and Altia's Top Leader's Forum.

The results of the indicators for occupational health and safety are presented in the table above. There were no fatal work-related accidents during the year.

Respect for human rights

a. Policies and ways of working (including due diligence)

Altia is committed to respecting and promoting human rights and international labour standards in accordance with the United Nation's (UN) Universal Declaration of Human Rights and the key conventions of the International Labour Organization (ILO). Altia also expects the same from its suppliers, partners and subcontractors.

Altia's most relevant human rights impacts are related to the sourcing of wines, spirits and raw materials. In 2017, Altia joined amfori BSCI and amfori BSCI's Sustainable Wine Programme to develop responsible sourcing. As a participant Altia is committed to furthering the principles of the amfori BSCI Code of Conduct in its supply chains. The code of conduct's principles are based on key international agreements and frameworks such as ILO conventions and declarations, the UN Guiding Principles on Business and Human Rights, as well as OECD guidelines for multinational enterprises.

Altia's due diligence process is developed continuously. It is currently composed of mapping the supply chains of our products and their components, using a questionnaire to gather information about our suppliers' and partners' responsibility work, contractual obligations as well as participation in and utilisation of the tools offered by amfori BSCI, including third party audits. Altia has a whistleblowing channel open to all stakeholders, maintained by an independent third party.

The standards, policies and principles relevant to Altia's work with human rights matters include:

- Altia Code of Conduct
- amfori BSCI Code of Conduct
- Altia Code of Conduct for Suppliers and Subcontractors

b. Principal risks and their management

The principal risks are related to Altia's business relationships and primarily concern the wine, spirits and raw material supply chains where these extend to countries with a higher risk of possible violations of international labour standards. In addition, Altia's customers have demands for social compliance within the supply chains, and any violation of such demands by Altia's suppliers, sub-suppliers or partners could lead to situations where a customer stops any further deliveries of a product. The risks are managed with the due diligence process explained above.

c. Outcome and KPIs

21 amfori BSCI audits (full audits or follow-up audits) were conducted at Altia's suppliers, partners or their sub-suppliers in 2018 (18 in 2017). The areas where improvement needs were identified included the maintenance of sufficient management systems to ensure compliance with social responsibility, occupational health and safety and compliance with regulations related to working hours. In addition, focused inspections, commissioned by Altia's customers, continued at some of suppliers or partners in South Africa.

During 2018, Altia personnel responsible for sourcing took part for example in a web based training of responsible sourcing, organised by Altia's customer. Additionally, an amfori BSCI audit planning for 2019 was initiated for suppliers of raw materials for Altia's proprietary brands. Furthermore, Altia continued its cooperation with various stakeholders to address the concerns regarding working conditions at South African vineyards.

KPI	2018	2017	2016
Share of purchases from risk countries as identified in amfori BSCI risk country classification	3%	4%	4%
Number of grievances related to human rights reported through the whistleblowing channel	0	0	N/A

The whistleblowing channel was launched in October 2017, due to which the first full year figure concerns 2018.

Anti-corruption and -bribery matters

a. Policies and ways of working (including due diligence)

Altia has zero tolerance towards bribery and corruption. The company is committed to operating fairly and to not offering improper benefits to any party. Altia also expect its representatives, consultants, agents, subcontractors and other business partners to unconditionally refrain from corruptive behaviour when performing services for Altia or on its behalf. Altia does not support, either directly or indirectly, political parties or organisations. Nor does the company participate in financing the election campaigns of individual candidates.

Altia published its new Code of Conduct is 2018. The Altia Code of Conduct describes the company's commitment to responsibility and integrity. The cornerstones of the Altia Code of Conduct are our *employees*, *our business* and *our integrity*. Every Altia employee is familiarised with the Altia Code of Conduct, including the company's anti-bribery and corruption activities, with the help of an online course.

Altia has a whistleblowing channel maintained by an independent third party. The channel is open to all Altia employees and external stakeholders. All concerns raised, whether through the channel or through other means, are investigated in accordance with an established process to ensure accuracy, anonymity and fairness.

The standards, policies and principles relevant to anti-corruption and bribery matters include:

- Altia Code of Conduct
- Anti-Bribery and Corruption Policy
- Whistleblowing channel

b. Principal risks and their management

The risks are assessed as part of Altia Group's risk management. The principal risks associated with anti-corruption and bribery matters include a reputational risk caused by any act of corruption or bribery, especially related to Altia's key persons and business partners. Given that the alcohol business is often a regulated business, obtaining the necessary licenses and permits is associated with a risk of corruption or bribery, especially in countries with a high corruption index. The risks are managed through contractual obligations, third party due diligence inspections concerning suppliers and distributors, where necessary, as well as internal training on the Altia Anti-Bribery and Corruption Policy.

c. Outcome and KPIs

In 2018, Altia arranged a Code of Conduct online course, mandatory for its entire personnel. The whistleblowing channel has been in use since 2017. No reports were submitted through the whistleblowing channel in 2018. The first full-year figures on reports received through the whistleblowing channel were available in 2018.

KPI	2018	2017	2016
Communication and training on anti-corruption policies	Online course on the Altia Code of Conduct organised for the entire personnel	The relevant employees at Altia were provided with online training	N/A
Number of anti-corruption and bribery incidents reported through the whistleblowing channel	0	0	N/A

Helsinki, 6 February 2019
Altia Plc
Board of Directors

Key ratios of the Group

		2018	2017	2016
Income statement				
Net sales	EUR million	357.3	359.0	356.6
Comparable EBITDA	EUR million	40.0	42.4	40.8
(% of net sales)	%	11.2	11.8	11.5
EBITDA	EUR million	34.0	40.3	60.8
Comparable operating result (EBIT)	EUR million	25.6	28.2	26.4
(% of net sales)	%	7.2	7.8	7.4
Operating result	EUR million	19.7	26.1	46.3
Result before taxes	EUR million	18.6	25.0	45.0
Result for the period	EUR million	15.1	18.3	36.1
Items affecting comparability	EUR million	-6.0	-2.1	19.9
Balance sheet				
Cash and cash equivalents	EUR million	42.0	52.4	68.0
Total equity	EUR million	150.1	136.8	191.3
Borrowings	EUR million	89.4	100.1	72.8
Invested capital	EUR million	239.5	236.9	264.0
Profitability				
Return on equity (ROE)	%	10.5	11.1	20.0
Return on invested capital (ROI)	%	7.0	8.0	14.4
Financing and financial position				
Net debt	EUR million	47.4	47.7	4.7
Gearing	%	31.6	34.9	2.5
Equity ratio	%	38.4	34.3	44.2
Net cash flow from operating activities	EUR million	6.5	37.6	29.4
Net debt/comparable EBITDA		1.2	1.1	0.1

		2018	2017	2016
Share-based key ratios				
Earnings / share (Basic and diluted)	EUR	0.42	0.51	1.00
Equity / share	EUR	4.15	3.80	5.32
Dividend / share	EUR	0.38*	-	1.96
Dividend/earnings	%	91.2*	-	196
Effective dividend yield	%	5.4*	-	-
Price/Earnings		17.0	-	-
Closing share price on the last day of trading	EUR	7.07	-	-
Highest	EUR	9.50	-	-
Lowest	EUR	7.015	-	-
Market value of shares at the end of period	EUR million	255.5	-	-
Number of shares outstanding at the end of period		36 140 485	35 960 000	35 960 000
Personnel				
Average number of personnel		718	762	829

* Board's proposal

RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES (APM) TO IFRS FIGURES AND ITEMS AFFECTING COMPARABILITY (IAC)

EUR million	2018	2017
Items affecting comparability		
Net gains or losses from business and assets disposals	0.4	1.3
Cost for closure of business operations and restructurings	-1.1	-1.1
Major corporate projects		
Costs related to the closed voluntary pension scheme	-0.7	-
Costs related to stock exchange listing	-4.6	-2.4
Total items affecting comparability	-6.0	-2.1
Comparable EBITDA		
Operating result	19.7	26.1
Less:		
Depreciation, amortisation and impairment	14.4	14.2
Total items affecting comparability	6.0	2.1
Comparable EBITDA	40.0	42.4
% of net sales	11.2	11.8
Comparable EBIT		
Operating result	19.7	26.1
Less:		
Total items affecting comparability	6.0	2.1
Comparable EBIT	25.6	28.2
% of net sales	7.2	7.8

Altia presents alternative performance measures as additional information to financial measures presented in the consolidated income statement, consolidated balance sheet and consolidated statement of cash flows prepared in accordance with IFRS. In Altia's view, alternative performance measures provide significant additional information on Altia's results of operations, financial position and cash flows to management, investors, analysts and other stakeholders.

Alternative performance measures should not be viewed in isolation or as a substitute to the IFRS financial measures. All companies do not calculate alternative performance measures in a uniform way, and therefore Altia's alternative performance measures may not be comparable with similarly named measures presented by other companies.

The alternative performance measures are unaudited.

THE DEFINITIONS AND REASONS FOR THE USE OF FINANCIAL KEY INDICATORS

Key figure	Definition	Reason for the use
Operating margin, %	Operating result / Net sales	Operating result shows result generated by the operating activities.
EBITDA EBITDA margin, %	Operating result before depreciation and amortization EBITDA / Net sales	EBITDA is the indicator to measure the performance of the Group.
Comparable operating result Comparable operating margin, % Comparable EBITDA	Operating result excluding items affecting comparability Comparable operating result / Net sales EBITDA excluding items affecting comparability	Comparable EBITDA, comparable EBITDA margin, comparable operating result and comparable operating margin are presented in addition to EBITDA and operating result to reflect the underlying business performance and to enhance comparability from period to period. Altia believes that these comparable performance measures provide meaningful supplemental information by excluding items outside normal business, which reduce comparability between the periods. Comparable EBITDA is an internal measure to assess performance of Altia and key performance measure at segment level together with net sales.
Comparable EBITDA margin, % Items affecting comparability	Comparable EBITDA / Net sales Material items outside normal business, such as net gains or losses from business and assets disposals, impairment losses, cost for closure of business operations and restructurings, major corporate projects including direct transaction costs related to business acquisitions, voluntary pension plan change and costs related to other corporate development.	Comparable EBITDA margin is also one of Altia's financial targets. Comparable EBITDA is commonly used as a base for valuation purposes outside the Company and therefore important measure to report regularly.
Invested capital	Total equity + Borrowings	Base for ROI measure.
Return on equity (ROE), %	Result for the period / Total equity	This measure can be used to evaluate how efficiently Altia has been able to generate results in relation to the equity of the Company.
Return on invested capital (ROI), %	(Result for the period + Interest expenses) / (Total equity + Non-current and current borrowings) (average)	This measure is used to evaluate how efficiently Altia has been able to generate net results in relation to the total investments made to the Company.
Borrowings Net debt	Non-current borrowings + Current borrowings Borrowings – cash and cash equivalents	Net debt is an indicator to measure the total external debt financing of the Group.
Gearing, %	Net debt / Total equity	Gearing ratio helps to show financial risk level and it is a useful measure for management to monitor the level of Group's indebtedness. Important measure for the loan portfolio.
Equity ratio, %	Total equity / Total assets – Advances received	Equity / assets ratio helps to show financial risk level and it is a useful measure for management to monitor the level of Group's capital used in the operations.
Net debt / Comparable EBITDA	Net debt / Comparable EBITDA	The level of Net debt / Comparable EBITDA is one of Altia's financial targets.
Earnings / share	Result for the period attributable to shareholders of the parent company/Share-issue adjusted number of shares during the period	
Equity/share	Equity attributable to shareholders of the parent company /Share- issue adjusted number of shares at the end of period	
Dividend/share	Dividend distribution for period/Number of shares (basic) at the end of period	
Dividend / earnings %	Dividend/share / Earnings/ share	
Effective dividend yield %	Dividend/share / Price of share at the end of the accounting period	
Price / earnings	Price of share at the end of accounting period / Earnings/share	
Market value of outstanding shares	The number of shares at the end of accounting period x the price of the share at the end of accounting period.	

Corporate Responsibility

Steering of Altia's responsibility work

Our responsibility work is guided by Altia's purpose and strategy, the expectations of our stakeholders, our business principles, as well as the amfori BSCI Code of Conduct, which is based on international conventions and to which we are committed to.

Altia's responsibility affairs are discussed regularly in Altia's Corporate Responsibility Working Group, whose 14 members represent Altia's different business operations. The Corporate Responsibility Working Group ensures that Altia's responsibility programme proceeds according to the set targets. The Working Group reports on the progress of CR work to the Executive Management Team. The Working Group is chaired by Altia's Senior Vice President, Scandinavia, a member of the Executive Management Team.

Each member of the Executive Management Team is accountable for the responsibility affairs related to their own organisation. Concrete actions and measures supporting responsibility have been integrated in the operational planning of each business area and approved by the Executive Management Team.

The implementation of these measures is monitored in the business areas' respective management teams and in Altia's Corporate Responsibility Working Group. Based on this progress and taking into consideration the expectations of stakeholders, the Corporate Responsibility Working Group proposes development targets for Altia's future responsibility programme.

The progress of responsibility work is monitored with the help of various meters and indicators. These include environmental meters from waste volumes to the consumption of water and energy, accident frequency rates and sickness absence percentages, as well as personnel surveys.

Altia's Corporate Responsibility Manager is in charge of development and reporting related to Altia's corporate responsibility and the coordination of the company-level responsibility work.

Further information: Materiality analysis (p. 55).

Altia's responsibility programme 2018–2020

2018 marked the first year of Altia's corporate responsibility action programme for 2018–2020. In the following sections of this report, we will report on the progress of this new action programme during 2018.

We already started planning our responsibility action programme during the second half of 2017. The action programme is based on our strategy, desk analysis of trends and drivers in the industry, previous responsibility action plans, views from our stakeholders, Executive Management Team, Altia's Corporate Responsibility Working Group as well as several other Altia key personnel. The outcome of this planning process was that we received 45 ideas for developing Altia's corporate responsibility in 2018–2020, with several concrete actions for each idea. Based on these ideas, the company purpose and corporate responsibility cornerstones and each cornerstone's focus areas, we built our corporate responsibility action programme for 2018–2020. Prioritised actions are selected annually and included in the relevant business's operational planning. The programme's implementation is frequently reviewed in the Corporate Responsibility Working Group, and the results are reported to the Executive Management Team. Altia's Corporate Responsibility Manager leads the work. The table below presents the key focus areas of Altia's responsibility programme.

Key development in 2019

In 2019, we will continue the work started in 2018 to implement the responsibility programme for 2018-2020. In 2019, the development actions are related to our purpose Lets Drink Better, brand image and marketing, consumer focus and understanding, innovation and product development, operational efficiency, sustainability in value chain, risk management and personnel and management. We will also focus on the views and expectations of our new shareholders towards our CR work. The key development focus of Altia Corporate responsibility in 2019 will be Altia's sustainability strategy and long-term targets that will be published during 2019. Product quality and safety as well as the occupational health and safety will remain among the top priorities. The focus will also be in climate change and other sustainability related risks and their incorporation into the Altia corporate risk management processes. The continuous work to increase our supply chain transparency and traceability will continue. We are also preparing for LCA (Life cycle analysis) calculations for our core products. Furthermore, we are developing our packaging further to reduce the impact on the environment.

Altia's responsibility action programme 2018–2020

Altia & Customers
- Continue work on and increase communication about Altia's Lets Drink Better aim
- Continue work with product safety & quality for different product categories
- Continue work to increase traceability in the value chain
- Balance the product portfolio with responsible and sustainable consumption trends and set targets
- Highlight corporate responsibility in Altia brand stories

Altia & Society
- Maintain good cooperation with stakeholders related to responsible and sustainable drinking culture
- Continue work to increase transparency and traceability in the supply chain
- Progress according to targets set for amfori BSCI audit coverage
- Utilise efficiently the tools and resources provided by amfori BSCI and continue the development of Altia's responsible sourcing processes

Altia & Environment
- Continue work on reduction of energy usage and CO_2 emissions
- Continue work on sustainable and efficient packaging strategy, for example by reducing overpacking, using more recycled and recyclable materials and using lighter packaging
- Investigate solutions for reducing or reutilising waste alcohol from production
- Continue work in optimising logistics to minimise Altia's CO_2 footprint
- Continue energy saving operations according to targets set in the energy efficiency agreement
- Continue cooperation with BSAG and contract farmers to promote sustainable agriculture
- Protect Rajamäki's pure groundwater
- Continue work to improve the quality of wastewater

Altia & Employees
- Continue the wide and versatile occupational health and safety work to enhance a safety culture aiming for zero accidents
- Enhance leadership and organisational culture based on annual Altia Tasting results
- Enhance employee health and wellbeing through concrete initiatives, for example work ergonomics
- Promote a happy and productive workplace

- Incorporate the views and expectations of new shareholders in Altia's corporate responsibility programme
- Enhance communication of Altia's corporate responsibility efforts through various communication channels, both internally and externally
- Continue the integration of corporate responsibility-related risks more systematically in the Altia Group risk management process

ALTIA'S STAKEHOLDERS

Stakeholder dialogue

We highly value our stakeholders' views on our corporate responsibility. In 2018, six months after the IPO, we updated our corporate responsibility materiality analysis based on investors' views.

At Altia, our stakeholders' perceptions of our responsibility are of the utmost importance to us. The views of our stakeholders are among the key drivers in developing and prioritising our operations related to corporate responsibility. We want to communicate our operations to our stakeholders openly and transparently through various communication channels.

In addition to interaction through various communication channels in the course of normal business operations, we regularly ask our stakeholders about their perceptions of our responsibility. The most recent survey was conducted in 2018 and was used as input in updating our materiality analysis. The survey was conducted in two parts. A web-based survey was directed at Altia's private shareholders. Additionally, a number of one-to-one interviews were held with institutional investors. Based on the findings, the materiality assessment and focus areas of Altia's corporate responsibility cornerstones were amplified.

Our other stakeholder activities during 2018 included the organising of a panel discussion with Pernod-Ricard at SuomiAreena on the stage of the Finnish Food and Drink Industries' Federation. The topic of the panel discussions was the impact of the new alcohol law on drinking culture in Finland. The discussion focused on how the change of the drinking culture in a more sustainable direction would be seen in restaurants.

During the reporting period, issues discussed and closely followed by the media and other stakeholders were mainly connected with the new Finnish Alcohol Act and its effects on consumer behaviour, commerce, shelf selections and the private importing of alcohol.

Altia was invited to participate in the working group of the Minister of Family Affairs and Social Services, which monitors the effects of the new Alcohol Act and discusses drinking culture among different stakeholders. Participants in the working group included authorities, substance abuse and health organisations and representatives of different sectors.

Altia actively participates in discussion on social media channels such as Twitter. We have also continued the development of our communication channels by launching an investor website under the group website altiagroup.com.

Altia's Cheers! developer community, with over 1 600 participants, remained active: more than 50 consumer insight projects were conducted during the reporting year.

Altia's main stakeholders, their expectations and our engagement channels are presented in the following table.

ALTIA'S STAKEHOLDERS

Stakeholder interaction

Altia's main stakeholders, their expectations and our engagement channels are presented in the table below.

STAKEHOLDER	Owners	Political decision-makers, public authorities	Business customers	Personnel	Partners
EXPECTATIONS	• economic contribution • sustainable growth • risk management, corporate governance, transparency • reducing environmental impacts • responsible supply chain • responsibility towards employees	• compliance with laws and regulations • reducing environmental impacts • responsible supply chain • responsibility towards employees	• cooperation and responsibility towards customers • product quality and safety • supporting responsible drinking culture • responsible marketing and sourcing • reducing environmental impacts	• responsibility towards employees • product quality and safety • advocating responsible alcohol consumption and responsible marketing • reducing environmental impacts	• advocating responsible alcohol consumption through responsible marketing • consumer and market understanding • cooperation and partnership
ENGAGEMENT CHANNELS	• direct contacts and meetings • investor fairs and events, seminars • annual general meetings • financial reporting and conference calls/webcasts • external communications, releases, website	• reporting • direct contacts • audits • external communications	• direct contacts • digital channels • customer training • requests for quotation and contracts • fairs and other events	• internal communications • training • development discussions • cooperation procedures • team practices and procedures	• meetings and direct contacts • reporting • newsletters • requests for quotation and contracts • fairs and other events

Stakeholder interaction

STAKEHOLDER	Contract farmers	Suppliers of raw materials and packaging materials	Media	Consumers	Non-governmental organisations
EXPECTATIONS	• using Finnish raw materials and keeping production in Finland • paying a fair price for the barley	• reducing environmental impacts • using domestic/local raw materials • product quality and safety • good cooperation and continuity in supplier relations • responsible sourcing	• product quality and safety • advocating responsible consumption • reducing environmental impacts	• advocating responsible consumption and preventing underage drinking through responsible marketing • product quality and safety • responsibility in the value chain • reducing environmental impacts	• advocating responsible alcohol consumption • product quality and safety • reducing environmental impacts • responsible raw materials
ENGAGEMENT CHANNELS	• meetings, fairs, events and other direct contacts • newsletters • farmer extranet • Carbon Action pilot project	• meetings, fairs, events and other direct contacts • reporting • requests for quotations and contracts	• external communications • direct contacts • events	• products and marketing • external communications • consumer surveys • fairs and other events • consumer feedback	• external communications • reporting • events • direct contacts

Materiality analysis

In 2018, six months after the IPO, we updated our corporate responsibility materiality analysis to better reflect our investors' views and expectations of our corporate responsibility. This was done by conducting both a web-based survey to private shareholders, being open to other stakeholder groups, and interviewing a number of institutional investors. The analysis was conducted between September and November 2018. The materiality analysis process included a robust desktop study of global megatrends and trends related to the development of responsibility in the alcohol industry, a web-based survey of stakeholders, interviews with institutional investors, and the review and update of the materiality matrix based on the requirements of GRI standards.

The updated corporate responsibility materiality matrix can be seen on the next page.

The web-based survey

The web-based survey on material corporate responsibility topics was available on Altia's website and shared through social media, resulting in a total of 308 responses. About 30% of respondents were Altia's shareholders, about 30% were customers and another 30% were consumers. Respondents also included the media, farmers, NGOs, investors, retailers and politicians.

In the survey, we asked our stakeholders to score the different focus areas of corporate responsibility according to the level of importance, from 1 to 5. The survey was based on Altia's current corporate responsibility cornerstones and focus areas, a desktop study to ensure the special and timely attention areas of corporate responsibility concerning Altia and Altia's stakeholders were considered in the assessment, and the views of Altia management. The assessment areas on the basis of the desktop study included climate change, the circular economy in packaging and production, water usage, workforce diversity, employee development, biodiversity and transparency.

Among all the web-based survey respondents, the quality and safety of Altia's products scored the highest importance. Other material topics raised by all the respondents were corporate governance and transparency, conserving groundwater, utilising responsibly produced raw materials, minimising our own environmental impacts and human rights in the supply chain.

Among Altia's shareholders, product quality and safety was seen as the most important focus area of corporate responsibility, whilst transparency and good governance was raised as a new focus area. The conserving of groundwater, the circular economy, sustainable packaging, utilising responsibly produced raw materials and occupational safety were also highlighted.

Interviews with Altia's institutional investors

As part of the materiality analysis and to gain a deeper understanding of our investors' expectations of our responsibility work, we conducted a number of interviews with our large institutional investors.

Based on these interviews, the overall result was that Altia's ESG (environmental, social, governance) performance was considered to be of a high level. In the interviews, product safety and quality were seen as the single most important focus area for Altia. Other important focus areas identified were responsible marketing, the circular economy, responsibly produced and traceable raw materials and sustainable packaging. The megatrend of health and wellbeing was highlighted as relevant for careful monitoring by Altia. ESG reporting and communication were considered good, having room for improvement in conciseness, accessibility and business alignment. Overall, based on the interviews, Altia's corporate responsibility was seen to be good, with an opportunity to build brands further on the basis of Altia's circular economy, pure ground water and authenticity.

Altia's corporate responsibility performance was scored by all respondents to the web-based survey at 3.4 and by shareholders at 3.6 (on a scale of 1–5).

Transition to reporting according to GRI standards

As part of the update of our corporate responsibility materiality analysis, we updated the materiality assessment to fullfil the requirements of the GRI standards. According to the GRI standards, materiality is assessed by an organisation's impact on the economy, environment, and society and by the topic's influence on stakeholder decision making. The dimensions for considering materiality were shifted to a focus on impact on stakeholder decision making instead of on immediate business consequences.

Results

The megatrends driving Altia's corporate responsibility were identified as health and wellbeing, the circular economy and climate change.

The key focus areas of Altia's corporate responsibility based on our stakeholder views were:

- Product quality and safety
- Responsible marketing
- Conserving groundwater
- Occupational health and safety
- Transparency and good governance
- Responsibily produced raw materials
- Climate change (energy and CO_2 emissions)
- The circular economy
- Sustainable packaging

Based on the findings, the cornerstones of Altia responsibility remained Altia & Customers, Altia & Society, Altia & Environment and Altia & Employees. New focus areas emerging as material under the cornerstones were transparency and good governance, employee development and sustainable packaging. Already existing material topics that were amended were a balanced portfolio aligned with responsible consumption trends, responsibly produced and traceable raw materials, sustainable and resilient agriculture, energy consumption and CO_2 emissions, and employee development and good leadership.

The results were reviewed by our Corporate Responsibility Working Group. Our Executive Management Team and our Board of Directors approved the updated responsibility cornerstones and the materiality matrix in December 2018. The results will be taken as one of the key drivers in the development of Altia's corporate responsibility and incorporated in Altia's corporate responsibilty action programme for 2018–2020.

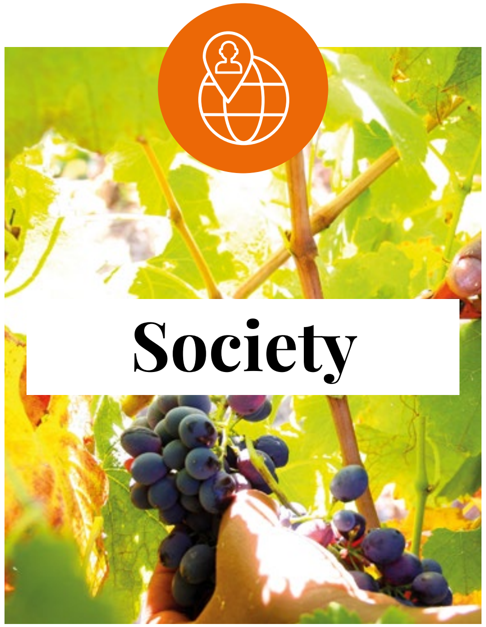
Read more: Responsibility cornerstones (p. 58).

Material topic	Boundary [1]	Management approach
Quality and safety of Altia's products	Altia, partners, raw material suppliers	• ISO22000 food safety management system[2] , • ISO9001 Quality management system[3] • Altia Quality Safety and Environment Principles
Responsibly produced and traceable raw materials	Altia, partners, raw material suppliers	• ISO22000 food safety management system • Altia Quality Safety and Environment Principles • amfori BSCI Code of Conduct • amfori BSCI risk country classification • Altia Code of Conduct for Suppliers and Subcontractors
Balanced product portfolio aligned with responsible consumption trends	Altia, partners, customers, raw material suppliers	• ISO9001 Quality management system[4] • Altia research and development • Annual consumer insight projects
Responsible marketing	Altia	• Altia Marketing Principles
Transparency and good governance	Altia	• Finnish Corporate Governance Code 2015 • Altia's tax strategy • Market Abuse Regulation (MAR) • Securities Market Act • Rules of the Exchange • Finnish Corporate Governance Code 2015 • Guidelines for Insiders (Nasdaq Helsinki) • Guidelines by FIN-FSA • Accounting Act
Energy consumption and CO_2 emissions	Altia	• ISO14001 Environmental management system[5] • Energy efficiency agreement • Altia Quality Safety and Environment Principles
Sustainable and resilient agriculture	Altia, farmers	• ISO14001 Environmental management system • ISO9001 Quality management system
Conserving groundwater	Altia	• Finnish laws and regulations • Water abstraction permit • Land ownerships • Control of operations of owned land • ISO14001 environmental management system
Sustainable packaging	Altia, partners, raw material suppliers	• ISO9001 quality management system • ISO14001 environmental management system • Fair trade • Fair for Life • Altia
Well-being of employees	Altia	• Altia Tasting
Employee development and good leadership	Altia	• Altia Tasting
Occupational health and safety	Altia	• OHSAS18001 Occupational health and safety management system

1 The boundary indicates whether the aspect is material within the company or outside the company.
2 The certification covers Altia's Rajamäki plant.
3 The certification covers Altia's operations in Finland (The Koskenkorva plant, the Rajamäki plant and the technical ethanol unit, and the functions at the Helsinki headquarters) and the Tabasalu plant.
4 The certification covers Altia's operations in Finland (The Koskenkorva plant, the Rajamäki plant and the technical ethanol unit, and the functions at the Helsinki headquarters) and the Tabasalu plant.
5 The certification covers Altia's operations in Finland.

Responsibility cornerstones

We have grouped the material aspects of our responsibility under four themes, which are the cornerstones of Altia's responsibility work. In this section of the report we tell more about our objectives, achievements and work relating to these themes.



Driven by the megatrends of health & wellbeing, circular economy and climate change

- Quality and safety of Altia's products
- Responsibly produced and traceable raw materials
- Balanced product portfolio aligned with responsible consumption trends

- Responsible marketing
- Responsibility in supply chain
- Transparency and good governance

- Energy consumption and CO_2 emissions
- Sustainable and resilient agriculture
- Conserving groundwater
- Sustainable packaging

- Wellbeing of employees
- Employee development & good leadership
- Occupational health & safety

ALTIA & Customers

95.1 million litres	Produced or imported beverages
3.2 million litres	Organic products sold
3	Recalls
1 600	Members in Altia's Cheers! developer community

Responsibly produced high-quality products are our priority.

- Product quality and safety: ensuring the quality and safety of raw materials and end products.
- Utilising responsibly produced raw materials: working with suppliers and partners to ensure products and raw materials are produced responsibly and transparently.
- Traceability of products: knowing where raw materials and products come from.
- Organic and ethically certified products: developing operations and balance product portfolio to respond to the demand for sustainable products.

Altia & Customers

Through our products, we want to support the development of a modern and responsible Nordic drinking culture, emphasising responsible values and quality rather than quantity. This target is summarised in Altia's purpose, Let's Drink Better. We ensure the safety of our products when used in moderation and continuously improve the quality of raw materials and final products. We also want to use ingredients and raw materials that are produced responsibly and transparently. In addition, we have expanded our selection of low- and non-alcoholic and organic and ethically certified products in recent years.

Quality monitoring applies to beverages produced and bottled at the Rajamäki and Tabasalu plants. The Rajamäki alcoholic beverage plant is committed to continously maintain consumer confidence in its products through the development and implementation of food safety systems and practices. Food safety is the responsibility of all employees who have a direct influence on ingredients, packaging, manufacturing, storage and the transport of products. During the reporting year, Altia's Rajamäki plant maintained its ISO 22000 certificate covering its operations, which is related to food safety management. The plant also improved product quality with several measurements related to hygiene and housekeeping, and developed its online quality control. In addition, quality training was provided to all employees. Quality control also continued at Altia's plants in Koskenkorva, Tabasalu and Cognac during the reporting year.

With over 1 600 members, Altia's Cheers! Developer community provides the opportunity for an active and agile dialogue with different consumer and stakeholder groups. We understand that sustainability is becoming an increasingly important topic for our customers as they navigate brands and products. Storytelling plays a crucial role in making the topic understandable and relatable. In making responsible and sustainable choices, customers are unwilling to compromise on quality. Authenticity, transparency and craft have become important features of sustainability, as have the ethical and responsible value chain, starting with production.

To develop responsible sourcing, Altia joined amfori BSCI and amfori BSCI's Sustainable Wine Programme in 2017. As a member, Altia is committed to furthering the principles of the amfori BSCI Code of Conduct in its supply chains.

CASE

First-class quality control at the Rajamäki plant

Product quality and safety are at the top of Altia's list of priorities, and their assurance is embedded in Altia's operating methods. Every product produced or arriving at the Rajamäki plant, including wines, goes through a strict quality control process before it is sold to Altia's customers. In recent years, Altia has successfully prolonged the shelf-life of wines by reducing their exposure to oxygen.

Read more about quality control:
altiagroup.com/responsibility/responsibility-cases

Altia wants to contribute to the enhancement of wellbeing and to ensure ethical behaviour in the value chain. Altia's Rajamäki plant has been granted the international Fairtrade and Fair for Life certifications. The Fair for Life certification was granted to the plant in the reporting year 2018. The Fair for Life certification covers Altia's operational sites in Rajamäki, Finland and in Brunna, Sweden. The Koskenkorva distillery, the Rajamäki alcoholic beverage plant and the distillery in Sundsvall are certified for organic production.

The criteria of Fairtrade and Fair for Life and the organic certifications set requirements for all operators in the Altia organic and ethically certified product supply chain. Long-term business relations and cooperation with producers are the starting point for Altia, and all the parties involved in the supply chain commit to this. All companies involved in the supply chain of Fairtrade and Fair for Life are certified, from the vineyards or farms all the way to the packaging of the finished products. Meeting the organic, Fairtrade and Fair for Life criteria and the traceability of the raw materials throughout the supply chain is monitored by the certification bodies.

Concerning the use of responsibly produced raw materials, we frequently send our corporate social responsibility questionnaire to the suppliers of ingredients for Altia's proprietary brands and implement Altia's Code of Conduct for Suppliers and Subcontractors, which states our minimum expectations of our suppliers with regard to responsible conduct.

Read more about our targets and achievements during the reporting year in the table on the following page.

CASE

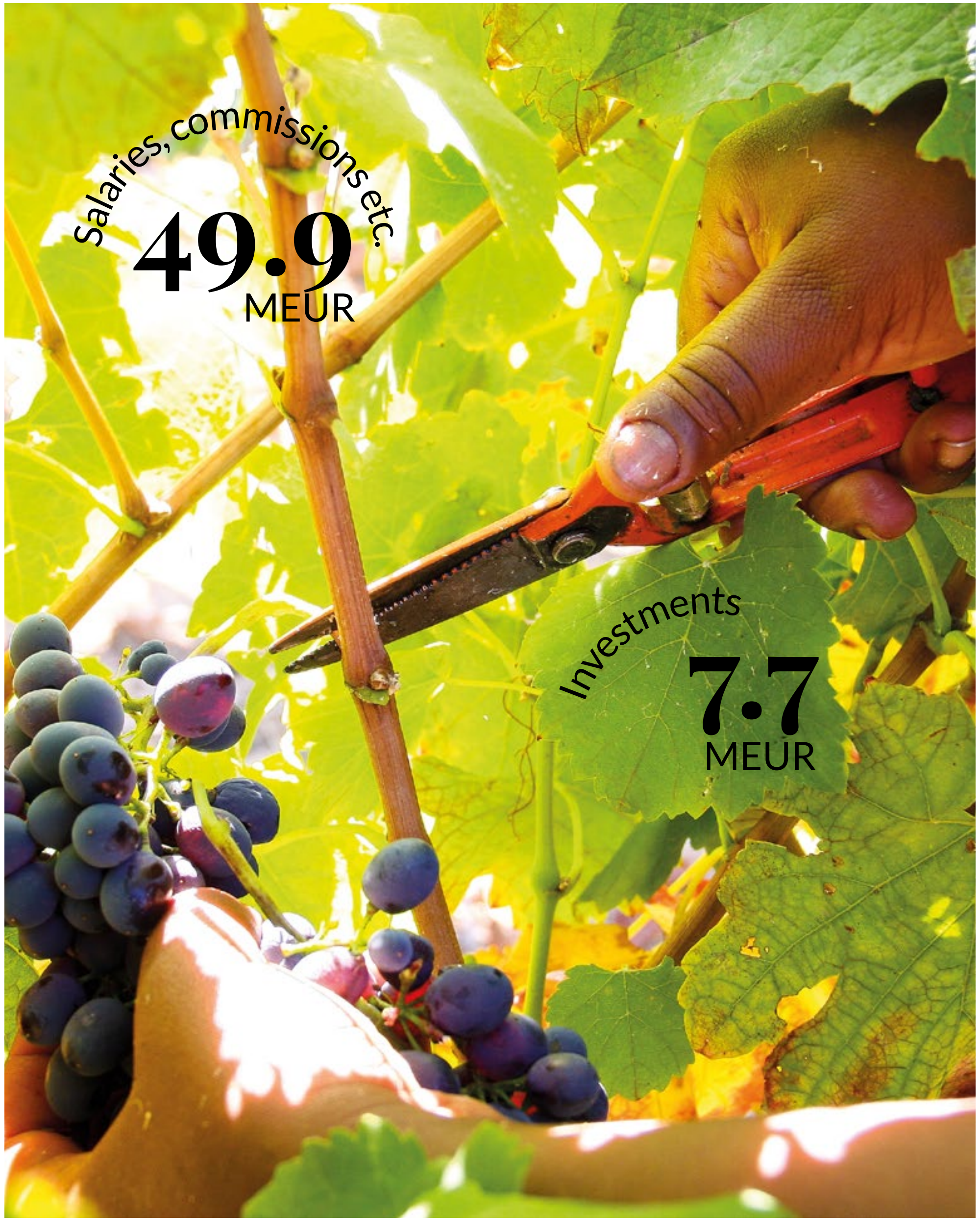
Responsible wine production is on the rise

As consumption patterns shift in an increasingly sustainable direction, so grows the demand for environmentally friendly, ethically produced and certified wines. Training, audits and certifications can ensure a wine's responsible production and sourcing process. Altia complies with strict responsibility principles, as well as quality, safety and environmental standards, which apply to the entire supply chain.

Read more about our sourcing process: altiagroup.com/responsibility/responsibility-cases

Altia & Customers – Objectives and progress

Objective 2018–2020	Actions 2018	Progress 2018
Continue work to ensure the quality and safety of Altia's products, including low- and non-alcoholic products.	• Develop the food safety and quality certification status of Altia's own production plants.	• Certification of new ISO9001:2015 standard in Finland and Estonia. • New quality control tools were implemented at the Rajamäki plant: online alcohol content measurement, MES (Manufacturing Execution System). • A new HSEQ tool was implemented in the units in Finland.
Continue work to ensure traceability and responsibility in the value chain of raw materials and products.	• Continue work with suppliers and partners to ensure products and raw materials are produced responsibly. • Continue work with the amfori BSCI initiative. • Continuously develop the traceability of products.	• amfori BSCI full audits or re-audits were conducted for 21 suppliers, partners or their sub-suppliers. • 3% of Altia's purchases are from amfori BSCI risk countries. • 80% of Altia's direct risk country suppliers have a social responsibility certificate. • A Supplier Code of Conduct has been included whenever contracts have been updated. • Altia obtained a Fair for Life certification. • A Fairtrade surveillance audit was conducted at Altia in November 2018. • At the Rajamäki plant, the SAP ERP implementation improved product and raw material traceability. • Volume (in litres sold) of organic products decreased by 11% compared with 2017. • Volume (in litres sold) of Fairtrade products increased by 45% compared with 2017. This was due to new Fairtrade product launches at the end of 2017.
Keep product portfolio aligned with responsible and sustainable consumption trends.	• Develop operations and product portfolio to respond to the demand for organic, low alcohol and certified products.	• 2 new organic products were launched in 2018. • 13 new non-alcoholic or low-alcoholic products were launched in 2018. • Successful launch of wide selection of low-alcoholic beverages under iconic brands including Koskenkorva, Chill Out and Leijona.



ALTIA & Society

452.3 MEUR	Excise and income taxes
206.8 MEUR	Value of purchased raw materials, goods and services
15%	Share of total barley harvest in Finland
21	Social responsibility audits
3%	Share of purchases from amfori BSCI risk countries

We advocate a responsible drinking culture and promote responsible operations throughout the supply chain.

- Responsible marketing: compliance with applicable laws, regulations and industry codes in each operating country.
- Advocating responsible consumption: communication and cooperation with industry operators to advocate a responsible drinking culture.
- Economic contribution: generating economic value added in our operating area.
- Responsibility in supply chain: a member of amfori BSCI and cooperation with other supply chain operators to promote responsible operations throughout the supply chain.
- Operating transparently in accordance with good governance practices.

Altia & Society

We want to support the development of a modern and responsible Nordic drinking culture in our operating countries in accordance with our purpose, Let's Drink Better. We align our product portfolio with responsible consumption trends. We market our products responsibly and in compliance with applicable marketing laws. We acknowledge our wider impact on value chains and work within the acknowledged framework of amfori BSCI to further respect and promote the importance of human rights and key international labour standards.

During 2018, we organised a panel discussion with Pernod-Ricard about responsible drinking culture at SuomiAreena, a key stakeholder forum in Finland. The discussion took place on the stage of the Finnish Food and Drink Industries' Federation. The topic of the panel discussions was the impact of the new Alcohol Act, that came effective in 2018, on drinking culture in Finland. The discussion focused on how the change in the drinking culture in a more sustainable direction can be seen in restaurants.

During the reporting period, issues discussed and closely followed by the media and other stakeholders were mainly related to the new Finnish Alcohol Act and its effects on consumer behaviour, commerce, shelf selections and the private importing of alcohol.

Internally, we are committed to the Altia Employee Alcohol Policy, an alcohol consumption policy applicable to all Altia employees and anyone working at Altia's production sites or offices. The policy affirms our commitment to responsible alcohol consumption, lists the situations at work where alcohol may be consumed as part of certain tasks (for example product development or quality analysis) and provides information about the support offered if there is reason to suspect irresponsible alcohol use.

We have also continued to add "responsibility statements" to labels and in marketing. The statement is most often in the form of a link to an EU or national industry website providing information about the responsible consumption of alcohol.

Altia has joined the amfori BSCI initiative and aims to annually increase the traceability and transparency of product and raw material supply chains. Although Altia has itself been an amfori BSCI member since 2017, we have, as a supplier to amfori BSCI participants, implemented the principles of the amfori Code of Conduct since 2012. By becoming a full participant, we have been able to enhance our opportunities and capabilities of developing long-term responsibility work and transparency in our supply chain.

Our approach to human rights issues and the key outcomes in 2018 are described in more detail in the Non-financial statement, page 40.

Read more about our targets and achievements during the reporting year in the table on page 68.

Altia's role in society

Altia's business operations have a significant impact on various areas of society.

- In 2018 (2017) Altia paid excise and income taxes to society **EUR 452.3 MILLION** (EUR 425.6 million). Excise taxes are not included in Altia's reported net sales.
- Share of excise and income taxes paid in Finland was **EUR 242.8 MILLION** (EUR 210.9 million).
- Altia paid salaries, commissions and other indirect costs to its employees by **EUR 49.9 MILLION** (EUR 52.0 million).
- Altia bought raw material, goods and services from local and international suppliers for **EUR 206.8 MILLION** (EUR 202.0 million).
- Altia purchased Finnish barley mainly from 1 500 farmers for **EUR 40.8 MILLION** (EUR 29.7 million).
- Altia received revenues of **EUR 357.3 MILLION** (EUR 359.0 million) from the sales of alcoholic beverages as well as industrial services, feed components, starch, technical ethanol and carbon dioxide.
- Altia made investments to develop its business operations for **EUR 7.7 MILLION** (EUR 11.9 million).
- The shareholders were paid no dividends in 2018 (EUR 70.5 million)

CASE

Amfori BSCI provides tools for the supply chain's responsibility

Altia joined the international amfori BSCI initiative in 2017. The membership has provided Altia with a number of additional tools for the development of the supply chain's responsibility which further the transparency and sustainable operating methods of Altia's supply chain.

Further information on amfori BSCI:
altiagroup.com/responsibility/responsibility-cases

Altia's tax strategy

Altia Plc is a responsible taxpayer in all its operating countries (Finland, Sweden, Norway, Denmark, Estonia, Latvia, and France). In addition, the company aims to promote the Group's strategic development and support business operations, as well as ensure their proper implementation also from the tax perspective. The management of tax-related matters is centralised at the Group level, where tax-related decisions are made. In ambiguous situations, the Group consults tax advisors and verbal or written guidance may be sought from the tax authorities to clarify tax practices.

It is important for the company to comply with all applicable local and international laws and regulations in paying, collecting, remitting, and reporting taxes. The principle is to pay taxes in the country in which the income is earned. Altia Plc does not operate in tax havens as defined by the OECD[1], and the company does not practice tax planning aimed at artificially decreasing the taxable profit of the Group or an individual operating country.

As regards transfer pricing, the company complies with local laws and the OECD transfer pricing guidelines. The arm's-length principle is applied to intra-group transactions relating to products, services, intellectual property rights and financing.

Altia pays and remits several different taxes, with the excise tax being the most important. Excise taxes are not included in the company's reported net sales. In addition to income tax, the taxes paid by Altia include employer contributions and real estate taxes. In addition to the excise tax, the most important taxes remitted by Altia include value-added tax, withholding taxes deducted from wages and salaries, and taxes at source.

Altia Plc follows the guidelines issued by the Finnish Ownership Steering Department in the Prime Minister's Office for country-by-country tax reporting of state-owned companies. Altia's tax footprint, a summary of taxes and contributions, in accordance with the guidelines, is published as a part of Annual Report. The summary is based on information collected from the Group's accounting systems and includes the material taxes and contributions grouped by tax type.

Pursuant to the guidelines, Altia applies the materiality principle in its tax reporting. Accordingly, country-specific information on taxes is presented for Finland and Sweden. They constitute the company's main markets, with approximately 80% of its net sales coming from these two countries. Altia's other operating countries (Norway, Denmark, Estonia, Latvia, and France) do not meet the materiality threshold of 10% of consolidated net sales for countries to be reported on separately and are therefore presented collectively.

CASE

Co-operating with BSAG to develop sustainable agriculture practices

Continuing its co-operation with Baltic Sea Action Group, Altia made a new Baltic Sea Commitment in September 2018. The commitment includes developing agricultural practices for ensuring sustainable farming as well as participation in Carbon Action pilot project, which studies carbon capturing from soil to mitigate climate change and eutrophication of the Baltic Sea.

Read more about Carbon Action:
altiagroup.com/responsibility/responsibility-cases

[1] According to the OECD, a tax haven is a country or jurisdiction that imposes nominal taxes or no taxes at all, is not willing to participate in international exchange of information, does not require companies registered in them to actually engage in business operations in their area, and is lacking in transparency.

ALTIA'S TAX FOOTPRINT

DATA FOR THE FINANCIAL YEAR 2018

	Data for the financial year 2018				Data for the financial year 2017			
	TOTAL	Finland	Sweden	Other countries	TOTAL	Finland	Sweden	Other countries
Taxes paid for the financial year, EUR million								
Income taxes	8.0	3.6	3.4	0.9	4.4	1.4	2.1	0.8
Real estate taxes	0.3	0.2	0.1	0.1	0.3	0.2	0.1	0.0
Employer contributions	11.1	7.6	3.3	0.1	11.6	7.5	3.9	0.2
Taxes collected for the financial year, EUR million								
Value added taxes, sales	229.6	116.94	72.2	40.4	240.5	122.2	76.9	41.5
Value added taxes, purchases	79.0	44.82	21.4	12.8	84.0	47.2	22.4	14.4
Excise taxes	444.3	239.2	131.1	74.0	421.2	209.5	142.4	69.3
Payroll taxes	11.9	7.6	2.0	2.3	12.7	7.5	2.4	2.8
Any other taxes (incl. withholding taxes)	1.0	0.0	0.9	0.0	0.8	0.2	0.6	0.0
Net sales by country, EUR million	**411.0**	**239.3**	**95.0**	**76.6**	**414.9**	**235.6**	**101.0**	**78.3**
Profit/loss before taxes by country, EUR million (local)	**Local**	**18.6**	**2.8**	**2.6**	**Local**	**31.5**	**5.6**	**2.5**
Personnel by country*	**678**	**402**	**114**	**162**	**703**	**411**	**117**	**175**

The table contains the most significant taxes and tax-like fees, which the company is liable to pay or collect in accordance with the local legislation.
Other countries' (Norway, Denmark, Estonia, Latvia and France) figures are presented collectively, because individually they do not meet the materiality threshold of 10 percent of consolidated net sales.

*Situation on December 31, 2018

Altia & Society – Objectives and progress

Objective 2018–2020	Actions 2018	Progress 2018
Continue responsible marketing in compliance with applicable laws, regulations and industry codes in each operating country	• Responsibility statements were used in marketing communications.	• Marketing guidelines, principles and processes are in place. Responsibility statements have been added where applicable.
Advocate a responsible and sustainable drinking culture in consultation with stakeholders	• Altia organised a panel discussion with Pernod-Ricard about responsible drinking culture at SuomiAreena.	• Altia continued to participate in industry cooperation to advocate responsible drinking.
Generating economic value added	• Altia continues to implement its strategy, developing its business and aiming to improve profitability, productivity and flexibility.	• In 2018*, Altia employed 678 persons, of whom 402 worked in Finland. *December 31, 2018 • Income taxes amounted to EUR 8.0 million and excise taxes paid on products sold by Altia totalled EUR 444.3 million. • Altia purchased 211.7 million kilograms of Finnish barley, which is about 15% percent of the total Finnish barley harvest.
Respect and promote responsibility, transparency and traceability in the supply chain.	• Altia efficiently utilises the tools and resources provided by amfori BSCI and continues to develop its responsible supply chain processes.	• Altia has progressed according to targets concerning amfori BSCI audits and responsibility policies coverage in countries classified as risk countries. • 21 (18) full amfori BSCI audits or follow up audits were conducted at Altia's suppliers, partners or their sub-suppliers • Amfori BSCI audits were conducted in 2018 in the Altia supply chain in Chile, Guatemala, Guyana, Italy and South Africa. • Active cooperation was continued with wine producers regarding amfori BSCI principles. • The share of purchases from risk countries as identified by the amfori BSCI risk country classification was 3% (4%). • amfori BSCI audit planning was conducted for Altia's own suppliers. • Altia continued active cooperation with customers, suppliers, partners and other importers to address challenges in the South African wine industry.

ALTIA & Environment

211.7 million kg	Finnish barley
1 500	Farmers
60%	Self-sufficiency in fuels for steam production at Koskenkorva
54%	Reduction in carbon dioxide emissions in the Koskenkorva plant area compared with 2014
660 294 m^3	Water consumption
99.7%	Average waste utilisation rate

We reduce our environmental impact and promote sustainable agriculture.

- Minimising the environmental impacts of our operations: further developing our operations and products to minimise environmental impacts, such as energy consumption and carbon dioxide emissions.
- Developing more sustainable packaging.
- Promoting sustainable agriculture: cooperation with farmers to promote sustainable farming practices.
- Protecting groundwater: protecting groundwater reserves in the Rajamäki plant area.

Altia's environmental impacts

Altia's environmental impacts are mainly related to its own production at the Koskenkorva and Rajamäki plants in Finland and at the Tabasalu plant in Estonia. Its most significant environmental impacts are related to energy consumption, water consumption, wastewater and the generation of waste. The production volumes and the related environmental impacts of Altia's plant in Cognac, France are smaller than those of the production plants mentioned above. The most significant environmental impacts of the Cognac plant are related to energy consumption. For this reason, Altia will expand its energy efficiency measures to cover Cognac as of 2019.

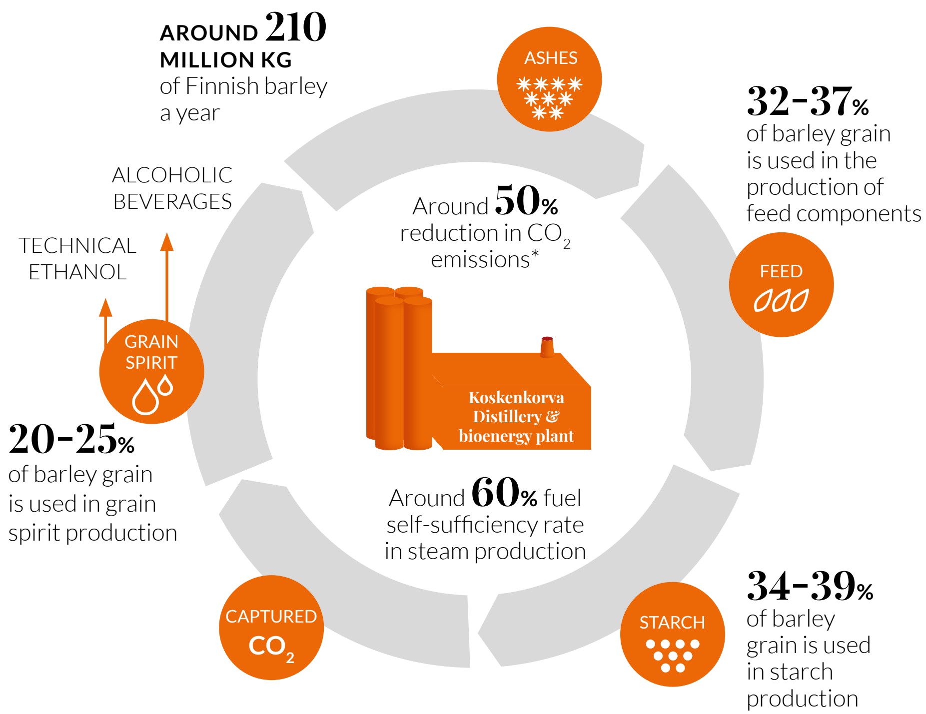
In 2018, Altia bottled a total of around 70 million litres of beverages. Its largest production plant, the Rajamäki alcoholic beverage plant, bottled 64.7 million litres of beverages in 2018 (63.4 million litres in 2017).

Altia is a significant buyer of domestic barley in Finland. In 2018, Altia bought 211.7 (206.0 in 2017) million kilos of barley for its Koskenkorva distillery, mainly from 1 500 farmers. This represents around 15% (14%) of the total barley crop in Finland and 33% (30%) of the barley sold in Finland. The barley was used to produce 22.0 (22.9) million kilos of grain spirit, 68.9 (64.5) million kilos of starch and 62.2 (59.8) million kilos of feed components. During the reporting year, the circular economy at Altia's Koskenkorva distillery was granted an international and highly regarded Green Company of the Year award. The Koskenkorva plant operates in line with the principles of the circular economy - all its production outcomes are used either internally or by Altia's customers. Read more about circular economy on page 14.

Altia cooperates with contract farmers to promote sustainable farming practices and improve material efficiency to continuously reduce the environmental impacts of its production operations. In 2018, Altia made a new Baltic Sea commitment to promote the sustainability of the farming methods used in its beverage production. This new commitment is a continuation of the company's cooperation with the Baltic Sea Action Group (BSAG) since 2015. As part of the Baltic Sea commitment, Altia and selected contract farmers participate in the Carbon Action pilot project of the BSAG, the Finnish Meteorological Institute and Sitra. The Carbon Action project studies how climate change and the eutrophication of the Baltic Sea can be controlled by storing carbon in the soil through more effective farming practices. The participating contract farmers take part in the pilot by assigning part of their field area to the study, during which information is collected about the impact of farming practices on the soil. The research project runs for five years.

Altia improves the efficiency of its logistics operations by combining the transport of its own products with that of its partners' products and by operating close to its customers.

CIRCULAR ECONOMY



*In comparison with 2014

USE OF MATERIALS AND RAW MATERIALS

	2018	2017	2016
Liquids			
Liquid raw material, beverages (m^3)	66 181	68 935	65 076
Liquid raw material, technical products (m^3)	17 517	15 600	15 270
Materials			
Barley (t)	211 700	206 000	192 200
Packaging materials (t)	34 209	34 367	32 737
Raw materials for products (t)	4 345	4 213	4 732
Trading products			
Liquids (m^3)	25 331	24 840	24 960
Packaging materials (t)	8 822	9 535	9 433

Our policies and operating methods

Altia's Koskenkorva plant, Rajamäki alcoholic beverage plant and Rajamäki Industrial Products unit – as well as Altia's support functions and sales and marketing unit at its headquarters in Helsinki – have environmental management systems that are certified to meet the ISO 14001 standard. Altia's plant in Tabasalu, production plant in Cognac and logistics centre in Brunna comply with local environmental laws and regulations. All Altia's locations comply with its quality, safety and environmental principles.

Environmental management systems are further developed through internal and external audits. Energy and environmental aspects are taken into account in production processes and their planning, and in investments related to production. Key environmental aspects are discussed regularly at executive management meetings. Employees' environmental awareness is increased and maintained through environmental goals, internal communication channels and environmental audits.

Altia's environmental targets

Altia's key environmental aspects are determined during assessments carried out every three years. In the assessment conducted in 2018, energy consumption, water consumption, wastewater load and waste generation were identified as the most significant envirnmental aspects. Five environmental targets have been determined in order to reduce the most significant environmental impacts of Altia's operations. Their achievement is monitored using environmental indicators, with annual reduction targets for each unit. The achievement of environmental targets is monitored on a monthly basis. Measures necessary for meeting environmental targets are determined annually for each production plant, and these targets are included in their environmental programmes. Altia had the following environmental targets for 2018:

- Reducing wastewater load
- Reducing energy consumption
- Reducing water consumption
- Reducing the volume of waste material
- Cutting costs arising from waste

CASE

Protecting valuable natural resources

Rajamäki is home to one of the most important groundwater areas in Finland. Pure water plays an important role in Altia's production, in that it guarantees the products' high quality. Altia monitors the groundwater levels continuously, and the Rajamäki area is protected with great care. The operations of the Rajamäki plant are developed continuously in a more ecological direction by, for instance, recycling process water and monitoring vehicles operating in the area.

Read more about our water monitoring:
altiagroup.com/responsibility/responsibility-cases

Environmental performance

Energy efficiency

Energy consumption relative to production increased at the Rajamäki plant and remained at the previous year's level at the Koskenkorva plant in 2018.

Most of the energy used in Altia's production operations is consumed by the Koskenkorva plant, which uses around 133 GWh of energy per year. Most of this is used in the distillation process and the manufacture of starch. The Rajamäki plant consumes around 29 GWh of energy per year, most of it used for heating buildings.

Since 2017, Altia has been part of the Finnish voluntary Energy Efficiency Agreement for the period 2017–2025. The parties to the agreement include Finnish ministries, industry associations and individual companies. During the new agreement period, Altia aims to reduce its energy consumption further by 10% by 2025 compared with 2014.

Altia's energy efficiency measures are based on its annual and long-term targets and the results of the energy efficiency reviews conducted at the Koskenkorva and Rajamäki plants in 2015.

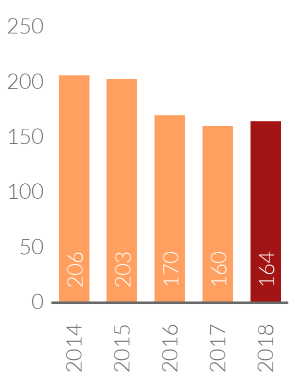
The table below presents the environmental performance of Altia's production plants in terms of its selected indicators in 2016–2018.

	2018		2017		2016	
Environmental target	Koskenkorva	Rajamäki and Tabasalu	Koskenkorva	Rajamäki and Tabasalu	Koskenkorva	Rajamäki and Tabasalu
Reducing energy consumption (MWh per m^3 of product or tonne of barley)	0.63	0.31	0.63	0.28	0.71	0.34
Reducing water consumption (m^3 per m^3 of product or tonne of barley)	2.26	1.61[1]	2.28	1.46	2.79	1.47
Improving wastewater quality (kg COD per m^3 of product or tonne of barley)[2]	3.10	3.35	2.23	2.92	1.97	2.71
Reducing the volume of waste material (kg per m^3 of product)[3]	-	52.06	-	44.83	-	49.22

1) With regard to Rajamäki, the indicator includes water consumption at the alcoholic beverage plant. The water consumption indicator for the Rajamäki plant of the Industrial Products unit has not been monitored since the beginning of 2018, as the indicator is not material to the operations.
2) The wastewater quality indicator is not monitored at the Tabasalu plant.
3) The waste volume indicator is not monitored at the Rajamäki and Koskenkorva plants of the Industrial Products unit, as it is not material to the units in question. With regard to Rajamäki, the indicator includes waste volume at the alcoholic beverage plant.

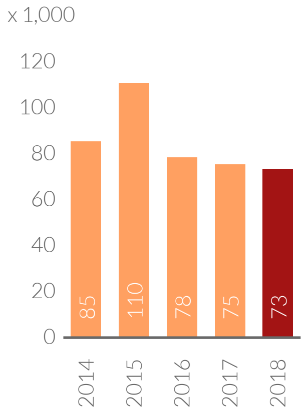
Total energy consumption

GWh



Carbon dioxide emissions,

t CO_2 equiv. emissions



Most of the energy used by the Koskenkorva distillery is generated by Altia's bioenergy power plant, which has been operating at full capacity since January 2015. The biopower plant uses barley husks as its primary fuel. Other fuels include biomass from grains (barley husk pellets), fusel alcohols, peat and fuel oil. Ashes from the biopower plant have been approved for fertiliser use, meaning that unprocessed ashes can be used as fertiliser in fields even in groundwater areas.

Water consumption and the protection of groundwater areas

Water is one of Altia's products' key raw materials. Water is also used in the fermentation process, cooling and the cleaning of production lines and facilities.

The water used in Altia's products is unprocessed groundwater from Rajamäki. It meets the quality requirements without chemical or mechanical treatment. Water quality is examined regularly by sending samples for analysis to an external laboratory. Altia uses less than 10% of the groundwater formed in the groundwater area each month.

Altia protects water quality by monitoring groundwater quality and surface levels, owning land in groundwater areas and affecting land use, and by maintaining conservation areas. In addition, Altia takes care of its land areas with partners and local parties. Altia owns 1 100 hectares of land – equal to 1 500 football fields – in the Rajamäki area, including two protected swamp areas (144 hectares and 7.5 hectares). Altia's operations have no negative effect on the swamp areas.

In 2018, water consumption relative to production decreased at Koskenkorva, Rajamäki and Tabasalu plants. At the Rajamäki plant, an extensive investment in chemical protective basins was completed, involving the replacement of protective basins in the field tank area.

Wastewater quality management

Wastewater quality at Koskenkorva and Rajamäki is monitored on a daily basis by measuring chemical oxygen demand from samples. The limit values for wastewater loads are specified in Altia's environmental permits.

Organic loading of wastewater increased both at Rajamäki and Koskenkorva in 2018. Factors contributing to the increase at the Koskenkorva plant included process changes at A-Rehu and Altia's increased production volumes. At the Rajamäki plant, the increase was mainly related to the production of glögg.

RECYCLING AND OTHER REUSE AT ALTIA'S PRODUCTION PLANTS

	Recycling and other reuse, %		
Unit	2018	2017	2016
Koskenkorva	99.9%	99.9%	99.9%
Rajamäki	98.5%	95.3%	96.5%
Tabasalu	82.0%	87.8%	83.0%
Average	**99.7%**	**99.5%**	**99.5%**

For this reason, the average monthly biological oxygen demand (BOD) in wastewater exceeded the permit limit in July and August. Altogether, the daily BOD limit was exceeded six times during 2018.

Wastewater from production operations at Koskenkorva is pre-treated and wastewater from the Rajamäki plant is treated before it is delivered to municipal wastewater treatment plants. At Tabasalu, wastewater is collected in tanks and transported to a municipal treatment plant. During the reporting period, no consequences were imposed on Altia for violations of permit limits or environmental laws and regulations.

Waste recycling and reuse

Altia seeks to reduce waste by reducing the amount of packaging material requiring disposal. Relative to production, the indicator for waste volume was higher in 2018 than in 2017, due to a temporary increase in glass waste in connection with renewals related to bottles. The amount of biowaste also increased. This was due to an increase in the production of distillates for beverages made available through the grocery trade. Almost all the waste generated at Altia's plants is reused as materials or energy. During the reporting period, the average waste utilisation rate at Rajamäki, Tabasalu and Koskenkorva increased to 99.7% (99.5% in 2017).

Recyclability and the use of recycled materials in packaging

Altia works to be a responsible operator in developing and recycling packaging and improving the efficiency of recycling. We seek to develop more sustainable packaging. Packaging plays a significant role in reducing environmental impacts, as Altia bottles up to 70 million litres of beverages per year. Packaging design at Altia is guided by sustainable development: we aim at maximising the recyclability of packaging and minimising the amount of waste. At the Rajamäki plant, 100% of bottles are recyclable. We are continuously looking for new materials and testing alternatives in order to improve packaging also from the sustainability point of view throughout product and packaging life cycles.

Practical measures implemented to achieve these goals include reducing the weight of glass and PET bottles, avoiding excessive packaging and increasing the use of recycled materials in packaging. We have also transferred from multi-material packaging (such as plastic bottles with aluminium caps) to a combination of PET bottles and plastic capsules, which are easier to recycle. This already includes 95.5% of PET bottles. All plastic bottles filled at Altia's Rajamäki plant have plastic capsules.

In addition to glass and PET bottles, products are packaged into bags-in-boxes, pouches and tetras (paperboard cartons) and aluminium cans. The weight of glass bottles has been annually decreased.

Packaging beverages in PET bottles is practical due to the light weight and easy handling of the bottles. A PET bottle weighs only a tenth as much as an average glass bottle and therefore saves energy and has a smaller carbon footprint during its life cycle. PET bottles take up less space than traditional glass bottles. PET bottles are also easy to recycle, and their return rate in Altia's main market areas is 90%, thanks to effective local bottle return and deposit systems.

In packaging development, Altia's long-term goals include reducing its carbon footprint, making all its packaging 100% recyclable and removing all unnecessary plastic from its packaging. In addition, the use of fossil raw materials in plastic bottles as well as the weight of the bottle will be reduced. The target is also to increase the use of recycled material in glass bottles.

CASE

Getting emissions under control with packaging design

Altia engages in continuous development work in packaging design to ensure that materials are used as efficiently as possible and that consumer wishes are responded to rapidly. Even on a global scale, Altia is a pioneer in packaging design and packaging innovations.

Read more about Altia's packaging design:
altiagroup.com/responsibility/responsibility-cases

ENVIRONMENTAL FIGURES 2018

	2018	%-change from 2017	2017	2016
Use of barley (million kg)	**211.68**	2.8 %	205.90	192.16
Used fuels/Direct energy consumption				
Natural Gas (GWh) direct, non-renewable	**1.04**	-18.2 %	1.27	1.32
Indirect energy consumption				
Steam consumption (GWh) indirect, non-renewable	**38.43**	18.7 %	32.38	46.11
Steam consumption (GWh) indirect, renewable	**74.46**	-3.6 %	77.28	71.55
Electricity consumption (GWh) indirect, non-renewable	**42.14**	0.1 %	42.11	43.37
Electricity consumption (GWh) indirect, renewable	**6.53**	23.3 %	5.30	5.58
District heating (GWh) indirect, non-renewable	**0.10**	-6.7 %	0.10	0.11
District heating (GWh) indirect, renewable	**1.63**	1.1 %	1.62	1.67
Green house gases, direct and indirect				
CO_2 -equiv.emissions / non-renewable (t) direct, Scope 1	**204.86**	-18.2 %	250.48	259.38
CO_2 -equiv.emissions / non-renewable (t) indirect, Scope 2	**26 647.58**	0.2 %	26 600.83	29 440.14
CO_2 -equiv.emissions / renewable (t) direct, Scope 1	**13 954.00**	-8.1 %	15 185.00	17 078.00
CO_2 -equiv.emissions / renewable (t) indirect, Scope 2	**32 477.69**	-1.9 %	33 116.17	31 471.39
Significant air emissions				
VOC emission (t)	**9.35**	12.4 %	8.31	7.18
Particle emissions into air (t)	**3.59**	-17.8 %	4.37	5.29
Water and Wastewater				
Water consumption (1.000 m^3 or Ml)	**660.29**	-0.5 %	663.39	1 135.98
Water consumption, groundwater (1.000 m^3)	**632.68**			
Water consumption, municipal water supply (1.000 m^3)	**27.61**			
Amount of wastewater (1.000 m^3)	**291.88**	9.9 %	265.55	242.63
Waste amounts (t)				
Hazardous waste	**26.62**	15.4 %	23.07	19.12
Dump waste	**38.38**	-62.8 %	103.30	86.16
Recycled waste				
utilised as energy	**15 815.83**	-14.2 %	18 429.69	15 983.31
other utilisation	**4 261.03**	-35.2 %	6 572.75	4 598.24

About the calculation methods used in the table:

Direct energy is energy that is used in own production or own energy production e.g. burning non -renewable energy sources.

Indirect energy is bought energy produced outside the reporting organisation's organisational boundary that is consumed to supply energy for the organisation's intermediate energy needs.

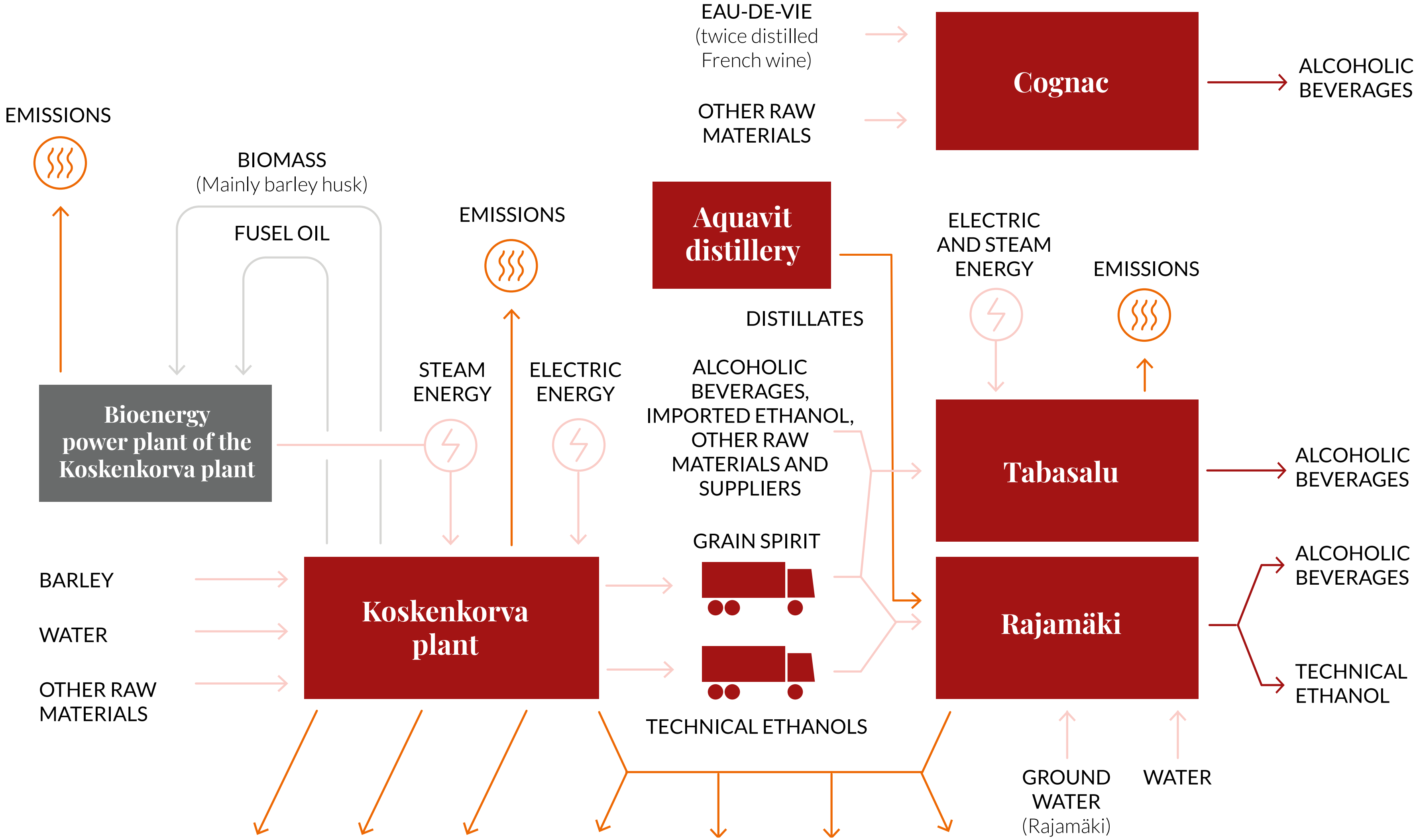
For the office locations, only figures related to electricity usage and corresponding emissions, as well as water consumption are reported, with the exception of Oslo and Copenhagen.

For the logistics centers, their electricity usage, district heating and corresponding emissions, as well as water consumption and the amount of waste water are reported.
As to the Koskenkorva plant, the figures for wastewater include all the operators in the plant area. The energy and water consumption include all operators except A-rehu's operations.

Information on emission-related indicators include Altia's operations and emissions arising from the production of purchased energy. Indicators concerning waste covers Altia's own operations.

2016 figures for water consumption and amount of wastewater are restated.

Material flows



Altia & Environment – Objectives and progress

Objective 2018–2020	Actions 2018	Progress in 2018
Reducing energy consumption and carbon dioxide emissions	• In 2017, Altia joined the voluntary Energy Efficiency Agreement for the period 2017–2025. Altia aims to reduce its energy consumption by 10% by 2025 compared with 2014.	• Altia and Koskenkorva distillery awarded as the Green Company of the Year. • Energy consumption relative to production increased at the Rajamäki plant and remained unchanged at the Koskenkorva plant. • Energy consumption increased by 3.6% year-on-year. • Thanks to its bioenergy power plant, the Koskenkorva plant's self-sufficiency in fuel for steam production was 60%. Its carbon dioxide emissions have decreased by 54% since 2014.
Reducing water consumption and improving wastewater quality	• Altia will continue to implement measures to reduce water consumption and improve wastewater quality.	• Water consumption relative to production decreased at Tabasalu and Rajamäki. • At Koskenkorva, water consumption per tonne of barley remained unchanged. • Altia's absolute water consumption decreased year-on-year. • Organic loading of wastewater increased both at Rajamäki and Koskenkorva during the reporting period. • The average monthly biological oxygen demand (BOD) in wastewater at Rajamäki exceeded the permit limit in July and August 2018. The daily BOD limit was exceeded six times during 2018.
Continuing the work to protect groundwater at Rajamäki	• Altia protects water quality by monitoring groundwater quality and surface levels, owning land in groundwater areas and affecting land use, and by means of conservation areas.	• In 2018, an extensive investment in chemical protective basins was completed at the Rajamäki plant, involving the replacement of protective basins in the field tank area.
Reducing waste and improving recycling	• Altia seeks to reduce packaging material waste.	• During the reporting period, the average waste utilisation rate at Rajamäki, Tabasalu and Koskenkorva increased to 99.7% (99.5%). • Relative to production, waste volume increased at Rajamäki and decreased at Tabasalu in 2018 year-on-year.
Promoting sustainable agriculture	• Altia will continue to cooperate with farmers and the Baltic Sea Action Group.	• In 2018, Altia made a new Baltic Sea commitment to promote the sustainability of the farming methods used in its beverage production.
Developing more sustainable packaging	• Altia is continuously exploring new opportunities to improve the recyclability of packaging, reduce its carbon footprint, increase its use of recycled materials and use lighter packaging.	• Altia's recycled glass usage rate was up to 50% in certain product categories for coloured glass, depending on the colour. • Altia replaced glass bottles with lighter PET bottles for an increasing number of products. In 2018, 4 different products were transferred from heavier glass bottles to light-weight PET bottles totalling over 90 000 bottles. • To increase the recyclability, Altia replaced aluminium bottle capsules with a combination of PET bottles and plastic capsules. 95.5% of PET bottle capsules are made from plastic.

ALTIA & Employees

718	Employees on average
10.9 years	Average duration of employment
13	Number of accidents in relation to hours worked
3.4%	Sickness absence % (sickness related absences in relation to hours worked)
4	Co-determination negotiations

We want Altia to be an inspiring and safe place to work.

- Employee wellbeing: supporting the motivation and engagement of personnel.
- Good leadership: developing a leadership approach based on encouragement and collective success.
- Occupational health and safety: ensuring workplace safety.
- Rewarding good performance: recognising and rewarding good performance.

Altia & Employees

At Altia, we want to build a working community in which our personnel feel well and can perform their work safely. We believe the success of our personnel leads to the success of the company, and the other way around.

Recognising that each employee contributes to the atmosphere of the working community, we take pride in our relaxed company culture, which allows everyone to be themselves. Personnel development planning is an essential part of Altia's strategy process.

Implementing Altia's strategy through people development

The Let's Lead Better training, which was initiated in 2017, continued throughout 2018. The training is based on Altia Behaviours and consists of short practical training sessions. The sessions covered, for example, labour law, the roles of managers and employees, the role of managers as communicators between management and employees, performance management, and the creation of the trust and security that promote open interaction. In 2018, the creation of e-learning courses on important topics such as Altia's Code of Conduct and IT security was emphasised. In the Rajamäki plant, a leadership programme was undertaken with a focus on building its safety culture. Safety workshops for each team were organised. A training programme for sales and marketing people, initiated in 2016, has also continued annually.

The Altia Tasting personnel survey was conducted in January 2018. The new survey provided managers with more accurate tools to develop their leadership. The key development areas based on the survey were making development opportunities more visible, improving leadership skills and increasing top management visibility. Several actions were implemented during the year on how to improve these areas, e.g. in the content of Let's Lead Better training and the Altia Leaders' Forum, which was established in 2018.

All Altia employees participate in performance discussions regularly. During the performance discussions, a personal development plan is prepared for each employee defining the most significant measures to develop competence and motivation. In 2018, the performance discussions focused especially on creating comprehensive development plans.

CASE

Occupational safety development together, as part of day-to-day work

Safety is a top priority at Altia. Automation, inductions and everyday routines enable the development and maintenance of high safety standards, also at the Rajamäki plant. Every Altia employee is responsible for taking care of occupational safety. Continuous development and openness prevent hazardous situations and aim to eliminate the occurrence of even the smallest accidents.

Read more about our safety work:
altiagroup.com/responsibility/responsibility-cases

Enhancing equal opportunities and wellbeing

The basis for promoting the equal treatment and wellbeing of employees is part of Altia's Business Principles and Altia Behaviours.

The goal of the work towards equality and equal opportunities is to identify and prevent discrimination, and to promote gender equality and equal opportunities. Altia's equality and equal opportunities plans and policies describe principles and measures intended to enhance gender equality and equal opportunities among personnel.

Taking care of one's own and colleagues' safety and wellbeing is part of daily operations, and it is included in the company's local action plans. Altia offers occupational healthcare to employees in all operating countries through healthcare services, medical expenses insurance or health checks in accordance with local agreements and legislation.

Remuneration and incentives

Altia's short-term incentives form part of employees' total compensation and benefits package. The purpose of the incentives is to support the implementation of Altia's strategy, reward people for excellent personal performance and achieve the financial objectives of the Altia Group and its business units. Altia's salaried employees, senior salaried employees and management participate in this annual performance bonus programme. The potential annual bonus is based on the targets of both the Group and its business units, as well as on personal targets. Bonuses are paid either once a year or more frequently as an annual bonus or sales bonus. Workers participate in a production bonus system. The production bonuses are based on each production unit's targets.

Altia's CEO, the members of the Executive Management Team and selected key employees are part of the long-term incentive scheme for 2017–2019. The long-term incentive scheme complements the annual bonus to create a balanced incentive structure. With the incentive schemes, management is encouraged to promote the long-term financial success of the company and development of the shareholder value. The company's strategy and development phases are considered when determining the remuneration.

In connection with the IPO in 2018, the top management were paid a one-off reward for investing the net sum of the received award in the company by subscribing shares in the personnel offering. Additionally, a 130-year celebration bonus was paid to Altia employees, excluding top management.

In addition to financial rewards, Altia strives to develop other forms of incentive. These include thanking and giving positive feedback, celebrating accomplishments, sharing best

CASE

Promoting Altia employees' well-being at work

The annually conducted Altia Tasting survey measures the well-being of Altia's employees and charts their development wishes. Listening to development proposals and advancing initiatives together with all Altia employees is important. The theme brought up in 2018 focused on the openness of in-house development and training opportunities.

Read more about the training opportunities offered to Altia's employees: https://altiagroup.com/responsibility/responsibility-cases

practices, involving key talents in strategy and development work, as well as offering small tokens of appreciation in recognition of good work.

More information about Altia's remuneration policies, including paid remuneration, can be found in the Remuneration Statement, page 101.

Actions to prevent sickness absences and accidents

Altia's occupational health and safety system has been certified in accordance with the OHSAS 18001:2007 standard. The certificate covers the Koskenkorva plant, the operations at Rajamäki and the head office functions in Helsinki.

The objectives of the occupational health and safety system include the reduction of sickness absences and accidents and the absences the latter cause. To highlight the importance of occupational health and safety, action plans have also been created for those Altia operating locations that are not in the scope of the certification (Tabasalu plant, the Cognac plant and the Brunna logistics centre). To achieve the objectives, key performance indicators have been set. A total of 85 actions were determined during the reporting year for the various Altia locations. Of these, 70 actions (82%) were fully implemented in 2018. Implementation of the other actions is ongoing. Actions completed at various sites include, for example, the implementation of a work safety e-learning course, the implementation of a new tool for near-miss reports, the updating of the occupational and health risk evaluation process and the management of safety walks. Many other improvements concerning production facilities and equipment were also made during the reporting year.

Accident frequency and sickness absences are monitored in all Altia's operating countries. Since 2018, the key performance indicators monitored have also included the number of accidents and near-miss cases. In 2018, the sickness absence percentage* was 3.4 percent (3.3% in 2017). The Swedish logistics centre in Brunna had the highest rates at 6.9 (5.4), and the Copenhagen office had the lowest rate at 0.7 (0.4). The accident absence rate** for accidents requiring at least one day of absence was 13 (11 in 2017). Like the previous year, the Rajamäki plant had the highest number of accidents. The Rajamäki plant continued to develop the identification of hazards and risks, and to implement immediate corrective measures. Occasional accidents occurred at other locations (Cognac, Koskenkorva, Stockholm and Tabasalu). There were no fatal work-related accidents in 2018.

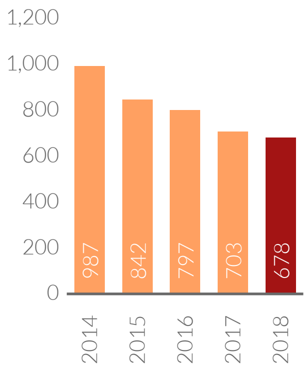
Changes in personnel

During 2018, operations and services were reorganised in the Scandinavian segment Finland sales and in Latvia. The decrease in personnel was primarily due to non-replacement or other internal arrangements in Finland, and to the continued reorganisation of operations in Latvia. Negotiations on the reorganisation of Altia's Scandinavia segment and on operational changes in Finland sales were completed towards the end of the year. The personnel reductions in Finland totalled 5 persons. Negotiations on the reorganisation of Altia's Scandinavian segment were completed at the end of the year, and they affected 5 employees in Sweden and 2 in Norway. Altia supported the affected employees by offering outplacement or training support. These arrangements aimed at renewing ways of working as well as simplifying organisational structure, and will affect the number of personnel in 2019. The reorganisation of operations in Latvia continued in 2018 and resulted in 5 terminations of employment.

* The number of sickness-related absence hours per working hours x 100%
** The number of accidents leading to at least one day's absence per million working hour

Development of the number of personnel 2014–2018

Persons*

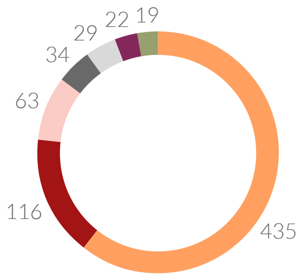


Average age of personnel: 43 years

*at the end of the year

Average number of personnel by country 2018

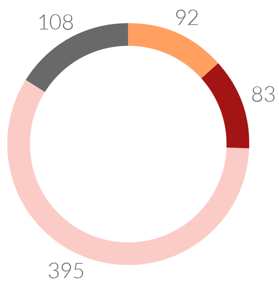
Persons



- Finland
- Sweden
- Estonia
- Latvia
- Norway
- France
- Denmark

Personnel by segments 2018

Persons

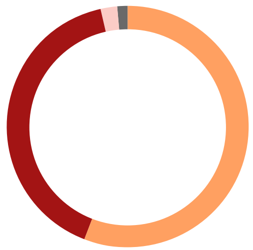


- Finland & Exports
- Scandinavia
- Altia Industrial
- Other*

*Group functions

Type of employment 2018

%

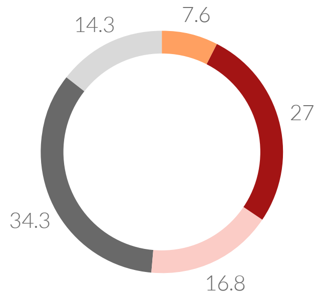


Permanent 96.6
- Men 58
- Women 42

Fixed-term 3.4
- Men 60.9
- Women 39.1

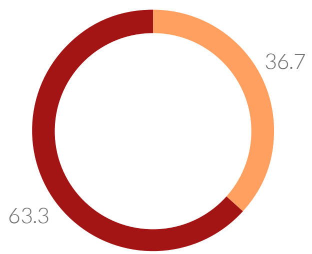
Duration of employment

%



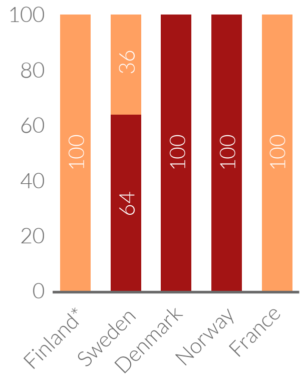
- Less than 1 year
- 1–4 years
- 5–9 years
- 10–20 years
- Over 20 years

Personnel by group 2018
%



- Workers
- Salaried and senior-salaried employees

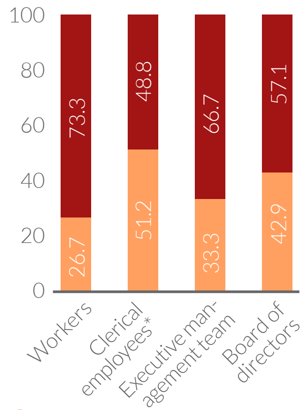
Percentage of employees covered by collective agreements, %



- Covered by collective agreements
- Not covered by collective agreements

Estonia and Latvia are not included because in these countries, there are no collective agreements
*Excluding CEO

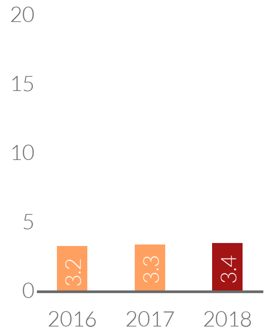
Gender distribution
%



- Women
- Men

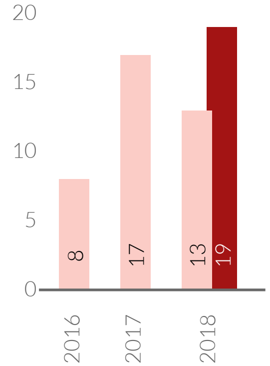
Situation on December 31, 2018
*Does not include EMT members

Sickness absences
%



The number of sickness related absence hours per working hours x 100 %

Accident absence rate



- Accident absence rate meaning the ratio of number of accidents resulting in at least one day absence to million working hours
- Total registered injury frequency, reported from 2018 onwards

Altia & Employees – Objectives and progress

Objective 2018–2020	Actions 2018	Progress 2018
Continue the wide and versatile occupational health and safety work to enhance safety culture towards zero accidents. Safety culture and good safety practices should be more visible and known to all employees.	• Enhancing the safety culture at Altia sites, with a focus on the Rajamäki plant.	• In the Rajamäki plant, a leadership programme was undertaken with a focus on building its safety culture. Safety workshops for each team were organised. • First aid trainings were organised in Finland and in Sweden.
Enhance leadership and organisational culture (authentic, open dialogue, self-leadership)	• Leadership training for managers continued • Discussions in teams based on Altia Tasting personnel survey	• Let's Lead Better trainings with new topics continued in 2018 for Finnish, Danish, Swedish and Norwegian managers. • In the Rajamäki plant, a leadership programme was undertaken with a focus on building its safety culture. • Actions were agreed in teams based on Altia Tasting results.
Enhance employee health and wellbeing through concrete initiatives, for example, relating to work ergonomics and a happy productive work place	• Focus on work ergonomics • Reintroduce health checks • Non-smoking plant concept	• Ergonomic improvements were sought based on sites' needs. • A health survey was run in Finland and continued with targeted actions. • First aid training was organised in Finland and Sweden. • Smart work workshops were conducted. • A non-smoking plant concept was operationalised in the Koskenkorva plant, and a decision was made in Rajamäki.
Developing the equal treatment of employees	• Clarifying managerial roles • Employee wellbeing actions according to equality plans	• Managerial roles were clarified and managers' responsibilities emphasised e.g. in Let's Lead Better trainings.

Reporting framework

Description of the reporting

Altia is publishing its corporate responsibility report for 2018 as part of the 2018 Annual Report, contained in the section on Corporate Responsibility. The 2018 responsibility report is the company's eleventh annual responsibility review. The report is published online once every calendar year in both Finnish and English.

As part of the Report by the Board of Directors, Altia is also publishing for the second time a non-financial statement, which provides an overview of the company's approach to environmental, social, employee and human rights, as well as anti-corruption and bribery matters in accordance with the EU Directive[1] regarding the disclosure of non-financial and diversity information.

The 2017 report was published on 12 March 2018.

Scope of corporate responsibility reporting

The 2018 Corporate Responsibility section of the Annual Report contains general and material information about the economic, social and environmental impact of Altia's operations between 1.1.2018 and 31.12.2018. Altia reports on its corporate responsibility in accordance with the Core option of the Global Reporting Initiative (GRI) Sustainability reporting standards for 2016. The reporting contains the GRI-standard sections on general disclosure, management approach and Altia's material environmental, social and economic standard clauses. For environmental matters and responsibility matters in the supply chain, indicators are presented more extensively than the GRI Core option. The GRI Index illustrates the correspondence between the responsibility section contents and GRI standards.

Information on corporate responsibility and related material indicators are disclosed, if not otherwise stated, for the whole Altia Group.

Altia & Environment

Regarding environmental responsibility, the reported targets and indicators focus on the environmental impact of Altia's own operations at the Koskenkorva, Rajamäki, Tabasalu and Cognac plants, as these plants generate most of Altia's environmental impact. An assessment of the relevance of the reported indicators for the operations at Altia's distillery in Sundsvall, which is operated by an external partner, was made in 2018.

Altia reports Scope 1 and Scope 2 greenhouse gas emissions. Altia calculates the annual CO_2 emission reduction compared with the previous reporting year, as well as with the base year, 2014. The base year has been chosen in accordance with the Koskenkorva bioenergy power plant operating schedule. Scope 1 emissions are direct emissions generated by Altia's own production. Scope 2 emissions are indirect emissions derived from energy bought outside the reporting organisation's organisational boundary and consumed by the supply of energy for the organisation's intermediate energy needs.

Altia generates no other direct greenhouse gas emissions other than CO_2 emissions. CO_2 emissions from purchased energy have been calculated by multiplying energy consumption by the emission factor corresponding with its production (kg CO_2/MWh). The following sources for emission factors have been used in calculations:

- Electricity: Finland's Energy Authority
- District heating: local district heating suppliers
- Natural gas: 55.04 CO_2 t/TJ

In addition to GHG emissions, Altia reports VOC emissions and particle emissions into air. Altia's own operations generate no other air emissions.

Altia & Employees

All indicators relating to employees were extended in 2017 to also cover operations in Cognac, France. Figures for accident rates, sickness absence and the type and duration of employment in 2018 and 2017 therefore do not correspond with those reported in 2016. Employee data sources are generated from Altia's global HR, local payroll and reporting systems, with no assumptions made.

Calculation methods applied, and any differences and restatements compared with the corporate responsibility reporting of previous years are described as part of specific charts and tables where relevant.

Assurance

No external assurance has been applied to the corporate responsibility report.

[1] Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU concerning the disclosure of non-financial and diversity information by certain large undertakings and groups

GRI content index

This report contains Standard Disclosures from the GRI Sustainability Reporting Guidelines.

Code	GRI content	Location	Reported fully ● partly ◖	Comments
General Disclosures				
Organisational profile				
102-1	Name of the organisation	Altia in brief, p. 2	●	
102-2	Activities, brands, products and services	Altia in brief,p. 2, Value created, p. 13, Segments, pp. 15–17, Brands, pp. 20-21	●	
102-3	Location of headquarters	Altia in brief, p. 2	●	
102-4	Location of operations	Altia in brief, p. 2	●	
102-5	Ownership and legal form	Corporate Governance Statement 2018, p. 94	●	
102-6	Markets served	Altia in brief, p. 2, Segments, pp. 15–17, Operating environment, p. 18	●	
102-7	Scale of the organisation	Altia in brief, p. 2, Financial key ratios 2018, pp. 4–5, Responsibility key figures 2018, p. 6, Key ratios of the Group, pp. 45–46	●	
102-8	Information on employees and other workers	Altia & Employees, p. 82, GRI index	◖	No substantial work is undertaken by self-employed workers or contractors. There are no significant seasonal variations in employment numbers.
102-9	Supply chain	Material flows, p. 76, Altia's role in society, p. 65, Responsible sourcing	●	
102-10	Significant changes to the organisation and its supply chain	Board report, p. 27	●	
102-11	Precautionary Principle or approach	Altia & the environment, pp. 69–77, Board report, p. 37	●	
102-12	External initiatives	Non-financial statement, pp. 40–44, Steering of Altia's responsibility work, p. 50	●	
102-13	Membership of associations	GRI index	●	Altia companies in Finland, Sweden, Norway, Denmark, Estonia and Latvia are members of local alcohol industry associations. Altia is also a member of BNIC, the Cognac producers' association.
Strategy				
102-14	Statement by senior decision maker	CEO's review, pp. 7–8	●	

Code	GRI content	Location	Reported fully ● partly ◖	Comments
102-15	Key impacts, risks and opportunities	CEO's review, pp. 7–8, Value created, p. 13 Board report, pp. 36–39 Non-financial statement, pp. 40–44 Materiality assessment, p. 56 Responsibility cornerstones, pp. 58–84	●	
Ethics and integrity				
102-16	Values, principles, standards and norms of behaviour	Non-financial statement, pp. 40–44	●	
102-17	Mechanisms for advice and ethical concerns	Non-financial statement, pp. 43–44	●	
Governance				
102-18	Governance structure	Corporate Governance Statement 2018, pp. 94–96	●	
102-20	Executive-level responsibility for economic, environmental and social issues	Steering of Altia's responsibility work, p. 50	●	
102-22	Composition of the highest governance body and its committees	Board of Directors, pp. 104-105	●	
102-23	Chair of the highest governance body	Board of Directors, p. 104	●	
102-24	Nominating and selecting the highest governance body	Corporate Governance Statement 2018, pp. 94–96	●	
102-26	Role of highest governance body in setting aims, values and strategy	Corporate Governance Statement 2018, pp. 94–96	●	
102-32	Highest governance body's role in sustainability reporting	GRI index	●	Report is approved by the Board.
102-35	Remuneration policies	Remuneration statement, pp. 101–103	◖	Occupational safety-related targets have been included in the Altia management incentive scheme for the operations and sites where occupational safety plays a significant role.
Stakeholder engagement				
102-40	List of stakeholder groups	Stakeholder interaction, pp. 53–54	●	
102-41	Collective bargaining agreements	Altia & Employees, p. 83	●	
102-42	Identifying and selecting stakeholders	GRI index, Stakeholder dialogue, p. 52	●	Altia has defined the company stakeholder groups which the company impacts and/or the stakeholder groups that may impact Altia's operations. These are explained in more detail in the stakeholder section of this report.
102-43	Approach to stakeholder engagement	Stakeholder dialogue, p. 52, Altia's stakeholder interaction, pp. 53–54	●	
102-44	Key topics and concerns raised	Stakeholder dialogue, p. 52, Altia's stakeholder interaction, pp. 53–54	●	

Code	GRI content	Location	Reported fully ● partly ◖	Comments
Reporting practice				
102-45	Entities included in the consolidated financial statements	Consolidation, pp. 152–155	●	
102-46	Defining report content and topic boundaries	Materiality analysis, p. 57, Reporting framework, p. 85	●	
102-47	List of material topics	Materiality analysis, p. 57	●	
102-48	Restatements of information	Environmental figures 2018, p. 75	●	The restatement related to environmental figures is explained as part of the environmental figures (p. 75). No other restatements in 2018.
102-49	Changes in reporting	Materiality analysis, pp. 55–57	●	
102-50	Reporting period	Reporting framework, p. 85	●	
102-51	Date of most recent report	Reporting framework, p. 85	●	
102-52	Reporting cycle	Reporting framework, p. 85	●	
102-53	Contact point for questions regarding the report	Contact information, back cover	●	
102-54	Claims of reporting in accordance with GRI Standards	GRI index, Reporting framework, p. 85	●	This report has been prepared in accordance with GRI standards: core option.
102-55	GRI content index	GRI index, pp. 86–92	●	
Management Approach				
103-1	Explanation of the material topic and its boundary	Materiality analysis, pp. 55–57	●	
103-2	The management approach and its components	Steering of corporate responsibility work, p. 50, Altia's responsibility programme 2018–2020, p. 51, Materiality analysis, pp. 55–57, Altia & Customers, pp. 59–62, Altia & Society, pp. 63–68, Altia & Environment, pp. 69–77, Altia & Employees, pp. 78–84	◖	A comprehensive Management Approach table will be included in the corporate responsibility section of Altia's annual report next year.
103-3	Evaluation of the management approach	Steering of corporate responsibility work, p. 50, Stakeholder dialogue, p. 52, Materiality analysis, pp. 55–57, Altia & Customers, pp. 59–62, Altia & Society, pp. 63–68, Altia & Environment, pp. 69–77, Altia & Employees, pp. 78–84	◖	A comprehensive Management Approach table will be included in the corporate responsibility section of Altia's annual report next year.
Economic Standards				
GRI 201: Economic performance				
201-1	Direct economic value generated and distributed	Altia's role in society, p. 65, Altia's tax footprint, p. 67 Financial statements pp. 119–120, 144, 157–159, 161	●	

Code	GRI content	Location	Reported fully ● partly ◖	Comments
GRI 205: Anti-corruption				
205-2	Communication and training concerning anti-corruption policies and procedures	Non-financial statement, p. 44	◖	All Altia business partners sign the Altia Supplier Code of conduct and the amfori BSCI Code of Conduct as part of their agreement. Both include anti-corruption clauses. Altia expects its representatives, consultants, agents, subcontractors and other business partners to unconditionally refrain from corrupt behaviour while undertaking services for Altia or on its behalf.
205-3	Confirmed incidents of corruption and actions taken	Non-financial statement, p. 44	●	
Environmental Standards				
GRI 301: Materials				
301-1	Materials used by weight or volume	Use of materials and raw materials-table, p. 70	◖	We are currently drafting our packaging strategy and will soon be communicating the share of used renewable and non-renewable materials.
GRI 302: Energy				
302-1	Energy consumption within the organisation	Environmental figures 2018, p. 75	●	
302-4	Reduction of energy consumption	Energy efficiency, p. 72, Environmental figures 2018, p. 75	●	
GRI 303: Water and effluents				
303-1	Interactions with water as a shared resource	Altia & Environment, pp. 70–73, Altia & Environment – Objectives and progress, p. 77	●	
303-2	Management of water discharge-related impacts	Altia & Environment, p. 73	●	
303-4	Water discharge	Environmental figures 2018, p. 75, Wastewater quality management, p. 73	◖	Altia's water supply is sourced from groundwater and the municipal water supply. The breakdown is presented as part of Altia environmental figures.
303-5	Water consumption	Environmental figures 2018, p. 75, GRI index		Altia has no impact on water storage, nor does it take in water in water stress areas. Altia complies with the water intake amounts set by the authorities and regularly measures and follows up groundwater surface levels.
GRI 305: Emissions				
305-1	Direct (Scope 1) GHG emissions	Environmental figures 2018, p. 75, Reporting framework, p. 85	◖	Altia reports Scope 1 and Scope 2 GHG emissions. We plan to start communicating our Scope 3 emissions in the near future.

Code	GRI content	Location	Reported fully ● partly ◖	Comments
305-2	Energy indirect (Scope 2) GHG emissions	Environmental figures 2018, p. 75, Reporting framework, p. 85	◖	Altia reports Scope 1 and Scope 2 GHG emissions. We plan to start communicating our Scope 3 emissions in the near future.
305-7	Nitrogen oxides (NOX), sulphur oxides (SOX) and other significant air emissions	Environmental figures 2018, p. 75	●	In addition to GHG emissions, Altia reports VOC emissions and particle emissions. Altia operations generate no other air emissions.
GRI 306: Effluents and waste				
306-2	Waste by type and disposal method	Environmental figures 2018, p. 75	●	
306-3	Significant spills	GRI index	●	No spills during the reporting year 2018.
306-4	Transport of hazardous waste	Environmental figures 2018, p. 75	◖	Altia reports its hazardous waste volumes. Altia's hazardous waste is transported according to applicable national legislative requirements to local hazardous waste handling companies with the required permits for processing hazardous waste.
GRI 307: Environmental compliance				
307-1	Non-compliance with environmental laws and regulations	Environmental performance, p. 73	●	
GRI 308: Supplier environmental assessment				
308-2	Negative environmental impacts in the supply chain and actions taken	Altia & Society, p. 63, GRI index	●	Altia discloses information related to the annual number of amfori BSCI audits conducted in the Altia supply chain. All audit results and implementation of remediation plans are carefully monitored. Altia carefully monitors the share of purchases from amfori BSCI classified risk countries. Altia frequently monitors the responsibility policies and practices of its supply chain by sending out a CSR questionnaire to its own suppliers. These include an environmental assessment. The questionnaire was last sent out in 2017; the next will be sent out in the near future. No significant negative impacts have been identified based on the results.
Social Standards				
GRI 403: Occupational health and safety				
403-1	Occupational health and safety management system	Altia & Employees, p. 81, Non-financial statement, p. 42	●	Altia has certified the voluntary OHSAS management system at its main production sites in Finland to highlight the importance of safety within the company. Other production sites follow the same safety requirements. The management system covers all on-site employees and workers.

Code	GRI content	Location	Reported fully ● partly ◖	Comments
403-2	Hazard identification, risk assessment and incident investigation	Altia & Employees, p. 81, Non-financial statement, p. 42	◖	Altia has a process, procedures and frequent training for employees and workers to identify work-related hazards and assess risks in order to minimise them.
403-3	Occupational health services	Altia & Employees, p. 80	◖	All Altia employees are covered by health services.
403-4	Worker participation, consultation and communication concerning occupational health and safety	GRI index	●	Workers frequently participate in consultation and communication concerning occupational health and safety through health and safety committees, surveys, observation and near-miss reporting systems, as well as frequent occupational health and safety meetings. The health and safety committee meets at Altia-level biannually, and at plant level quarterly. The plant manager participates in meetings to ensure decisions are implemented.
403-5	Worker training on occupational health and safety	Altia & Employees, p. 80, GRI index	●	Altia injury reporting covers all employees, workers and those working on Altia premises who are not Altia employees.
403-6	Promotion of worker health	Altia & Society, p. 64	●	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked to business relationships	Non-financial statement, p. 43	●	
403-9	Work-related injuries	Altia & Employees, p. 81, GRI index	●	The most common work-related injuries include slipping, wounds and contusions.
GRI 404: Training and education				
404-1	Average hours of training per year per employee	GRI index	●	Systematic gathering of information for the whole group has been in place since 2017. Based on employees' own reports, average training amounted to 4.2 hours per employee in 2018.
404-2	Programmes for upgrading employee skills and transition assistance programmes	Altia & Employees, p. 79	◖	

Code	GRI content	Location	Reported fully ● partly ◖	Comments
404-3	Percentage of employees receiving regular performance and career development reviews	Altia & Employees, p. 79	●	
GRI 405: Diversity and equal opportunity				
405-1	Diversity of governance bodies and employees	Corporate Governance Statement 2018, pp. 94-95, p. 98, Altia & Employees, p. 83	●	
GRI 414: Supplier social assessment				
414-2	Negative social impacts in the supply chain and actions taken	Altia & Customers, p. 62 Altia & Society, p. 68	◖	Altia discloses information related to the annual number of amfori BSCI audits conducted in the Altia supply chain. All audit results and the implementation of remediation plans are carefully monitored. Altia carefully monitors the share of purchases from amfori BSCI classified risk countries. Altia frequently monitors the responsibility policies and practices of its supply chain by sending out a CSR questionnaire for its own suppliers. The questionnaire was last sent out in 2017; the next will be sent out in the near future. No significant negative impacts have been identified based on the results.
GRI 415: Public policy				
415-1	Political contributions	GRI index	●	Altia does not support, whether directly or indirectly, political parties, organisations or individual candidates.
GRI 416: Customer health and safety				
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	GRI index	●	There were three recalls during the reporting period. There were no incidents of non-compliance regarding the health and safety impacts of products.
GRI 417: Marketing and labelling				
417-3	Incidents of non-compliance concerning marketing communications	GRI index	●	None in 2018.

Corporate Governance

Corporate Governance Statement 2018

This Corporate Governance Statement of Altia Plc is issued for the financial year 2018.

The duties and responsibilities of Altia Plc's ("Altia" or the "company") governing bodies are determined by Finnish law as well as Altia's Articles of Association approved by the General Meeting of Shareholders and Altia's Governance Principles approved by Altia's Board of Directors.

Altia is listed on the Official List of Nasdaq Helsinki. Altia's head office is located in Helsinki, Finland.

This Corporate Governance Statement has been prepared in accordance with the Finnish Corporate Governance Code 2015 published by the Securities Market Association (the "Governance Code"). This Statement is not part of the Board of Directors' Report. Altia complies with all Recommendations of the Governance Code.

The information required by the Finnish Corporate Governance Code is also available on the company's website www.altiagroup.com. An unofficial English translation of the Finnish Corporate Governance Code 2015 is available at www.cgfinland.fi.

Governing Bodies

The management of the company is the responsibility of the General Meeting of Shareholders, the Board of Directors and the CEO. The management and administration of the company are also based on the decisions of the General Meeting of Shareholders and the company.

General Meeting of Shareholders

The General Meeting of Shareholders is the ultimate decision-making authority of the company. At the General Meeting of Shareholders, the shareholder exercises its powers in accordance with the Companies Act and the Articles of Association. The General Meeting of Shareholders decides on matters that under the Companies Act and the Articles of Association are within its purview. A General Meeting of Shareholders is convened by the Board of Directors annually within six months from the end of the previous financial year. An Extraordinary Meeting of Shareholders may be convened in the manner provided for in the Companies Act. Matters on which the Annual General Meeting decides include the adoption of the financial statements, distribution of profits, discharge from liability, and election of the chairman, vice chairman and other members of the Board of Directors and the auditor, as well as their remuneration. Decisions to amend the Articles of Association are also taken by a General Meeting of Shareholders.

The Board of Directors

The Board of Directors is responsible for the administration of the company and the appropriate organisation of its operations. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances. The Board of Directors also ensures that good corporate governance is complied with throughout the Altia Group. The Board of Directors has approved the Corporate Governance principles of the Altia Group. The members of the Board of Directors are elected by the General Meeting of Shareholders. According to the Articles of Association, the Board of Directors consists of no less than one and no more than five members in addition to the chairman and vice chairman. The General Meeting of Shareholders elects the chairman, the vice chairman and the other members of the Board of Directors for a term expiring at the end of the next Annual General Meeting following their election. The biographical details of the members of the Board of Directors are presented on the company's website at www.altiagroup.com.

The Board of Directors have adopted the charter of the Board of Directors, which sets fort the procedures and working principles of the Board of Directors, as well as the most important tasks and issues considered and approved by the Board of Directors. Accordingly, the Board of Directors approves the company's strategy, financial targets, budgets, major investments and risk management principles. The Board of Directors appoints and dismisses the company's CEO. The Board of Directors considers and decides on all significant matters concerning the operations of the Altia Group and the business areas. The Board of Directors has also approved the charters of the Audit Committee and Human Resources Committee.

The Board of Directors convenes in accordance with a schedule agreed in advance and also as required. The Board of Directors also receives in its meetings current information on the operations, finances and risks of the Group. Board meetings are attended by the CEO, the CFO and the General Counsel (who acts as secretary to the Board). Members of the Executive Management Team and other representatives of the company attend Board meetings at the invitation of the Board of Directors. Minutes are kept of all meetings. The Board of Directors conducts annually a self-assessment of its activities and working practices.

Diversity of the Board of Directors

In Altia, the election and composition of the Board of Directors is also guided by the principle of diversity to ensure that the company has a skilled, competent, experienced and effective Board of Directors. Diversity is an essential quality of a well-functioning Board of Directors. The Board must at all times be able to react to the requirements of Altia's business and strategic objectives, and support and challenge management in a proactive and constructive manner. A diverse composition of the Board of Directors supports and caters to the current and future needs in the successful development and growth of the company.

A diverse composition of the Board of Directors includes complementary education, competence and experience of its members in different professional fields and management of business in different development phases as well as the personal qualities of each board member, all of which add to the diversity of the Board of Directors. Diversity is also supported by relevant experience in fields and markets that are strategically significant for the company, now and in the future, by strong and relevant acumen in international environments and businesses, and by a diverse age, term of office and gender distribution.

Shareholders' Nomination Board

The Shareholders' Nomination Board prepares annually proposals concerning the composition, election and remuneration of the members of the Board of Directors.

Pursuant to the charter of the Nomination Board approved by the General Meeting of Shareholders, the Nomination Board consists of three physical persons nominated by the three largest shareholders. The Chairman of the Board acts as an expert member in the Nomination Board. The Chairman of the Board is not a member of the Nomination Board and does not have voting rights. The term of the members of the Nomination Board ends on the appointment of the following Nomination Board. The members of the Nomination Board are not entitled to remuneration from the company based on their membership unless otherwise decided by the General Meeting of Shareholders.

The main duty of the Nomination Board is to ensure that the Board and its members represent a sufficient level of expertise, knowledge and competence for the needs of the Company and have the possibility to devote sufficient amount of time to attend their duties as members of the Board. The Nomination Board shall pay attention to achieving a good and balanced gender distribution and diversity balance on the Board considering the competence of the Board as a whole. The Nomination Board shall in its work consider the diversity principles of the Company.

The Nomination Board has the power and authority to prepare and to present a proposal to the General Meeting of Shareholders concerning the number of members and composition of the Board of Directors; and the remuneration of the members of the Board of Directors and the Board committees as well as seek prospective successor candidates for the members of the Board of Directors.

The Nomination Board shall submit its proposals to the Board of Directors at the latest on 31 January each year. The Proposals of the Nomination Board will be disclosed by a release by the company and included in the notice to the General Meeting of Shareholders. The Chairman of the Nomination Board presents the proposals at the General Meeting of Shareholders.

Board Committees

The Board of Directors of Altia has two Committees, the Audit Committee and the Human Resources Committee. The Committees do not have independent decision-making powers in relation to matters falling within the competence of the Board of Directors. The Committees are preparatory bodies that assist the Board of Directors by preparing and submitting proposals to the Board of Directors on matters within their purview. Minutes are kept of Committee meetings. The Board of Directors has approved the charters of the Committees. In its constitutive meeting, the Board of Directors appoints annually, from among its members, the members and the chairman of the Audit Committee and the Human Resources Committee.

In addition to the Audit Committee and Human Resources Committee, the Board of Directors may appoint ad hoc committees for preparing specific matters. Such committees do not have Board-approved charters and the Board of Directors do not release information on their term, composition, number of meetings or the members' attendance rates.

Audit Committee

The task of the Audit Committee is to assist the Board of Directors by reviewing and preparing topics relating to control of the company's operations and financial reporting and submitting resolution proposals to the Board of Directors on such topics. The Audit Committee's duties include monitoring the financial affairs and financial reporting of the company, monitoring the process for the reporting of the financial statements, reviewing the interim reports and financial statements and present them for approval by the Board of Directors, monitor the audit proper of the financial statements and consolidated financial statements, and monitor the effectiveness of internal controls, internal audit and risk management systems.

In addition, the duties of the Audit Committee include preparatory work on the decision on electing the auditor, the evaluation of the independence of the auditor, particularly the provision of related services to the company and carrying out other tasks assigned to it by the Board of Directors. The Audit Committee consist of at least three members.

Human Resources Committee

The Human Resources Committee assists the Board of Directors by reviewing and preparing management and personnel remuneration policies and issues related to management appointments, and making proposals on such matters to the Board of Directors. The Committee's responsibilities include reviewing, evaluating and making proposals on the remuneration structure and incentive schemes of management and the personnel of the Altia Group; monitoring the effectiveness of these schemes to ensure that they promote achievement of the company's short term and long term goals and are based on personal performance; reviewing and preparing other matters relating to the remuneration of management and personnel, and submitting proposals on these to the Board of Directors; and considering and preparing appointments of top management to be decided by the Board of Directors.

In addition, based on the proposal of the CEO, the Human Resources Committee proposes to the Board of Directors the appointment of members of the Executive Management Team and their remuneration, and the Committee evaluates the performance of the CEO and the members of the Executive Management Team and proposes to the Board of Directors their annual remuneration and other incentives. The Human Resources Committee has at least three members.

Chief Executive Officer

The Board of Directors of Altia appoints and dismisses the Chief Executive Officer (CEO), and decides on the terms of the CEO's employment. The terms and conditions of the CEO's employment are specified in a written service contract. The CEO of the company is responsible for managing, supervising and controlling the business operations of the company. The CEO is responsible for the day-to-day executive management of the company in accordance with the instructions and orders given by the Board of Directors. In addition, the CEO also ensures that the accounts of the company comply with Finnish law and that its financial affairs have been arranged in a reliable manner. The CEO shall provide the Board of Directors and its members with the information necessary for the performance of the duties of the Board of Directors. The CEO prepares issues for decision by the Board of Directors, develops the company in line with the targets agreed upon with the Board of Directors and ensures proper implementation of the decisions of the Board of Directors. The CEO is also responsible for ensuring that the company is managed in compliance with applicable laws and regulations. The CEO is not a member of the Board of Directors, but attends the meetings of the Board of Directors and has the right to speak at the meeting, unless the Board of Directors decides otherwise with regard to a particular subject matter.

Executive Management Team

The Executive Management Team is chaired by the CEO of Altia and comprises other senior management appointed by the Board of Directors. The Executive Management Team meets regularly to address matters concerning the entire Group. The Executive Management Team is not a decision-making body of the company. It assists the CEO in the implementation of Group strategy and in operational management. The Executive Management Team is responsible for managing the company's core business operations as a whole, which requires planning of various development processes, Group principles and Group practices, as well as monitoring the development of financial matters and Group business plans. The Executive Management Team convenes monthly and minutes are kept of the meetings. The Board of Directors have approved the charter of the Executive Management Team.

Control

Internal Audit

The Board of Directors appointed BDO as Internal Auditor of Altia as of the beginning of 2018. The internal auditor reports to the chairman of the Audit Committee. Internal audit monitors and evaluates the operation of processes as well as the appropriateness and effectiveness of the internal controls and the financial reporting of the company in an independent manner. The audit areas and audit plan of the internal audit are decided annually by the Audit Committee. Internal audit is implemented in accordance with the charter of the internal audit approved by the Board of Directors.

External Audit

According to the Articles of Association, the company has one auditor. The auditor must be a firm of authorised public accountants. The auditor is elected annually by the Annual General Meeting for a term that expires at the end of the next Annual General Meeting following the election. The task of the auditor is to audit the consolidated financial statements, the financial statements of the parent company, the accounting of the Group and the parent company and the administration of the parent company. The company's auditor submits the auditors' report to the shareholders in connection with the annual financial statements, as required by law, and submits regular reports on its findings to the Audit Committee of the Board of Directors.

Related Party Transactions

In accordance with the Governance Code, the Company evaluates and monitors transactions concluded between the company and its related parties and ensures that any conflicts of interest are taken into account appropriately in the decision-making process of the company. The Company keeps a list of parties that are related to the company.

Transactions with related parties are entered into on market terms and relevant decisions are taken in compliance with the company's approval policy and established decision-making limits. The company's finance function monitors related party transactions as a part of the company's normal reporting and control procedures, and reports related party transactions on a quarterly basis to the Audit Committee. The company reports the decision-making procedure applied in connection with related party transactions that are material to the company and that either deviate from the company's normal business operations or are not made on market or market equivalent terms. Information on transactions concluded between the company and its related parties is disclosed annually in the notes to the company's consolidated financial statements.

Internal control procedures and main features of risk management systems

Internal Control

Internal control ensures that the company's business objectives can be achieved. Through efficient control, deviations from objectives can be prevented or detected as early as possible, so that corrective measures can be taken. The purpose of internal control is to ensure the profitability, efficiency, continuity and freedom from disruptions of operations and that the Group's financial and operating reporting both externally and internally is reliable and compliant, and that internal principles, policies and guidelines are followed. Further, the internal control ensures compliance with laws and agreements. Internal control measures cover all Group levels and functions. Information systems are of vital importance for effective internal control. The planning of the control measures begins with the definition of business objectives and the identification and assessment of the risks that threaten the objectives. Control measures are targeted based on risks, and control measures are selected as appropriate so as to keep the risks under control.

The Board and the CEO are responsible for organising internal control. The financial performance of the Group is monitored monthly in the Executive Management Team and in the management teams of the business areas. Each business area must ensure effective control of its own operations. The business areas and the Group Finance organisation are responsible for the financial reporting processes. The Audit Committee assesses the financial reporting processes. In addition, the financial situation of the Group is also monitored in the meetings of the Audit Committee and the Board of Directors.

Risk Management

The objective of risk management in the Altia Group is to support the implementation of the strategy, the identification of risks and methods for reducing the probability and impacts of risks, as well as ensuring business continuity. Risks may arise from internal or external events. The Board has approved the Group Risk Management Policy, which describes the objectives, principles and responsibilities of risk management in the Group and also the principles of reporting. Accordingly, the Risk Steering Group supports and co-ordinates risk management as part of the Group's planning and steering processes. It also regularly reports the key risks to the management and the Audit Committee. The Board regularly discusses the Group's most significant risks and uncertainties and reports them to the market annually in the Board of Directors' Report. The business areas are responsible for risks related to their operations and their identification, prevention and key mitigation means. The Group Treasury manages the financial risks according to the hedging principles defined in the Treasury Policy. The company's Internal Audit evaluates the efficiency of the company's risk management system.

Insider Administration

In its insider administration, the company follows the Guidelines for Insiders issued by Nasdaq Helsinki complemented by the Company's own Insider Policy adopted by the Board. The Company maintains its own insider registers. The Company does not have permanent insiders.

Persons in managerial positions are prohibited to conduct transactions (on their own account or for the account of a third party), directly or indirectly, in the financial instruments of the Company during a closed period of 30 calendar days before the announcement of each of the quarterly financial reports or the year-end report (financial statement release). The Company applies the closed period after the end of each calendar quarter until the day after the announcement of the interim report or financial statements release, as the case may be (the ”Closed Window”). The Closed Window shall, however, always include at least 30 calendar days immediately preceding the announcement of the interim report or financial statements release, as the case may be, and the day of publication of such report. The prohibition is in force regardless of whether such a person holds any inside information at that time. A project-specific insider register is also maintained when required by law or regulations. Project-specific insiders are prohibited from trading in the Company's securities until the termination of the project. Persons in managerial positions (and their closely associated persons) are obligated to report transactions in the Company's financial instruments in line with applicable EU and domestic laws and regulations. The Board, the CEO and the members of the Executive

Management Team are designated as persons with an obligation to disclose their transactions

Corporate Governance in 2018

Altia's Listing on Nasdaq Helsinki

On 12 March 2018 Altia announced that it will apply for its shares to be listed on the official list on Nasdaq Helsinki Ltd. The Initial Public Offering was completed on 23 March 2018 with an oversubscription of the offered shares. In addition, the company issued 180 485 new shares in the Company for the permanent employees of Altia in Finland and Sweden and for the members of the Executive Management Team.

The subscription price for the sale shares was set at EUR 7.50 per share and EUR 6.75 per share in the personnel offering. 6 000 000 shares were allocated to private individuals and entities in Finland, and 17 000 000 shares were allocated to institutional investors. Approximately 16 500 investors submitted a subscription commitment in the public share sale.

Trading in Altia's shares commenced on the prelist of Nasdaq Helsinki Ltd on 23 March 2018 and on the official list of the Helsinki Stock Exchange on 27 March 2018. The personnel shares were admitted for trading on 28 March 2018.

Extraordinary General Meeting

The extraordinary General Meeting of Altia Plc held on 22 February 2018 elected Mr Jukka Ohtola to the Board of Directors of Altia.

Annual General Meeting

The 2018 Annual General Meeting of Altia adopted the financial statements for the financial year 2017. The members of the Board of Directors and the CEO were discharged from liability for the financial year 2017. The Annual General meeting elected the members of the Board of Directors and the auditor. As proposed by the Board of Directors, the Annual General Meeting decided that no dividend is distributed for the financial year 2017.

The Board of Directors

The Annual General Meeting of Altia elected the following seven members to the Board of Directors of Altia:

- Ms Sanna Suvanto-Harsaae, chairman, b. 1966, B.Sc. (Business Administration)
- Mr Kai Telanne, vice chairman b. 1964, M.Sc. (Econ.), President and CEO
- Mr Kim Henriksson, b. 1968, M.Sc. (Econ.), CFO
- Ms Annikka Hurme, b. 1964, M.Sc. (Food Sciences), CEO
- Ms Tiina Lencioni, b. 1971, Master of Laws (LL.M.) 2.Staatsexamen/Assessor iuris. (Germany), General Counsel
- Mr Jukka Ohtola, b.1967, M.Sc. (Econ.), CEFA, Ministerial Adviser
- Mr Torsten Steenholt, b. 1969, M.Sc. (Pharmacy), M.Sc. (Chemical Research), Master Brewer, EVP

The Board of Directors have assessed the independence of its members. All members of the Board of Directors are independent of the company. Board member Jukka Ohtola holds an office with the Ownership Steering Department of the Prime Minister's Office. All other members of the Board of Directors are independent of the shareholders of the company. The Board of Directors of Altia convened fifteen times in 2018, with an average attendance rate of 94.1%.

Diversity of the Board of Directors

In 2018, the Board of Directors of Altia consisted of six to seven members, of whom all hold university-level degrees. The members of the Board of Directors have international work experience in different managerial positions or have worked or are working in the boards of directors or in the management of listed or unlisted companies. Two members have worked or work in managerial positions in FMCG companies. In 2018, the gender distribution in the Board of Directors was well balanced with three women and four men. In terms of age, the members of the Board of Directors are between 47 and 54 years of age. With regard to the terms of office of the members of the Board of Directors, the members have been appointed in 2010, 2013, 2015, 2016, 2017 and 2018.

Audit Committee

The members of the Audit Committee of the Board of Directors are Mr Kim Henriksson (chairman), Ms Tiina Lencioni and Ms Sanna Suvanto-Harsaae. In 2018, the Audit Committee convened seven times, with an average attendance rate of 100%.

Human Resources Committee

The members of the Human Resources Committee of the Board of Directors are Ms Sanna Suvanto-Harsaae (chairman), Ms Annikka Hurme, Mr Jukka Ohtola and Mr Kai Telanne. In 2018, the Human Resources Committee convened eight times and the average attendance rate of the Committee's members was 92.9%.

NUMBER OF BOARD AND COMMITTEE MEETINGS IN 2018 AND ATTENDANCE RATES:

	Board	Audit Commitee	Human Resources Committee
Sanna Suvanto-Harsaae	15/15	7/7	8/8
Kai Telanne	15/15		8/8
Annikka Hurme	11/15		6/8
Kim Henriksson	15/15	7/7	
Tiina Lencioni	14/15	7/7	
Jukka Ohtola	11/11		4/4
Torsten Steenholt	14/15		

Chief Executive Officer

Mr Pekka Tennilä (b. 1969), M. Sc. (Business Management) serves as the CEO of Altia Plc.

Executive Management Team

In 2018, the Executive Management Team of Altia comprised the following members:

- Mr Pekka Tennilä, CEO
- Mr Janne Halttunen, SVP Scandinavia
- Mr Kari Kilpinen, SVP Finland & Exports
- Ms Kirsi Lehtola, SVP Human Resources
- Mr Matti Piri, CFO (until 30 November 2018)
- Ms Kirsi Puntila, SVP Marketing
- Mr Hannu Tuominen, SVP Altia Industrial

On 26 November 2018 the company announced that Mr Niklas Nylander has been appointed CFO and member of the Executive Management Team of Altia as of 1 January 2019.

Compensation and other benefits of the Board of Directors, the CEO and the Executive Management Team

The compensation and other benefits of the Board of Directors, the CEO and the Executive Management Team are disclosed in Altia's Remuneration Statement.

Shares and share based rights

On 28 March 2018, a total of 180 485 new shares were registered in the Finnish Trade Register in connection with the IPO of the company. At the end of 2018, the number of issued shares of Altia was 36 140 485.

The shareholdings of the members of the Board of Directors, the CEO, and the members of the Executive Management Team, and the corporations over which they exercise control, were as follows as the end of 2018:

MANAGEMENT'S SHAREHOLDINGS

		# of shares on 31.12.2018
Pekka Tennilä	CEO	32 604
Niklas Nylander	CFO	
Janne Halttunen	SVP, Scandinavia	12 000
Kari Kilpinen	SVP, Finland & Exports	10 856
Kirsi Lehtola	SVP, HR	5 100
Kirsi Puntila	SVP, Marketing	6 666
Hannu Tuominen	SVP, Altia Industrial	9 600
TOTAL		**76 826**
% OF TOTAL SHARES		**0.21%**
Altia total # of shares		36 140 485

BOARD OF DIRECTOR'S SHAREHOLDINGS

		# of shares on 31.12.2018
Sanna Suvanto-Harsaae	chairman	3 908
Kai Telanne	vice chairman	716
Annikka Hurme	member	659
Kim Henriksson	member	11 551
Nokkila Konsult & Förvaltnings AB *)		5 250
Tiina Lencioni	member	430
Jukka Ohtola	member	
JPO Capital Oy *)		200
Torsten Steenholt	member	1 250
TOTAL		**23 964**
% OF TOTAL SHARES		**0.07%**

*) controlled corporation

Neither the members of the Board of Directors, the CEO, or the members of the Executive Management Team nor corporations over which any of them exercise control have any share-based rights in Altia or its group companies.

Shareholders' Nomination Board

On 12 October 2018, the company announced that its three largest registered shareholders (shareholder register maintained by Euroclear Finland Ltd as per 3 September 2018) have nominated the following representatives to the Shareholders' Nomination Board:

- Mr Jarmo Väisänen, the Ownership Steering Department in the Prime Minister's Office
- Ms Hanna Kaskela, Varma Mutual Pension Insurance Company
- Ms Annika Ekman, Ilmarinen Mutual Pension Insurance Company

The Nomination Board elected Mr Jarmo Väisänen as its Chairman. The Chairman of Altia's Board of Directors, Sanna Suvanto-Harsaae acts as an expert member in the Nomination Board.

External Audit

PricewaterhouseCoopers Oy, a firm of Authorised Public Accountants, is Altia's auditor, with Ylva Eriksson, Authorised Public Accountants, as the principal auditor. The fees for the audit proper paid to PwC in 2018 totaled EUR 0.3 million. In addition, EUR 0.6 million was paid for other consultation provided to Group companies.

Remuneration Statement

Altia Plc ("Altia" or "Company") is listed on the official list of Nasdaq Helsinki Ltd as of 23 March 2018. Altia's head office is located in Helsinki, Finland. This Remuneration Statement is given in accordance with the requirements of the Finnish Corporate Governance Code 2015.

A. Decision-making procedure concerning remuneration

Members of the Board of Directors

The Annual General Meeting decides annually on the remuneration payable to members of the Board of Directors and its Committees for their term of office. The company's Shareholders' Nomination Board, which consists of the three largest shareholders, prepares for the Annual General Meeting proposals on the number of members of the Board of Directors, the composition of the Board of Directors as well as the remuneration of the members of the Board of Directors and its Committees. The Nomination Board submits its proposals the latest on 31 January each year. The proposals of the Nomination Board are disclosed by a release by the company and included in the notice to the General Meeting of Shareholders. The Chairman of the Nomination Board presents the proposals at the General Meeting of Shareholders.

CEO and other executives

Altia's Board of Directors decides annually on Altia Group's principles of remuneration, the basis and targets for performance incentives as well as their maximum amounts. The Board of Directors also annually evaluates the performance of the CEO and the members of the Executive Management Team, as well as decides on the total remuneration of the CEO and, at the proposal of the CEO, the members of the Executive Management Team, taking into account the recommendations of the Human Resources Committee. The Board of Directors, assisted by the Human Resources Committee, decides on management remuneration shemes and their terms, and monitors regularly the achievement of set criteria and targets.

The Human Resources Committee assists the Board of Directors by reviewing and preparing management remuneration matters and making proposals on such matters to the Board of Directors. The Committee's responsibilities include reviewing and evaluating the remuneration and incentive schemes of management and monitoring the effectiveness of these schemes to ensure that they promote the achievement of the company's short term and long-term goals and are based on personal performance.

Share-based incentive schemes and authorisations of the Board

According to the Companies Act, decisions concerning the issue of shares, options or other special rights entitling to shares are made by the General Meeting of Shareholders or by the company's Board of Directors pursuant to an authorisation from the General Meeting of Shareholders. The Board of Directors of Altia has not been authorised by the General Meeting of Shareholders concerning the issue of shares, options or other special rights entitling to shares. Altia has no option schemes. For further information on share-based incentive schemes, please refer to section B. of this Remuneration Statement.

B. Main principles of remuneration

Members of the Board of Directors

The remuneration of the members of the Board of Directors of Altia consists of monthly term of office fee and an attendance fee per meeting. The members of the Board of Directors are not included in the company's incentive schemes. The company has not granted any loans to members of the Board of Directors, nor given guarantees on their behalf. The members of the Board of Directors have not received shares, options or other special rights entitling to shares in the company.

The 2018 Annual General Meeting of Altia decided that the chairman of the Board of Directors receives a term of office fee of 2 750 euros per month, the vice chairman a term of office fee of 1 800 euros per month and the other members of the Board of Directors a term of office fee of 1 450 euros per month. The Annual General Meeting also approved an attendance fee for meetings of the Board of Directors and its Committees. The attendance fees are 600 euros per meeting for Board members residing in Finland and 1 200 euros per meeting for Board members residing abroad.

The objectives of the remuneration of the CEO and Other Executives

The objectives of the remuneration and incentive schemes for the CEO and member of the Executive Management Team are to align the interests of Altia's management with those of the company's shareholders and, thus, to promote shareholder value creation in the long term, and to commit the management, short term and long term, to achieving Altia's financial and strategic targets, the retention of Altia's valuable key resources, and reward for excellent personal performance as well as for the financial success of Altia. The strategy and development phase of the company are considered when determining the remuneration.

Remuneration of the CEO

The remuneration of the CEO of Altia consists of a fixed base salary, fringe benefits, an annual incentive and long-term incentive schemes. The yearly fixed base salary of CEO Pekka Tennilä is 314 612 euros. The retirement age of the CEO is 63 years and his pension is in accordance with the Employees' Pensions Act. The CEO does not have a supplementary pension insurance paid by the company. No signing bonus has been paid to the CEO, nor does he have a stay bonus. The CEO has a six months period of notice. If the service contract is terminated by Altia, the CEO is entitled to a severance payment corresponding to six months' salary, in addition to the salary for the notice period.

Remuneration of Other Executives

The remuneration of the members of Altia's Executive Management Team consists of a fixed base salary, fringe benefits, an annual incentive and long-term incentive schemes. The retirement age and pension of the executives are in accordance with the Employees' Pensions Act. No signing bonus has been paid to the Executive Team Members, nor does they have a stay bonus. If the employment contract is terminated by Altia, the executive is entitled to a severance payment corresponding to six months' salary, in addition to the salary for the notice period.

Neither the CEO nor any of the members of the Executive Management Team have received shares, options or other special rights entitling to shares in the company as remuneration.

Altia's Incentive Schemes

Annual incentive

Altia's CEO and the members of the Executive Management Team are part of an annual incentive plan. The potential annual incentive is based on operational targets of the Group with a weight of 70% and on personal targets with a weight of 30%. The targets are approved annually by the Board of Directors. The potential incentive award is paid annually. The target level of the CEO's and the Executive Management Team members' incentive for 2019 is 30% of the annual salary and the maximum level is 60% of the annual salary. The operational target for the 2019 annual incentive plan is the improvement of comparable EBITDA.

Long-term incentive schemes

Altia's long-term incentive schemes complement the annual incentive to create a balanced incentive structure.

Long-term incentive scheme 2017–2019

Altia's CEO and the members of the Executive Management Team are part of a long-term incentive scheme for 2017–2019, which has been approved by the Board of Directors. According to the plan, possible awards are paid during 2020–2022 in cash. The target reward level is 20% of the annual salary and the maximum level is 40% of the annual salary. The target of the long-term incentive scheme is to increase shareholder value and favorable development of net sales.

New share-based long-term incentive scheme

The Board of Directors of Altia Plc has in February 2019 decided on the establishment of a new share-based long-term incentive scheme for the management and key employees of Altia Group. The incentive scheme consists of annually commencing individual performance share plans (PSP), each with a three-year performance period, followed by the payment of the potentially earned share reward. The commencement of each individual plan is subject to a separate Board approval.

The First Plan 2019–2021

The first plan within the structure, PSP 2019–2021, commences as of the beginning of 2019. Eligible to participate in PSP 2019–2021 are approximately 20 individuals, including the CEO and other members of the Executive Management Team. Potential rewards under the plan will be paid in the spring of 2022, provided that the performance targets set by the Board of Directors are achieved. The potential reward will be paid in listed shares of Altia Plc.

The performance targets based on which the potential share reward under PSP 2019–2021 will be paid are the relative total shareholder return of Altia's share and earnings per share (EPS). If all the performance targets set for PSP 2019–2021 are fully achieved, the aggregate maximum number of shares to be paid based on this first plan is approximately 250 000 shares. This number of shares represents a gross earning, from which the applicable payroll tax is withheld and the remaining net value is paid to the participants in shares. The Board of Directors anticipates that no new shares will be issued based on the share-based incentive scheme and that the scheme will, therefore, not have a dilutive effect on the registered number of the Company's shares. According to the terms of the incentive scheme, the combined amount of variable compensation paid to an individual participant in any given year, including the long-term incentive scheme and the short-term incentive scheme, may not exceed 120% of the individual' annual gross base salary.

Share ownership recommendation

Altia applies a share ownership recommendation to the members of its Executive Management Team. According to this recommendation each member of the Executive Management Team is expected to retain in his/her ownership at least half of the net shares received under the share-based incentive schemes of Altia until the value of his/her share ownership in Altia corresponds to at least his/her annual gross base salary.

C. Remuneration report 2018

Members of the Board of Directors

The members of the Board of Directors received term of office fees and attendance fees in 2018 as follows:

	term of office fees/ euros	attendande fees/ euros	total/ euros
Sanna Suvanto-Harsaae	33 000	36 000	69 000
Kai Telanne	20 900	13 800	34 700
Annikka Hurme	18 100	10 800	28 900
Kim Henriksson	17 400	26 400	43 800
Tiina Lencioni	17 400	12 600	30 000
Jukka Ohtola	14 900	9 000	23 900
Torsten Steenholt	17 400	16 800	34 200

CEO and Other Executives

Remuneration of the CEO in 2018

The salary and other remuneration paid in 2018 to CEO Pekka Tennilä amounted to a total of 628 950 euros, as follows:

Fixed base salary	314 612 euros
Fringe benefits	14 338 euros
Annual incentive for 2017	0 euros
One-off Reward 2018*	300 000 euros

Remuneration of Other Executives in 2018

The salary and other remuneration paid in 2018 to the members of the Executive Management Team (other than the CEO) amounted to a total of 1 834 701 euros, as follows:

Fixed base salary	1 040 111 euros
Fringe benefits	41 125 euros
Annual incentive for 2017	0 euros
One-off Reward 2018*	753 465 euros

*One-off Reward

The Board of Directors decided in 2018 on the payment of a one-off reward to the CEO and the members of the Executive Management Team. The persons entitled to the reward were committed, as a prerequisite for the reward, to personally investing in Altia a sum, after taxes and other deductions, corresponding to the net sum of the received reward by subscribing for shares in the directed share issue to the permanent employees of Altia in Finland and Sweden and for the members of the Executive Management Team in connection with the listing of Altia on Nasdaq Helsinki Ltd. The reward paid to the CEO was 300 000 euros and to the other members of the Executive Management Team 753 465 euros in total.

Board of Directors

At year-end unless otherwise stated

Sanna Suvanto-Harsaae

CHAIRMAN OF THE BOARD OF DIRECTORS

b. 1966, B.Sc. (Business Administration)

Independent of the company and the shareholders

Chairman of the Board of Directors since 2015,
Member of the Board of Directors since 2013
Chairman of the HR Committee,
Member of the Audit Committee

Key positions of trust:

- BoConcept AB, Chairman of the Board
- Babysam AS, Chairman of the Board
- TCM AS, Chairman of the Board
- Nordic Pet Care Group AS, Chairman of the Board
- Workz AS, Chairman of the Board
- Footway AB, Chairman of the Board
- Paulig Oy, Vice chairman of the Board
- SAS AB, Member of the Board
- Broman Group Oy, Member of the Board

Kai Telanne

VICE CHAIRMAN OF THE BOARD OF DIRECTORS

b. 1964, M.Sc. (Econ.)

Alma Media Corporation , President and CEO

Independent of the company and the shareholders

Vice chairman of the Board of Directors since 2018,
Member of the Board of Directors since 2016
Member of the HR Committee

Key positions of trust:

- Varma Mutual Pension Insurance Company, Deputy Chairman of the Board
- Teleste Corporation, Member of the Board of Directors
- Tampere Chamber of Commerce and Industry, Member of the Board

Kim Henriksson

MEMBER OF THE BOARD OF DIRECTORS

b. 1968, M.Sc. (Econ.)

EQT AB, Chief Financial Officer

Independent of the company and the shareholders

Member of the Board of Directors since 2015.
Chairman of the Audit Committee

Annikka Hurme

MEMBER OF THE BOARD OF DIRECTORS

b. 1964, M.Sc. (Food Sciences)

Valio Oy, CEO

Independent of the company and the shareholders

Member of the Board of Directors since 2010,
Vice-chairman of the Board of Directors 2015–2018
Member of the HR Committee

Key positions of trust:

- Apetit Group, Member of the Board
- Finnish Food and Drink Industries' Federation, Chairman of the Board and Member of the Executive Committee
- Valion Eläkekassa, Valion Keskinäinen vakuutusyhtiö, Member of the Board
- East Office of Finnish Industries, Member of the Board
- Suomen Messut Osuuskunta, Member of the Supervisory Board
- TAF Technology Academy Finland, Member of the Board
- Finnish Foundation of Cardiovascular Research, Member of the Board

Tiina Lencioni

MEMBER OF THE BOARD OF DIRECTORS

b. 1971, Master of Laws (LL.M.)
2.Staatsexamen/Assessor iuris. (Germany)

Marimekko Corporation, General Counsel

Independent of the company and the shareholders

Member of the Board of Directors since 2017
Member of the Audit Committee

Key positions of trust:

- Business Practice of Helsinki Chamber of Commerce, Member

Jukka Ohtola

MEMBER OF THE BOARD OF DIRECTORS

b. 1967, M.Sc. (Econ.), CEFA

Prime Minister's Office, Ministerial Adviser

Independent of the company. Holds an office with the Ownership Steering Department of the Prime Minister's Office, Finland.

Member of the Board of Directors since 2018
Member of the HR Committee

Key positions of trust:

- Kemijoki Oy, member of the Board
- Motiva Oy, member of the Board

Torsten Steenholt

MEMBER OF THE BOARD OF DIRECTORS

b. 1969, M.Sc. (Pharmacy), M.Sc. (Chemical Research), Master Brewer

Chr. Hansen, EVP, Global Operations

Independent of the company and the shareholders

Member of the Board of Directors since 2017

Key positions of trust:

- CO-RO A/S, Member of the Board

Executive Management Team

At year-end unless otherwise stated

Pekka Tennilä

CEO

b. 1969, M.Sc. (Business Management)

Pekka Tennilä has been the Chief Executive Officer of Altia since 2014 and a member of the Executive Management Team since 2014. He joined Altia in 2014. Previously, he served as the Chief Executive Officer, Baltics at Carlsberg Group, and has also held other managerial positions at Carlsberg Group. He is a Board member of Finnish Food and Drink Industries' Federation (ETL) and a Board member of The Association of Finnish Advertisers.

Janne Halttunen

SVP, SCANDINAVIA

b. 1970, M.Sc. (Business Administration)

Janne Halttunen has been the Senior Vice President, Scandinavia since 2017 and a member of the Executive Management Team since 2015. He joined Altia in 2009 as the Managing Director of Oy Wennerco Ab. Previously, he served as Altia's Senior Vice President, Partner Business and Export; as the Director, Business Development; Managing Director, Partner Brands, as well as a member of the Board of Directors of Craft & Cask Ltd. In addition, he has held several managerial positions at British American Tobacco.

Kari Kilpinen

SVP, FINLAND & EXPORTS

b. 1963, MBA,
Bachelor of Hospitality Management

Kari Kilpinen has been the Senior Vice President, Finland & Exports since 2017 and a member of the Executive Management Team since 2017. He joined Altia in 1997 and has served as a Director of Altia Finland since 2009. He is a Board member of The Association of Finnish Alcoholic Beverage Suppliers (SAJK).

Kirsi Lehtola

SVP, HR

b. 1963, Master of Laws

Kirsi Lehtola has been the Senior Vice President, HR since 2016 and a member of the Executive Management Team since 2016. She joined Altia in 2016. Previously, she served as HR Director, Insurance and Wealth Management at OP Financial Group as well as Head of HR, Group HR Services, and Senior Vice President, HR, Publication Paper and Finland at Stora Enso Oyj. She has also been a member in the Advisory Committee of Forest Industry Federation.

Niklas Nylander

CFO (AS OF 1 JANUARY 2019)

b. 1973, M.Sc. (Econ.)

Niklas Nylander has been the CFO of Altia and a member of the Executive Management Team since January 2019. He joined Altia in January 2019. He has previously worked as a CFO at Sponda Plc. Prior to that, he made an extensive career within the Tamro Group holding several leading finance positions within the Tamro Group as well as different Nordic business units.

Kirsi Puntila

SVP, MARKETING

b. 1970, M.Sc. (Econ.)

Kirsi Puntila has been the Senior Vice President, Marketing since 2016 and a member of the Executive Management Team since 2016. She joined Altia in 2014. Previously, she served as the Spirits Category Director of Altia and the Marketing Director, Altia Brands, Stockholm. She has also served as the Global Marketing Manager (Kahlua and Absolut Flavors) of The Absolut Company (Pernod Ricard S.A). She is a Board member of Vapo.

Hannu Tuominen

SVP, ALTIA INDUSTRIAL

b. 1958, M.Sc. (Eng.)

Hannu Tuominen has been the Senior Vice President, Altia Industrial (previously Industrial Services and Supply Chain) since 2009 and a member of the Executive Management Team since 2008. He joined Altia in 2008. He is a member of the Board of Directors of Roal Oy. Previously, he has been the Chairman of the Board of Directors of A-Pullo Oy, a member and a deputy member of the Board of Directors of Chemigate Oy and a deputy member of the Board of Directors of Palpa Lasi Oy. He also served as an Interim CEO of Altia from November 2013 to May 2014. Previously he served Vaisala Corporation as Production Director and Division Director in 1992–2007. In addition, he has held several managerial positions at Fiskars Oyj.

CHANGES DURING THE REPORTING PERIOD:
Altia's previous CFO, Matti Piri announced on 31 August 2018 that he will leave the company for a position outside Altia. He stayed as a CFO and as a member of the Executive Management Team of Altia until 30 November 2018

Financial Statements

Contents to the Financial Statements

SYMBOLS

Accounting

Critical estimates and management judgements

*Part of the Financial Statements

CONSOLIDATED INCOME STATEMENT

EUR million	Note	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
NET SALES	1.1.	**357.3**	**359.0**
Other operating income	1.3.	7.4	8.3
Materials and services	1.4.	-206.8	-202.0
Employee benefit expenses	1.5.	-49.9	-52.0
Other operating expenses	1.6.	-73.9	-72.9
Depreciation, amortisation and impairment	1.7.	-14.4	-14.2
OPERATING RESULT		**19.7**	**26.1**
Finance income	3.1.	3.5	4.5
Finance expenses	3.1.	-5.8	-6.4
Share of profit in associates and income from interests in joint operations		1.2	0.9
RESULT BEFORE TAXES		**18.6**	**25.0**
Income tax expense	6.1.	-3.6	-6.7
RESULT FOR THE PERIOD		**15.1**	**18.3**
Result for the period attributable to:			
Owners of the parent		15.1	18.3
Earnings per share for the result attributable to owners of the parent, EUR			
Basic and diluted	3.4.	0.42	0.51

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Note	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
Result for the period		15.1	18.3
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	2.6.	0.0	-0.0
Related income tax	6.1.	-0.0	0.0
Total		**-0.0**	**-0.0**
Items that may be reclassified to profit or loss			
Cash flow hedges		0.4	1.4
Available-for-sale financial assets		-	0.6
Translation differences	3.4.	-3.5	-4.0
Income tax related to these items	6.1.	-0.1	-0.3
Total		-3.2	-2.3
Other comprehensive income for the period, net of tax		-3.2	-2.3
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**11.9**	**16.0**
Total comprehensive income attributable to:			
Owners of the parent		11.9	16.0

The notes are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

EUR million	Note	31 Dec 2018	31 Dec 2017
ASSETS			
Non-current assets			
Goodwill	2.1.	80.7	82.1
Other intangible assets	2.1.	29.6	34.4
Property, plant and equipment	2.2.	64.6	67.4
Investments in associates and interests in joint operations	5.3.	7.9	7.6
Financial assets at fair value through other comprehensive income	3.2.1.	1.4	-
Available-for-sale financial assets	3.2.1.	-	1.4
Other receivables	3.2.1.	-	1.0
Deferred tax assets	6.1.	0.8	1.0
Total non-current assets		**185.1**	**194.8**
Current assets			
Inventories	2.3.	99.6	94.5
Contract assets	2.4.	0.2	-
Trade and other receivables	2.5.	60.9	53.9
Current tax assets		2.5	2.8
Cash and cash equivalents	3.2.1.	42.0	52.4
Total current assets		**205.3**	**203.6**
TOTAL ASSETS		**390.4**	**398.4**

EUR million	Note	31 Dec 2018	31 Dec 2017
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent	3.4.		
Share capital		60.5	60.5
Invested unrestricted equity fund		1.2	-
Fair value reserve		0.6	0.6
Hedge reserve		0.0	-0.3
Translation differences		-19.6	-16.0
Retained earnings		107.3	92.0
Total equity		**150.1**	**136.8**
Non-current liabilities			
Deferred tax liabilities	6.1.	16.8	17.7
Borrowings	3.2.2.	82.7	89.1
Employee benefit obligations	2.6.	1.3	1.3
Total non-current liabilities		**100.8**	**108.2**
Current liabilities			
Borrowings	3.2.2.	6.7	11.0
Provisions	2.9.	0.5	-
Trade and other payables	2.7.	131.4	137.4
Contract liabilities		0.6	-
Current tax liabilities		0.4	5.0
Total current liabilities		**139.5**	**153.4**
Total liabilities		**240.3**	**261.6**
TOTAL EQUITY AND LIABILITIES		**390.4**	**398.4**

The notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	Note	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
CASH FLOW FROM OPERATING ACTIVITIES			
Result before taxes		18.6	25.0
Adjustments			
Depreciation, amortisation and impairment	1.7.	14.4	14.2
Share of profit in associates and income from investments in joint operations	5.3.	-1.2	-0.9
Net gain on sale of non-current assets	1.3.	-0.5	-1.6
Finance income and costs	3.1.	2.3	1.9
Other adjustments		0.8	0.5
		15.7	14.1
Change in working capital			
Change in inventories, increase (-) / decrease (+)		-5.5	1.2
Change in contract assets, trade and other receivables, increase (-) / decrease (+)		-7.4	9.4
Change in contract liabilities, trade and other payables, increase (+) / decrease (-)		-4.3	-2.6
Change in provisions, increase (+) / decrease (-)		-	-1.3
Change in working capital		-17.2	6.7
Interest paid	3.1.	-1.4	-1.7
Interest received	3.1.	0.1	0.3
Other finance income and expenses paid	3.1.	-1.4	-2.2
Income taxes paid	6.1.	-8.0	-4.6
Financial items and taxes		-10.6	-8.2
NET CASH FLOW FROM OPERATING ACTIVITIES		**6.5**	**37.6**

EUR million	Note	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment and intangible assets	2.1.,2.2.	-7.7	-11.9
Proceeds from sale of property, plant and equipment and intangible assets	1.3.	0.6	2.6
Proceeds from sale of available-for-sale financial assets		-	0.0
Repayment of loan receivables	3.2.	0.9	0.3
Interest received from investments in joint operations	5.3.	0.9	0.9
Dividends received	3.1.	0.1	0.2
NET CASH FLOW FROM INVESTING ACTIVITIES		**-5.2**	**-7.8**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from borrowings	3.3.2.	20.0	100.0
Repayment of borrowings	3.3.2.	-30.7	-72.5
Dividends paid and other distributions of profits	3.6.	-	-70.5
Share issue, personnel offering		1.2	-
NET CASH FLOW FROM FINANCING ACTIVITIES		**-9.5**	**-43.0**
CHANGE IN CASH AND CASH EQUIVALENTS		**-8.2**	**-13.2**
Cash and cash equivalents at the beginning of the period		52.4	68.0
Translation differences on cash and cash equivalents		-2.2	-2.5
Change in cash and cash equivalents		-8.2	-13.2
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3.2.3.	**42.0**	**52.4**

The notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity attributable to owners of the parent EUR million	Note	Share capital	Invested unrestricted equity fund	Fair value reserve	Hedge reserve	Translation differences	Retained earnings	Total equity
Equity at 1 January 2017		**60.5**	**-**	**-**	**-1.4**	**-12.3**	**144.5**	**191.3**
Total comprehensive income								
Result for the period		-	-	-	-	-	18.3	18.3
Other comprehensive income (net of tax)								
Cash flow hedges		-	-	-	1.1	-	-	1.1
Available-for-sale financial assets	3.2.1.	-	-	0.6	-	-	-	0.6
Translation differences	3.4.	-	-	-	-	-3.8	-0.2	-4.0
Remeasurements of post-employment benefit obligations	2.6.	-	-	-	-	-	-0.0	-0.0
Total comprehensive income for the period		**-**	**-**	**0.6**	**1.1**	**-3.8**	**18.0**	**16.0**
Transactions with owners								
Dividend distribution		-	-	-	-	-	-70.5	-70.5
Total transactions with owners		**-**	**-**	**-**	**-**	**-**	**-70.5**	**-70.5**
EQUITY AT 31 DECEMBER 2017		**60.5**	**-**	**0.6**	**-0.3**	**-16.0**	**92.0**	**136.8**
Equity at 1 January 2018		**60.5**	**-**	**0.6**	**-0.3**	**-16.0**	**92.0**	**136.8**
Change in accounting principle		-	-	-	-	-	0.1	0.1
Equity at 1 January 2018, restated		**60.5**	**-**	**0.6**	**-0.3**	**-16.0**	**92.1**	**136.9**
Total comprehensive income								
Result for the period		-	-	-	-	-	15.1	15.1
Other comprehensive income (net of tax)								
Cash flow hedges		-	-	-	0.3	-	-	0.3
Translation differences	3.4.	-	-	-	-	-3.5	0.0	-3.5
Remeasurements of post-employment benefit obligations	2.6.	-	-	-	-	-	-0.0	-0.0
Total comprehensive income for the period		**-**	**-**	**-**	**0.3**	**-3.5**	**15.1**	**11.9**
Transactions with owners								
Share issue		-	1.2	-	-	-	-	**1.2**
Share based payment, personnel offering		-	-	-	-	-	0.1	**0.1**
Total transactions with owners		**-**	1.2	-	-	-	0.1	**1.4**
EQUITY AT 31 DECEMBER 2018		**60.5**	**1.2**	**0.6**	**0.0**	**-19.6**	**107.3**	**150.1**

The notes are an integral part of the consolidated financial statements.

Notes to the consolidated financial statements

GENERAL INFORMATION

Information on Altia

Altia Plc (the "Company") together with its' subsidiaries (the "Group", "Altia Group" or "Altia") is an international alcoholic beverage service Group, which operates in the Nordic countries, Estonia, Latvia and France producing, marketing, selling and distributing both own and partner brands. Altia distils barley spirit from domestic barley for the basis of its beverages. The production plants are located in Finland and Estonia, and aging and production of cognac in France. Altia has high-quality brands of its own and international brands. In addition, the company represents international brands from all over the world. Altia's business also includes industrial products such as starch and feed, technical ethanol and contract services.

Altia's customers include alcohol retail monopolies, alcoholic beverage wholesale outlets, restaurants, grocery stores, travel trade and importers in the export markets.

Altia Plc, the parent company of Altia Group, is domiciled in Helsinki, Finland. Altia Plc is a Finnish publicly listed company. Altia's shares are listed in Nasdaq Helsinki Ltd. The registered address of the Company is Kaapeliaukio 1, FI-00180 Helsinki, Finland. Copies of the consolidated financial statements are available online at www.altiagroup.com or at the Group's headquarters at Kaapeliaukio 1, FI-00180 Helsinki, Finland.

Altia Plc's Board of Directors has approved these financial statements for publication in its meeting on 6 February 2019. According to the Finnish Limited Liability Companies Act, shareholders have the right to approve or reject the financial statements in the Annual General Meeting held after the publication of the financial statements. The Annual General Meeting also has the right to make a decision to amend the financial statements.

Basis of preparation

The consolidated financial statements for the year ended 31 December 2018 are prepared in accordance with International Financial Reporting Standards (IFRSs) complying with the SIC and IFRIC interpretations in force and approved by EU on 31 December 2018. Notes to the consolidated financial statements also comply with the requirements of the Finnish Accounting Act and Limited Liability Companies Act.

New and amended standards applied in 2018 and future periods are described in Note 6.4 (p. 162).

The consolidated financial statements for the year ended 31 December 2018 has been prepared on a historical cost basis, except equity investments and derivatives. The consolidated financial statements are presented in thousands of euros (Annual Reports in millions of euros). The figures are rounded to the nearest thousand, and therefore the sum of individual figures may deviate from the total presented. If the figure is EUR 0, it is shown as a hyphen.

Refer to the table below to see which notes and accounting principles are related.

Nr.	Note	Accounting principle
1.	Operating result	Revenue recognition, operating result
1.2.	Segment information	Operating segments
2.9.	Provisions	Provisions
2.6.	Employee benefit obligations	Employee benefits
2.2.	Property, plant and equipment	Property, plant and equipment
2.3.	Inventories	Inventories
1.6.	Other operating expenses	Leases
2.2.	Property, plant and equipment	
2.1.	Goodwill and other intangible assets	Goodwill
2.1.	Goodwill and other intangible assets	Intangible assets
3.2.1.	Financial assets	Financial assets
3.2.3.	Financial assets and liabilities- classification and fair value	
3.2.2.	Financial liabilities	Financial liabilities
3.2.3.	Financial assets and liabilities- classification and fair value	
3.3.	Derivative instruments and hedge accounting	Derivative contracts and hedge accounting
5.2.	Subsidiaries	Consolidation principles of subsidiaries
5.2.	Subsidiaries	Non-controlling interest and transactions with non-controlling interest
5.3.	Investments in associates and interests in joint operations	Associates and joint ventures
6.1.	Income tax expense	Income and deferred taxes

Accounting policies requiring management judgement and key sources of estimation uncertainty

The preparation of financial statements requires the use of accounting estimates, which by definition, seldom equal the actual results. In addition, management makes judgements in applying Altia's accounting policies.

Estimates made in the preparation of the financial statements, and related assumptions, are based on the management's best knowledge at the reporting date. Consequently, the realised results can differ from the estimates. Any changes in estimates and assumptions are recognised when estimates and assumptions are corrected.

The Group's most significant area in which the management has exercised judgement is related to the revenue recognition (Note 1.1, p. 116) and impairment provision of trade receivables, and useful lives of intangible assets and parameters used in impairment testing (Note 2.1., p. 121). Other critical future assumptions and anticipated uncertainties at the reporting date, which pose a significant risk of resulting in material changes in the carrying amounts of assets and liabilities within the next financial year, are related to employee benefits (Note 2.6., p. 129) and deferred taxes (Note 6.1., p. 156).

1. Operating result

1.1. REVENUES FROM OPERATIONS

Revenue recognition

The revenue is recognised at an amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer. The transaction price may include variable considerations such as volume discounts, bonuses, marketing support, product returns etc. The variable considerations are estimated using the most likely value method if not yet realised in the end of reporting period. The revenue is further adjusted with indirect sales taxes, excise taxes, deposit and recycling fees and exchange rate differences relating to sales.

Typical contracts with customers include a sale of goods to a customer with only one performance obligation. In contract services the contracts essentially include of a single performance obligation, being a series of distinct services such as contract manufacturing, customer services and logistics. The revenue recognition occurs at a point in time, when the control of the goods is transferred to the customer according to the delivery terms. Revenue from the sale of services is recognised at the time of delivery of services.

The most significant revenue flows are generated by the sale of own products and partner brands. In addition, revenues are generated by contract manufacturing, as well as the sale of industrial products, such as starch, feed and technical ethanol. Adjustments to sales and obligations to repurchase certain products are taken into account in the revenue recognition phase.

In partner supplier agreements, which entitle Group to distribute partners' products, Altia acts as a principal towards the end customer having control over the product, discretion in establishing prices and owning the inventory. Accordingly, revenue recognised is the gross amount to which Altia is entitled to in these product sales.

The amount of excise tax deducted from sales revenue is significant. The amounts of sales including tax and excise taxes are presented below:

EUR million	2018	2017
Sales revenues deducted with revenue adjustments	801.6	804.5
Excise tax	-444.3	-445.5
NET SALES	**357.3**	**359.0**
Tax share of sales revenues, %	55.4%	55.4%

1.2. SEGMENT INFORMATION

Description of segments and principal activities

Altia reports its business operations under the following segments: Finland & Exports, Scandinavia and Altia Industrial. Finland & Exports and Scandinavia segments comprise importing, sale and marketing of wine, spirits and other beverage product categories. Within the Finland & Exports segment the Company operates in Finland, the Baltics and travel retail channels and conducts exports. Scandinavia segment represents the Company's operations in Sweden, Norway and Denmark. Altia Industrial segment comprises the Company's production of ethanol, starch and feed as well as contract services. These segments comprise both Altia's operating and reportable segments.

The Board of Directors of Altia has been determined as the Company's current chief operative decision maker, and the reportable segments are based on the Altia's operating structure and internal reporting to the CODM used to assess the performance of the segments. For internal reporting purposes, reporting on the segment profit is based on an internal measure of a comparable EBITDA derived as follows:

- Net sales and direct segment expenses reported within the Comparable EBITDA segment profit measure are measured on an accrual basis and reported under the same accounting principles as in the consolidated accounts.
- Expenses allocated to the segments related to shared function costs or business support services expenses comprise costs such as centralised marketing costs, IT infrastructure related costs, shared support services, headquarter costs including finance and treasury, communication, legal and human resource related costs as well as certain warehousing and service fees. For internal reporting purposes these cost allocations are based on budgeted amounts and variances from budgeted amounts are presented under column "Unallocated and adjustments" and can result in either incurred overruns or savings compared to budgeted amounts. All of these variances are not allocated to the segments for internal reporting purposes.
- The unallocated and adjustments column represents in addition to the budget variances, certain unallocated headquarter costs.

Segment net sales and results

The following tables set out the segment net sales and Comparable EBITDA as well as the reconciliation of the Comparable EBITDA to the Group's operating result:

	1 Jan–31 Dec 2018				
EUR million	Finland & Exports	Scandinavia	Altia Industrial	Unallocated and adjustments	Group
Net sales, total	134.4	118.6	149.8		402.8
Net sales, Internal	-0.6	-0.9	-44.0		-45.5
Net sales, external	**133.8**	**117.7**	**105.8**		**357.3**
Comparable EBITDA	19.2	10.1	10.9	-0.3	40.0
Items affecting comparability[1)]					-6.0
EBITDA					**34.0**
Depreciation, amortisation and impairment					-14.4
OPERATING RESULT					**19.7**

	1 Jan–31 Dec 2017				
EUR million	Finland & Exports	Scandinavia	Altia Industrial	Unallocated and adjustments	Group
Net sales, total	134.4	124.4	148.7		407.5
Net sales, Internal	-0.5	-0.7	-47.4		-48.6
Net sales, external	**133.9**	**123.7**	**101.3**		**359.0**
Comparable EBITDA	19.6	11.5	12.5	-1.1	42.4
Items affecting comparability[1)]					-2.1
EBITDA					**40.3**
Depreciation, amortisation and impairment					-14.2
OPERATING RESULT					**26.1**

1) Items affecting comparability comprise of material items incurred outside normal business, such as net gains or losses from business and assets disposals, impairment losses, cost for closure of business operations and restructurings, major corporate projects including direct transaction costs related to business acquisitions, voluntary pension plan change and costs related to other corporate development. Gains on sale of property, plant and equipment and intangible assets are presented in Note 1.3, (p. 119) and employee costs related to restructuring in Note 1.5 (p. 119).

Other entity-wide disclosures

Net sales by geography

Net sales broken down by the location of Altia entity for the years ended 31 December 2018 and 2017 were as follows:

EUR million	2018	2017
Finland	205.4	202.4
Sweden	90.7	96.1
Norway	23.5	23.7
Estonia	8.7	10.3
Latvia	9.8	9.4
Denmark	11.7	12.7
Other countries	7.5	4.3
NET SALES, TOTAL	**357.3**	**359.0**

In Finland & Exports segment, net sales of EUR 77.4 million (2017: EUR 80.5 million) were derived from a single external customer. In Scandinavia segment, net sales of EUR 75.4 million (2017: EUR 78.8 million) were derived from a single external customer. In Altia Industrial segment, net sales of EUR 42.5million (2017: EUR 44.5 million) were derived from a single external customer. No other single external customer represented more than 10 per cent or more of Altia's total net sales for the years ended 31 December 2018 or 2017.

Net sales by product category

Net sales broken down by product category for the years ended 31 December 2018 and 2017 were as follows:

EUR million	2018	2017
Spirits	124.0	125.9
Wine	122.2	124.7
Other beverages	5.3	8.4
Industrial products and services	105.8	101.3
Other	-	-1.3
NET SALES BY PRODUCT CATEGORY, TOTAL	**357.3**	**359.0**

Non-current assets by geography

The total of non-current assets other than financial instruments and deferred tax assets broken down by the location of the assets as at 31 December 2018 and 2017 were as follows:

EUR million	2018	2017
Finland	112.5	115.7
Sweden	44.0	48.2
Norway	0.0	0.1
Estonia	2.3	2.6
Latvia	0.2	0.2
Denmark	6.5	7.2
Other countries	9.4	9.8
NON-CURRENT ASSETS BY GEOGRAPHY, TOTAL	**174.9**	**183.8**

1.3. OTHER OPERATING INCOME

Other operating income mainly includes gains on the disposal of non-current assets, income from sale of energy, water, steam and carbon dioxide, rental income and related non-core business service income and contract termination fees.

EUR million	2018	2017
Gains on sale of property, plant and equipment and intangible assets	0.5	1.6
Gains on sale of emission allowances	0.4	-
Rental income	1.4	1.0
Income from sale of energy, water, steam and carbon dioxide	3.4	3.4
Other income	1.6	2.3
TOTAL	**7.4**	**8.3**

1.4. MATERIALS AND SERVICES

EUR million	2018	2017
Raw materials, consumables and goods		
Purchases during the period	210.1	196.6
Change in inventories	-5.1	1.9
Scrapping and obsolescence	0.0	2.0
External services	1.8	1.6
TOTAL	**206.8**	**202.0**

Materials and services consist of cost of material, such as barley, wine, different spirit, liquids, ground water as well as other ingredients needed for a variety of different drinks, packaging materials, production costs, changes in inventories, scrapping and obsolescence costs and external services such as logistics and warehousing.

1.5. EMPLOYEE BENEFIT EXPENSES

EUR million	2018	2017
Wages and salaries	37.9	40.4
Pension expenses		
Defined contribution plans	7.1	5.9
Other social expenses	4.9	5.8
TOTAL	**49.9**	**52.0**

In Altia, the total wages and salaries of personnel consists of fixed and variable pay, allowances, short and long-term incentives and fringe benefits.

The Group has recognised the total amount of incentives EUR 1.6 million (2017: EUR 3.3 million) in the form of cash bonuses. Employee benefit expenses include personnel related restructuring costs of EUR 1.0 million (2017: EUR 1.1 million). The group has recognised the total amount of EUR 0.7 million (2017: -) of closed voluntary pension scheme.

Average number of personnel during the period	2018	2017
Workers	274	294
Clerical employees	444	468
TOTAL	**718**	**762**

More information on the Group's pension plans is presented in Note 2.6 (p. 129). Information of management remuneration is presented in Note 6.3. (p. 161) related party transactions.

1.6. OTHER OPERATING EXPENSES

EUR million	2018	2017
Losses on sales and disposals of property, plant and equipment and intangible assets	0.2	0.2
Rental expenses	5.7	6.0
Marketing expenses	13.7	15.1
Travel and representation expenses	3.0	2.8
Outsourcing services	10.5	8.9
Repair and maintenance expenses	6.9	6.8
Energy expenses	7.4	7.2
IT expenses	6.9	6.5
Variable sales expenses	12.6	11.3
Other expenses	7.1	8.1
TOTAL	**73.9**	**72.9**

Auditor's fees included in other operating expenses	2018	2017
Audit fees	0.3	0.3
Tax consultation	0.0	0.0
Other fees	0.5	0.4
TOTAL	**0.8**	**0.7**

The table above presents fees to PricewaterhouseCoopers globally during the year. Non-audit fees to PricewaterhouseCoopers Oy in 2018 amounted to EUR 0.6 million, of which major part relating to the IPO in spring 2018.

Rental expenses include leases treated as operating lease, when the lessor retains the risks and rewards of ownership for the leased asset. Payments made under operating lease are recognised as expenses on a straight-line basis over the lease term. Altia leases office space, cars and forklifts under operating lease.

1.7. DEPRECIATION, AMORTISATION AND IMPAIRMENT

Depreciation and amortisation by asset categories is as follows:

EUR million	2018	2017
Amortisation on intangible assets		
Trademarks	4.3	4.4
Software and other intangible assets	1.5	1.1
Total amortisation	**5.8**	**5.5**
Depreciation on property, plant and equipment		
Buildings	3.3	3.2
Machinery and equipment	5.0	5.2
Machinery and equipment, acquired through finance leases	0.2	0.3
Other tangible assets	0.0	0.0
Total depreciation	**8.6**	**8.7**
TOTAL DEPRECIATION AND AMORTISATION	**14.4**	**14.2**

Group's depreciation and amortisation methods and periods are described in Note 2.1. (p. 121) Goodwill and other intangible assets and in Note 2.2. (p. 125) Property, plant and equipment.

1.8. RESEARCH AND DEVELOPMENT EXPENDITURES

Operating result includes research and development expenditures amounting to EUR 3.3 million (2017: EUR 3.4 million). The R&D expenditures represents 0.9% of net sales in 2018 (2017: 0.9%).

2. Operative assets and liabilities

2.1. GOODWILL AND OTHER INTANGIBLE ASSETS

Intangible assets other than goodwill are recorded at historical costs and depreciated over their useful lives. Intangible assets include goodwill, trademarks, software and other intangible assets and prepayments.

Goodwill

Goodwill arising on the business acquisition is recognised as the excess of the aggregate of the consideration transferred, the amount of non-controlling interests and any previously held equity interest in the acquiree, over the fair value of the net assets acquired. Goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but is tested annually for impairment.

For the purpose of impairment testing, goodwill is allocated to the groups of cash-generating units (CGU) that are expected to benefit from the business combinations in which the goodwill was generated. Impairment testing is described in more detail later in this note.

Other intangible assets

Other intangible assets include intangible rights, other intangible assets and prepayments for intangible assets. Intangible assets such as patents and IT-software, with finite useful lives, are recognised in the balance sheet at the original acquisition cost less accumulated amortisation and possible impairment.

Altia's trademarks have been acquired in connection with business acquisitions and recognised originally at fair value and are subsequently amortised on a straight-line basis over the estimated useful lives.

The estimated useful lives of intangible assets are as follows:

Trademarks	10–15 years
IT-development and software	3–5 years

The costs related to the intangible assets are capitalised if it can be demonstrated that the asset will generate the future economic benefits, the entity controls the asset and the cost of the asset can be measured reliably. All other expenditure is recognised as an expense as incurred.

Expenditure on research activities is recognised in profit or loss in the period in which it is incurred. The Group has no projects related to the development activities of new products or processes qualifying for the identifiability and other criteria regarding capitalisation under IFRS.

Accounting for emission allowances is described in Note 6.2. (p. 160). Emission allowances are presented as off-balance sheet items.

Critical estimates and management judgements – Useful lives of trademarks

Altia's trademarks have been acquired in connection with business acquisitions and recognised originally at fair value and are subsequently amortised on a straight-line basis over the estimated useful lives. Management has estimated the useful lives of trademarks to be in a range from 10 to 15 years. However, the actual useful life may be shorter or longer than the estimated range depending on the market trends and customer behavior.

GOODWILL AND OTHER INTANGIBLE ASSETS

EUR million	Goodwill	Trademarks	Software and other intangible assets	Prepayments	Other intangible assets total
Acquisition cost at 1 January 2018	133.3	126.7	19.3	2.8	148.7
Additions	-	-	0.0	1.5	1.5
Disposals	-	-	-0.0	-	-0.0
Effect of movement in exchange rates	-5.3	-2.9	-0.0	-	-2.9
Transfers between items	-	0.1	2.5	-2.6	0.0
Acquisition cost at 31 December 2018	128.0	123.8	21.8	1.7	147.3
Accumulated amortisation and impairment losses at 1 January 2018	-51.3	-99.3	-15.1	-	-114.4
Amortisation	-	-4.3	-1.5	-	-5.8
Accumulated amortisation on disposals and transfers	-	-	0.0	-	0.0
Effect of movement in exchange rates	4.0	2.4	0.0	-	2.4
Accumulated amortisation and impairment losses at 31 December 2018	-47.3	-101.2	-16.5	-	-117.8
Carrying amount at 1 January 2018	82.1	27.4	4.2	2.8	34.4
CARRYING AMOUNT AT 31 DECEMBER 2018	**80.7**	**22.6**	**5.3**	**1.7**	**29.6**

EUR million	Goodwill	Trademarks	Software and other intangible assets	Prepayments	Other intangible assets total
Acquisition cost at 1 January 2017	144.7	129.9	18.8	1.7	150.4
Additions	-	-	-	3.8	3.8
Disposals	-	-	-2.2	-	-2.2
Effect of movement in exchange rates	-11.4	-3.2	-0.0	-	-3.3
Transfers between items	-	-	2.7	-2.7	-0.0
Acquisition cost at 31 December 2017	133.3	126.7	19.3	2.8	148.7
Accumulated amortisation and impairment losses at 1 January 2017	-61.6	-97.7	-16.0	-	-113.7
Amortisation	-	-4.4	-1.1	-	-5.5
Accumulated amortisation on disposals and transfers	-	-	2.0	-	2.0
Effect of movement in exchange rates	10.4	2.8	0.0	-	2.9
Accumulated amortisation and impairment losses at 31 December 2017	-51.3	-99.3	-15.1	-	-114.4
Carrying amount at 1 January 2017	83.1	32.2	2.9	1.7	36.7
CARRYING AMOUNT AT 31 DECEMBER 2017	**82.1**	**27.4**	**4.2**	**2.8**	**34.4**

The most significant trademarks include Renault, Larsen, Xanté, Blossa, Chill Out, Explorer, Grönstedts, Bröndums, 1-Enkelt and Arsenitch. Software and other intangible assets are mainly computer software.

Impairment testing

Book value of assets are assessed to determine whether there is any impairment at least at the end of each financial year. If any evidence of impairment emerges (a triggering event), the assets' recoverable amount is estimated. The recoverable amount is determined on the basis of value in use. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. The impairment loss is immediately recognised in profit or loss and the estimated useful life of the asset in question is reassessed when an impairment loss is recognised. The recoverable amounts of goodwill and intangible assets not yet available for use are estimated annually. The need for recognising an impairment loss is assessed at cash-generating unit level. This level is essentially independent from other units with separate cash flows.

The impairment loss is reversed if there has been such a positive change in the estimates used to determine the recoverable amount of the asset or cash-generating unit that recoverable amount of the asset will increase the book value of asset. Impairment losses are only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised. An impairment loss on goodwill is never reversed.

Critical estimates and management judgements – Impairment testing:

The preparation of calculations for the impairment testing of goodwill requires estimates regarding the future. The management's estimates and related critical uncertainties are related to the components of the recoverable amount calculation, including the discount rate, the terminal growth rate and development of the net sales and operating result, including estimated cost levels of main raw materials and energy. The discount rates reflect current assessments of the time value of money and relevant market risk premiums reflecting risks and uncertainties for which the future cash flow estimates have not been adjusted. The discount rates used, expected net sales growth rates and profitability levels, including sensitivity analyses, are stated below.

Impairment testing of goodwill

Allocation of goodwill

Goodwill is allocated to groups of cash-generating units (CGU) that represent the level on which the management monitors the goodwill.

Altia reports its business operations under the following segments: Finland & Exports, Scandinavia and Altia Industrial. Finland & Exports and Scandinavia segments comprise importing, sale and marketing of wine, spirits and other beverage product categories. Within the Finland & Exports segment the Company operates in Finland, the Baltics and travel retail channels and conducts exports. Scandinavia segment represents the Company's operations in Sweden, Norway and Denmark. Altia Industrial segment comprises the Company's production of ethanol, starch and feed as well as contract services. These segments comprise both Altia's operating and reportable segments. Goodwill is monitored by management at the level of the operating segments.

A segment-level allocation of the goodwill at 31 December 2018 and 2017 is presented below:

EUR million	2018	%	2017	%
Finland & Exports	46.8	58.0%	46.5	56.6%
Scandinavia	33.9	42.0%	35.6	43.4%
TOTAL	**80.7**	**100.0%**	**82.1**	**100.0%**

Impairment testing

The key assumptions in impairment testing are operating result and discount rate.

The goodwill allocated to the Group's cash-generating units is tested for impairment annually or when there is reason to assume that the carrying amount has exceeded the recoverable amount, with the carrying amount compared to the recoverable amount in the testing. The annual impairment tests have been carried out on 31 October 2018 and 31 October 2017. At the time of testing, the companies did not have intangible assets with indefinite useful lives other than goodwill.

The cash flow estimates used are based on CGU-specific financial plans for the following year approved by the Group's management. The forecast period applied for the calculations covers five years, beyond which the cash flow projections are extrapolated using a constant market-specific growth rate estimate. The forecasted cash flows for a longer term than this have been estimated by using an annual growth rate estimate of 1.0%. In the view of the management, these growth estimates represent the development of business operations in the longer term pursuant to the forecasts.

The market-specific WACC estimates are based on external market-specific references. Management makes judgements regarding the development of assumptions other than WACC based on internal and external views of the industry's history and future.

The weighted average costs of capital used as discount rates for the cash flow estimates are presented in the enclosed table:

Used pre-tax discount rate %	2018	2017
Finland & Exports	7.1%	7.0%
Scandinavia	6.8%	6.8%

The estimated average operating margins used in the calculations are presented in the enclosed table:

Projected average operating result %	2018	2017
Finland & Exports	13.1%	14.5%
Scandinavia	8.7%	9.3%

Based on the analyses prepared by the company, no reasonably possible change in any of the key assumptions would cause any of the tested unit's recoverable amount to decrease to be equal to its carrying amount.

2.2. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment

Property, plant and equipment mainly consist of manufacturing and warehouse buildings, land, and machinery and equipment used in alcoholic beverage industry. Property, plant and equipment are measured at historical cost less accumulated depreciation and possible impairment losses. If parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items. The subsequent costs related to the items of property, plant and equipment are capitalised only if the future economic benefits exceed the originally assessed standard of performance. All other expenditure, for example ordinary maintenance and repair costs, is recognised as an expense as incurred. Depreciation is recognised on a straight-line basis over the estimated useful lives of items of property, plant and equipment. Land is not depreciated.

Government grants, for example grants received from the State, are recognised in profit or loss in the same period in which the related expenses are recognised. Grants that compensate the Group for the acquisition of property, plant and equipment are deducted from the carrying amount adjusted with the grant received.

Investment properties are properties held by the Group in order to earn rental income or for capital appreciation. Investment properties are measured at cost less accumulated depreciation and impairment losses. Fair values of investment properties are determined based on a valuation carried out by an external property valuator.

The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	10–40 years
Machinery and equipment	10 years
Other tangible assets	3–10 years

The estimated useful lives and residual values are reviewed at each financial year-end, and if they differ substantially from the previous estimates, the depreciation periods are adjusted accordingly. Impairment loss is recognised in profit or loss to the extent the assets carrying value exceeds its recoverable amount.

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

Financial leasing

Lease contracts of property, plant and equipment, in which Altia assumes substantially all the risks and rewards of ownership are classified as finance leases. Altia leases laptops and copying machines under finance leases. An asset leased through a finance lease is recognised in property, plant and equipment based on its nature and measured at the lower of its fair value and present value of the minimum lease payments at the inception of the lease term. The respective finance lease liabilities, less finance charges, are included in other non-current borrowings.

An asset acquired through a finance lease is depreciated over the shorter of the asset´s useful life and the lease term.

PROPERTY, PLANT AND EQUIPMENT

EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Prepayments and assets under construction	Total
Acquisition cost at 1 January 2018	3.0	108.2	124.0	0.8	4.7	240.7
Additions	-	0.1	0.7	0.0	5.4	6.2
Disposals	-0.0	-0.5	-1.6	-	-	-2.1
Effect of movement in exchange rates	-	-0.0	-0.2	-0.0	-	-0.3
Transfers between items	-	1.7	6.9	-	-8.6	0.0
Acquisition cost at 31 December 2018	3.0	109.5	129.8	0.8	1.5	244.6
Accumulated depreciation and impairment losses at 1 January 2018	0.0	-79.5	-93.7	-0.1	-	-173.3
Depreciation	-	-3.3	-5.3	-0.0	-	-8.6
Accumulated depreciation on disposals and transfers	-	0.5	1.4	-	-	1.9
Effect of movement in exchange rates	-	0.0	0.1	-	-	0.2
Accumulated depreciation and impairment losses at 31 December 2018	0.0	-82.4	-97.4	-0.2	-	-179.9
Carrying amount at 1 January 2018	3.0	28.7	30.3	0.6	4.7	67.4
CARRYING AMOUNT AT 31 DECEMBER 2018	**3.0**	**27.1**	**32.4**	**0.6**	**1.5**	**64.6**
Acquisition cost at 1 January 2017	4.8	116.4	120.9	0.8	2.5	245.4
Additions	-	0.0	0.6	-	7.4	8.1
Disposals	-1.8	-10.4	-0.3	-	-	-12.5
Effect of movement in exchange rates	-0.0	-0.0	-0.2	0.0	-0.0	-0.3
Transfers between items	-	2.2	3.1	-	-5.2	0.0
Acquisition cost at 31 December 2017	3.0	108.2	124.0	0.8	4.7	240.7
Accumulated depreciation and impairment losses at 1 January 2017	-1.8	-84.7	-88.8	-0.1	-	-175.4
Depreciation	-	-3.2	-5.5	-0.0	-	-8.7
Accumulated depreciation on disposals and transfers	1.8	8.4	0.4	-	-	10.5
Effect of movement in exchange rates	0.0	0.0	0.2	-	-	0.2
Accumulated depreciation and impairment losses at 31 December 2017	0.0	-79.5	-93.7	-0.1	-	-173.3
Carrying amount at 1 January 2017	3.0	31.8	32.1	0.6	2.5	70.0
CARRYING AMOUNT AT 31 DECEMBER 2017	**3.0**	**28.7**	**30.3**	**0.6**	**4.7**	**67.4**

Land and water areas includes investment properties with book value of EUR 0.0 million in 2018 (2017: EUR 0.0 million). Investment properties are measured based on the cost model. At 31 December 2018 the fair value of investment properties was EUR 2.8 million (2017: EUR 2.8 million).

Property, plant and equipment include assets acquired under finance lease as follows:

FINANCE LEASES

EUR million	2018	2017
Machinery and equipment		
Acquisition cost at 31 December	1.2	1.4
Accumulated depreciation at 31 December	-0.8	-1.1
CARRYING AMOUNT AT 31 DECEMBER	**0.4**	**0.3**

2.3. INVENTORIES

Inventories

Inventories are measured at the lower of cost and net realisable value. Self-manufactured products are measured at standard prices, except cognac products, which are measured at weighted average cost. Fixed production costs are allocated to the cost of own production.

Raw materials, supplies and trading goods are measured at weighted average cost. Semi-finished products are measured at weighted average cost, except semi-finished products produced in Estonia, which are measured at standard prices. Repacked trading goods are measured at standard cost in repacking plant.

The cost of finished products and work in progress includes raw materials, direct labour costs, other direct costs as well as an allocable proportion of variable procurement and production costs and fixed overheads in case of finished products, determined based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

INVENTORIES

EUR million	2018	2017
Materials and supplies	53.8	50.1
Work in progress	10.5	12.7
Finished goods	15.9	13.8
Goods	19.3	17.9
Advance payments	0.2	0.1
TOTAL	**99.6**	**94.5**

Altia recognised write-downs of inventories amounting to EUR 1.3 million in 2018 (2017: EUR 1.8 million).

2.4. CONTRACT ASSETS (CURRENT)

Contract assets represent the amount which Altia has right to receive goods expected to be returned to inventory with respect to return clauses in the contracts. Contract assets are measured at the former carrying amount of the inventory less any expected costs to recover the goods and less any impairment losses.

EUR million	2018	2017
Contract assets	0.2	-
TOTAL	**0.2**	**-**

2.5. TRADE AND OTHER RECEIVABLES

Trade and other receivables

Trade receivables are carried at original invoiced amount less any impairment losses. An impairment loss is recognised immediately in profit and loss. Impairment provisions are recognised based on lifetime expected credit losses from trade receivables in accordance with IFRS 9. The impairment provision is measured at an amount equal to the lifetime expected credit losses. The expected credit loss model is forward looking and expected default rates are based on historical realised credit losses. The lifetime expected credit loss provision is calculated using aging of the accounts receivable and regional portfolios. In 2017 the provision for impairment losses was based on aging of receivables due over 120 days.

Sold trade receivables are derecognised from the balance sheet as soon as the receivable is sold and the price has been received. At the time of sale, the Group derecognises the trade receivable as the contractual rights to these cash flows expire and all the related substantial risks and rewards have been transferred outside the Group. The costs related to the sold receivables are recognised in Other finance expenses.

TRADE AND OTHER RECEIVABLES

EUR million	2018	2017
Trade receivables	55.4	48.1
Accrued income	1.7	1.8
Receivables on derivative instruments	1.6	1.4
Other receivables	2.3	2.6
TOTAL	**60.9**	**53.9**

At the end of the reporting period 2018 the sold trade receivables amounted to EUR 80.2 million (2017: EUR 83.6 million). Trade receivables from associated companies and joint operations are presented in Note 6.3 (p. 161).

AGEING ANALYSIS OF TRADE RECEIVABLES

EUR million	2018	1.1.2018	2017
Trade receivables not past due	50.7	44.7	44.7
Trade receivables past due 1-90 days	4.4	3.5	3.5
Trade receivables past due over 90 days	0.5	0.2	0.2
Impairment losses	-0.3	-0.2	-0.3
TOTAL	**55.4**	**48.2**	**48.1**

The realised impairment losses recognised on trade receivables during the year 2018 amounted to EUR 0.1 million (2017: EUR 0.2 million).

The Group applies the IFRS 9 requirement of recognition of impairment provisions based on expected credit losses (ECL). The loss allowance for trade receivables is based on the ageing of the accounts receivable and regional portfolios. The expected loss rate for all trade receivables is 0,1% and in addition receivables more than 120 days due are impaired with 60% expected loss rate. The receivables of the monopolies in Finland and Sweden are excluded due to the nature of the customer and related credit risk (government entities). Forward looking macro-economic information has been included in the analysis.

2.6. EMPLOYEE BENEFIT OBLIGATIONS

Pension plans

Pension plans are classified as either defined contribution plans or defined benefit plans.

Contributions to defined contribution pension plans are recognised through profit or loss in the periods during which the services are rendered by the employees. The Group has no legal or constructive obligation to make additional payments if the party receiving the payments is not able to perform the pension benefits in question. All other plans that do not meet these conditions are classified as defined benefit plans.

Defined benefit plans are financed with payments to pension insurance companies. The obligation in respect of defined benefit pension plans is calculated using the projected unit credit method separately for each plan. Pension expenses are recognised in periods during which services are rendered by employees participating the plan according to actuarial calculations prepared by qualified actuaries. The amount recognised as a defined benefit liability or asset comprises the net total of the following items: the present value of the defined benefit obligation and the fair value of the plan assets. The discount rate used to determine the present value of the defined benefit obligation is the yield on high quality corporate or government bonds with a similar maturity to that of the pension obligation.

Current service cost and the net interest on net defined benefit liability is recognised in profit or loss. The pension expense is disclosed under the employee benefit expenses and the net interest is disclosed under financial items. Items arising from the remeasurement of net defined benefit liability are recognised in other comprehensive income during the period in which they occur.

Past service cost is expensed at the earlier of the following dates: when the plan amendment or curtailment occurs or when the entity recognises related restructuring costs or termination benefits.

Critical estimates and management judgements – Defined benefit pension obligations:

Measurement of defined benefit pension obligation and plan assets is based on the actuarial assumptions made by management. These include e.g. the discount rate used in calculating the present value of the obligation, future salary and pension level, expected return on plan assets and the turnover of personnel included in the plan. Changes in the actuarial assumptions, as well as differences between expected and realised values result in actuarial gains and losses.

Group's pension arrangements

The Group operates various pension plans in accordance with local conditions and practices in different countries. In the Finnish companies, statutory pension obligations (TyEL) are arranged through insurance companies, when the TyEL plan is a defined contribution plan. The defined contribution plans are applied also in other countries and the foreign subsidiaries manage their pension plans in accordance with local legislation and established practice.

The Group has defined benefit pension plans for supplementary pension in Norway and France.

In defined benefit pension plans, the amount of the pension benefit at retirement is calculated on the basis of salary, years of service and life expectancy. The Norwegian and French pension plans cover only few employees, thus the related pension liabilities are not material for the Group.

DEFINED BENEFIT PENSION LIABILITY IN THE BALANCE SHEET

EUR million	2018	2017
Present value of unfunded obligations	1.1	1.2
Taxes, Norway	0.2	0.2
NET PENSION LIABILITY IN THE BALANCE SHEET	**1.3**	**1.3**

DEFINED BENEFIT PENSION EXPENSE IN PROFIT OR LOSS

EUR million	2018	2017
Current service cost	-	0.0
Net interest	-0.0	-0.0
Tax effect, Norway	-0.0	-0.0
PENSION EXPENSES RECOGNISED IN PROFIT OR LOSS, PROFIT (+), LOSS(-)	**-0.0**	**-0.0**

ITEMS OF OTHER COMPREHENSIVE INCOME

EUR million	2018	2017
Remeasurements		
Return on plan assets, excluding interest income and interest expense	-	0.0
Gain (loss) related to changes in demographic assumptions	0.0	-
Gain (loss) related to changes in financial assumptions	-0.0	-0.0
Experience adjustment - gain (loss)	-	-0.0
Tax effect, Norway	0.0	-0.0
TOTAL COMPREHENSIVE INCOME	**0.0**	**-0.0**

CHANGES IN PENSION OBLIGATION AND FAIR VALUE OF PLAN ASSETS IN THE BALANCE SHEET

EUR million	2018	2017
Present value of the obligation:		
Obligation at 1 January	1.3	1.8
Service cost	-	0.0
Interest cost	0.0	0.0
Benefits paid	-0.2	-0.3
Exchange differences	-0.0	-0.3
Remeasurement gains (-) and losses (+)	-0.0	-0.0
Tax effect, Norway	0.2	0.2
OBLIGATION AT 31 DECEMBER	**1.3**	**1.3**

EUR million	2018	2017
Fair value of plan assets:		
Contributions paid by employer to the plan	-0.2	-0.1
Benefits paid	0.2	0.1
FAIR VALUE OF PLAN ASSETS AT 31 DECEMBER	**-**	**-**

SIGNIFICANT ACTUARIAL ASSUMPTIONS

	2018	2017
Norway		
Discount rate	2.0%	1.9%
Future pension growth	2.0%	2.0%

2.7. TRADE AND OTHER PAYABLES

EUR million	2018	2017
Current		
Trade payables	25.8	29.2
Accruals for wages and salaries and social security contributions	1.1	3.6
Interest liabilities	0.3	0.1
Other accrued expenses	19.2	18.0
Derivative liabilities	1.5	1.5
Excise tax	48.8	50.1
VAT liability	27.6	26.9
Other liabilities	7.0	7.9
TOTAL	**131.4**	**137.4**

2.8. CONTRACT LIABILITIES

Contract liabilities represent the amount received or receivable that is expected to be returned as a refund liability.

EUR million	2018	2017
Current		
Contract liabilities	0.6	-
TOTAL	**0.6**	**-**

2.9. PROVISIONS

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated. The amount recognised as provision is the management's best estimate of the costs required to settle the existing obligation at the end of the reporting period. If part of the obligation may potentially be compensated by a third party, the compensation is recognised as a separate asset when it is virtually certain that the compensation will be received.

A provision for restructuring is recognised when a detailed restructuring plan has been prepared, and the implementation of the plan has either been commenced or the plan has been announced to those who are affected.

Other provisions relate to the cost on excise tax class revision of two products based on a preliminary outcome of a tax audit In Finland. Altia is taking measures to contest the outcome.

Restructuring provisions included mainly costs for various projects to streamline operations and consists of employee termination benefits.

PROVISIONS

EUR million	Other provisions	Total
Provisions at 31 December 2017	-	-
Provisions made during the year	0.5	0.5
Provisions used during the year	-	-
PROVISION AT 31 DECEMBER 2018	**0.5**	**0.5**
Current	0.5	0.5
Non-Current	-	-

EUR million	Restructuring	Restoration	Total
Provision at 31 December 2016	0.7	0.6	1.3
Provisions made during the year	-	-	-
Provisions used during the year	-0.7	-0.6	-1.3
PROVISION AT 31 DECEMBER 2017	**-**	**-**	**-**
Currrent	-	-	-
Non-Current	-	-	-

3. Financial items and capital structure

3.1. FINANCE INCOME AND EXPENSES

FINANCE INCOME

EUR million	2018	2017
Interest income		
Forward points on FX-forwards	-	0.2
Loans, receivables and cash and cash equivalents	0.1	0.1
Total interest income	**0.1**	**0.3**
Foreign exchange gains		
Foreign exchange gains on FX-derivatives	1.2	1.7
Foreign exchange gains on I/C loans and cash pool accounts	2.1	2.4
Total foreign exchange gains	**3.3**	**4.0**
Dividend income		
Fair value through other comprehensive income	0.1	-
Available-for-sale financial assets	-	0.2
Total dividend income	**0.1**	**0.2**
TOTAL FINANCE INCOME	**3.5**	**4.5**

Foreign exchange differences arising from trade receivables and trade payables amounting to EUR 0.2 million (2017: EUR -0.1 million) and from currency derivatives amounting to EUR 1.7 million (2017: EUR 0.1 million) are included in operating result.

FINANCE EXPENSES

EUR million	2018	2017
Interest expenses		
Forward points on FX-forwards	0.0	0.1
Financial liabilities at amortised cost	1.3	1.1
Derivatives under hedge accounting (Interest rate risk)	0.4	0.4
Other interest expenses, pension liability	0.0	0.0
Total interest expenses	**1.7**	**1.6**
Foreign exchange losses		
Foreign exchange losses on FX-derivatives	2.0	3.2
Foreign exchange losses on I/C loans and cash pool accounts	1.4	1.0
Total foreign exchange losses	**3.4**	**4.1**
Other finance expenses		
Other financial expenses	0.8	0.7
Ineffective portion of commodity derivatives under hedge accounting	-	-0.0
Total other finance expenses	**0.8**	**0.7**
TOTAL FINANCE EXPENSES	**5.8**	**6.4**

Interest expenses include finance lease related interest expenses amounting to EUR 0.0 million in 2018 (2017: EUR 0.0 million).

3.2. FINANCIAL ASSETS AND LIABILITIES

3.2.1 FINANCIAL ASSETS

The Group's financial assets were classified according to IAS 39 as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

According to IFRS 9 the classification is business model driven and there are three classes: fair value through profit and loss, amortised cost (replaces Loans and receivables) and fair value through other comprehensive income (replaces Available-for-sale). Classification is made upon initial recognition based on the purpose of use of the asset. The basis of classification is reassessed at each reporting date.

Application of IFRS 9 did not have any impact on the recognition or measurement of the Group's financial assets. All purchases and sales of financial instruments are recognised on the trade date, which is the date when the Group commits to purchase or sell a financial instrument. Financial assets are recognised in the balance sheet at original cost which equals their fair value at the acquisition date. If the asset in question is not measured at fair value through profit or loss, transaction costs are included in the original cost of the financial asset.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or the Group transfers all the substantial risks and rewards related to the financial asset outside the Group. Financial assets are included in non-current items of the balance sheet when their maturity is over 12 months.

Impairment of financial assets

The new impairment model requires the recognition of impairment provision based on expected credit losses rather than only incurred credit losses as in IAS 39. The impairment provision is recognised based on lifetime expected credit losses from trade receivables and contract assets. More information on the impairment provision on trade receivables can be found in note 2.5. (p. 129). Trade and other receivables.
The impairment model does not apply to financial assets measured at fair value and investments in associates and interests in joint operations since those are measured at fair value under IFRS 9 which already takes into account expected credit losses.

Financial assets recognised at fair value through profit or loss

This category includes financial assets held for trading purposes or otherwise designated as financial assets recognised at fair value through profit or loss by Altia Group. Derivative instruments held for hedging purposes, but not qualifying for the criteria of hedge accounting, are classified in this category. Items in this category are initially recognised at fair value and subsequently measured at the fair value of each reporting date, which is the market bid price at the end of the reporting period determined based on public price quotations in active markets. Realised and unrealised gains and losses arising from changes in fair values are recognised in profit or loss in financial items in the period in which they are incurred if they relate to hedging of financial items. If derivative instruments relate to hedging of commercial items (foreign currency denominated purchases and sales) and hedge accounting is applied, the realised and unrealised gains and losses are recognised in income statement as adjustments to purchases and sales and included in operating result.

Amortised cost

Loans and receivables arise when money, goods or services are delivered to a debtor, and they are included in current or non-current financial assets in accordance with their maturity. The assets in this category are held according to a business model of which objective is to collect contractual cash flows. In Altia, non-current receivables include loan receivables and other receivables with the maturity of over one year. Current receivables include trade receivables as well as cash and cash equivalents presented under current financial assets. Receivables are measured at amortised cost when the related payments are fixed or determinable and the instruments are not quoted in financial markets. The exchange rate differences of intra-group foreign currency denominated loan receivables are presented within financial items as foreign exchange differences related to loans. The exchange rate differences of foreign currency denominated trade receivables are presented in income statement as adjustments to sales.

Fair value through other comprehensive income

These assets are non-derivative financial assets which are either designated in this category or not classified in any other category of financial assets. These are included in non-current assets, unless they are intended to be held less than 12 months from the end of the reporting period, in which case they are included in current assets.

Financial assets measured at fair value through other comprehensive income consist of unquoted shares. Unquoted shares are measured at fair value based on market approach valuation techniques using information from market transactions involving comparable assets.

Fair value through other comprehensive income

Fair value through other comprehensive income assets consisted of unquoted shares, amounting to EUR 1.4 million (2017: EUR 1.4 million).

Other receivables

Other receivables consisted of deferred purchase consideration receivable from the sale of Svendborg real-estate amounting to EUR 1.0 million in 2017.

3.2.2 FINANCIAL LIABILITIES

Financial liabilities are classified as financial liabilities at fair value through profit or loss and financial liabilities at amortised cost. Financial liabilities are initially measured at fair value and recognised net of transaction costs, with the exception of items measured at fair value through profit or loss.

A financial liability (or a part of it) is not derecognised until the obligation specified in the contract is discharged or cancelled or expires. A financial liability is classified as current, unless the Group has an unconditional right to defer the settlement of the liability for at least 12 months after the end of the reporting period.

Adoption of IFRS 9 had no impact on classification and measurement of financial liabilities. The new requirements affected only the accounting financial liabilities that are designated at fair value through profit or loss and Altia does not have such liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include derivatives held for hedging purposes but not qualifying for hedge accounting. Financial liabilities in this category are measured at fair value, which is determined based on price quotations in active markets at the reporting date. Realised and unrealised gains or losses arising from the changes in fair values are recognised through profit or loss in the financial items as incurred.

Financial liabilities at amortised cost

This category includes the Group's external loans from financial institutions, loans from pension institutions, commercial paper loans as well as trade payables. These financial liabilities are measured at amortised cost using the effective interest method. When loans are paid off or refinanced, the related unamortised costs are recognised in finance expenses. Group overdrafts in use are included in current borrowings. In addition, Altia has a revolving credit facility and the related fee is amortised on a straight-line basis in other finance expenses during the term of the facility.

The exchange rate differences arising from foreign currency denominated loans from financial institutions are disclosed under financial items. The exchange rate differences of intra-group foreign currency denominated loans are presented within financial items in the foreign exchange differences of the category financial liabilities at amortised cost.

The fair values of loans from financial institutions and commercial paper loans are determined based on future cash flows discounted with market interest rate at the reporting date adjusted with Altia's credit risk premium. At the reporting date, the carrying amounts of the loans are considered to equal their fair values because of the exceptionally low level of market interest rates. The fair values of finance lease liabilities are based on discounted future cash flows. The discount rate is the corresponding interest rate on similar lease contracts.

BORROWINGS

EUR million	2018	2017
Non-current		
Loans from financial institutions	69.8	74.7
Loans from pension institutions	12.8	14.3
Finance lease liabilities	0.2	0.2
TOTAL	**82.7**	**89.1**
Current		
Loans from financial institutions	5.0	10.0
Loans from pension institutions	1.5	0.8
Finance lease liabilities	0.2	0.2
TOTAL	**6.7**	**11.0**

Interest-bearing non-current loans from financial and pension institutions are measured at amortised cost using the effective interest method.

All of the Group's non-current and current loans from financial and pension institutions were nominated in Euros as at 31 December 2018 and 31 December 2017.

The weighted average effective interest rate (p.a.) of the Group's loans from financial and pension institutions as at 31 December 2018 was 1.6% (2017: 1.6%).

The weighted average interest rate (p.a.) of the Group's finance lease liabilities as at 31 December 2018 was 1.2% (2017: 1.5%).

NET DEBT

Movements in Net debt the year ended 31 December 2018 are presented in the following table:

EUR million	Cash and cash equivalents	Loans from financial institutions (non current)	Loans from financial institutions (current)	Finance lease liabilities (non-current)	Finance lease liabilities (current)	Total
	1 Jan–31 Dec 2018					
Net debt as at 1 January 2018	52.4	89.0	10.8	0.2	0.2	47.7
Cash flows	-8.2	-	-10.7	-	-0.2	-2.7
Translation differences	-2.2	-	-	0.0	-	2.2
Other non-cash movement	-	-6.4	6.4	0.0	0.2	0.2
NET DEBT AS AT 31 DECEMBER 2018	**42.0**	**82.5**	**6.5**	**0.2**	**0.2**	**47.4**
Net debt as at 1 January 2017	68.0	64.8	7.5	0.1	0.3	4.7
Cash flows	-13.2	24.3	3.3	-	-0.3	40.4
Translation differences	-2.5	-	-	0.0	-	2.5
Other non-cash movement	-	-0.1	-	0.0	0.2	0.1
NET DEBT AS AT 31 DECEMBER 2017	**52.4**	**89.0**	**10.8**	**0.2**	**0.2**	**47.7**

Derivative instruments

Derivatives are included in financial assets and liabilities at fair value through profit or loss when they do not meet the criteria of hedge accounting pursuant to IFRS 9. These derivatives are recognised at fair value on the trade date and they are subsequently measured at fair value at the reporting date. Derivative instruments and hedge accounting are described in Note 3.3. (p. 140)

The fair values of derivatives equal the amount that the Group would have to pay or it would receive from the termination of the derivative contract at the reporting date. The fair values of forward exchange contracts are determined by using the market prices at the reporting date. The fair values of interest rate derivatives are determined by discounting the related future cash flows. The valuation of commodity derivatives is determined based on the fair values received from the financial markets.

3.2.3. CLASSIFICATION AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

FAIR VALUES AND THE CARRYING AMOUNTS IN THE CONSOLIDATED BALANCE SHEET FOR EACH FINANCIAL INSTRUMENT BY CLASSES

2018 EUR million	Note	Derivatives, hedge accounting	Fair value through profit or loss	Amortised cost	Fair value through other comprehensive income	Carrying amounts of items in the balance sheet	Fair value	Level
Financial assets								
Non-current financial assets								
Investments in associates and receivables from interests in joint operations		-	-	7.9	-	7.9	7.9	
Unquoted shares	3.2.1.	-	-	-	1.4	1.4	1.4	3
Current financial assets								
Trade and other receivables	2.5.	-	-	56.6	-	56.6	56.6	
Trade and other receivables/Derivative instruments								
Forward exchange contracts	2.5.	0.1	0.1	-	-	0.2	0.2	2
Commodity derivatives	2.5.	1.3	-	-	-	1.3	1.3	2
Cash and cash equivalents	4.1.	-	-	42.0	-	42.0	42.0	
TOTAL		**1.4**	**0.1**	**106.5**	**1.4**	**109.5**	**109.5**	
Financial liabilities								
Non-current financial liabilities								
Borrowings	3.2.2.	-	-	82.7	-	82.7	82.7	2
Current financial liabilities								
Borrowings	3.2.2.	-	-	6.7	-	6.7	6.7	2
Trade and other payables	2.7.	-	-	26.0	-	26.0	26.0	
Trade and other payables/Derivative instruments								
Interest rate derivatives	2.7.	1.3	-	-	-	1.3	1.3	2
Forward exchange contracts	2.7.	0.1	0.0	-	-	0.1	0.1	2
TOTAL		**1.4**	**0.0**	**115.5**	**-**	**116.9**	**116.9**	

2017 EUR million	Note	Derivatives, hedge accounting	Financial assets / Liabilities at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities at amortized cost	Carrying amounts of items in the balance sheet	Fair value	Level
Financial assets									
Non-current financial assets									
Receivables from interests in joint operations		-	-	7.6	-	-	7.6	7.6	
Unquoted shares	3.2.1.	-	-	-	1.4	-	1.4	1.4	3
Loan receivables	3.2.1.	-	-	1.0	-	-	1.0	1.0	2
Current financial assets									
Trade and other receivables	2.5.	-	-	49.7	-	-	49.7	49.7	
Trade and other receivables/Derivative instruments									
Forward exchange contracts	2.5.	0.8	0.3	-	-	-	1.1	1.1	2
Commodity derivatives	2.5.	0.3	-	-	-	-	0.3	0.3	2
Cash and cash equivalents	4.1.	-	-	52.4	-	-	52.4	52.4	
TOTAL		**1.0**	**0.3**	**110.6**	**1.4**	**-**	**113.4**	**113.4**	
Financial liabilities									
Non-current financial liabilities									
Borrowings	3.2.2.	-	-	-	-	89.1	89.1	89.1	2
Current financial liabilities									
Borrowings	3.2.2.	-	-	-	-	11.0	11.0	11.0	2
Trade and other payables	2.7.	-	-	-	-	29.3	29.3	29.3	
Trade and other payables/Derivative instruments									
Interest rate derivatives	2.7.	1.4	-	-	-	-	1.4	1.4	2
Forward exchange contracts	2.7.	0.1	0.0	-	-	-	0.1	0.1	2
TOTAL		**1.5**	**0.0**	**-**	**-**	**129.5**	**131.0**	**131.0**	

At the reporting date due to short maturity fair value of trade receivables and other short-term receivables and liabilities equal to their value in the balance sheet.

The table above presents the classification of financial instruments. The levels 1–3 of fair value hierarchy reflect the significance of inputs used in determining the fair values. In level one, fair values are based on public quotations of identical financial instruments. In level two, the inputs used in determining the fair values are based on quoted market rates and prices observable for the asset or liability in question directly (i.e. price) or indirectly on discounted future cash flows. Fair values of other financial assets and liabilities in level two reflect their carrying value. In level three, the fair values of assets and liabilities are based on inputs that are not based on observable market data for all significant variables, and instead are, to a significant extent, based on management estimates and their use in generally accepted valuation techniques. The reported fair value level is based on the lowest level of input information that is significant in determining the fair value.

3.3. DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING

When the Group applies IFRS 9 hedge accounting to foreign currency, interest rate and electricity derivatives, the effective portion of the fair value change is recognised in other comprehensive income and presented within equity in the hedge reserve.

When hedge accounting is applied

In Altia, cash flow hedging is applied to part of the interest rate, foreign currency and electricity derivatives based on case-by-case assessment. In cash flow hedging, the Group is hedging against changes in cash flows related to a specific asset or liability recognised in the balance sheet or to a highly probable future business transaction. Hedge accounting is a method of accounting with the purpose to allocate one or several hedging instruments so that their fair value changes offset in full or partly the changes in fair value or cash flow arising from the hedged risk in profit or loss during the period, for which the hedge is designated. In the beginning of the hedging arrangement, Altia documents the relationship between each hedging instrument and hedged item, as well as the objectives of risk management and the strategy in engaging in hedging. IFRS 9 requires that the effectiveness of hedging instruments is tested prospectively. Effectiveness means the ability of a hedging instrument to offset the changes in the fair value of the hedged item or changes in the cash flows of the hedged transaction attributable to the hedged risk. Under IFRS 9 the hedging relationship is regarded to be highly effective when there is an economic relationship between the hedged item and the hedging instrument. Hedging ratio is defined as a relationship between the quantity of the hedging instrument and the quantity of the hedged item. Hedge accounting is discontinued when the criteria for hedge accounting is no longer met.

The gains and losses arising from fair value changes of derivative contracts, to which hedge accounting is applied, are presented in congruence with the hedged item. After implementation of IFRS 9, the forward points are included to hedging relationship. The effective portion of the unrealised changes in the fair value of derivatives designated and qualifying as cash flow hedges are recognised in other comprehensive income and presented in the hedge reserve in equity. The ineffective portion is immediately recognised in finance income or expenses in profit or loss. The cumulative gain or loss in equity on derivative instruments related to commercial items is recognised in profit or loss as an adjustment to purchases or sales simultaneously with the hedged item in the period in which the hedged item affects profit or loss. Realised gain or loss on electricity derivatives is included in operating result in electricity procurement expenses. When a hedging instrument designated as a cash flow hedge expires, is sold or no longer meets the criteria of hedge accounting, the gain or loss accumulated in equity is recognised through finance income or expenses.

When hedge accounting is not applied

The accounting for gains and losses arising from fair value measurement is dependent on the purpose of use of the derivative. In Altia, the changes in the fair values of derivative instruments are immediately recognised in profit or loss in finance income or expense if the derivative in question is related to hedging of commercial cash flows (purchases and sales) and hedge accounting is not applied. The fair value changes of other derivative instruments are immediately recognised in profit or loss in finance income or expense items if hedge accounting is not applied. Derivatives, to which hedge accounting is not applied, are acquired to minimise the profit and/or cash flow effects related to business operations or financing.

NOMINAL VALUES OF DERIVATIVE INSTRUMENTS

EUR million	2018	2017
Derivative instruments designated for cash flow hedging		
Interest rate derivatives	20.0	20.0
Forward exchange contracts	30.9	30.3
Commodity derivatives, electricity	1.9	2.5
	0.1TWh	0.1TWh
Derivative instruments, non-hedge accounting		
Forward exchange contracts	33.7*	24.7

* Total EUR 29.3 million in nominal value relates to hedging internal deposits in currency to parent amounting company amounting the same. These deposits are made in order to mitigate the effects of the banks' negative deposit rates.

EFFECTS OF HEDGE ACCOUNTING ON THE FINANCIAL POSITION AND PERFORMANCE

EUR million	AUD		USD		EURNOK		EURSEK	
Foreign currency forwards	2018	2017	2018	2017	2018	2017	2018	2017
Carrying amount (asset)	-	-	0.0	-	0.0	0.1	-	0.6
Carrying amount (liability)	0.0	0.0	-	0.0	-	-	0.0	-
Notional amount	2.0	1.7	2.7	2.8	1.9	2.6	22.1	21.5
Maturity date	Feb–Dec 2019	Feb–Dec 2018	Feb–Dec 2019	Feb–Dec 2018	Feb–Jun 2019	Feb–Dec 2018	Feb–Oct 2019	Feb–Dec 2018
Hedge ratio	1:1	1:1	1:1	1:1	1:1	1:1	1:1	1:1
Change in discounted value of outstanding hedging instruments since 1 January	0.0	-0.1	0.1	-0.2	-0.1	0.2	-0.5	0.8
Change in value of hedged item used to determine hedge effectiveness	-0.0	0.1	-0.1	0.2	0.1	-0.2	0.5	-0.8
Weighted average hedged rate for the year (including forward points)	1.63 AUD/ 1 EUR	1.52 AUD/ 1 EUR	1.18 USD/ 1 EUR	1.20 USD/ 1 EUR	9.74 NOK/ 1 EUR	9.38 NOK/ 1 EUR	10.30 SEK/ 1 EUR	9.57 SEK/ 1 EUR

EUR million Interest rate swap	2018	2017
Carrying amount (liability)	1.3	1.4
Notional amount	20.0	20.0
Maturity date	04/2023	04/2023
Hedge ratio	1:1	1:1
Change in discounted value of outstanding hedging instruments since 1 January	-0.1	-0.5
Change in value of hedged item used to determine hedge effectiveness	0.1	0.5
Weighted average hedged rate for the year	1.88%	1.89%

EUR million Commodities – Electricity	2018	2017
Carrying amount (asset)	1.3	0.3
Notional amount	1.9	2.5
TWh	0.1	0.1
Maturity date	2019–2021	2018–2020
Hedge ratio	1:1	1:1
Change in discounted value of outstanding hedging instruments since 1 January	1.1	0.2
Change in value of hedged item used to determine hedge effectiveness	-1.1	-0.2
Weighted average hedged price EUR/MWh	15.43	24.75

Positive and negative fair values of unrealised derivatives and their net amount are presented below. Interest and currency derivatives are under netting agreements. The master netting agreements in respect of derivatives do not meet the criteria for offsetting in the balance sheet owing to legally enforceable right not existing currently.

OFFSETTING FINANCIAL ASSETS AND LIABILITIES

EUR million	2018	2017
Derivative assets:		
Fair value, gross	1.6	1.1
Fair value, under netting agreements	-0.1	-0.2
Fair value, net	1.5	1.0
Derivative liabilities:		
Fair value, gross	1.5	1.5
Fair value, under netting agreements	-0.1	-0.2
Fair value, net	1.4	1.3

3.4. EQUITY

Share capital

Altia Plc's share capital, paid in its entirety and registered in the trade register, was 60,480,378.36 euros at the end of 2018 and 2017. At 31 December 2016, the Company had two class of shares, series A and series L shares. The Board of Directors of the Company has on 13 December 2017 resolved to cancel all 25 003 series L shares, which were held in treasury by the Company and upon registration of such cancellation the Company had no series L shares at 31 December 2017. On 15 December 2017, the sole shareholder of the Company resolved to combine the Company's series A and L shares to single share series and incorporate the shares in the book-entry securities system and amend the company's Articles of Association accordingly on 19 January 2018. At the end of the financial period 2018 there were 36,140,485 shares outstanding and in 2017 there were 35,960,000 A series shares.

Altia Plc together with the State of Finland resolved on the completion of the initial public offering of Altia as a Share sale on 22 March 2018. Public trading on Altia's share started in Nasdaq Helsinki pre -list on 23 March 2018 and in main list on 27 March 2018.

All shares issued have been paid in full. The shares have no nominal value. Each share has one vote at the Annual General meeting and equal rights to dividend and other distribution of assets. The company does not hold its own shares.

NUMBER OF SHARES

	2018	2017
Number of outstanding shares in the beginning of the financial year	35,960,000	35,960,000
Personnel offering	180,485	-
Number of outstanding shares at the end of the financial year	**36,140,485**	**35,960,000**

Share issues

In Altia's initial public offering Altia issued 180,485 personnel shares to permanent employees of Altia in Finland and Sweden (Personnel Offering). The subscription price was ten per cent lower than the subscription price in the Institutional Share Sale and Public Share Sale, i.e. EUR 6.75

Invested unrestricted equity fund

The amounts paid for issued Personnel Shares in Altia's listing have been recorded as invested unrestricted equity fund.

Fair value reserve

The fair value reserve represents the change in the fair value of financial assets measured at fair value through other comprehensive income.

Hedge reserve

The hedge reserve includes the fair value changes of derivative instruments used for cash flow hedging for effective hedges.

CASH FLOW HEDGE RESERVE

EUR million	Currency forwards	Interest rate swaps	Commodities	Total hedge reserves
Opening balance 1 January 2017	**-0.1**	**-1.5**	**0.1**	**-1.4**
Change in fair value of hedging instrument recognised in OCI	0.6	1.1	0.4	2.0
Reclassified from OCI to profit or loss - included in purchases/ sales adjustments	0.1	-	-	0.1
Reclassified from OCI to financial income / expenses.	-	-0.4	-	-0.4
Reclassified from OCI to electricity purhases	-	-	-0.1	-0.1
Deferred tax	-0.1	-0.3	-0.1	-0.5
Closing balance 31 December 2017	**0.5**	**-1.1**	**0.3**	**-0.3**
Change in fair value of hedging instrument recognised in OCI	-0.0	0.7	0.5	1.2
Reclassified from OCI to profit or loss - included in purchases/ sales adjustments	-0.5	-	-	-0.5
Reclassified from OCI to financial income / expenses.	-	-0.4	-	-0.4
Reclassified from OCI to electricity purhases	-	-	0.6	0.6
Deferred tax	0.0	-0.3	-0.3	-0.5
Closing balance 31 December 2018	**-0.0**	**-1.0**	**1.1**	**0.0**

Translation differences

Translation differences comprise all foreign exchange differences arising from the translation of the foreign subsidiaries' financial statements. The Group's accumulated translation differences amounted to negative EUR 19.6 million at 31 December 2018 (31.12.2017: negative EUR 16.0 million).

Earnings per share

Basic earnings per share is calculated by dividing the result for the period attributable to owners of the parent company by the weighted average number of shares outstanding during the reporting period.

Diluted earnings per share has been calculated on the same basis as basic earnings per share except that it reflects the impact of any potential commitments the Group has to issue shares in the future. Altia has not issued any dilutive instruments during the periods presented.

EARNINGS PER SHARE

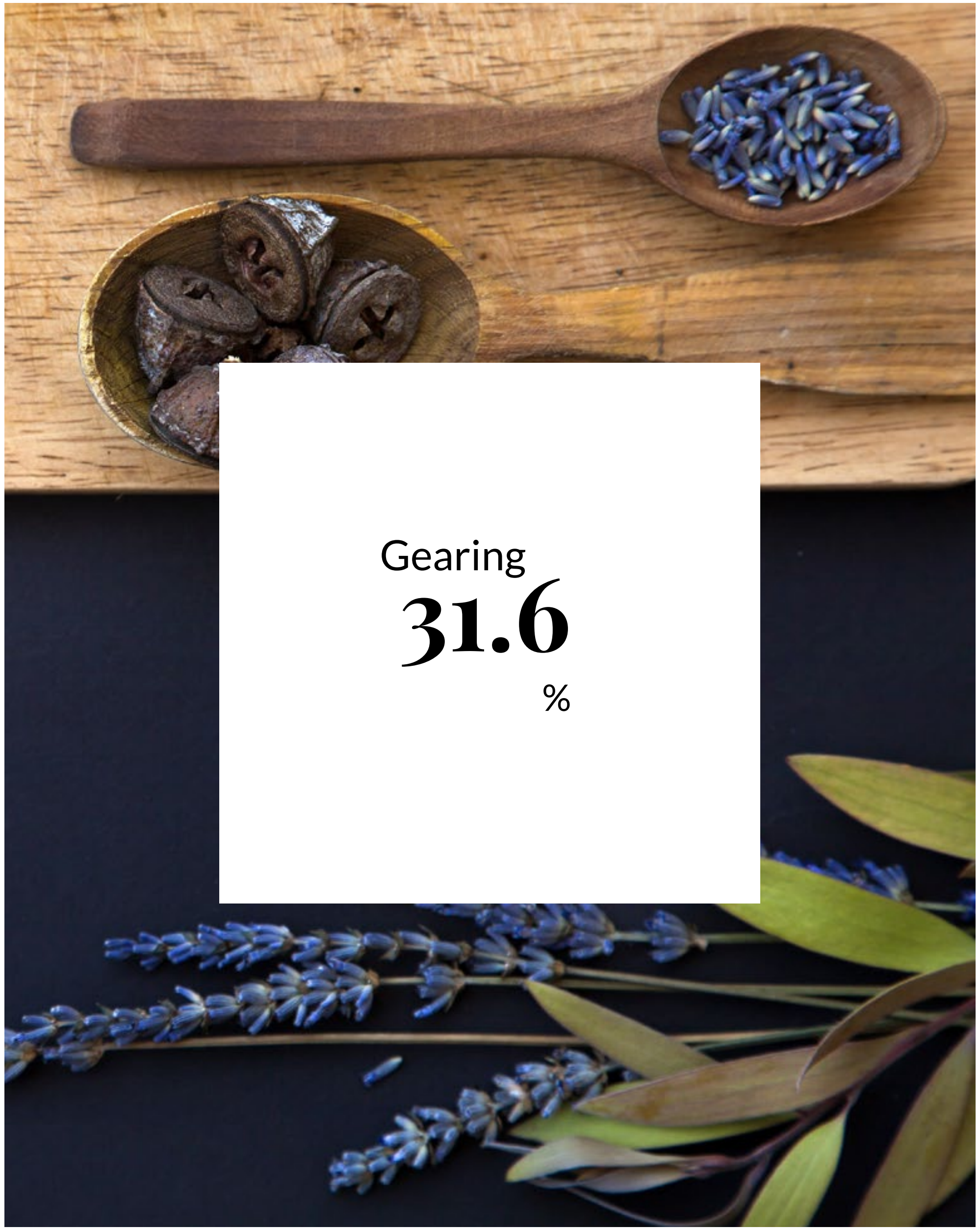
	2018	2017
Result attributable to the shareholders of the parent company, EUR million	15.1	18.3
Weighted average number of shares outstanding (1.000 pcs)	36 140	35 960
Basic and diluted earnings per share (EUR)	0.42	0.51

Dividend

The Board of Directors proposes to the Annual General Meeting that dividend of EUR 0.38 per share be distributed for 2018. No dividend was distributed for the financial year 2017.

ALTIA PLC'S DISTRIBUTABLE FUNDS

EUR million	31 Dec 2018	31 Dec 2017
Invested unrestricted equity fund	1.2	-
Retained earnings	56.8	100.7
Distribution of dividends	-	-70.5
Profit for the period	14.1	26.5
TOTAL DISTRIBUTABLE FUNDS	**72.1**	**56.8**



4. Financial and capital risk

4.1. FINANCIAL RISK MANAGEMENT

Financial risk management principles

The aim of Altia's financial risk management is to ensure the Group's financial stability and availability of sufficient financing options in different market situations. In addition, the aim is to support the business operations to identify business-related financial risks and their management, and to hedge against material financial risks.

The Group is exposed to various market risks. Changes in these risks affect the company's assets, liabilities and anticipated transactions. The risks are caused by changes in interest rates, currencies and commodity market prices. Selected derivative instruments can be used to manage the risks resulting from these market risks. Altia mainly hedges against risks that impact the Group's cash flow, and, if deemed appropriate, also certain foreign currency denominated items in the balance sheet. Derivatives are solely used to hedging against the above-mentioned risks. The principles of IFRS 9 hedge accounting are applied to certain interest rate, foreign exchange as well as electricity derivatives. Financial risk management is executed as part of the Group's risk management, according to the Risk Management Principles approved by the Board of Directors. Altia's principles aiming towards financial, credit and operational continuity form the basis for financial risk management.

Risk management process

Special process features related to financing are described below in connection with the descriptions of market, liquidity and credit risks. The financial risk exposure is regularly reported to the Audit Committee and Altia's Board of Directors. The most significant principle decisions concerning risk management are made by the company's Board of Directors.

As part of the financial risk management principles, Altia's Board of Directors has approved a list of financial instruments, in which the accepted instruments, their purpose and the person who decides on their use have been specified for different types of financial risks.

Financial risk management organisation

Financial matters are reported regularly to the Group management. On a case-by-case basis, the Board of Directors processes all substantial financial matters, such as the Group's internal and external loan arrangements.

Tasks and responsibilities regarding Altia's financial operations and financial risk management are described in the financial risk management principles. The Group Treasury is responsible for securing financing, identifying risks and, if required, executing hedging transactions with external counterparties. The business units and subsidiaries are responsible for managing the risks associated with their own operations and forecasting cash flows.

Risk concentrations

Altia carefully analyses the financial risks and risk concentrations related to its operations. Risk concentrations identified as a result of this assessment are described in connection with the descriptions of market and credit risks.

Market risk

Altia defines market risk as a risk where the fair values of financial instruments or future cash flows fluctuate as a result of changes in market prices. The most significant market risks for the Group are currency risk, interest rate risk and price risks for barley and electricity.

1. Currency risk

Altia is exposed to currency risks resulting from export and import, intra-group trade across borders of the euro-area, as well as internal loans and investments in foreign subsidiaries. The objective of the Group's currency risk management is to limit the uncertainties associated with foreign exchange rates and their effect on the Group's profit, cash flows and balance sheet.

Transaction risk

Transaction risk is caused by foreign currency denominated items in the balance sheet and future cash flows related to sales, purchases and return of capital. Transaction risk management aims to hedge the Group's profit against the effects of changes in foreign exchange rates.

The objective is to hedge 60–80% of highly probable commercial cash flows. The average hedging ratio has remained at the target level. Hedging transactions are executed with forward exchange contracts or options for the following 12 months at the most, predominantly following the pricing periods of customers. Altia may apply cash flow hedge accounting to foreign exchange derivatives. Intra-group loan arrangements are hedged by 100% and hedge accounting is not applied to these arrangements.

The two tables below present the Group's net currency position, first on the basis of financial instruments recorded on the balance sheet and secondly including on a net basis also the estimated future foreign currency net cash flows. The currency position resulting from the financial instruments in accordance with IFRS 7 consists of trade receivables, trade payables, cash and cash equivalents, the Group's internal and external loans and derivative instruments.

The net currency risk has been taken into account in the table if the transaction currency is other than the company's functional currency.

TABLE 1: THE GROUP'S NET CURRENCY POSITION AT 31 DECEMBER

The net currency position resulting from the financial instruments in accordance with IFRS 7 EUR million	2018	2017
EUR-SEK	-19.7	-19.5
EUR-NOK	-0.8	-1.3
EUR-USD	4.5	3.9
EUR-AUD	2.1	1.7

The Group's net currency position at 31 December including also the hedged commercial cash flows EUR million	2018	2017
EUR-SEK	2.4	2.0
EUR-NOK	1.1	1.3
EUR-USD	0.6	0.1
EUR-AUD	0.1	0.0

Translation risk

Translation risk is mainly caused by the parent company's foreign currency denominated net investments in foreign subsidiaries, which cause a translation difference in equity in the Group's balance sheet upon consolidation. The Group Treasury regularly analyses the translation risk and reports any material issues to the management. The most significant net investments are denominated in the Swedish and Norwegian kroner. The translation risk has not been hedged.

2. Interest rate risk

The objective of interest rate risk management is to minimise the impact of fluctuations arising from interest rate changes on the Group's profit. At 31 December 2018 the total nominal amount of loans was EUR 89.3 million (2017: 100.0) and was divided as follows:

- The EUR 20.0 million loan matures in January 2022 with annual EUR 5 million instalments. The interest rate on the loan is based on three –month market rate. Currently these interest payments are not hedged.
- The EUR 55.0 million portion of the loan matures in January 2023. The interest rate on the loan is based on three-month market rate. Altia has hedged these interest payments to fixed interest rate by using an interest rate derivative amounting to EUR 20 million. Hedge accounting principles are applied to this interest rate derivative. The hedge has been regarded as effective.
- The EUR 14.3 million pension loan matures in January 2028. The interest rate is fixed for the whole loan period.

The maximum amount under Altia's domestic commercial paper program is EUR 100 million. There were no issued commercial papers at 31 December 2018 and 2017.

Altia's maximum limit for sale of trade receivables amounts to EUR 145 million and is approved by Board of Directors. The sold trade receivables are derecognised at the time of trade with no obligation to repurchase. The related costs are recognised in other financial expenses. The trade receivables are current receivables and the related interest rate risk is not hedged. The amount of the sold trade receivables was EUR 80.2 million at 31 December 2018 (2017: 83.6 million).

3. Price risk associated with commodities

Barley

In 2018, Altia used approximately 212 (206) million kilos of Finnish barley to produce ethanol and starch. The availability of high-quality domestic barley is ensured with contract cultivation and co-operation with grain growers and grain handling companies. The market price of barley fluctuates significantly year by year as a result of various factors that affect the Finnish barley supply and demand and is therefore considered a significant risk for Altia. The price risk has not been hedged with derivative instruments.

Electricity

Strong increase in the market price of electricity is a significant risk for Altia. The risk is managed by following Altia's principles for electricity procurement. These principles determine the hedging limits, within which the electricity price risk is hedged. The hedges are done with OTC-derivatives of Nasdaq OMX Oslo ASA. The hedging service for electricity procurement has been outsourced.

Cash flow hedge accounting in accordance with IFRS 9 is applied to the hedges against electricity price risk, and hedge effectiveness is tested quarterly. The hedged risk is the euro dominated sourcing of electricity in Finland. To hedge the risk system priced, Finnish price area and price area derivative is used. With system priced derivatives is hedged Nordic electricity price and with price area derivative is hedged the price difference between Finnish price area and system price.

At the end of 2018, the hedging ratio for deliveries for the next 12 months was 64.1% (2017: 67.6%), in line with the set targets. In 2018 the average hedging ratio was 68.0% (70.0%). All hedging was effective in 2018 (ineffective portion 2017, EUR -0.1 million).

Altia purchases its electricity straight from the Nord Pool Spot markets as a delivery tied to the spot price of the Finnish price area.

4. Sensitivity to market risks

The following table describes the sensitivity of the Group's profit and equity (before taxes) to changes in electricity prices, interest and foreign exchange rates. When Altia applies hedge accounting, the sensitivity is directed at equity. When hedge accounting is not applied, the sensitivity is recognised as a potential impact on profit or loss.

The sensitivity to foreign exchange rate changes is calculated from the net currency position resulting from financial instruments.

TABLE 2: SENSITIVITY ANALYSES

Sensitivity of financial instruments to market risks (before taxes) in accordance with IFRS 7 EUR million	2018 Income statement	 Equity	2017 Income statement	 Equity
+/-10% electricity	-	+/-0.3	-	+/-0.3
+/-10% change in EUR/NOK exchange rate	+/-0.1		+/-0.1	-
+/-10% change in EUR/SEK exchange rate	+/-2.0		+/-2.0	-
+/-10% change in EUR/USD exchange rate	-/+0.5		-/+0.4	-
+/-10% change in EUR/AUD exchange rate	-/+0.2		-/+0.2	-
+1%-points parallel shift in interest rates	-0.5	+0.6	-0.7	0.8

+10 % increase in EUR/SEK exchange rate would have an EUR + 2.0 million effect in income statement. Other risks with same principle.

At the end of 2018 the total group floating rate liability position consists of floating rate liabilities EUR 75.0 million (2017: EUR 85.0 million) and floating leg of interest rate swap EUR 20 million (2017: EUR 20.0 million) which is netting the interest rate risk.

Liquidity risk

In order to manage the liquidity risk, Altia continuously maintains sufficient liquidity reserves, which at the end of 2018 comprised Group's EUR 10 million overdraft facility and a EUR 60 million revolving credit facility. At the end of December 2018, no revolving credit facility was in use (2017: EUR 10.0 million). The revolving credit facility matures in January 2023. More detailed information on the Group's external loans is provided in the interest rate risk section.

TABLE 3: LIQUIDITY RESERVES

Cash and cash equivalents and unused committed credit limits EUR million	2018	2017
Cash and cash equivalents	42.0	52.4
Overdraft facilities	10.0	10.0
Revolving credit line	60.0	50.0
TOTAL	**112.0**	**112.4**

TABLE 4: MATURITIES OF FINANCIAL LIABILITIES

Contractual payments on financial liabilities 2018 EUR million	Total contractual cash flows	Cash flows 2019			Cash flows 2020			Cash flows 2021–		
		Fixed rate	Variable rate	Re-payment	Fixed rate	Variable rate	Re-payment	Fixed rate	Variable rate	Re-payment
Non-derivative:										
Loans from financial institutions[1)]	-77.9	-	-0.8	-5.0	-	-0.7	-5.0	-	-1.4	-65.0
Loans from pension institutions[2)]	-15.1	-0.2	-	-1.5	-0.1	-	-1.5	-0.5	-	-11.3
Finance lease liabilities	0.4	-	-	0.2	-	-	0.2	-	-	0.0
Trade payables	-25.8	-	-	-25.8	-	-	-	-	-	-
Derivative:										
Currency derivatives, hedge accounting										
Inflow	30.9	-	-	30.9	-	-	-	-	-	-
Outflow	-30.8	-	-	-30.8	-	-	-	-	-	-
Currency derivatives, non-hedge accounting										
Inflow	33.7	-	-	33.7	-	-	-	-	-	-
Outflow	-33.6	-	-	-33.6	-	-	-	-	-	-
Interest rate derivatives, hedge accounting	-1.3	-0.3	-	-	-0.3	-	-	-0.7	-	-
Commodity derivatives, hedge accounting	-1.3	-	-	-0.9	-	-	-0.4	-	-	-0.1
TOTAL	**-120.9**	**-0.5**	**-0.8**	**-32.8**	**-0.5**	**-0.7**	**-6.7**	**-1.2**	**-1.4**	**-76.4**

[1)] Loans from financial institutions mature 2022 and 2023
[2)] Loans from pension institutions mature 2028

TABLE 4: MATURITIES OF FINANCIAL LIABILITIES

Contractual payments on financial liabilities 2017 EUR million	Total contractual cash flows	Cash flows 2018			Cash flows 2019			Cash flows 2020–		
		Fixed rate	Variable rate	Re-payment	Fixed rate	Variable rate	Re-payment	Fixed rate	Variable rate	Re-payment
Non-derivative:										
Loans from financial institutions[1]	-88.6	-	-0.7	-10.0	-	-0.8	-5.0	-	-2.2	-70.0
Loans from pension institutions[2]	-16.0	-0.1	-	-0.8	-0.2	-	-1.5	-0.7	-	-12.8
Finance lease liabilities	0.4	-	-	0.1	-	-	0.1	-	-	0.2
Trade payables	-29.2	-	-	-29.2	-	-	-	-	-	-
Derivative:										
Currency derivatives, hedge accounting										
Inflow	30.9	-	-	30.9	-	-	-	-	-	-
Outflow	-30.2	-	-	-30.2	-	-	-	-	-	-
Currency derivatives, non-hedge accounting										
Inflow	24.8	-	-	24.8	-	-	-	-	-	-
Outflow	-24.5	-	-	-24.5	-	-	-	-	-	-
Interest rate derivatives, hedge accounting	-1.4	-0.3	-	-	-0.3	-	-	-0.8	-	-
Commodity derivatives, hedge accounting	-0.3	-	-	0.0	-	-	-0.1	-	-	-0.1
TOTAL	**-133.9**	**-0.4**	**-0.7**	**-38.8**	**-0.5**	**-0.8**	**-6.6**	**-1.5**	**-2.2**	**-82.6**

[1] Loans from financial institutions mature 2022 and 2023
[2] Loans from pension institutions mature 2028

Credit risk

The objective of Altia's credit risk management is to minimise the losses if one of the Group's counterparties fails to meet its obligations. The principles of credit risk management are described in the Group's credit policy.

Credit risks are caused by a counterparty not fulfilling its contractual payment obligations or the counterparty's credit rating changing in a manner that affects the market value of the financial instruments it has issued.

The maximum amount of credit risk is equal to the carrying amount of the Group's financial assets. No significant risk concentrations relate to trade receivables. The aim is to minimise credit risks by active credit management and by taking into account customers' credit rating when determining the payment term of invoices.

4.2. CAPITAL RISK MANAGEMENT

The target of Altia's capital management is to secure an effective capital structure that supports the profitable growth of the operations. The Board of Directors monitors the Group's capital structure regularly.

Altia monitors its capital based on gearing (the ratio of interest-bearing net liabilities to equity). Interest-bearing net liabilities consist of the loans less cash and cash equivalents. The current level of gearing is distinctly lower than the limit determined in the Group's loan terms.

During the business cycle, the company's net gearing is likely to fluctuate, and the objective is to retain a sufficiently strong capital structure to secure the Group's financing needs. At 31 December 2018 and 31 December 2017, the gearing ratio was as follows:

TABLE 5: GEARING

Gearing as of 31 December EUR million	2018	2017
Borrowings	**89.4**	**100.1**
Cash and cash equivalents	42.0	52.4
Net debt	47.4	47.7
Total equity	150.1	136.8
GEARING AT 31 DECEMBER	**31.6%**	**34.9%**

5. Consolidation

5.1. GENERAL CONSOLIDATION PRINCIPLES

Consolidation

Consolidation, consolidation method and classification of ownership interests depends on whether the Group has power to control or jointly control the entity or have significant influence or other interests in the entity. When the Group has power to control the entity, it is consolidated as a subsidiary according to principles described in Note 5.2. (p. 153) Subsidiaries. When the Group has joint control or significant influence over an entity but does not have power to control, entity is accounted for by using the principles set in Note 5.3. (p. 154). Associated companies and interests in joint operations. If the Group does not have power to control nor significant influence in the entity, its ownership interests are classified as Financial assets at fair value through other comprehensive income and accounted for according to principles described in Note 3.2.1. (p. 134).

Foreign currency items

The consolidated financial statements are presented in euro, which is the functional and presentation currency of the parent company. Transactions in foreign currencies are translated to euro at average foreign exchange rates published by the European Central Bank on banking days. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to euro at the average exchange rates prevailing at that date. Foreign currency differences arising on translation are recognised in profit or loss. Foreign exchange gains and losses related to purchases and sales are recognised in the respective items and included in operating result. Foreign currency gains and losses arising from loans denominated in foreign currencies are recognised in finance income and expenses.

Income and expenses for the statements of comprehensive income of foreign subsidiaries that operate outside the eurozone are translated using the average rates of the European Central Bank's exchange rates at the end of the month. The statements of financial position of foreign subsidiaries are translated using the average exchange rates ruling at the reporting date. Foreign currency differences arising on the translation of profit or loss for the period with different exchange rates in the statement of comprehensive income and in the balance sheet are recognised in other comprehensive income and included in translation differences in equity. Changes in translation differences are recognised in other comprehensive income.

In the consolidated financial statements, exchange rate differences arising from the translation of foreign currency denominated loans to foreign subsidiaries, which form a part of net investments in foreign companies, are recognised in other comprehensive income and included in translation differences within equity.

Translation differences arising from elimination of the cost of foreign subsidiaries and from translation of the foreign subsidiaries' post-acquisition profits and losses are recognised in other comprehensive income and presented as a separate item within equity. Goodwill and the fair value adjustments to the carrying amounts of assets and liabilities of foreign units are accounted for as assets and liabilities of the respective foreign units, which are translated to euro at the exchange rates prevailing at the reporting date. If these foreign units are entirely or partly disposed of, related exchange rate differences are recognised in profit or loss as part of the gain or loss on disposal.

5.2. SUBSIDIARIES

Subsidiaries consolidation principles

Consolidated financial statements of Altia include the parent company, Altia Plc, and all subsidiaries. Subsidiaries are all those in which the parent company exercises control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of acquired subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All business combinations are accounted for by using the acquisition method. The consideration transferred and the identifiable assets acquired and liabilities assumed in the acquired company are measured at fair value at the acquisition date. The amount exceeding the aggregate of the consideration transferred, the amount of non-controlling interests and any previously held equity interest in the acquiree, over the fair value of the net assets acquired is recorded as goodwill.

All acquisition-related costs, with the exception of costs to issue debt or equity securities, are expensed. The consideration transferred does not include any transactions accounted for separately from the acquisition. Any contingent consideration is recognised at fair value at the acquisition date and it is classified as either liability or equity. Contingent consideration classified as a liability is measured at fair value at each reporting date and any resulting gain or loss is recognised in profit or loss.

Intra-group transactions, receivables, liabilities and unrealised gains, as well as the distribution of profits within the Group are eliminated in preparing the consolidated financial statements. Unrealised losses are not eliminated if the loss in question results from impairment.

The Group had no non-controlling interests at 31 December 2018 or 31 December 2017.

Altia Plc had 23 subsidiaries at the end of the reporting period (23 subsidiaries at 31 December 2017).

	Parent company's share of ownership (%)	Group's share of ownership (%)	Country of incorporation
A-Beverages Oy	100.00	100.00	Finland
Altia Eesti AS	100.00	100.00	Estonia
Altia Denmark A/S	100.00	100.00	Denmark
Altia Holding Sweden AB	100.00	100.00	Sweden
SIA Altia Latvia	100.00	100.00	Latvia
Altia Norway AS	100.00	100.00	Norway
Altia Sweden AB	-	100.00	Sweden
Altia Sweden Services AB	-	100.00	Sweden
Alpha Beverages Oy	100.00	100.00	Finland
Best Buys International AS	100.00	100.00	Norway
BevCo AB	-	100.00	Sweden
Bibendum AB	-	100.00	Sweden
Bibendum AS	100.00	100.00	Norway
ExCellar Oy	100.00	100.00	Finland
Harald Zetterström oy/ab	100.00	100.00	Finland
Interbev AS	100.00	100.00	Norway
Larsen SAS	100.00	100.00	France
Philipson & Söderberg AB	-	100.00	Sweden
Prime Wines Oy	100.00	100.00	Finland
Premium Wines AS	100.00	100.00	Norway
Ström AS	100.00	100.00	Norway
Vinuversum AB	-	100.00	Sweden
Oy Wennerco Ab	100.00	100.00	Finland

5.3. ASSOCIATED COMPANIES AND INTERESTS IN JOINT OPERATIONS

Associated companies

Associated companies are all entities over which the Group accompanies a shareholding of over 20% of voting rights or otherwise has significant influence, but not control. Altia has an investment in an associated company Palpa Lasi Oy.

Associated companies are consolidated by using the equity method. Under the equity method, the investment is initially recognised at cost and subsequently adjusted with the change in the net assets of the investee after the acquisition date, consistent with the ownership interest of the Group. After the acquisition the Group's share in the associated company's profit and loss for the period is separately disclosed after operating result. If the Group's share in the associated company's loss exceeds the carrying amount of the investment, the investment is recognised at zero value in the consolidated balance sheet and the loss exceeding the carrying amount is not consolidated, unless the Group has committed to fulfil the company's obligations. An investment in an associated company includes goodwill arisen on acquisition. The Group's share in changes in the associated company's other comprehensive income is recognised in consolidated other comprehensive income.

Results from the transactions between the Group and its associates are recognised only to the extent of unrelated investor's interests in the associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. In case of such indications, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its' carrying value. The impairment is recognised in share of results in associated companies.

Financial statements of associated companies have been changed where necessary to correspond with the accounting policies adopted by the Group. If financial statements for the period are not available, the share of the profit is included in the consolidated financial statements based on the preliminary financial statements or latest available information.

Interests in joint operations

A joint arrangement is an arrangement of which two or more parties have contractually agreed joint control which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint arrangement is either a joint operation or a joint venture. Altia has an interest through a receivable in Roal Oy based on the contractual relationship with the other party to the joint operation. The interest in Roal Oy is accounted for as a joint operation.

ASSOCIATED COMPANIES AND JOINT OPERATIONS

	2018 Share of ownership %	2017 Share of ownership %
Roal Oy, Finland	50.00	50.00
Palpa Lasi Oy, Finland	25.53	25.53

Roal Oy engages enzyme business. The joint operation's other owner is ABF Overseas Ltd. Palpa Lasi Oy engages in the recycling and re-use of glass beverage packages.

Altia has joint control over Roal but the option right held by the other shareholder represents in substance a receivable with a fixed rate of return and Altia does not have a right to 50% of the net assets until the option lapses. Accordingly, the interest is classified as a joint operation with Altia accounting for its share of assets as a receivable with the annual minimum dividend accounted for as interest income. The receivable amounted to EUR 7.6 million as at 31 December 2018 and 31 December 2017.

FINANCIAL SUMMARY OF ASSOCIATED COMPANIES

EUR million	2018	2017
Assets	7.6	5.9
Liabilities	6.3	7.3
Net assets	1.3	-1.5
Net sales	18.3	17.5
Result for the period	2.8	1.2

Related party transactions with associated companies and joint operations are presented in Note 6.3. (p. 161).

6. Other notes

6.1. INCOME TAX EXPENSES

Income tax expenses

The Group's income tax expense recognised through profit or loss comprises current tax based on taxable income for the period, any adjustments to tax payable in respect of previous periods and deferred taxes. Current income tax based on taxable income is calculated according to the local tax regulations of each Group company.

Tax effects related to transactions or other events recognised in profit or loss are recognised in profit or loss. If the taxes relate to items of other comprehensive income or transactions or other events recognised directly in equity, income tax expense is recognised within the respective items. The Group's share of profit or loss in associated companies is reported as calculated from the net profit and thus including the income tax effect.

Deferred tax assets and liabilities are principally recognised for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The most significant temporary differences arise from property, plant and equipment and intangible assets, carry forward of unused tax losses and fair value allocations on business combinations. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax liabilities are recognised in full. Deferred taxes are calculated using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax is recognised for foreign subsidiaries undistributed earnings only when related tax effects are probable.

Deferred tax assets and liabilities are set off when they are levied by same taxing authority and Altia has legally enforceable right to set off the balances.

Critical estimates and management judgements – Deferred tax assets:
Judgment is required in assessing whether deferred tax assets are recognised on the balance sheet. Deferred tax assets are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These future cash flow estimates depend on estimates of future sales volumes, price levels of main raw materials, capital expenditure and other components affecting profitability of the operations. These estimates and assumptions are subject to risk and uncertainty, hence it is possible that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised on the balance sheet and the amount of any other tax losses and temporary differences not yet recognised. Altia's ability to generate taxable profit is also subject to general economic, financial, competitive, legislative and regulatory factors that are beyond its control. If Altia generates lower future taxable profits than what management has assumed in determining the amounts of the recognised deferred tax assets, the assets would become impaired, either partly or in full. Accordingly, amounts recognised in balance sheet could potentially be reversed through profit and loss. Changes in circumstances may also result in recognition of deferred tax assets for tax losses not yet recognised as an asset.

INCOME TAX EXPENSE

EUR million	2018	2017
Current income tax expense	3.8	6.3
Adjustments to taxes for prior periods	0.2	-0.2
Deferred taxes:		
Origination and reversal of temporary differences	0.0	0.6
Impact of changes in tax rates	-0.4	0.0
TOTAL	**3.6**	**6.7**

The reconciliation of the tax expense recognised in profit and loss and the tax expense calculated using Altia Group's domestic corporate tax rate (20.0%):

EUR million	2018	2017
Result before taxes	18.6	25.0
Income tax using the parent company's tax rate	3.7	5.0
Effect of tax rates of subsidiaries in foreign jurisdictions	0.3	0.4
Tax-exempt income	-0.3	-0.2
Non-deductible expenses	0.1	0.1
Utilisation of previously unrecognised tax losses	-0.0	-0.4
Adjustments to taxes for prior periods	0.2	-0.2
Share of profit in associated companies, net of tax	-0.1	-
Effect of changes in tax rates	-0.4	0.0
Tax arising on dividends	-	0.6
Tax on undistributed earnings	-0.0	1.7
Other items	0.0	-0.3
TAX EXPENSE IN PROFIT OR LOSS	**3.6**	**6.7**

The year 2017 recognised tax expense on undistributed earnings, EUR 1.7 million, was due to the reassessment of deferred tax liabilities of retained earnings in Estonia.

INCOME TAX RECOGNISED IN OTHER COMPREHENSIVE INCOME

2018 EUR million	Before Tax	Tax	Net of Tax
Cash flow hedges	0.4	-0.1	0.3
Translation differences	-3.5	-	-3.5
Remeasurements of post-employment benefit obligations	0.0	-0.0	-0.0
TOTAL	**-3.1**	**-0.1**	**-3.2**

2017 EUR million	Before Tax	Tax	Net of Tax
Cash flow hedges	1.4	-0.3	1.1
Available-for-sale financial assets	0.6	-	0.6
Translation differences	-4.0	-	-4.0
Remeasurements of post-employment benefit obligations	-0.0	0.0	-0.0
TOTAL	**-2.0**	**-0.3**	**-2.3**

DEFERRED TAX ASSETS AND LIABILITIES

Change in deferred tax assets and liabilities during 2018: EUR million	1 Jan 2018	Recognised in profit or loss	Recognised in other comprehensive income	Exchange rate differences	31 Dec 2018
Deferred tax assets:					
Tax losses	0.3	-0.2	-	-0.0	0.1
Fixed assets	2.4	-0.4	-	-0.0	2.0
Pension benefits	0.3	0.0	-0.0	-0.0	0.3
Provisions	-	0.1	-	-	0.1
Internal margin of inventories	0.1	0.0	-	-0.0	0.1
Recognised in hedge reserve	0.1	-	-0.1	-	0.0
Other temporary differences	0.2	-0.0	-	-0.0	0.1
Total deferred tax assets	**3.3**	**-0.4**	**-0.1**	**-0.0**	**2.7**
Offset against deferred tax liabilities	-2.3				-1.9
Net deferred tax assets	**1.0**				**0.8**
Deferred tax liabilities:					
Fixed assets	5.2	-0.0	-	-0.0	5.2
Recognised in hedge reserve	0.0	-	0.0	-0.0	0.0
Fair value allocation on acquisitions	2.7	-0.5	-	-0.1	2.1
Deductable goodwill depreciation	10.4	-0.4	-	-0.3	9.7
Undistributed profits of foreign subsidiaries	1.7	-0.0	-	-	1.7
Other temporary differences	0.0	-0.0	-	-	0.0
Total deferred tax liabilities	**20.0**	**-0.9**	**0.0**	**-0.4**	**18.8**
Offset against deferred tax assets	-2.3				-1.9
Net deferred tax liabilities	**17.7**				**16.8**

DEFERRED TAX ASSETS AND LIABILITIES

Change in deferred tax assets and liabilities during 2017: EUR million	1 Jan 2017	Recognised in profit or loss	Recognised in other comprehensive income	Exchange rate differences	31 Dec 2017
Deferred tax assets:					
Tax losses	0.2	0.1	-	-0.0	0.3
Fixed assets	3.4	-1.1	-	-0.0	2.4
Pension benefits	0.3	0.0	0.0	-0.0	0.3
Internal margin of inventories	0.1	0.0	-	-0.0	0.1
Recognised in hedge reserve	0.4	-	-0.3	-0.0	0.1
Other temporary differences	0.2	-0.0	-	-0.0	0.2
Total deferred tax assets	**4.6**	**-1.0**	**-0.3**	**-0.0**	**3.3**
Offset against deferred tax liabilities					-2.3
Net deferred tax assets					**1.0**
Deferred tax liabilities:					
Fixed assets	5.2	-0.0	-	-0.0	5.2
Recognised in hedge reserve	0.0	-	0.0	0.0	0.0
Fair value allocation on acquisitions	3.2	-0.4	-	-0.1	2.7
Deductable goodwill depreciation	10.5	0.0	-	-0.2	10.4
Undistributed profits of foreign subsidiaries	-	1.7	-	-	1.7
Other temporary differences	1.7	-1.6	-	-0.0	0.0
Total deferred tax liabilities	**20.7**	**-0.4**	**0.0**	**-0.3**	**20.0**
Offset against deferred tax assets					-2.3
Net deferred tax liabilities					**17.7**

At 31 December 2018, the Group had EUR 1.0 million (2017: EUR 5.6 million) of tax loss carry forwards for which no deferred tax was recognised. EUR 1.0 million of these temporary differences expire in 4 years. Altia management estimates these losses arise in subsidiaries which have neither indication of future taxable income nor other convincing evidence that tax losses can be utilised and deferred tax asset be recognised in balance sheet.

6.2. COLLATERALS, COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES

EUR million	2018	2017
Collaterals and commitments		
Collaterals given on behalf of Group companies		
Mortgages	18.5	18.5
Guarantees	5.3	6.4
TOTAL COLLATERALS	**23.8**	**24.9**
Other commitments		
Operating lease obligations		
Less than one year	3.9	4.8
Between one and five years	9.3	11.5
More than five years	0.5	0.9
Total operating lease obligations	13.6	17.1
Other commitments	15.5	19.7
TOTAL COMMITMENTS	**29.1**	**36.8**

Collaterals given on behalf of Group companies all relate to commitments to authorities. Operating lease obligations consists of office, cars and forklift rental commitments. Other commitments include mainly purchase obligations of wine and cognac.

Assets not recognised in the balance sheet, emission allowances

The Group participates in the European Union emission trading scheme, where it has been granted a certain number of carbon dioxide emission allowances for a certain period of time, free of charge. Altia Plc discloses its carbon dioxide emission allowances granted free of charge on net basis. Following from this, the Group does not recognise in the balance sheet the granted emission allowances, nor the obligation to deliver allowances corresponding to the realised emissions. The Group does not recognise income or expenses arising from emission allowances through profit or loss when the emission allowances granted are sufficient to cover the obligation to deliver allowances corresponding to the amount of emissions made.

If the realised emissions exceed the granted emission allowances, the obligation arising from the excess emissions is recognised at fair value as a liability in the balance sheet at the reporting date. If the realised emissions fall below the granted emission allowances, the difference is not recognised in the balance sheet but it is disclosed in the notes to the financial statements, measured at fair value.

Altia´s actual emissions are below the emission allowances granted. The following table presents changes in allowances for financial years 2018 and 2017, as well as their fair values:

Emission allowances, kilotons	2018	2017
Emission allowances received	26.9	27.4
Excess emission allowances from the previous period	45.6	39.2
Adjustments related to prior year's estimates	0.0	-0.0
Sold emission allowances	-20.0	-
Realised emissions	-21.9	-21.0
EMISSION ALLOWANCES AT 31 DECEMBER	**30.6**	**45.6**
Fair value of emission allowances at 31 December, EUR million	0.7	0.4

The emission allowances received during year 2018 and the realised emissions are estimates, which will be adjusted during the spring 2019. Altia continues to operate within the emission trading system for the trading period 2013–2020.

6.3. RELATED PARTY TRANSACTIONS

The Company's related parties include the subsidiaries, associated companies and joint operations. The subsidiaries are presented in Note 5.2. (p. 153) and associated companies and joint operations in Note 5.3. (p. 154). Related party transactions include such operations that are not eliminated in the Group´s consolidated financial statements.

Related party also include the Board of Directors, the CEO, the members of the Executive Management Team and their family members as well as entities controlled or jointly controlled by these persons. Also entities that are controlled or jointly controlled by, or are associates of the State, are related parties of Altia. Altia has applied the exemption to report only material transactions with the government related entities. Transactions with related parties are entered into on market terms. Altia has related party transactions on a continuous basis with its major customer Alko. Transactions with Alko have been presented below under Other companies considered related parties.

THE FOLLOWING TRANSACTIONS HAVE TAKEN PLACE WITH RELATED PARTIES

EUR million	2018	2017
Sales of goods and services		
Associates and joint operations	0.9	1.0
Other companies considered related parties	79.2	82.8
TOTAL	**80.1**	**83.8**
Purchases of goods and services		
Associates and joint operations	2.8	2.1
Other companies considered related parties	1.3	4.1
TOTAL	**4.1**	**6.2**
Outstanding balances from sales and purchases of goods and services		
Trade receivables		
Associates and joint operations	0.1	0.2
Other companies considered related parties	3.2	2.8
Trade payables		
Associates and joint operations	0.3	0.0
Other companies considered related parties	0.0	0.1

MANAGEMENT REMUNERATION

EUR million	2018	2017
CEO		
Salaries and other short-term employee benefits	0.3	0.3
Performance bonus and the bonuses from long-term incentive plan	0.3	0.3
Pension benefits	0.1	0.1
TOTAL	**0.7**	**0.7**
Members of the Executive Management Team (CEO not included)		
Salaries and other short-term employee benefits	1.9	1.9
Pension benefits	0.3	0.3
TOTAL	**2.2**	**2.2**
Members and deputy members of the Board of Directors	0.3	0.2

No monetary loans have been granted to the CEO or the members of the Board of Directors, nor any collaterals or commitments granted on their behalf.

The retirement age of the CEO of the parent company is 63 years.

6.4. ADOPTION OF NEW OR AMENDED IFRS STANDARDS AND INTERPRETATIONS

Altia has adopted new accounting standards issued by the International Accounting Standards Board, IFRS 15, Revenue from Contracts with Customers, and IFRS 9, Financial Instruments, effective on January 1, 2018.

IFRS 15 Revenue Recognition

Altia adopted the standard on January 1, 2018. The new standard replaced IAS 18 and IAS 11 standards and the related interpretations. The IABS has also issued clarifications to IFRS 15. The amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licenses of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The new standard includes a five-step process that Altia applies for contracts with customers before revenue is recognised.

The steps that are required to be followed for revenue recognition are the following:

1. identifying the contract
2. identifying the performance obligations
3. determining the transaction price
4. allocation of the transaction price to each performance obligation (to each distinct good or service promised to the client) on a relative stand-alone selling price basis
5. recognising the revenue when (or as) the performance obligation is satisfied by transferring the good or service to the client.

Altia's revenue comprises mainly sales of alcoholic products, which consists of a portfolio of Altia's own brands and international partner brands. Altia imports, sells and distributes wine, spirits and other beverage products to monopolies, hotels, restaurants, catering business, retail business, whole sale customers and export, border traffic and sea traffic customers. Altia also provides its industrial partners with solutions and services. Altia sells industrial products such as ethanol, starch and feed components and offers contract manufacturing services from distillation to bottling and customer services & logistics to its industrial customers.

Altia adopted the standard using the modified retrospective method which means that the comparatives are not restated and regarding Altia there were no material cumulative impact of the adoption recognised in retained earnings as of 1 January 2018.

Identifying performance obligations:

In the alcoholic products and industrial product sales each delivered product or batches of products are distinct performance obligations and the customer contracts do not typically contain a separate promise for transportation service. Accordingly, even when the control of the goods transfers to the customer before shipment, Altia does not arrange for the goods to be shipped and does not offer any other transportation or handling service to its customers. If control does not transfer to the customer before shipment, the transportation service is a fulfilment activity and not a distinct service. Accordingly, the transportation service is not a separate performance obligation to be accounted for separately from the sale of goods. In its partner supplier agreements, which entitle Altia to distribute partners' products, Altia acts as a principal towards the end customer having control over the product, discretion in establishing prices and owning the inventory. Accordingly, revenue recognised is the gross amount to which Altia is entitled to in these product sales.

In the contract services to Altia's industrial customers the contracts essentially include of a single performance obligation, being a series of distinct services such as contract manufacturing services, customer services, logistics and warehousing. In these arrangements Altia does not have any control over the product or inventory risk.

Determining the transaction price:

Contracts with customers typically include several variable considerations (volume discounts, bonuses, marketing support such as slotting fees, sanctions relating to certain predetermined KPIs or Altia's failure to timely perform its obligations, product returns, differences between a standard cost price and actual costs etc.). Under IFRS 15, an entity needs to estimate the variable consideration and include in the transaction price an amount that fulfils the highly probable criterion. However, Altia has already under the previous revenue recognition standards estimated the variable considerations as part of its revenue recognition process. In addition, Altia has been able to reliably estimate the outcome and therefore, management's view is that the highly probable criterion is typically met. Further, the amount of realised sanctions is immaterial and therefore, no adjustments to the transaction price were needed at transition.

With respect to right of return clauses Altia has previously recognised revenue for the transferred products in the amount of consideration to which it expects to be entitled and a refund liability related to the products that are expected to be returned, Under IFRS 15 Altia need to recognise a separate asset on its balance sheet reflecting the right to receive the goods. Previously Altia has recognised refund liability and inventory balances as a net amount but under IFRS 15 the amount is shown as gross amount meaning a separate contract asset and corresponding liability. The presentation would have increased the total assets and total liabilities by EUR 2.1 million on 31 December 2017. Under IFRS 15, slotting fees are recognised as a reduction of revenue. Previously the amounts were recognised as expenses. The identified classification differences in regard to returns and slotting fees are not material for Altia.

Allocation of the transaction price:

In general, the prices represent the stand-alone selling prices and accordingly there is no need to allocate standalone selling price. Further, management view is that the allocation of discounts to each element in the contract would not result any differences in the amount or timing of revenue recognised because the control of all ordered goods transfers at the same time. In the contract services requirements to allocate variable consideration to a distinct service within the series are met and therefore Altia allocates and recognises variable consideration in the period it has the contractual right to the fee.

Recognising revenue:

There were no significant changes to the timing of revenue recognition as a result of adopting IFRS 15. Altia does not have any incremental costs of obtaining a contract (e.g. sales bonuses) or contract costs to fulfill a contract which would be eligible for capitalisation under IFRS 15.

IFRS 9 Financial Instruments

Altia adopted the standard on January 1, 2018. In accordance with transitional provisions, comparative figures have not been restated. All financial assets are subsequently measured at amortised cost, FVOCI or FVPL based on the business model for managing the financial assets and their contractual cash flow characteristics. The IFRS 9 classification did not cause relevant changes in handling these items. Financial assets are derecognized once the group has lost the contractual right to their cash flows or when it has substantially transferred their risks and rewards to a party outside the Group.

The derecognition rules under IFRS 9 are a continuum of the provisions of IAS 39 Financial Instruments: Recognition and Measurement. Altia's factoring process is on a non-recourse basis i.e. all rights related to the sold account receivables are transferred to the buyer. The derecognition criterias of IAS 39 continue to be fulfilled under IFRS 9.

RECLASSIFICATIONS OF FINANCIAL INSTRUMENTS ON ADOPTION OF IFRS 9

	Measurement category IAS 39	Measurement category IFRS 9	Carrying amounts in IAS39	Carrying amounts in IFRS 9
Non-current financial assets				
Receivables from interests in joint operations	Loans and other receivables	Amortised cost	7.6	7.6
Unquoted shares	Available-for-sale financial assets	Fair value through other comprehensive income	1.4	1.4
Loan receivables	Loans and other receivables	Amortised cost	1.0	1.0
Current financial assets				
Trade and other receivables	Loans and other receivables	Amortised cost	49.7	49.7
Derivatives, hedge accounting				
Forward exchange contracts	Fair value through other comprehensive income	Fair value through other comprehensive income	1.1	1.1
Commodity derivatives	Fair value through other comprehensive income	Fair value through other comprehensive income	0.3	0.3
Cash and cash equivalents	Loans and other receivables	Amortised cost	52.4	52.4
Non-current financial liabilities				
Borrowings	Financial liabilities at amortised cost	Amortised cost	89.1	89.1
Current financial liabilities				
Borrowings	Financial liabilities at amortised cost	Amortised cost	11.0	11.0
Trade and other payables	Financial liabilities at amortised cost	Amortised cost	29.3	29.3
Derivatives, hedge accounting				
Interest rate derivatives	Fair value through other comprehensive income	Fair value through other comprehensive income	1.4	1.4
Forward exchange contracts	Fair value through other comprehensive income	Fair value through other comprehensive income	0.1	0.1

Impairment

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than on an incurred credit loss basis as was the case under IAS 39.

The new impairment model requirement applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts.

The loss allowance for account receivables is based on the aging of the accounts receivable regional portfolios. The expected loss rate for all trade receivables is 0,1% and in addition receivables more than 120 days due are impaired with 60% expected loss rate. The receivables of the monopolies in Finland and Sweden are excluded due to the nature of the customer and related credit risk. Forward looking macro-economic information has been included in the analysis. Adoption of the ECL model resulted decrease in loss provision as 1.1.2018 and Altia adjusted the opening balance of its retained earnings of EUR 0.1 million.

Financial liabilities

Adoption of IFRS 9 had no impact on Altia's classification and measurement of financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and Altia does not have such liabilities.

Debt modification

Under IFRS 9 when a financial liability measured at amortised cost is modified without the transaction resulting in a derecognition event, a gain or loss should be recognised directly in profit or loss. These modified rules do not have an impact for Altia as it has not changed the terms and conditions for any existing borrowings that would have resulted in modification accounting under IAS 39.

Hedge accounting

The new hedge accounting rules align the accounting for the hedging instruments more closely with the entity's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach.

The Group applies hedge accounting for certain interest rate, foreign currency and electricity derivatives. The group has confirmed that its previous hedge relationships qualify as continuing hedges upon the adoption of IFRS 9.

For cash flow foreign currency hedges under IFRS 9, Altia designates the full fair value of the forward contract to the hedge relationship and accordingly, no longer bifurcate the forward points for separate recognition through the P/L. This is a change Altia has selected at the adoption date, however, the effect is considered to be insignificant and not adjusted in the opening balance of retained earnings.

IFRS 9 allows hedging a component of the risk. This change increases the effectiveness of the electricity hedges and all hedging is classified as effective.

The interest rate swaps hedge the floating rate borrowings and the current hedge relationships continue under IFRS 9 with no change.

Disclosures

The new standard also introduces expanded disclosure requirements and changes in presentation.

New standards

Altia has not yet adopted the following new and amended standards and interpretations already issued by the IASB. The Group will adopt them as of the effective date of each standard and interpretation or, if the date is other than the first day of the reporting period, from the beginning of the subsequent reporting period.

IFRS 16 Leases

(effective for annual periods beginning on or after 1 January 2019):

IFRS 16 Leases is effective on 1 January 2019 and the new standard will affect primarily the accounting by lessees and will result in the recognition of almost all leases on the balance sheet. The new lease standard removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for the majority of Altia's lease contracts. An optional exemption exists for short-term and low-value leases. The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest cost and depreciation, so Altia's key metrics like EBITDA will change.

Operating cash flows presented in the cash flow statement will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflect interest cost will continue to be presented as operating cash flows.

Based on Altia's preliminary impact assessment which is subject to changes, the implementation of IFRS 16 will increase the property, plant and equipment in its balance sheet, mainly due to current operating leases of premises, warehouses, cars and forklifts. In the opening balance of January 2019 when implementing IFRS 16 and calculated according the standard the Group's right of use assets and corresponding interest-bearing liabilities are estimated to be EUR 10.5 million. In the consolidated income statement, the operating expense will decrease approximately EUR 3-4 million, while depreciation and interest costs will reflect an increase as the lease expense is no longer classified as an operating expense. This will lead to an improvement in EBITDA. The analysis will be completed during the first quarter of 2019.

Altia implements the standard by using a simplified approach (modified retrospective approach), where comparative figures will not be restated. Altia will recognise the accumulated effect of adopting IFRS 16 as an adjustment to equity at the beginning of 2019. Furthermore, Altia uses the other available reliefs to the widest possible extent, including the exclusion of leases with a term to maturity of less than 12 months and low-value leases.

Other forthcoming amendments to IFRS standards and IFRIC interpretations that the Group is aware of are not assessed to have a material impact on Altia's consolidated financial statements.

6.5. EVENTS AFTER THE REPORTING PERIOD

On 30 January, the proposals by the Shareholders' Nomination Board to the Annual General Meeting were announced. The Nomination Board proposes that the number of members of the Board of Directors be seven and that the present members Kim Henriksson, Tiina Lencioni, Jukka Ohtola, Torsten Steenholt, Sanna Suvanto-Harsaae and Kai Telanne be re-elected and Anette Rosengren be elected as a new member.

Further, the Nomination Board proposes that the remuneration to be paid to the members of the Board of Directors during the next term consist of a monthly term of office fee as follows: EUR 4 000 per month, Chairman; EUR 2 500 per month, Vice Chairman; EUR 2 000 per month, member.

In addition to the monthly fee, the Board members would receive a meeting fee for the Board of Directors and Board Committee meetings of EUR 600 per meeting for Board members residing in Finland and EUR 1 200 per meeting for Board members residing abroad. Travel expenses would be reimbursed in accordance with the company's travel policy.

Parent Company Financial Statements

ALTIA PLC INCOME STATEMENT (FAS)

EUR million	Note	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
NET SALES	1.	205.3	201.2
Increase (+) / decrease (–) in inventories of finished goods and work in progress		-0.1	-0.2
Other operating income	2.	20.0	20.5
Materials and services			
Raw materials, consumables and goods			
Purchases during the period		-128.9	-117.0
Change in inventories		5.3	-1.9
External services		-0.1	-0.1
Total materials and services		**-123.6**	**-119.1**
Personnel expenses	3.		
Wages and salaries		-23.8	-24.9
Indirect employee expenses			
Pension expenses		-5.8	-4.5
Other indirect employee expenses		-0.9	-1.5
Total personnel expenses		**-30.6**	**-30.9**
Depreciation, amortisation and impairment losses			
Depreciation and amortisation according to plan		-11.6	-11.2
Total depreciation, amortisation and impairment losses		**-11.6**	**-11.2**
Other operating expenses	4.	-50.5	-48.6
OPERATING RESULT		**8.9**	**11.7**

EUR million	Note	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
Finance income and expenses	5.		
Income from Group companies		6.7	16.6
Income from participating interests		0.9	0.9
Income from other investments held as non-current assets			
From others		0.1	0.2
Other interest and finance income			
From Group companies		0.4	0.5
From others than Group companies		3.3	4.3
Interest and other finance expenses			
To Group companies		-0.1	-0.1
To others than Group companies		-5.4	-6.2
Total finance income and expenses		**6.0**	**16.1**
RESULT BEFORE APPROPRIATIONS AND TAXES		**14.8**	**27.8**
Appropriations	6.		
Depreciation difference increase (–) /decrease (+)		1.0	0.9
Group contribution		-0.0	-
Income tax expense	7.		
Current period taxes		-1.7	-2.2
Deferred taxes		0.1	-0.0
Other direct taxes		-0.1	0.0
Total income taxes		**-1.7**	**-2.2**
RESULT FOR THE PERIOD		**14.1**	**26.5**

ALTIA PLC BALANCE SHEET (FAS)

EUR million	Note	31 Dec 2018	31 Dec 2017
ASSETS			
NON-CURRENT ASSETS	8.		
Intangible assets			
Intangible rights		12.0	12.6
Other capitalised long-term expenditure		7.7	9.3
Prepayments		1.7	2.8
Intangible assets total		**21.4**	**24.7**
Tangible assets			
Land and water areas		2.4	2.5
Buildings and structures		21.9	23.0
Machinery and equipment		27.8	25.0
Other tangible assets		0.5	0.5
Prepayments and assets under construction		1.5	4.7
Tangible assets total		**54.2**	**55.6**
Investments			
Holdings in Group companies		206.8	206.8
Participating interests		8.0	8.0
Other shares and investments		0.8	0.8
Investments total		**215.7**	**215.7**
TOTAL NON-CURRENT ASSETS		**291.3**	**296.0**

EUR million	Note	31 Dec 2018	31 Dec 2017
CURRENT ASSETS			
Inventories	9.		
Materials and supplies		21.8	16.5
Work in progress		10.3	12.5
Finished goods		11.6	9.5
Inventories total		**43.7**	**38.5**
Non-current receivables	10.		
Receivables from Group companies		15.8	17.8
Deferred tax assets		0.5	0.5
Non-current receivables total		**16.3**	**18.3**
Current receivables	11.		
Trade receivables		25.3	20.1
Receivables from Group companies		12.2	9.8
Receivables from participating interest undertakings		0.1	0.2
Other receivables		0.0	-
Accrued income and prepaid expenses		3.6	2.8
Current receivables total		**41.3**	**32.9**
Cash at hand and in banks		40.6	49.4
TOTAL CURRENT ASSETS		**141.9**	**139.1**
TOTAL ASSETS		**433.2**	**435.1**

ALTIA PLC BALANCE SHEET (FAS)

EUR million	Note	31 Dec 2018	31 Dec 2017
EQUITY AND LIABILITIES			
Equity	13.		
Share capital		60.5	60.5
Invested unrestricted equity fund		1.2	-
Hedge reserve		0.0	-0.4
Retained earnings		56.8	30.2
Profit for the period		14.1	26.5
TOTAL EQUITY		**132.6**	**116.9**
Appropriations	14.		
Depreciation difference		21.6	22.6
Provisions			
Other provisions		0.5	-
Liabilities			
Non-current	15.		
Loans from financial institutions		70.0	75.0
Loans from pension institutions		12.8	14.3
Liabilities to Group companies		1.8	2.3
Deferred tax liabilities		0.0	-
Other liabilities		4.9	4.9
Non-current liabilities total		**89.5**	**96.5**
Current			
Loans from financial institutions		5.0	10.0
Loans from pension institutions		1.5	0.8
Trade payables		10.4	12.4
Liabilities to Group companies	16.	117.7	118.8
Other liabilities		39.2	38.8
Accrued expenses and deferred income	17.	15.3	18.6
Current liabilities total		**189.1**	**199.2**
TOTAL LIABILITIES		**278.6**	**295.7**
TOTAL EQUITY AND LIABILITIES		**433.2**	**435.1**

ALTIA PLC STATEMENT OF CASH FLOWS (FAS)

EUR million	Note	31 Dec 2018	31 Dec 2017
CASH FLOW FROM OPERATING ACTIVITIES			
Result before taxes		15.8	28.8
Adjustments			
Depreciation, amortisation and impairment		11.6	11.2
Gain/loss from disposal of property, plant and equipment and intangible assets		-0.5	-0.2
Finance income and costs		-6.0	-16.1
Change in depreciation difference		-1.0	-0.9
Other adjustments		0.6	0.1
		4.8	**-5.9**
Change in working capital			
Change in inventories, increase (-) / decrease (+)		-5.2	2.1
Change in trade and other receivables, increase (-) / decrease (+)		-7.2	5.2
Change in trade and other payables, increase (+) / decrease (-)		-1.9	-4.8
Change in working capital		-14.3	2.6
Interest paid		-1.5	-1.8
Interest received		0.7	1.0
Other finance income and expenses paid		-0.6	-0.9
Income taxes paid		-3.2	-0.5
Financial items and taxes		-4.5	-2.3
NET CASH FLOW FROM OPERATING ACTIVITIES		**1.7**	**23.2**
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment and intangible assets		-7.0	-9.7
Proceeds from sale of property, plant and equipment and intangible assets	2.	0.5	0.2
Proceeds from other investments		-	0.0
Repayment of loan receivables		2.0	0.7
Dividends received	5.	7.8	17.7
NET CASH FLOW FROM INVESTING ACTIVITIES		**3.3**	**8.8**

EUR million	Note	31 Dec 2018	31 Dec 2017
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from current borrowings	16.	6.9	30.7
Repayment of current borrowings	16.	-20.7	-23.3
Proceeds from non-current borrowings		20.0	90.0
Repayment of non-current borrowings	15.	-21.3	-73.5
Dividends paid and other distributions of profits	13.	-	-70.5
Share issue, personnel offering		1.2	-
NET CASH FLOW FROM FINANCING ACTIVITIES		**-13.8**	**-46.6**
CHANGE IN CASH AND CASH EQUIVALENTS		**-8.8**	**-14.6**
Cash and cash equivalents at the beginning of the period		49.4	64.0
Change in cash and cash equivalents		-8.8	-14.6
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**40.6**	**49.4**

Notes to Altia Plc financial statements

Accounting policies for financial statements

The financial statements of the parent company are prepared in accordance with the Finnish accounting legislation.

Non-current assets and depreciations

Non-current assets are recognised in the balance sheet at acquisition cost less depreciations. The depreciation periods for non-current assets are:

Trademarks	10–15 years
IT- development and software	3–5 years
Buildings and structures	10–40 years
Machinery and equipment	10 years
Other tangible assets	3–10 years

Inventories

Inventories are measured at the lower of cost and net realisable value. Self-manufactured products are measured at standard prices, except cognac products, which are measured at weighted average cost. Fixed production costs are allocated to the cost of own production. Raw materials, supplies and trading goods are measured at weighted average cost. Repacked trading goods are measured at standard cost in repacking plant.

The cost of finished products and work in progress includes raw materials, direct labour costs, other direct costs as well as an allocable proportion of variable procurement and production costs and fixed overheads in case of finished products, determined based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Pension plans

The pension plans of the parent company are arranged through pension insurance companies. Pension expenses are accrued to correspond to the performance-based salaries in the financial statements.

Cash Pool

The Group has applied the so called cash pool arrangement, which enables efficient management of the parent company's and subsidiaries' cash and cash equivalents.

Leases

All lease payments are recognised as rental expenses.

Financial Derivatives

Fair value measurement compliant with Chapter 5, section 2a of the Accounting Act is applied to the accounting treatment of financial derivatives.

Derivatives are included in financial assets and liabilities at fair value through profit or loss when they do not meet the criteria of hedge accounting. These derivatives are recognised at fair value on the trade date and they are subsequently measured at fair value at the reporting date. The fair values of derivatives equal the amount that Altia Plc would have to pay or it would receive from the termination of the derivative contract at the reporting date. The fair values of forward exchange contracts are determined by using the market prices at the reporting date. The fair values of interest rate derivatives are determined by discounting the related future cash flows. The valuation of commodity derivatives is determined based on the fair values received from the financial markets.

All derivatives for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy level 1–3. The levels of fair value hierarchy reflect the significance of inputs used in determining the fair values. In level one, fair values are based on public quotations of identical financial instruments. In level two, the inputs used in determining the fair values are based on quoted market rates and prices observable for the asset or liability in question directly (i.e. price) or indirectly on discounted future cash flows. Fair values of other financial assets and liabilities in level two reflect their carrying value. In level three, the fair values of assets and liabilities are based on inputs that are not based on observable market data for all significant variables, and instead are, to a significant extent, based on management estimates and their use in generally accepted valuation techniques.

The fair values of the financial instruments are determined by using the market prices on the closing date of the reporting period.

Hedge accounting
The parent company applies hedge accounting when the change in fair value is recognised in the hedge reserve under equity. In Altia Plc, cash flow hedging is applied to part of the interest rate, foreign currency and electricity derivatives based on case-by-case assessment. In cash flow hedging, Altia Plc is hedging against changes in cash flows related to a specific asset or liability recognised in the balance sheet or to a highly probable future business transaction. In the beginning of the hedging arrangement, company documents the relationship between each hedging instrument and hedged item, as well as the objectives of risk management and the strategy in engaging in hedging. The effectiveness of hedging instruments is tested prospectively according to IFRS 9. Effectiveness means the ability of a hedging instrument to offset the changes in the fair value of the hedged item or changes in the cash flows of the hedged transaction attributable to the hedged risk. The hedging relationship is regarded to be highly effective when there is an economic relationship between the hedged item and the value of the hedging instrument and the value of the hedged item moves to the opposite direction due to same risk. Hedge accounting is discontinued when the criteria for hedge accounting is no longer met.

The gains and losses arising from fair value changes of derivative contracts, to which hedge accounting is applied, are presented in congruence with the hedged item. The effective portion of the unrealised changes in the fair value of derivatives designated and qualifying as cash flow hedges are recognised in the hedge reserve in equity. The ineffective portion is immediately recognised in profit or loss in finance income or expense.

The cumulative gain or loss in equity on derivative instruments related to commercial items is recognised in profit or loss as an adjustment to purchases or sales simultaneously with the hedged item in the period in which the hedged item affects profit or loss. Realised gain or loss on electricity derivatives is included in operating result in electricity procurement expenses. When a hedging instrument designated as a cash flow hedge expires, is sold or no longer meets the criteria of hedge accounting, the gain or loss accumulated in equity is recognised through profit or loss either as an adjustment to purchases or sales when hedging is effective or as finance income or expense when hedge accounting criteria is not met.

Research and development expenditure
Research and development expenditure is recognised as an annual expense as incurred.

Financial securities
Financial securities are recognised at acquisition cost or lower.

Receivables
Receivables are measured at acquisition cost or probable value, if lower.

Sale of trade receivables
The sold receivables are derecognised when the receivable has been sold and the sales price for it has been received. The related costs are recognised in other financial expenses.

Non-current financial liabilities
Non-current financial liabilities are recognised at acquisition cost.

Income taxes
Income taxes in the income statement include taxes calculated for the financial year based on Finnish tax legislation, adjustments to taxes in previous financial years and the change in deferred taxes.

Foreign currency denominated items
Foreign currency denominated receivables and liabilities are translated to Finnish currency at the rates of the closing date of the reporting period.

1. NET SALES

EUR million	2018	2017
Net sales by business areas		
Alcohol beverages	100.7	103.3
Industrial services	102.8	95.5
Other	1.8	2.4
TOTAL	**205.3**	**201.2**
Net sales by geographic areas		
Finland	154.9	153.1
Europe	49.3	46.3
Rest of the world	1.0	1.8
TOTAL	**205.3**	**201.2**

2. OTHER OPERATING INCOME

EUR million	2018	2017
Rental income	1.0	1.0
Income from energy sales	3.4	3.4
Proceeds from disposal of non-current assets	0.5	0.2
Service income	13.3	14.4
Other income	1.8	1.6
TOTAL	**20.0**	**20.5**

3. NOTES RELATED TO PERSONNEL

EUR million	2018	2017
Wages and salaries	23.8	24.9
Pension expenses	5.8	4.5
Other social expenses	0.9	1.5
TOTAL	**30.6**	**30.9**

EUR million	2018	2017
Fringe benefits (taxable value)	0.7	0.7

The average number of personnel during the reporting period	2018	2017
Workers	209	212
Clerical employees	218	223
TOTAL	**427**	**435**

Management remuneration, EUR million	2018	2017
CEO	0.6	0.6
Board members	0.3	0.2

Pension commitments of the Board and CEO

The retirement age of the CEO of the company is 63 years.

4. OTHER OPERATING EXPENSES

EUR million	2018	2017
Rental expenses	2.2	2.2
Marketing expenses	6.2	6.1
Energy expenses	7.2	6.9
Travel and representation expenses	1.3	1.1
Repair and maintenance expenses	6.2	5.9
IT expenses	6.4	6.1
Outsourcing services	6.8	5.5
Variable sales expenses	5.7	5.2
Other expenses	8.6	9.5
TOTAL	**50.5**	**48.6**
Auditor's fees		
Audit fees	0.1	0.1
Tax consultation	0.0	0.0
Other fees	0.5	0.4
TOTAL	**0.6**	**0.5**

Environmental expenses

The company's environmental expenses did not have a significant impact on the profit for the period and on the financial position.

5. FINANCE INCOME AND EXPENSES

EUR million	2018	2017
Dividend income		
From Group companies	6.7	16.6
From participating interest undertakings	0.9	0.9
From others	0.1	0.2
Total dividend income	7.8	17.7
Interest income		
From Group companies	0.4	0.5
From others	0.1	0.3
Total interest income	0.4	0.7
Other finance income		
From others	3.3	4.0
Total other finance income	3.3	4.0
TOTAL FINANCE INCOME	11.5	22.4
Interest expenses		
To Group companies	0.1	0.1
To others	1.6	1.3
Total interest expenses	1.7	1.5
Other finance expenses		
To others	3.8	4.9
Total other finance expenses	3.8	4.9
TOTAL FINANCE EXPENSE	**5.5**	**6.3**
TOTAL FINANCE INCOME AND EXPENSES	**6.0**	**16.1**
The following items are included in finance items of the income statement from fair value hedges:		
Other finance income		
Fair value changes of derivatives	0.1	0.2
Other finance expenses		
Fair value changes of derivatives	-	-0.1

6. APPROPRIATIONS

EUR million	2018	2017
Difference between depreciations according to plan and depreciations made in taxation:		
Intangible rights	0.0	0.0
Other intangible assets	-0.3	-0.1
Buildings and structures	0.7	0.6
Machinery and equipment	0.6	0.5
Other tangible assets	-0.0	-0.0
TOTAL	**1.0**	**0.9**

7. INCOME TAX EXPENSE

EUR million	2018	2017
Income taxes from current period	-1.7	-2.2
Income taxes from previous periods	-0.1	0.0
Change in deferred tax assets	0.1	-0.0
TOTAL	**-1.7**	**-2.2**

8. SPECIFICATION OF NON-CURRENT ASSETS

EUR million	2018	2017
Intangible assets		
Intangible rights		
Acquisition cost at 1 January	30.1	27.7
Additions	0.9	1.7
Disposals	-0.0	-0.4
Transfers between items	1.7	1.1
Acquisition cost at 31 December	**32.7**	**30.1**
Accumulated amortisation at 1 January	-17.5	-15.1
Accumulated amortisation on disposals and transfers	0.0	0.4
Amortisation for the period	-3.2	-2.8
Accumulated amortisation at 31 December	-20.7	-17.5
CARRYING AMOUNT AT 31 DECEMBER	**12.0**	**12.6**
Goodwill		
Acquisition cost at 1 January	17.6	17.6
Acquisition cost at 31 December	**17.6**	**17.6**
Accumulated amortisation at 1 January	-17.6	-17.6
Accumulated amortisation at 31 December	-17.6	-17.6
CARRYING AMOUNT AT 31 DECEMBER	**-**	**-**
Other intangible assets		
Acquisition cost at 1 January	24.3	27.5
Additions	0.0	-1.3
Transfers between items	-	-1.8
Acquisition cost at 31 December	**24.3**	**24.3**
Accumulated amortisation at 1 January	-15.0	-14.9
Accumulated amortisation on disposals and transfers	-	1.5
Amortisation for the period	-1.6	-1.6
Accumulated amortisation at 31 December	-16.6	-15.0
CARRYING AMOUNT AT 31 DECEMBER	**7.7**	**9.3**
Prepayments in intangible assets		
Acquisition cost at 1 January	2.8	1.7
Additions	0.6	2.1
Transfers between items	-1.7	-1.0
CARRYING AMOUNT AT 31 DECEMBER	**1.7**	**2.8**

EUR million	2018	2017
Tangible assets		
Land and water areas		
Acquisition cost at 1 January	2.5	2.5
Disposals	-0.0	-0.0
CARRYING AMOUNT AT 31 DECEMBER	**2.4**	**2.5**
Buildings and structures		
Acquisition cost at 1 January	94.8	94.2
Additions	1.0	1.4
Transfers between items	0.6	0.8
Disposals	-0.5	-1.7
Acquisition cost at 31 December	**95.9**	**94.8**
Accumulated depreciation at 1 January	-71.8	-70.8
Accumulated depreciation on disposals and transfers	0.5	1.6
Depreciation for the period	-2.7	-2.6
Accumulated depreciation at 31 December	-74.0	-71.8
CARRYING AMOUNT AT 31 DECEMBER	**21.9**	**23.0**
Machinery and equipment		
Acquisition cost at 1 January	110.1	106.4
Additions	3.0	1.1
Disposals	-1.0	-0.4
Transfers between items	4.0	3.0
Acquisition cost at 31 December	**116.2**	**110.1**
Accumulated depreciation at 1 January	-85.1	-79.8
Accumulated depreciation on disposals and transfers	0.8	-1.1
Depreciation for the period	-4.1	-4.2
Accumulated depreciation at 31 December	-88.4	-85.1
CARRYING AMOUNT AT 31 DECEMBER	**27.8**	**25.0**
Other tangible assets		
Acquisition cost at 1 January	0.5	0.5
Acquisition cost at 31 December	0.5	0.5
CARRYING AMOUNT AT 31 DECEMBER	**0.5**	**0.5**
Prepayments and assets under construction		
Acquisition cost at 1 January	4.7	2.1
Additions	1.5	4.7
Transfers between items	-4.7	-2.0
CARRYING AMOUNT AT 31 DECEMBER	**1.5**	**4.7**
CARRYING AMOUNT OF MACHINERY AND EQUIPMENT USED IN PRODUCTION AT 31 DECEMBER	**27.1**	**24.2**

EUR million	2018	2017
Investments		
Holdings in Group companies		
Acquisition cost at 1 January	358.3	358.3
Acquisition cost at 31 December	**358.3**	**358.3**
Accumulated impairment at 1 January	-151.5	-151.5
Accumulated impairment at 31 December	-151.5	-151.5
CARRYING AMOUNT AT 31 DECEMBER	**206.8**	**206.8**
Participating interests		
Acquisition cost at 1 January	8.0	8.0
CARRYING AMOUNT AT 31 DECEMBER	**8.0**	**8.0**
Other shares and investments		
Acquisition cost at 1 January	0.8	0.8
Disposals	-	-0.0
CARRYING AMOUNT AT 31 DECEMBER	**0.8**	**0.8**

9. INVENTORY

There is no significant difference between the repurchase price and cost of inventories.

10. NON-CURRENT RECEIVABLES

EUR million	2018	2017
Receivables from Group companies		
Loan receivables	15.8	17.8
Deferred tax assets		
Recognised in hedge reserve	-	0.1
Provisions	0.1	-
Fixed assets deferred depreciations	0.4	0.4
Deferred tax assets total	0.5	0.5
TOTAL NON-CURRENT RECEIVABLES	**16.3**	**18.3**

11. CURRENT RECEIVABLES

EUR million	2018	2017
Receivables from Group companies		
Trade receivables	3.0	3.0
Cash Pool receivables	0.4	-
Other receivables	4.8	5.0
Derivatives	0.1	0.0
Accrued income and prepaid expenses	3.9	1.8
Total	**12.2**	**9.8**
Receivables from participating interest undertakings		
Trade receivables	0.1	0.2
Total	**0.1**	**0.2**
Receivables from others		
Trade receivables *	25.3	20.1
Other receivables	0.0	-
Accrued income and prepaid expenses	3.6	2.8
Total	**29.0**	**22.9**
TOTAL CURRENT RECEIVABLES	**41.3**	**32.9**

Accrued income and prepaid expenses		
Significant items in accrued income and prepaid expenses:		
Derivatives	1.6	1.4
Taxes	0.6	-
Others	1.5	1.4
Total	**3.6**	**2.8**

* Does not include the sold trade receivables

12. DISCLOSURES ON FAIR VALUES (DERIVATIVES)

	2018			2017		
EUR million	Fair value 31 Dec	Changes in the fair value recognised in the income statement	Changes in the fair value recognised in fair value reserve	Fair value 31 Dec	Changes in the fair value recognised in the income statement	Changes in the fair value recognised in fair value reserve
Derivative instruments						
Interest rate derivatives (level 2)	-1.3	-	-1.3	-1.4	-	-1.4
Foreign exchange derivatives (level 2)	0.1	0.1	-0.0	0.9	0.2	0.7
Commodity derivatives (level 2)	1.3	-	1.3	0.3	-0.1	0.3
TOTAL	**0.1**	**0.1**	**0.0**	**-0.2**	**0.2**	**-0.4**

13. EQUITY

EUR million	2018	2017
Restricted equity		
Share capital at 1 January	60.5	60.5
Share capital at 31 December	**60.5**	**60.5**
Hedge reserve at 1 January	-0.4	-1.3
Additions and disposals	0.4	0.9
Hedge reserve at 31 December	**0.0**	**-0.4**
Total restricted equity	**60.5**	**60.1**
Unrestricted equity		
Invested unrestricted equity fund	1.2	-
Retained earnings at 1 January	56.8	100.7
Distribution of dividends	-	-70.5
Profit for the period	14.1	26.5
Total unrestricted equity	**72.1**	**56.8**
TOTAL EQUITY	**132.6**	**116.9**
Distributable unrestricted equity		
Calculation of distributable equity		
Invested unrestricted equity fund	1.2	-
Retained earnings	56.8	100.7
Distribution of dividends	-	-70.5
Profit for the period	14.1	26.5
TOTAL DISTRIBUTABLE UNRESTRICTED EQUITY	**72.1**	**56.8**
Distribution of the company's share capital:		
A series shares pcs	36 140 485	35 960 000

14. APPROPRIATIONS

EUR million	2018	2017
Depreciation difference		
Intangible rights	2.7	2.4
Other intangible assets	0.1	0.1
Buildings and structures	3.5	4.3
Machinery and equipment	15.3	15.8
Other tangible assets	-0.0	-0.0
TOTAL	**21.6**	**22.6**

15. LIABILITIES

EUR million	2018	2017
Non-current		
Loans from financial institutions	70.0	75.0
Loans from pension institutions	12.8	14.3
Liabilities to Group companies	1.8	2.3
Deferred tax liabilities	0.0	-
Other liabilities	4.9	4.9
TOTAL	**89.5**	**96.5**

16. LIABILITIES TO GROUP COMPANIES

EUR million	2018	2017
Trade payables	1.3	0.9
Liabilities to Group companies	29.3	22.3
Cash Pool liabilities	84.3	94.6
Derivative instruments	0.1	0.1
Other accrued expenses	2.8	0.8
TOTAL	**117.7**	**118.8**

17. ACCRUED EXPENSES AND DEFERRED INCOME

EUR million	2018	2017
Significant items under accrued expenses:		
Holiday pay and other wages and salaries	5.4	7.2
Contract discount	0.5	0.5
Procurement expenses and other accrued expenses	7.9	8.6
Taxes	-	0.8
Derivative instruments	1.5	1.5
TOTAL	**15.3**	**18.6**

18. COLLATERALS AND COMMITMENTS

EUR million	2018	2017
Collaterals given on behalf of the Group companies		
Mortgages	18.5	18.5
Guarantees	5.3	6.4
TOTAL COLLATERALS	**23.8**	**24.9**
Commitments and other contingencies		
Operating and finance lease obligations		
Not later than one year	0.6	0.7
Later than one year	0.5	0.8
Total	**1.1**	**1.5**
Lease obligations		
Not later than one year	0.7	0.8
Later than one year	1.4	2.6
Total	**2.1**	**3.3**
Other obligations		
Not later than one year	3.6	4.7
Total	**3.6**	**4.7**
TOTAL COMMITMENTS	**6.8**	**9.6**

VAT liability for real estate investments

The company is liable to review VAT deductions made for real estate investments completed in 2010–2018 if the use subject to VAT decreases during the review period. The maximum liability is EUR 1.3 million and the last year to review is 2027.

Derivative contracts EUR million	2018	2017
Electricity derivatives		
Fair value	1.3	0.3
Nominal value	1.9	2.5
Amount (TWh)	0.1	0.1
Parent company's external forward exchange contracts		
Fair value	0.1	1.0
Nominal value	64.6	55.0
Parent company's internal forward exchange contracts		
Fair value	0.0	-0.1
Nominal value	18.9	11.3
Interest rate derivatives		
Fair value	-1.3	-1.4
Nominal value	20.0	20.0

Emission allowances (kilotons)	2018	2017
Emission allowances received	26.9	27.4
Excess emission allowances from the previous year	45.6	39.2
Adjustments related to prior year's estimates	0.0	-0.0
Sold emission allowances	-20.0	-
Realised emissions	-21.9	-21.0
EMISSION ALLOWANCES AT 31 DECEMBER	**30.6**	**45.6**
Fair value of the remaining emission allowances, EUR million	0.7	0.4

The received emission allowances and the realised emission of the year 2018 are estimates which will be adjusted during spring 2019 if necessary. Altia continues to operate within the emission trading system for the trading period 2013–2020.

19. RELATED PARTY TRANSACTIONS

Related party transactions are carried out at market value. More information about related party transactions is presented in Group Note 6.3. (p. 161). Management remuneration is presented in Altia Plc Note 3 (p. 133).

Board of Directors' proposal for the distribution of profits

According to the balance sheet at 31 December 2018, Altia Plc's distributable earnings amount to EUR 72 084 125.87 including profit for the period of EUR 14 102 839.85.

There have been no significant changes to the parent company's financial position at the end of the financial year.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.38 per share be paid for the financial year 2018.

Signatures to the Board of Directors' Report and to the financial statements

Helsinki, 6 February 2019

Sanna Suvanto-Harsaae
chairman

Annikka Hurme

Kim Henriksson

Tiina Lencioni

Torsten Steenholt

Kai Telanne

Jukka Ohtola

Pekka Tennilä
CEO

The Auditors`Note

An auditor´s report concerning the performed audit has been given to date.

Helsinki, 11 February 2019

PricewaterhouseCoopers Oy
Authorised Public Accountants

Ylva Eriksson
Authorised Public Accountant

Auditor's Report (Translation of the Finnish Original)

To the Annual General Meeting of Altia Oyj

Report on the Audit of the Financial Statements

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report to the Audit Committee.

What we have audited

We have audited the financial statements of Altia Oyj (business identity code 1505555-7) for the year ended 31 December 2018. The financial statements comprise:

- the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies
- the parent company's balance sheet, income statement, statement of cash flows and notes.

Basis for Opinion

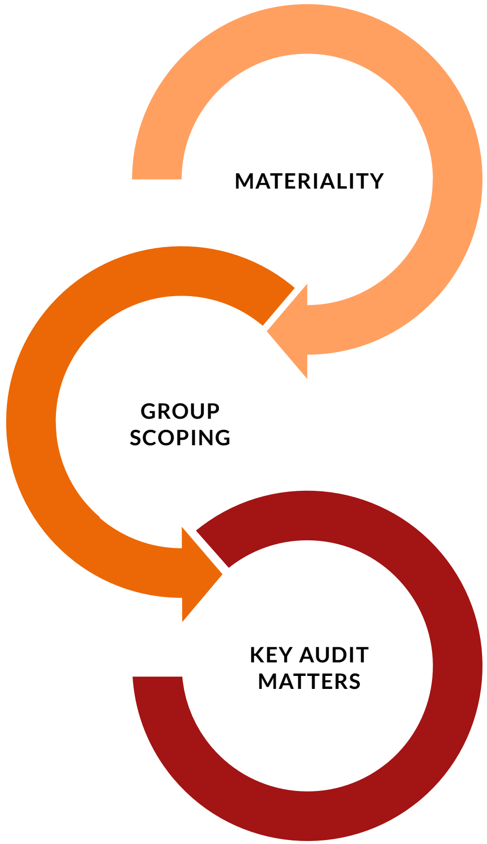
We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 1.6. (p. 120) to the Financial Statements.



Our Audit Approach

Overview

MATERIALITY

- Overall group materiality: € 3.5 million

GROUP SCOPING

- The group audit included the parent company and all significant subsidiaries covering the vast majority of net sales, assets and liabilities.

KEY AUDIT MATTERS

- Revenue recognition
- Valuation of goodwill
- Valuation of inventories

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall group materiality	€ 3.5 million
How we determined it	1% of net sales
Rationale for the materiality benchmark applied	We chose net sales as the benchmark because, in our view, it reflects the volume of operations and growth objectives of the group and it is a benchmark against which the performance of the group is commonly measured by users. Net sales is a generally accepted benchmark. We chose 1 % of net sales, which is within the range of acceptable quantitative materiality thresholds in auditing standards.

How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of the group, the accounting processes and controls, and the size, complexity and risks of individual subsidiaries. Altia Group has operations in the Nordic countries, Baltics and France. The main accounting areas for subsidiaries in the Nordic countries are handled centrally in Finland.

We performed group audit procedures on all significant account balances covering the vast majority of the group's net sales, assets and liabilities. In addition, we performed analytical procedures at group level of the remaining balances.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Revenue recognition Refer to note 1.1. (p. 116) in the consolidated financial statements Altia's revenue flows are generated by the sale of own products and partner brands, contract manufacturing and sale of industrial products. The transaction price may include variable considerations such as volume discounts, bonuses, marketing support and product returns. Due to a variety of contractual terms, the calculation of period's variable components is a complex accounting area that include management judgement. We have accordingly considered the risk that revenue is not recorded in the correct period to be a key audit matter.	Our audit procedures included e.g. the following: • We gained an understanding of the nature of the revenue flows and different contractual terms used. • We compared the accounting treatment of a sample of sales transactions and variable consideration to the terms of underlying contracts. • We assessed the Group's accounting policies over revenue recognition, in particular the appropriate application of the new accounting standard IFRS 15 "Revenue from contract with customers". • We tested a sample of sales transactions against incoming cash. • We tested a sample of sales invoices recorded in December 2018 and January 2019 to evaluate that revenue had been recognised in the right period. • For selected revenue and accounts receivable balances we obtained customer confirmations.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Valuation of goodwill Refer to note 2.1. (p. 121) in the consolidated financial statements The Group reports goodwill totaling to EUR 80,7 million as of 31 December 2018, arising from past business acquisitions. The company tests goodwill for potential impairment annually and whenever there is an indication that the carrying value may be impaired when comparing the recoverable amount against the carrying value of the goodwill. Impairment tests are performed at operating segment level. The recoverable amounts are determined using value in use method. Valuation of goodwill is a key audit matter due to the high level of management judgement involved in relation to the estimates of future cash flows.	Our audit of goodwill valuation focused on critical estimates and management's judgement. We have assessed the appropriateness of these through the following procedures: • We tested the methodology applied in the value in use calculation by comparing it to the requirements of IAS 36, "Impairment of Assets", and we tested the mathematical accuracy of the calculations. • We evaluated the process where the future cash flow forecasts were drawn up, including sales and profitability forecasts and discount rates • To corroborate the reliability of management's estimates, we compared the current year actual results to the information used in the prior year impairment calculation. • We considered the appropriateness of assumptions used in the sensitivity analysis performed by management. • We considered the appropriateness of the related disclosures provided in the Group financial statements.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Valuation of inventory Refer to note 2.3. (p. 128) in the consolidated financial statements Inventory forms a significant part of the Group's assets, amounting to EUR 99,6 million as of 31 December 2018. Inventories are measured at the lower of cost and net realisable value. Self-manufactured products are measured at standard prices or weighted average cost. Fixed production costs are allocated to the cost of own production. Management exercises judgement and applies assumptions when estimating the need for an obsolescence provision. This includes identification of slow moving and seasonal products, changes in product portfolio and consideration of sales forecasts. Given the factors described above, we have considered valuation of inventory to be a key audit matter.	Our audit procedures included e.g. the following: • We gained an understanding of the controls established in relation to inventory valuation. • We assessed the adequacy of the obsolescence provision and checked adherence to the Group's accounting policy. • We tested, on a sample basis, the accuracy of cost for self-manufactured products by comparing the actual production costs to market and other price data. • We tested a sample of inventory items to confirm whether they are held at the lower of cost and net realisable value, through comparison to vendor invoices and sales prices. • For a sample of warehouses, we attended the physical stock-take counting or reconciled third party confirmations with the accounting records.

We have no key audit matters to report with respect to our audit of the parent company financial statements.

There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the consolidated financial statements or the parent company financial statements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Appointment

We were first appointed as auditors by the annual general meeting on 29 March 2016. Our appointment represents a total period of uninterrupted engagement of 3 years.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report and the Annual Report is expected to be made available to us after that date.
Our opinion on the financial statements does not cover the other information.
In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 11 February 2019

PricewaterhouseCoopers Oy
Authorised Public Accountants

Ylva Eriksson
Authorised Public Accountant (KHT)

ALTIA

ALTIA PLC
P.O. Box 350, FI-00101 Helsinki, Finland
+358 207 013 013
communications@altiagroup.com
www.altiagroup.com