



Altia  
Business Review  
January-September  
2018

ALTIA

## Altia Plc's Business Review January–September 2018

### Stable development continued

#### January–September 2018 compared to January–September 2017

- Reported net sales were EUR 246.4 (249.1) million
- In constant currencies net sales grew by 0.8% in comparison to previous year
- Net sales of Finland & Exports segment grew by 1.1% to EUR 94.3 (93.2) million
- Scandinavia segment's net sales were EUR 74.9 (79.4) million, in constant currencies net sales grew by 0.4%
- Altia Industrial's net sales grew by 0.8% to EUR 77.2 (76.6) million
- Comparable EBITDA was EUR 24.1 (23.8) million, 9.8% (9.6%) of net sales
- EBITDA was EUR 19.6 (24.0) million, 8.0% (9.6%) of net sales
- Net debt / comparable EBITDA (rolling 12 months) was 1.9 (0.9)

#### July–September 2018 compared to July–September 2017

- Reported net sales were EUR 85.7 (84.5) million
- Net sales grew by 1.4% compared to previous year and by 3.6% excluding the currency impact
- Comparable EBITDA was EUR 10.3 (10.4) million, 12.0% (12.3%) of net sales
- EBITDA was EUR 10.3 (11.1) million, 12.0% (13.2%) of net sales
- Guidance remains unchanged

*Important note: This is not an interim report as specified in the IAS 34 standard. The company complies with half-yearly reporting, according to the Finnish Securities Markets Act and discloses business reviews for the first three- (Q1) and nine-month (Q3) periods of the year. The figures in the review are unaudited.*

#### KEY FIGURES

	Q3 18	Q3 17	Q1-Q3 18	Q1-Q3 17	2017
Net sales, EUR million	85.7	84.5	246.4	249.1	359.0
Comparable EBITDA, EUR million	10.3	10.4	24.1	23.8	42.4
% of net sales	12.0	12.3	9.8	9.6	11.8
EBITDA, EUR million	10.3	11.1	19.6	24.0	40.3
Comparable operating result, EUR million	6.6	6.9	13.4	13.2	28.2
% of net sales	7.7	8.1	5.4	5.3	7.8
Operating result, EUR million	6.6	7.6	8.9	13.3	26.1
Result for the period, EUR million	4.8	5.6	6.5	10.3	18.3
Earnings per share, EUR	0.13	0.16	0.18	0.29	0.51
Net debt / comparable EBITDA, rolling 12 months	1.9	0.9	1.9	0.9	1.1
Average number of personnel	725	763	724	777	762

Reconciliation of alternative key ratios to IFRS figures is presented in the appendix on page 6.

## CEO Pekka Tennilä:

"I am pleased with the resilience that Altia has shown in the tough operating environment. Net sales grew by 0.8% in constant currencies and despite cost pushes profitability has been stable. The sales of our Nordic core brands has continued to be strong and the development in exports has been positive.

The headwind from the unfavourable currency development, especially the weak SEK, has impacted on reported net sales and on the profitability of the Scandinavia segment. The changes in the Finnish alcohol legislation and taxation at the beginning of the year have impacted negatively on the sales of spirits and wine in the Finnish monopoly.

We have been able to increase prices in all industrial products which partly mitigate the increased cost of barley. In consumer products, the increased cost of barley, puts pressure to make further price adjustments on top of ongoing revenue management.

The deliveries of barley during the autumn have fulfilled the Koskenkorva plant's needs. After the grain price spikes in September and early October, grain prices have now stabilised at lower levels and traditionally the supply of barley activates at the beginning of the year. Based on market data it appears that the grain prices are on a descending trend.

Earlier in the autumn, it was announced that alcohol taxes in Finland will be increased as of January 2019. This unexpected decision was unfortunate following a recent significant increase at the beginning of this year. Alcohol taxation in Finland is already among the highest in the EU, and especially the taxation of spirits is high in relation to other alcoholic beverages. A higher alcohol tax level is likely to increase grey imports from abroad.

The last quarter of the year is particularly important for Altia. We have launched this year's Blossa 18 vintage glögg and the wide range of traditional, low-alcohol and non-alcoholic Blossa's. Christmas and New Year are a season also for Cognac gift packs, premium red wines and champagne, and for aquavit especially in Sweden and Norway. In exports of cognac to Asia, we are stocking up for one of the key events, the Chinese New Year in February.

## Financial Review

### Net sales

In January–September, Altia Group's net sales totalled EUR 246.4 (249.1) million. In constant currencies, net sales were 0.8% above last year's level. The weak SEK and NOK are driving reported net sales numbers down.

At Group level, the Nordic core brands continue to perform well and the development in exports has been positive. In constant currencies sales of beverages were 0.8% above last year's level. Reported spirits net sales are lower than in the previous year mainly due to the weaker development in the Finnish monopoly channel, partner portfolio changes in Sweden and the currency impact. Wine sales remained at last year's level despite the negative currency impact from the Swedish market. Wine sales were positively impacted by partner portfolio changes in Sweden and a good demand for rosé and sparkling wine during the summer.

### NET SALES BY SEGMENT

EUR million	Q3 18	Q3 17	Change, %	Q1-Q3 18	Q1-Q3 17	Change, %	2017
Finland & Exports	31.8	31.4	1.0	94.3	93.2	1.1	133.9
Scandinavia	25.0	26.5	-5.7	74.9	79.4	-5.6	123.7
Altia Industrial	28.9	26.5	9.0	77.2	76.6	0.8	101.3
<b>Total</b>	<b>85.7</b>	<b>84.5</b>	<b>1.4</b>	<b>246.4</b>	<b>249.1</b>	<b>-1.1</b>	<b>359.0</b>

## NET SALES BY PRODUCT CATEGORY

EUR million	Q3 18	Q3 17	Change, %	Q1-Q3 18	Q1-Q3 17	Change, %	2017
Spirits	28.7	29.4	-2.2	85.8	87.8	-2.4	125.9
Wine	27.3	26.2	4.1	78.7	78.4	0.4	124.7
Other beverages	0.8	2.2	-64.1	4.8	6.4	-25.2	8.4
Industrial products and services	28.9	26.5	9.0	77.2	76.6	0.8	101.3
Other	0.0	0.1		0.0	0.0		-1.3
<b>Total</b>	<b>85.7</b>	<b>84.5</b>	<b>1.4</b>	<b>246.4</b>	<b>249.1</b>	<b>-1.1</b>	<b>359.0</b>

## Profitability

In January–September, the comparable EBITDA, i.e. EBITDA excluding items affecting comparability (IAC), was EUR 24.1 (23.8) million, which is 9.8% (9.6%) of net sales. Items affecting comparability totalled EUR -4.5 (0.1) million and are mainly related to the initial public offering of Altia. Reported EBITDA was EUR 19.6 (24.0) million.

## COMPARABLE EBITDA BY SEGMENT

EUR million	Q3 18	Q3 17	Q1-Q3 18	Q1-Q3 17	2017
Finland & Exports	4.9	4.0	13.0	12.3	19.6
Scandinavia	0.8	1.0	2.1	2.6	11.5
Altia Industrial	4.8	4.5	8.7	8.8	12.5
Other	-0.3	0.9	0.3	0.2	-1.1
<b>Total</b>	<b>10.3</b>	<b>10.4</b>	<b>24.1</b>	<b>23.8</b>	<b>42.4</b>
<i>% net sales</i>	<i>12.0</i>	<i>12.3</i>	<i>9.8</i>	<i>9.6</i>	<i>11.8</i>

Items affecting comparability are presented in the appendix on page 6.

## Cash flow and balance sheet

In January–September, net cash flow from operations totalled EUR -31.1 (-15.4) million. Receivables sold amounted to EUR 48.3 (45.2) million at the end of the period.

At the end of the period, the Group's net debt amounted to EUR 82.9 (36.5) million and the reported net debt to comparable EBITDA ratio was 1.9 (0.9). Gearing was 58.4% (19.2%) and equity ratio was 38.2% (47.1%). The extra dividend payment of EUR 60.1 million in December 2017 impacts the balance sheet key ratios.

The Group has a revolving credit facility of EUR 60.0 million (50.0), of which EUR 0.0 million (0.0) was in use at the end of the reporting period. The nominal value of commercial papers issued amounted to EUR 13.0 (0.0) million at the end of the reporting period.

## 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.*

In January–September, net sales in the Finland & Exports segment were EUR 94.3 (93.2) million, up by 1.1%. Exports continued to develop strongly, with sales in Russia and Asia especially performing well. In the Finnish home market, the challenges in the Finnish monopoly channel due to the changes in Finnish alcohol legislation and taxation at the beginning of the year, continued to impact spirits and wine sales, but this has been partly offset by the good development in the Finnish retail channel and exports. Travel retail and the Baltics continue to perform at a lower level in comparison to the previous year, mainly due to the changes in passenger traffic between Helsinki and Tallinn.

Comparable EBITDA was EUR 13.0 (12.3) million, which equals an EBITDA margin of 13.8% (13.2%).

## **Scandinavia**

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

Reported net sales of the Scandinavia segment were EUR 74.9 (79.4) million. The weak SEK continues to have a negative impact on the reported net sales. In constant currencies, net sales improved by 0.4%. Net sales were driven by the new partner in wine in Sweden, and the continued positive market share development of spirits in Norway. The partner portfolio changes in spirits in Sweden impacted net sales negatively.

Comparable EBITDA was EUR 2.1 (2.6) million, which equals an EBITDA margin of 2.8% (3.3%).

## **Altia Industrial**

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

In January–September, Altia Industrial's net sales were EUR 77.2 (76.6) million. As expected, the contract manufacturing volumes have normalised during the third quarter. The demand for native starch continues to be strong and the development of technical ethanol is stable. The increased cost of barley has partly been pushed into product prices. Koskenkorva plant volumes have increased by about 5% from last year's level mainly driven by increased starch capacity and demand.

Comparable EBITDA was EUR 8.7 (8.8) million, which equals an EBITDA margin of 11.3% (11.4%).

## **Changes in Altia's Executive Management Team**

On 31 August 2018, it was announced that Altia's Chief Financial Officer (CFO) and member of the Executive Management Team, Matti Piri, will be leaving the company. He will stay in his position until the end of November. Recruitment for a new CFO is ongoing.

## **Outlook for 2018**

### **Market outlook**

The development of the Group's business operations and profitability are affected by factors such as the market situation and competitive environment, economic outlook, imports by consumers and changes in alcohol taxation. The uncertainty in the eurozone and changes in customers' buying behaviour are continuing. There is still significant uncertainty related to the development of consumer demand. Raw material prices and currencies are expected to remain volatile.

### **Seasonality**

Sales in the sector are seasonal, with net sales and operating profit generally being significantly higher in the fourth quarter of the year compared to other quarters.

### **Guidance**

The positive trend in Altia's core brand portfolio is expected to continue. Cost increases in key raw materials and expansion in exports will impact profitability development. Unfavourable currency impact of the weak Swedish krona and Norwegian krone are expected to continue.

Guidance as published on 23 February 2018 remains unchanged: The Group's comparable EBITDA is expected to improve or be at the 2017 level.

## Financial calendar for 2019

Altia will publish financial reports in 2019 as follows:

- 7 February 2019: Financial Statements Bulletin for 2018
- 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

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.

Helsinki, 5 November 2018

Altia Plc

Board of Directors

### Additional information:

Pekka Tennilä, CEO

Matti Piri, CFO

### Contacts:

Analysts and investors: Tua Stenius-Örnholm, Investor Relations, tel. +358 40 7488864

Media: Petra Gräsbeck, Corporate Communications, tel. +358 40 767 0867

### Conference call and audio webcast:

Altia hosts a conference call and audio webcast for analysts and investors in English on today at 11 am EET.

CEO Pekka Tennilä and CFO Matti Piri will present the Q3 Business Review, after which participants will have the opportunity to ask questions. Presentation material will be made available before the call begins on Altia's website at: <https://altiagroup.com/investors>.

Conference call participants are requested to dial in and register 5-10 minutes beforehand on the following numbers:

Finland: +358981710310

Sweden: +46 856642651

United Kingdom: +44 3333000804

United States: +1 6319131422

Pin: 87848569#

The conference call can also be followed online. To join the audio webcast please go to: <https://altia.videosync.fi/2018-11-06-teleconference>. A recording of the audio webcast will be available later on Altia's website: <https://altiagroup.com/investors>

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## Reconciliation of alternative performance measures (APM) to IFRS figures and items affecting comparability (IAC)

EUR million	Q3 18	Q3 17	Q1-Q3 18	Q1-Q3 17	2017
<b>Items affecting comparability</b>					
Net gains or losses from business and assets disposals	-	1.3	0.4	1.3	1.3
Cost for closure of business operations and restructurings	-	-0.4	-0.3	-1.0	-1.1
Major corporate projects					
Costs related to stock exchange listing	-	-0.2	-4.6	-0.2	-2.4
<b>Total items affecting comparability</b>	<b>0.0</b>	<b>0.7</b>	<b>-4.5</b>	<b>0.1</b>	<b>-2.1</b>
<b>Comparable EBITDA</b>					
Operating result	6.6	7.6	8.9	13.3	26.1
Less:					
Depreciation, amortisation and impairment	3.6	3.6	10.7	10.6	14.2
Total items affecting comparability	0.0	-0.7	4.5	-0.1	2.1
<b>Comparable EBITDA</b>	<b>10.3</b>	<b>10.4</b>	<b>24.1</b>	<b>23.8</b>	<b>42.4</b>
% of net sales	12.0	12.3	9.8	9.6	11.8
<b>Comparable EBIT</b>					
Operating result	6.6	7.6	8.9	13.3	26.1
Less:					
Total items affecting comparability	0.0	-0.7	4.5	-0.1	2.1
<b>Comparable EBIT</b>	<b>6.6</b>	<b>6.9</b>	<b>13.4</b>	<b>13.2</b>	<b>28.2</b>
% of net sales	7.7	8.1	5.4	5.3	7.8

## Formulas for calculation of key ratios

Key figure	Definition	Reason for the use
EBITDA	Operating result before depreciation and amortization	EBITDA is the indicator to measure the performance of the Group.
EBITDA margin, %	EBITDA / net sales	
Comparable operating result	Operating result 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 operating margin, %	Comparable operating result / net sales	
Comparable EBITDA	EBITDA excluding items affecting comparability	
Comparable EBITDA margin, %	Comparable EBITDA / net sales	
Items affecting comparability	Material items outside normal business, such as net gains or losses from business and assets disposals, impairment losses, costs for closure of business operations and restructuring, major corporate projects (including direct transaction costs related to business acquisitions), voluntary pension plan changes, and costs related to other corporate development.	Comparable EBITDA is an internal measure to assess performance at Altia level and a key performance measure at segment level together with net sales.  Comparable EBITDA margin is also one of Altia's financial targets. Comparable EBITDA is commonly used as a basis for valuation purposes outside the Company, and therefore it is important measure to report it regularly.
Borrowings	Non-current borrowings + current borrowings	Net debt is an indicator to measure the total external debt financing of the Group.
Net debt	Borrowings – cash and cash equivalents	
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. It is an 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 operations.
Net debt / comparable EBITDA	Net debt / comparable EBITDA	The level of net debt to 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	

Altia presents alternative performance measures as additional information to the 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 for the IFRS financial measures. Companies do not all 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.