ALTIA

Annual Report

2017

Welcome to read Altia's renewed Annual Report!

WE HAVE COMBINED Altia's reports into one Annual Report. Altia's Annual Report 2017 consists of business overview, report by the Board of Directors, governance statements, corporate responsibility section and financial statements.

In accordance with the EU Directive and the Finnish Accounting Act, we publish a Non-Financial Statement as a part of the report by the Board of Directors. The Non-Financial Statement provides an overview of Altia's approach to environmental, social and employee, human rights and anti-corruption and anti-bribery matters.

Corporate responsibility is both a strategic priority and a key success factor for Altia. Altia reports on the company's responsibility efforts in accordance with the model for corporate responsibility reporting for state-owned companies and the Global Reporting Initiative (GRI) guidelines. More detailed information about Altia's responsibility work is provided in the separate section on corporate responsibility.

The Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the parent company's financial statements in accordance with Finnish Accounting Standards (FAS). Note disclosures are split into sections and accounting principles are attached to the notes.

Altia in brief

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, most of which are in Europe, Asia and North America. Our own core brands are Koskenkorva, O.P. Anderson, Larsen, Renault, Chill Out, Blossa, Xanté and Valhalla. We want to enhance a modern, responsible Nordic drinking culture. www.altiagroup.com

Contents

*More detailed table of contents of Financial Statements can be found on page 93

Financial key ratios 2017

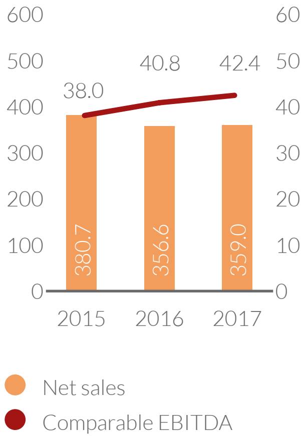
	2017	2016	2015
Net sales, EUR million	359.0	356.6	380.7
Comparable EBITDA, EUR million	42.4	40.8	38.0
% of net sales	11.8	11.5	10.0
EBITDA, EUR million	40.3	60.8*	39.7
Comparable operating result, EUR million	28.2	26.4	23.6
% of net sales	7.8	7.4	6.2
Operating result, EUR million	26.1	46.3	25.3
Result for the period, EUR million	18.3	36.1	18.1
Earnings per share, EUR	0.51	1.00	0.50
Net debt / comparable EBITDA	1.1	0.1	0.5
Equity ratio, %	34.3	44.2	36.7
Gearing, %	34.9	2.5	12.1
Average number of personnel	762	829	879

*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 34.

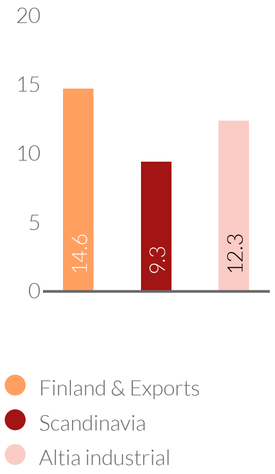
11.8%
Comparable EBITDA margin

Net sales and Comparable EBITDA, EUR million

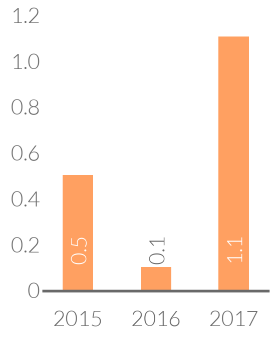


Net sales by segment, EUR million

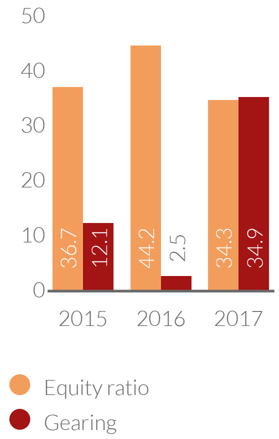
Comparable EBITDA margin by segment, %



Net debt / comparable EBITDA



Equity ratio and Gearing, %



Financial targets and dividend policy

Altia has set the following long-term financial targets:

15%

Comparable EBITDA margin of 15% in the long-term

2%

Annual net sales growth of 2 per cent over time

< 2.5 x

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 2017

	2017	2016	2015
Produced or imported beverages (million liters)	93.8	90.0	95.5
Average alcoholic strength of Altia's own production (% vol.)	31.7	31.6	31.7
Use of barley (million kg)	206.0	192.2	190.7
Reduction in Koskenkorva CO_2 emissions compared to 2014 base year	56%	42%	35%
Average waste recycling & reutilisation rate	99.5%	99.5%	98.4%
Water use (1,000 m^3)	663.4	1,136.0	1,045.8
Sickness absence %	3.3	3.2	3.0
Number of accidents in relation to hours worked	11	8	12

Reduced carbon dioxide emissions
56%

Use of barley
206.0
million kg

Average alcoholic strength of Altia's own production
31.7%vol

CEO'S REVIEW 2017

Profitability continuing to improve and net sales turning to growth

Continuing the transformation journey of Altia towards the strategic ambitions, the year 2017 marks an important turning point for Altia with both net sales developing positively and profitability continuing to improve.

Our net sales turned into slight growth in 2017. The growth was driven by good demand for industrial products in the Altia Industrial segment as well as continued solid performance of Altia's core brands and core partner products in Finland, Sweden, travel retail, and exports. In addition, continuous efficiency initiatives, margin development and cost management improved the comparable EBITDA margin to 11.8% against 11.5% in 2016.

Looking back at Altia in 2017, the business has developed in line with the strategy to deliver profitable growth. Our own Nordic core brands have continued to deliver stable growth.

Entering the US market with Koskenkorva Vodka and O.P. Anderson Aquavit was an important opening for us. Our exports to Russia are growing and we began exporting Koskenkorva Vodka to Kazakhstan, a new market for us in Central Asia. We also strengthened the position of Larsen Cognac in Asia by partnering with AsiaEuro to distribute Larsen Cognac in China and Hong Kong, Macau, Singapore, Malaysia and Indonesia.

Our own wine portfolio has captured the wine market growth with successful new innovations, such as True Colours Cava and Xanté Sparkling. The Blossa family expanded with new launches, especially within the non-alcoholic category.

In partner brands business, we deepened the partnerships with our key strategic partners. At the beginning of 2017, we further developed our partnership with Constellation Brands by extending the representation of Charles Smith wines to also cover Sweden and Norway, in addition to Finland. In February, we expanded the partnership with Grupo Peñaflor by extending the representation of the wine brand Finca las Moras to also cover Sweden, Norway and Estonia, in addition to Finland. In

> **“Sustainability continues to be a trend that drives consumer behaviour and our business.**

August, we entered an agreement with a new partner, Treasury Wine Estates, in the Finnish market.

The new Alcohol Act came partly into force in Finland in January 2018. The new Act allows the sale of ethanol-based RTD's (ready-to-drink beverages) via the Finnish retail channel and, thereby, opens up new opportunities for Altia as we can take new products and our well-known brands onto the retail shelves.

During 2017, Altia invested in increasing the barley starch capacity at the Koskenkorva plant, which led to a record high use, 206 million kilos, of Finnish barley at the plant. At the Rajamäki plant, we completed extensive work to simplify and digitalise the production environment, including the implementation of an ERP system. I am also pleased with a new flexible production line that was taken into use at the Rajamäki plant in the autumn of 2017. During the spring, we opened a new aquavit distillery in Sundsvall, Sweden. All of Altia's Swedish aquavit distillation is now concentrated towards the same facility.

Responsibility as a strategic priority and a key success factor

Sustainability continues to be a trend that drives consumer behaviour and our business, together with premiumisation, increasing health consciousness and the desire for authenticity and convenience. Consumers are seeking, for example, unique local products, products with stories behind them, pure raw materials and convenient packages.

For Altia, responsibility is both a strategic priority and a key success factor, which is reflected in our work and products.

In early 2017, we joined our second Energy Efficiency Agreement and committed to reducing energy use by 10 % by the year 2025 compared to consumption in the beginning of 2014. Following the energy efficiency and production optimisation measures taken during the year, we succeeded in reducing energy use relative to production at Rajamäki and at Koskenkorva. During the year, we made substantial efforts to improve the level of food safety management at our biggest production site, Rajamäki, which resulted in the plant being successfully certified against the ISO22000 standard in November. A significant step for us was joining the amfori BSCI initiative in April 2017. By becoming the only wines and spirits importer in the Nordics and Baltics to be a participant in the initiative, we are better equipped to develop social responsibility in our supply chains and to respond to any challenges arising therein.

The year 2017 marked the final year of our current corporate responsibility action plan. During 2017, we spent time planning our actions to take place from the year 2018 onwards. We received almost 50 ideas on how to develop Altia's responsibility over the coming three to five years, with several concrete actions under each idea. The first ideas will be implemented in 2018 and the rest were stored for later utilisation.

Following the owner's announcement in October 2017 on the investigation of a possible IPO of Altia, the focus has been on developing the company and executing the strategy of profitable growth. In addition, the necessary preparations have been made to support the owner's considerations.

I would like to thank our customers and partners for a successful year. I would also like to express my warmest thanks to our personnel for their excellent work and commitment during the year 2017.

Pekka Tennilä
CEO

ALTIA'S STRATEGY

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

Let's drink better

Megatrends

Authenticity

Sustainability

Health consciousness

Premiumisation

Convenience

Strengthen strategic partnerships

Grow and expand business with key partners

Grow Nordic Core Brands

Brand equity, right channels, new occasions and markets

Fund and enable the growth

Continuous improvement of overall efficiency

Execute a step change in wines

Growing own brands wine portfolio with innovations

Channel expansion and development

Grow and develop retail and e-commerce

Our vision

We are the drinks company that understands consumers and shapes the market to grow share.
We create sustainable profitable growth by continuously renewing our offering and ways of working.

SEGMENTS

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 exports and travel retail.

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

Scandinavia

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

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

Altia Industrial

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

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

Value created: Let's Drink Better

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

OUR ASSETS

Our people
We employ 703 people with unique capabilities and knowhow.

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

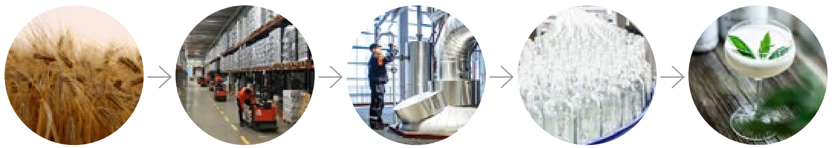
Our partners
We build partnerships with our brand partners and develop relationships with suppliers.

Physical assets
We have production, logistics and office sites in seven countries.

Financial capital
Altia's total assets amounted to EUR 398.4 million in 2017.

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, more organic, lighter, environmentally friendlier.
- 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

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

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

Board report

Report by the Board of Directors

In 2017, Altia's business developed in line with the strategy, delivering profitable growth. Net sales developed positively and were slightly above the previous year reaching EUR 359.0 (356.6) million, an increase of 0.7%. The comparable EBITDA continued to improve, to EUR 42.4 (40.8) million, giving a comparable EBITDA margin of 11.8% (11.5%).

In December, Altia refinanced its loan portfolio and paid an extra dividend of EUR 60.1 million for the financial year 2016. In total, Altia paid EUR 70.5 million as dividends to the owner in 2017 for the financial year 2016. The Board of Directors proposes to the Annual General Meeting that no dividend be paid to the owner for the financial year 2017.

Altia Group's 2017 financial statements are prepared in accordance with IFRS. Comparative information is based on corresponding figures for 2016 (figures in brackets), unless otherwise stated.

KEY RATIOS

	2017	2016
Net sales, EUR million	359.0	356.6
Comparable EBITDA, EUR million	42.4	40.8
% of net sales	11.8	11.5
EBITDA, EUR million	40.3	60.8*
Comparable operating result, EUR million	28.2	26.4
% of net sales	7.8	7.4
Operating result, EUR million	26.1	46.3
Result for the period, EUR million	18.3	36.1
Earnings per share, EUR	0.51	1.00
Net debt / comparable EBITDA	1.1	0.1
Average number of personnel	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.

Reconciliation of alternative key ratios to IFRS figures are presented on page 34.

Market development

The general market volumes remained largely unchanged in all Altia's main markets in 2017. Consumers continued to favour higher quality and also moved towards lighter alcoholic beverages.

The comprehensive reform of the Finnish Alcohol Act was approved at the end of the year. This reform brings changes in the operating environment from 2018 onwards. In connection with the reform, excise duties on alcohol and alcoholic beverages were also increased at the beginning of 2018. For spirits, the increase was 5%, for wines 13%, and for the other categories changes were between 7.2% and 12.9%.

In the Baltics, Estonia increased excise duty for beer and cider by 70% and 45% respectively. This and planned future increases in alcohol prices in Estonia have opened a market on the Latvian side of the border, serving both Estonian and Finnish consumers.

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

DEVELOPMENT OF TOTAL SALES OF ALCOHOLIC BEVERAGES IN THE MONOPOLY MARKETS

% change compared to previous year	2017	2016
Finland, total sales	-0.2	-0.5
Spirits	-0.4	-1.3
Wine	-0.1	-0.2
Sweden, total sales	+0.2	+0.9
Spirits	+0.9	+1.4
Wine	+0.2	+0.9
Norway, total sales	-1.1	+0.7
Spirits	-0.9	+1.0
Wine	-1.1	+0.6

Finland

Towards the year-end, the monopoly sales in Finland increased slightly, but overall sales in 2017 were down by 0.2%. The spirits category sales were down by 0.4%, driven by lower sales of unflavoured vodkas and VS cognacs. Growing categories included XO cognacs and malt whiskies. The slight decline in the wine category was driven by lower sales of red wines but on the other hand rosé and sparkling wines continued growing.

Sweden

In Sweden, the overall monopoly sales continued to grow slightly in 2017. The spirits category grew by 0.9%, driven by good sales of gins, dark rums, fruit liqueurs and bourbon whiskies. Sparkling wines saw the fastest growth in the wine category and continued to take share especially from red wines. The wine category's overall growth was 0.2%.

Norway

In Norway, the 2017 monopoly sales were down by 1.1%. The decline comes from both wines and spirits. Spirits sales decline was driven by grape spirits and vodka, whereas liqueurs and gins continued to grow. In the wine category, red wine continued to lose share to other wines.

Strategy review

The core of Altia's strategy is to deliver profitable growth through five strategic streams as described below.

Grow Nordic core brands

The Nordic core brands consist of Altia's strongest own spirit and wine brands across the Nordic region. Growing the Company's Nordic core brands requires building brand equity (brand awareness and consumer perception, preference and loyalty), communication and presence through the right channels and expanding into new consumer occasions and markets.

Execute a step change in wines

Altia's focus is on driving growth of the own brands wine portfolio by offering new products, brands and packaging. The Company targets to disrupt the growing wine segment with innovations such as differentiated concepts, packaging and wine styles.

Strengthen strategic partnerships

The Company aims to strengthen its strategic partnerships through focusing on growing business with its key partners and increasing and deepening co-operation throughout the value chain.

Channel expansion and development:
The Company's strategy with regards to channel expansion includes developing the Company's retail business and developing e-commerce.

Fund and enable growth - Efficiency and performance initiatives
In addition to the growth initiatives, the Company focuses on continuously improving the overall efficiency. In first instance, this includes improving the efficiencies and finding new capabilities in the supply chain. Agility, flexibility and quality of operations are key elements in improving efficiency and ensuring productivity.

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

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

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.

Strategy execution and key events in 2017

New and expanded partnerships
At the beginning of 2017, Altia further developed its partnership with Constellation Brands by expanding the representation for Charles Smith wines to cover in addition to Finland, also Sweden and Norway.

In February, Altia expanded its partnership with Grupo Peñaflor by extending the representation of the wine brand Finca las Moras to cover in addition to Finland also Sweden, Norway and Estonia.

In August, Altia entered into a distribution agreement with Treasury Wine Estates and became the exclusive distributor of Treasury Wine Estates' wine portfolio in retail and on-trade in Finland.

Important milestones achieved in exports
In June, Altia signed a distribution contract with Orange Trading for the exports of Koskenkorva Vodka to Kazakhstan.

In August, Altia signed a distribution agreement with Infinium Spirits to enter the US market with Koskenkorva Vodka.

In November, Altia partnered with Frederick Wildman and Sons to expand the Swedish aquavit O.P. Anderson distribution to the US market.

In December, Altia entered into an agreement with AsiaEuro to expand Larsen Cognac distribution in China and also to Hong Kong, Macau, Singapore, Malaysia and Indonesia.

Successful innovations and product launches in wines
During 2017, Altia launched several novelties and innovations across the home market. One of the most successful launches was the True Colours Cava, which was launched in February with an innovative concept to promote human rights and solidarity and supporting Regnbågsfonden in Sweden. The Xanté brand was further extended with the launch of Xanté Sparkling. Towards the end of the year, the Blossa family was expanded with the annual Blossa and new launches, especially within the non-alcoholic category. The Wine Gallery wine series was a selection of a white and red wine, and a champagne specifically launched to celebrate the jubilee year of Finland's 100 years of independence and was sold only during 2017.

Key events within Altia Industrial
In February, Altia announced its intention to expand the Koskenkorva plant's starch production. The investment has been started during 2017, and as a result the capacity has increased and allowed the plant to use over 200 million kilos of Finnish barley.

In May, the new O.P. Anderson Distillery in Sundsvall Sweden, where all Altia's Swedish aquavit is originated, was opened.

Recapitalisation
In December, Altia refinanced its loan portfolio to include a EUR 135 million syndicated term loan and revolving credit facilities, and a premium loan agreement of EUR 15 million. At the same time, Altia also paid an extra dividend of EUR 60.1 million to the owner.

Ownership
In October, the Ownership Steering Department of the State of Finland announced that it is investigating the possibility of an initial public offering of Altia Plc on the Nasdaq Helsinki Ltd. The State of Finland owns 100 per cent of Altia.

Financial review

NET SALES BY SEGMENT

EUR million	2017	2016	Change, %
Finland & Exports	133.9	133.9	0.0
Scandinavia	123.7	127.4	-2.9
Altia Industrial	101.3	95.2	6.4
TOTAL	**359.0**	**356.6**	**0.7**

NET SALES BY PRODUCT CATEGORY

EUR million	2017	2016	Change, %
Spirits	125.9	129.0	-2.4
Wine	124.7	125.1	-0.3
Other beverages	8.4	8.3	0.8
Industrial products and services	101.3	95.2	6.4
Other	-1.3	-1.1	-21.5
TOTAL	**359.0**	**356.6**	**0.7**

In 2017, Altia Group's net sales totalled EUR 359.0 (356.6) million, corresponding to an increase of EUR 2.4 million, or 0.7% and 1.3% with constant currencies. The increase was mainly driven by a strong demand for industrial products in the Altia Industrial segment as well as continued good level of sales of Altia's core brands and core partner products in Finland, travel and retail, exports and Sweden. The sales volume of consumer products decreased, which was partially compensated by the positive impact of product mix and pricing on the net sales. Net sales was negatively impacted by exchange rate fluctuation of the Swedish and Norwegian krona by approximately EUR 2.1 million.

Other operating income amounted to EUR 8.3 (12.6) million, including proceeds of sales of fixed assets of EUR 1.6 (4.3) million; income from the sales of mainly steam, energy and water of EUR 3.4 (3.7) million; and rental income of EUR 1.0 (0.9) million.

Employee benefit expenses totalled EUR 52.0 (36.6) million, including EUR 40.4 (41.1) million in wages and salaries. 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. The employee benefit expenses included restructuring costs of EUR 1.1 million and costs related to planned listing of EUR 0.9 million in 2017 and restructuring cost of EUR 0.6 million in 2016 that were classified as items affecting comparability. Comparable employee benefit expenses were EUR 50.1 million in 2017 and EUR 52.4 million in 2016, i.e. a decrease of EUR 2.3 million. The decrease was mainly due to a decrease in the number of the Company's employees.

Other operating expenses amounted to EUR 72.9 (74.8) million.

COMPARABLE EBITDA BY SEGMENT

EUR million	2017	2016	Change, %
Finland & Exports	19.6	20.2	-3.0
Scandinavia	11.5	10.4	10.6
Altia Industrial	12.5	8.4	48.5
Other	-1.1	1.9	
TOTAL	**42.4**	**40.8**	**3.8**
% net sales	11.8	11.5	

Comparable EBITDA, i.e. EBITDA excluding items affecting comparability (IAC), was EUR 42.4 (40.8) million, which is 11.8% (11.5 %) of net sales. The increase was mainly due to the adopted efficiency measures as well as streamlining. In addition, the increase was supported by pricing efforts, positive effect of the product mix and premiumisation. Comparable EBITDA was negatively impacted by the decreased sales volume of especially partner wine brands. Reported EBITDA was EUR 40.3 (60.8) million.

Items affecting comparability totalled EUR -2.1 (19.9) million, related mainly to restructuring costs, proceeds from sales of non-core assets and costs related to other corporate development projects and were as follows:

EUR million	2017	2016
Comparable EBITDA	42.4	40.8
Net gains or losses from business and assets disposals	1.3	4.2
Cost for closure of business operations and restructurings	-1.1	-0.6
Major corporate projects		
Change in deferred pension obligation		16.3
Costs related to a planned stock exchange listing	-2.4	
TOTAL ITEMS AFFECTING COMPARABILITY	**-2.1**	**19.9**
EBITDA	40.3	60.8

Net finance expense amounted to EUR 1.9 (2.2) million. The share of profit in associates and income from interests in joint operations totalled EUR 0.9 (0.9) million.

Taxes for the reporting period were EUR 6.7 (9.0) million which corresponds to an effective tax rate of 27.0% (19.9%). The 2017 effective tax rate differs from 2016 due to a re-assessment of deferred tax liability relating to Estonia. More detailed information on Altia's tax footprint is provided in the Annual Report's dedicated section on Corporate Responsibility.

The result for the period amounted to EUR 18.3 (36.1) million, and earnings per share were EUR 0.51 (1.00).

Cash flow, balance sheet and investments

Net cash flow from operating activities in 2017 totalled EUR 37.6 (29.4) million. The receivables sold amounted to EUR 83.6 (85.6) million at the end of the period.

The Group's liquidity reserve comprised a revolving credit facility of EUR 60.0 (50.0) million of which EUR 10.0 (0.0) million was in use as well as an overdraft facility of EUR 10.0 (20.0) million, which was unused as of 31 December 2017. Altia Group's liquidity position was good throughout the period under review.

Altia refinanced its loan portfolio in December 2017. All existing credit facilities were early repaid and an extra dividend of EUR 60.1 million was paid to the owner with the new long-term facilities. The new EUR 135 million syndicated term loan and revolving credit facilities agreement was signed with three banks. The Company drew down a EUR 20.0 million term loan facility and a EUR 55.0 million term loan facility on 18 December 2017 and EUR 10.0 million under the revolving credit facility on 21 December 2017. The EUR 20.0 million term loan facility terminates in 2022, and is repaid in yearly instalments. The EUR 55.0 million term loan facility, which is repaid in full on its termination date, and the EUR 60.0 million revolving credit facility terminate in 2023, unless these are extended by one year pursuant to the agreement.

Altia also diversified its funding alternatives with a premium loan agreement (TyEL pension loan) amounting to EUR 15.0 million maturing in January 2028 with biannual instalments and with fixed interest rate. This loan is fully secured by a loan guarantee issued by Garantia with the same maturity.

The Group's net debt amounted to EUR 47.7 (4.7) million at the end of December, and gearing was 34.9% (2.5%). The equity ratio was 34.3% (44.2%).

BALANCE SHEET KEY FIGURES

	2017	2016
Reported net debt / comparable EBITDA	1.1	0.1
Borrowings	100.1	72.8
Net debt	47.7	4.7
Equity ratio, %	34.3	44.2
Gearing, %	34.9	2.5
Capital expenditure, EUR million	-11.9	-8.7
Total assets, EUR million	398.4	432.7

The reported net debt to comparable EBITDA ratio was 1.1 (0.1).

The total in the consolidated balance sheet decreased to EUR 398.4 (432.7) million. This was primarily due to the reduction of equity and increase in borrowings.

Gross capital expenditure totalled EUR 11.9 (8.7) million during the period. Capital expenditure was primarily related to investments at the Rajamäki plant and the development of information systems.

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	2017	2016	Change, %
Net sales	133.9	133.9	0.0
Comparable EBITDA	19.6	20.2	-3.0
Comparable EBITDA, % of net sales	14.6	15.0	
Average number of personnel	100	104	

EUR million	2017	2016	Change, %
Spirits	76.1	76.9	-1.1
Wine	56.3	55.8	0.8
Other beverages	1.3	1.2	16.2
Other	0.2	0.0	
TOTAL	**133.9**	**133.9**	**0.0**

Overall net sales in the Finland & Exports segment remained in 2017 on the same level as in the previous year, at EUR 133.9 (133.9) million. All markets in the segment were growing except for Estonia where excise tax changes had a negative impact on the net sales. Increased volume in travel retail and exports through new market openings and increased distribution of Altia's own core brands had a positive effect on the net sales of the segment.

Comparable EBITDA was EUR 19.6 (20.2) million, down slightly due to the declined sales in Estonia. This equals an EBITDA margin of 14.6% (15.0%).

Main events

2017 was an active year in terms of new launches and products, such as Jaloviina Myrsky, a line extension to the traditional Jaloviina brand, which was launched in February and the Wine Gallery wine series selection, which was launched to celebrate the jubilee of Finland's 100 years of independence and was sold only during 2017.

In August, Altia entered into a distribution agreement with Treasury Wine Estates and became the exclusive distributor of Treasury Wine Estate's wine portfolio in retail and on-trade in Finland, with brands such as Penfolds, Lindeman's, Beringer and Blossom Hill.

In exports, Altia signed new distribution agreements to US for both Koskenkorva Vodka and O.P. Anderson and to Asia for Larsen Cognac. In Finland, the annual "Mikä viini" event was held in September in Helsinki, with more than 3,500 professionals, customers and consumers visiting the event. The first Koskenkorva Village Experience at the Koskenkorva plant and surroundings was arranged for export customers, journalists and bloggers to show and communicate the origin of the brand and its potential.

Altia continued the brand portfolio development in the Baltics. In Latvia, the portfolio was restructured during the year focusing on Altia's own core brands.

Scandinavia

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

EUR million	2017	2016	Change, %
Net sales	123.7	127.4	-2.9
Comparable EBITDA	11.5	10.4	10.6
Comparable EBITDA, % of net sales	9.3	8.2	
Average number of personnel	86	87	

EUR million	2017	2016	Change, %
Spirits	49.8	52.1	-4.5
Wine	68.5	69.3	-1.2
Other beverages	7.0	7.2	-1.7
Other	-1.5	-1.1	-35.8
TOTAL	**123.7**	**127.4**	**-2.9**

In 2017, the net sales of the Scandinavia segment declined to EUR 123.7 (127.4) million. The foreign exchange impact was approximately EUR -2.1 million. Excluding foreign exchange impact, the segment's net sales declined by 1.3% or EUR 1.6 million, mainly due to changes in the partner portfolio in Norway.

Comparable EBITDA improved to EUR 11.5 (10.4) million which equals an EBITDA margin of 9.3% (8.2%). The increase was mainly due to increased efforts in marketing and adopted efficiency measures.

Main events

At the beginning of the year, the Charles Smith wines were launched in Sweden and Norway.

One of the most successful events in Sweden in 2017, was the launch of the True Colours Cava.

The Xanté brand was further extended with a new product, the Xanté Sparkling.

Focus in 2017 has been on further developing the digital presence and the Swedish folk-o-folk website.

Blossa performed well during the Christmas season. The marketing program began with a new way of launching the annual Blossa – a successful direct online broadcast instead of a traditional press conference. In addition to the annual Blossa, new products, for example in the non-alcoholic category, were added to the Blossa family.

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.

EUR million	2017	2016	Change, %
Net sales	101.3	95.2	6.4
Comparable EBITDA	12.5	8.4	48.5
Comparable EBITDA, % of net sales	12.3	8.8	
Average number of personnel	452	507	

In 2017, Altia Industrial's net sales grew by 6.4% to EUR 101.3 (95.2) million, driven by higher volumes throughout the business. The good demand in starch and feed has enabled to run the Koskenkorva plant more efficiently and volumes were up by 8% compared to the previous year. The investment to increase starch capacity enabled the volume growth.

Comparable EBITDA improved to EUR 12.5 (8.4) million, driven by high capacity utilisation at Koskenkorva plant, higher contract manufacturing volumes at Rajamäki alcoholic beverage plant and efficiency measures in supply chain.

Production volumes and key projects

During 2017, the Rajamäki alcoholic beverage plant in Finland has produced 63.4 (60.9) million litres of spirits and wine.

In 2017, the use of Finnish barley at the Koskenkorva plant reached a record-high of 206.0 (192.2) million kilos, an increase of 7% compared to the previous year which was driven mainly by increased volumes in starch production. Grain spirits production was 22.9 (22.5) million kilos, starch production was 64.5 (57.5) million kilos and feed component production was 59.8 (55.4) million kilos.

The key investments at the Koskenkorva plant were directed to starch capacity (EUR 1.3 million) and the electricity station (EUR 0.7 million). At the Rajamäki site, the work to simplify and digitalise the production environment, including the implementation of ERP system, was completed. A new production line (EUR 1.6 million) that is ideal for smaller batch products was ramped up in Rajamäki alcoholic beverage plant during the second half of 2017.

The O.P. Anderson distillery was opened in Sundsvall, Sweden where all Altia's Swedish aquavit distillates production take place.

The logistics operations in Denmark and Latvia were outsourced in 2017 and the former production plant and logistics centre in Svendborg, Denmark was sold in the second half of 2017.

Research and development activities

The Group's direct research and development expenditure amounted to EUR 3.4 (3.6) 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

Annual General Meeting

The Annual General Meeting of Altia Plc was held on 21 March 2017. The Annual General Meeting approved the financial statements for the financial year 2016. The members of the Board of Directors and the CEO were discharged from liability for the financial year 1 January–31 December 2016. As proposed by the Board of Directors, dividend for 2016 was set at EUR 0.29 per share, totalling EUR 10,428,400. The dividend was paid in April.

Extraordinary General Meeting

The Extraordinary General Meeting of Altia Plc held on 15 December 2017 decided on the distribution of an additional dividend of EUR 1.67 per share, totalling EUR 60,053,200. The General Meeting decided to combine the company's series A and L shares to a single share series and incorporate the shares in the book-entry securities system and amend Altia's Articles of Association accordingly. The General Meeting also decided on further amendments to Altia's Articles of Association by removing the redemption and consent clauses. The General Meeting also elected a new member to the Board of Directors.

Board composition and Board Committees

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

- Sanna Suvanto-Harsaae, chairman
- Annikka Hurme, vice chairman
- Kim Henriksson
- Tiina Lencioni
- Jarmo Kilpelä
- Kasper Madsen
- Kai Telanne

Board member Jarmo Kilpelä passed away on 28 May 2017. Kasper Madsen resigned from the Board of Directors at the end of August 2017.

The Extraordinary General Meeting of Altia Plc held on 15 December 2017 elected Torsten Steenholt as a new member to the Board of Directors.

The Board of Directors has assessed the independence of its members. All members of the Board of Directors are independent of the company. Jarmo Kilpelä held 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 shareholder 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 and Kai Telanne (succeeding Jarmo Kilpelä).

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 2017.

Chief Executive Officer and Group Management

In 2017, the Executive Management Team of Altia comprised the following members:

- Pekka Tennilä, CEO
- Janne Halttunen, SVP Scandinavia
- Kari Kilpinen, SVP Finland & Exports (as of 1 September 2017)
- Kirsi Lehtola, SVP Human Resources
- Matti Piri CFO
- Kirsi Puntila, SVP Marketing
- Hannu Tuominen, SVP Altia Industrial

Share capital and shares

The Board of Directors of Altia Plc decided on 13 December 2017 on the cancellation of all 25,003 series L shares held in treasury by the company. On 15 December 2017, the Extraordinary General Meeting decided to combine the company's series A and L shares to a single share series and incorporate the shares in the book-entry securities system and amend the company's Articles of Association accordingly. At the end of 2017, Altia Plc's shares comprise 35,960,000 shares.

The share capital at the end of 2017 was 60,480,378.36 euros.

Altia Plc is fully owned by the State of Finland.

Personnel

In 2017, Altia Group had an average of 762 (829) employees. On 31 December 2017, Altia Group had 703 (797) employees, of whom 411 (448) were in Finland, 117 (125) in Sweden, 21 (30) in Denmark, 29 (32) in Norway, 37 (58) in Latvia, 65 (80) in Estonia, and 23 (24) in France.

The decrease in personnel was primarily due to outsourcing of the logistics operations in Denmark and Latvia, as well as the reorganisation of Altia's Rajamäki plant operations and financial administration in Finland. The arrangements and reorganisations aimed at renewing ways of working as well as improving efficiency.

In 2017, training courses were arranged for the commercial organisation, sales and marketing people and Let's Lead Better training for managers was initiated.

The Altia Tasting personnel survey for 2017 was conducted in January-February 2018. The new survey will give more accurate tools for individual managers to develop their leadership. Additionally, Altia Pulse survey runs monthly.

Altia's employer branding work started in 2017, and the results will be used first in the company's recruitment.

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.

The profit for the period includes a performance bonus accrual amounting to EUR 3.3 (3.0) million. Based on the profit for 2016, annual performance bonuses amounting to EUR 3.7 (3.4) million, including social expenses, were paid in 2017. Sales commissions totalling EUR 0.1 (0.2) million were paid during the year. Production bonuses totalling EUR 0.4 (0.4) million were included in the result for the period.

Corporate Responsibilty

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 responsibility is to build sustainable long-term business for Altia. Altia wants to promote 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 of responsibility: 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.

During 2017, Altia joined the new contract period of the Energy Efficiency Agreement between Finnish ministries, industry associations and individual companies, as well as the amfori BSCI initiative, which aims at improving social responsibility in supply chains. In addition, future responsibility actions were planned together with representatives from different parts of the organization.

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

Altia's goal is to reduce sickness absences, the number of accidents and absences caused by accidents. To achieve this goal, targets and actions to be taken during the year to achieve the targets were defined for different locations. In 2017, the sickness absence rate was 3.3% (2016: 3.2%). The accident frequency (the number of accidents per one million working hours) for accidents requiring at least one day of absence was 11 (2016: 8). There were no fatal work-related accidents in 2017 (2016: 0).

The environment and energy efficiency

Altia's work with environmental matters focuses on minimising the environmental impacts of Altia's own operations. The most significant environmental impacts consist of energy consumption, water consumption, waste water and waste generation. Environmental indicators have been defined to support the reduction of these impacts. Targets and the related actions for the year were defined for different locations.

Energy saving measures is a major development area for the company both in terms of profitability and environmental responsibility. In 2017, Altia joined the new Energy Efficiency Agreement for the period 2017–2025, with the aim of reducing energy consumption by

10% by the year 2025, compared to consumption in the beginning of 2014. Energy use relative to production volume decreased in 2017 at Koskenkorva and at Rajamäki due to measures taken to optimise production and to enhance energy efficiency.

The environmental indicator for reducing waste volume in relation to production volume was lower in 2017 than in 2016, also the total amount of waste decreased. Organic loading of wastewater increased both at Rajamäki and Koskenkorva during the reporting period. Water consumption relative to production increased at Tabasalu and decreased at Rajamäki and Koskenkorva. The absolute amount of water used increased at Rajamäki and Tabasalu. The average waste reutilisation rate for the Rajamäki, Koskenkorva and Tabasalu plants was 99.5% in 2017 (2016: 99.5%).

The bioenergy power plant at Koskenkorva, which uses barley husks as its primary fuel, helped the Koskenkorva plant area reduce carbon dioxide emissions and achieve a 65% self-sufficiency rate in fuels for steam production in the reporting period. During the bioenergy power plant's use, carbon dioxide emissions have decreased by 56% compared to 2014.

Risks and risk management

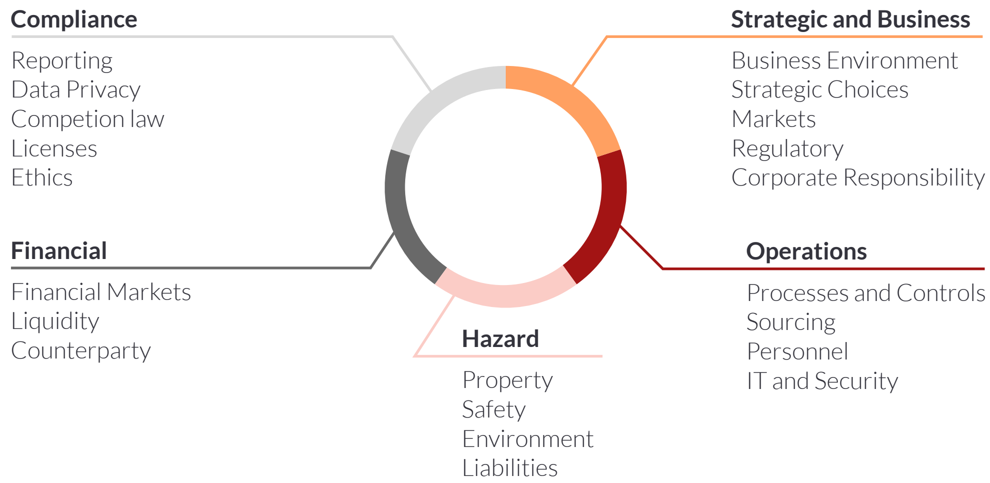
Risk management

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, and to safeguard the 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. The finance department is also responsible for insurance programmes that cover the entire Group.

ALTIA'S RISK CHART



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.

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 related to business operations are described in the Non-Financial Statement 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. 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 2017, Altia consumed approximately 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 the 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 OTC-derivatives of Nasdaq OMX Oslo ASA.

The hedging service for electricity procurement has been outsourced.

At the end of 2017, the hedging ratio for deliveries for the next 12 months was 67.6 per cent (68.3 per cent in 2016), in line with the set targets. In 2017, the average hedging ratio was 70.0 per cent.

Cash flow hedge accounting in accordance with IAS 39 is applied to the hedges against electricity price risk, and hedge effectiveness is tested quarterly. The ineffective portion at the end of 2017, EUR -0.1 million (EUR -0.1 million in 2016) is 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 85.0 million (2016: EUR 72.5 million, 2015: EUR 95.0 million) and floating leg of interest rate swap EUR 20 million (2016: EUR 20.0 million, 2015: 20.0 million) which is netting the interest rate risk.

A one percentage point increase in interest rates would have an EUR -0.7 million effect in income statement (2016: EUR -0.5 million, 2015: EUR -0.8 million). The effect of increase in market interest rates on the Group's profit is determined from net interest expenses.

Sensitivity of financial instruments to market risks (before taxes) in accordance with IFRS 7	2017		2016		2015	
EUR million	Income statement	Equity	Income statement	Equity	Income statement	Equity
+/-10% electricity	-	+/-0.3	-	+/-0.3	+/-0.1	+/-0.2
+/-10% change in EUR/NOK exchange rate	+/-0.1	-	+/-0.3	-	+/-0.0	-
+/-10% change in EUR/SEKexchange rate	+/-2.0	-	+/-1.2	-	+/-1.9	-
+/-10% change in EUR/USD exchange rate	-/+0.4	-	-/+0.5	-	-/+0.5	-
+/-10% change in EUR/AUD exchange rate	-/+0.2	-	-/+0.2	-	-/+0.2	-

Short-term risks and uncertainties

There have been no significant changes in the short-term risks of Altia Group's operations during the review period.

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.

Outlook

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 the 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 on key raw materials and expansion in exports impact profitability development.

Group comparable EBITDA is expected to improve or be at the 2017 level.

Dividend proposal

According to the financial statements on 31 December 2017, the parent company's distributable funds amount to EUR 56,763,012.27 including profit for the period of EUR 26,547,860.31.

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 no dividend be paid for the financial year 2017.

Annual General Meeting 2018

The Annual General Meeting of 2018 will be held on 1 March 2018.

Events after the period

Altia and J. García Carrión have entered into a collaboration regarding the import and distribution of J. García Carrión's wine brands. Altia becomes the exclusive representative of García Carrión's wine portfolio in Sweden as of 2018.

Following the decision by the Extraordinary General Meeting on 15 December 2017, Altia's shares were incorporated in the book-entry securities system on 19 January 2018.

Helsinki, 21 February 2018
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 nine years in accordance with the model for corporate responsibility reporting for state-owned companies[1] and the Global Reporting Initiative (GRI) guidelines. Hence it was important for the company to start following the EU Directive[2] on non-financial reporting. In accordance with the Directive and the Finnish Accounting Act, this statement provides an overview of Altia's approach to environmental, social and employee, human rights, and anti-corruption and -bribery matters, whereas more detailed information about our responsibility work is provided in the separate section on Corporate Responsibility.

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 that utilise the 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 the company can take advantage of its shared operations, including consumer research, innovation, product development, overall know-how and effective use of centralised support functions. A description of how Altia creates value is included in the Business Overview section.

Environmental matters

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

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

The environmental aspects considered relevant to the company are assessed at three-year intervals. In the assessment conducted in 2015, the most significant environmental aspects were identified as energy consumption, water consumption, waste water and waste generation. Environmental key performance indicators were defined to support the reduction of these impacts. Plant-specific targets and actions to achieve the targets are set annually, and progress in the indicators is monitored monthly.

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

- Altia Code of Conduct
- Altia Quality Safety and Environment principles
- ISO14001 Environmental Management System standard – certification covers Altia's operations in Finland

b. Principal risks and their management

Environmental risks are assessed regularly as part of the assessment of environmental aspects relevant to Altia and as part of Altia Group's risk management.

The principal risks identified include possible leaks to the ground or waterways (including the groundwater area), overruns of waste-water quality limits in Altia's environmental permits, costs related to maintaining compliance with increasingly stringent environmental regulation, as well as fines or sanctions related to possible non-compliances.

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

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

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

c. Outcome & KPIs

As a participant in the voluntary Energy Efficiency Agreement between Finnish ministries, industry associations and companies, Altia's target is to reduce energy consumption by 10% by the year 2025 compared to the consumption in the beginning of 2014. Energy use relative to production volume decreased in 2017 at Koskenkorva and at Rajamäki.

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

The bioenergy power plant at Koskenkorva has enabled Altia to reduce the plant's carbon dioxide emissions by 56% compared to 2014 and increase fuel self-sufficiency in steam production to 65%.

CASE

Circular economy at Koskenkorva

ALTIA'S KOSKENKORVA distillery utilises the valuable raw material, Finnish barley, in full. All sidestreams of the process are also fully utilised as inputs by other industries or in farming.

Read more:
https://www.altiagroup.com/brands-and-services/our-distillery

KPI	2017	2016	2015
Energy efficiency (MWh/m^3 of product or tonne of barley)	Koskenkorva: 0.63 Rajamäki & Tabasalu: 0.28	Koskenkorva: 0.71 Rajamäki & Tabasalu: 0.34	Koskenkorva: 0.87 Rajamäki & Tabasalu: 0.34
Water efficiency (m^3/m^3 of product or tonne of barley)	Koskenkorva: 2.28 Rajamäki & Tabasalu: 1.46	Koskenkorva: 2.79 Rajamäki & Tabasalu: 1.47	Koskenkorva: 3.9 Rajamäki & Tabasalu: 1.45
Quality of wastewater (kg COD/m^3 of product or tonne of barley)	Koskenkorva: 2.23 Rajamäki & Tabasalu: 2.92	Koskenkorva: 1.97 Rajamäki & Tabasalu: 2.71	Koskenkorva: 2.54 Rajamäki & Tabasalu: 2.96
Waste volume (kg/m^3 of product)	Rajamäki & Tabasalu: 44.83	Rajamäki & Tabasalu: 49.22	Rajamäki & Tabasalu: 47.52
Average rate of recycling and reutilization	99.5%	99.5%	98.4%
Monetary value of fines and number of non-monetary sanctions (G4-EN29)	0	0	0

Social and employee matters

Consumer and product related matters

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

Product safety is a top priority for Altia, and the company strives to continuously improve 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 relevant instructions are maintained in Altia's management system. Key quality indicators with targets were set starting from 2018. Progress in the indicators is monitored monthly.

Altia wants to build a responsible drinking culture. As the company's own employees are in a key position in driving the change, the Altia Employee Alcohol Policy was launched in 2017. The policy is applicable to all Altia employees and everyone working on Altia's production sites or offices.

Altia's Rajamäki plant is certified for packaging Fairtrade wines. 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 – certification covers Altia's operations in Finland, as well as the Tabasalu plant in Estonia
- ISO22000 Food Safety Management standard – certification covers Altia's Rajamäki plant
- Altia Quality Safety and Environment 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, contamination of products or 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, for example, regarding marketing or taxation of alcoholic beverages could have an impact on the company's operations.

To manage the risks, Altia maintains quality and food safety management systems in accordance with international standards. Quality is monitored continuously during production by on-line inspection and testing, as well as by analysing the end products. Instructions and process are maintained in view of possible recalls and the situations are practiced regularly by way of phantom testing. Applicable regulation and developments therein are reviewed regularly.

c. Outcome & KPIs

Altia's Rajamäki plant received the ISO22000 food safety certificate in November 2017.
To comply with the standard requirements, hygiene has been improved throughout the plant, training was arranged for all employees through an online platform, quality monitoring during production was enhanced and structural changes such as floor repairs were made, among others.

Key quality indicators will be reported as of 2018.

KPI	2017	2016	2015
Amount of income taxes paid and excise taxes collected	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 our Responsibility Report 2016.	EUR 474.1 million The full tax footprint is available in our Responsibility Report 2015.

CASE

Argentinian and Finnish knowhow combined in a new Fairtrade wine

AS PART OF its responsibility work, Altia wants to increase the number of organic and ethically certified products in our portfolio. The journey of one of Altia's wines was followed from vineyards in Argentina to Altia's Rajamäki plant in Finland.

Read more:
https://www.altiagroup.com/cases/fairtrade-wine-argentina-combined-finnish-work

Employee matters

a. Policies and ways of working (incl. 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 possibilities. Altia maintains continuous communications with employees through information and consultation, and respects the freedom of association and the right to collective bargaining. All Altians are expected to respect each other's rights to fair treatment and to act in accordance with Altia Behaviours, a set of principles that were launched at the beginning of 2017 to guide the work of all Altians. The principles are Renew Bravely, Show Direction, Build Success Together and Implement!

Altia wants to ensure safe and healthy working conditions for all its employees. The objectives are to reduce sickness absences, the number of accidents and absences caused by accidents. Plant-specific targets and actions to achieve the 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 OHSAS18001 certification.

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

a. Altia Code of Conduct
b. Altia Behaviours
c. OHSAS18001 Occupational Health and Safety Management standard – certification covers Altia's operations in Finland
d. Altia Quality Safety and Environment principles
e. 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 abilities to recruit, develop, motivate and retain right competences, to succeed in daily leadership, to maintain good collaboration practices with employees and their unions, as well as the occurrence of accidents. To manage the risks, Altia is in the process of defining an employer value proposition, develops recruitment and retention, conducts employee satisfaction surveys (yearly Altia Tasting and monthly Altia Pulse), maintains frequent collaboration with unions, as well as maintains an occupational health and safety management system in accordance with the OHSAS18001 standard.

c. Outcome & KPIs

In 2017, training was arranged for the commercial organisation, sales and marketing people, and Let's Lead Better training for managers was initiated. Altia employer branding work started during the reporting period, and the results will be used first in the company's recruitment. Altia Behaviours were launched at the beginning of the year and were discussed by teams and integrated into various HR practices, including into performance dialogue discussions. The results of the indicators for occupational health and safety are presented in the table below. There were no fatal work-related accidents.

Altia Tasting survey for 2017 was conducted in January 2018. Results were not available yet at the time of writing the Annual Report 2017 and will therefore be reported as of 2018.

KPI	2017	2016	2015
Sickness absence % (G4-LA6)	3.3	3.2	3.0
Accident absence rate (G4-LA6)	11	8	12
Accident absence % (G4-LA6)	0.29	0.22	0.17
Number of accidents	16	N/A	N/A

The number of accidents has not been monitored in 2015 and 2016 for all sites and therefore figures comparable to 2017 are not available. Accident is defined as any accident leading to at least one day absence. More details about the indicators is available in the Altia & employees part in the section on Corporate Responsibility.

CASE

Altia Behaviours defined through open discussion throughout the company

AT THE BEGINNING of 2017, Altia launched new Altia Behaviours to guide the work of all Altians. The principles were defined by involving everyone through group discussions and online dialogue. Renew Bravely is the new guiding concept.

Read more:
https://www.altiagroup.com/cases/everyone-leader-their-own-work

Human rights matters

a. Policies and ways of working (incl. 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 most central agreements 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. Altia joined amfori BSCI and amfori BSCI's Sustainable Wine Programme to develop responsible sourcing in April 2017. 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 eleven 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 and 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 amfori BSCI tools, including 3rd party audits. Altia maintains a whistleblowing channel open to all stakeholders and maintained by an independent 3rd 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 lie mostly in the wine, spirits and raw material supply chains, where these extend to countries with a higher risk of possible violations of international labour standards. Further, Altia's customers have demands for social compliance in the supply chains, and any violation of such demands by Altia's suppliers, sub-suppliers or partners could lead to further deliveries of the product being stopped by the customer. The risks are managed through the due diligence process explained above.

c. Outcome & KPIs

Eighteen amfori BSCI audits (full audits or follow-up audits) were conducted at Altia's suppliers, partners or their sub-suppliers in 2017. The key areas with improvement needs identified in those audits include the maintenance of sufficient management systems to ensure social compliance, compliance with regulations regarding working hours, as well as occupational health and safety. In addition, focused inspections were commissioned by Altia's customers at some of our suppliers or partners in South Africa.

During 2017, internal training sessions were held regarding responsible sourcing and amfori BSCI principles, an amfori BSCI audit plan for 2018 was prepared for suppliers for Altia's proprietary brands and the implementation of Altia Code of Conduct for Suppliers and Subcontractors was started. Altia also cooperated with various stakeholders to address the concerns raised by media and NGOs regarding working conditions at South African vineyards.

KPI	2017	2016	2015
Share of purchases from risk countries as identified in amfori BSCI risk country classification	4%	4%	5%
Number of human rights related grievances reported through the whistleblowing channel (G4-HR12)	0	N/A	N/A

The figure for the share of purchases from risk countries in 2016 is restated. The whistleblowing channel was launched in October 2017. The first full year figure will be available in 2018.

CASE

Continuous work to improve working conditions on South African vineyards

OVER RECENT YEARS, various media and NGO reports have brought working conditions in South Africa to the focus. Since late 2016, Altia has worked together with customers, other importers, suppliers and partners to achieve concrete improvements on the ground.

Read more: https://altiagroup.com/cases/concrete-improvements-working-conditions-through-continuous-work

Anti-corruption and -bribery matters

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

Altia has zero-tolerance towards bribery and corruption. The company is committed to operating fairly and to not offering improper benefits to others. Altia also expects its representatives, consultants, agents, subcontractors and other business partners, when performing services for Altia or on its behalf, to unconditionally refrain from corruptive behaviour. Altia does not support, whether directly or indirectly, political parties or organisations. The company also does not participate in financing the election campaigns of individual candidates.

Altia launched its new Anti-Bribery and -Corruption Policy in 2017. As part of the policy, Altia has also defined what is expected from its business partners. All Altians, who work in positions where they may be exposed to a risk of bribery or corruption, are trained about Altia's Anti-Bribery and -Corruption Policy, also through an e-learning platform.

Altia maintains a whistleblowing channel maintained by an independent 3rd party, open to all Altians 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

Risks are assessed as part of Altia Group's risk management. The principal risks associated with anti-corruption and -bribery matters include a reputation risk caused by any act of corruption or bribery, especially related to key persons and business partners of Altia. In addition, as 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 mitigated through contractual obligations, 3rd party due diligence checks on suppliers and distributors, where necessary, as well as internal training about the Altia Anti-Bribery and -Corruption Policy.

c. Outcome & KPIs

In 2017, training about Altia's Anti-Bribery and -Corruption Policy was arranged for relevant persons at Altia and the integration of the policy into contracts with relevant business partners was started.

KPI	2017	2016	2015
Communication and training on anti-corruption policies (G4-SO4)	E-training was arranged for relevant persons at Altia	N/A	N/A
Number of anti-corruption and -bribery incidents reported through the whistleblowing channel	0	N/A	N/A

The whistleblowing channel was launched in October 2017. The first full year figure will be available in 2018.

Key ratios of the group

		2017	2016	2015
Income statement				
Net sales	EUR million	359.0	356.6	380.7
Comparable EBITDA	EUR million	42.4	40.8	38.0
% of net sales		11.8	11.5	10.0
EBITDA	EUR million	40.3	60.8	39.7
Comparable operating result (EBIT)	EUR million	28.2	26.4	23.6
% of net sales		7.8	7.4	6.2
Operating result	EUR million	26.1	46.3	25.3
Result before taxes	EUR million	25.0	45.0	23.4
Result for the period	EUR million	18.3	36.1	18.1
Items affecting comparability	EUR million	-2.1	19.9	1.7
Balance sheet				
Cash and cash equivalents	EUR million	52.4	68.0	76.3
Total equity	EUR million	136.8	191.3	168.6
Borrowings	EUR million	100.1	72.8	96.7
Invested capital	EUR million	236.9	264.0	265.3
Profitability				
Return on equity, ROE	%	11.1	20.0	11.6
Return on invested capital, ROI	%	8.0	14.4	7.6
Financing and financial position				
Net debt	EUR million	47.7	4.7	20.4
Gearing	%	34.9	2.5	12.1
Equity ratio	%	34.3	44.2	36.7
Net cash flow from operating activities	EUR million	37.6	29.4	34.8
Net debt/ comparable EBITDA		1.1	0.1	0.5
Share-based key ratios				
Earnings per share	EUR	0.51	1.00	0.50
Equity/share	EUR	3.80	5.32	4.69
Personnel				
Average number of personnel		762	829	879

RECONCILIATION OF ALTERNATIVE KEY RATIOS TO IFRS FIGURES

EUR million	2017	2016	2015
Items affecting comparability			
Net gains or losses from business and assets disposals	1.3	4.2	2.7
Cost for closure of business operations and restructurings	-1.1	-0.6	-1.0
Major corporate projects			
Change in deferred pension obligation	-	16.3	-
Costs related to a planned stock exchange listing	-2.4	-	-
Total items affecting comparability	-2.1	19.9	1.7
Comparable EBITDA			
Operating result	26.1	46.3	25.3
Less:			
Depreciation, amortisation and impairment	14.2	14.5	14.4
Total items affecting comparability	2.1	-19.9	-1.7
Comparable EBITDA	42.4	40.8	38.0
% of net sales	11.8	11.5	10.0
Comparable EBIT			
Operating result	26.1	46.3	25.3
Less:			
Total items affecting comparability	2.1	-19.9	-1.7
Comparable EBIT	28.2	26.4	23.6
% of net sales	7.8	7.4	6.2

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 Comparable EBITDA margin, % Items affecting comparability	Operating result excluding items affecting comparability Comparable operating result / Net sales EBITDA excluding 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, 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 Altia and 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 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 (average)	This measure can be used to evaluate how efficiently Altia has been able to generate results in relation to the total 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	

Corporate responsibility

Steering of Altia's responsibility work

Altia's responsibility work is guided by Altia's purpose and strategy, stakeholders' expectations, our Business Principles and other internal principles and codes of conduct, as well as the amfori BSCI Code of Conduct.

Responsibility topics that affect Altia as a whole are addressed by Altia's Corporate Responsibility Working Group, whose ten members represent different parts of the organisation. The Working Group reports to the Executive Management Team. It is chaired by the Senior Vice President, Scandinavia, who is also a member of the Executive Management Team.

Each EMT member is responsible for the responsibility topics relevant for his/her organisation. The concrete actions supporting Altia's responsibility are part of each business' operational plans, which are approved by the EMT. The implementation of the measures is monitored in the respective management teams and in the Corporate Responsibility Working Group. Based on the implementation status, the Working Group proposes actions to be included in the operational plans for the following year.

Performance is monitored with the help of various indicators including, for example, four different environmental indicators from the amount of waste material to water and energy consumption, the sickness absence percentage and the accident absence rate, as well as personnel surveys.

Altia's communications department is in charge of the coordination, development and reporting of corporate responsibility efforts.

Read more: Materiality analysis

Stakeholder dialogue

Our stakeholders' perceptions regarding our responsibility are of essential importance to us. They help us develop and prioritise our operations.

We aim to communicate our operations to our stakeholders in an open and transparent manner in day-to-day interaction, as well as through various communication channels.

Our stakeholder outreach activities during 2017 included the organisation of a panel discussion about responsible alcohol culture at SuomiAreena, conducting a study about Finns' perceptions on a responsible drinking culture, and conducting a survey about Altia's reputation in Finland. According to the reputation survey, responsibility is one of the two key characteristics associated with Altia, alongside well-known brands. We also continued the development of our communication channels by opening an Altia Facebook page and launching the Cheers! Developer Community for consumers in Norway. During 2017, the Cheers! communities in Finland and Sweden have provided input especially for the development of wine packaging.

In addition to interaction in the course of normal business, we regularly conduct stakeholder surveys about their perceptions regarding our responsibility. The previous survey was conducted in 2015 and was used as input for our materiality analysis.

Issues discussed by the media and by stakeholders during the reporting period included, for example, the different aspects of the Finnish alcohol law reform. NGO and media coverage regarding responsibility in wine growing in South Africa continued in several of our operating countries, and the topic was discussed together with customers and suppliers.

Altia’s stakeholder interaction

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

STAKEHOLDER	 Owner, political decision-makers, public authorities	 Business customers	 Personnel	 Partners	 Contract farmers
EXPECTATIONS	• economic contribution • compliance with laws and regulations • reducing environmental impacts • responsible supply chain • responsibility towards employees	• cooperation and responsibility towards customers • product quality • advocating responsible alcohol consumption • responsible sourcing • environmental respon-sibility	• responsibility towards employees • product quality and safety • advocating responsible alcohol consumption and marketing responsibly • reducing environmental impacts	• advocating responsible alcohol consumption by marketing responsibly • consumer and market understanding • cooperation and partnership	• using Finnish raw materials and keeping production in Finland • paying a fair price for the barley
ENGAGEMENT CHANNELS	• reporting • direct contacts • audits • external communications	• direct contacts • electronic 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	• meetings, fairs, events and other direct contacts • newsletters • farmer extranet

Altia's stakeholder interaction

STAKEHOLDER	 Suppliers of raw materials and packaging materials	 Media	 Consumers	 Non-governmental organisations
EXPECTATIONS	• reducing environmental impacts • using domestic/local raw materials • product safety and quality • good cooperation and continuity in supplier relations • responsible sourcing	• product quality and safety • advocating responsible consumption • reducing environmental impact	• advocating responsible consumption and preventing underage drinking • product quality and safety • responsibility in the value chain • reducing environmental impacts	• advocating responsible consumption • product quality and safety • reducing environmental impacts • responsible raw materials
ENGAGEMENT CHANNELS	• 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

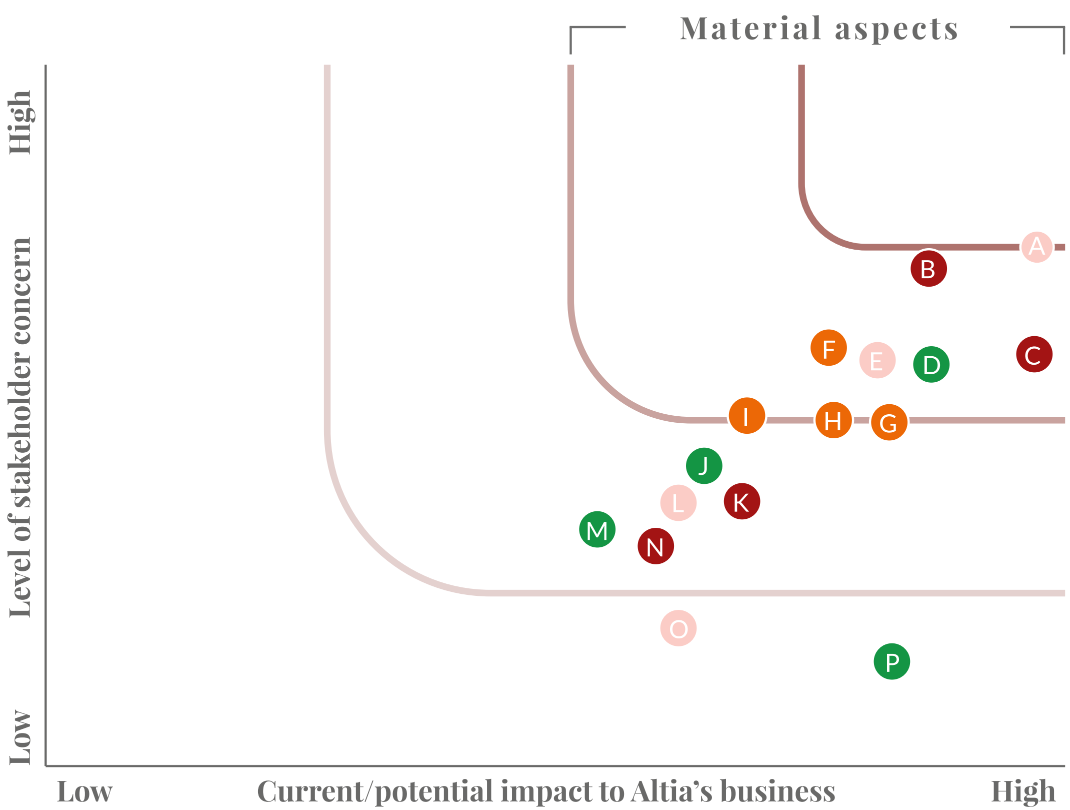
We conducted the previous stakeholder survey on Altia's responsibility in 2015. We sent a link to the survey to 2,400 representatives of different stakeholder groups, and the link was also posted on our website. A total of 240 responses were received.

The results were reviewed by our Corporate Responsibility Working Group. In addition, a core group, which consisted of the Chair of the Working Group and the persons responsible for each of the four cornerstones of Altia's responsibility, discussed the impacts of global megatrends and trends related to the development of responsibility in the alcohol industry on Altia's responsibility, and reviewed the requirements of the international GRI reporting framework.

Based on the discussions, we updated our responsibility cornerstones, which were originally defined in 2013. We also produced a responsibility materiality matrix. The material aspects include nine themes, which are also the focus of our report. The boundary of each material aspect, as well as the principles or guidelines relevant for managing the aspect, are presented in the table on page 42.

Our Executive Management Team approved the updated responsibility cornerstones and the materiality matrix in September 2015.

Materiality matrix



Altia & Customers
- A Product quality & safety
- E Utilising responsibly produced raw materials
- L Traceability of products
- O Organic & ethically certified products

Altia & Society
- F Responsible marketing
- I Advocating responsible consumption
- H Economic contribution
- G Human rights in supply chain

Altia & Environment
- D Minimising own environmental impacts
- J Environmentally sustainable logistics chain
- M Sustainable agriculture
- P Conserving groundwater

Altia & Employees
- B Well-being of employees
- C Good leadership
- K Occupational health & safety
- N Rewarding good performance

Material topic	Boundary[1]	Management approach
Product quality and safety	Altia, partners, raw material suppliers	• ISO22000 food safety management system[2] • ISO9001 Quality management system[3] • Altia Quality Safety and Environment Principles
Utilising responsibly produced raw materials	Altia, partners, raw material suppliers	• Altia Quality Safety and Environment Principles • amfori BSCI Code of Conduct • Altia Code of Conduct for Suppliers and Subcontractors
Responsible marketing	Altia	• Altia Marketing Guidelines
Advocating responsible consumption	Altia	• Altia Marketing Guidelines • Altia Employee Alcohol Policy
Economic contribution	Altia	• Finnish Corporate Governance Code 2015[4] • Altia's tax strategy • Government ownership policy
Human rights in supply chain	Altia, partners and raw material suppliers in risk countries	• amfori BSCI Code of Conduct • Altia Code of Conduct for Suppliers and Subcontractors
Minimising own environmental impacts	Altia	• ISO14001 Environmental management system[5] • Altia Quality Safety and Environment Principles
Well-being of employees	Altia	• Altia Behaviours
Good leadership	Altia	• Altia Behaviours

[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 (Koskenkorva plant, the Rajamäki plant and the technical ethanol unit, and the functions at the Helsinki headquarters) and the Tabasalu plant.
[4]Altia complies with the Finnish Corporate Governance Code 2015 with some deviations decided upon by the Board of Directors.
[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 you can read more about our objectives, achievements and work relating to these themes.

Customers

- Product quality & safety
- Utilising responsibly produced raw materials
- Traceability of products
- Organic & ethically certified products

Society

- Responsible marketing
- Advocating responsible consumption
- Economic contribution
- Human rights in supply chain

Environment

- Minimising own environmental impact
- Environmentally sustainable logistics chain
- Sustainable agriculture
- Conserving groundwater

Employees

- Well-being of employees
- Good leadership
- Occupational health & safety
- Rewarding good performance

Altia's responsibility objectives for 2018

The year 2017 marked the last year of our corporate responsibility action plan, which was initially created in 2014 and covered the years from 2015 to 2017. In the following sections of this report, we will report the progress from the end of 2014 to 2017 for each responsibility cornerstone.

To set the way forward, we planned our actions from the year 2018 onwards during the second and third quarter of 2017. The planning was based on an overview of where Altia is now in terms of the strategy and implementation of the previous action plan, interviews of all Executive Management Team members to set the ambition level, as well as internal workshops involving the members of Altia's Corporate Responsibility Working Group and several other subject matter experts.

As an outcome of the process, we received around 45 ideas for how to develop Altia's corporate responsibility, with several concrete actions under each of the ideas. The ideas were reviewed by Altia's Corporate Responsibility Working Group, who selected the priorities for 2018. The prioritised actions were included in relevant business' operational plans. The implementation status of the actions, as well as the other ideas gathered in the process, will be reviewed at the end of 2018. Targets for 2019 will be set based on this assessment.

Altia's responsibility objectives for 2018	
Altia & customers	**Altia & society**
• Continue work with product safety & quality, especially regarding low- or non-alcoholic products	• Investigate possible initiatives to promote responsible drinking in consultation with stakeholders
• Set quantitative Altia targets for organic and ethically certified products	• Utilise efficiently the tools and resources provided by amfori BSCI and continue the development of Altia processes
Altia & environment	**Altia & employees**
• Continue work on sustainable and efficient packaging, for example by reducing overpacking, using more recycled materials or less materials	• Continue enhancing the safety culture at Altia sites, with a focus on Rajamäki plant
• Investigate solutions for reducing or reutilising waste alcohol from production	• Enhance a new leadership and organisational culture, for example, through leadership training and employer branding initiative
• Continue cooperation with contract farmers and other stakeholders to promote sustainable agriculture	• Enhance employee health and well-being through concrete initiatives, for example, relating to work ergonomics
• Enhance communication of our responsibility efforts, both internally and externally	
• Integrate corporate responsibility topics more systematically into Altia Group's risk management	

Altia & customers

93.8 ML	Produced or imported beverages
3.6 ML	Organic products sold
6	Recalls
1,605	Members in Altia's Cheers! developer communities

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 in a responsible manner
- Traceability of products: knowing where the raw materials and products come from
- Organic and ethically certified products: developing operations and product portfolio to respond to the demand for certified products

Altia & customers

Through our products, Altia wants to encourage a drinking culture that emphasises responsible values and quality rather than quantity. Product safety is a top priority for Altia and we strive to continuously improve the quality of raw materials and final products. We also want to use ingredients and raw materials that are produced in a responsible manner. In recent years we have expanded our selection of organic and ethically certified as well as low- and non-alcohol products.

During 2017 we continued preparations at Rajamäki for certification against the ISO22000 food safety management standard. The certificate was successfully obtained in November. We also conducted a quality risk assessment at other sites and set key quality indicators and related targets, which will be monitored from 2018 onwards.

Regarding the utilisation of responsibly produced raw materials, we resent our corporate social responsibility questionnaire to the suppliers of ingredients and materials to Altia's proprietary brands and began the implementation of Altia's Code of Conduct for Suppliers and Subcontractors. The Code of Conduct states the minimum expectations for our suppliers when it comes to responsible conduct. To further develop responsible sourcing, Altia joined the amfori BSCI initiative in April 2017. More information about our work with amfori BSCI is available in the Altia & society section.

Read more about our targets and achievements during the reporting year from the table on page 47.

CASE

Fairtrade wine from Argentina combined with Finnish work

AS PART OF OUR RESPONSIBILITY work, Altia wants to increase the number of organic and ethically certified products in our portfolio. Our most recent launch is Chill Out Genuine & Intense Organic Malbec from Argentina, which is both organic and Fairtrade certified. We asked the people in Argentina, what kind of an impact has Fairtrade had on their lives, and followed the wine's journey from Argentina to Altia's Rajamäki plant in Finland.

Find out more on our website at www.altiagroup.com/responsibility/responsibility-cases

ALTIA & CUSTOMERS

Objective 2015–17	Progress 2014–2015	Progress 2016	Actions 2017	Progress 2017
Increasing the share of products and materials sourced from suppliers that are certified for food safety and quality	The current certification status of suppliers was determined by a general CSR questionnaire. The preparation of roadmaps for further action began. Quality agreements and material quality specifications were completed for some of the products we purchase.	Quality agreements and quality specifications were extended for various groups of packaging materials.	• Continue extending quality agreements and quality specifications with the aim of covering all packaging materials	• CSR questionnaire to suppliers was updated • Quality agreements have been renewed whenever contracts were updated
Developing the food safety and quality certification status of Altia's own production plants	HACCP was carried out at the Rajamäki plant in accordance with ISO 22000, covering part of the standards. ISO 22000 certificate gap analysis was completed at the Rajamäki plant. A project was launched to initiate the ISO 9001 certification process at the Tabasalu plant.	Rajamäki continued to prepare for ISO22000 certification. HACCP risk assessment, hygiene and cleaning instructions, instructions for detection and removal of glass chips as well as House rules for employees and visitors at Rajamäki plant were all updated. Floor and other materials were refurbished and hygiene training was arranged for employees. Tabasalu plant received ISO9001-certification in June.	• Certification of the Rajamäki plant in accordance with the ISO22000 standard • Implementing the changes required by revision of the ISO9001 standard at Rajamäki and Tabasalu (for example identifying quality-related KPIs and action plans and assessing quality risks) • Analysing the feasibility of ISO9001 certification in Cognac	• Rajamäki was granted the ISO22000 certificate in November 2017 • A quality risk assessment as required by ISO9001 revision was conducted. KPIs and action plans were set in the beginning of 2018. • An internal HSEQ audit was conducted in Cognac. ISO9001 principles will be taken into account in internal quality manual. Certification will not be applied at this stage.
Utilising responsibly produced raw materials	A supplier selection tool is partly in use, with plans to expand its use. Packaging material supplier audits have been carried out according to plan, with further plans in place to expand audits to raw material suppliers. Roadmaps were produced to increase the number of suppliers certified for social responsibility for certain product groups in risk countries.	Packaging material supplier audits were continued and audits of raw material suppliers were started. An increasing share of raw materials are organic.	• Continue packaging material and raw material supplier audits • Implementing Altia Supplier Code of Conduct	• Five supplier audits were conducted. In addition, amfori BSCI full audits or re-audits were conducted at six suppliers at Altia's customers' initiative. • Supplier Code of Conduct has been included whenever contracts were updated • 80 % of Altia's direct risk country suppliers[1] have a social responsibility certificate
Developing the traceability of products	A pilot project was launched to collect traceability information electronically. The aim of the project is to improve the documentation and usability of traceability information.	The pilot project to collect traceability information electronically was continued at Rajamäki.	• Moving to electronic collection of traceability information at Rajamäki	• Electronic collection of traceability information has been implemented, enabling traceability of components from supplier to customer
Increasing the product portfolio of organic and ethically certified products	Rooftop Garden liqueur was launched as the first product manufactured from organic grain spirit produced at the Koskenkorva plant. Fairtrade certification was obtained for wine bottling operations in Rajamäki. Altia's first own Fairtrade wine, Patchwork, was launched in Sweden.	The organic certification of Koskenkorva distillery was continued. The amount of organic end products as well as share of organic raw materials increased.	• Conducting an audit at Altia's organic ethanol supplier • Making Altia's aquavits all organic, if availability of raw materials allow	• Audit of organic ethanol supplier was completed • One new organic aquavit product was launched in 2017 and another one will be launched early 2018 • Altia's first own Fairtrade wine in Finland was launched • Fairtrade surveillance audit was conducted at Altia in December

[1] Covers suppliers of wine, raw materials or packaging materials for Altia's proprietary brands.

CASE

Eco-friendly Finnish geothermal heat

ALTIA DEVELOPS and produces fluids that transfer heat in geothermal heating systems from Finnish ethanol. Geothermal heat is an environmentally friendly heating solution, which typically replaces oil or electric heating. Altia's Naturet geothermal fluids are a safe, non-toxic and a Finnish choice. In Finland, Altia has a leading market position in geothermal fluids. Expansion into the neighbouring markets of Sweden and Norway is underway.

Find out more on our website at
www.altiagroup.com/responsibility/responsibility-cases

CASE

True Colours – Doing good by having fun

FOR EVERY BOTTLE of True Colours cava, Altia Sweden gives SEK 5 to Regnbågfonden, a Swedish foundation that promotes human rights for sexual minorities worldwide. Regnbågsfonden operates especially in countries where the safety and well-being of LGBT people is at risk because of their sexual orientation or gender identity. By working with Regnbågsfonden, Altia Sweden presents consumers with an opportunity to support an important cause in a festive and light-hearted way. True Colours has been a successful product, both in terms of consumer interest and positive effect on society.

Find out more on our website at
www.altiagroup.com/responsibility/responsibility-cases

Altia & society

425.6 MEUR	Excise and income taxes
202.0 MEUR	Value of purchased raw materials, goods and services
14%	Share of total barley harvest in Finland
18	Social responsibility audits
4%	Share of purchases from amfori BSCI risk countries

We participate in public dialogue and advocate a responsible drinking culture.

- 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
- Human rights in the supply chain: cooperation with other actors in the supply chain to promote good working conditions

Altia & society

In accordance with our purpose as a company, Let's Drink Better, Altia is committed to promoting a responsible drinking culture. We market our products responsibly and in compliance with applicable marketing laws. We also acknowledge our wider impact and work within the framework of amfori BSCI to promote respect for human rights and key international labour standards in our supply chains.

During 2017 we organised a panel discussion about responsible drinking culture at SuomiAreena, a key stakeholder forum in Finland. The discussion utilised results from a study on Finns' perceptions about a responsible drinking culture. More than half of the respondents considered that the culture in Finland is developing in a more responsible direction. Internally we launched the Altia Employee Alcohol Policy, a policy about alcohol consumption applicable to all Altia employees and anyone working on Altia's production sites or offices. The policy states our commitment towards responsible alcohol consumption, lists the situations at work where alcohol can be consumed as part of certain tasks (for example, quality analysis) and provides information about the support offered, if there is a reason to suspect irresponsible alcohol use. We also continued to add so called responsibility statements on labels and marketing. The statement is most often in the form of a link to an EU or national industry website, which provides information about the responsible consumption of alcohol.

In April 2017 Altia joined the amfori BSCI initiative (formerly Business Social Compliance Initiative). As a supplier to amfori BSCI participants, Altia has already implemented the principles of the amfori BSCI Code of Conduct since 2012. By becoming a full participant, we wanted to enhance our possibilities and capabilities to continue the work in the long term. Our approach to human rights matters and key outcomes in 2017 are described in more detail in the Non-Financial Statement.

Read more about our targets and achievements during the reporting year from the table on page 51.

CASE

Preserving local heritage one windmill at a time

SINCE 2013 Altia Eesti has sponsored the restoration of windmills in Saaremaa, Estonia, by renovating one windmill per year. The restoration work is based on a long-term agreement signed with Saaremaa Tourism Development Centre. The windmills are invaluable cultural symbols of the island but are dwindling in number. The restoration also helps to preserve the craft of windmill construction locally.

Read the full story at
www.altiagroup.com/responsibility/responsibility-cases

ALTIA & SOCIETY

Objective 2015–17	Progress 2014–2015	Progress 2016	Actions 2017	Progress 2017
Developing guidelines and tools to further ensure responsibility in marketing	Marketing guidelines, principles and process description were developed and implemented. Training was organised on applicable alcohol legislation and changes thereto.	A decision was made to include responsibility statements in marketing communications. Training about marketing in social media was arranged together with other industry actors.	• Enhancing the consistent use of responsibility statements • If needed, organising internal trainings about applicable legislation	• Responsibility statements were added whenever labels were updated • Information and training about applicable legislation was provided through induction of new employees, sharing information about changes to Finnish Alcohol Act and updating Altia's Marketing Guidelines
Advocating responsible consumption	Altia's perspective on responsible alcohol consumption was launched. The decision was made to begin the systematic use of "Enjoy responsibly" or a similar statement in marketing communications in all of Altia's markets. In Finland, Altia's communications utilize the industry's joint website at nautikohtuudella.fi.	Information about the health effects of alcohol was added to Altia's website.	• Launching a policy about alcohol consumption applicable to all Altia employees and everyone working on Altia's production sites or offices	• Altia Employee Alcohol Policy was launched • Altia studied Finns' perceptions about responsible drinking culture and organised a panel discussion around the topic at SuomiAreena • Altia participates on a continuous basis in industry cooperation (e.g. GODA's work in Denmark)
Generating economic value added	In 2015*, Altia employed 842 (949) people, of whom 470 (498) worked in Finland. Income taxes amounted to EUR 3.9 million (1.2) and the excise taxes paid for products sold by Altia totalled EUR 470.2 million (485.2). Altia purchased 191 million kilograms of Finnish barley, which is about 15 percent of the total Finnish barley harvest. *December 31, 2015	In 2016*, Altia employed 797 persons, of whom 448 worked in Finland. Income taxes amounted to EUR 2,9 million and the excise taxes paid for products sold by Altia totalled EUR 463,4 million. Altia purchased 192,2 million kilograms of Finnish barley, which is about 12 % percent of the total Finnish barley harvest. *December 31, 2016	• Altia continues to implement its strategy, developing its business and aiming at improving profitability, productivity and flexibility for example by investing heavily in the Rajamäki and Koskenkorva production sites.	• In 2017*, Altia employed 703 persons, of whom 411 worked in Finland. Income taxes amounted to EUR 4.4 million and the excise taxes paid for products sold by Altia totalled EUR 421.2 million. Altia purchased 206 million kilograms of Finnish barley, which is about 14% percent of the total Finnish barley harvest. *December 31, 2017 • Key investments made include installing a flexible production line and implementing a new ERP system and other IT systems in Rajamäki, expanding starch capacity in Koskenkorva and opening of the distillery in Sundsvall.
Respecting human rights in the supply chain	A BSCI (Business Social Compliance Initiative) audit was conducted, commissioned by Alko, on a supplier in Trinidad and Tobago in 2015. Two re-audits were performed due to shortcomings in the first audit. BSCI references and the BSCI Terms of Implementation to be signed by the supplier were updated for use in new supplier contract templates and the process of updating them in existing supplier contracts has begun.	BSCI audits, commissioned by Alko, were conducted in Guyana and Argentina. The suppliers created action plans to correct the non-conformities identified in the audit. The updating of contracts with suppliers and partners as well as requesting the signature of the BSCI Terms of Implementation by suppliers and partners was continued.	• BSCI re-audits are planned to be conducted in Guyana and Argentina, and new audits in Chile. The audits are commissioned by the alcohol retail monopolies. • Launching of Altia Supplier Code of Conduct	• Altia joined amfori BSCI initiative (formerly Business Social Compliance Initiative) and amfori BSCI's Sustainable Wine Programme • 18[1] full amfori BSCI audits or follow-up audits were conducted at Altia's suppliers, partners or their sub-suppliers • amfori BSCI audit plan was done for Altia's own suppliers for 2018-19 • Altia cooperated actively with customers, suppliers, partners and other importers to address challenges raised regarding working conditions at South African vineyards • Altia Code of Conduct for Suppliers and Subcontractors has been included in contract templates and when contracts are made or renewed • An external whistleblowing channel was launched

[1] This figure includes all audits within the amfori BSCI framework, commissioned by Altia's customers or other amfori BSCI participants. Previously we have only reported the amount of audits conducted by Altia's customers.

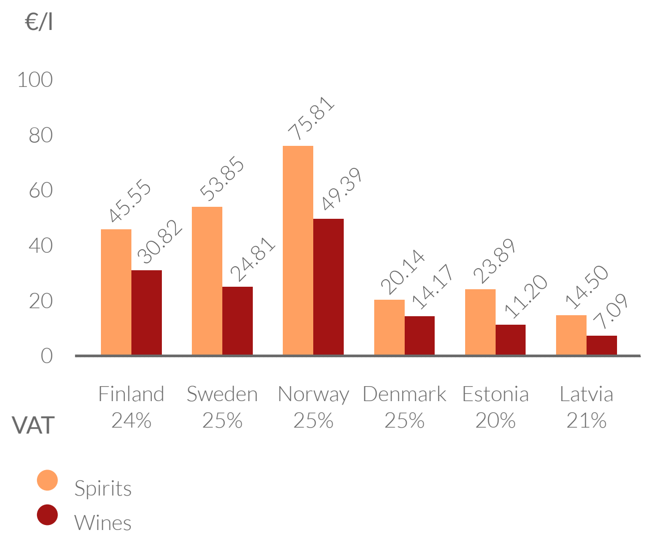
Altia's role in society

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

- In 2017 (2016) Altia paid excise and income taxes to society **EUR 425.6 MILLION** (EUR 466.3 million). Excise taxes are not included in Altia's reported net sales.
- Share of excise and income taxes paid in Finland was **EUR 210.9 MILLION** (EUR 241.4 million).
- Altia paid salaries, commissions and other indirect costs to its employees **EUR 52.0 MILLION** (EUR 36.6 million).
- Altia bought raw material, goods and services from local and international suppliers **EUR 202.0 MILLION** (EUR 197.0 million).
- Altia purchased Finnish barley mainly from its 1,500 contract farmers with **EUR 29.7 MILLION** (EUR 26.9 million).
- Altia received revenues of **EUR 359.0** (EUR 356.6 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 with **EUR 11.9 MILLION** (EUR 8.6 million).
- In 2017 dividends to shareholders amounted to **EUR 70.5 MILLION** (EUR 10.4 million)

Taxation of alcohol varies by country

Alcohol excise duty per litre of pure alcohol (€) and VAT%



The alcohol tax is calculated per one litre of pure alcohol. For wines the tax is calculated using wine with an alcoholic strength of 11% vol. as an example. For Estonia and Latvia the figures correspond to tax rates applicable after tax increases made during 2017.
Source: veronmaksajat.fi, Altia

Altia's tax strategy

Altia Plc is a responsible taxpayer in all of 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 centralized 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

[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

State Ownership Steering Department, report on tax footprint

	Data for the financial year 2017				Data for the financial year 2016			
	TOTAL	Finland	Sweden	Other countries	TOTAL	Finland	Sweden	Other countries
Taxes paid for the financial year, EUR million								
Income taxes	4.4	1.4	2.1	0.8	2.9	2.8	-0.4	0.5
Real estate taxes	0.3	0.2	0.1	0.0	0.3	0.2	0.1	0.0
Employer contributions	11.6	7.5	3.9	0.2	12.0	7.8	3.9	0.2
Taxes collected for the financial year, EUR million								
Value added taxes, sales	240.5	122.2	76.9	41.5	238.3	121.4	76.2	40.7
Value added taxes, purchases	84.0	47.2	22.4	14.4	82.3	45.6	20.5	16.3
Excise taxes	421.2	209.5	142.4	69.3	463.4	238.6	147.3	77.5
Payroll taxes	12.7	7.5	2.4	2.8	12.9	7.5	2.6	2.8
Any other taxes (incl. withholding taxes)	0.8	0.2	0.6	0.0	1.0	0.2	0.7	0.1
Net sales by country, EUR million	**414.9**	**235.6**	**101.0**	**78.3**	**409.3**	**223.9**	**98.7**	**86.7**
Profit/loss before taxes by country, EUR million (local)	**Local**	**31.5**	**5.6**	**2.5**	**Local**	**15.4**	**-1.6**	**4.6**
Personnel by country*	**703**	**411**	**117**	**175**	**797**	**448**	**125**	**224**

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, 2017

an individual operating country. Practices such as the granting of group contributions within companies operating in the same country, or deducting a subsidiary's tax losses in taxation, are normal tax planning practices that are carried out within the limits allowed by law in each 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 a number of 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 is a company owned by the State of Finland, and we follow 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. A summary of taxes and contributions, in accordance with the guidelines, is included on page 53. 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

GODA's dialogue with the Danish youth continues

ALTIA SUPPORTS the development of a responsible drinking culture in its operating countries. In Denmark, a lot of this work is done through the industry-funded God Alkoholkultur (GODA) initiative. We discussed GODA's work in our 2014 Responsibility Report. Since 2014, GODA's activities have expanded, with new initiatives and more schools covered. There has been a new focus on high school students. While the age when young people first try alcohol has increased, Danish first-year students at high school are now more inexperienced with alcohol, not knowing enough about the risks involved. GODA has reacted to this by strengthening its advice to both young people and their parents.

Find out more on our website at www.altiagroup.com/responsibility/responsibility-cases

CASE

Concrete improvements in working conditions through continuous work

THE WORKING CONDITIONS at South African vineyards have been addressed in the media and among stakeholders in recent years. The continuous discussion around this theme and the consequent measures have led to concrete improvements in working conditions. Altia, too, engages in continuous work to develop the responsibility of its supply chains.

Find out more on our website at
www.altiagroup.com/responsibility/responsibility-cases

Altia & environment

206.0 M kg	Finnish barley
1,500	Contract farmers
65%	Self-sufficiency in fuels for steam production at Koskenkorva
56%	Less CO_2 emissions at Koskenkorva
663,387 m³	Water consumption
99.5%	Average waste utilisation rate

We reduce our environmental impact and promote sustainable agriculture.

- Minimising our environmental impact: developing our operations and products with the aim of minimising environmental impact
- Environmentally sustainable logistics chain: cooperating with suppliers and partners to ensure the environmental sustainability of the logistics chain
- Promoting sustainable agriculture: cooperation with suppliers to promote sustainable agricultural practices
- Groundwater conservation: Protecting the groundwater resources at the Rajamäki plant area

ALTIA & ENVIRONMENT

Objective 2015–17	Progress 2014–2015	Progress 2016	Actions 2017	Progress 2017
Reduce energy consumption	The energy consumption indicator decreased from 2014. Energy efficiency reviews were completed in late 2015. Plant-specific targets for the reduction of energy consumption were set for 2016–2018. The bioenergy power plant at the Koskenkorva plant improved its fuel self-sufficiency from 20% to 46% and helped the Koskenkorva plant to reduce its fossil carbon dioxide emissions by 35%.	The energy consumption indicator remained unchanged from 2015. The Koskenkorva plant reduced its energy consumption relative to production by 18.4%. The energy efficiency measures commenced in Rajamäki will not have an effect on energy consumption until in 2017. The bioenergy power plant at Koskenkorva improved its fuel self-sufficiency to 56%. CO_2 emissions have reduced by 42% compared to 2014.	• Further improving the energy efficiency of production plants and implementing planned energy saving measures to achieve the target. Energy saving measures include for example the replacement of air supply units in Rajamäki.	• Energy use relative to production decreased in 2017 at Koskenkorva and at Rajamäki due to measures taken to optimise production and enhance energy efficiency. Energy consumption reduced by 5.5% compared to 2016. • The bioenergy power plant at Koskenkorva improved fuel self-sufficiency to 65%. CO_2 emissions have reduced by 56% compared to 2014.
Reduce water consumption and improve wastewater quality	Water consumption relative to production decreased at every production facility. The objective for improving wastewater quality was not achieved, as the indicators increased at the Rajamäki and Koskenkorva plants. The Rajamäki plant's monthly average for the biochemical oxygen demand of wastewater exceeded the limits specified in the environmental permit twice in 2016, while the limit for the amount of solids in wastewater was exceeded three times. Following these instances, the plant has improved the biological treatment of wastewater. At Koskenkorva, the environmental permit limits for biochemical oxygen demand and solids in wastewater were exceeded once. Altia signed the Baltic Sea Action Group commitment in May 2015.	Water consumption relative to production decreased at the Koskenkorva and Tabasalu plants and increased at the Rajamäki plant. The Rajamäki plant has invested in increasing the level of production hygiene, which in turn has increased the use of water for purposes such as washing. Wastewater quality was improved in Koskenkorva and Rajamäki alike. The wastewater quality-related monthly average limit specified in the environmental permit was exceeded twice in Rajamäki.	• Continuing measures to reduce the use of water and improve wastewater quality. These include modernising the circulation washing system in the bottling facility and replacing water with compressed air when moving wine into tanks in Rajamäki.	• Water consumption relative to production increased at Tabasalu and decreased at Rajamäki due to larger production volumes at the alcoholic beverage plant. However, absolute amount of water used increased at both sites. Water consumption relative to production as well as the absolute amount decreased at Koskenkorva. • The organic loading of wastewater increased both at Rajamäki and Koskenkorva. The monthly average BOD limit was exceeded twice in Rajamäki.
Reduce the amount of waste and improve recycling	The environmental indicator for reducing the waste volume was higher in 2015, due to a change in the reporting method for waste alcohol at the Rajamäki plant. Therefore, the indicator is not comparable with readings from previous years. Bottle types and transport boxes were harmonized. Lightweight plastic PET bottles were launched in spring 2015.	The absolute amount of waste from Rajamäki and Tabasalu decreased, but the results of the efforts to improve the indicator relative to production did not achieve the target. Packaging policy was created to determine the degree of tailoring or harmonization depending on brand profile.	• Investigating possibilities to reduce liquid and bottle wastage during production in Rajamäki • Implementing the new packaging policy • Continue actions to further decrease used or scrapped packaging material, for example by harmonising bottle and closure types	• The environmental indicator for reducing the waste volume and the total amount of waste decreased. Average recycling and reutilisation rate of waste was 99.5%. • Packaging policy was applied in new projects and existing products were evaluated against the policy • New products were transferred from glass bottles to lighter PET bottles. Weight of glass bottles was reduced by a total of 48,000 kg.
Increase the use of recycled materials in packaging and improve recyclability	Aluminum bottle capsules were replaced with plastic ones. 95.5% of the capsules of PET bottles are made from plastic. Recycled glass is used for all glass bottles. The proportion of recycled glass varies; in colored glass it is 70–90% depending on the color, and in colorless glass it is 25–70% depending on the type of glass.	Rajamäki has moved to 100% plastic bottle capsules. Recycled glass is used in all glass bottles.	• Continuously investigate new possibilities	• Recycled glass is used in all bottles. In cardboard shipper cases about 10% is recycled material. • New products were transferred from multi-material packages to a more easily recyclable combination of PET bottle and plastic closure.
Promote sustainable agriculture	Our Baltic Sea Action Group commitment includes a commitment to promote sustainable agriculture and reduce our water consumption. Altia supports its grain suppliers in various ways, including the Ohraweb online service that provides farmers with quantity and quality information for batches delivered, but also data on the nitrogen and phosphorus collected along with the batch.	The guidelines of the Finnish Cereal Committee (VYR) on good production and storage practices were published in October 2016.	• Including the VYR guidelines in the agreements signed with grain suppliers • Continuing cooperation with farmers and the Baltic Sea Action Group	• VYR guidelines were included in agreements • Sustainable production practices were discussed at various occasions during the year, for example at the Farmari fair in July together with BSAG representative

Altia's environmental impacts

Altia's environmental impacts relate mostly to Altia's own production operations at the Koskenkorva and Rajamäki plants in Finland, and the Tabasalu plant in Estonia. The most significant environmental aspects are energy consumption, water consumption, waste water, waste generation and product wastage. The production volume at the facility in Cognac, France, and related environmental impacts are smaller. For this facility the most relevant aspect is energy consumption, and therefore the energy efficiency indicator will be extended to Cognac as of the year 2018.

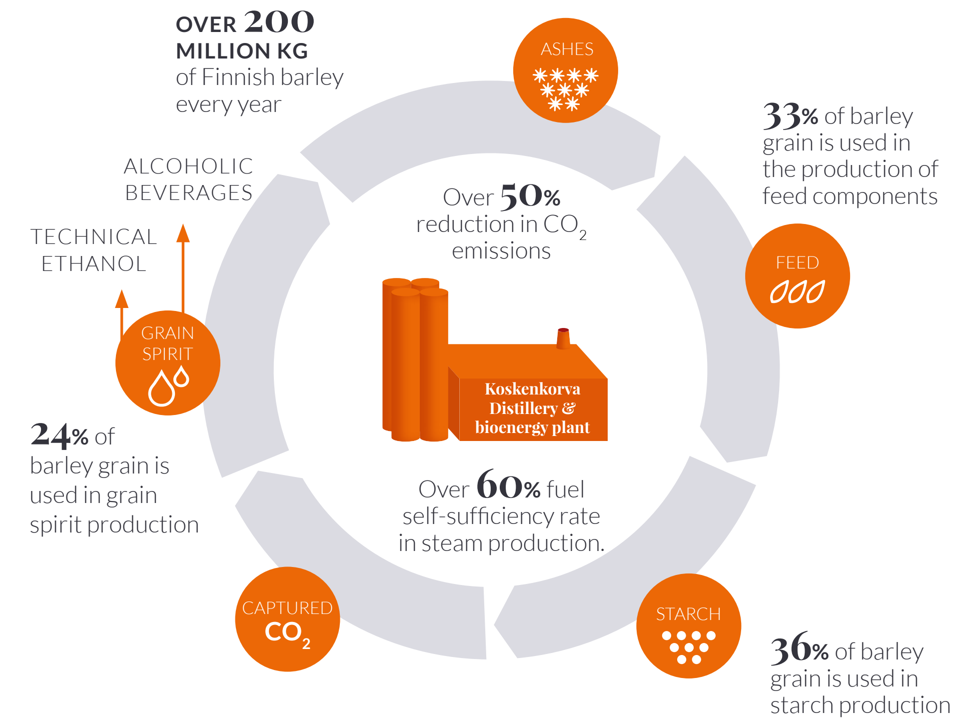
In 2017 (2016), the Rajamäki plant in Finland produced 63.4 (60.9) million litres of spirits and wines, the Tabasalu plant in Estonia 4.1 (4.8) million litres, and the Cognac site in France 1.1 (1.0) million litres.

Altia is a significant buyer of domestic barley in Finland. In 2017 (2016), Altia purchased 206.0 (192.2) million kilograms of barley for its Koskenkorva distillery, mainly from 1,500 contract farmers. This volume represents approximately 14 (12) percent of Finland's total barley harvest and 30 (26) percent of the barley sold in Finland. The barley was used to produce 22.9 (22.5) million kilos of grain spirit, 64.5 (57.5) million kilos of starch and 59.8 (55.4) million kilos of raw material for animal feed. The Koskenkorva plant operates according to the principles of a circular economy, with all outputs utilised either internally or by customers.

Altia promotes sustainable agriculture by encouraging its contract farmers to optimise the efficiency of their operations and use production inputs sensibly, in accordance with good agricultural practices. The promotion of sustainable agriculture was part of Altia's commitment made in 2015 to the Baltic Sea Action Group, together with a commitment to preserve water quality and reduce water use. Altia's commitment covered the years 2016–2017. The cooperation with contract farmers continues in 2018.

Altia increases the efficiency of its logistics by combining the volumes of Altia's own products and its partners' products as well as by operating close to customers.

Circular economy



Altia's consumption of materials and raw materials

	2017	2016	2015
Liquids			
Liquid raw material, beverages (m^3)	68,935	65,076	73,140
Liquid raw material, technical products (m^3)	15,600	15,270	15,260
Materials			
Barley (t)	206,000	192,200	190,700
Packaging material (t)	34,367	32,737	37,959
Raw materials for products (t)	4,213	4,732	5,254
Trading products			
Liquids (m^3)	24,840	24,960	25,534
Packaging material (t)	9,535	9,433	9,946

Our policies and ways of working

Altia's environmental management systems at the Koskenkorva plant, the Rajamäki plant and in the technical ethanol unit, as well as in the support functions, sales and marketing at the Helsinki headquarters have been accredited according to the ISO 14001 standard. The Tabasalu plant and the facility in Cognac comply with applicable local environmental laws and regulations. Altia's Quality, Safety and Environment principles are followed at all sites.

Environmental systems are developed by means of regular internal and external audits. Senior management meetings regularly review the status of key environmental issues.

The environmental aspects relevant to Altia are defined in assessments conducted at three-year intervals. In the assessment conducted in 2015, the most significant environmental aspects were identified as energy consumption, water consumption, waste water, waste generation and product wastage leading to quality costs. The next assessment will be conducted in 2018.

To support the reduction of the most significant environmental impacts, four environmental indicators were defined in 2015 with plant-specific reduction targets for the three-year period 2016–2018. In the future, plant-specific targets for the environmental indicators will be defined annually. The achievement of environmental targets is monitored monthly. Actions to reach the environmental targets are defined annually for each production plant and are included in their environmental programs.

An environmental risk assessment was conducted in late 2015 for the Rajamäki plant. Based on the assessment, a proactive plan was made to support the prevention of potential environmental incidents and emissions. Mitigation measures implemented in 2017 include installing an emergency valve into the storm water drainage in the technical ethanol plant area, which makes it possible to prevent chemical leakages into the water system in case of an accident. During 2017, a health, safety and environmental risk assessment was made as part of Altia Group's risk management process.

Results of environmental indicators 2015-2017

Energy efficiency

Energy use relative to production decreased in 2017 at Koskenkorva and at Rajamäki due to measures taken to optimise production and enhance energy efficiency.

Altia's Koskenkorva plant accounts for most of the energy consumed in terms of Altia's production. The plant uses approximately 130 GWh of energy per year. Most of this energy is used in the distilling process and starch manufacturing. The Rajamäki plants use approximately 25 GWh of energy per year, mostly for property heating.

In 2017, Altia joined the new contract period of the voluntary Energy Efficiency Agreement, which continues until 2025. The parties to the agreement include Finnish ministries, industry associations and companies. Altia was also part of the previous contract period and successfully completed the targets for 2008–2016. Energy consumption was reduced by 14.4%, compared to the target of 9%. During the new contract period, Altia's target is an energy consumption reduction of 10% by the year 2025, compared to consumption at the beginning of 2014.

	2017		2016		2015	
Environmental target	Koskenkorva	Rajamäki and Tabasalu	Koskenkorva[1]	Rajamäki and Tabasalu	Koskenkorva	Rajamäki and Tabasalu
Reduction of energy consumption (MWh/m^3 of product or tonne of barley)	0.63	0.28	0.71	0.34	0.87	0.34
Reduction in the use of water (m^3/m^3 of product or tonne of barley)	2.28	1.46	2.79	1.47	3.90	1.45
Improvement in the quality of wastewater (kg COD/ m^3 of product or tonne of barley)[2]	2.23	2.92	1.97	2.71	2.54	2.96
Reduction in waste volume (kg/m^3 of product)[3]	-	44.83	-	49.22	-	47.52
Reduction in the disposal of alcohol (kg/m^3 of delivered product)[4]	-	-	-	-	-	3.80

In the environmental indicators, the figures for the Koskenkorva plant are presented separately and the fugures for other plants are combined due to the fact that the indicators for Koskenkor-va are calculated per tonne of barley, while those of other plants are calculated per cubic meter of product.

[1] The feed processing business of the Koskenkorva plant was divested, starting on April 1, 2016. The in-dicators for 2016 and 2017 are reported without the feed processing business and thus they are not comparable with the figures for 2015.

[2] The waste water quality indicator is not monitored at Tabasalu.

[3] The indicator for waste volume is not monitored at the technical ethanol unit in Rajamäki and the Koskenkorva plant, as it is not relevant to the units in question.

[4] The indicator for waste alcohol is not monitored at the technical ethanol unit in Rajamäki and the Koskenkorva plant. The monitoring of the indicator was also stopped at the Rajamäki alcohol-ic beverage plant and Tabasalu after 2015 and was integrated into the KPI for waste volume.

Altia's measures to improve energy efficiency are based on Altia's own targets and findings from the energy efficiency reviews conducted at the Koskenkorva and Rajamäki plants in 2015. The measures implemented in 2017 include, for example, replacing old lamps with LED lamps, replacing warm water circulation in the logistics area with a warm water boiler and adjustments to the ventilation at Rajamäki.

The majority of energy used in the Koskenkorva distillery is produced by Altia's own bioenergy power plant which began its full-scale operations in January 2015. The plant uses barley husks as its primary fuel. Other sources of fuel include grain biomass (i.e. oat husk pellet), fusel oils, peat and fuel oils. The use of renewable fuel has helped the Koskenkorva plant reduce its fossil carbon dioxide emissions by 56 percent and increase its self-sufficiency in terms of fuel in steam generation to 65 percent, compared to the year 2014. After a preliminary permit received in 2016, the ash from the bioenergy power plant was approved for use as fertiliser in 2017. Thus, it can be used without processing on fields, also in groundwater areas.

Water use and preservation of groundwater resources

Altia uses water as a core ingredient in Altia's products, as well as in fermentation, the washing of production lines and production facilities, and in cooling.

Water consumption relative to production increased at Tabasalu and decreased at Rajamäki due to larger production volumes at the alcoholic beverage plant. However, absolute amount of water used increased at both sites. Water consumption relative to production as well as the absolute amount used decreased at Koskenkorva.

The water used as an ingredient in Altia's products is unprocessed groundwater from Rajamäki, which fulfils the quality requirements without any chemical purification. The quality of the water is examined regularly by taking samples, which are analysed by an external laboratory. Altia uses less than 10% of the monthly amount of water generated in the groundwater area.

Altia protects the quality of the water through monitoring of groundwater quality and surface levels, ownership of land in the groundwater area, and also with building restrictions, protected areas and monitoring the use of the land

CASE

Over 99 per cent of Altia's waste is utilised

ALTIA AIMS to continually reduce the amount of waste generated by its business and increase the recycling and utilisation of waste. In 2017, 99.5 per cent of the waste generated by Altia was recycled or reutilised. 26 per cent of the waste generated was reutilised as material and 73 per cent was used for the production of energy and heat. There are, nevertheless, plant-specific differences in the utilisation of waste, which you can find out more about on our website at https://www.altiagroup.com/responsibility/responsibility-cases.

in collaboration with partners and locals. Altia owns 1,100 hectares of land - an area corresponding to more than 1,500 football fields – in the Rajamäki area, including two protected mires covering 144 and 7,5 hectares, respectively. The company's operations do not have any negative impacts on the mires.

Wastewater management

Wastewater quality is monitored at Koskenkorva and Rajamäki daily by measuring the chemical oxygen demand (COD) in wastewater samples. Limits for the wastewater loading are specified in environmental permits.

The organic loading of wastewater increased at both Rajamäki and Koskenkorva in 2017. At Koskenkorva the increase was affected by process changes at A-Rehu, as well as increased production amounts at Altia. At Rajamäki the main reason behind the increase was the production of glöggs, which took place during a short period of time in the autumn of 2017. For this reason the monthly average for the biochemical oxygen demand (BOD) of wastewater was exceeded in August and in September. The daily BOD limit was also exceeded twice during the autumn.

Wastewater from the Koskenkorva distillery undergoes a first purification and wastewater from the Rajamäki plant is pretreated before being discharged for purification by municipal wastewater treatment facilities. At Tabasalu the wastewater is collected in tanks and transported to municipal treatment facilities.

No penalties were imposed for exceeding permit provisions or neglecting environmental laws or regulations during the reporting period.

Waste recycling and reutilisation

Altia seeks to decrease waste volumes by reducing the amount of disposed packaging material. The environmental indicator for reducing waste volumes in relation to production volumes was lower in 2017 than in 2016, whilst the total amount of waste was also decreased. The waste generated at Altia's plants is almost fully utilised as material or energy. The average waste reutilisation rate for Rajamäki, Koskenkorva and Tabasalu was 99.5% percent.

Rate of recycling and other reutilisation, %

Unit	2017	2016	2015
Koskenkorva	99.9%	99.9%	98.5%
Rajamäki	95.3%	96.5%	98.2%
Tabasalu	87.8%	83.0%	83.1%
Average	**99.5%**	**99.5%**	**98.4%**

Environmental figures 2017

	2017	%-change from 2016	2016	2015
Use of barley (million kg)	205.90	7.2%	192.16	190.70
Used fuels/Direct energy consumption				
Natural Gas (GWh) direct[1], non-renewable	1.27	-3.4%	1.32	2.85
Indirect energy consumption				
Steam consumption (GWh) indirect[2], non-renewable	32.38	-29.8%	46.11	63.69
Steam consumption (GWh) indirect[2], renewable	77.28	8.0%	71.55	81.27
Electricity consumption (GWh) indirect[2], non-renewable	42.11	-2.9%	43.37	48.15
Electricity consumption (GWh) indirect[2], renewable	5.30	-5.0%	5.58	5.20
District heating (GWh) indirect[2], non-renewable	0.10	-7.2%	0.11	0.13
District heating (GWh) indirect[2], renewable	1.62	-3.5%	1.67	1.71
Green house gases, direct and indirect				
CO_2 -equiv.emissions / non-renewable (t) direct[1]	250.48	-3.4%	259.38	562.29
CO_2 -equiv.emissions / non-renewable (t) indirect[2]	26,600.83	-9.6%	29,440.14	49,534.80
CO_2 -equiv.emissions / renewable (t) direct[1]	15,185.00	-11.1%	17,078.00	16,231.00
CO_2 -equiv.emissions / renewable (t) indirect[2]	33,116.17	5.2%	31,471.39	44,083.54
Significant air emissions				
VOC emission (t)	8.31	15.8%	7.18	6.98
Particle emissions into air (t)	4.37	-17.4%	5.29	5.63
Water and Wastewater				
Water consumption (1.000 m^3)	663.39	-41.6%	1,135.98	1,045.76
Amount of wastewater (1.000 m^3)	265.55	9.4%	242.63	329.34
Waste amounts (t)				
Hazardous waste	23.07	20.7%	19.12	190.03
Dump waste	103.30	19.9%	86.16	90.82
Recycled waste				
utilised as energy	18,429.69	15.3%	15,983.31	11,953.63
other utilisation	6,572.75	42.9%	4,598.24	4,816.37

[1] Direct energy is energy that is used in own energy production or production, e.g. burning non-renewable energy sources.
[2] Indirect energy is bought energy produced outside the reporting organization's organizational boundary that is consumed to supply energy for the organizations immediate energy needs.

Notes about the calculation method used:
For the office locations, only figures related to electricity usage and corresponding emissions are reported, with the exception of Oslo and Copenhagen. Altia's headquarters in Helsinki moved to a new location on as of 1.4.2016. The 2016 figures include the eletricity usage and corresponding emissions of the new office for the whole year. 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. The logistics centres in Svendborg, Denmark and Riga, Latvia, were outsourced during the reporting year and 2017 figures cover only the months from January to April for Riga and from January to July for Svendborg. As to the Koskenkorva plant, the figures for water consumption and the amount of wastewater include all the operators in the plant area; this also applies to energy consumption, with the exception of A-Rehu. Information on emission-related indicators include Altia's operations and emissions arising from the production of purchased energy, while indicators concerning waste only cover Altia's own operations. 2016 figures for water consumption and amount of wastewater are restated.

Recyclability and use of recycled materials

Altia develops products and their packaging with a view to achieving a lower environmental impact. The concrete actions to achieve this aim include, for example, lowering the weight of glass and PET bottles, avoiding excess packaging, increasing the share of recycled materials in packaging and moving away from multi-material packaging (such as plastic bottles with aluminium closures). For example, the weight of glass bottles was reduced by a total of 48,000 kg during 2017.

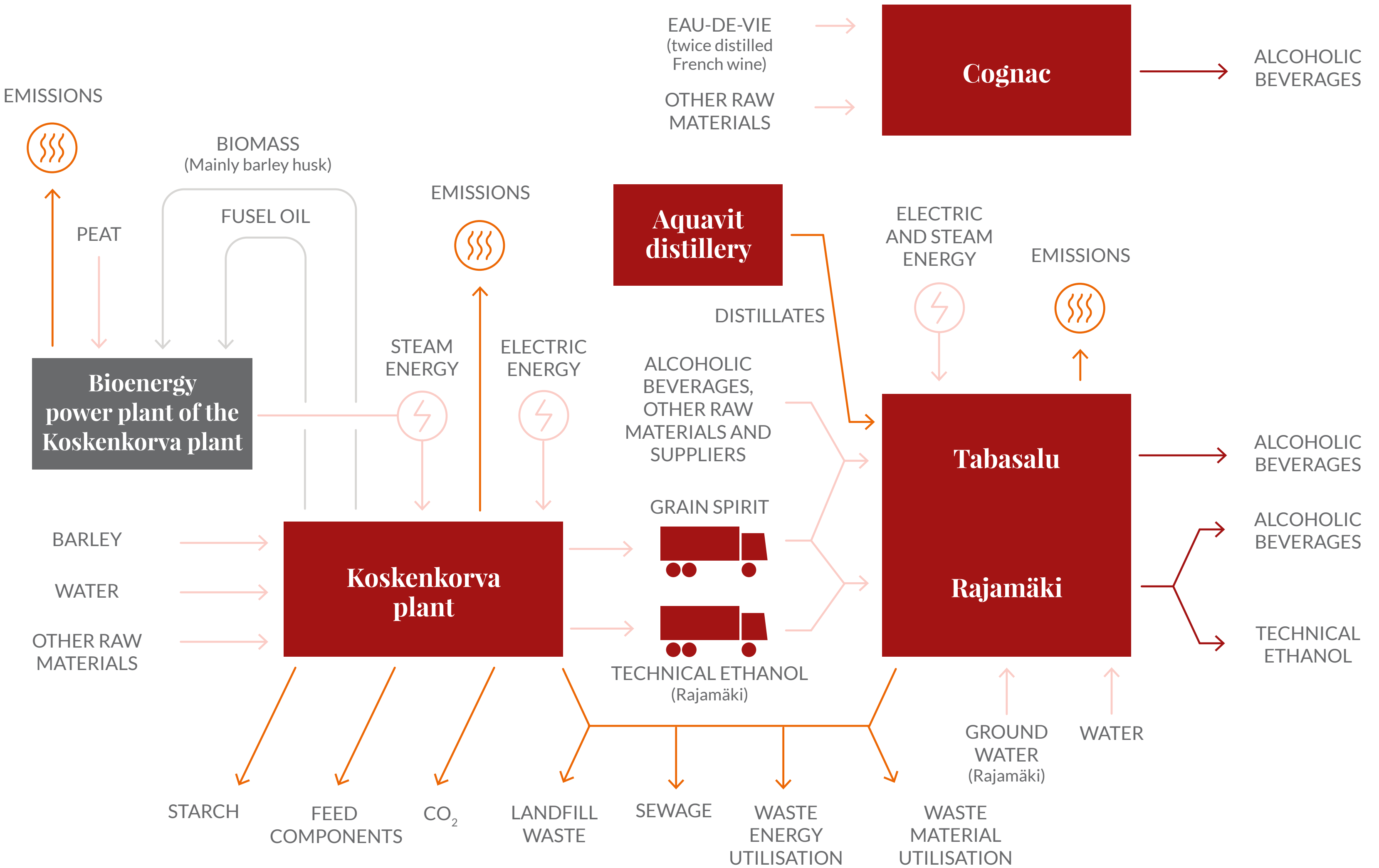
CASE

Towards more eco-friendly packages

The reduction of the environmental impacts resulting from beverage packaging is part of Altia's environmental responsibility efforts. Of the various types of beverage packages on the market, Altia uses glass bottles (52.6 per cent of Altia's packages), PET bottles (38.6 per cent), bag-in-box containers (5.2 per cent), wine pouches (0.3 per cent), tetra-packs (2.8 per cent) and aluminium cans (0.5 per cent). The environmental impact of glass bottles is higher than that of other packaging types, but by reducing the amount of glass used in the bottles, we have managed to reduce the environmental impact of glass bottles. Altia aims to use less packaging materials and to increase the proportion of recycled materials on a continuous basis.

Find out more on our website at www.altiagroup.com/responsibility/responsibility-cases

Material flows



Altia & employees

762	Employees on average
10.6 years	Average duration of employment
11	Number of accidents in relation to hours worked
3.3%	Sickness absence % (sickness related absences in relation to hours worked)
6	Co-determination negotiations

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

- Employee well-being: 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

Objective 2015–17	Progress 2014–2015	Progress 2016	Actions 2017	Progress 2017
Developing communications concerning vision and strategy	Regular business reviews by the CEO were introduced. Management team roadshows were launched. Key performance indicator updates were provided monthly. Employees were extensively involved in the development of the company's strategy. Success stories were shared on Yammer. All personnel participated in discussing ideas on what Altia's new purpose means in practice. The results of the Altia Tasting personnel survey improved by six percentage points.	CEO business reviews were published regularly. CEO Chats were arranged on Yammer, where employees had the possibility to ask questions from the CEO. Monthly KPI updates were continued. Employees were involved in defining Altia's purpose. Altia Tasting personnel survey improved by five percentage points.	• Continuing CEO Yammer chats and monthly KPI updates • Communication on intranet about key topics discussed at EMT meetings • Roadshow about Altia's strategy at all sites • EMT members' regular visits in countries and at production sites	• CEO videos with business updates were shared quartely • Three CEO Yammer chats were organised • Summaries of EMT meetings were communicated internally • EMT roadshow was arranged during spring 2017 and EMT members visited the countries and production sites regularly
Enhancing the leadership skills of Altia managers	Altia's leadership principles were defined and discussed in management teams. A training program covering Altia's entire operating area was launched. Performance management training was organised for managers.	Altia Behaviours were defined together with employees as part of strategy work. Project management training was held for persons working in product development projects. Coaching for team leaders was arranged at Koskenkorva and employment and managerial training was arranged at Rajamäki.	• Implementing Altia Behaviours by discussing them in teams • Leadership training for managers	• Altia Behaviours were implemented • "Let's lead better" trainings for Finnish, Swedish and Norwegian managers were initiated
Developing the equal treatment of employees	Remote work guidelines and principles were published for Finland.	An equality plan for 2017-2019 was made in Finland. The equality plan in Sweden was renewed. Car policy in Finland was clarified.	• Clarifying managerial roles and responsibilities and activating actions relating to employee well-being in accordance with the equality plan in Finland	• Managerial roles were clarified and managers' responsibilities emphasized e.g. in "Let's lead better" trainings
Enhancing safety culture at production plants	QSE principles were updated. Occupational safety committee meetings were developed at the Rajamäki plant. Occupational safety was included in meeting agendas at the Koskenkorva plant. Near-miss reporting was developed and the number of safety walks was increased. The use of the electronic system for reporting non-conformities was improved.	Handling of near-miss reports was speeded up, new House Rules were implemented, cleanliness and order was improved and induction material was updated. Occupational safety was included in meeting agendas in Tabasalu. Training for emergency situations was arranged in Sweden.	• Launching a policy about alcohol consumption applicable to all Altia employees and everyone working on Altia's production sites or offices • Implementing an e-learning tool for visitors at Koskenkorva plant	• Altia Employee Alcohol Policy was launched • E-learning tool for both Altians and visitors was implemented at Koskenkorva. Other activities at Altia sites include, for example, organising training for managers about work safety and accident and near miss investigations. • Occupational health and safety is addressed in all Supply Chain meetings • Altia joined the Finnish Zero Accidents network
Enhancing the recognition and rewarding of good performance	Corporate responsibility objectives were incorporated into the incentive scheme used at production plants.	Development work for 2017 performance-based bonus program was initiated.	• Implementation of the renewed bonus program	• Renewed bonus program was implemented • Thanking Relay was started

Altia & employees

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

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

Implementing Altia's strategy through people development

Training courses were arranged for the commercial organisation in 2017. Training for sales and marketing people that started in 2016 continued during the first half of 2017.

In the autumn of 2017, Altia started the Let's Lead Better training, which is based on Altia Behaviours and consists of short, practical coaching sessions. The training sessions covered, for example, labour law, the roles of manager and employee, the role of managers as a communicator between management and employee, performance management, and creation of trust and security that promote open interaction. Training will continue in 2018.

The Altia Tasting personnel survey for 2017 will be conducted in January 2018. The new survey will give more accurate tools for individual managers to develop their leadership. Additionally, the Altia Pulse survey is run monthly.

Altia's employer branding work started in 2017. Altians were canvassed for their views of the meaningful factors at work and the realisation of these aspects. In the employee survey, the most meaningful factors were meaningful work assignments, the organisation having an inspiring target and vision, opportunities for career development, reliable and competent management, and freedom to work regardless of time and place. The results will be used in Altia's recruitment.

CASE

"Just like something from real life" – training managers through theatre

In 2017, Altia's leadership training focused on short, practical sessions in which the participants analysed and developed their own leadership through diverse means. The training carried out in cooperation with Businessteatteri proved particularly popular. Working on reconstructions based on interviews, the trainers re-enacted genuine working life situations at Altia, which the participants could then discuss and re-direct.

Find out more on our website at www.altiagroup.com/responsibility/responsibility-cases

All Altia employees regularly participate in development discussions. During the development discussions, a personal development plan is prepared for each employee that defines the most significant measures to develop competence and motivation.

Enhancing equal opportunities and well-being

The basis for promoting equal treatment and well-being 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 well-being is part of daily operations, and is included in the company's local action plans. Altia offers occupational health care to employees in all operating countries through health care services, medical expenses insurance or health checks in accordance with to local agreements and legislation.

Remuneration and incentives

Altia's short-term incentives form part of employees' total compensation and benefit package. The purpose of the incentives is to support the implementation of Altia's strategy, and to reward people for excellent personal performance and achieving Altia Group's and its business units' financial objectives. Altia's salaried employees, senior salaried employees and management participate in this 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. 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 shareholder value. The strategy and develop-

CASE

Circulating a sparkling thanks

ALTIA PROMOTES a culture of mutual thanks and praise between employees with a message in a champagne bottle that is in company-wide circulation. In March 2017, at the initiation of CEO Pekka Tennilä, Altia launched a weekly thanking relay, in which a champagne bottle is given by way of thanks to an exemplary colleague, who then gets to decide who receives the next bottle. The purpose of the relay is to showcase good examples and thank colleagues. The names of the employees who receive the thanks are always published on the intranet, as are the reasons for the recognition.

Find out more on our website at
www.altiagroup.com/responsibility/responsibility-cases

ment phases of the company are considered when determining the remuneration.

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

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, as well as the head office functions in Helsinki.

The objectives of the system include the reduction of sickness absences and the number of accidents and absences caused by accidents. Action plans have also been created for operating locations that are not within the scope of certification, namely the Tabasalu plant and logistics centres. The first action plan for the facility in Cognac was made for the year 2018.

To achieve the objectives, key performance indicators have been set, and a total of 52 actions were determined for the various locations. Thirty-eight of these (73%) were implemented in 2017. Actions completed at various sites include, for example, work safety training for managers and supervisors, implementation of a work safety e-learning course, an activation campaign for near-miss reports, training for managers about accident and near-miss investigations, updating of induction materials, obtaining forklift driver's licenses for relevant persons, installing local ventilators in critical working places, as well as exercise or occupational health theme days.

The accident frequency and sickness absences are monitored in all of Altia's operating countries. Starting in 2018, the key performance indicators monitored will also include the number of accidents and near-miss cases.

In 2017, the sickness absence percentage* was 3.3 percent (2016: 3.2%). The Swedish logistics center in Brunna and the Rajamäki plant had the highest rates at 5.4 (6.1 and 5.0), and the Copenhagen office had the lowest rate at 0.4 (0.5).

The accident absence rate** for accidents requiring at least one day of absence was 11 (8 in 2016). 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 in other locations (Brunna, Cognac Ruoholahti and Tabasalu). There were no fatal work-related accidents in 2017.

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

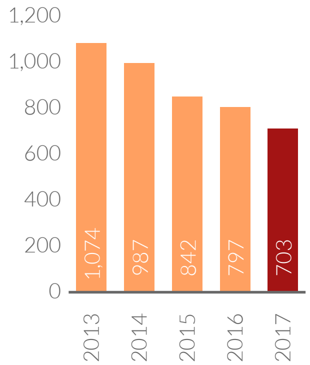
** The number of accidents leading to at least one day absence per million working hours

Changes in personnel

During 2017, operations and services were reorganised and outsourced in Estonia, Finland, Latvia and Denmark. In Finland, the Rajamäki plant operations were reorganised, and statutory negotiations were conducted in March. A new operating and organisational model was implemented in financial administration in Finland in June. The personnel reductions in Finland totalled 11 persons. Altia supported the affected employees by offering outplacement or training support. Altia developed the sales and marketing of its industrial products and formed a new business-to-business organisation, Altia Industrial Products; the Koskenkorva plant operations, starch and feed businesses, and technical ethanol business were gathered into the new business unit. This reorganisation did not cause personnel reductions. The Tabasalu production in Estonia was reorganised in February, and nine employees were laid off. The logistics operations in Latvia and Denmark were outsourced, which resulted in 19 terminated employments in Latvia Logistics and 12 in Denmark Logistics.

Development of the number of personnel 2013–2017

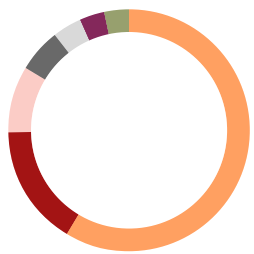
Persons



Average age of personnel: 43 years

Average number of personnel by country 2017

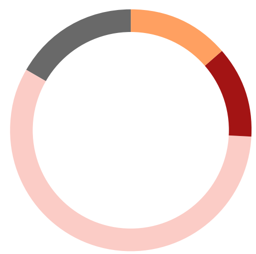
Persons



- Finland 448
- Sweden 122
- Estonia 68
- Latvia 44
- Norway 30
- Denmark 26
- France 24

Personnel by segments 2017

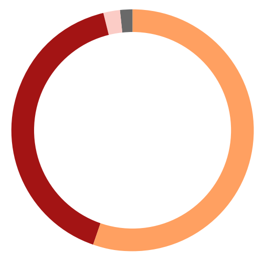
Persons



- Finland & Exports 96
- Scandinavia 86
- Altia Industrial 405
- Other 116

Type of employment 2017

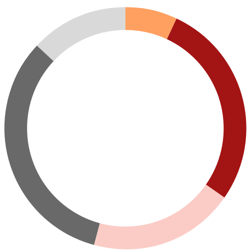
%



Permanent 96.3
- Men 57.6
- Women 42.4

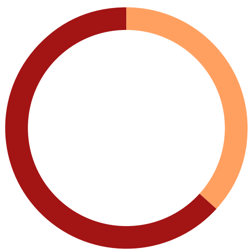
Fixed-term 3.7
- Men 61.5
- Women 38.5

Duration of employment
%



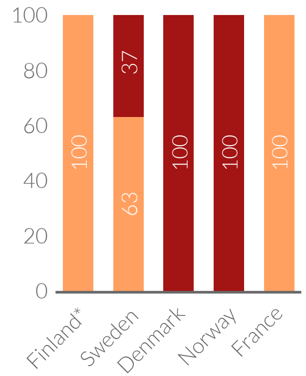
- Less than 1 years 7.1
- 1–4 years 27.6
- 5–9 years 19.6
- 10–20 years 32.7
- Over 20 years 12.9

Personnel by group 2017
%



- Workers 36.7
- Salaried and senior-salaried employees 63.3

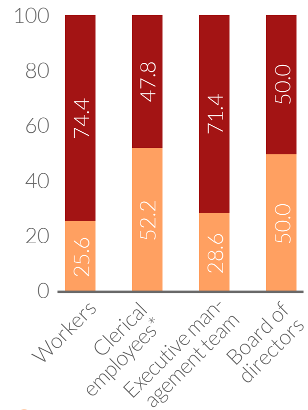
Percentage of employees covered by collective agreements, %



- 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

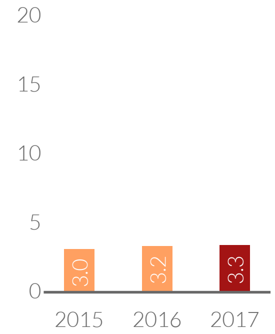
Gender distribution
%



- Women
- Men

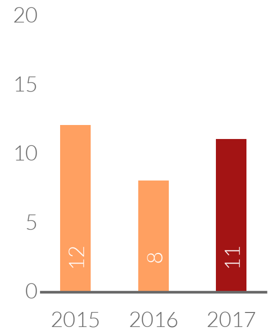
Situation on December 31, 2017
*Does not include EMT members

Sickness absences
%



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

Accident absence rate



The ratio of number of accidents resulting in at least one day absence to million working hours

Reporting framework

Altia publishes its responsibility report 2017 as part of the 2017 Annual Report, contained in the section on Corporate Responsibility. The 2017 responsibility report is the company's tenth responsibility report. The report is published online once per calendar year in Finnish and English.

The 2017 responsibility report contains Standard Disclosures from the G4 Sustainability Reporting Guidelines by the Global Reporting Initiative. Specific Standard Disclosures concerning the management approach and key indicators are mainly presented for the nine aspects that are the most material to Altia. However, for environmental matters and responsibility in the supply chain, indicators are presented more extensively than what is required by the Core framework. The GRI Index illustrates the correspondence between the report contents and the GRI G4 guidelines.

Information on responsibility and the related indicators are disclosed for the whole Group, taking into account the exceptions described in the report and below. Regarding environmental responsibility, the indicators focus on the environmental impact of Altia's own operations at the Koskenkorva, Rajamäki and Tabasalu plants. An assessment of the relevance of the indicators to the operations in Cognac was made in 2017 and these indicators will be reported as of 2018. A similar assessment regarding Altia's new distillery in Sundsvall, which is operated by an external partner, will be made in 2018.

As of this report, all indicators relating to the personnel were extended to also cover the operations in Cognac, France. Therefore, the figures regarding accident rates and sickness absences, as well as the type and duration of employment, are not comparable with corresponding figures reported in 2016.

The calculation methods applied and any differences compared to the previous years are described in more detail in the report.

No external assurance has been applied to the responsibility report.

As part of the Board Review, Altia also publishes for the first time a non-financial statement, which provides an overview of our approach to environmental, social and employee, and human rights, as well as anti-corruption and bribery matters, in accordance with the EU Directive[1] regarding disclosure of non-financial and diversity information and the Finnish Accounting Act.

The report for 2016 was published on March 28, 2017.

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

GRI G4 content index

This report contains Standard Disclosures from the GRI Sustainability Reporting Guidelines.
FS= Financial statements

Code	GRI content	Location / Explanation	Reported fully ● partly ◐
General standard disclosures			
	Strategy and Analysis		
G4-1	CEO's statement	CEO's review	●
G4-2	Key impacts, risks and opportunities	CEO's review, Value created, Non-financial statement, Materiality analysis, Responsibility cornerstones	●
	Organizational profile		
G4-3	Name of the organisation	Altia in brief p. 2	●
G4-4	Primary brands, products and services	Value created, Altia in brief p. 2	●
G4-5	Location of the headquarters	Map on p. 2	●
G4-6	Countries in which operations are located	Map on p. 2	●
G4-7	Nature of ownership and legal form	p. 79	●
G4-8	Markets served	Altia in brief p. 2	●
G4-9	Scale of the organization	Financial key ratios 2017, Responsibility key figures 2017	●
G4-10	Breakdown of workforce	Altia & employees (figures on p. 71–72) No substantial work is performed by self-employed or contractors. There are no significant seasonal variations in employment numbers.	●
G4-11	Percentage of employees covered by collective agreements	Altia & employees (figure on p. 72)	●
G4-12	Organization's supply chain	Material flows, Altia's role in society, Responsible sourcing	●
G4-13	Any significant changes regarding organization's size, structure, ownership or supply chain.	p. 15	●
G4-14	Addressing the precautionary principle	Altia & environment	◐
G4-15	Externally developed charters, principles or initiatives endorsed	Steering of Altia's responsibility work, Materiality analysis	●
G4-16	Memberships of associations	Altia companies in Finland, Sweden, Norway, Denmark, Estonia and Latvia are members in local alcohol industry associations. Altia is a member also in BNIC, the cognac producer's association.	●
	Identified material aspects and boundaries		
G4-17	Report coverage of the entities in the consolidated financial statements.	Consolidation p. 134–137, Reporting framework	●
G4-18	Process for defining the report content and Aspect Boundaries	Materiality Analysis	●
G4-19	Material aspects identified	Materiality Analysis	●

Code	GRI content	Location / Explanation	Reported fully ● partly ◐
G4-20	Aspect boundaries within the organization	Materiality Analysis	●
G4-21	Aspect boundaries outside the organization	Materiality Analysis	●
G4-22	Restatements of information	Non-financial statement, Environmental figures 2017	●
G4-23	Significant changes in the scope and aspect boundaries from previous reports	No significant changes compared to previous report.	●
	Stakeholder engagement		
G4-24	List of stakeholder groups	Altia's stakeholder interaction	●
G4-25	Basis for identification and selection of stakeholders	Selection is based on internal questionnaire.	◐
G4-26	Approach to stakeholder engagement	Stakeholder dialogue, Altia's stakeholder interaction	●
G4-27	Key topics and concerns raised through stakeholder engagement	Stakeholder dialogue, Case: Concrete improvements in working conditions through continuous work	●
	Report profile		
G4-28	Reporting period	Reporting framework	●
G4-29	Date of most recent report	Reporting framework	●
G4-30	Reporting cycle	Reporting framework	●
G4-31	Contact point for questions	Contact information	●
G4-32	GRI content index	GRI G4 content index	●
G4-33	Policy on external assurance	Reporting framework	●
	Governance		
G4-34	Governance structure of the organization	Corporate Governance Statement 2017	●
G4-36	Positions with responsibility	Steering of Altia's responsibility work	●
G4-38	Composition of highest governance body	Board of Directors p. 88–89	●
G4-39	Position of the Chair of the Board	Board of Directors p. 89	●
G4-40	Nomination and the selection process for the highest governance body	Corporate Governance Statement 2017 p. 83–84	●
G4-42	Highest governance body's role in setting purpose, values and strategy	Corporate Governance Statement 2017 p. 78–80	●
G4-48	Approving the Sustainability report	Report is approved by the Board	●
G4-51	Remuneration policies for the highest governance body and senior executives	Remuneration Statement	◐
	Ethics and Integrity		
G4-56	Organization's values, principles, standards and norms of behaviour	Non-financial statement	●
G4-58	Reporting concerns about unethical or unlawful behavior	Altia has an internal channel for reporting unethical behavior. No concerns were expressed during the reporting period. The internal channel was replaced in October 2017 by a channel maintained by an independent party, open to all Altians and stakeholders. No concerns were filed during end of the year.	●

Code	GRI content	Location / Explanation	Reported fully ● partly ◖	
Specific standard disclosures				
G4-DMA	Disclosure on management approach	Non-financial statement, Steering of Altia's responsibility work, Materiality analysis	●	
	Economic indicators			Altia's material aspect
G4-EC1	Direct economic value generated and distributed	Key ratios of the Group, Altia's role in the society, Altia's tax footprint	●	Economic contribution
	Environmental indicators			
	Disclosure of management approach (DMA)	Non-financial statement, Altia & environment	●	
G4-EN1	Materials used by weight or volume	Altia's consumption of materials and raw materials -table, Environmental figures 2017	◖	Minimising own environmental impacts
G4-EN3	Energy consumption within the organisation	Environmental figures 2017	●	Minimising own environmental impacts
G4-EN6	Reduction of energy consumption	Altia & environment, Environmental figures 2017	◖	Minimising own environmental impacts
G4-EN8	Total water withdrawal by source	Environmental figures 2017 Only total amount reported	◖	Minimising own environmental impacts
G4-EN13	Habitats protected or restored	Altia & environment	◖	Minimising own environmental impacts
G4-EN15	Direct greenhouse gas emissions (Scope 1)	Environmental figures 2017	◖	Minimising own environmental impacts
G4-EN16	Indirect greenhouse gas emissions (Scope 2)	Environmental figures 2017	◖	Minimising own environmental impacts
G4-EN21	Significant air emissions	Environmental figures 2017 Only VOC and particles reported	◖	Minimising own environmental impacts
G4-EN22	Total water discharge by quality and destination	Altia & environment, Environmental figures 2017	●	Minimising own environmental impacts
G4-EN23	Total weight of waste by type and disposal method	Environmental figures 2017, Case: Over 99 % of Altia's waste is utilised	●	Minimising own environmental impacts
G4-EN25	Hazardous waste transported, imported, exported, treated	Environmental figures 2017 Only the amount of hazardous waste	◖	Minimising own environmental impacts
G4-EN29	Monetary value of fines and number of sanctions for non – compliance with environmental laws and regulations	Altia & environment	●	Minimising own environmental impacts
G4-EN33	Significant negative environmental impacts in the supply chain	96 wine, raw material or packaging material suppliers filled in the CSR questionnaire in 2017. No significant negative impacts were identified based on the results.	◖	Utilising responsibly produced raw materials
	Social indicators			
	Sub-category: Labor practices and decent work			
	Disclosure of management approach (DMA)	Non-financial statement, Altia & employees	●	
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities	Altia & employees	◖	Occupational health & safety
G4-LA9	Average hours of training	Systematic gathering of the information for the whole group was started in 2017. Based on employees' own reports, average hours of training amounted to 5 hours per employee in 2017. In 2018 we aim to enhance the collection of reports from employees.	◖	Well-being of employees

Code	GRI content	Location / Explanation	Reported fully ● partly ◖	
G4-LA11	Percentage of employees receiving regular performance reviews	Altia & employees, p. 69	●	Good leadership
G4-LA12	Composition of governance bodies and breakdown of employees per employee category	Altia & employees, p. 72	◖	
G4-LA15	Significant negative impacts for labor practices in the supply chain and actions taken	Non-financial statement, Case: Concrete improvements in working conditions through continuous work	◖	Utilising responsibly produced raw materials
	Sub-category: Human rights			
	Disclosure of management approach (DMA)	Non-financial statement		
G4-HR11	Significant negative human rights impacts in the supply chain and actions taken	Non-financial statement, Case: Concrete improvements in working conditions through continuous work	◖	Human rights in supply chain Utilising responsibly produced raw materials
G4-HR12	Number of grievances about human rights impacts through formal grievance mechanisms	An external grievance mechanism was launched in October 2017. No human rights related grievances were filed during October-December.	●	Human rights in supply chain Utilising responsibly produced raw materials
	Sub-category: Society			
G4-SO4	Communication and training on anti-corruption policies and procedures	Non-financial statement	●	
G4-SO6	Total value of political contributions by country and recipient/beneficiary	Altia does not support, whether directly or indirectly, political parties, organisations or individual candidates.	●	
	Sub-category: Product responsibility			
	Disclosure of management approach (DMA)	Non-financial statement	●	
G4-PR2	Number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products	There were six recalls during the reporting period, four of which related to quality reasons. There were no incidents of non-compliance regarding health and safety impacts of products.	●	Product quality and safety
G4-PR7	Number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications	None	●	Responsible marketing
	Other			
				There does not exist an appropriate indicator for Advocating responsible consumption.

Corporate governance

Corporate Governance Statement 2017

This Corporate Governance Statement of Altia Plc is issued for the financial year 2017.

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 fully owned by the State of Finland. The Ownership Steering Department of the Prime Minister's Office is responsible for ownership steering and oversight of the company. 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. In accordance with the Government resolution of 13 May 2016 on state ownership policy, Altia complies with the Governance Code, with certain deviations. The Board of Directors of Altia has decided on the following deviations from the Governance Code. Altia deviates from Recommendation 1 (Notice of the General Meeting and Proposals for Resolutions) with regard to the proposals to be included in the notice to the General Meeting, except as provided for by law and in the company's Articles of Association. Altia deviates from Recommendation 2 (Shareholders' Proposals for Issues to be addressed at the General Meeting): The company does not publish on its internet site a date for shareholders to provide notice of issues demanded to be addressed at the General Meeting. Altia deviates from Recommendation 3 (Attendance at the General Meeting): Board members, director candidates, the managing director and the auditor attend the General Meeting as invited by the only shareholder. Altia deviates from Recommendation 4 (Archive of the General Meeting Documents): General Meeting Documents are sent to the only shareholder. Deviations from the Corporate Governance Code are based on the fact that Altia has only one shareholder. Altia also complies with the new statement by the Ministerial Committee on Economic Policy on remuneration for management of state-owned companies, as included in the Government resolution of 13 May 2016 on state ownership policy.

The information required by the Finnish Corporate Governance Code is, with the above exceptions, 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 makes decisions on the strategy, investments, organisation and financial affairs of the company. 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.

In 2017, the Board of Directors of Altia consisted of five to seven members, of whom all hold one or more 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. At the end of 2017, women and men are equally represented in Board of Directors. In terms of age, the members of the Board of Directors are between 46 and 53 years of age. With regard to the terms of office of the members of the Board, the members have been appointed in 2010, 2013, 2015, 2016 and 2017.

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 rules of procedure 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 to 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 systems to ensure that incentive schemes of the management 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 (including bonuses) 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, chaired by the CEO, 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 all meetings.

Control

Internal Audit

In 2017, Altia's internal auditor was in charge of internal audit. The internal auditor reported to the CEO and 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 elected by the General Meeting of Shareholders. 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.

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. The Audit Committee and the Board review the interim reports and financial statements before their approval and publication.

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 discusses the Group's most significant risks and uncertainties and reports them to the market annually in the Board of Directors' Report. In the Group, 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 annually evaluates the efficiency of the company's risk management system.

Corporate Governance in 2017

Annual General Meeting

The Annual General Meeting of Altia was held in Helsinki, Finland on 21 March 2017. The Annual General Meeting adopted the financial statements for the financial year 2016. The members of the Board of Directors and the CEO were discharged from liability for the financial year 2016. 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 on the distribution of a dividend of EUR 0.29 per share, totalling EUR 10,428,400.

Extraordinary General Meeting

The extraordinary General Meeting of Altia Plc held on 15 December 2017 decided on the distribution of an additional dividend of EUR 1.67 per share, totalling EUR 60,053,200. The General Meeting decided to combine the company's series A and L shares to a single share series and incorporate the shares in the book-entry securities system and amend the company's Articles of Association accordingly. The General Meeting also decided to amended the company's Articles of Association by removing the redemption and consent clauses. The General Meeting also elected a new member to the Board of Directors.

The Board of Directors

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

- Ms Sanna Suvanto-Harsaae, chairman, b. 1966, B.Sc. (Business Administration)
- Ms Annikka Hurme, vice chairman, b. 1964, M.Sc. (Food Sciences), CEO
- Mr Kim Henriksson, b. 1968, M.Sc. (Econ.), Corporate Finance Advisor
- Ms Tiina Lencioni, b. 1971, Master of Laws (LL.M.) 2.Staatsexamen/Assessor iuris. (Germany), General Counsel
- Mr Jarmo Kilpelä, b. 1957, M.Sc. (Econ.), Senior Financial Counsellor
- Mr Kasper Madsen, b.1961, B.e., COO
- Mr Kai Telanne, b. 1964, M.Sc. (Econ.), President and CEO

Mr Jarmo Kilpelä passed away on 28 May 2017. Board member Kasper Madsen resigned from the Board of Directors at the end of August 2017.

The Extraordinary General Meeting of Altia Plc held on 15 December 2017 elected Torsten Steenholt (b. 1969, M.Sc. (Pharmacy), M.Sc. (Chemical Research), Master Brewer, EVP, Global Operations as new member to the Board of Directors.

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 Jarmo Kilpelä held 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 shareholder of the company. The Board of Directors of Altia convened thirteen times in 2017, with an average attendance rate of 92.4 %.

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 2017, the Audit Committee convened six times, with an average attendance rate of 83.3%.

Human Resources Committee

The members of the Human Resources Committee of the Board of Directors are Ms Sanna Suvanto-Harsaae (chairman), Ms Annikka Hurme and Mr Kai Telanne (succeeding Mr Jarmo Kilpelä). In 2016, the Human Resources Committee convened five times and the average attendance rate of the Committee's members was 100%.

Number of Board and Committee meetings in 2017 and attendance rates:

	Board	Audit Commitee	Human Resources Committee
Sanna Suvanto-Harsaae	13/13	6/6	5/5
Annikka Hurme	13/13		5/5
Kim Henriksson	12/13	5/6	
Minna Huhtaniska	0/3	0/2	
Jarmo Kilpelä	6/6		2/2
Tiina Lencioni	9/10	4/4	
Kasper Madsen	7/8		
Torsten Steenholt			
Kai Telanne	13/13		3/3

Chief Executive Officer

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

Executive Management Team

In 2017, 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 (as of 1 September 2017)
- Ms Kirsi Lehtola, SVP Human Resources
- Mr Matti Piri, CFO
- Ms Kirsi Puntila, SVP Marketing
- Mr Hannu Tuominen, SVP Altia Industrial

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 available in Altia's Remuneration Statement.

Shares and share based rights

The Board of Directors of Altia Plc decided on 13 December 2017 on the cancellation of all 25,003 series L shares held in treasury by the company. On 15 December 2017, the Extraordinary General Meeting decided to combine the company's series A and L shares to a single share series and incorporate the shares in the book-entry securities system. At the end of 2017, Altia Plc's shares comprise 35,960,000 shares.

Altia is fully owned by the State of Finland. Neither the members of the Board of Directors, the CEO, the members of the Executive Management Team nor corporations over which any of them exercise control have any shares and share-based rights in Altia or its group companies.

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 the PwC chain in 2017 totaled EUR 0.3 million. In addition, EUR 0.4 million was paid for other consultation provided to Group companies.

Remuneration Statement

Altia Plc ("Altia") is fully owned by the State of Finland. Altia complies, with certain deviations, with the Finnish Corporate Governance Code 2015 as provided by the Government Resolution on State Ownership Policy given on 13 May 2016. This Remuneration Statement is published in accordance with Corporate Governance Code. Altia Plc complies with the statement of the Ministerial Committee on Economic Policy on remuneration for management of state-owned companies, as included in the Government resolution of 13 May 2016 on state ownership policy.

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. As of the listing of the Altia's shares on Nasdaq Helsinki Ltd, the Shareholders' Nomination Board consisting 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.

Before the listing, the company has not had a nomination committee or a shareholders' nomination Board. The Chairman of the Board of Directors has prepared the decision on the remuneration of the Board members together with the shareholder of the company.

CEO and other executives

Altia's Board of Directors decides annually on Altia Group's principles of remuneration, the basis and targets for performance bonuses as well as their maximum amounts. The Board of Directors also evaluates annually 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 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.

According to the Companies Act, decisions concerning the issue of shares, options or other special rights entitling to shares are be made by the general meeting of shareholder or by the company's Board of directors pursuant to an authorisation from the general meeting. Altia has no share-based remuneration or incentive programs or option programs. The Board of Directors of Altia does not have any authorisations granted by the general meeting concerning share based remuneration.

B. Main principles of remuneration

Members of the Board of Directors

The Annual General Meeting of Altia held on 21 March 2017 decided that the chairman of the Board of Directors shall receive 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 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 as remuneration.

CEO

The remuneration of the CEO of Altia consists of a fixed base salary, fringe benefits, an annual incentive and a long term incentive scheme. The fixed base salary of CEO Pekka Tennilä is 312,870 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.

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 a long term incentive scheme. 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.

Annual incentive

Altia's CEO and the members of the Executive Management Team are part of an annual incentive plan. The potential annual bonus 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 incentive is paid annually. The purpose of the incentive plan is to support the implementation of Altia's strategy and reward for excellent personal performance and for financial achievements of Altia. The target level of the CEO's and the Executive Management Team members' incentive for 2017 is 30% of the annual salary and the maximum level is 60% of the annual salary. The operational target for the 2017 annual incentive plan is EBIT improvement.

Long-term incentive scheme

The Board of Directors of Altia decided in 2012 on a long-term incentive scheme for 2012–2014. Possible bonuses for the long-term incentive scheme 2012–2014 are to be paid in three instalments during 2015–2017. No bonuses based on the long-term incentive scheme 2012–2014 have been paid during 2015–2017.

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

The new long-term incentive scheme for 2017–2019 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 shareholder value. The strategy and development phase of the company are taken into account when determining the remuneration. The Board of Directors, assisted by the Human Resources Committee, decides on the remuneration of management and the principles and conditions of the incentive schemes, and monitors regularly the achievement of set criteria and targets.

C. Remuneration report 2017

Members of the Board of Directors

The members of the Board of Directors received term of office fees and attendance fees in 2017 as follows:

	term of office fees / euros	attendance fees / euros	total/ euros
Sanna Suvanto-Harsaae	33,000	27,600	60,600
Annikka Hurme	21,600	10,200	31,800
Kim Henriksson	17,400	19,200	36,600
Minna Huhtaniska	4,350		4,350
Jarmo Kilpelä	7,250	4,200	11,450
Tiina Lencioni	13,533	7,200	20,733
Kasper Madsen	11,600	7,200	18,800
Torsten Steenholt			
Kai Telanne	17,400	9,000	26,400

CEO

The salary and other remuneration paid in 2017 to CEO Pekka Tennilä amounted to a total of 610,560 euros.

fixed base salary	312,870 euros
fringe benefits	2,130 euros
annual incentive for 2016	70,560 euros

The total remuneration of the CEO for 2017 includes an additional remuneration payment in the amount of 225,000 euros for exceptional performance. The Board of Directors approved the additional remuneration payment based on the recommendation of the Board's Human Resources Committee.

Other executives

The salary and other remuneration paid in 2017 to the members of the Executive Management Team (other than the CEO) amounted to a total of 1,915,622 euros.

fixed base salary	1,130,779 euros
fringe benefits	39,411 euros
annual incentive for 2016	291,913 euros

The total remuneration of the members of the Executive Management Team for 2017 includes additional remuneration payment in the amount of 453,519 euros for exceptional performance. The Board of Directors approved the additional remuneration payment based on the recommendation of the Board's Human Resources Committee.

Board of Directors

Board of Directors

A

Sanna Suvanto-Harsaae

Chairman of the Board of Directors
b. 1966, B.Sc. (Business Administration)

Independent of the company and the shareholder

Member of the Board since 2013 and
Chairman of the Board since 2015
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
- Sunset Boulevard AS, Chairman of the Board
- VPG/Best Friend AS/AB, Chairman of the Board
- Paulig Oy, Vice-chairman of the Board
- SAS AB, Member of the Board
- Upplands Motor AB, Member of the Board
- Broman Group Oy, Member of the Board

B

Annikka Hurme

Vice-chairman of the Board of Directors
b. 1964, M.Sc. (Food Sciences)

Valio Oy, CEO

Independent of the company and the shareholder

Member of the Board since 2010 and
Vice-chairman of the Board since 2015
Member of the HR Committee

Key positions of trust:
- Apetit Group, Member of the Board
- Finnish Food and Drink Industries' Federation (ETL), Member of the Board and Member of the Executive Committee
- Valio Mutual Insurance Company, Member of the Board
- East Office of Finnish Industries, Member of the Board
- Suomen Messut Osuuskunta, Member of the Supervisory Board

C

Kim Henriksson

Member of the Board of Directors
b. 1968, M.Sc. (Econ.)

Access Partners, Corporate Finance Advisor

Independent of the company and the shareholder

Member of the Board since 2015
Chairman of the Audit Committee

D

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 shareholder

Member of the Board since 2017
Member of the Audit Committee

E

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 shareholder

Member of the Board since 2017

Key positions of trust:
- CO-RO A/S, Member of the Board

F

Kai Telanne

Member of the Board of Directors
b. 1964, M.Sc. (Econ.)

Alma Media Corporation, President and CEO

Independent of the company and the shareholder

Member of the Board since 2016
Member of the HR Committee

Key positions of trust:
- Varma Mutual Pension Insurance Company, Vice-chairman of the Board
- Teleste Corporation, Member of the Board
- Tampere Chamber of Commerce and Industry, Member of the Board

Executive Management Team

Executive Management Team

A

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.

B

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 the Company in 2009 as the Managing Director of Oy Wennerco Ab. Previously, he served as the Company'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.

C

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).

D

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.

E

Matti Piri, SVP, CFO

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

Matti Piri has been the Senior Vice President, CFO since 2013 and a member of the Executive Management Team since 2013. He joined Altia in 2013. He also serves as a member of the Board of Directors of Roal Oy. Previously, he has served as the Vice President Finance & Control as well as Acting Chief Financial Officer at Neste Oil Oyj and as a deputy member of the Board of Directors of Chemigate Oy. In addition, he has held several managerial positions at MARS Inc and Effemex Europe.

F

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).

G

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

Financial statements

Contents to the Financial Statements

SYMBOLS

Accounting

Critical estimates and management judgements

*Part of the Financial Statements

Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENT

EUR million	Note	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
NET SALES	1.1.	**359.0**	**356.6**	**380.7**
Other operating income	1.3.	8.3	12.6	10.0
Materials and services	1.4.	-202.0	-197.0	-217.2
Employee benefit expenses	1.5.	-52.0	-36.6	-54.7
Other operating expenses	1.6.	-72.9	-74.8	-79.1
Depreciation, amortisation and impairment	1.7.	-14.2	-14.5	-14.4
OPERATING RESULT		**26.1**	**46.3**	**25.3**
Finance income	3.1.	4.5	1.3	0.8
Finance expenses	3.1.	-6.4	-3.4	-3.6
Share of profit in associates and income from interests in joint operations		0.9	0.9	0.9
RESULT BEFORE TAXES		**25.0**	**45.0**	**23.4**
Income tax expense	6.1.	-6.7	-9.0	-5.2
RESULT FOR THE PERIOD		**18.3**	**36.1**	**18.1**
Result for the period attributable to:				
Owners of the parent		18.3	36.1	18.1
Earnings per share for the result attributable to owners of the parent, EUR				
Basic and diluted	3.6.	0.51	1.00	0.50

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Note	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
Result for the period		18.3	36.1	18.1
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified to profit or loss				
Remeasurements of post-employment benefit obligations	2.5.	-0.0	-0.4	5.8
Related income tax	6.1.	0.0	0.1	-1.2
Total		**-0.0**	**-0.4**	**4.6**
Items that may be reclassified to profit or loss				
Cash flow hedges		1.4	0.1	-0.0
Available-for-sale financial assets		0.6	-	-
Translation differences	3.6.	-4.0	-2.7	1.5
Income tax related to these items	6.1.	-0.3	-0.0	0.0
Total		-2.3	-2.6	1.5
Other comprehensive income for the period, net of tax		-2.3	-3.0	6.1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**16.0**	**33.1**	**24.3**
Total comprehensive income attributable to:				
Owners of the parent		16.0	33.1	24.3

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

CONSOLIDATED BALANCE SHEET

EUR million	Note	31 Dec 2017	31 Dec 2016	31 Dec 2015
ASSETS				
Non-current assets				
Goodwill	2.1.	82.1	83.1	84.4
Other intangible assets	2.1.	34.4	36.7	40.7
Property, plant and equipment	2.2.	67.4	70.0	74.6
Investments in associates and interests in joint operations	5.3.	7.6	7.6	7.6
Available-for-sale financial assets	3.2.1.	1.4	0.8	0.8
Other receivables	3.2.2.	1.0	0.3	0.5
Deferred tax assets	6.1.	1.0	4.6	10.7
Total non-current assets		**194.8**	**203.1**	**219.2**
Current assets				
Inventories	2.3.	94.5	96.3	101.2
Trade and other receivables	2.4.	53.9	63.8	59.1
Current tax assets		2.8	1.4	3.5
Cash and cash equivalents	3.2.3.	52.4	68.0	76.3
Total current assets		**203.6**	**229.6**	**240.2**
TOTAL ASSETS		**398.4**	**432.7**	**459.3**

EUR million	Note	31 Dec 2017	31 Dec 2016	31 Dec 2015
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent	3.6.			
Share capital		60.5	60.5	60.5
Fair value reserve		0.6	-	-
Hedge reserve		-0.3	-1.4	-1.6
Translation differences		-16.0	-12.3	-9.6
Retained earnings		92.0	144.5	119.3
Total equity		**136.8**	**191.3**	**168.6**
Non-current liabilities				
Deferred tax liabilities	6.1.	17.7	20.7	23.2
Borrowings	3.3.1.	89.1	64.9	88.4
Provisions	2.7.	-	-	1.3
Employee benefit obligations	2.5.	1.3	1.8	21.6
Total non-current liabilities		**108.2**	**87.4**	**134.5**
Current liabilities				
Borrowings	3.3.1.	11.0	7.8	8.3
Provisions	2.7.	-	1.3	2.1
Trade and other payables	2.6.	137.4	142.7	143.5
Current tax liabilities		5.0	2.2	2.4
Total current liabilities		**153.4**	**154.1**	**156.3**
Total liabilities		**261.6**	**241.5**	**290.7**
TOTAL EQUITY AND LIABILITIES		**398.4**	**432.7**	**459.3**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	Note	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
CASH FLOW FROM OPERATING ACTIVITIES				
Result before taxes		25.0	45.0	23.4
Adjustments				
Depreciation, amortisation and impairment	1.7.	14.2	14.5	14.4
Share of profit in associates and income from investments in joint operations	5.3.	-0.9	-0.9	-0.9
Net gain on sale of non-current assets	1.3.	-1.6	-4.3	-2.7
Finance income and costs	3.1.	1.9	2.2	2.8
Settlement gain of defined benefit obligation	2.5.	-	-16.5	-
Other adjustments		0.5	-0.1	0.6
		14.1	-5.1	14.1
Change in working capital				
Change in inventories, increase (-) / decrease (+)		1.2	4.9	2.4
Change in trade and other receivables, increase (-) / decrease (+)		9.4	-4.4	15.1
Change in trade and other payables, increase (+) / decrease (-)		-2.6	0.1	-13.8
Change in provisions, increase (+) / decrease (-)		-1.3	-2.1	0.1
Change in working capital		6.7	-1.6	3.9
Settlement of defined benefit obligation	2.5.	-	-4.1	-
Interest paid	3.1.	-1.7	-1.8	-2.2
Interest received	3.1.	0.3	0.3	0.3
Other finance income and expenses paid	3.1.	-2.2	-0.3	-0.7
Income taxes paid	6.1.	-4.6	-2.9	-3.9
Financial items and taxes		-8.2	-4.8	-6.5
NET CASH FLOW FROM OPERATING ACTIVITIES		**37.6**	**29.4**	**34.8**

EUR million	Note	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
CASH FLOW FROM INVESTING ACTIVITIES				
Payments for property, plant and equipment and intangible assets	2.1. 2.2.	-11.9	-8.7	-11.3
Proceeds from sale of property, plant and equipment and intangible assets	1.3.	2.6	4.5	1.0
Payments for available-for-sale financial assets		-	-0.0	-
Proceeds from sale of available-for-sale financial assets		0.0	-	1.7
Repayment of loan receivables	3.2.2.	0.3	0.2	0.2
Interest received from investments in joint operations	5.3.	0.9	0.9	0.9
Dividends received	3.1.	0.2	0.1	0.1
NET CASH FLOW FROM INVESTING ACTIVITIES		**-7.8**	**-3.1**	**-7.4**
CASH FLOW FROM FINANCING ACTIVITIES				
Changes in commercial paper program		-	-	-13.0
Proceeds from borrowings	3.3.2.	100.0	-	30.0
Repayment of borrowings	3.3.2.	-72.5	-22.5	-60.2
Dividends paid and other distributions of profits	3.6.	-70.5	-10.4	-
NET CASH FLOW FROM FINANCING ACTIVITIES		**-43.0**	**-32.9**	**-43.2**
CHANGE IN CASH AND CASH EQUIVALENTS		**-13.2**	**-6.6**	**-15.8**
Cash and cash equivalents at the beginning of the period		68.0	76.3	91.1
Translation differences on cash and cash equivalents		-2.5	-1.6	1.0
Change in cash and cash equivalents		-13.2	-6.6	-15.8
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3.2.3.	**52.4**	**68.0**	**76.3**

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	Fair value reserve	Hedge reserve	Translation differences	Retained earnings	Total equity
Total equity at 1 January 2015		**60.5**	**-**	**-1.5**	**-10.1**	**95.0**	**143.9**
Correction to prior periods	6.5.	-	-	-	-	0.4	0.4
Equity at 1 January 2015, restated		**60.5**	**-**	**-1.5**	**-10.1**	**95.5**	**144.3**
Total comprehensive income							
Result for the period		-	-	-	-	18.1	18.1
Other comprehensive income (net of tax)							
Cash flow hedges		-	-	-0.0	-	-	-0.0
Translation differences	3.6.	-	-	-	0.5	1.1	1.5
Remeasurements of post-employment benefit obligations	2.5.	-	-	-	-	4.6	4.6
Total comprehensive income for the period		**-**	**-**	**-0.0**	**0.5**	**23.8**	**24.3**
EQUITY AT 31 DECEMBER 2015		**60.5**	**-**	**-1.6**	**-9.6**	**119.3**	**168.6**
Equity at 1 January 2016		**60.5**	**-**	**-1.6**	**-9.6**	**119.3**	**168.6**
Total comprehensive income							
Result for the period		-	-	-	-	36.1	36.1
Other comprehensive income (net of tax)							
Cash flow hedges		-	-	0.1	-	-	0.1
Translation differences	3.6.	-	-	-	-2.7	-0.0	-2.7
Remeasurements of post-employment benefit obligations	2.5.	-	-	-	-	-0.4	-0.4
Total comprehensive income for the period		**-**	**-**	**0.1**	**-2.7**	**35.6**	**33.1**
Transactions with owners							
Dividend distribution		-	-	-	-	-10.4	**-10.4**
Total transactions with owners		**-**	**-**	**-**	**-**	**-10.4**	**-10.4**
EQUITY AT 31 DECEMBER 2016		**60.5**	**-**	**-1.4**	**-12.3**	**144.5**	**191.3**
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	3.6.	-	-	-	-3.8	-0.2	-4.0
Remeasurements of post-employment benefit obligations	2.5.	-	-	-	-	-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**

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. The company is owned by the State of Finland.

Altia Plc, the parent company of Altia Group, is domiciled in Helsinki, Finland. 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 21 February 2018. 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 as at and for the years ended 31 December 2017, 2016 and 2015 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 2017. 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 2017 and future periods are described in Note 6.4.

The consolidated financial statements as at and for the years ended 31 December 2017, 2016 and 2015 has been prepared on a historical cost basis, except financial assets recognised at fair value through profit or loss and assets available-for-sale. 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
2.7.	Provisions	Provisions
2.5.	Employee benefit obligations	Employee benefits
2.2.	Property, plant and equipment	Property, plant and equipment
2.3.	Inventories	Inventories
1.6. 2.2.	Other operating expenses Property, plant and equipment	Leases
2.1.	Goodwill and other intangible assets	Goodwill
2.1.	Goodwill and other intangible assets	Intangible assets
3.2. 3.4.	Financial assets Financial assets and liabilities – classification and fair value	Financial assets
3.2.3.	Cash and cash equivalents	Cash and cash equivalents
3.4.	Financial assets and liabilities – classification and fair value	Financial liabilities
3.4. 3.5.	Financial assets and liabilities – classification and fair value Derivatives and hedge accounting	Derivate 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

Corrections to prior periods

Accounting for an interest in a joint operations and other reclassifications

In 2017, Altia has taken a detailed review of its shareholder agreement with ABF Overseas Limited ("**ABF**") regarding Altia's interest in Roal Oy in order to confirm the IFRS accounting treatment in Altia's consolidated financial statements. Pursuant to the terms and conditions of the shareholder agreement, Altia is entitled to an agreed annual return for its interest in Roal Oy as minimum dividend, and ABF has a right to redeem Altia's interest in Roal Oy at a fixed amount at the expiry of certain patents. In its consolidated financial statements, Altia had accounted for its interest in Roal Oy as a joint venture pursuant to IFRS 11 applying the equity method of accounting up until the fourth quarter of 2016 when Altia classified the interest as a held for sale asset, assuming that ABF would have exercised its call option during 2017. However, as the exercise of the call is dependent on the expiry of certain patents and a single patent continues to be valid until 2024, Altia's exit from Roal Oy could not take place in 2017. Altia exercises joint control over Roal Oy. However, accounting treatment of the option right held by ABF represents in substance a receivable with a fixed rate of return for Altia, and Altia does not have a right to 50 per cent of the net assets of Roal Oy unless ABF refrains to exercise its option right with respect to Altia's interest in Roal Oy when it is possible pursuant to the shareholder agreement. Accordingly, the interest should have been classified as a joint operation pursuant to IFRS 11 in the consolidated financial statements with Altia accounting for its share of Roal Oy's assets and liabilities as a receivable with the annual minimum dividend accounted for as interest income. The correction did not have impact on the net cash flows from operating activities or the net cash flows from investing activities.

In addition, Altia has reclassified certain trade and other payables to current and non-current provisions to better reflect the nature of such liabilities.

These corrections have been made by restating each of the affected financial statement line items for the prior periods as presented in the note 6.5.

Cash flow statement presentation

In 2017 Altia decided to change its presentation of the consolidated statement of cash flows from direct method to indirect method. Altia believes that the indirect method gives more accurate and reliable information on cash flows from operating activities by disclosing the reconciliation from result before taxes to operating cash flows. The indirect method is also more commonly used method and thus, gives more comparable information on Altia's operating cash flows to it's peers. As a consequence, the presentation of cash flows from operating activities has been restated to reflect the indirect method for the years ended 31 December 2016 and 2015. The indirect method did not change the presentation of the cash flows from investing activities and financing activities.

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 useful lives of intangible assets and parameters used in impairment testing (Note 2.1.). 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 2.5.) and deferred taxes (Note 6.1.).

1. Operating result

1.1. REVENUES FROM OPERATIONS

Revenue recognition

Net sales are comprised of the fair values determined on the basis of the consideration received or to be received for products or services sold less discounts given, indirect taxes, excise tax, deposit and recycling fees and exchange rate differences.

Revenue from the sale of products is recognised after the significant risks and rewards of ownership of the sold products have been transferred to the buyer, and the Group retains neither a managerial involvement to the degree usually associated with ownership nor effective control of those goods. Usually this means that revenue is recognised upon delivery of goods in accordance with agreed terms of delivery. 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.

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	2017	2016	2015
Sales revenues deducted with revenue adjustments	804.5	819.8	849.6
Excise tax	-445.5	-463.2	-468.9
NET SALES	**359.0**	**356.6**	**380.7**
Tax share of sales revenues, %	55.4%	56.5%	55.2%

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 centralized 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. 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 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 Jan - 31 Dec 2016				
EUR million	Finland & Exports	Scandinavia	Altia Industrial	Unallocated and adjustments[2]	Group
Net sales, total	134.4	127.9	141.0		403.4
Net sales, Internal	-0.4	-0.5	-45.9		-46.8
Net sales, external	**133.9**	**127.4**	**95.2**		**356.6**
Comparable EBITDA	20.2	10.4	8.4	1.9	40.8
Items affecting comparability[1]					19.9
EBITDA					**60.8**
Depreciation, amortisation and impairment					-14.5
OPERATING RESULT					**46.3**

[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. In year 2016 the items affecting comparability includes a net settlement gain of defined benefit obligation of EUR 16.3 million, see also Notes 1.5. Employee benefit expenses and 2.5. Employee benefit obligations. Gains on sale of property, plant and equipment and intanglibe assets are presented in Note 1.3. and employee costs related to restructuring in Note 1.5.

[2] 2016 unallocated and adjustments (net) includes cost savings realized from group level activities including realized savings due to the headquarter move, cost savings related to centralized product development programs and reductions in personnel costs in addition to unallocated headquarter costs. Cost savings in this extent are not frequent compared to the budgeted amounts, however, for internal reporting purposes, these positive variances are not allocated to the operating segments.

Other entity-wide disclosures

Net sales by geography

Net sales broken down by the location of Altia entity for the years ended 31 December 2017 and 2016 were as follows:

EUR million	2017	2016
Finland	202.4	189.9
Sweden	96.1	96.6
Norway	23.7	26.7
Estonia	10.3	14.9
Latvia	9.4	9.2
Denmark	12.7	16.9
Other countries	4.3	2.4
NET SALES, TOTAL	**359.0**	**356.6**

In Finland & Exports segment, net sales of EUR 80.5 million (2016: EUR 80.7 million) were derived from a single external customer. In Scandinavia segment, net sales of EUR 78.8 million (2016: EUR 77.9 million) were derived from a single external customer. In Altia Industrial segment, net sales of EUR 44.5 million (2016: EUR 40.7 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 2017 or 2016.

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 2017 and 2016 were as follows:

EUR million	2017	2016
Finland	115.7	114.5
Sweden	48.2	51.8
Norway	0.1	0.1
Estonia	2.6	3.0
Latvia	0.2	0.3
Denmark	7.2	10.0
Other countries	9.8	10.2
NON-CURRENT ASSETS BY GEOGRAPHY, TOTAL	**183.8**	**189.9**

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	2017	2016	2015
Gains on sale of property, plant and equipment and intangible assets	1.6	4.3	1.0
Gains on sale of available-for-sale financial assets	-	-	1.7
Rental income	1.0	0.9	0.7
Income from sale of energy, water, steam and carbon dioxide	3.4	3.7	3.4
Other income	2.3	3.6	3.2
TOTAL	**8.3**	**12.6**	**10.0**

1.4. MATERIALS AND SERVICES

EUR million	2017	2016	2015
Raw materials, consumables and goods			
Purchases during the period	196.6	188.8	210.3
Change in inventories	1.9	4.9	2.5
Scrapping and obsolescence	2.0	1.9	2.5
External services	1.6	1.4	1.9
TOTAL	**202.0**	**197.0**	**217.2**

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	2017	2016	2015
Wages and salaries	40.4	41.1	42.7
Pension expenses			
Defined contribution plans	5.9	5.5	6.0
Defined benefit plans	-	-16.2	0.4
Other social expenses	5.8	6.1	5.6
TOTAL	**52.0**	**36.6**	**54.7**

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 3.3 million (2016: EUR 3.0 million, 2015: EUR 3.6 million) in the form of cash bonuses. Employee benefit expenses in 2016 include a gain of EUR 16.5 million on settlement of defined benefit obligation. Employee benefit expenses include personnel related restructuring costs of EUR 1.1 million (2016: EUR 0.6 million, 2015: EUR 1.0 million).

Average number of personnel during the period	2017	2016	2015
Workers	294	328	360
Clerical employees	468	501	519
TOTAL	**762**	**829**	**879**

More information on the Group's pension plans is presented in Note 2.5.

Information of management remuneration is presented in Note 6.3. related party transactions.

1.6. OTHER OPERATING EXPENSES

EUR million	2017	2016	2015
Losses on sales and disposals of property, plant and equipment and intangible assets	0.2	0.8	0.5
Rental expenses	6.0	6.8	7.4
Marketing expenses	15.1	16.1	16.5
Travel and representation expenses	2.8	3.0	3.2
Outsourcing services	8.9	7.7	8.1
Repair and maintenance expenses	6.8	6.2	8.5
Cars and transport services	0.7	0.6	0.6
Energy expenses	7.2	9.2	10.3
IT expenses	6.5	5.0	5.2
Variable sales expenses	11.3	11.5	11.9
Other expenses	7.5	7.8	7.0
TOTAL	**72.9**	**74.8**	**79.1**

Auditor's fees included in other operating expenses	2017	2016	2015
Audit fees	0.3	0.3	0.3
Tax consultation	0.0	0.0	0.2
Other fees	0.4	0.1	0.0
TOTAL	**0.7**	**0.4**	**0.4**

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	2017	2016	2015
Amortisation on intangible assets			
Trademarks	4.4	4.3	4.5
Software and other intangible assets	1.1	1.3	1.2
Total amortisation	**5.5**	**5.6**	**5.6**
Depreciation on property, plant and equipment			
Buildings	3.2	3.1	3.0
Machinery and equipment	5.2	5.3	5.2
Machinery and equipment, acquired through finance leases	0.3	0.4	0.5
Other tangible assets	0.0	0.0	0.0
Total depreciation	**8.7**	**8.9**	**8.8**
TOTAL DEPRECIATION AND AMORTISATION	**14.2**	**14.5**	**14.4**

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

1.8. RESEARCH AND DEVELOPMENT EXPENDITURES

Operating result includes research and development expenditures amounting to EUR 3.4 million (2016: EUR 3.6 million, 2015: EUR 3.4 million).
The R&D expenditures represents 0.9% of net sales in 2017 (2016: 1.0%, 2015: 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. 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	Pre-payments	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**

EUR million	Goodwill	Trademarks	Software and other intangible assets	Prepayments	Other intangible assets total
Acquisition cost at 1 January 2016	144.2	131.5	19.8	0.9	152.1
Additions	-	0.3	0.2	2.4	2.9
Disposals	-	-0.1	-2.6	-0.2	-2.8
Effect of movement in exchange rates	0.5	-1.8	-0.0	-	-1.9
Transfers between items	-	-	1.5	-1.4	0.1
Acquisition cost at 31 December 2016	144.7	129.9	18.8	1.7	150.4
Accumulated amortisation and impairment losses at 1 January 2016	-59.8	-94.7	-16.7	-	-111.4
Amortisation	-	-4.3	-1.3	-	-5.6
Accumulated amortisation on disposals and transfers	-	0.1	2.0	-	2.1
Effect of movement in exchange rates	-1.8	1.2	0.0	-	1.2
Accumulated amortisation and impairment losses at 31 December 2016	-61.6	-97.7	-16.0	-	-113.7
Carrying amount at 1 January 2016	84.4	36.7	3.1	0.9	40.7
CARRYING AMOUNT AT 31 DECEMBER 2016	**83.1**	**32.2**	**2.9**	**1.7**	**36.7**

Acquisition cost at 1 January 2015	150.5	130.8	18.0	1.5	150.3
Additions	-	0.1	0.0	1.2	1.2
Disposals	-	-	-0.0	-	-0.0
Effect of movement in exchange rates	-6.3	0.6	0.0	-	0.6
Transfers between items	-	-	1.7	-1.8	-0.1
Acquisition cost at 31 December 2015	144.2	131.5	19.8	0.9	152.1
Accumulated amortisation and impairment losses at 1 January 2015	-67.2	-90.0	-15.6	-	-105.6
Amortisation	-	-4.5	-1.2	-	-5.7
Accumulated amortisation on disposals and transfers	-	-	0.0	-	0.0
Effect of movement in exchange rates	7.4	-0.2	-0.0	-	-0.2
Accumulated amortisation and impairment losses at 31 December 2015	-59.8	-94.7	-16.7	-	-111.4
Carrying amount at 1 January 2015	83.3	40.8	2.5	1.5	44.7
CARRYING AMOUNT AT 31 DECEMBER 2015	**84.4**	**36.7**	**3.1**	**0.9**	**40.7**

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

Impairment testing

Book value of assets are assessed to determine whether there are 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. The goodwill has been reallocated to the operating segments in 2017 in line with the current management structure and goodwill monitoring levels.

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

EUR million	2017	%
Finland & Exports	46.5	56.6%
Scandinavia	35.6	43.4%
TOTAL	**82.1**	**100.0%**

In line with Altia's management structure in 2016, a cash-generating unit was typically a country-specific sales unit or a group thereof. Goodwill was allocated to three groups of CGUs: Markets Finland, Markets Sweden and Other Markets. Other markets included sales units in Norway, Denmark, Estonia and Latvia. A CGU-specific allocation of goodwill in 2016 and 2015 is presented in the table below:

EUR million	2016	%	2015	%
Markets Finland	44.7	53.8%	44.7	53.0%
Markets Sweden	35.4	42.6%	36.7	43.5%
Other Markets	2.9	3.5%	2.9	3.5%
TOTAL	**83.1**	**100.0%**	**84.4**	**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 2017, 31 October 2016 and 31 October 2015. 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 for year 2017:

Used pre-tax discount rate %	2017
Finland & Exports	7.0%
Scandinavia	6.8%

The weighted average costs of capital used as discount rates for the cash flow estimates are presented in the enclosed table for years 2016 and 2015:

Used pre-tax discount rate %	2016	2015
Markets Finland	7.0%	7.3%
Markets Sweden	7.1%	7.7%
Other markets	7.0%	7.9%

The estimated average operating margins used in the calculations are presented in the enclosed table for year 2017:

Projected average operating result %	2017
Finland & Exports	14.5%
Scandinavia	9.3%

The estimated average operating result margins used in the calculations are presented in the enclosed table for years 2016 and 2015:

Projected average operating result %	2016	2015
Markets Finland	17.2%	18.1%
Markets Sweden	11.0%	11.4%
Other markets	6.8%	5.7%

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 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**

EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Other intangible assets	Prepayments and assets under construction	Total
Acquisition cost at 1 January 2016	4.8	116.4	156.9	0.8	3.0	281.9
Additions	-	0.1	0.8	0.0	4.9	5.8
Disposals	-0.0	-1.7	-40.3	-	-	-42.1
Effect of movement in exchange rates	0.0	0.0	-0.1	0.0	-0.0	-0.1
Transfers between items	-	1.6	3.7	-	-5.4	-0.1
Acquisition cost at 31 December 2016	4.8	116.4	120.9	0.8	2.5	245.4
Accumulated depreciation and impairment losses at 1 January 2016	-1.8	-83.2	-122.2	-0.1	-	-207.3
Depreciation	-	-3.1	-5.8	-0.0	-	-8.9
Accumulated depreciation on disposals and transfers	-	1.6	39.2	-	-	40.8
Effect of movement in exchange rates	-0.0	-0.0	0.1	-	-	0.0
Accumulated depreciation and impairment losses at 31 December 2016	-1.8	-84.7	-88.8	-0.1	-	-175.4
Carrying amount at 1 January 2016	3.0	33.2	34.7	0.7	3.0	74.6
CARRYING AMOUNT AT 31 DECEMBER 2016	**3.0**	**31.8**	**32.1**	**0.6**	**2.5**	**70.0**

Acquisition cost at 1 January 2015	4.8	110.8	156.2	0.8	13.9	286.4
Additions	-	0.7	1.2	0.0	8.3	10.1
Disposals	-0.0	-0.4	-14.2	-	-	-14.7
Effect of movement in exchange rates	-0.0	-0.0	0.0	0.0	-	-0.0
Transfers between items	-	5.4	13.8	-	-19.1	0.1
Acquisition cost at 31 December 2015	4.8	116.4	156.9	0.8	3.0	281.9
Accumulated depreciation and impairment losses at 1 January 2015	-1.8	-80.5	-130.2	-0.1	-	-212.6
Depreciation	-	-3.0	-5.7	-0.0	-	-8.8
Accumulated depreciation on disposals and transfers	-	0.4	13.7	-	-	14.1
Effect of movement in exchange rates	0.0	0.0	0.0	-	-	0.0
Accumulated depreciation and impairment losses at 31 December 2015	-1.8	-83.2	-122.2	-0.1	-	-207.3
Carrying amount at 1 January 2015	3.0	30.2	26.0	0.6	13.9	73.8
CARRYING AMOUNT AT 31 DECEMBER 2015	**3.0**	**33.2**	**34.7**	**0.7**	**3.0**	**74.6**

Land and water areas includes investment properties with book value of EUR 0.0 million in 2017 (2016: EUR 0.0 million, 2015: EUR 0.0 million). Investment properties are measured based on the cost model. At 31 December 2017 the fair value of investment properties was EUR 2.8 million (2016: EUR 2.8 million, 2015: EUR 2.8 million).

FINANCE LEASES

Property, plant and equipment include assets acquired under finance lease as follows:

EUR million	2017	2016	2015
Machinery and equipment			
Acquisition cost at 31 December	1.4	1.5	7.3
Accumulated depreciation at 31 December	-1.1	-1.2	-5.8
CARRYING AMOUNT AT 31 DECEMBER	**0.3**	**0.3**	**1.5**

During the year 2016 Altia reorganised the steam distribution in the Rajamäki plant area by selling its steam distribution network and making new steam delivery agreements. At the same time, Altia was released of its duty to buy the steam power plant at the end of the contract period. The steam power plant was included in the finance leases under machinery and equipment until the disposal.

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	2017	2016	2015
Materials and supplies	50.1	51.6	54.2
Work in progress	12.7	12.3	13.7
Finished goods	13.8	13.9	14.1
Trading goods	17.9	18.4	18.9
Advance payments	0.1	0.2	0.3
TOTAL	**94.5**	**96.3**	**101.2**

Altia recognised write-downs of inventories amounting to EUR 1.8 million in 2017 (2016: EUR 1.7 million, 2015: EUR 2.4 million).

2.4. TRADE AND OTHER RECEIVABLES (CURRENT)

Trade and other receivables

Trade receivables are carried at original invoiced amount less any impairment losses. The assessment of doubtful receivables and need to recognise an impairment loss is based on objective evidence of potential non-recovery of a single asset. Examples of this kind of evidence resulting in impairment include significant financial difficulties of the debtor, likelihood that the debtor will enter bankruptcy or other financial reorganisation as well as the notable and continuous neglect of payment due dates. An impairment loss is recognised immediately in profit or loss. Altia records a provision for all receivables pass 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	2017	2016	2015
Trade receivables	48.1	58.5	53.3
Accrued income	1.8	2.2	2.2
Receivables on derivative instruments	1.4	0.8	0.5
Other receivables	2.6	2.4	3.2
TOTAL	**53.9**	**63.8**	**59.1**

At the end of the reporting period 2017 the sold trade receivables amounted to EUR 83.6 million (2016: EUR 85.6 million, 2015: EUR 91.4 million). Trade receivables from associated companies and joint operations are presented in Note 6.3.

AGEING ANALYSIS OF TRADE RECEIVABLES

EUR million	2017	2016	2015
Trade receivables not past due	44.7	53.8	47.6
Trade receivables past due 1-90 days	3.5	4.5	5.2
Trade receivables past due over 90 days	0.2	0.7	1.6
Impairment losses	-0.3	-0.6	-1.2
TOTAL	**48.1**	**58.5**	**53.3**

The realised impairment losses recognised on trade receivables during the year 2017 amounted to EUR 0.2 million (2016: EUR 0.1 million, 2015: EUR 0.1 million).

2.5. 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 Finland Altia switched from the voluntary defined benefit pension to a defined contribution plan in 2016.

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. The Finnish supplementary pensions, which was changed in the end of 2016, mainly concern pensions already begun and paid-up policies, for which the company's obligation was mainly limited to costs related to the increases in index.

Change in Altia's defined benefit pension plan in 2016

Altia Plc has had a defined benefit pension plan for supplementary pensions continuing the pension coverage provided by the Alko Pension Fund, which was closed at the beginning of 1994. As there were significant amendments to the statutory employee pension coverage, Altia and employees' representatives reviewed the supplementary pension coverage together and decided to propose to the Board of Directors of Altia that supplementary pensions earned by 1 January 2017 be fixed and the insurance changed into a defined contribution plan. At the same time, it was agreed that Altia will no longer fund future annual index increases to pensions. Until the change, the supplementary pensions had followed the employee pension index so that Altia had annually paid the insurance contribution required for the increases. In 2015 and 2016, the increases in the employee pension have remained relatively low (0% in 2016 and 0.39% in 2015). Altia's Board of Directors decided that instead of the increase based on the employee pension index, the supplementary pensions will be increased by 4.5% on 1 January 2017, and after this lump-sum compensation the pensions will be increased in accordance with the increase decision made annually by the insurance company. Following the arrangement, Altia no longer has any defined pension obligations based on Finnish supplementary pensions under IFRS standards (IAS 19). Consequently, Altia's employee benefit expenses for the year ended 31 December 2016 includes a gain of EUR 16.5 million on settlement of defined benefit obligations. The cash flow effect from the arrangement amounted to EUR -4.1 million in 2016. The effect on result is presented in Note 1.5 Employee benefit expenses.

DEFINED BENEFIT PENSION LIABILITY IN THE BALANCE SHEET

EUR million	2017	2016	2015
Present value of unfunded obligations	1.2	1.6	1.4
Present value of funded obligations	-	-	93.9
Fair value of plan assets	-	-	-74.0
Taxes, Norway	0.2	0.2	0.2
NET PENSION LIABILITY IN THE BALANCE SHEET	**1.3**	**1.8**	**21.6**

DEFINED BENEFIT PENSION EXPENSE IN PROFIT OR LOSS

EUR million	2017	2016	2015
Settlement gain of defined benefit obligation	-	16.5	-
Current service cost	0.0	-0.3	-0.4
Net interest	-0.0	-0.5	-0.5
Tax effect, Norway	-0.0	-0.0	-0.0
PENSION EXPENSES RECOGNIZED IN PROFIT OR LOSS, PROFIT (+), LOSS (-)	**-0.0**	**15.7**	**-0.8**

ITEMS OF OTHER COMPREHENSIVE INCOME

EUR million	2017	2016	2015
Remeasurements			
Return on plan assets, excluding interest income and interest expense	0.0	10.5	-9.4
Gain (loss) related to changes in demographic assumptions	-	-	2.1
Gain (loss) related to changes in financial assumptions	-0.0	-4.1	8.4
Experience adjustment - gain (loss)	-0.0	-6.9	4.6
Tax effect, Norway	-0.0	0.0	0.1
TOTAL COMPREHENSIVE INCOME	**-0.0**	**-0.4**	**5.8**

CHANGES IN PENSION OBLIGATION AND FAIR VALUE OF PLAN ASSETS IN THE BALANCE SHEET

EUR million	2017	2016	2015
Present value of the obligation:			
Obligation at 1 January	1.8	95.6	114.3
Service cost	0.0	0.3	0.4
Interest cost	0.0	2.0	1.9
Benefits paid	-0.3	-5.9	-5.7
Exchange differences	-0.3	-0.2	-0.4
Remeasurement gains (-) and losses (+)	-0.0	11.3	-15.1
Settlement	-	-101.5	-
Tax effect, Norway	0.2	0.2	0.2
OBLIGATION AT 31 DECEMBER	**1.3**	**1.8**	**95.6**

EUR million	2017	2016	2015
Fair value of plan assets:			
Fair value of plan assets at 1 January	-	74.0	87.0
Interest income	-	1.5	1.4
Contributions paid by employer to the plan	-0.1	-5.9	0.5
Return on plan assets, excluding items recognized in interest expense	-	10.5	-9.4
Benefits paid	0.1	4.9	-5.6
Settlement	-	-85.0	-
FAIR VALUE OF PLAN ASSETS AT 31 DECEMBER	**-**	**-**	**74.0**

SIGNIFICANT ACTUARIAL ASSUMPTIONS

	2017	2016	2015
Finland			
Discount rate	-	1.8%	2.1%
Future pension growth	-	1.5%	1.8%
Future salary growth	-	2.8%	2.8%
Insurance companies' reimbursement assumption	-	0.0%	0.0%
Norway			
Discount rate	1.9%	2.1%	1.5%
Future pension growth	2.0%	2.0%	2.0%

The weighted average duration of the obligation is 13 years (2016: 13 years, 2015: 14 years.)

SENSITIVITY ANALYSIS, IMPACT ON DEFINED BENEFIT OBLIGATION AND PLAN ASSETS

2017 Assumption	Change in assumption	Change in obligation, EUR million	Change in obligation, %
Discount rate	+0.5%	-0.1	-5.4%
Growth rate of pensions	+0.5%	0.1	5.8%
Growth rate of salaries	+0.5%	0.0	0.0%
Change in mortality rate	1 year in life expectancy	0.1	5.0%

2016 Assumption	Change in assumption	Change in obligation, EUR million	Change in obligation, %
Discount rate	+0.5%	-0.1	-5.4%
Growth rate of pensions	+0.5%	0.1	5.9%
Growth rate of salaries	+0.5%	0.0	0.0%
Change in mortality rate	1 year in life expectancy	0.1	4.7%

2015 Assumption	Change in assumption	Change in obligation, EUR million	Change in plan assets EUR million	Change in obligation, %	Change in plan assets, %
Discount rate	+0.5%	-5.1	-4.2	-5.4%	-5.8%
Growth rate of pensions	+0.5%	5.6	0.0	6.0%	0.0%
Growth rate of salaries	+0.5%	0.2	0.0	0.3%	0.0%
Change in mortality rate	1 year in life expectancy	3.7	2.5	4.0%	3.5%
Insurance companies' reimbursement	+0.5%	0.0	4.0	0.0%	5.5%

2.6. TRADE AND OTHER PAYABLES

EUR million	2017	2016	2015
Current			
Trade payables	29.2	28.0	28.9
Accruals for wages and salaries and social security contributions	3.6	3.5	4.1
Interest liabilities	0.1	0.2	0.3
Other accrued expenses	18.0	13.4	12.7
Derivative liabilities	1.5	2.2	2.6
Excise tax	50.1	57.8	58.4
VAT liability	26.9	28.6	27.9
Other liabilities	7.9	8.9	8.6
TOTAL	**137.4**	**142.7**	**143.5**

2.7. PROVISIONS

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.

Restructuring provisions included mainly costs for various projects to streamline operations and consists of employee termination benefits.

Restoration provisions related to obligation to restore former Altia headquarters in Helsinki to its original state and remaining rental expenses of the unused premises.

PROVISIONS

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	-	-	-

EUR million	Restructuring	Restoration	Total
Provision at 31 December 2015	1.1	2.3	3.4
Provisions made during the year	0.5	-	0.5
Provisions used during the year	-0.9	-1.7	-2.6
PROVISION AT 31 DECEMBER 2016	**0.7**	**0.6**	**1.3**
Currrent	0.7	0.6	1.3
Non-Current	-	-	-

EUR million	Restructuring	Restoration	Total
Provision at 31 December 2014	2.0	1.3	3.4
Provisions made during the year	-	1.0	1.0
Provisions used during the year	-0.9	-	-0.9
PROVISION AT 31 DECEMBER 2015	**1.1**	**2.3**	**3.4**
Currrent	0.4	1.7	2.1
Non-Current	0.7	0.6	1.3

3. Financial items and capital structure

3.1. FINANCE INCOME AND EXPENSES

FINANCE INCOME

EUR million	2017	2016	2015
Interest income			
Forward points on FX-forwards	0.2	0.1	0.1
Loans, receivables and cash and cash equivalents	0.1	0.1	0.2
Derivatives under hedge accounting	-	-	0.0
Total interest income	**0.3**	**0.3**	**0.3**
Foreign exchange gains			
Foreign exchange gains on FX-derivatives	1.7	0.8	0.1
Foreign exchange gains on I/C loans and cash pool accounts	2.4	0.2	0.3
Total foreign exchange gains	**4.0**	**0.9**	**0.4**
Dividend income			
Available-for-sale financial assets	0.2	0.1	0.1
Total dividend income	**0.2**	**0.1**	**0.1**
TOTAL FINANCE INCOME	**4.5**	**1.3**	**0.8**

Foreign exchange differences arising from trade receivables and trade payables amounting to EUR -0.1 million (2016: EUR -0.1 million, 2015: EUR -0.0 million) and from currency derivatives amounting to EUR 0.1 million (2016: EUR 0.8 million 2015: EUR 0.7 million) are included in operating result.

FINANCE EXPENSES

EUR million	2017	2016	2015
Interest expenses			
Forward points on FX-forwards	0.1	0.1	0.1
Financial liabilities at amortised cost	1.1	1.1	1.6
Derivatives under hedge accounting (Interest rate risk)	0.4	0.4	0.7
Other interest expenses, pension liability	0.0	0.5	0.5
Total interest expenses	**1.6**	**2.1**	**2.8**
Foreign exchange losses			
Foreign exchange losses on FX-derivatives	3.2	0.4	0.1
Foreign exchange losses on I/C loans and cash pool accounts	1.0	0.5	0.2
Total foreign exchange losses	**4.1**	**0.9**	**0.2**
Other finance expenses			
Other financial expenses	0.7	0.6	0.7
Ineffective portion of commodity derivatives under hedge accounting	-0.0	-	0.2
Other commodity derivatives	-	-0.1	-0.3
Total other finance expenses	**0.7**	**0.5**	**0.6**
TOTAL FINANCE EXPENSES	**6.4**	**3.4**	**3.6**

Interest expenses include finance lease related interest expenses amounting to EUR 0.0 million in 2017 (2016: EUR 0.1 million, 2015: EUR 0.1 million).

3.2. FINANCIAL ASSETS

The Group's financial assets are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. Classification is made upon initial recognition based on the purpose of use of the asset. The basis of classification is re-assessed at each reporting date. Fair values of the financial assets and their classification are described in Note 3.4.

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, excluding derivative instruments, which are always recognised in the current items of the balance sheet.

3.2.1. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets consisting of unquoted shares amounted to EUR 1.4 million (2016: EUR 0.8 million, 2015: EUR 0.8 million). Altia is a minority shareholder in Chemigate Oy and has revalued its investment at a fair value of EUR 0.8 million at 31 December 2017 and the increase in fair value EUR 0.6 million has been recorded to other comprehensive income.

3.2.2. OTHER RECEIVABLES

Other receivables consists of deferred purchase consideration receivable from the sale of Svendborg real-estate amounting to EUR 1.0 million in 2017. The capital loan receivables amounted to EUR 0.3 million at 31 December 2016 (2015: EUR 0.5 million) and have been repaid in 2017.

3.2.3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents

Cash and cash equivalents comprise cash at hand, cash in bank as well as other highly liquid investments with maturities of three months or less on the acquisition date.

EUR million	2017	2016	2015
Cash at hand and in bank	52.4	68.0	73.9
Cash equivalents	-	-	2.4
TOTAL	**52.4**	**68.0**	**76.3**

3.3. 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. Fair values of the financial liabilities and their classification in more detail is described in Note 3.4.

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, with the exception of derivative instruments that are always recognised in current items in the balance sheet.

3.3.1 BORROWINGS

EUR million	2017	2016	2015
Non-current			
Loans from financial institutions	74.7	64.8	87.2
Loans from pension institutions	14.3	-	-
Finance lease liabilities	0.2	0.1	1.2
TOTAL	**89.1**	**64.9**	**88.4**
Current			
Loans from financial institutions	10.0	7.5	7.5
Loans from pension institutions	0.8	-	-
Finance lease liabilities	0.2	0.3	0.8
TOTAL	**11.0**	**7.8**	**8.3**

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 2017, 31 December 2016 and 31 December 2015.

The weighted average effective interest rate (p.a.) of the Group's loans from financial and pension institutions as at 31 December 2017 was 1.6% (2016: 1.7%, 2015: 1.5%).

The weighted average interest rate (p.a.) of the Group's finance lease liabilities as at 31 December 2017 was 1.5% (2016: 1.6%, 2015: 2.6%).

Altia refinanced its loan portfolio in December 2017 and all existing loans were early repaid. The unamortised costs related to repaid loans were recognised in financial expenses amounting EUR 0.8 million.

On December 2017, the Company entered into an unsecured EUR 75 million term loan and EUR 60 million revolving credit facilities agreement with three banks. (Senior facilities agreement). Altia drew down a EUR 20 million term loan facility, a EUR 55 million term loan facility and EUR 10 million under the revolving credit facility of the Senior Facilities Agreement .

The EUR 20 million term loan facility terminates on January 2022, and is repaid in yearly instalments of EUR 5 million starting on January 2019. The EUR 55 million term loan facility terminates on January 2023 unless it is extended by optional one year, and is repaid in full on its termination date. The EUR 60 million revolving credit facility terminates on January 2023 unless it is extended by optional one year.

Interest on amounts drawn under the term loan facilities and the revolving credit facility is determined by reference to EURIBOR and are defined as the sum of an applicable margin and EURIBOR. The margin for each of the facilities depends on the gearing covenant.

The Senior Facilities Agreement contains a financing covenant relating to gearing, according to which the ratio of net-interest bearing debt to consolidated equity of the Company shall not exceed 120 per cent. Compliance with the gearing covenant is monitored quarterly. The Senior Facilities Agreement contains other customary covenants.

On December 2017, the Company entered into a EUR 15 million premium loan agreement (TYEL pension loan). The premium loan has a maturity of ten years and its principal is amortised biannually beginning on July 2018. Interest on the loan amount is also paid biannually and is defined as the sum of a margin and the 10-year TyEL reference rate from time to time. The premium loan is secured by a guarantee as for one's own debt issued by Garantia Insurance Company Ltd on December 2017.

3.3.2. NET DEBT

Movements in Net debt the year ended 31 December 2017

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
Net debt as at 31.12.2016	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
TOTAL	**52.4**	**89.0**	**10.8**	**0.2**	**0.2**	**47.7**

3.4. CLASSIFICATION AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Financial assets

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), the realised and unrealised gains and losses are recognised in profit or loss and included in operating result.

Loans and other receivables

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. 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 receivables are presented within financial items in the foreign exchange differences of the Loans and receivables category.

Available-for-sale financial assets

Available-for-sale financial 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.

Available-for-sale financial assets 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.

The Group estimates at each reporting date whether there is objective evidence of impairment of an available-for-sale financial asset. Impairment losses for which there is objective evidence are immediately recognised in profit or loss. For example, a significant or long-term decrease in fair value below the original cost of an asset can be regarded as objective evidence of impairment. The Group determined that none of the investments in available-for-sale financial assets have impaired in 2017, 2016 or 2015.

Financial 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.

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 IAS 39. 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 3.5.

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.

The following table presents the fair values and the carrying amounts in the consolidated balance sheet for each financial instrument by classes:

2017 EUR million	Note	Derivatives, hedge accounting	Financial assets/liabilities at fair value through profit or loss	Loans and other 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	3.2.2.	-	-	1.0	-	-	1.0	1.0	
Current financial assets									
Trade and other receivables	2.4.	-	-	49.7	-	-	49.7	49.7	
Trade and other receivables/Derivative instruments									
Forward exchange contracts	2.4.	0.8	0.3	-	-	-	1.1	1.1	2
Commodity derivatives	2.4.	0.3	-	-	-	-	0.3	0.3	2
Cash and cash equivalents	3.2.3.	-	-	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	3.3.1.	-	-	-	-	89.1	89.1	89.1	2
Current financial liabilities									
Borrowings	3.3.1.	-	-	-	-	11.0	11.0	11.0	2
Trade and other payables	2.6.	-	-	-	-	29.3	29.3	29.3	
Trade and other payables/Derivative instruments									
Interest rate derivatives	2.6.	1.4	-	-	-	-	1.4	1.4	2
Forward exchange contracts	2.6.	0.1	0.0	-	-	-	0.1	0.1	2
TOTAL		**1.5**	**0.0**	**-**	**-**	**129.5**	**131.0**	**131.0**	

2016 EUR million	Note	Derivatives, hedge accounting	Financial assets/liabilities at fair value through profit or loss	Loans and other 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.	-	-	-	0.8	-	0.8	0.8	3
Loan receivables	3.2.2.	-	-	0.3	-	-	0.3	0.3	
Current financial assets									
Trade and other receivables	2.4.	-	-	59.7	-	-	59.7	59.7	
Trade and other receivables/Derivative instruments									
Forward exchange contracts	2.4.	0.3	0.4	-	-	-	0.7	0.7	2
Commodity derivatives	2.4.	0.0	-	-	-	-	0.0	0.0	
Cash and cash equivalents	3.2.3.	-	-	68.0	-	-	68.0	68.0	
TOTAL		**0.3**	**0.4**	**135.5**	**0.8**	**-**	**137.1**	**137.1**	
Financial liabilities									
Non-current financial liabilities									
Borrowings	3.3.1.	-	-	-	-	64.9	64.9	64.9	2
Current financial liabilities									
Borrowings	3.3.1.	-	-	-	-	7.8	7.8	7.8	2
Trade and other payables	2.6.	-	-	-	-	28.7	28.7	28.7	
Trade and other payables/Derivative instruments									
Interest rate derivatives	2.6.	1.9	-	-	-	-	1.9	1.9	2
Forward exchange contracts	2.6.	0.3	0.0	-	-	-	0.4	0.4	2
TOTAL		**2.2**	**0.0**	**-**	**-**	**101.5**	**103.7**	**103.7**	

2015 EUR million	Note	Derivatives, hedge accounting	Financial assets/liabilities at fair value through profit or loss	Loans and other 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.	-	-	-	0.8	-	0.8	0.8	3
Loan receivables	3.2.2.	-	-	0.5	-	-	0.5	0.5	
Current financial assets									
Trade and other receivables	2.4.	-	-	55.1	-	-	55.1	55.1	
Derivative instruments/Forward exchange contracts		0.4	0.0	-	-	-	0.5	0.5	2
Cash and cash equivalents	3.2.3.	-	-	76.3	-	-	76.3	76.3	
TOTAL		**0.4**	**0.0**	**139.3**	**0.8**	**-**	**140.6**	**140.6**	
Financial liabilities									
Non-current financial liabilities									
Borrowings	3.3.1.	-	-	-	-	88.4	88.4	88.4	2
Current financial liabilities									
Borrowings	3.3.1.	-	-	-	-	8.3	8.3	8.3	2
Trade and other payables	2.6.	-	-	-	-	29.9	29.9	29.9	
Trade and other payables/derivative instruments									
Interest rate derivatives	2.6.	1.5	-	-	-	-	1.5	1.5	2
Forward exchange contracts	2.6.	0.2	0.0	-	-	-	0.3	0.3	
Commodity derivatives	2.6.	0.6	0.2	-	-	-	0.8	0.8	2
TOTAL		**2.4**	**0.2**	**-**	**-**	**126.6**	**129.2**	**129.2**	

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.

3.5. DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING

When the Group applies IAS 39 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. The effectiveness of hedging instruments is tested both prospectively and retrospectively. 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 if the realised results of the hedging instrument offset the changes in the cash flows of the hedged item by 80–125 percent. 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 other comprehensive income and presented in the hedge reserve in equity. The ineffective portion is immediately recognised 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 profit or loss.

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 operating result 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 financial 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.

Changes in the premium on forward contracts and time value of options are always recognised through profit or loss. Thus hedge accounting is not applied to these items, even if hedge accounting is applied to the derivative instrument in question.

NOMINAL VALUES OF DERIVATIVE INSTRUMENTS

EUR million	2017	2016	2015
Derivative instruments designated for cash flow hedging			
Interest rate derivatives	20.0	20.0	20.0
Forward exchange contracts	30.3	26.7	30.6
Commodity derivatives, electricity	2.5	3.0	3.6
	0.1TWh	0.1TWh	0.1TWh
Derivative instruments, non-hedge accounting			
Forward exchange contracts	24.7*	52.9	8.4

*Total EUR 21.3 million in nominal value relates to hedging internal deposits in currency to parent company amounting the same. These deposits are made in order to mitigate the effects of the banks' negative deposit rates.

Positive and negative fair values of unrealised derivatives and their net amount are presented below. 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.

NET POSITIONS

EUR million	2017	2016	2015
Derivative assets:			
Fair value, gross	1.1	0.7	0.5
Fair value, under netting agreements	-0.2	-0.2	-0.1
Fair value, net	1.0	0.6	0.4
Derivative liabilities:			
Fair value, gross	1.5	2.2	1.8
Fair value, under netting agreements	-0.2	-0.2	-0.1
Fair value, net	1.3	2.1	1.7

3.6. EQUITY

Share capital

Altia Plc's share capital, paid in its entirety and registered in the trade register, was EUR 60,480,378.36 at the end of 2017, 2016 and 2015. At 31 December 2016, the Company had two share series, series A and series L. 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 at 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 2017, 2016 and 2015 there were 35,960,000 A series shares. At the end of financial period 2016 and 2015 there were 25,003 L series shares.

Fair value reserve

The fair value reserve represents the change in the fair value of available-for sale financial assets.

Hedge reserve

The hedge reserve includes the fair value changes of derivative instruments used for cash flow hedging for effective hedges.

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 16.0 million at 31 December 2017 (31.12.2016: negative EUR 12.3 million, 31.12.2015: negative EUR 9.6 million).

Treasury shares

The amounts paid for the redeemed shares have been recorded as a reduction of retained earnings.

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.

	2017	2016	2015
Result attributable to the shareholders of the parent company, EUR million	18.3	36.1	18.1
Weighted average number of shares outstanding (1,000 pcs)	35,960	35,960	35,960
Basic and diluted earnings per share (EUR)	0.51	1.00	0.50

Dividend

The Board of Directors proposes to the Annual General Meeting that no dividend is paid for the financial year 2017. The Annual General Meeting held on 21 March 2017 set a dividend of EUR 0.29 per share for the year 2016, totalling to EUR 10,428,400. Extra dividend of EUR 1.67 per share for the year 2016, totaling EUR 60,053,200 was paid on 18 December 2017.

The Annual General Meeting held on 29 March 2016 set a dividend of EUR 0.29 per share for the year 2015, totalling to EUR 10,428,400.

ALTIA PLC'S DISTRIBUTABLE FUNDS

EUR million	31 Dec 2017	31 Dec 2016	31 Dec 2015
Retained earnings	100.7	101.0	92.6
Distribution of dividends	-70.5	-10.4	-
Profit for the period	26.5	10.1	8.4
TOTAL DISTRIBUTABLE FUNDS	**56.8**	**100.7**	**101.0**

Gearing
34.9%

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 IAS 39 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	2017	2016	2015
EUR-SEK	-19.5	-11.8	-19.1
EUR-NOK	-1.3	-2.7	0.2
EUR-USD	3.9	5.4	4.7
EUR-AUD	1.7	2.4	2.1

The Group's net currency position at 31 December including also the hedged commercial cash flows			
EUR million	2017	2016	2015
EUR-SEK	2.0	1.6	2.4
EUR-NOK	1.3	-0.1	1.1
EUR-USD	0.1	0.6	-0.3
EUR-AUD	0.0	0.2	0.1

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. Altia refinanced its loan portfolio in December 2017 and all existing loans were early repaid as described in detail in Note 3.3.1. At 31 December 2017 the total nominal amount of loans was EUR 100.0 million 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 subject to one year extension option. 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 15.0 million pension loan matures in January 2028. The interest rate is fixed for the whole loan period.
- The EUR 10 million short term loan matures in March 2018. The interest rate on the loan is three-month market rate. The interest payment is not hedged.

The maximum amount under Altia's domestic commercial paper program is EUR 100 million. There were no issued commercial papers at 31 December 2017, 2016 and 2015.

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 83.6 million at 31 December 2017 (2016: EUR 85.6 million, 2015: EUR 91.4 million).

3. Price risk associated with commodities

Barley

In 2017, Altia used approximately 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.

At the end of 2017, the hedging ratio for deliveries for the next 12 months was 67.6% (2016: 68.3%, 2015: 80.7%), in line with the set targets. In 2017, the total exposure was EUR 2.5 million and the average hedging ratio was 70.0%.

Cash flow hedge accounting in accordance with IAS 39 is applied to the hedges against electricity price risk, and hedge effectiveness is tested quarterly. The ineffective portion at the end of 2017, EUR -0.1 million (2016: EUR -0.1 million, 2015: EUR 0.2 million) is recognised within 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.

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 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	2017		2016		2015	
EUR million	Income statement	Equity	Income statement	Equity	Income statement	Equity
+/-10% electricity	-	+/-0.3	-	+/-0.3	+/-0.1	+/-0.2
+/-10% change in EUR/NOK exchange rate	+/-0.1	-	+/-0.3	-	+/-0.0	-
+/-10% change in EUR/SEK exchange rate	+/-2.0	-	+/-1.2	-	+/-1.9	-
+/-10% change in EUR/USD exchange rate	-/+0.4	-	-/+0.5	-	-/+0.5	-
+/-10% change in EUR/AUD exchange rate	-/+0.2	-	-/+0.2	-	-/+0.2	-

At the end of 2017 the total group floating rate liability position consists of floating rate liabilities EUR 85.0 million (2016: EUR 72.5 million, 2015: EUR 95.0 million) and floating leg of interest rate swap EUR 20 million (2016: EUR 20.0 million, 2015: 20.0 million) which is netting the interest rate risk.

A one percentage point increase in interest rates would have an EUR -0.7 million effect in income statement (2016: EUR -0.5 million, 2015: EUR -0.8 million). The effect of increase in market interest rates on the Group's profit is determined from net interest expenses.

Liquidity risk

In order to manage the liquidity risk, Altia continuously maintains sufficient liquidity reserves, which at the end of 2017 comprised Group's EUR 10 million overdraft facility and a EUR 60 million revolving credit facility. As of December 2017 EUR 10 million from revolving credit facility was in use. The revolving credit facility matures in January 2023 subject to one year extension option. 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	2017	2016	2015
Cash and cash equivalents	52.4	68.0	76.3
Overdraft facilities	10.0	20.0	20.0
Revolving credit line	50.0	50.0	60.0
TOTAL	**112.4**	**138.0**	**156.3**

TABLE 4: MATURITIES OF FINANCIAL LIABILITIES

Contractual payments on financial liabilities 2017 EUR million	Carrying value	Cash flows 2018 Fixed rate	Variable rate	Re-payment	Cash flows 2019 Fixed rate	Variable rate	Re-payment	Cash flows 2020- 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

Contractual payments on financial liabilities 2016 EUR million	Carrying value	Cash flows 2017 Fixed rate	Variable rate	Re-payment	Cash flows 2018 Fixed rate	Variable rate	Re-payment	Cash flows 2019- Fixed rate	Variable rate	Re-payment
Non-derivative:										
Loans from financial institutions	-73.9	-	-0.5	-7.5	-	-0.5	-35.0	-	-0.4	-30.0
Finance lease liabilities	0.5	-	-	0.3	-	-	0.2	-	-	0.0
Trade payables	-28.0	-	-	-28.0	-	-	-	-	-	-
Derivative:										
Currency derivatives, hedge accounting										
Inflow	26.5	-	-	26.6	-	-	-	-	-	-
Outflow	-26.6	-	-	-26.6	-	-	-	-	-	-
Currency derivatives, non-hedge accounting										
Inflow	52.9	-	-	52.9	-	-	-	-	-	-
Outflow	-52.5	-	-	-52.5	-	-	-	-	-	-
Interest rate derivatives, hedge accounting	-1.9	-0.3	-	-	-0.3	-	-	-1.3	-	-
Commodity derivatives, hedge accounting	0.0	-	-	0.0	-	-	0.0	-	-	0.0
TOTAL	**-102.8**	**-0.3**	**-0.5**	**-34.8**	**-0.3**	**-0.5**	**-34.8**	**-1.3**	**-0.4**	**-29.9**

Contractual payments on financial liabilities 2015 EUR million	Carrying value	Cash flows 2016 Fixed rate	Cash flows 2016 Variable rate	Cash flows 2016 Re-payment	Cash flows 2017 Fixed rate	Cash flows 2017 Variable rate	Cash flows 2017 Re-payment	Cash flows 2018- Fixed rate	Cash flows 2018- Variable rate	Cash flows 2018- Re-payment
Non-derivative:										
Loans from financial institutions	-98.1	-	-0.8	-7.5	-	-0.7	-7.5	-	-1.6	-80.0
Finance lease liabilities	2.3	-	-	0.7	-	-	0.7	-	-	0.8
Trade payables	-28.9	-	-	-28.9	-	-	-	-	-	-
Derivative:										
Currency derivatives, hedge accounting										
Inflow	30.5	-	-	30.5	-	-	-	-	-	-
Outflow	-30.2	-	-	-30.2	-	-	-	-	-	-
Currency derivatives, non-hedge accounting										
Inflow	8.4	-	-	8.4	-	-	-	-	-	-
Outflow	-8.4	-	-	-8.4	-	-	-	-	-	-
Interest rate derivatives, hedge accounting	-1.5	-0.2	-	-	-0.2	-	-	-1.1	-	-
Commodity derivatives, hedge accounting	-0.8	-	-	-0.5	-	-	-0.2	-	-	-0.2
TOTAL	**-126.8**	**-0.2**	**-0.8**	**-35.9**	**-0.2**	**-0.7**	**-7.0**	**-1.1**	**-1.6**	**-79.4**

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 offers the company a continuous access to the capital markets despite the volatility of the industry. Although Altia does not have a public rating, the company aims to obtain a capital structure comparable to that of other companies in the industry that have investment rating. 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 2017, 31 December 2016 and 31 December 2015 the gearing ratio was as follows:

TABLE 5: GEARING

Gearing as of 31 December, EUR million	2017	2016	2015
Borrowings	100.1	72.8	96.7
Cash and cash equivalents	52.4	68.0	76.3
Net debt	47.7	4.7	20.4
Total equity	136.8	191.3	168.6
GEARING AT 31 DECEMBER	**34.9%**	**2.5%**	**12.1%**

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. 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. 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 available-for-sale and accounted for according to principles described in Note 3.2.1.

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 2017, 31 December 2016 or 31 December 2015.

Altia Plc had 23 subsidiaries at the end of the reporting period (23 subsidiaries at 31 December 2016 and at 31 December 2015).

	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 Statement's 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

	2017 Share of ownership %	2016 Share of ownership %	2015 Share of ownership %
Roal Oy, Finland	50.00	50.00	50.00
Palpa Lasi Oy, Finland	25.53	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 2017, 31 December 2016 and 31 December 2015.

FINANCIAL SUMMARY OF ASSOCIATED COMPANIES

EUR million	2017	2016	2015
Assets	5.9	5.8	5.2
Liabilities	7.3	8.9	8.8
Net assets	-1.5	-3.1	-3.6
Net sales	17.5	15.9	15.1
Result for the period	1.2	0.6	-0.3

The net assets of Palpa Lasi Oy is negative at 31 December 2017, 31 December 2016 and 31 December 2015.

Related party transactions with associated companies and joint operations are presented in Note 6.3.

6. Other notes

6.1. INCOME TAX EXPENSE

Income tax expense

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.

From 2017 onwards 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	2017	2016	2015
Current income tax expense	6.3	4.7	3.3
Adjustments to taxes for prior periods	-0.2	0.1	0.4
Deferred taxes:			
Origination and reversal of temporary differences	0.6	4.1	1.5
Impact of changes in tax rates	0.0	0.0	-0.0
TOTAL	**6.7**	**9.0**	**5.2**

Settlement of Altia's defined benefit pension plan impacted a deferred tax expense by EUR 4.2 million in year 2016. Change in pension arrangement is described in Note 2.5.

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	2017	2016	2015
Result before taxes	25.0	45.0	23.4
Income tax using the parent company's tax rate	5.0	9.0	4.7
Effect of tax rates of subsidiaries in foreign jurisdictions	0.4	-0.2	-0.0
Tax-exempt income	-0.2	-0.3	-0.2
Non-deductible expenses	0.1	0.2	0.2
Utilisation of previously unrecognised tax losses	-0.4	-0.0	-0.0
Adjustments to taxes for prior periods	-0.2	0.1	0.4
Effect of changes in tax rates	0.0	0.0	-0.0
Tax arising on dividends	0.6	-	-
Tax on undistributed earnings	1.7	-	-
Other items	-0.3	0.2	0.2
TAX EXPENSE IN PROFIT OR LOSS	**6.7**	**9.0**	**5.2**

The recognised tax expense on undistributed earnings, EUR 1.7 million, is due to the reassessment of deferred tax liabilities of retained earnings in Estonia.

INCOME TAX RECOGNISED IN OTHER COMPREHENSIVE INCOME

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**

2016 EUR million	Before tax	Tax	Net of tax
Cash flow hedges	0.1	-0.0	0.1
Translation differences	-2.7	-	-2.7
Remeasurements of post-employment benefit obligations	-0.4	0.1	-0.4
TOTAL	**-3.0**	**0.1**	**-3.0**

2015 EUR million	Before tax	Tax	Net of tax
Cash flow hedges	-0.0	0.0	-0.0
Translation differences	1.5	-	1.5
Remeasurements of post-employment benefit obligations	5.8	-1.2	4.6
TOTAL	**7.3**	**-1.2**	**6.1**

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**

Change in deferred tax assets and liabilities during 2016: EUR million	1 Jan 2016	Recognised in profit or loss	Recognised in other comprehensive income	Exchange rate differences	31 Dec 2016
Deferred tax assets:					
Tax losses	1.1	-0.9	-	0.0	0.2
Fixed assets	4.2	-0.8	-	0.0	3.4
Pension benefits	4.4	-4.2	0.1	0.0	0.3
Internal margin of inventories	0.1	-0.0	-	-0.0	0.1
Recognised in hedge reserve	0.4	-	-0.0	-0.0	0.4
Other temporary differences	0.5	-0.3	-	0.0	0.2
Total	**10.7**	**-6.2**	**0.1**	**0.0**	**4.6**
Deferred tax liabilities:					
Fixed assets	4.5	0.8	-	0.0	5.2
Recognised in hedge reserve	0.0	-	0.0	0.0	0.0
Fair value allocation on acquisitions	5.2	-1.9	-	-0.1	3.2
Deductable goodwill depreciation	10.8	0.0	-	-0.3	10.5
Other temporary differences	2.7	-1.0	-	0.0	1.7
Total	**23.2**	**-2.1**	**0.0**	**-0.4**	**20.7**

Change in deferred tax assets and liabilities during 2015: EUR million	1 Jan 2015	Recognised in profit or loss	Recognised in other comprehensive income	Exchange rate differences	31 Dec 2015
Deferred tax assets:					
Tax losses	1.9	-0.7	-	-0.0	1.1
Fixed assets	4.7	-0.5	-	-0.0	4.2
Pension benefits	5.6	0.0	-1.2	-0.0	4.4
Internal margin of inventories	0.1	0.0	-	-0.0	0.1
Recognised in hedge reserve	0.4	-	-0.0	-	0.4
Other temporary differences	1.2	-0.6	-	0.0	0.5
Total	**13.9**	**-1.9**	**-1.2**	**-0.0**	**10.7**
Deferred tax liabilities:					
Fixed assets	3.3	1.2	-	-0.0	4.5
Recognised in hedge reserve	0.1	-	-0.1	-0.0	0.0
Fair value allocation on acquisitions	5.7	-0.6	-	0.1	5.2
Deductable goodwill depreciation	10.1	0.5	-	0.2	10.8
Other temporary differences	4.1	-1.4	-	-0.0	2.7
Total	**23.3**	**-0.3**	**-0.1**	**0.2**	**23.2**

At 31 December 2017, the Group had EUR 5,6 million (2016: EUR 8.2 million, 2015: EUR 7.2 million) of tax loss carry forwards for which no deferred tax was recognised. EUR 5.5 million of these temporary differences expire in 5 years and the rest expire between 5-10 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	2017	2016	2015
Collaterals and commitments			
Collaterals given on behalf of Group companies			
Mortgages	18.5	18.5	18.5
Guarantees	6.4	8.0	8.5
TOTAL COLLATERALS	**24.9**	**26.5**	**27.0**
Other commitments			
Operating lease obligations			
Less than one year	4.8	5.0	6.6
Between one and five years	11.5	12.2	12.8
More than five years	0.9	2.5	4.9
Total operating lease obligations	17.1	19.8	24.3
Other commitments	19.7	26.1	25.5
TOTAL COMMITMENTS	**36.8**	**45.9**	**49.8**

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 2017, 2016 and 2015, as well as their fair values:

Emission allowances, kilotons	2017	2016	2015
Emission allowances received	27.4	28.0	28.5
Excess emission allowances from the previous period	39.2	37.4	39.6
Adjustments related to prior year's estimates	-0.0	-0.0	-0.0
Realised emissions	-21.0	-26.2	-30.7
EMISSION ALLOWANCES AT 31 DECEMBER	**45.6**	**39.2**	**37.4**
Fair value of emission allowances at 31 December, EUR million	0.4	0.2	0.3

The emission allowances received during year 2017 and the realised emissions are estimates, which will be adjusted during the spring 2018. 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 and associated companies and joint operations in Note 5.3. 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, as well as the State of Finland which owns 100% of the shares in Altia. 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 transaction with the government related entities. Transactions with related parties are entered into on market terms. Altia has related party transaction on a continuous basis with its major customer Alko. Transaction with Alko have been presented below under Other companies considered related parties.

THE FOLLOWING TRANSACTIONS HAVE TAKEN PLACE WITH RELATED PARTIES

EUR million	2017	2016	2015
Sales of goods and services			
Associates and joint operations	1.0	1.3	2.8
Other companies considered related parties	82.8	82.9	88.9
TOTAL	**83.8**	**84.2**	**91.7**
Purchases of goods and services			
Associates and joint operations	2.1	2.5	2.7
Other companies considered related parties	4.1	4.8	5.3
TOTAL	**6.2**	**7.3**	**8.1**
Outstanding balances from sales and purchases of goods and services			
Trade receivables			
Associates and joint operations	0.2	0.0	0.2
Other companies considered related parties	2.8	7.3	2.9
Trade payables			
Associates and joint operations	0.0	0.3	0.3
Other companies considered related parties	0.1	0.3	0.4

Other companies considered as related parties includes companies and organisations controlled by the State of Finland.

MANAGEMENT REMUNERATION

EUR million	2017	2016	2015
CEO			
Salaries and other short-term employee benefits	0.3	0.3	0.3
Performance bonus and the bonuses from long-term incentive plan	0.3	0.1	0.0
Pension benefits	0.1	0.1	0.1
TOTAL	**0.7**	**0.5**	**0.4**
Members of the Executive Management Team (CEO not included)			
Salaries and other short-term employee benefits	1.9	1.5	1.4
Pension benefits	0.3	0.2	0.2
TOTAL	**2.2**	**1.7**	**1.6**
Members and deputy members of the Board of Directors	**0.2**	**0.2**	**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 APPLICABLE IN FUTURE REPORTING PERIODS

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 15 Revenue Recognition
(effective for annual periods beginning on or after 1 January 2018):

IFRS 15 Revenue from Contracts with Customers is the new revenue standard, which Altia will apply for reporting periods beginning on 1 January 2018. The new standard will replace 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 will apply for contracts with customers before revenue is recognised.

The steps that will be required to be followed for revenue recognition are the following and comprise the basis for the analysis Altia has completed as part of the adoption process for the new standard:

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 has assessed the impacts of the new revenue standard and has not identified any significant differences arising from IFRS 15 criteria compared to current practice:

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 fulfillment 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 current 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 will be needed at transition.

With respect to right of return clauses Altia has currently 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. However, Altia has recognised the corresponding amount of products subject to return to its inventory balances. Current measurement treatment complies with IFRS 15, however instead of recognising the value for goods expected to be returned to inventory, Altia will need to recognise a separate asset on its balance sheet reflecting the right to receive the goods. Under IFRS 15, slotting fees are recognised as a reduction of revenue. Currently the amounts are recognised as expenses. The identified classification differences in regards 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 elements 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 recognizes variable consideration in the period it has the contractual right to the fee.

Recognising revenue:
Based on the analysis conducted to date, management does not expect 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. However, there will be new revenue disclosures that Altia will report under the new guidance.

Altia adopts the standard on 1 January 2018 using the modified retrospective method which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2018):

Altia has reviewed its treasury policy and hedging activities and the classification and measurement of its financial assets and liabilities as part of its implementation of IFRS 9 Financial Instruments and is expecting the following impact from the adoption of the new standard on 1 January 2018. As disclosed below, the initial application of IFRS 9 is not expected to have a material impact on Altia's financial statements due to the nature of Altia's financial instruments and risk management policies.

Classification and measurement
IFRS 9 requires that 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 financial assets held by the Group include the following:

- Altia has joint control over Roal Oy but the option right held by the other shareholder represents in substance a receivable. This debt receivable due to the nature of the agreement is currently classified as fair value through profit and loss and accordingly, it will continue to be classified as FVPL following the adoption of IFRS 9.
- Other receivables comprise solely of a deferred consideration receivable relating to a real estate that Altia sold in 2017. This receivable will be classified as hold to collect as the cash flows from the receivable comprises solely of payments of principal and interest.
- Accounts receivables currently classified as held-to-maturity and measured at amortised cost meet the conditions for classification at amortised cost under IFRS 9.
- Altia's current available-for-sale financial assets comprising of equity investments will satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets.

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 criteria of IAS 39 continue to be fulfilled under IFRS 9. Accordingly, Altia does not expect the new guidance to affect the classification and measurement of these financial assets.

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 new impairment model will result in earlier recognition of losses. Based on the assessments Altia has undertaken to implement an ECL model, the impact of applying IFRS 9 is considered insignificant.

Altia's available-for-sale assets are measured at fair value and the fair value of these assets is not significant. As described above, other receivables consisting of a purchase price receivable with contractual cash flows and Altia expects to collect the cash flows in full on this item as payments of principal and interest have been made in the agreed payment schedule.

The loss allowance for account receivables is based on the aging of the accounts receivable and regional portfolios. Receivables more than 120 days due will be impaired with a 50% 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.

Based on the assessments undertaken to date, two-year historical bad debts have amounted to approximately EUR 0.2 million per annum. The bad debt provision for trade receivables on the balance sheet date amounts to approximately EUR 0.3 million whereas the estimated provision under the ECL model is approximately EUR 0.2 million. Accordingly, the adoption of the ECL model will effectively result in a decrease in the loss provision. Altia will adjust the opening balance of its retained earnings for the impact, however the overall impact from the implementation of the new ECL model impact is considered to be immaterial due to the nature of Altia's receivables and customer portfolio.

Financial liabilities

Adoption of IFRS 9 will not have an 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 will 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 current hedge relationships will qualify as continuing hedges upon the adoption of IFRS 9.

For cash flow foreign currency hedges under IFRS 9, Altia will designate the full fair value of the forward contract to the hedge relationship and accordingly, will 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.

IFRS 9 allows hedging a component of the risk. This change will increase the effectiveness of the electricity hedges. The fair value of the electricity hedges as of 31.12.2017 was EUR 0.3 million with no material ineffectiveness.

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. These are expected to change the nature and extent of Altia's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

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 our 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, 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 (see more information on operating leases in Note 1.6.). Altia does not expect the impact to be material due to the nature and a moderate number of off-balance sheet leases. At the 31 December 2017, the off-balance sheet lease obligations amount to EUR 17.1 million. In the consolidated income statement, the operating expense will decrease, 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 Group is in the process of assessing its lease portfolio and quantifying the impact of adopting IFRS 16 and will continue to report on the expected impact in its financial reports.

Altia expects to implement 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 expects to use 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. CORRECTIONS TO PRIOR PERIODS

Accounting for an interest in a joint operation

In 2017, Altia has taken a detailed review of its shareholder agreement with ABF Overseas Limited ("ABF") regarding Altia's interest in Roal Oy in order to confirm the IFRS accounting treatment in Altia's consolidated financial statements. Pursuant to the terms and conditions of the shareholder agreement, Altia is entitled to an agreed annual return for its interest in Roal Oy as minimum dividend, and ABF has a right to redeem Altia's interest in Roal Oy at a fixed amount at the expiry of certain patents. In its consolidated financial statements, Altia had accounted for its interest in Roal Oy as a joint venture pursuant to IFRS 11 applying the equity method of accounting up until the fourth quarter of 2016 when Altia classified the interest as a held for sale asset, assuming that ABF would have exercised its call option during 2017. However, as the exercise of the call is dependent on the expiry of certain patents and a single patent continues to be valid until 2024, Altia's exit from Roal Oy could not take place in 2017. Altia exercises joint control over Roal Oy. However, accounting treatment of the option right held by ABF represents in substance a receivable with a fixed rate of return for Altia, and Altia does not have a right to 50 per cent of the net assets of Roal Oy unless ABF refrains to exercise its option right with respect to Altia's interest in Roal Oy when it is possible pursuant to the shareholder agreement. Accordingly, the interest should have been classified as a joint operation pursuant to IFRS 11 in the consolidated financial statements with Altia accounting for its share of Roal Oy's assets and liabilities as a receivable with the annual minimum dividend accounted for as interest income. The correction did not have impact on the net cash flows from operating activities or the net cash flows from investing activities.

In addition, Altia has reclassified certain trade and other payables to current and non-current provisions to better reflect the nature of such liabilities.

These corrections has been made by restating each of the affected financial statement line items for the prior periods as follows:

CONSOLIDATED BALANCE SHEET

EUR million	As at 31 Dec 2016 Reported	Adjustments	Restated	As at 31 Dec 2015 Reported	Adjustments	Restated
Investments in associates and interests in joint operations	-	7.6	7.6	14.9	-7.3	7.6
Total non-current assets	**195.6**	**7.6**	**203.1**	**226.5**	**-7.3**	**219.2**
Non-current assets held for sale	13.4	-13.4	0.0	-	-	-
TOTAL ASSETS	**438.6**	**-5.9**	**432.7**	**466.7**	**-7.3**	**459.3**
Retained earnings	145.4	-0.9	144.5	121.7	-2.4	119.3
Total equity	**192.2**	**-0.9**	**191.3**	**171.0**	**-2.4**	**168.6**
Other liabilities	-	-	-	4.9	-4.9	0.0
Provisions	-	-	-	-	1.3	1.3
Total non-current liabilities	**87.4**	**-**	**87.4**	**138.1**	**-3.6**	**134.5**
Trade and other payables	144.1	-1.3	142.7	147.0	-3.4	143.5
Provisions	-	1.3	1.3	-	2.1	2.1
Total current liabilities	**154.1**	**0.0**	**154.1**	**157.6**	**-1.3**	**156.3**
Liabilities related to assets held for sale	4.9	-4.9	0.0	-	-	-
Total liabilities	**246.4**	**-4.9**	**241.5**	**295.7**	**-4.9**	**290.7**
TOTAL EQUITY AND LIABILITIES	**438.6**	**-5.9**	**432.7**	**466.7**	**-7.3**	**459.3**

EUR million	As at 1 Jan 2015 Reported	Adjustments	Restated
Investments in associates and interests in joint operations	12.1	-4.5	7.6
Total non-current assets	**229.2**	**-4.5**	**224.7**
TOTAL ASSETS	**501.5**	**-4.5**	**496.9**
Retained earnings	95.0	0.4	95.5
Total equity	**143.9**	**0.4**	**144.3**
Other liabilities	4.9	-4.9	0.0
Total non-current liabilities	**121.8**	**-4.9**	**116.9**
Total liabilities	**357.6**	**-4.9**	**352.6**
TOTAL EQUITY AND LIABILITIES	**501.5**	**-4.5**	**496.9**

CONSOLIDATED INCOME STATEMENT

EUR million	1 January - 31 December 2016 Reported	Adjustments	Restated	1 January - 31 December 2015 Reported	Adjustments	Restated
Operating result	**46.3**	**-**	**46.3**	**25.3**	**-**	**25.3**
Share of profit in associates and income from interests in joint operations	-0.6	1.5	0.9	3.8	-2.9	0.9
Result before taxes	**43.5**	**1.5**	**45.0**	**26.3**	**-2.9**	**23.4**
RESULT FOR THE PERIOD	**34.6**	**1.5**	**36.1**	**21.0**	**-2.9**	**18.1**
Earnings per share (EUR), basic and diluted	**0.96**	**0.04**	**1.00**	**0.58**	**-0.08**	**0.50**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	1 January - 31 December 2016 Reported	Adjustments	Restated	1 January - 31 December 2015 Reported	Adjustments	Restated
Result for the period	34.6	1.5	36.1	21.0	-2.9	18.1
Other comprehensive income:						
Share of profit in associates and income from interests in joint operations	0.0	-0.0	0.0	-0.1	0.1	0.0
Translation differences	-2.7	-0.0	-2.7	1.5	0.0	1.5
Other changes	-0.0	0.0	0.0	0.0	-0.0	0.0
Other comprehensive income for the period	**-2.9**	**-0.0**	**-3.0**	**6.1**	**0.1**	**6.1**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**31.6**	**1.5**	**33.1**	**27.1**	**-2.8**	**24.3**

Cash flow statement presentation

In 2017 Altia decided to change its presentation of the consolidated statement of cash flows from direct method to indirect method. Altia believes that the indirect method gives more accurate and reliable information on cash flows from operating activities by disclosing the reconciliation from result before taxes to operating cash flows. The indirect method is also more commonly used method and thus, gives more comparable information on Altia's operating cash flows to it's peers.

As a consequence, the presentation of cash flows from operating activities has been restated to reflect the indirect method for the years ended 31 December 2016 and 2015. The indirect method did not change the presentation of the cash flows from investing activities and financing activities.

6.6. EVENTS AFTER THE REPORTING PERIOD

Altia and J. García Carrión have entered into a collaboration regarding the import and distribution of J. García Carrión's wine brands. Altia becomes the exclusive representative of García Carrión's wine portfolio in Sweden as of 2018.

Following the decision by the Extraordinary General Meeting on 15 December 2017, Altia's shares were incorporated in the book-entry securities system on 19 January 2018.

Parent Company Financial Statements

ALTIA PLC INCOME STATEMENT (FAS)

EUR million	Note	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
NET SALES	1.	**201.2**	**189.6**
Increase (+) / decrease (–) in inventories of finished goods and work in progress		-0.2	-0.4
Other operating income	2.	20.5	22.5
Materials and services			
Raw materials, consumables and goods			
Purchases during the period		-117.0	-106.7
Change in inventories		-1.9	-3.4
External services		-0.1	-0.1
Total materials and services		**-119.1**	**-110.1**
Personnel expenses	3.		
Wages and salaries		-24.9	-24.6
Indirect employee expenses			
Pension expenses		-4.5	-8.8
Other indirect employee expenses		-1.5	-1.6
Total personnel expenses		**-30.9**	**-35.0**
Depreciation, amortisation and impairment losses			
Depreciation and amortisation according to plan		-11.2	-11.1
Impairment loss on non-current assets		-	-2.1
Total depreciation, amortisation and impairment losses		**-11.2**	**-13.2**
Other operating expenses	4.	-48.6	-45.4
OPERATING RESULT		**11.7**	**8.0**

EUR million	Note	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
Finance income and expenses	5.		
Income from Group companies		16.6	5.4
Income from participating interests		0.9	0.9
Income from other investments held as non-current assets			
From others		0.2	0.1
Other interest and finance income			
From Group companies		0.5	1.0
From others than Group companies		4.3	1.1
Interest and other finance expenses			
To Group companies		-0.1	-0.1
To others than Group companies		-6.2	-2.6
Total finance income and expenses		**16.1**	**5.8**
RESULT BEFORE APPROPRIATIONS AND TAXES		**27.8**	**13.8**
Appropriations	6.		
Depreciation difference increase (–) /decrease (+)		0.9	-2.2
Income tax expense	7.		
Current period taxes		-2.2	-1.5
Change in deferred tax asset		-0.0	-0.1
Other direct taxes		0.0	0.0
Total income taxes		**-2.2**	**-1.5**
RESULT FOR THE PERIOD		**26.5**	**10.1**

ALTIA PLC BALANCE SHEET (FAS)

EUR million	Note	31 Dec 2017	31 Dec 2016
ASSETS			
NON-CURRENT ASSETS	8.		
Intangible assets			
Intangible rights		12.6	12.7
Other capitalised long-term expenditure		9.3	12.6
Prepayments		2.8	1.7
Intangible assets total		**24.7**	**26.9**
Tangible assets			
Land and water areas		2.5	2.5
Buildings and structures		23.0	23.4
Machinery and equipment		25.0	26.6
Other tangible assets		0.5	0.5
Prepayments and assets under construction		4.7	2.1
Tangible assets total		**55.6**	**55.1**
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		**296.0**	**297.7**

EUR million	Note	31 Dec 2017	31 Dec 2016
CURRENT ASSETS			
Inventories	9.		
Materials and supplies		16.5	18.4
Work in progress		12.5	12.1
Finished goods		9.5	10.1
Inventories total		**38.5**	**40.6**
Non-current receivables	10.		
Receivables from Group companies		17.8	18.2
Deferred tax assets		0.5	0.7
Other receivables		-	0.3
Non-current receivables total		**18.3**	**19.2**
Current receivables	11.		
Trade receivables		20.1	21.8
Receivables from Group companies		9.8	14.2
Receivables from participating interest under-takings		0.2	0.0
Accrued income and prepaid expenses		2.8	2.9
Current receivables total		**32.9**	**38.9**
Cash at hand and in banks		49.4	64.0
TOTAL CURRENT ASSETS		**139.1**	**162.7**
TOTAL ASSETS		**435.1**	**460.4**

ALTIA PLC BALANCE SHEET (FAS)

EUR million	Note	31 Dec 2017	31 Dec 2016
EQUITY AND LIABILITIES			
Equity	13.		
Share capital		60.5	60.5
Hedge reserve		-0.4	-1.3
Retained earnings		30.2	90.6
Profit for the period		26.5	10.1
TOTAL EQUITY		**116.9**	**159.9**
Appropriations	14.		
Depreciation difference		22.6	23.5
Liabilities			
Non-current	15.		
Loans from financial institutions		74.3	65.0
Loans from pension institutions		15.0	-
Liabilities to Group companies		2.3	3.3
Other liabilities		4.9	4.9
Non-current liabilities total		**96.5**	**73.2**
Current			
Loans from financial institutions		10.0	7.5
Loans from pension institutions		0.8	-
Trade payables		12.4	12.4
Liabilities to Group companies	16.	118.8	127.8
Other liabilities		38.8	40.3
Accrued expenses and deferred income	17.	18.6	15.7
Current liabilities total		**199.2**	**203.8**
TOTAL LIABILITIES		**295.7**	**277.0**
TOTAL EQUITY AND LIABILITIES		**435.1**	**460.4**

ALTIA PLC STATEMENT OF CASH FLOWS (FAS)

EUR million	Note	1 Jan-31 Dec 2017	1 Jan-31 Dec 2016
CASH FLOW FROM OPERATING ACTIVITIES			
Result before taxes		28.8	11.6
Adjustments			
Depreciation, amortisation and impairment		11.2	13.2
Gain/loss from disposal of property, plant and equipment and intangible assets		-0.2	-4.2
Finance income and costs		-16.1	-5.8
Change in depreciation difference		-0.9	2.2
Other adjustments		0.1	-0.4
		-5.9	5.1
Change in working capital			
Change in inventories, increase (-) / decrease (+)		2.1	3.8
Change in trade and other receivables, increase (-) / decrease (+)		5.2	-5.4
Change in trade and other payables, increase (+) / decrease (-)		-4.8	-3.2
Change in working capital		2.6	-4.9
Interest paid		-1.8	-1.5
Interest received		1.0	1.1
Other finance income and expenses paid		-0.9	-0.5
Income taxes paid		-0.5	-2.0
Financial items and taxes		-2.3	-2.9
NET CASH FLOW FROM OPERATING ACTIVITIES		**23.2**	**8.9**
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment and intangible assets		-9.7	-6.1
Proceeds from sale of property, plant and equipment and intangible assets	2.	0.2	4.5
Loans granted		-	-1.3
Payments for other investments		-	-2.5
Proceeds from other investments		0.0	-
Repayment of loan receivables		0.7	3.4
Dividends received	5.	17.7	6.4
NET CASH FLOW FROM INVESTING ACTIVITIES		**8.8**	**4.4**

EUR million	Note	1 Jan-31 Dec 2017	1 Jan-31 Dec 2016
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from current borrowings	16.	30.7	45.7
Repayment of current borrowings	16.	-23.3	-34.0
Proceeds from non-current borrowings		90.0	-
Repayment of non-current borrowings	15.	-73.5	-22.5
Dividends paid and other distributions of profits	13.	-70.5	-10.4
NET CASH FLOW FROM FINANCING ACTIVITIES		**-46.6**	**-21.3**
CHANGE IN CASH AND CASH EQUIVALENTS		-14.6	-8.1
Cash and cash equivalents at the beginning of the period		64.0	72.1
Change in cash and cash equivalents		-14.6	-8.1
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**49.4**	**64.0**

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 cos. 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 standars 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 ordianary 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 2 a 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 Oyj 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. 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 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 fair values of the financial instuments 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 Oyj, 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 Oyj 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 both prospectively and retrospectively. 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 if the realised results of the hedging instrument offset the changes in the cash flows of the hedged item by 80–125 percent. 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. 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.

Research and development expenditure

Research and development expenditure is recognised as an annual expense as incurred.

Financial securities

Financial securities are recognised at acquistion 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 taxprovisions, 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	2017	2016
Net sales by business areas		
Alcohol beverages	103.3	95.7
Industrial services	95.5	88.8
Other	2.4	5.1
TOTAL	**201.2**	**189.6**
Net sales by geographic areas		
Finland	153.1	143.3
Europe	46.3	45.5
Rest of the world	1.8	0.8
TOTAL	**201.2**	**189.6**

2. OTHER OPERATING INCOME

EUR million	2017	2016
Rental income	1.0	0.9
Income from energy sales	3.4	3.7
Proceeds from disposal of non-current assets	0.2	4.2
Service income	14.4	12.0
Other income	1.6	1.7
TOTAL	**20.5**	**22.5**

3. NOTES RELATED TO PERSONNEL

EUR million	2017	2016
Wages and salaries	24.9	24.6
Pension expenses	4.5	8.8
Other social expenses	1.5	1.6
TOTAL	**30.9**	**35.0**

Personnel expenses 2016 include a lump-sum compensation related to supplementary pensions amounting to EUR 4.1 million. Altia's Board of Directors decided that instead of the increase based on the employee pension index, the supplementary pensions will be increased by 4.5% on 1 January 2017, and after this lump-sum compensation the pensions will be increased in accordance with the increase decision made annually by the insurance company. More information about this is in Group Note 2.5.

EUR million	2017	2016
Fringe benefits (taxable value)	0.7	0.8

The average number of personnel during the reporting period	2017	2016
Workers	212	229
Clerical employees	223	231
TOTAL	**435**	**460**

Management remuneration, EUR million	2017	2016
CEO	0.6	0.4
Board members	0.2	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	2017	2016
Rental expenses	2.2	2.8
Marketing expenses	6.1	5.4
Energy expenses	6.9	8.9
Travel and representation expenses	1.1	1.1
Repair and maintenance expenses	5.9	5.2
IT expenses	6.1	4.7
Outsourcing services	5.5	3.8
Variable sales expenses	5.2	4.9
Other expenses	9.5	8.7
TOTAL	**48.6**	**45.4**
Auditor's fees		
Audit fees	0.1	0.1
Tax consultation	0.0	0.0
Other fees	0.4	0.0
TOTAL	**0.5**	**0.1**

Environmental expenses

The Company's environmental expenses did not have a significant impact on the result for the period and on the financial position.

5. FINANCE INCOME AND EXPENSES

EUR million	2017	2016
Dividend income		
From Group companies	16.6	5.4
From participating interest undertakings	0.9	0.9
From others	0.2	0.1
Total dividend income	**17.7**	**6.4**
Interest income		
From Group companies	0.5	1.0
From others	0.3	0.2
Total interest income	**0.7**	**1.3**
Other finance income		
From others	4.0	0.9
Total other finance income	**4.0**	**0.9**
TOTAL FINANCE INCOME	**22.4**	**8.5**
Interest expenses		
To others	1.3	1.4
Total interest expenses	**1.5**	**1.5**
Other finance expenses		
To others	4.9	1.2
Total other finance expenses	**4.9**	**1.2**
TOTAL FINANCE EXPENSE	**6.3**	**2.7**
TOTAL FINANCE INCOME AND EXPENSES	**16.1**	**5.8**

The following items are included in finance items of the income statement from cash flow hedges:

Other finance income		
Fair value changes of derivatives	0.2	0.6
Other finance expenses		
Fair value changes of derivatives	-0.1	0.1

6. APPROPRIATIONS

EUR million	2017	2016
Difference between depreciations according to plan and depreciations made in taxation		
Intangible rights	0.0	-0.5
Other intangible assets	-0.1	-0.0
Buildings and structures	0.6	0.4
Machinery and equipment	0.5	-2.1
Other tangible assets	-0.0	-0.0
TOTAL	**0.9**	**-2.2**

7. INCOME TAX EXPENSE

EUR million	2017	2016
Income taxes from current period	-2.2	-1.5
Income taxes from previous periods	0.0	0.0
Change in deferred tax assets	-0.0	-0.1
TOTAL	**-2.2**	**-1.5**

8. SPECIFICATION OF NON-CURRENT ASSETS

EUR million	2017	2016
Intangible assets		
Intangible rights		
Acquisition cost at 1 January	27.7	22.9
Additions	1.7	6.0
Disposals	-0.4	-1.9
Transfers between items	1.1	0.7
Acquisition cost at 31 December	**30.1**	**27.7**
Accumulated amortisation at 1 January	-15.1	-14.1
Accumulated amortisation on disposals and transfers	0.4	1.4
Amortisation for the period	-2.8	-2.3
Accumulated amortisation at 31 December	-17.5	-15.1
CARRYING AMOUNT AT 31 DECEMBER	**12.6**	**12.7**
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	27.5	28.1
Additions	-1.3	-0.3
Disposals	-	-0.7
Transfers between items	-1.8	0.4
Acquisition cost at 31 December	24.3	27.5
Accumulated amortisation at 1 January	-14.9	-13.7
Accumulated amortisation on disposals and transfers	1.5	0.6
Amortisation for the period	-1.6	-1.9
Accumulated amortisation at 31 December	-15.0	-14.9
CARRYING AMOUNT AT 31 DECEMBER	**9.3**	**12.6**
Prepayments in intangible assets		
Acquisition cost at 1 January	1.7	0.9
Additions	2.1	1.7
Disposals	-	-0.2
Transfers between items	-1.0	-0.7
CARRYING AMOUNT AT 31 DECEMBER	**2.8**	**1.7**

EUR million	2017	2016
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	**2.5**	**2.5**
Buildings and structures		
Acquisition cost at 1 January	94.2	95.3
Additions	1.4	0.5
Transfers between items	0.8	0.2
Disposals	-1.7	-1.7
Acquisition cost at 31 December	**94.8**	**94.2**
Accumulated depreciation at 1 January	-70.8	-69.8
Accumulated depreciation on disposals and transfers	1.6	1.6
Depreciation for the period	-2.6	-2.6
Accumulated depreciation at 31 December	-71.8	-70.8
CARRYING AMOUNT AT 31 DECEMBER	**23.0**	**23.4**
Machinery and equipment		
Acquisition cost at 1 January	106.4	136.0
Additions	1.1	1.4
Disposals	-0.4	-33.3
Transfers between items	3.0	2.3
Acquisition cost at 31 December	**110.1**	**106.4**
Accumulated depreciation at 1 January	-79.8	-108.5
Accumulated depreciation on disposals and transfers	-1.1	33.0
Depreciation for the period	-4.2	-4.3
Accumulated depreciation at 31 December	-85.1	-79.8
CARRYING AMOUNT AT 31 DECEMBER	**25.0**	**26.6**
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	2.1	2.9
Additions	4.7	2.0
Transfers between items	-2.0	-2.8
CARRYING AMOUNT AT 31 DECEMBER	**4.7**	**2.1**
CARRYING AMOUNT OF MACHINERY AND EQUIPMENT USED IN PRODUCTION AT 31 DECEMBER	**24.2**	**25.6**

EUR million	2017	2016
Investments		
Holdings in Group companies		
Acquisition cost at 1 January	358.3	345.8
Additions	-	12.5
Acquisition cost at 31 December	358.3	358.3
Accumulated impairment at 1 January	-151.5	-149.4
Impairment	-	-2.1
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
Additions	-	0.0
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	2017	2016
Receivables from Group companies		
Loan receivables	17.8	18.2
Deferred tax assets		
Recognised in hedge reserve	0.1	0.3
Fixed assets deferred depreciations	0.4	0.4
Deferred tax assets total	0.5	0.7
Other receivables		
Capital loan receivable	-	0.3
TOTAL NON-CURRENT RECEIVABLES	**18.3**	**19.2**

11. CURRENT RECEIVABLES

EUR million	2017	2016
Receivables from Group companies		
Trade receivables	3.0	7.1
Cash Pool receivables	-	0.3
Other receivables	5.0	4.9
Derivatives	0.0	0.3
Accrued income and prepaid expenses	1.8	1.6
Total	**9.8**	**14.2**
Receivables from participating interest undertakings		
Trade receivables	0.2	0.0
Total	**0.2**	**0.0**
Receivables from others		
Trade receivables*	20.1	21.8
Accrued income and prepaid expenses	2.8	2.9
Total	**22.9**	**24.7**
TOTAL CURRENT RECEIVABLES	**32.9**	**38.9**

Accrued income and prepaid expenses

Significant items in accrued income and prepaid expenses:

Derivatives	1.1	0.7
Taxes	-	0.9
Others	1.7	1.3
Total	**2.8**	**2.9**

*Does not include the sold trade receivables

12. DISCLOSURES ON FAIR VALUES (DERIVATIVES)

	2017			2016		
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)	-1.4	-	-1.4	-1.9	-	-1.9
Foreign exchange derivatives (level 2)	0.9	0.2	0.7	0.5	0.6	-0.1
Commodity derivatives (level 2)	0.3	-0.1	0.3	0.0	-0.1	0.1
TOTAL	**-0.2**	**0.2**	**-0.4**	**-1.3**	**0.5**	**-1.8**

13. EQUITY

EUR million	2017	2016
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	-1.3	-1.5
Additions and disposals	0.9	0.2
Hedge reserve at 31 December	**-0.4**	**-1.3**
Total restricted equity	**60.1**	**59.2**
Unrestricted equity		
Retained earnings at 1 January	100.7	101.0
Distribution of dividends	-70.5	-10.4
Profit for the period	26.5	10.1
Total unrestricted equity	**56.8**	**100.7**
TOTAL EQUITY	**116.9**	**159.9**
Distributable unrestricted equity		
Calculation of distributable equity		
Retained earnings	100.7	101.0
Distribution of dividends	-70.5	-10.4
Profit for the period	26.5	10.1
TOTAL DISTRIBUTABLE UNRESTRICTED EQUITY	**56.8**	**100.7**

	2017	2016
Distribution of the company's share capital:		
A series shares pcs	35,960,000	35,960,000
L series shares pcs	-	25,003

A and L shares were combined on 21 December 2017.

14. APPROPRIATIONS

EUR million	2017	2016
Depreciation difference		
Intangible rights	2.4	2.1
Other intangible assets	0.1	0.3
Buildings and structures	4.3	4.8
Machinery and equipment	15.8	16.3
Other tangible assets	-0.0	-0.0
TOTAL	**22.6**	**23.5**

15. LIABILITIES

EUR million	2017	2016
Non-current		
Loans from financial institutions	89.3	65.0
Liabilities to Group companies	2.3	3.3
Other liabilities	4.9	4.9
TOTAL	**96.5**	**73.2**

16. LIABILITIES TO GROUP COMPANIES

EUR million	2017	2016
Trade payables	0.9	0.7
Loans to Group companies	22.3	45.7
Cash Pool liabilities	94.6	74.2
Derivative instruments	0.1	0.1
Other accrued expenses	0.8	7.1
TOTAL	**118.8**	**127.8**

17. ACCRUED EXPENSES AND DEFERRED INCOME

EUR million	2017	2016
Significant items under accrued expenses:		
Holiday pay and other wages and salaries	7.2	7.2
Contract discount	0.5	0.3
Procurement expenses and other accrued expenses	8.6	5.9
Taxes	0.8	-
Derivative instruments	1.5	2.2
TOTAL	**18.6**	**15.7**

18. COLLATERALS AND COMMITMENTS

EUR million	2017	2016
Collaterals given on behalf of the Group companies		
Mortgages	18.5	18.5
Guarantees	6.4	8.0
TOTAL COLLATERALS	**24.9**	**26.5**
Commitments and other contingencies		
Operating and finance lease obligations		
Not later than one year	0,7	0,8
Later than one year	0.8	1.4
Total	**1.5**	**2.2**
Lease obligations		
Not later than one year	0.8	0.8
Later than one year	2.6	3.4
Total	**3.3**	**4.2**
Other obligations		
Not later than one year	4.7	6.7
Total	**4.7**	**6.7**
TOTAL COMMITMENTS	**9.6**	**13.0**

VAT liability for real estate investments

The company is liable to review VAT deductions made for real estate investments completed in 2009–2017 if the use subject to VAT decreases during the review period. The maximum liability is EUR 1.4 million and the last year to review is 2026.

Derivative contracts EUR million	2017	2016
Electricity derivatives		
Fair value	0.3	0.0
Nominal value	2.5	3.0
Amount (TWh)	0.1	0.1
Group's external forward exchange contracts		
Fair value	1.0	0.4
Nominal value	55.0	79.5
Group's internal forward exchange contracts		
Fair value	-0.1	0.1
Nominal value	11.3	19.5
Interest rate derivatives		
Fair value	-1.4	-1.9
Nominal value	20.0	20.0
Emission allowances (kilotons)	**2017**	**2016**
Emission allowances received	27.4	28.0
Excess emission allowances from the previous year	39.2	37.4
Adjustments related to prior year's estimates	-0.0	-0.0
Realised emissions	-21.0	-26.2
EMISSION ALLOWANCES AT 31 DECEMBER	**45.6**	**39.2**
Fair value of the remaining emission allowances	0.4	0.2

The received emission allowances and the realised emission of the year 2017 are estimates which will be adjusted during spring 2018 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. Management remuneration is presented in Altia Plc Note 3.

Board of Directors' proposal for the distribution of profits

According to the balance sheet at 31 December 2017, Altia Plc's distributable earnings amount to EUR 56,763,012.27 including profit for the period of EUR 26,547,860.31.

No significant changes have taken place in the financial position of the parent company since the end of the financial period. The liquidity of the company is good and the proposed dividend does not, in the view of the Board of Directors, risk the solvency of the company.

The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the financial year 2017.

Signatures to the Board of Directors' Report and to the financial statements

Helsinki, 21 February 2018

Sanna Suvanto-Harsaae
chairman

Annikka Hurme

Kim Henriksson

Tiina Lencioni

Torsten Steenholt

Kai Telanne

Pekka Tennilä
CEO

The Auditors`Note

An auditor´s report concerning the performed audit has been given to date.

Helsinki, 23 February 2018

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 Plc

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.

What we have audited

We have audited the financial statements of Altia Plc (business identity code 1505555-7) for the year ended 31 December 2017. 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 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.

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 the 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 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 company 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.

Other Reporting Requirements

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 Review, 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 Review 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 23 February 2018

PricewaterhouseCoopers Oy

Authorised Public Accountants

Ylva Eriksson

Authorised Public Accountant (KHT)

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