# Altia
# Financial Statements Bulletin

2017

ALTIA

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## Altia Plc's Financial Statements Bulletin 2017

# Net sales and comparable EBITDA improved from last year

## January–December 2017 compared to January–December 2016

- Net sales were EUR 359.0 million (EUR 356.6 million), up by 0.7% and up by 1.3% with constant currencies
- Comparable EBITDA was EUR 42.4 million (EUR 40.8 million), which is 11.8% (11.5%) of net sales
- EBITDA was EUR 40.3 million (EUR 60.8 million), 2016 included a gain of EUR 16.3 million on settlement of defined benefit obligation, item not considered as operational result
- Result for the period amounted to EUR 18.3 million (EUR 36.1 million).
- Earnings per share were EUR 0.51 (EUR 1.00)
- Net debt / comparable EBITDA was 1.1 (0.1)

- Important milestones achieved in exports with new distribution agreements to the US and Asia
- Extra dividend of EUR 60.1 million paid to the owner, in total EUR 70.5 million was paid in 2017 for the financial year 2016. The Board of Directors proposes that no dividend be paid for 2017.

**KEY FIGURES**

| | 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 in the section: Tables to the Financial Statements Bulletin.

The figures in the Financial Statements Bulletin are based on Altia Plc's audited 2017 financial statements.

## CEO Pekka Tennilä:

"Continuing the transformation journey of Altia towards its strategic ambitions, year 2017 marks an important turning point with net sales developing positively and comparable EBITDA continuing to improve.

Net sales grew slightly above the previous year and totalled EUR 359.0 million, up by 1.3% with constant currencies. 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's year 2017, the business has developed in line with the strategy to deliver profitable growth. Altia's own Nordic core brands have continued to deliver stable growth with successful product launches and geographical expansion to new important markets in the US with Koskenkorva Vodka and O.P. Anderson Aquavit, and in Asia with Larsen Cognac. The business with our strategic partners has also grown, as we have deepened our co-operation and developed new business models. Altia's market shares have developed positively in the key segments in the home markets, such as vodka, cognac and aquavit, with especially strong performance in Norway in the aquavit category. The wine portfolio has captured the wine market growth with new innovations such as True Colours Cava and Xanté Sparkling.

At the Koskenkorva plant, production capacity utilisation has been on a high level throughout the year, driven by good demand for starch and feed. The plant used 206 million kilos Finnish barley in 2017, which is record-high and equals an increase of 7% compared to the previous year.

Altia's solid performance and strong balance sheet allowed the Company to pay an extra dividend of EUR 60.1 million to the owner in December. In total Altia paid EUR 70.5 million in dividends to the owner during 2017.

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.

Looking ahead to 2018, the Finnish operating environment is in an interesting development phase. The new Alcohol Act came partly into force in January 2018. The new act allows the sale of ethanol-based RTD's (ready-to-drink beverages) in the Finnish retail channel and thereby opens new opportunities for Altia. On the other hand, the alcohol taxes were substantially increased in all alcohol categories.

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."

# Financial Review 2017

### 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 both 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 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 the 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 measures. 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 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 financial 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.

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.

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 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%).

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

The total in the consolidated statement of 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.

**KEY FIGURES**

| | 2017 | 2016 |
|---|---|---|
| Reported net debt / comparable EBITDA | 1.1 | 0.1 |
| Borrowings, EUR million | 100.1 | 72.8 |
| Net debt, EUR million | 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 |

## Key events in 2017

The key events during the period were:

- 2 February, Altia and Grupo Peñaflor expand their Nordic and Baltic partnership
- 9 February, Koskenkorva plant invests in growing its barley starch capacity
- 4 May, Altia opens a new aquavit distillery in Sundsvall, Sweden
- 16 June, Altia to begin exporting Koskenkorva Vodka to Kazakhstan
- 8 August, Altia enters US market with Koskenkorva Vodka
- 23 August, Altia starts to represent Treasury Wine Estate's wine portfolio in Finland
- 21 September, Kari Kilpinen to join Altia Executive Management Team
- 27 November, Altia introduces O.P. Anderson Aquavit to the US market
- 1 December, Altia strengthens distribution of Larsen Cognac in Asia
- 13 December, Altia has refinanced its loan portfolio
- 15 December, New member in Altia's Board of Directors
- 19 December, Altia pays extra dividend of EUR 60.1 million

## 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.

# Business Review 2017

## 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 | 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 the excise tax changes had 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 EUR approximately -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 Altia to run the Koskenkorva plant more efficiently and the plant's 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.

# 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 employed on average 762 (829) persons. On 31 December 2017, Altia Group employed 703 (797) persons, of whom 411 (448) were employed 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.

## Corporate Responsibility

For Altia, responsibility is both a strategic priority and a key success factor in 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.

## 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 for 2018

### Market outlook

The development of the Group's business operations and profitability are affected by factors such as the market situation and competitive environment, economic outlook, imports by consumers and changes in 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 J. 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

## Consolidated income statement

| EUR million | 1 Jan-31 Dec 2017 | 1 Jan-31 Dec 2016 |
|---|---|---|
| | | |
| **NET SALES** | 359.0 | 356.6 |
| Other operating income | 8.3 | 12.6 |
| Materials and services | -202.0 | -197.0 |
| Employee benefit expenses | -52.0 | -36.6 |
| Other operating expenses | -72.9 | -74.8 |
| Depreciation, amortisation and impairment | -14.2 | -14.5 |
| **OPERATING RESULT** | **26.1** | **46.3** |
| | | |
| Finance income | 4.5 | 1.3 |
| Finance expenses | -6.4 | -3.4 |
| Share of profit in associates and income from interests in joint operations | 0.9 | 0.9 |
| **RESULT BEFORE TAXES** | **25.0** | **45.0** |
| | | |
| Income tax expense | -6.7 | -9.0 |
| **RESULT FOR THE PERIOD** | **18.3** | **36.1** |
| | | |
| **Result for the period attributable to:** | | |
| Owners of the parent | 18.3 | 36.1 |
| | | |
| **Earnings per share for the result attributable to owners of the parent, EUR** | | |
| Basic and diluted | 0.51 | 1.00 |

## Consolidated statement of comprehensive income

| | | |
|---|---|---|
| Result for the period | 18.3 | 36.1 |
| | | |
| **OTHER COMPREHENSIVE INCOME** | | |
| **Items that will not be reclassified to profit or loss** | | |
| Remeasurements of post-employment benefit obligations | -0.0 | -0.4 |
| Related income tax | 0.0 | 0.1 |
| Total | -0.0 | -0.4 |
| **Items that may be reclassified to profit or loss** | | |
| Cash flow hedges | 1.4 | 0.1 |
| Available-for-sale financial assets | 0.6 | - |
| Translation differences | -4.0 | -2.7 |
| Income tax related to these items | -0.3 | -0.0 |
| Total | -2.3 | -2.6 |
| Other comprehensive income for the period, net of tax | -2.3 | -3.0 |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | **16.0** | **33.1** |
| | | |
| **Total comprehensive income attributable to:** | | |
| Owners of the parent | 16.0 | 33.1 |

## Consolidated balance sheet

| EUR million | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Goodwill | 82.1 | 83.1 |
| Other intangible assets | 34.4 | 36.7 |
| Property, plant and equipment | 67.4 | 70.0 |
| Investments in associates and interests in joint operations | 7.6 | 7.6 |
| Available-for-sale financial assets | 1.4 | 0.8 |
| Other receivables | 1.0 | 0.3 |
| Deferred tax assets | 1.0 | 4.6 |
| **Total non-current assets** | **194.8** | **203.1** |
| **Current assets** | | |
| Inventories | 94.5 | 96.3 |
| Trade and other receivables | 53.9 | 63.8 |
| Current tax assets | 2.8 | 1.4 |
| Cash and cash equivalents | 52.4 | 68.0 |
| **Total current assets** | **203.6** | **229.6** |
| **TOTAL ASSETS** | **398.4** | **432.7** |
| **EQUITY AND LIABILITIES** | | |
| **Equity attributable to owners of the parent** | | |
| Share capital | 60.5 | 60.5 |
| Fair value reserve | 0.6 | - |
| Hedge reserve | -0.3 | -1.4 |
| Translation differences | -16.0 | -12.3 |
| Retained earnings | 92.0 | 144.5 |
| **Total equity** | 136.8 | 191.3 |
| **Non-current liabilities** | | |
| Deferred tax liabilities | 17.7 | 20.7 |
| Borrowings | 89.1 | 64.9 |
| Provisions | - | - |
| Employee benefit obligations | 1.3 | 1.8 |
| **Total non-current liabilities** | **108.2** | **87.4** |
| **Current liabilities** | | |
| Borrowings | 11.0 | 7.8 |
| Provisions | - | 1.3 |
| Trade and other payables | 137.4 | 142.7 |
| Current tax liabilities | 5.0 | 2.2 |
| **Total current liabilities** | **153.4** | **154.1** |
| **Total liabilities** | **261.6** | **241.5** |
| **TOTAL EQUITY AND LIABILITIES** | **398.4** | **432.7** |

## Consolidated statement of changes in equity

| Equity attributable to owners of the parent<br>EUR million | Share capital | Fair value reserve | Hedge reserve | Translation differences | Retained earnings | Total equity |
|---|---|---|---|---|---|---|
| **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 | - | - | - | -2.7 | -0.0 | -2.7 |
| Remeasurements of post-employment benefit obligations | - | - | - | - | -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 | - | 0.6 | - | - | - | 0.6 |
| Translation differences | - | - | - | -3.8 | -0.2 | -4.0 |
| Remeasurements of post-employment benefit obligations | - | - | - | - | -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** |

## Consolidated statement of cash flows

| EUR million | 1 Jan-31 Dec 2017 | 1 Jan-31 Dec 2016 |
|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | |
| Result before taxes | 25.0 | 45.0 |
| Adjustments | | |
| Depreciation, amortisation and impairment | 14.2 | 14.5 |
| Share of profit in associates and income from investments in joint operations | -0.9 | -0.9 |
| Net gain on sale of non-current assets | -1.6 | -4.3 |
| Finance income and costs | 1.9 | 2.2 |
| Settlement gain of defined benefit obligation | - | -16.5 |
| Other adjustments | 0.5 | -0.1 |
| | 14.1 | -5.1 |
| Change in working capital | | |
| Change in inventories, increase (-) / decrease (+) | 1.2 | 4.9 |
| Change in trade and other receivables, increase (-) / decrease (+) | 9.4 | -4.4 |
| Change in trade and other payables, increase (+) / decrease (-) | -2.6 | 0.1 |
| Change in provisions, increase (+) / decrease (-) | -1.3 | -2.1 |
| Change in working capital | 6.7 | -1.6 |
| Settlement of defined benefit obligation | - | -4.1 |
| Interest paid | -1.7 | -1.8 |
| Interest received | 0.3 | 0.3 |
| Other finance income and expenses paid | -2.2 | -0.3 |
| Income taxes paid | -4.6 | -2.9 |
| Financial items and taxes | -8.2 | -4.8 |
| **NET CASH FLOW FROM OPERATING ACTIVITIES** | **37.6** | **29.4** |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | |
| Payments for property, plant and equipment and intangible assets | -11.9 | -8.7 |
| Proceeds from sale of property, plant and equipment and intangible assets | 2.6 | 4.5 |
| Payments for available-for-sale financial assets | - | -0.0 |
| Proceeds from sale of available-for-sale financial assets | 0.0 | - |
| Repayment of loan receivables | 0.3 | 0.2 |
| Interest received from investments in joint operations | 0.9 | 0.9 |
| Dividends received | 0.2 | 0.1 |
| **NET CASH FLOW FROM INVESTING ACTIVITIES** | **-7.8** | **-3.1** |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | |
| Proceeds from borrowings | 100.0 | - |
| Repayment of borrowings | -72.5 | -22.5 |
| Dividends paid and other distributions of profits | -70.5 | -10.4 |
| **NET CASH FLOW FROM FINANCING ACTIVITIES** | **-43.0** | **-32.9** |
| **CHANGE IN CASH AND CASH EQUIVALENTS** | **-13.2** | **-6.6** |

| | | |
|---|---|---|
| Cash and cash equivalents at the beginning of the period | 68.0 | 76.3 |
| Translation differences on cash and cash equivalents | -2.5 | -1.6 |
| Change in cash and cash equivalents | -13.2 | -6.6 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD** | **52.4** | **68.0** |

## Accounting principles

This financial statements bulletin has been prepared in accordance with the International Financial Reporting Standards (IFRS) and IAS 34 Interim Financial Reporting as approved by the EU.

All the figures have been rounded and consequently the sum of individual figures can deviate from the presented aggregate figure.

The Group adopts the guidance on alternative performance measures issued by the European Securities and Market Authority (ESMA). In addition to IFRS key ratios, the Group releases other commonly used alternative key ratios mainly derived from the statement of comprehensive income and the consolidated statement of financial position. In addition to IFRS and alternative key ratios, the adjusted alternative key ratios are used by adding or deducting items affecting comparability.

## Changes in accounting principles

The Group has started to apply segment reporting based on IFRS 8. The operating segments are reported in manner consistent with the internal reporting. Segments are defined based on Group's business model.

The Group has following segments: Finland& Exports, Scandinavia and Altia Industrial. The reconciliation item other consists of unallocated costs of support functions. The figures from 2016 have been presented to correspond applied segment reporting.

There has not been any new or amended IFRS standards with effect from 1 January 2017 having impact on financial statements bulletin.

Altia presents an updated evaluation of the upcoming implementation and effects of IFRS 15 standard (Revenue from Contracts with Customers), IFRS 9: Financial Instruments and IFRS 16 (Leases) in the Notes of the Financial Statements 2017.

The figures in the Financial Statements Bulletin are based on Altia Plc's audited 2017 financial statements.

### Corrections to prior periods

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 follows:

### CONSOLIDATED BALANCE SHEET

| EUR million | As at 31 Dec 2016 | | |
|---|---|---|---|
| | Reported | Adjustments | Restated |
| Investments in associates and interests in joint operations | - | 7.6 | 7.6 |
| **Total non-current assets** | **195.6** | **7.6** | **203.1** |
| | | | |
| Non-current assets held for sale | 13.4 | -13.4 | 0.0 |
| **Total assets** | **438.6** | **-5.9** | **432.7** |
| | | | |
| Retained earnings | 145.4 | -0.9 | 144.5 |
| **Total equity** | **192.2** | **-0.9** | **191.3** |
| | | | |
| Other liabilities | - | - | - |
| Provisions | - | - | - |
| **Total non-current liabilities** | **87.4** | **-** | **87.4** |
| | | | |
| Trade and other payables | 144.1 | -1.3 | 142.7 |
| Provisions | - | 1.3 | 1.3 |
| **Total current liabilities** | **154.1** | **0.0** | **154.1** |
| | | | |
| Liabilities related to assets held for sale | 4.9 | -4.9 | 0.0 |
| **Total liabilities** | **246.4** | **-4.9** | **241.5** |
| | | | |
| **Total equity and liabilities** | **438.6** | **-5.9** | **432.7** |

### CONSOLIDATED INCOME STATEMENT

| EUR million | 1 January-31 December 2016 | | |
|---|---|---|---|
| | Reported | Adjustments | Restated |
| **Operating result** | **46.3** | **-** | **46.3** |
| | | | |
| Share of profit in associates and income from interests in joint operations | -0.6 | 1.5 | 0.9 |
| **Result before taxes** | **43.5** | **1.5** | **45.0** |
| | | | |
| **Result for the period** | **34.6** | **1.5** | **36.1** |
| | | | |
| | | | |
| **Earnings per share (EUR), basic and diluted** | **0.96** | **0.04** | **1.00** |

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| EUR million | 1 January-31 December 2016 | | |
|---|---|---|---|
| | Reported | Adjustments | Restated |
| Result for the period | **34.6** | **1.5** | **36.1** |
| **Other comprehensive income:** | | | |
| Share of profit in associates and income from interests in joint operations | 0.0 | -0.0 | 0.0 |
| Translation differences | -2.7 | -0.0 | -2.7 |
| Other changes | -0.0 | 0.0 | 0.0 |
| **Other comprehensive income for the period** | **-2.9** | **-0.0** | **-3.0** |
| | | | |
| **Total comprehensive income for the period** | **31.6** | **1.5** | **33.1** |

## Segment information

### 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** |

### 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 | n/a |
| **Total comparable EBITDA** | **42.4** | **40.8** | **3.8** |
| Items affecting comparability | -2.1 | 19.9 | n/a |
| **EBITDA** | **40.3** | **60.8** | **-33.7** |
| Depreciation, amortisation and impairment | -14.2 | -14.5 | +2.1 |
| **Operating result** | **26.1** | **46.3** | **-43.6** |

## Property, plant and equipment and intangible assets

| EUR million | Intangible assets | Goodwill | Property. plant and equipment | Total |
|---|---|---|---|---|
| Acquisition cost at 1 January 2017 | 150.4 | 144.7 | 245.4 | 540.6 |
| Additions | 3.8 | - | 8.1 | 11.9 |
| Disposals | -2.2 | - | -12.5 | -14.8 |
| Effect of movement in exchange rates | -3.3 | -11.4 | -0.3 | -14.9 |
| Transfers between items | -0.0 | - | 0.0 | 0.0 |
| Acquisition cost at 31 December 2017 | 148.7 | 133.3 | 240.7 | 522.8 |
| | | | | |
| Accumulated depreciation, amortisation and impairment losses at 1 January 2017 | -113.7 | -61.6 | -175.4 | -350.7 |
| Depreciation and amortisation | -5.5 | - | -8.7 | -14.2 |
| Accumulated depreciation and amortisation on disposals and transfers | 2.0 | - | 10.5 | 12.5 |
| Effect of movement in exchange rates | 2.9 | 10.4 | 0.2 | 13.4 |
| Accumulated depreciation, amortisation and impairment losses at 31 December 2017 | -114.4 | -51.3 | -173.3 | -339.0 |
| | | | | |
| Carrying amount at 1 January 2017 | 36.7 | 83.1 | 70.0 | 189.9 |
| **Carrying amount at 31 December 2017** | **34.4** | **82.1** | **67.4** | **183.8** |
| | | | | |
| Acquisition cost at 1 January 2016 | 152.1 | 144.2 | 281.9 | 578.2 |
| Additions | 2.9 | - | 5.8 | 8.7 |
| Disposals | -2.8 | - | -42.1 | -44.9 |
| Effect of movement in exchange rates | -1.9 | 0.5 | -0.1 | -1.4 |
| Transfers between items | 0.1 | - | -0.1 | 0.0 |
| Acquisition cost at 31 December 2016 | 150.4 | 144.7 | 245.4 | 540.6 |
| | | | | |
| Accumulated depreciation, amortisation and impairment losses at 1 January 2016 | -111.4 | -59.8 | -207.3 | -378.5 |
| Depreciation and amortisation | -5.6 | - | -8.9 | -14.5 |
| Accumulated depreciation and amortisation on disposals and transfers | 2.1 | - | 40.8 | 42.9 |
| Effect of movement in exchange rates | 1.2 | -1.8 | 0.0 | -0.6 |
| Accumulated depreciation, amortisation and impairment losses at 31 December 2016 | -113.7 | -61.6 | -175.4 | -350.7 |
| | | | | |
| Carrying amount at 1 January 2016 | 40.7 | 84.4 | 74.6 | 199.6 |
| **Carrying amount at 31 December 2016** | **36.7** | **83.1** | **70.0** | **189.9** |

## Related party transactions

The following transactions have taken place with related parties:

| EUR million | 2017 | 2016 |
|---|---|---|
| **Sales of goods and services** | | |
| Associates and joint operations | 1.0 | 1.3 |
| Other companies considered related parties | 82.8 | 82.9 |
| **Total** | **83.8** | **84.2** |
| **Purchases of goods and services** | | |
| Associates and joint operations | 2.1 | 2.5 |
| Other companies considered related parties | 4.1 | 4.8 |
| **Total** | **6.2** | **7.3** |
| | | |
| **Outstanding balances from sales and purchases of goods and services** | | |
| **Trade receivables** | | |
| Associates and joint operations | 0.2 | 0.0 |
| Other companies considered related parties | 2.8 | 7.3 |
| **Trade payables** | | |
| Associates and joint operations | 0.0 | 0.3 |
| Other companies considered related parties | 0.1 | 0.3 |

## Associated companies

Financial summary of associated companies:

| EUR million | 2017 | 2016 |
|---|---|---|
| | | |
| Assets | 5.9 | 5.8 |
| Liabilities | 7.3 | 8.9 |
| Net assets | -1.5 | -3.1 |
| Net sales | 17.5 | 15.9 |
| Result for the period | 1.2 | 0.6 |

## Collaterals, commitments and contingent assets and liabilities

| Collaterals and commitments, EUR million | 2017 | 2016 |
|---|---|---|
| | | |
| Collaterals given on behalf of Group companies | | |
| Mortgages | 18.5 | 18.5 |
| Guarantees | 6.4 | 8.0 |
| **Total collaterals** | **24.9** | **26.5** |
| Other commitments | | |
| Operating lease obligations | | |
| Less than one year | 4.8 | 5.0 |
| Between one and five years | 11.5 | 12.2 |
| More than five years | 0.9 | 2.5 |
| Total operating lease obligations | 17.1 | 19.8 |
| Other commitments | 19.7 | 26.1 |
| **Total commitments** | **36.8** | **45.9** |
| | | |
| | | |
| **Assets not recognised in the balance sheet** | | |

| Emission allowances, kilotons | 2017 | 2016 |
|---|---|---|
| | | |
| Emission allowances received | 27.4 | 28.0 |
| Excess emission allowances from the previous period | 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 emission allowances at 31 December, EUR million | 0.4 | 0.2 |

## Fair values of financial assets and liabilities

| Financial assets, fair value, EUR million | 2017 | 2016 |
|---|---|---|
| **Level 2** | | |
| Financial assets at fair value through profit or loss | | |
| Forward exchange contracts | 0.3 | 0.4 |
| Derivatives. hedge accounting | | |
| Forward exchange contracts | 0.8 | 0.3 |
| Commodity derivatives | 0.3 | 0.0 |
| **Level 3** | | |
| Available-for-sale financial assets | | |
| Unquoted shares | 1.4 | 0.8 |

| Financial liabilities, fair value, EUR million | 2017 | 2016 |
|---|---|---|
| **Level 2** | | |
| Financial liabilities at fair value through profit or loss | | |
| Forward exchange contracts | 0.0 | 0.0 |
| Derivatives. hedge accounting | | |
| Forward exchange contracts | 0.1 | 0.3 |
| Interest rate derivatives | 1.4 | 1.9 |

## Key ratios of the Group

| | | 2017 | 2016 |
|---|---|---|---|
| **Income statement** | | | |
| 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 EBIT | EUR million | 28.2 | 26.4 |
| % of net sales | | 7.8 | 7.4 |
| Operating result | EUR million | 26.1 | 46.3 |
| Result before taxes | EUR million | 25.0 | 45.0 |
| Result for the period | EUR million | 18.3 | 36.1 |
| Items affecting comparability | EUR million | -2.1 | 19.9 |
| | | | |
| **Balance sheet** | | | |
| Cash and cash equivalents | EUR million | 52.4 | 68.0 |
| Total equity | EUR million | 136.8 | 191.3 |
| Borrowings | EUR million | 100.1 | 72.8 |
| Invested capital | EUR million | 236.9 | 264.0 |
| | | | |
| **Profitability** | | | |
| Return on equity, ROE | % | 11.1 % | 20.0 % |
| Return on invested capital, ROI | % | 8.0 % | 14.4 % |
| | | | |
| **Financing and financial position** | | | |
| Net debt | EUR million | 47.7 | 4.7 |
| Gearing | % | 34.9 | 2.5 |
| Equity ratio | % | 34.3 | 44.2 |
| Net cash flow from operating activities | EUR million | 37.6 | 29.4 |
| Net debt / comparable EBITDA | | 1.1 | 0.1 |
| | | | |
| **Share-based key ratios** | | | |
| Earnings per share | EUR | 0.51 | 1.00 |
| Equity/share | EUR | 3.80 | 5.32 |
| | | | |
| **Personnel** | | | |
| Average number of personnel | | 762 | 829 |

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

| EUR million | 2017 | 2016 |
|---|---|---|
| | | |
| **Items affecting comparability** | | |
| 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** |
| | | |
| **Comparable EBITDA** | | |
| Operating result | 26.1 | 46.3 |
| Less: | | |
| Depreciation. amortisation and impairment | 14.2 | 14.5 |
| Total items affecting comparability | 2.1 | -19.9 |
| **Comparable EBITDA** | **42.4** | **40.8** |
| % of net sales | 11.8 | 11.5 |
| | | |
| **Comparable EBIT** | | |
| Operating result | 26.1 | 46.3 |
| Less: | | |
| Total items affecting comparability | 2.1 | -19.9 |
| **Comparable EBIT** | **28.2** | **26.4** |
| % of net sales | 7.8 | 7.4 |

## Formulas for calculation of key ratios

| Key figure | Definition | Reason for the use |
|---|---|---|
| Operating margin, % | Operating result / Net sales | Operating result shows result generated by the operating activities. |
| EBITDA | Operating result before depreciation and amortization | EBITDA is the indicator to measure the performance of the Group. |
| EBITDA margin, % | EBITDA / Net sales | |
| Comparable operating result | Operating result excluding items affecting comparability | Comparable EBITDA, comparable EBITDA margin, comparable operating result and comparable operating margin are presented in addition to EBITDA and operating result to reflect the underlying business performance and to enhance comparability from period to period. Altia believes that these comparable performance measures provide meaningful supplemental information by excluding items outside normal business, which reduce comparability between the periods.<br><br>Comparable EBITDA is an internal measure to assess performance Altia and key performance measure at segment level together with Net Sales.<br><br>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. |
| Comparable operating margin, % | Comparable operating result / Net sales | |
| Comparable EBITDA | EBITDA excluding items affecting comparability | |
| Comparable EBITDA margin, % | Comparable EBITDA / Net sales | |
| Items affecting comparability | Material items outside normal business, such as [net gains or losses from business and assets disposals, impairment losses, 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]. | |
| Invested capital | Total equity + Borrowings | Base for ROI measure. |
| Return on equity (ROE), % | Result for the period (rolling 12 months) / Total equity (average 12 months) | 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) (rolling 12 months) / (Total equity + Non-current and current borrowings) (average 12 months) | 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 | Non-current borrowings + Current borrowings | Net debt is an indicator to measure the total external debt financing of the Group. |
| Net debt | Borrowings – cash and cash equivalents | |
| Gearing, % | Net debt / Total equity | Gearing ratio helps to show financial risk level and it is a useful measure for management to monitor the level of Group's indebtedness. 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 | |

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.