

Q&A related to COVID-19

Overview of the situation

- The restrictions and instructions from governments and health authorities have a significant impact on Altia’s operating environment.
- Our key priorities are the health and safety of our people and business continuity.
- Our important contribution to the society is providing denatured ethanol for hand sanitisers.
- At the production facilities where personnel is needed on-site, we have further strengthened hygiene measures and routines.
- We are continuously in close contact with our partners and suppliers to ensure the availability of products and raw materials – so far all our operations have run without any major disruptions.
- Travel retail, exports and on-trade channels are impacted by the crisis due to government restrictions. These sales channels account for about 20% of Altia’s consumer beverage.

How are consumer beverage segments (Finland & Exports and Scandinavia) affected?

- Sales to the monopolies and the grocery trade are affected by the recovery of travel retail and on-trade channels.
- Despite consumers shifting purchases of alcoholic beverages to monopolies and the exceptionally high monopoly volumes, the sales to monopolies will not compensate the shortfall coming from travel retail, exports and on-trade.
- The restrictions on social gatherings will limit the festive season and hence impact negatively the Christmas sales. Especially in Scandinavia, the sales volumes of glögg and aquavit are expected to be lower than in the previous year.
- The recovery of travel retail, exports and on-trade depends on the level and extent of government restrictions and recommendations on travel, movement and social distancing, and how these restrictions impact consumer behaviour.
- The pace of recovery is difficult to estimate. It is affected by changes in consumer behaviour and expected to vary across sales channels: on-trade channels could be expected to recover faster than travel retail.
- Uncertainty in the sales to the monopoly channel is related to 1) the monopoly channel remaining open and continuing normal operations which could be dependent on, for example, the health of the monopolies’ personnel and political decision-making, and to 2) Altia’s ability to deliver products.
- Consumer beverage net sales split by sales channels (2019):



How is Altia Industrial affected?

- Uncertainty is high both in industrial products and services. The demand for starch has weakened due to the decreased demand for printing paper. The stable development of feed component volumes is expected to continue. The ethanol market is expected to stay tight but stable as in Q3. However, due to the continued increased demand for ethanol on global markets, purchase prices for imported ethanol have increased, lowering technical ethanol margins. Volumes in industrial services are expected to be negatively impacted by COVID-19.

What are the key impacts and uncertainties for Altia's supply chain and production?

- In Altia Industrial, the key priorities are to secure the availability of raw materials such as bulk wine, partner goods and dry goods, supply chain operations and production continuity.
- Following the second wave of COVID-19 and the increasing number of cases in the countries where Altia has production and logistics operations, the risks related to the health and safety of Altia's employees have increased and the risk for supply chain disturbances is higher. Uncertainty concerning the availability of machinery spare parts and the maintenance workforce continues.

What is Altia's financial position?

- COVID-19 may impact Altia's financial position in many ways and increase the uncertainty related to the values of its assets. Due to this Altia has assessed the impact of the pandemic on its financial position and has considered the values of assets and liabilities that include critical accounting estimates and require management judgement. The identified and expected effects have been taken into consideration in the reported figures and in the forecasts requiring management judgement.
- Altia has reviewed the book value of the goodwill and other intangible assets consisting mainly of Trademarks, assessed the impact of the COVID-19 to the forecasted profitability together with other assumptions used for impairment testing or for evaluating the amortization periods of the intangible assets and concluded that there is no indication that goodwill or trademarks would be impaired.
- The value of Inventory is monitored on a regular basis also for slow moving items. COVID-19 has not had a material impact on the value of inventory.
- The credit risk of trade receivables and the amount of expected credit losses has been analysed at the end of each reporting period. Overdue receivables have been assessed on a customer level and expected default rates have been taken into consideration in the valuation. Based on the review no material adverse impacts on the value of trade receivables have been identified.
- The strict focus on net working capital management will continue in the upcoming quarters together with other liquidity securing actions. Altia's liquidity position was good throughout the review period.

What is your view on the recovery from the crisis?

- Uncertainty in the economy and operating environment is high and the risk of an economic slowdown is high.
- The recovery of the market depends on the level and extent of government restrictions and recommendations on travel, movement and social distancing, and how these restrictions impact consumer behaviour. The pace of recovery is difficult to estimate and it is affected by changes in consumer behaviour and is expected to vary across sales channels.