Altia Financial Statements Bulletin

2018

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Altia Plc Financial Statements Bulletin 2018

Challenging operating environment impacted 2018 results – comparable EBITDA at EUR 40 million

January–December 2018 compared to January–December 2017

- Reported net sales were EUR 357.3 (359.0) million
- In constant currencies net sales grew by 1.4% in comparison to previous year
- Net sales of Finland & Exports segment were EUR 133.8 (133.9) million
- Scandinavia segment's net sales were EUR 117.7 (123.7) million, in constant currencies net sales were at last year's level
- Altia Industrial's net sales were EUR 105.8 (101.3) million
- Comparable EBITDA was EUR 40.0 (42.4) million, 11.2% (11.8%) of net sales
- EBITDA was EUR 34.0 (40.3) million, 9.5% (11.2%) of net sales
- Net debt / comparable EBITDA (rolling 12 months) was 1.2 (1.1)
- Earnings per share were EUR 0.42 (0.51)

October–December 2018 compared to October–December 2017

- Reported net sales were EUR 110.9 (109.8) million
- In constant currencies net sales grew by 2.8%
- Comparable EBITDA was EUR 15.9 (18.5) million, 14.3% (16.9%) of net sales
- EBITDA was EUR 14.4 (16.3) million, 13.0% (14.9%) of net sales

Guidance 2019

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

The positive trend of Altia's Nordic core brand portfolio is expected to continue. Market development in Finland is expected to flatten out in comparison to 2018 and the markets in Sweden and Norway are expected to grow. The negative impact of the increased barley cost will be reflected in high raw material costs, especially in the first quarters of the year. The guidance assumes a normal harvest in 2019.

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

Dividend proposal by the Board of Directors

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.38 per share be paid for the financial year 2018. The Board's proposal is based on earnings per share (EPS) and takes into consideration the items affecting comparability included in the result for 2018. The AGM is planned to be held on 15 May 2019.

Important note: 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. The figures in the report are unaudited.

KEY FIGURES

	Q4 18	Q4 17	2018	2017
Net sales, EUR million	110.9	109.8	357.3	359.0
Comparable EBITDA, EUR million	15.9	18.5	40.0	42.4
% of net sales	14.3	16.9	11.2	11.8
EBITDA, EUR million	14.4	16.3	34.0	40.3
Comparable operating result, EUR million	12.2	15.0	25.6	28.2
% of net sales	11.0	13.6	7.2	7.8
Operating result, EUR million	10.7	12.7	19.7	26.1
Result for the period, EUR million	8.6	8.0	15.1	18.3
Earnings per share, EUR	0.24	0.22	0.42	0.51
Net debt / comparable EBITDA, rolling 12 months	1.2	1.1	1.2	1.1
Average number of personnel	701	718	718	762

Reconciliation of alternative key ratios to IFRS figures is presented in the appendix on page 25.

CEO Pekka Tennilä:

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

When excluding the negative impact from currencies, we are pleased with the net sales growth of 1.4%. Our Nordic core brands such as Koskenkorva Vodka and Larsen Cognac continued to perform at a good level driven by growth in exports. In addition, the opening of the grocery trade in Finland and of our own wine brands, Blossa and Chill Out, performed well.

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

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

Corporate responsibility is at the core of our strategy and business. In November 2018, Altia was presented with the Green Company of the Year award by the international Drinks Business magazine. This is a great recognition for Koskenkorva distillery's circular economy.

We are also taking the right steps in digitalising Altia and developing our capabilities in this area. The work with our digital platforms Viinimaa in Finland and folkofolk in Sweden has proven successful. In May 2018, we opened a webshop for Nordic alcoholic beverages on the German market: www.nordicspirits.com.

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

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

In March 2018, Altia was listed on Nasdaq Helsinki. Our first General Meeting of Shareholders since the IPO is planned to be held on 15 May 2019 in Helsinki. The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.38 per share be paid for the financial year 2018."

Financial Review

Seasonality

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

Net sales

Full year

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

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

Q4

Altia's reported net sales improved by 1.0% to EUR 110.9 (109.8) million in the fourth quarter. In constant currencies, net sales grew by 2.8% compared to last year driven by the growth in Altia Industrial.

NET SALES BY SEGMENT

EUR million	Q4 18	Q4 17	Change, %	2018	2017	Change, %
Finland & Exports	39.5	40.7	-3.0	133.8	133.9	-0.1
Scandinavia	42.8	44.4	-3.6	117.7	123.7	-4.9
Altia Industrial	28.6	24.7	15.8	105.8	101.3	4.4
Total	**110.9**	**109.8**	**1.0**	**357.3**	**359.0**	**-0.5**

NET SALES BY PRODUCT CATEGORY

EUR million	Q4 18	Q4 17	Change, %	2018	2017	Change, %
Spirits	38.2	38.1	0.3	124.0	125.9	-1.5
Wine	43.5	46.5	-6.5	122.2	124.7	-2.0
Other beverages	0.6	1.9	-68.4	5.3	8.4	-37.2
Industrial products and services	28.6	24.7	15.8	105.8	101.3	4.4
Other	0.0	-1.4		0.0	-1.3	
Total	**110.9**	**109.8**	**1.0**	**357.3**	**359.0**	**-0.5**

Profitability and result for the period

Full year

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

COMPARABLE EBITDA BY SEGMENT

EUR million	Q4 18	Q4 17	2018	2017
Finland & Exports	6.2	7.2	19.2	19.6
Scandinavia	8.0	8.9	10.1	11.5
Altia Industrial	2.2	3.7	10.9	12.5
Other	-0.6	-1.3	-0.3	-1.1
Total	**15.9**	**18.5**	**40.0**	**42.4**
% net sales	*14.3*	*16.9*	*11.2*	*11.8*

ITEMS AFFECTING COMPARABILITY

EUR million	Q4 18	Q4 17	2018	2017
Comparable EBITDA	**15.9**	**18.5**	**40.0**	**42.4**
Net gains or losses from business and assets disposals	-	-	0.4	1.3
Cost for closure of business operations and restructurings	-0.8	-0.1	-1.1	-1.1
Major corporate projects				
Costs related to the closed voluntary pension scheme	-0.7	-	-0.7	-
Costs related to the stock exchange listing	-	-2.2	-4.6	-2.4
Total items affecting comparability	**-1.5**	**-2.2**	**-6.0**	**-2.1**
EBITDA	**14.4**	**16.3**	**34.0**	**40.3**

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

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

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

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

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

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

Q4

The comparable EBITDA was EUR 15.9 (18.5) million, which is 14.3% (16.9%) of net sales. Items affecting comparability totalled EUR -1.5 (-2.2) million. Reported EBITDA was EUR 14.4 (16.3) million.

Cash flow, balance sheet and investments

Full year

Net cash flow from operations in 2018 totalled EUR 6.5 (37.6) million. The decline in cash flow is driven by the development in working capital, the decline in reported profits including the costs from the IPO and other items reported under items affecting comparability as well as the taxes paid during the financial year. On the working capital side, the receivables increased by EUR 7.4 million driven by the channel expansion in exports and the offering in grocery trade. Especially the impact from the Chinese New Year is visible in the last quarter of the year. Also, the increased overall volumes in the Altia Industrial segment and the higher invoicing at the end of the year for increased barley costs are further boosting the receivables. The EUR 5.5 million increase in inventory is driven mainly by increased purchases of barley at the end of the year due to barley market fluctuations. In addition, extended grocery trade offering, new partner brands as well as the increased volumes in Altia Industrial segment impacted the inventory level. The negative impact from trade and other payables amounted to EUR 4,3 million in the year-end as the payables were not optimised to offset the increased asset levels. Taxes paid during the year were based on a taxable income estimate for the year. The estimate used exceeded the currently expected outcome thus generating a too high cash tax outflow for the year.

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

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

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

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

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

BALANCE SHEET KEY FIGURES

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

Market development in 2018

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

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

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

DEVELOPMENT OF WINE AND SPIRITS SALES IN THE NORDIC RETAIL MONOPOLIES

% change compared to previous year	Q4 18	Q4 17	2018	2017
Finland, total sales	**-2.7**	**+0.3**	**-3.3**	**-0.2**
Spirits	-2.4	+0.1	-3.6	-0.4
Wine	-2.8	+0.4	-3.2	-0.1
Sweden, total sales	**+2.9**	**+0.9**	**+2.1**	**+0.2**
Spirits	+4.1	+1.0	+2.7	+0.9
Wine	+2.8	+0.9	+2.0	+0.2
Norway, total sales	**+1.2**	**+0.9**	**+1.5**	**-1.1**
Spirits	-0.3	-1.1	+0.1	-0.9
Wine	+1.5	+1.3	+1.7	-1.1

Source: Based on sales volumes by litre published by Alko, Systembolaget, Vinmonopolet.

Finland

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

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

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

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

Sweden

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

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

Norway

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

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

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 exports and travel retail.

EUR million	Q4 18	Q4 17	Change, %	2018	2017	Change, %
Net sales	39.5	40.7	-3.0	133.8	133.9	-0.1
Comparable EBITDA	6.2	7.2	-14.2	19.2	19.6	-1.9
Comparable EBITDA, % of net sales	15.7	17.8		14.3	14.6	
Average number of personnel	94	97		95	100	

EUR million	Q4 18	Q4 17	Change, %	2018	2017	Change, %
Spirits	23.3	21.8	6.9	78.1	76.1	2.6
Wine	15.9	18.4	-13.6	54.2	56.3	-3.7
Other beverages	0.3	0.3	0.0	1.5	1.3	11.6
Other		0.2			0.2	
Total	**39.5**	**40.7**	**-3.0**	**133.8**	**133.9**	**-0.1**

Net sales

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

Net sales for the Finland & Exports segment were EUR 39.5 (40.7) million in the fourth quarter. The decline is mainly caused by weak monopoly sales and a provision of EUR 0.5 million on excise tax class revision of two products. Exports continued a stable growth.

Comparable EBITDA

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

The comparable EBITDA was EUR 6.2 (7.2) million in the fourth quarter, which equals a comparable EBITDA margin of 15.7% (17.8%). Profitability declined due to lower monopoly sales and the provision on excise tax, which impacted comparable EBITDA margin by 1.0%-points.

Business events in 2018

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

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

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

Scandinavia

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

EUR million	Q4 18	Q4 17	Change, %	2018	2017	Change, %
Net sales	42.8	44.4	-3.6	117.7	123.7	-4.9
Comparable EBITDA	8.0	8.9	-10.1	10.1	11.5	-12.1
Comparable EBITDA, % of net sales	18.7	20.1		8.6	9.3	
Average number of personnel	83	87		85	86	

EUR million	Q4 18	Q4 17	Change, %	2018	2017	Change, %
Spirits	14.9	16.3	-8.6	45.9	49.8	-7.8
Wine	27.6	28.1	-1.8	68.0	68.5	-0.7
Other beverages	0.3	1.6	-81.3	3.8	7.0	-45.7
Other		-1.6			-1.5	
Total	**42.8**	**44.4**	**-3.6**	**117.7**	**123.7**	**-4.9**

Net sales

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

Reported net sales for the Scandinavia segment were EUR 42.8 (44.4) million in the fourth quarter. In constant currencies, net sales improved by 0.9% in comparison to previous year. In the large Swedish glögg market, Altia was able to strengthen its market position further with the Blossa line up.

Comparable EBITDA

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

The comparable EBITDA was EUR 8.0 (8.9) million in the fourth quarter, which equals a comparable EBITDA margin of 18.7% (20.1%).

Business events in 2018

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

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

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

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

Altia Industrial

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

EUR million	Q4 18	Q4 17	Change, %	2018	2017	Change, %
Net sales	28.6	24.7	15.8	105.8	101.3	4.4
Comparable EBITDA	2.2	3.7	-39.8	10.9	12.5	-12.2
Comparable EBITDA, % of net sales	7.8	15.0		10.3	12.3	
Average number of personnel	415	416		426	452	

Net sales

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

Altia Industrial's net sales of EUR 28.6 (24.7) million in the fourth quarter were driven by increased prices due to the barley cost push and good volumes in industrial products and services.

Comparable EBITDA

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

The comparable EBITDA was EUR 2.2 (3.7) million in the fourth quarter, which equals a comparable EBITDA margin of 7.8% (15.0%). Profitability was decreased mainly due to higher barley costs in the second half of 2018.

Production volumes and key projects in 2018

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

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

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

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

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

Key events in 2018

- 23 February: Altia Plc's Financial Statements Bulletin 2017
- 23 February: Altia is planning an initial public offering and listing on the Official List of Nasdaq Helsinki
- 23 February: Altia's Extraordinary General Meeting on 22 February 2018 appointed Jukka Ohtola as a new member of Altia's Board of Directors. Jukka Ohtola serves as Ministerial Adviser in the Ownership Steering Department of the Prime Minister's Office.
- 8 March: The Annual General Meeting elected Sanna Suvanto-Harsaae as the chair of the Board of Directors of Altia Plc and Kai Telanne as the vice chair. Further, the AGM elected Kim Henriksson, Annikka Hurme, Tiina Lencioni, Jukka Ohtola and Torsten Steenholt as members of the Board of Directors.
- 12 March: Altia Plc applies for its shares to be listed on the official list of Nasdaq Helsinki Ltd; the Finnish language prospectus has been published

- 23 March: Trading of Altia's share on Nasdaq Helsinki commences
- 18 May: Altia has opened international webshop for Nordic alcoholic beverages (nordicspirits.com)
- 18 August: Altia and the Swedish gin distillery Hernö Gin have entered a Nordic- and Baltic-wide partnership as of 3 September 2018
- 31 August: Announcement of CFO Matti Piri leaving the company
- 1 October: Altia to participate in Baltic Sea Action Group's Carbon Action pilot
- 12 October: Composition of Altia's Shareholders' Nomination Board
- 21 November: Altia and Koskenkorva distillery awarded as the Green Company of the Year in the Green Awards 2018
- 26 November: Altia appoints Niklas Nylander as Chief Financial Officer (CFO) as of 1 January 2019
- 14 December: Altia lowers its guidance for 2018

Changes in Altia's Executive Management Team

On 26 November 2018, the appointment of Niklas Nylander as Altia's new Chief Financial Officer (CFO) and member of the Executive Management Team as of 1 January 2019 was announced. Altia's previous CFO Matti Piri stayed in his position until the end of November.

As of 1 January 2019, Altia's Executive Management Team consists of the following members:

- Pekka Tennilä, CEO
- Janne Halttunen, SVP, Scandinavia
- Kari Kilpinen, SVP, Finland & Exports
- Kirsi Lehtola, SVP, HR
- Niklas Nylander, CFO
- Kirsi Puntila, SVP, Marketing
- Hannu Tuominen, SVP, Altia Industrial

Corporate Governance Statement

Altia's Corporate Governance Statement (CG Statement) will be published together with the Report by the Board of Directors during week 12 and it will also be available on the company website.

Altia's share

Altia's shares are listed on the Nasdaq Helsinki. All shares carry one vote and have equal voting rights. The trading code of the shares is "ALTIA", and the ISIN code is FI4000292438.

Issued shares and share capital

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

Shareholders and trading

At the end of December 2018, Altia had 17 879 shareholders. During 2018, the highest share price was EUR 9.50 and the lowest price EUR 7.015. The closing price of Altia's share on 28 December 2018 was EUR 7.07, and the market capitalisation was approximately EUR 256 million.

OWNERSHIP STRUCTURE BY SECTOR (AT THE END OF THE PERIOD)

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

Source: Euroclear Finland

10 LARGEST SHAREHOLDERS (AT THE END OF THE PERIOD)

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

Source: Euroclear Finland

Personnel

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

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

Corporate Responsibility

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

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

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

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

Altia has defined a group level corporate responsibility action plan for 2018–2020, based on its strategy and responsibility cornerstones. The action plan progressed as planned in 2018.

More details on Altia corporate responsibility can be found in the Non-Financial Statement which will be published in connection with the Report by the Board of Directors and in the Annual Report's dedicated section on Corporate Responsibility during week 12.

Short-term risks and uncertainties

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

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

Outlook 2019

Market outlook

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

Seasonality

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

Guidance

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

The positive trend of Altia's Nordic core brand portfolio is expected to continue. Market development in Finland is expected to flatten out in comparison to 2018 and the markets in Sweden and Norway are expected to grow. The negative impact of the increased barley cost will be reflected in high raw material costs especially in the first quarters of the year. The guidance assumes a normal harvest in 2019.

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

Dividend proposal

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

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

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

Annual General Meeting 2019

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

Financial calendar for 2019

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

Altia will publish financial reports in 2019 as follows:

- 8 May 2019: Business Review for January-March 2019

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

Events after the period

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

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

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

Helsinki, 6 February 2019
Altia Plc
Board of Directors

Additional information:

Pekka Tennilä, CEO
Niklas Nylander, CFO

Contacts:

Analysts and investors: Tua Stenius-Örnhjelm, Investor Relations, tel. +358 40 7488864
Media: Petra Gräsbeck, Corporate Communications, tel. +358 40 767 0867

Press conference:

Press conference today at 9:00 am at Altia's head office in Helsinki, Kaapeliaukio 1. The event is hosted by CEO Pekka Tennilä and CFO Niklas Nylander.

Conference call and audio webcast:

Conference call and audio webcast for analysts and investors in English today at 11:00 am EET.

CEO Pekka Tennilä and CFO Niklas Nylander will present the full year results. Presentation material will be made available before the call begins on Altia's website at: https://altiagroup.com/investors.

Conference call participants are requested to dial in and register 5–10 minutes beforehand on the following numbers, please use pin 46979445# to access:

Finland: +358981710310
Sweden: +46 856642651
United Kingdom: +44 3333000804
United States: +1 6319131422

The conference call can also be followed online. To join the audio webcast please go to: https://altia.videosync.fi/2018-q4-teleconference. A recording of the audio webcast will be available later on Altia's website: https://altiagroup.com/investors

Distribution:

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Consolidated income statement

EUR million	Q4 2018	Q4 2017	2018	2017
NET SALES	110.9	109.8	357.3	359.0
Other operating income	1.8	2.3	7.4	8.3
Materials and services	-65.7	-60.7	-206.8	-202.0
Employee benefit expenses	-11.8	-13.6	-49.9	-52.0
Other operating expenses	-20.8	-21.5	-73.9	-72.9
Depreciation, amortisation and impairment	-3.7	-3.6	-14.4	-14.2
OPERATING RESULT	**10.7**	**12.7**	**19.7**	**26.1**
Finance income	0.3	1.9	3.5	4.5
Finance expenses	-0.9	-2.6	-5.8	-6.4
Share of profit in associates and income from interests in joint operations	0.2	-	1.2	0.9
RESULT BEFORE TAXES	**10.3**	**12.1**	**18.6**	**25.0**
Income tax expense	-1.8	-4.1	-3.6	-6.7
RESULT FOR THE PERIOD	**8.6**	**8.0**	**15.1**	**18.3**
Result for the period attributable to:				
Owners of the parent	8.6	8.0	15.1	18.3
Earnings per share for the result attributable to owners of the parent, EUR				
Basic and diluted	0.24	0.22	0.42	0.51

Consolidated statement of comprehensive income

EUR million	Q4 2018	Q4 2017	2018	2017
Result for the period	8.6	8.0	15.1	18.3
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified to profit or loss				
Remeasurements of post-employment benefit obligations	0.0	-0.0	0.0	-0.0
Related income tax	-0.0	0.0	-0.0	0.0
Total	-0.0	-0.0	0.0	-0.0
Items that may be reclassified to profit or loss				
Cash flow hedges	0.0	0.7	0.4	1.4
Available-for-sale financial assets	-	0.6	-	0.6
Translation differences	-0.2	-2.6	-3.5	-4.0
Income tax related to these items	0.0	-0.1	-0.1	-0.3
Total	-0.3	-1.4	-3.2	-2.3
Other comprehensive income for the period, net of tax	-0.3	-1.4	-3.2	-2.3
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**8.3**	**6.5**	**11.9**	**16.0**
Total comprehensive income attributable to:				
Owners of the parent	8.3	6.5	11.9	16.0

ALTIA

Consolidated balance sheet

EUR million	31 Dec 2018	31 Dec 2017
ASSETS		
Non-current assets		
Goodwill	80.7	82.1
Other intangible assets	29.6	34.4
Property, plant and equipment	64.6	67.4
Investments in associates and interests in joint operations	7.9	7.6
Financial assets at fair value through other comprehensive income	1.4	-
Available-for-sale financial assets	-	1.4
Other receivables	-	1.0
Deferred tax assets	0.8	1.0
Total non-current assets	**185.1**	**194.8**
Current assets		
Inventories	99.6	94.5
Contract assets	0.2	-
Trade and other receivables	60.9	53.9
Current tax assets	2.5	2.8
Cash and cash equivalents	42.0	52.4
Total current assets	**205.3**	**203.6**
TOTAL ASSETS	**390.4**	**398.4**
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	60.5	60.5
Invested unrestricted equity fund	1.2	-
Fair value reserve	0.6	0.6
Hedge reserve	0.0	-0.3
Translation differences	-19.6	-16.0
Retained earnings	107.3	92.0
Total equity	**150.1**	**136.8**
Non-current liabilities		
Deferred tax liabilities	16.8	17.7
Borrowings	82.7	89.1
Employee benefit obligations	1.3	1.3
Total non-current liabilities	**100.8**	**108.2**
Current liabilities		
Borrowings	6.7	11.0
Provisions	0.5	-
Trade and other payables	131.4	137.4
Contract liabilities	0.6	-
Current tax liabilities	0.4	5.0
Total current liabilities	**139.5**	**153.4**
Total liabilities	**240.3**	**261.6**
TOTAL EQUITY AND LIABILITIES	**390.4**	**398.4**

Consolidated statement of changes in equity

Equity attributable to owners of the parent EUR million	Share capital	Invested unre-stricted equity fund	Fair value reserve	Hedge reserve	Trans-lation diffe-rences	Retained earnings	Total equity
Equity at 1 January 2017	**60.5**	**-**	**-**	**-1.4**	**-12.3**	**144.5**	**191.3**
Total comprehensive income							
Result for the period	-	-	-	-	-	18.3	18.3
Other comprehensive income (net of tax)							
Cash flow hedges	-	-	-	1.1	-	-	1.1
Available for sale financial assets	-	-	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**
Equity at 1 January 2018	**60.5**	**-**	**0.6**	**-0.3**	**-16.0**	**92.0**	**136.8**
Change in accounting principle	-	-	-	-	-	0.1	0.1
Equity at 1 January 2018, restated	**60.5**	**-**	**0.6**	**-0.3**	**-16.0**	**92.1**	**136.9**
Total comprehensive income							
Result for the period	-	-	-	-	-	15.1	15.1
Other comprehensive income (net of tax)							
Cash flow hedges	-	-	-	0.3	-	-	0.3
Translation differences	-	-	-	-	-3.5	0.0	-3.5
Remeasurements of post-employment benefit obligations	-	-	-	-	-	-0.0	-0.0
Total comprehensive income for the period	**-**	**-**	**-**	**0.3**	**-3.5**	**15.1**	**11.9**
Transactions with owners							
Share issue	-	1.2	-	-	-	-	**1.2**
Share based payment, personnel offering	-	-	-	-	-	0.1	**0.1**
Total transactions with owners	**-**	**1.2**	**-**	**-**	**-**	**0.1**	**1.4**
Equity at 31 December 2018	**60.5**	**1.2**	**0.6**	**0.0**	**-19.6**	**107.3**	**150.1**

ALTIA

Consolidated statement of cash flows

EUR million	Q4 2018	Q4 2017	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES				
Result before taxes	10.3	12.1	18.6	25.0
Adjustments				
Depreciation, amortisation and impairment	3.7	3.6	14.4	14.2
Share of profit in associates and income from investments in joint operations	-0.2	-	-1.2	-0.9
Net gain on sale of non-current assets	-0.0	-0.1	-0.5	-1.6
Finance income and costs	0.5	0.7	2.3	1.9
Other adjustments	0.2	0.1	0.8	0.5
	4.3	4.3	15.7	14.1
Change in working capital				
Change in inventories, increase (-) / decrease (+)	9.2	14.8	-5.5	1.2
Change in contract assets, trade and other receivables, increase (-) / decrease (+)	-10.7	-3.0	-7.4	9.4
Change in contract liabilities, trade and other payables, increase (+) / decrease (-)	26.4	28.1	-4.3	-2.6
Change in provisions, increase (+) / decrease (-)	-	-0.3	-	-1.3
Change in working capital	25.0	39.6	-17.2	6.7
Interest paid	-0.3	-0.7	-1.4	-1.7
Interest received	0.0	0.1	0.1	0.3
Other finance income and expenses paid	0.5	-2.1	-1.4	-2.2
Income taxes paid	-2.2	-0.2	-8.0	-4.6
Financial items and taxes	-2.0	-2.9	-10.6	-8.2
NET CASH FLOW FROM OPERATING ACTIVITIES	**37.6**	**53.0**	**6.5**	**37.6**
CASH FLOW FROM INVESTING ACTIVITIES				
Payments for property, plant and equipment and intangible assets	-1.6	-2.7	-7.7	-11.9
Proceeds from sale of property, plant and equipment and intangible assets	0.0	0.0	0.6	2.6
Proceeds from sale of available-for-sale financial assets	-	0.0	-	0.0
Repayment of loan receivables	-	0.0	0.9	0.3
Interest received from investments in joint operations	-	-	0.9	0.9
Dividends received	-	0.1	0.1	0.2
NET CASH FLOW FROM INVESTING ACTIVITIES	**-1.6**	**-2.6**	**-5.2**	**-7.8**
CASH FLOW FROM FINANCING ACTIVITIES				
Changes in commercial paper program	-13.0	-	-	-
Proceeds from borrowings	-	100.0	20.0	100.0
Repayment of borrowings	-	-72.5	-30.7	-72.5
Dividends paid and other distributions of profits	-	-60.1	-	-70.5
Share issue, personnel offering	-	-	1.2	-
NET CASH FLOW FROM FINANCING ACTIVITIES	**-13.0**	**-32.6**	**-9.5**	**-43.0**
CHANGE IN CASH AND CASH EQUIVALENTS	**23.0**	**17.8**	**-8.2**	**-13.2**
Cash and cash equivalents at the beginning of the period	19.5	36.3	52.4	68.0
Translation differences on cash and cash equivalents	-0.6	-1.7	-2.2	-2.5
Change in cash and cash equivalents	23.0	17.8	-8.2	-13.2
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**42.0**	**52.3**	**42.0**	**52.4**

Accounting principles

The financial statement 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 key ratios, The Group releases other commonly used alternative key ratios mainly derived from the statement of comprehensive income and consolidated balance sheet. In addition to IFRS and alternative key ratios, the adjusted alternative key ratios are used by adding or deducting items affecting comparability.

The figures in the financial statement bulletin are based on Altia Plc’s 2018 financial statements.

New standards

IFRS 15 – Revenue from Contracts with Customers.

Altia adopted the standard on January 1, 2018. New standard includes a five-step model for the revenue recognition. Under IFRS 15, revenue is recognised when control of a good or service transfers to a customer. Altia adopted the standard using the modified retrospective method which means that the comparatives are not restated and regarding Altia there were no material cumulative impact of the adoption recognized in retained earnings as of 1 January 2018.

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.

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 prior revenue recognition standards estimated the variable considerations as part of its revenue recognition process, therefore no restatements have been made in the Group's financial statements.

Under IFRS 15, slotting fees are recognised as a reduction of revenue. Previously the amounts were recognised as expenses. The identified classification differences in regard to returns and slotting fees are not material for Altia and therefore no restatements have been made in the Group's financial statements.

ALLOCATION OF THE TRANSACTION PRICE:

In general, the prices represent the stand-alone selling prices and accordingly there is no need to allocate standalone selling price. Further, management view is that the allocation of discounts to each element in the contract would not result any differences in the amount or timing of revenue recognised because the control of all ordered goods transfers at the same time. In the contract services requirements to allocate variable consideration to a distinct service within the series are met and therefore Altia allocates and recognizes variable consideration in the period it has the contractual right to the fee.

RECOGNISING REVENUE:

As a result of adopting IFRS 15, there were no significant changes to the timing of revenue recognition.

IFRS 9 – Financial Instruments

Altia adopted the standard on January 1, 2018. In accordance with transitional provisions, comparative figures have not been restated. All financial assets are subsequently measured at amortised cost, FVOCI or FVPL based on the business model for managing the financial assets and their contractual cash flow characteristics. The IFRS 9 classification did not cause relevant changes in handling these items. Financial assets are derecognised once the Group has lost the contractual right to their cash flows or when it has substantially transferred their risks and rewards to a party outside the Group.

IMPAIRMENT OF FINANCIAL ASSETS

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL). The new impairment model applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts.

The loss allowance for account receivables is based on the aging of the accounts receivable regional portfolios. Receivables more than 120 days due will be impaired with a 60% expected loss rate. The receivables of the monopolies in Finland and Sweden are excluded due to the nature of the customer and related credit risk. Forward looking macro-economic information has been included in the analysis.

Adoption of the ECL model resulted decrease in loss provision as 1.1.2018 and Altia adjusted the opening balance of its retained earnings of EUR 0.1 million.

FINANCIAL LIABILITIES

Adoption of the IFRS 9 had no impact on Altia's classification and measurement of the financial liabilities.

HEDGE ACCOUNTING

The Group applies hedge accounting for certain interest rate, foreign currency and electricity derivatives. Adoption of the IFRS 9 had no impact on hedge relationships.

For cash flow foreign currency hedges under IFRS 9, Altia designates full fair value of the forward contract to the hedge relationship and accordingly no longer bifurcate the forward points for separate recognition through P/L. The effect is insignificant and not adjusted in the opening balance of retained earnings.

IFRS 16 – Leases

IFRS 16 Leases is effective on 1 January 2019 and the new standard will affect primarily the accounting by lessees and will result in the recognition of almost all leases on the balance sheet. The new lease standard removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for the majority of Altia's lease contracts. An optional exemption exists for short-term and low-value leases. The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest cost and depreciation, so Altia's key metrics like EBITDA will change.

Operating cash flows presented in the cash flow statement will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflect interest cost will continue to be presented as operating cash flows.

Based on Altia's preliminary impact assessment which is subject to changes, the implementation of IFRS 16 will increase the property, plant and equipment in its balance sheet, mainly due to current operating leases of premises, warehouses, cars and forklifts. In the opening balance of January 2019 when implementing IFRS 16 and calculated according the standard the Group's right of use assets and corresponding interest-bearing liabilities are estimated to be EUR 10.5 million. In the consolidated income statement, the operating expense will decrease approximately EUR 3–4 million, while depreciation and interest costs will reflect an increase as the lease expense is no longer classified as an operating expense. This will lead to an improvement in EBITDA. The analysis will be completed during the first quarter of 2019.

Altia implements the standard by using a simplified approach (modified retrospective approach), where comparative figures will not be restated. Altia will recognise the accumulated effect of adopting IFRS 16 as an adjustment to equity at the beginning of 2019. Furthermore, Altia uses the other available reliefs to the widest possible extent, including the exclusion of leases with a term to maturity of less than 12 months and low-value leases.

Other forthcoming amendments to IFRS standards and IFRIC interpretations that the Group is aware of are not assessed to have a material impact on Altia's consolidated financial statements.

Segment information

NET SALES BY SEGMENT

EUR million	Q4 18	Q3 18	Q2 18	Q1 18	Q4 17	Q3 17	Q2 17	Q1 17	Q4 16	Q3 16	Q2 16	Q1 16
Finland & Exports	39.5	31.8	35.4	27.1	40.7	31.4	35.7	26.0	41.1	31.6	33.9	27.3
Scandinavia	42.8	25.0	27.4	22.5	44.4	26.5	29.7	23.2	45.9	26.7	30.0	25.0
Altia Industrial	28.6	28.9	24.2	24.0	24.7	26.5	25.9	24.2	24.0	25.6	22.7	22.9
Total	**110.9**	**85.7**	**87.1**	**73.5**	**109.8**	**84.5**	**91.3**	**73.4**	**111.0**	**83.9**	**86.6**	**75.1**

EUR million	Q4 2018	Q4 2017	Change %	2018	2017	Change %
Finland & Exports						
Net sales total	39.8	40.8	-2.5	134.4	134.4	0.0
Net sales, internal	-0.3	-0.1	163.6	-0.6	-0.5	20.0
Net sales, external	**39.5**	**40.7**	**-3.0**	**133.8**	**133.9**	**-0.1**
Scandinavia						
Net sales total	43.1	44.8	-3.9	118.6	124.4	-4.7
Net sales, internal	-0.3	-0.4	-35.4	-0.9	-0.7	28.6
Net sales, external	**42.8**	**44.4**	**-3.6**	**117.7**	**123.7**	**-4.9**
Altia Industrial						
Net sales total	41.1	38.8	5.7	149.8	148.7	0.7
Net sales, internal	-12.4	-14.1	-11.9	-44.0	-47.4	-7.2
Net sales, external	**28.6**	**24.7**	**15.8**	**105.8**	**101.3**	**4.4**
Group						
Net sales total	123.9	124.5	-0.5	402.8	407.5	-1.2
Net sales, internal	-13.0	-14.6	-11.4	-45.5	-48.6	-6.4
Net sales, external	**110.9**	**109.8**	**1.0**	**357.3**	**359.0**	**-0.5**

NET SALES BY PRODUCT CATEGORY

EUR million	Q4 2018	Q4 2017	Change %	2018	2017	Change %
Spirits	38.2	38.1	0.3	124.0	125.9	-1.5
Wine	43.5	46.5	-6.5	122.2	124.7	-2.0
Other beverages	0.6	1.9	-68.4	5.3	8.4	-37.2
Industrial products and services	28.6	24.7	15.8	105.8	101.3	4.4
Other	0.0	-1.4		0.0	-1.3	
Total	**110.9**	**109.8**	**1.0**	**357.3**	**359.0**	**-0.5**

COMPARABLE EBITDA BY SEGMENT

EUR million	Q4 18	Q3 18	Q2 18	Q1 18	Q4 17	Q3 17	Q2 17	Q1 17	Q4 16	Q3 16	Q2 16	Q1 16
Finland & Exports	6.2	4.9	4.6	3.4	7.2	4.0	5.2	3.1	7.7	4.5	4.3	3.6
Scandinavia	8.0	0.8	1.5	-0.1	8.9	1.0	2.1	-0.5	9.0	1.0	0.7	-0.3
Altia Industrial	2.2	4.8	2.5	1.4	3.7	4.5	2.6	1.6	2.6	3.4	2.6	-0.2
Other	-0.6	-0.3	0.2	0.4	-1.3	0.9	-0.8	0.1	-0.5	1.6	0.2	0.6
TOTAL comparable EBITDA	**15.9**	**10.3**	**8.7**	**5.2**	**18.5**	**10.4**	**9.2**	**4.3**	**18.9**	**10.5**	**7.8**	**3.6**
Items affecting comparability	-1.5	0.0	-0.4	-4.1	-2.2	0.7	-0.2	-0.5	15.7	1.6	2.8	-0.1
EBITDA	**14.4**	**10.3**	**8.3**	**1.1**	**16.3**	**11.1**	**9.0**	**3.8**	**34.6**	**12.1**	**10.6**	**3.6**
Depreciation, amortisation and impairment	-3.7	-3.6	-3.5	-3.5	-3.6	-3.6	-3.5	-3.5	-3.7	-3.6	-3.6	-3.6
Operating result	**10.7**	**6.6**	**4.8**	**-2.5**	**12.7**	**7.6**	**5.4**	**0.3**	**30.9**	**8.5**	**7.0**	**-0.0**

Property, plant and equipment and intangible assets

EUR million	Intangible assets	Goodwill	Property, plant and equipment	Total
Acquisition cost at 1 January 2018	148.7	133.3	240.7	522.8
Additions	1.5	-	6.2	7.7
Disposals	-0.0	-	-2.1	-2.1
Effect of movement in exchange rates	-2.9	-5.3	-0.3	-8.5
Acquisition cost at 31 December 2018	147.3	128.0	244.6	519.9
Accumulated depreciation, amortisation and impairment losses at 1 January 2018	-114.4	-51.3	-173.3	-339.0
Depreciation and amortisation	-5.8	-	-8.6	-14.4
Accumulated depreciation and amortisation on disposals and transfers	0.0	-	1.9	1.9
Effect of movement in exchange rates	2.4	4.0	0.2	6.5
Accumulated depreciation, amortisation and impairment losses at 31 December 2018	-117.8	-47.3	-179.9	-345.0
Carrying amount at 1 January 2018	34.4	82.1	67.4	183.8
Carrying amount at 31 December 2018	**29.6**	**80.7**	**64.6**	**174.9**
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**

Related party transactions

The following transactions have taken place with related parties:

EUR million	2018	2017
Sales of goods and services		
Associates and joint operations	0.9	1.0
Other companies considered related parties	79.2	82.8
Total	**80.1**	**83.8**
Purchases of goods and services		
Associates and joint operations	2.8	2.1
Other companies considered related parties	1.3	4.1
Total	**4.1**	**6.2**
Outstanding balances from sales and purchases of goods and services	**31 Dec 2018**	**31 Dec 2017**
Trade receivables		
Associates and joint operations	0.1	0.2
Other companies considered related parties	3.2	2.8
Trade payables		
Associates and joint operations	0.3	0.0
Other companies considered related parties	0.0	0.1

Associated companies

Financial summary of associated companies:

EUR million	31 Dec 2018	31 Dec 2017
Financial summary of associated companies:		
Assets	7.6	5.9
Liabilities	6.3	7.3
Net assets	1.3	-1.5
Net sales	18.3	17.5
Result for the period	2.8	1.2

Collaterals, commitments and contingent assets and liabilities

Collaterals and commitments, EUR million	31 Dec 2018	31 Dec 2017
Collaterals given on behalf of Group companies		
Mortgages	18.5	18.5
Guarantees	5.3	6.4
Total collaterals	**23.8**	**24.9**
Commitments		
Operating lease obligations		
Less than one year	3.9	4.8
Between one and five years	9.3	11.5
More than five years	0.5	0.9
Total operating lease obligations	13.6	17.1
Other commitments	15.5	19.7
Total commitments	**29.1**	**36.8**
Assets not recognised in the balance sheet		
Emission allowances, kilotons	**31 Dec 2018**	**31 Dec 2017**
Emission allowances received	26.9	27.4
Excess emission allowances from the previous period	45.6	39.2
Adjustments related to prior year's estimates	0.0	-0.0
Sold emission allowances	-20.0	-
Realised emissions	-21.9	-21.0
Total emission allowances	**30.6**	**45.6**
Fair value of emission allowances (EUR million)	0.7	0.4

Fair value of financial assets and liabilities

Financial assets, fair value, EUR million	2018	2017
Level 2		
Financial assets at fair value through profit or loss		
Forward exchange contracts	0.1	0.3
Derivatives, hedge accounting		
Forward exchange contracts	0.1	0.8
Commodity derivatives	1.3	0.3
Level 3		
Financial assets at fair value through other comprehensive income		
Unquoted shares	1.4	1.4

Financial liabilities, fair value, EUR million	2018	2017
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	0.1
Interest rate derivatives	1.3	1.4

Key ratios of the Group

		2018	2017	2016
Income statement				
Net sales	EUR million	357.3	359.0	356.6
Comparable EBITDA	EUR million	40.0	42.4	40.8
(% of net sales)	%	11.2	11.8	11.5
EBITDA	EUR million	34.0	40.3	60.8
Comparable operating result (EBIT)	EUR million	25.6	28.2	26.4
(% of net sales)	%	7.2	7.8	7.4
Operating result	EUR million	19.7	26.1	46.3
Result before taxes	EUR million	18.6	25.0	45.0
Result for the period	EUR million	15.1	18.3	36.1
Items affecting comparability	EUR million	-6.0	-2.1	19.9
Balance sheet				
Cash and cash equivalents	EUR million	42.0	52.4	68.0
Total equity	EUR million	150.1	136.8	191.3
Borrowings	EUR million	89.4	100.1	72.8
Invested capital	EUR million	239.5	236.9	264.0
Profitability				
Return on equity (ROE)	%	10.5	11.1	20.0
Return on invested capital (ROI)	%	7.0	8.0	14.4
Financing and financial position				
Net debt	EUR million	47.4	47.7	4.7
Gearing	%	31.6	34.9	2.5
Equity ratio	%	38.4	34.3	44.2
Net cash flow from operating activities	EUR million	6.5	37.6	29.4
Net debt/comparable EBITDA		1.2	1.1	0.1
Share-based key ratios				
Earnings / share (Basic and diluted)	EUR	0.42	0.51	1.00
Equity / share	EUR	4.15	3.80	5.32
Dividend / share	EUR	0.38*	-	1.96
Dividend / earnings	%	91.2*	-	196
Effective dividend yield	%	5.4*	-	-
Price / Earnings		17.0	-	-
Closing share price on the last day of trading	EUR	7.07	-	-
Highest	EUR	9.50	-	-
Lowest	EUR	7.015	-	-
Market value of shares at the end of period	EUR million	255.5	-	-
Number of shares outstanding at the end of period		36 140 485	35 960 000	35 960 000
Personnel				
Average number of personnel		718	762	829

*) Board’s proposal

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

EUR million	Q4 18	Q4 17	2018	2017
Items affecting comparability				
Net gains or losses from business and assets disposals	-	-	0.4	1.3
Cost for closure of business operations and restructurings	-0.8	-0.1	-1.1	-1.1
Major corporate projects				
Costs related to the closed voluntary pension scheme	-0.7	-	-0.7	-
Costs related to stock exchange listing	-	-2.2	-4.6	-2.4
Total items affecting comparability	**-1.5**	**-2.2**	**-6.0**	**-2.1**
Comparable EBITDA				
Operating result	10.7	12.7	19.7	26.1
Less:				
Depreciation, amortisation and impairment	3.7	3.6	14.4	14.2
Total items affecting comparability	1.5	2.2	6.0	2.1
Comparable EBITDA	**15.9**	**18.5**	**40.0**	**42.4**
% of net sales	14.3	16.9	11.2	11.8
Comparable EBIT				
Operating result	10.7	12.7	19.7	26.1
Less:				
Total items affecting comparability	1.5	2.2	6.0	2.1
Comparable EBIT	**12.2**	**15.0**	**25.6**	**28.2**
% of net sales	11.0	13.6	7.2	7.8

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 of 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 (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 Net debt	Non-current borrowings + Current borrowings Borrowings – Cash and cash equivalents	Net debt is an indicator to measure the total external debt financing of the Group.
Gearing, %	Net debt / Total equity	Gearing ratio helps to show financial risk level and it is a useful measure for management to monitor the level of Group's indebtedness. Important measure for the loan portfolio.
Equity ratio, %	Total equity / Total assets – Advances received	Equity / assets ratio helps to show financial risk level and it is a useful measure for management to monitor the level of Group's capital used in the operations.
Net debt / Comparable EBITDA	Net debt / Comparable EBITDA	The level of Net debt / Comparable EBITDA is one of Altia's financial targets.
Earnings / share	Result for the period attributable to shareholders of the parent company / Share-issue adjusted number of shares during the period	
Equity / share	Equity attributable to shareholders of the parent company / Share- issue adjusted number of shares at the end of period	
Dividend / share	Dividend distribution for period / Number of shares (basic) at the end of period	
Dividend / earnings %	Dividend/share / Earnings/ share	
Effective dividend yield %	Dividend/share / Price of share at the end of the accounting period	
Price / earnings	Price of share at the end of accounting period / Earnings/share	
Market value of outstanding shares	The number of shares at the end of accounting period x The price of the share at the end of accounting period.	

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

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

The alternative performance measures are unaudited.