Financial Statements 2017

OLVI PLC
Business ID 0170318-9

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FINANCIAL STATEMENTS FOR THE YEAR 2017

BOARD OF DIRECTORS' REPORT

THE YEAR IN BRIEF

Olvi Group's business development in 2017 was excellent. The Group's performance was an all-time high in terms of both sales volume and operating profit, and the balance sheet became even stronger.

Full year 2017:

- Olvi Group's sales volume increased by 5.5 percent to 643.0 (609.4) million litres
- The Group's net sales increased by 7.6 percent and amounted to 345.2 (320.7) million euro
- The Group's operating profit increased by 10.6 percent and amounted to 44.7 (40.4) million euro
- Net profit for the period increased by 10.2 percent to 36.1 (32.8) million euro
- Olvi Group's earnings per share stood at 1.73 (1.57) euro per share
- The equity ratio improved again, standing at 64.1 (62.0) percent
- The Board proposes a dividend of 0.80 (0.75) euro per share.

CONSOLIDATED KEY RATIOS

	1-12/ 2017	**1-12/ 2016**
Sales volume, Mltr	643.0	609.4
Net sales, MEUR	345.2	320.7*)
Gross margin, MEUR	65.5	59.2
% of net sales	19.0	18.5
Operating profit, MEUR	44.7	40.4
% of net sales	13.0	12.6
Net profit for the period	36.1	32.8
% of net sales	10.5	10.2
Earnings per share, EUR	1.73	1.57
Gross capital expenditure, MEUR	21.7	20.5
Equity per share, EUR	10.41	9.73
Equity to total assets, %	64.1	62.0
Gearing, %	-7.1	2.1

*) Change in accounting policies.

BUSINESS DEVELOPMENT

Olvi Group's business developed positively in 2017. The Group's sales volume in 2017 was an all-time high. At the same time, profitability improved favourably, and the operating profit and net profit for 2017 were the best in history. In addition to earnings, the Group's balance sheet is very strong.

The Group's operating profit was hampered by a write-down of 1.2 million euro on the glass bottle inventory in Finland. The decision is related to Olvi's plans of responding to changes in consumer demand through investing in a single-use glass bottle line in the near term. The decision will also expedite the launch schedule for new profitable products.

In Finland, sales development in 2017 was very good. The sales volume has increased by 12.2 percent, getting close to the 200 million litre mark, and our overall market share has strengthened. Good sales development combined with cost-effective operations is also reflected as positive development of operating profit. Operating profit improved by 18.8 percent on the previous year in spite of the write-down of 1.2 million euro included in the profit.

In the Baltic states, 2017 was an exceptional year due to substantial excise tax hikes on mild alcoholic beverages. The composition of earnings across quarters and the individual Baltic units was different from a typical year. Sales and earnings in early 2017 were boosted by advance sales in anticipation of the tax hike in Estonia. Also in Latvia and Lithuania, development early in the year was very favourable, partially thanks to contract manufacturing for Estonia. Towards the end of the year, development was more moderate. The substantial excise tax hike in Estonia resulted in a partial shift of sales to cross-border trade between Estonia and Latvia, as well as a decline in Estonian harbour and on-board sales. The change brings uncertainty also to the outlook for 2018, particularly in the first half of the year. All in all, 2017 was a very successful year also in the Baltic states. Profitability in Estonia remained strong, and Latvia and Lithuania broke their earnings records.

A positive trend continued in the Belarusian business, as has been the case for a few successive years now. The sales volume made an all-time high of 196 million litres, representing an increase of 10.1 percent on the previous year. The company's operating profit improved by 26.3 percent. The local currency in Belarus weakened in the second half of the year, which has caused a slight decline in the earnings reported in euro in the third and fourth quarter. However, development measured in the local currency was good.

During 2017, the Group invested 21.7 million euro in capital expenditure. One of our most significant investments is an energy plant utilising renewable energy that was commissioned in Finland in the turn of the year 2017-2018. This allows us to reduce our environmental impact while also achieving cost savings. Gross capital expenditure slightly exceeded the full-year amount of depreciation.

We are embarking on 2018 with confidence in spite of the changes in the Baltic operating environment. The full-year outlook is good. It will be more difficult to compare earnings development in the first half of the year due to the exceptional composition of earnings across quarters in 2017.

After the end of the accounting period, Olvi has entered into an agreement to acquire a controlling interest in Servaali Oy. The Servaali acquisition is a part of Olvi's new growth strategy. The branded products represented by Servaali will further enhance Olvi's competitiveness by extending its overall product range. Olvi Group's strong financial position, efficient operations, good market position and strong appreciation of brands serve as foundations for long-term growth and development.

OLVI GROUP'S SALES VOLUME, NET SALES AND EARNINGS 2017

Sales development

Olvi Group's sales volume in 2017 made an all-time high of 643.0 (609.4) million litres. This represents an increase of 33.6 million litres or 5.5 percent on the previous year.

The increase in the Group's sales volume originated from Finnish and Belarusian operations. The sales volume in the Baltic states was almost unchanged from the previous year, as aggregate sales in the region increased by 1.5 percent.

Sales volume, million litres	**1-12/ 2017**	**1-12/ 2016**
Finland (Olvi plc)	199.7	178.0
Estonia (AS A. Le Coq)	112.8	121.5
Latvia (A/S Cēsu Alus)	76.3	67.2
Lithuania (AB Volfas Engelman)	85.4	81.8
Belarus (OAO Lidskoe Pivo)	196.4	178.3
Eliminations	-27.6	-17.5
Total	**643.0**	**609.4**

The Group's net sales in 2017 increased by 7.6 percent and amounted to 345.2 (320.7) million euro. Net sales improved particularly in Finland (10.6 percent) and in Belarus (13.0) percent. The net sales improvement in Latvia and Lithuania was partly based on intra-Group sales.

Net sales, million euro	**1-12/ 2017**	**1-12/ 2016**
Finland (Olvi plc)	131.5	118.9
Estonia (AS A. Le Coq)	73.8	76.7
Latvia (A/S Cēsu Alus)	37.5	31.8
Lithuania (AB Volfas Engelman)	39.2	34.8
Belarus (OAO Lidskoe Pivo)	75.4	66.8
Eliminations	-12.1	-8.3
Total	**345.2**	**320.7**

Earnings development

The Group's operating profit for January-December increased by 10.6 percent and amounted to 44.7 (40.4) million euro, or 13.0 (12.6) percent of net sales. With the exception of Estonia, operating profit improved across all units.

Operating profit, million euro	**1-12/ 2017**	**1-12/ 2016**
Finland (Olvi plc)	12.8	10.7
Estonia (AS A. Le Coq)	14.7	15.9
Latvia (A/S Cēsu Alus)	4.4	3.4
Lithuania (AB Volfas Engelman)	3.4	2.7
Belarus (OAO Lidskoe Pivo)	9.4	7.5
Eliminations	0.0	0.2
Total	**44.7**	**40.4**

The Group's net profit for 2017 increased by 10.2 percent and amounted to 36.1 (32.8) million euro. Earnings per share calculated from the profit belonging to parent company shareholders increased in January-December and stood at 1.73 (1.57) euro.

FINANCING AND INVESTMENTS

Olvi Group's balance sheet total at the end of December 2017 was 338.6 (328.5) million euro. Equity per share at the end of 2017 stood at 10.41 (9.73) euro. The equity ratio improved and stood at 64.1 (62.0) percent. The Group's interest-bearing net liabilities decreased by 19.8 million euro during 2017 and amounted to -15.4 million euro at year-end (4.3). The gearing ratio declined during 2017 and stood at -7.1 (2.1) percent. Cash flow from operations totalled 57.1 (61.2) million euro. The current ratio, which represents the Group's liquidity, became stronger and was 1.2 (1.0).

Olvi Group's gross capital expenditure in 2017 amounted to 21.7 (20.5) million euro. The parent company Olvi accounted for 9.1 million euro, the Baltic subsidiaries for 7.7 million euro and Lidskoe Pivo in Belarus for 4.9 million euro of the total. The largest individual investment was an energy plant utilising renewable energy in Finland.

CHANGES IN CORPORATE STRUCTURE IN 2017

During 2017, Olvi Group acquired 980 shares in the subsidiary OAO Lidskoe Pivo. There were no other changes in Olvi's holdings in subsidiaries in January-December 2017.

At the end of the accounting period, Olvi's shares of holding were:

	2017	**2016**
AS A. Le Coq, Estonia	100.00	100.00
A/S Cēsu Alus, Latvia	99.88	99.88
AB Volfas Engelman, Lithuania	99.58	99.58
OAO Lidskoe Pivo, Belarus	95.87	94.57

Furthermore, A. Le Coq has a 49.0 percent holding in AS Karme and 20.0 percent holding in Verska Mineraalvee OÜ in Estonia.

PRODUCT DEVELOPMENT AND NEW PRODUCTS

Research and development includes projects to design and develop new products, packages, processes and production methods, as well as further development of existing products and packages.

The R&D costs have been recognised as expenses. The main objective of Olvi Group's product development is to create new products for profitable and growing beverage segments. Several new products were launched during 2017 both in Finland and by the subsidiaries. New products have been presented in interim reports released during the accounting period, as well as on each company's Web site.

MANAGEMENT AND AUDITORS

The company's Board of Directors consists of Chairman Pentti Hakkarainen, M.Sc. (Econ), LL.M., Vice Chairperson Nora Hortling, M.Sc. (Econ), as well as members Jaakko Autere, M.Sc. (Econ), Esa Lager, M.Sc. (Econ), LL.M., Elisa Markula, M.Sc. (Econ), and Heikki Sirviö, Honorary Industrial Counsellor, M.Sc. (Engineering).

The company's auditor is the authorised public accounting firm PricewaterhouseCoopers Oy, with Juha Toppinen, Authorised Public Accountant, as auditor in charge.

MANAGEMENT

The Management Group of Olvi plc consists of Lasse Aho, Managing Director (Chairman), Ilkka Auvola, Sales Director, Olli Heikkilä, Marketing Director, Pia Hortling, Public Relations and Purchasing Director, Kati Kokkonen, Chief Financial Officer, Lauri Multanen, Production Director, as well as Marjatta Rissanen, Customer Service and Administrative Director.

The Managing Directors of the subsidiaries are:
AS A. Le Coq, Tartu, Estonia - Tarmo Noop
A/S Cēsu Alus, Cēsis, Latvia - Eva Sietiņsone
AB Volfas Engelman, Kaunas, Lithuania - Marius Horbačauskas
OAO Lidskoe Pivo, Lida, Belarus - Audrius Mikšys

The Managing Directors of the subsidiaries report to Lasse Aho, the Managing Director of Olvi plc. The Board of Directors of each subsidiary consists of Lasse Aho (Chairman), Pia Hortling, Kati Kokkonen and Lauri Multanen. The Management Group of each subsidiary consists of the corresponding Managing Director and two to four sector directors.

OLVI'S SHARES AND SHARE MARKET

Olvi's share capital at the end of December 2017 stood at 20.8 million euro. The total number of shares was 20,758,808, of these 17,026,552 or 82.0 percent being publicly traded Series A shares and 3,732,256 or 18.0 percent Series K shares.

Each Series A share carries one (1) vote and each Series K share carries twenty (20) votes. Series A and Series K shares have equal rights to dividends.

The total trading volume of Olvi A shares on Nasdaq OMX Helsinki Ltd (Helsinki Stock Exchange) in 2017 was 1,464,747 (881,172) shares, which represented 8.6 (5.2) percent of all Series A shares. The value of trading was 41.9 (22.2) million euro.

The Olvi A share was quoted on Nasdaq OMX Helsinki at 29.87 (28.00) euro at the end of 2017. In January-December, the highest quote for the Series A share was 32.49 (28.51) euro and the lowest quote was 25.05 (20.30) euro. The average share price in 2017 was 28.59 (25.17) euro.

At the end of December 2017, the market capitalisation of Series A shares was 507.4 (476.4) million euro and the market capitalisation of all shares was 618.8 (580.9) million euro.

The number of shareholders at the end of December 2017 was 10,800 (9,866). Foreign holdings plus foreign and Finnish nominee-registered holdings represented 23.8 (24.1) percent of the total number of book entries and 5.4 (5.5) percent of total votes.

Detailed information on Olvi's shares and shareholdings can be found in the notes to the parent company's financial statements.

BOARD OF DIRECTORS' AUTHORISATIONS

On 21 April 2017, the General Meeting of Shareholders of Olvi plc decided to authorise the Board of Directors to decide on the acquisition of a maximum of 500,000 of the company's own Series A shares. The shares were to be acquired in deviation from the pro rata principle among shareholders, using the company's unrestricted equity at the market price at time of acquisition in public trading arranged by NASDAQ OMX Helsinki Ltd.

The Annual General Meeting also decided to authorise the Board of Directors to decide on the issue of a maximum of 1,000,000 new Series A shares and the transfer of a maximum of 500,000 Series A shares held as treasury shares ("Issue authorisation").

The new shares were to be issued and the treasury shares transferred in one or more lots either against payment or free of charge.

The new shares were to be issued and the treasury shares transferred to the company's shareholders on a pro rata basis in relation to their existing holdings, or a private placing could have been executed in deviation from shareholders' pre-emptive rights if a weighty economic reason for this existed from the company's viewpoint, such as financing or execution of corporate acquisitions or arrangements, development of the company's equity structure, improvement of share liquidity or implementation of the company's incentive schemes.

A private placing can be free of charge only if a particularly weighty economic reason for this exists from the company's viewpoint, taking into consideration the interests of all shareholders. The Board of Directors would have decided upon other matters related to share issues.

It was proposed that the issue authorisation shall be valid until the closing of the Annual General Meeting 2018, however no longer than 18 months from the General Meeting's decision of issue authorisation.

TREASURY SHARES

Olvi plc's Annual General Meeting on 21 April 2017 made a decision concerning abandoned or "ghost" shares held in a joint book-entry account. The decision was that the right to a share incorporated in the book-entry system and placed in the joint account, and the rights that the share carries have been forfeited, and authorised the Board of Directors to take all measures called for by the decision. On this basis, 36,576 shares have been transferred from Olvi's joint account to treasury shares on 18 May 2017.

Before the transfer, Olvi plc held 11,124 Series A shares as treasury shares. After the transfer, Olvi holds 47,700 Series A shares as treasury shares.
On 3 July 2017, Olvi handed over 6,575 of its own Series A shares to key personnel as a part of the share-based incentive scheme that concluded at the end of June 2017.

At the end of December 2017, Olvi holds 41,125 Series A shares as treasury shares. The number of treasury shares represents 0.2 percent of the entire stock. The total purchase price of treasury shares was 228,162 euro. Treasury shares held by the company itself are ineligible for voting.

FLAGGING NOTICES

On 31 August 2017, Olvi plc has received a notice from FMR LLC in accordance with the Securities Markets Act. The share of Olvi plc's Series A shares held by entities controlled by FMR LLC has increased to five (5) percent through transactions conducted on 25 August 2017.

During January-December 2017, Olvi has not received any other flagging notices in accordance with Chapter 2, Section 10 of the Securities Markets Act.

EVENTS AFTER THE ACCOUNTING PERIOD

On 1 February 2018, Olvi announced that it will acquire 80 percent of the stock of Servaali Oy. Servaali Oy is one of Finland's largest private importers of alcoholic beverages. The acquisition takes in Servaali's operations in Finland and Sweden, but does not include its subsidiaries in the Baltic countries. With the acquisition, Olvi is expanding its product portfolio to wines, strengthening its market position in mild alcoholic beverages and responds actively to the potential for growth provided by the changing operating environment. The agreement includes an option for Olvi to redeem the remaining 20% of Servaali within the next few years, and accordingly includes the right of Momentin Group Oy to sell this remainder to Olvi. Completion of the transaction requires the approval of the competition authorities and the fulfillment of other terms of trade. Olvi announced on 2 March 2018 that the competition authorities had granted their approval. The acquisition is expected to come into effect during the second quarter, subject to fulfilment of the other terms and conditions.

CORPORATE GOVERNANCE

Olvi plc adheres to responsible and open corporate governance of a high standard.

Olvi plc's corporate governance is an aggregate of many parts; compliance with the Articles of Association, laws and statutory regulations, self-regulation and a variety of procedures and guidelines. Compliance with laws, regulations and guidelines is regularly supervised in accordance with instructions issued by the Board of Directors of Olvi plc.

The company complies with the Corporate Governance Recommendation for Listed Companies issued by NASDAQ OMX Helsinki Ltd, Finland Chamber of Commerce and the Confederation of Finnish Industries as valid from time to time. In its reporting for 2017, the company complies with the Corporate Governance Code that was approved by the Securities Market Association on 1 October 2015 and entered into force on 1 January 2016.

The Insider Guidelines for listed companies, which were prepared by the Helsinki Stock Exchange, the Finland Chamber of Commerce and the Confederation of Finnish Industries, were adopted by Olvi plc already in 2000.As of 3 July 2016, the Market Abuse Regulation (EU) No 596/2014 (MAR) became applicable in Finland, and Olvi plc's practices of dealing with insider issues are in compliance with the MAR in accordance with the interpretation of the European Securities and Markets Authority (ESMA).

Description of corporate governance policy

The company's corporate governance policy and procedures are described in the Corporate Governance Statement 2017. The statement provides the descriptions of corporate governance called for by the Finnish Corporate Governance Code. The statement includes information on matters such as the General Meeting, Board of Directors and other management, as well as the audit. The statement describes the procedures of internal control and the main features of risk management systems. Furthermore, the statement describes the company's administration of insiders and related parties, as well as the crucial principles and regulations pertaining to administration ((EU) No 596/2014, "MAR"). The company also describes any departures from the guidelines.

CORPORATE RESPONSIBILITY AND NON-FINANCIAL REPORTING

Management and reporting of corporate responsibility

Responsibility is one of the corporate values and a crucial part of strategic and operational decision-making. Therefore, responsibility is also a natural part of the company's everyday operations. Responsible operations are a crucial part of our business competence, and this is a decisive factor with regard to business development and growth.

In order to better respond to expectations related to the reporting of responsibility and transparency, the company has made responsibility into one of its focal points for 2017. Reporting is guided *by the EU* Non-Financial Reporting Directive. In addition to the information presented in this operating report, an annual review including a corporate responsibility report will be published on the Web site www.olvigroup.fi.

Background factors affecting corporate responsibility work include international commitments and treaties such as the Paris climate agreement, the UN sustainable development goals and the International Labour Organization, which gather countries and players together to mitigate climate change and to promote sustainable and fair development.

Focal points of responsibility

Corporate responsibility is traditionally divided into three areas: economic, social and environmental responsibility. These are the background for dividing Olvi's corporate responsibility into four focus areas: A responsible value chain, The best workplace, Generating value for stakeholders and Consumer communications. In addition to these four focus areas, one of the cornerstones of operations is ethical business practice, which is a fundamental prerequisite for a responsible company and a starting point for all actions and development.

A responsible value chain

Corporate responsibility is defined throughout the supply chain and is a shared interest between the company, its suppliers and partners.

The beverage industry uses a substantial amount of raw materials and natural resources, such as grain, energy, water and packaging materials. Supply chain management and procurement practices therefore have a substantial effect on the environment, climate and society.

Responsibility for the environment

Responsibility for the environment is one of the most important themes in the supply chain – also for the company's stakeholders. The significance of environmental responsibility and the carbon footprint has become larger and larger both at the individual and the corporate level.

Environmental responsibility is largely manifested as resource efficiency – the efficient use of raw materials, supplies and energy, as well as recycling and optimisation of transports. Olvi Group engages in continuous action to reduce the environmental footprint.

Improvements gained through the Lean methodology are an important part of resource effectiveness and financial responsibility. Lean makes it possible to gain substantial advantages in increasing the efficiency of energy and water consumption, among other things. Furthermore, digital solutions based on Lean thinking create new opportunities for real-time monitoring and optimisation of the use of supplies such as water, steam and electrical power.

A Group-wide environmental policy defines the objectives and targets for environmental responsibility, and these are realised as targets on the scorecards. The achievement of the Group's environmental targets and related indicators are regularly monitored.

The Group has defined environmental risks and associated risk management. Olvi Group's most significant environmental risks arise from the production process, such as wastewater handling and the management of chemicals used in the production process. If realised, these risks would have a negative effect on the company's reputation, relations with stakeholders, as well as the share price and earnings for the accounting period. Risk is managed through well-maintained production machinery, appropriate treatment of wastewater, sufficient training to personnel and continuous monitoring of the production process.

Reducing our carbon footprint

Carbon dioxide emissions from production originate mostly from production plants and transports. The most substantial emission sources at a production plant are heating and electricity consumption, as well as carbon dioxide emissions at the cooling stage. Efforts are made to improve the efficiency of energy use and to favour green choices. It is the company's will and desire to gradually switch to renewable energy. Emissions from transports and distribution are minimised to the best possible extent through optimisation of the delivery chain and routes. This makes it possible to reduce the total distance driven and increase the degree of utilisation of the cargo space, resulting in reduced exhaust gas emissions.

Water consumption and wastewater treatment

The target is to reduce water consumption per litres produced through developing and optimising water consumption during washing and by taking this into account in production planning.

The production process generates wastewater, which is conducted to local wastewater plants for treatment and recycling. Efficient pre-treatment of wastewater has been developed jointly with wastewater processing plants, in order to prevent environmental burdens such as nitrogen and phosphorus from ending up in wastewater. Attention has also been paid to the well-being of the water ecosystem with regard to our choice of cleaning agents, washing plans and equipment technology.

Recycling of materials

Recycling of materials comprises the use of recyclable packaging materials, recycling of production waste and recovery of by-products. The by-products mash and excess yeast are delivered to cattle farms for use as animal feed. Products are packaged in recyclable containers – some of them are washed and refilled, some are recovered as material. Packaging waste from production, as well as hazardous waste, is sorted and delivered for recycling. Ensuring the recyclability and eco-friendliness of materials is a substantial part of product development.

Responsible procurement

A responsible supply chain means the choice of responsible suppliers and a preference for local suppliers, as well as transparency and traceability of procurement. It is important that raw materials and packaging materials fulfil the requirements and expectations of customers and consumers. Domestic origin, healthiness and organic production are becoming even more emphasised as stakeholder expectations, and so are reliable traceability and compliance with responsible procurement principles. These are becoming an important part of risk management – the effects of the company and the entire supply chain must be known if further operational development is desired.

The Group's procurement principles are defined in the responsible procurement policy. Raw materials are purchased from approved suppliers, and the quality of each delivery is verified. In order to develop corporate responsibility within the industry, involvement with local parties is important.

The most important indicators in the focus area of *A responsible value chain* and the realised values are:

Consumption per litre produced	**1-12/ 2017**	**1-12/ 2016**
Power, kWh	0.103	0.104
Steam and heat, kWh	0.163	0.155
Water consumption, ltr	3.475	3.602

The Group aims to continuously develop energy efficiency and to reduce energy and water consumption. Recycling of materials is also being made more efficient. The objective is to continuously increase the share of renewable energy in relation to total consumption and to introduce such sources to the extent possible across Group companies.

The best workplace

The Group aims to be a positive, fair and safe workplace. The company is a significant employer locally, and its success is supported by skilled, enthusiastic and motivated staff.

A safe work environment

Every employee has the right to a safe work environment. Continuous work is undertaken to identify and eliminate hazards, thus preventing accidents. The objective is a workplace without accidents, having a smooth workflow. Each employee receives sufficient introductory training for the job, and effort is also put into task-specific and general safety training and instructions.

Ensuring occupational health and well-being

In order to ensure occupational health, the machinery and equipment used, as well as the work environment and circumstances are planned so that they do not cause physical or mental health risks or hazards to employees. In order to prevent health hazards and risks and to promote working ability and health, ways of working and the work environment are continuously developed.

Well-being means that employees enjoy physical, mental and social prosperity. Smooth and efficient work is a prerequisite for well-being. Lean development projects streamline the work processes. It is also important that every employee knows the objectives and responsibilities of his or her tasks and has sufficient competence to carry them out.

Well-being at work is reviewed in connection with a personnel survey, among other things. The survey results are used to define department-specific development targets, whose fulfilment is regularly monitored.

Equal opportunities

The work community provides equal opportunities to all employees. All employees are treated equally regardless of their age, gender, religion, opinions, nationality or other such characteristics.

In connection with annual planning, a personnel plan is prepared based on the company's objectives and operating plan. Recruitment supports the achievement of business targets. Recruitment is always based on carefully considered resource needs as well as the qualifications and competence requirements required for the task.

Compensation, employee benefits and incentives are always based on currently valid legislation and agreements in compliance with country-specific practices. In addition to these, factors affecting compensation include the level of demand of the job, as well as the employee's competence, performance and/or results achieved, in line with fair local practice.

Competence development

The competence of employees is developed systematically and persistently on the basis of business objectives. Employees are encouraged to build multiple skills and to actively develop their competence.

The most important indicators in the focus area of *The best workplace* and the realised values are:

	1-12/ 2017	**1-12/ 2016**
Number of personnel	1,783	1,859
Accidents/year	23	15
Accident frequency *)	7.26	4.50
Training, hours per person	13.80	6.93

*) Accident frequency = (number of occupational accidents / hours worked) x 1,000,000.

Accident-free operation is the company's long-term target. The annual target is to cut the number of accidents in half compared to the previous year.

Information related to personnel and compensation is also presented in the Personnel section of the operating report.

Generating value for stakeholders

A business model enabling the generation of value

Positive financial development secures the generation of value to stakeholders and the communities in which the company operates. Olvi is a growing and developing company committed to long-term development, having a strong balance sheet and good profitability. The core of the strategy includes efficiency of operations, being local, responsibility, high quality and the best taste of products, skilled personnel and good customer relationships. Continuous development is a part of everyday work.

Olvi's strengths in the market environment include:

- stable ownership base
- agile decision-making enabled by the management model
- efficient production capacity and operational reliability
- optimisation of production capacity
- focus and commitment in the markets chosen
- strong local brands and market shares
- a versatile product portfolio and innovative product development
- being local – products developed for local markets, local manufacturing and, to the extent possible, local raw materials
- a Northern location: pure water, possibilities for agriculture.

These strengths combined with a sound financial position facilitate profitable growth and development also in the future.

Effects on stakeholders

Financial and social effects are reflected in the operating environment through direct and indirect employment and tax payments, among other things. To the extent possible, the company endeavours to choose local suppliers and subcontractors for co-operation. This provides substantial support to the vitality of the local community and creates value for stakeholders. Being local gives the company its roots and is a competitive advantage.

The company is also a stable payer of dividends. Its long-term target is to pay out dividends at an average 40 to 60 percent of earnings per share.

The largest shareholder Olvi Foundation is a non-profit foundation. The Foundation supports activities for the youth and the elderly, study opportunities and local community work, and promotes the development of the utilisation of natural resources and food economy. The Foundation gives out hundreds of thousands of euros annually in grants, scholarships, awards and prizes.

The most important indicators in the focus area of *Generating value for stakeholders* and the realised values are:

EUR 1,000	**1-12/ 2017**	**1-12/ 2016**
Payments to suppliers	463,205	421,001
Wages and salaries	24,767	23,150
Dividends paid	15,574	14,529
Taxes paid and collected	391,391	346,418
Interest paid	491	777

Tax footprint

The company complies with valid local tax legislation, rules and regulations. Taxes and fees are paid in accordance with local legislation in each of the operating countries.

EUR 1,000	**1-12/ 2017**	**1-12/ 2016**
Taxes paid by the company		
Income tax	5,317	5,581
Real estate tax	530	411
Social security contributions	8,267	9,724
Other taxes	390	264
Total	14,504	15,980
Taxes collected by the company		
Value-added tax	93,382	87,939
Excise tax	278,382	238,589
Other taxes	5,123	3,910
Total	376,887	330,438

The tax footprint by each country is reported in a separate annual report that can be found on the Web site www.olvigroup.fi.

Consumer communications

In addition to product safety, open and responsible communications to consumers is a prerequisite for operations. The intention is to promote moderate use of alcohol and other beverages by creating positive drinking enjoyment.

Products are manufactured to high standards, and must comply with laws, official regulations and quality standards. The management of product safety risks is conducted through the HACCP (Hazard Analysis and Critical Control Points) system and self-control. Olvi, Cēsu Alus and Lidskoe Pivo have certified product safety systems in place. A. Le Coq and Volfas Engelman will introduce such systems within the next few years. In addition to product safety, crucial factors affecting success in the long term include tasty and responsibly manufactured products that fulfil consumer expectations even better.

Brands and products are means of communication towards consumers, and for this reason, the role of responsible marketing is crucial to the realisation of corporate responsibility. Moderate consumption of alcohol is promoted in close co-operation with national and international beverage industry players and associations.

In addition to guidelines and regulations, Olvi observes self-control that is stricter than official regulations in some respects. This allows appropriate response to the expectations of the operating environment and brings the company to the front line in developing corporate responsibility practices for the industry.

ETHICAL OPERATING PRACTICES, RESPECT FOR HUMAN RIGHTS AND FIGHTING CORRUPTION AND BRIBERY

An ethical and sustainable way of operation is a substantial part of values, business and success in all market areas. A reputation as a honest and trustworthy company is something to be fostered. Actions in violation of ethical values or human rights, or any corruption or bribery, would cause a risk to reputation that would have a negative effect on the corporate reputation, relations with stakeholders, as well as the share price and earnings for the accounting period.

Ethical guidelines define the basic principles of internal and external ethical business operations. A responsible and ethical way of operation is also essential for confidence in business between Olvi and its stakeholders.

Ethical operating practices are crystallised in the company's Code of Conduct. The Code includes principles concerning respect for human rights and fighting corruption and bribery.

The Code lists the following as the foundations for our responsible operations:

- compliance with the applicable laws and regulations
- realisation of human rights and equal opportunities
- occupational health and safety and a cleaner environment
- zero tolerance towards bribery and corruption
- promoting healthy and effective competition and complying with competition regulations in force
- protecting the tangible and intangible assets of the company
- honest and respectful communications to stakeholders
- timely and reliable information to investors
- observations of unethical actions are brought up for discussion or reported through a whistleblowing channel (starting in 2018)
- Olvi Group and its subsidiaries will not engage in political activity.

The Group's target is zero tolerance against human rights violations, corruption or bribery.

Respect for human rights emphasises responsible procurement and, in terms of personnel, equal treatment, a safe working environment and diversity of management.

Responsible procurement means that primary suppliers shall commit to the operating principles in Olvi Group's Code of Conduct. The Group monitors the number of suppliers committed to the operating principles.

Personnel is guided towards respect for human rights and the fight against corruption and bribery through training as well as the general HR policy and a policy for preventing misconduct.

In 2017, the Group has had an email-based whistleblowing channel addressing ethical operating principles, respect for human rights and the fight against corruption and bribery. The management has not become informed of a single case of unethical action through this channel or any other means.

DIVERSITY OF THE BOARD OF DIRECTORS AND MANAGEMENT

The members of Olvi plc's Board of Directors shall represent diversified knowledge and skills, including industry knowledge, and possess a variety of professional backgrounds in a way that allows work and international experience, different ages and genders to support and supplement each other for the good of the company's business and to increase shareholder value. In addition to the competence required for the position, anyone to be elected a Board member shall have the possibility to devote a sufficient amount of time to attending to the duties.

The principle of diversity must also be realised in Olvi's Management Group.

PERSONNEL

Olvi Group's human resources strategy plays a central role in achieving the Group's business targets. Olvi plc is actively developing its management, training and incentive systems in order to improve well-being at work and provide employees a safe working environment. It is most important to guarantee the attractiveness of Group companies as employers and ensure the availability of personnel and commitment to the Group companies.

Olvi Group has a shared mission statement and vision. The business strategies in all of the operating countries are largely similar and based on the same values.

In implementing the strategies, Olvi plc approves local flexibility in the means used for achieving targets because the operating environments and competitive situations of the companies are different.

Olvi Group's business strategies and objectives are put into practice in the organisation through result cards, appraisal discussions and regular feedback. The competence of personnel is maintained through continuous training and development of operations. Olvi issues a separate human resources statement each year for internal use within the company.

Olvi Group's average number of personnel in January-December was 1,783 (1,859). The Group's average number of personnel decreased by 76 people or 4.1 percent. The average number of personnel decreased in January-December by 54 people in Belarus and by 30 people in the Baltic states combined. The figure in Finland increased by 8 people in January-December.

Olvi Group's average number of personnel by country:

	1-12/ 2017	**1-12/ 2016**
Finland	337	329
Estonia	327	339
Latvia	196	207
Lithuania	228	235
Belarus	695	749
Total	**1,783**	**1,859**

WAGES, SALARIES AND EMOLUMENTS

Wages, salaries and emoluments in the accounting period:

EUR 1,000	**2017**	**2016**
Wages, salaries and emoluments	36,563	34,792

In accordance with its corporate governance policy, the company will issue an annual Remuneration Report separate from the annual report. It has been prepared in accordance with the Finnish Corporate Governance Code 2015, section V Remuneration, Recommendations 22 to 24.

The company's Board of Directors has considered and approved the Corporate Governance Statement 2017 and the Remuneration Report 2017. The reports have been made available on the company's Web site www.olvigroup.fi simultaneously with the publication of the operating report. The reports are not updated during the accounting period, but up-to-date information on the subject areas included in them can be presented on the company's Web site as necessary.

REMUNERATION SCHEMES

Bonuses based on the achievement of earnings and performance targets are an important incentive for personnel and a management tool. Performance bonus schemes communicate the targets, will and desire set by the company's Board of Directors. The overall objectives of bonuses based on target-setting include clarity, fairness and sufficient effect. Bonus schemes must not encourage imprudent risk-taking or negligence.

The objectives for long-term bonuses in particular include increasing shareholder value, supporting profitable growth and relative profitability, and making operational management and key employees committed to the company.

Components of remuneration to personnel

The components of remuneration to personnel consist of fixed remuneration as well as short- and long-term incentive schemes.

Olvi's Board of Directors decides on the terms of service of the Managing Director, which are specified in a directors' contract. The Board of Directors assesses the Managing Director's performance annually. The terms of service of other top management shall be decided by the Board of Directors on the basis of the Managing Director's proposal. The Managing Director and other management executives shall not receive separate remuneration for their work in the management group or other internal management organs within the Group.

Short-term incentives

Short-term incentives are performance bonus schemes in which the monitoring period is one accounting period. The Board of Directors shall decide upon the basis for definition of the incentives.

In 2017, the Group has had a performance bonus scheme based on operating profit. The entire personnel in Finland is included in the scope of performance bonuses, while in other Group companies, the scope includes the management group members. Furthermore, Olvi Group's subsidiaries have incentive schemes that cover either the entire personnel or the company's key employees and are based on the achievement of targets specified in performance cards.

Long-term incentives

Long-term incentives are based on programmes confirmed by the company's Board of Directors that are valid for at least two accounting periods. The programmes can be share-based incentive schemes or performance bonus schemes based on Group-level targets. The aim of the share-based incentive plans is to combine the objectives of the shareholders and the key employees in order to increase the value of the company, to make the key employees committed to the company, and to offer them a competitive reward plan based on earning the company's shares.

At the end of the accounting period 2017, the Group has an active share-based incentive plan in which the performance period is from 1 July 2016 to 30 June 2018. In accordance with the terms and conditions of the plan, rewards will be paid in Olvi plc Series A shares and partially in cash. The prerequisite for receiving reward is that a key employee purchases the company's Series A shares up to the maximum number determined by the Board of Directors. Furthermore, entitlement to a reward is tied to the continuance of employment or service upon reward payment. The Group had a share-based incentive plan that expired during fiscal 2017 and had one three-year performance period beginning on 1 July 2014 and ending on 30 June 2017. Upon expiration of the share-based incentive plan, the Group handed over a total of 6,575 of its own Series A shares to the participants.

The share-based incentive plans are described in more detail in Note 22 to the financial statements, Share-based payments.

Personnel fund

Olvi has an operational personnel fund that covers Olvi's entire personnel in Finland excluding top management.

The basis of making profit-sharing contributions to the personnel fund shall be decided annually by the company's Board of Directors.

BUSINESS RISKS AND THEIR MANAGEMENT

Risk management is a part of Olvi Group's everyday management and operations. The objective of risk management is to ensure the realisation of the company's strategy and secure its financial development and the continuity of business. The task of risk management is to operate proactively and create operating conditions in which business risks are managed comprehensively and systematically in all of the Group companies and all levels of the organisation.

Risks are assessed by analysing the probability of their realisation and the potential effects. The effects may be financial but may also impact the company's reputation, personnel, the local community and/or the environment.

Olvi Group's risks are divided into strategic and operational risks.

Strategic risks

Olvi Group's strategic risks refer to risks related to the characteristics of the company's business and strategic choices. The Group's operations are located in several countries that differ substantially in terms of their social and economic situations and the phases and directions of development. For example, strategic risks relate to changes in tax legislation and other regulations, the operating environment and foreign exchange markets. If realised, strategic risks can substantially hamper the company's operational preconditions.

The Group's most substantial identified strategic risks relate to any potential and substantial legislative changes in the operating environment that might be implemented on a rapid schedule, as well as Belarus and the situation in the country's economy and politics.

Operational risks

The Group's most substantial identified operational risks relate to the procurement and quality of raw materials, the production process, markets and customers, personnel, information security and systems, as well as changes in foreign exchange rates.

Raw materials

General economic development and annual fluctuations in crop yield affect the prices and availability of major raw materials used within Olvi Group. Disruptions in raw material deliveries and quality may hamper business operations and customer relations. Purchases of major raw materials are made under procurement contracts standardised at the Group level. The Group aims to secure the predictability of purchase prices for critical raw materials through long-term procurement contracts. All units emphasise the significance of the quality of raw materials and other production factors in the overall production chain.

Production process

The aim is to minimise production risks through clear documentation of processes, increasing the degree of automation, compliance with quality management system and the pursuit of clear operating methods in relation to decision-making and supervision. The efficiency and applicability of processes and methods are monitored using internal indicators.

The monitoring and development of production efficiency includes, among other things, the reliability and utilisation rate of production machinery, development of the working environment and factors related to people's work. The Group has a property and loss-of-profits insurance programme covering all of the operating areas, and its coverage is reviewed annually.

Markets and customers

The Group's business operations are characterised by substantial seasonal variation. The net sales and operating profit from the reported geographical segments do not accumulate evenly but vary substantially according to the time of the year and the characteristics of each season.

Negative changes in the economy or other operating environment may impact consumers' purchasing behaviour and hamper the liquidity of our customers. All Group companies employ efficient credit controls as a major method for minimising credit losses. Legislative changes and other changes in the operations of authorities, such as changes in excise taxes and marketing restrictions, may affect the demand for the Group's products and their relative competitive position.

Personnel

Risks related to personnel include risks in obtaining labour, employment relationship risks, key person risks, competence risks and risks related to well-being at work and occupational accidents. Crucial focal points in HR management include maintaining and developing a good employer image, as well as ensuring the availability and commitment of personnel. Other focal points include maintaining and continuously developing well-being and safety at work, improvement of management systems, construction and maintenance of backup personnel systems, as well as training and incentive schemes.

Information security and IT

Olvi Group employs an information security policy that defines the principles for implementing information security and provides guidelines for its development. Risks related to information technology and systems are manifested as operational disruptions and deficiencies, for example. The availability and correctness of data is ensured through the choice of operating methods and various technical solutions. Issues related to information security and the operation of information systems are analysed regularly.

Financing risks

The Group is exposed to financing risks in its normal course of business: market risk (including both foreign exchange risk and interest rate risk), credit risk, liquidity risk and capital risk.

The objective of financing risk management is to minimise the adverse effects of changes in the financial markets on the Group's financial performance, shareholders' equity and liquidity. The general principles of the Group's risk management are approved by the Board of Directors of the parent company, and the parent company's management together with the management of subsidiaries is responsible for their practical implementation.

Responsibility for Olvi Group's financing tasks is centralised in the parent company Olvi. The objectives of centralisation include optimisation of cash flows and financing costs, as well as efficient risk management. Financing risks are described in more detail in Note 25 to the consolidated financial statements, Management of financing risks.

BUSINESS RISKS AND UNCERTAINTIES IN THE NEAR TERM

The most substantial factor hampering the predictability of Olvi Group's business relates to Belarus and its economic and political outlook for the next few years. Furthermore, potential changes in the Russian economy may also affect the operating environment in Belarus.

Operations in Belarus involve foreign exchange risks arising from the cash flows of purchases and sales in foreign currency, as well as the investment in the Belarusian subsidiary and the conversion of its income statement and balance sheet items into euro. The Group's other foreign exchange risks can be considered minor.

Olvi Group's operations may also be affected by changes in consumer behaviour and the operations of our clientele arising from changes in official regulations. The excise tax hike that became effective in Estonia in 2017 will probably result in a change of focus in volumes and consumption both from Estonia to the Latvian border and also from Estonia back to Finland also in 2018. The long-term effect of the change on the entire Olvi Group's business operations and earnings development is still difficult to estimate because there are several contributing factors, such as the pricing policies of companies doing business in harbours and on board after the excise duty changes, as well as the potential effect of the amended Finnish Alcohol Act on consumer behaviour.

Other short-term risks and uncertainties are related to the development of the general economic circumstances, changes in the competitive situation, as well as the impacts these may have on the company's operations.

In addition to the risks described above, there have been no significant changes in Olvi Group's business risks.

NEAR-TERM OUTLOOK

Olvi estimates that the Group's sales volume and net sales for 2018 will increase slightly on the previous year. Operating profit for 2018 is estimated to be on a par with the previous year. The composition of quarterly earnings in 2018 is estimated to be different from 2017, as due to the excise tax hikes in the Baltic states, the first two quarters of 2017 were exceptionally significant.

BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFIT

The parent company Olvi plc had 52.3 (47.7) million euro of distributable funds on 31 December 2017, of which profit for the period accounted for 19.9 (14.7) million euro.

Olvi plc's Board of Directors proposes to the Annual General Meeting that distributable funds be used as follows:

1) a dividend of 0.80 (0.75) euro shall be paid for 2017 on each Series K and Series A share, totalling 16.6 (15.6) million euro. The dividend represents 46.1 (47.9) percent of Olvi Group's earnings per share. The dividend will be paid to shareholders registered in Olvi plc's register of shareholders held by Euroclear Finland Ltd on the record date of the dividend payment, 18 April 2018. It is proposed that

the dividend be paid on 30 April 2018. No dividend shall be paid on treasury shares.

2) 35.7 million euro shall be retained in the parent company's non-restricted equity.

FINANCIAL REPORTS IN 2018

Olvi Group's Annual Report will be published on 26 March 2018. The Annual Report will include the Board of Directors' report, the consolidated and the parent company's financial statements and the auditors' report for the financial year 1 January to 31 December 2017. The Corporate Governance Statement and Remuneration Report for the financial year 2017 will also be published at the same time.

The notice to convene Olvi plc's Annual General Meeting, which will be held on 16 April 2018 in Iisalmi, will be published on 26 March 2018. The financial statements, Board of Directors' report and notice to convene the AGM will be available on Olvi plc's Web site on the same day.

The following interim reports will be released in 2018:

- Interim report from January to March on 27 April 2018,
- half-year report from January to June on 16 August 2018, and
- interim report from January to September on 31 October 2018.

OLVI PLC
Board of Directors

Consolidated Financial Ratios 2015 to 2017

BUSINESS VOLUME AND PROFITABILITY			
EUR 1,000	**2017 IFRS**	**2016 IFRS**	**2015 IFRS**
Net sales	345,185	320,683 *)	310,383 *)
Change, %	7.6	3.3	-3.2
Operating profit	44,747	40,445	38,157
% of net sales	13.0	12.6	12.3
Financial income and expenses	-2,341	-609	-11,360
Profit before tax	42,336	39,873	26,818
% of net sales	12.3	12.4	8.6
Net profit for the period	36,124	32,794	22,220
% of net sales	10.5	10.2	7.2
Balance sheet total	338,619	328,505	316,292
Cash flow ratio, %	16.5	16.1	12.4
Return on investment, % (ROI)	19.7	18.1	15.9
Return on equity, % (ROE)	17.2	16.9	11.8
Equity to total assets, %	64.1	62.0	58.6
Current ratio	1.2	1.0	1.0
Gearing, %	-7.1	2.1	18.4
Gross capital expenditure on fixed assets	21,710	20,453	25,961
% of net sales	6.3	6.4	8.4
Net capital expenditure on fixed assets	18,847	18,036	25,674
% of net sales	5.5	5.6	8.3
Average number of personnel:			
Olvi plc	337	329	336
Personnel in Estonia, Latvia, Lithuania and Belarus	1,446	1,530	1,604
Total employees	1,783	1,859	1,940

PER-SHARE RATIOS			
	2017 IFRS	**2016 IFRS**	**2015 IFRS**
Earnings per share (EPS), undiluted	1.73	1.57	1.08
Earnings per share (EPS), diluted	1.73	1.57	1.08
Equity per share, euro	10.41	9.73	8.86
**) Pay-out ratio, %	46.1	47.9	65.1
Price/Earnings ratio (P/E)	17.2	17.9	20.6

*) Change in accounting policies.

**) The amount of dividend used for calculating the 2017 ratios is the Board of Directors' proposal to the Annual General Meeting.

OLVI PLC
Parent company's financial ratios, 2015 to 2017

BUSINESS VOLUME AND PROFITABILITY			
EUR 1,000	2017	2016	2015
Net sales	131,457	118,876	102,869
Change, %	10.6	15.6	-2.3
Operating profit	12,719	10,775	7,558
% of net sales	9.7	9.1	7.3
Financial income and expenses	10,614	9,252	9,197
Profit before extraordinary items	23,333	20,027	16,755
% of net sales	17.7	16.8	16.3
Profit before provisions and taxes	23,333	20,027	16,755
% of net sales	17.7	16.8	16.3
Net profit for the period	19,903	14,697	11,663
% of net sales	15.1	12.4	11.3
Balance sheet total	232,367	224,181	223,340
Cash flow ratio, %	22.5	22.0	21.2
Return on investment, % (ROI)	14.9	13.2	10.5
Return on equity, % (ROE)	22.6	21.3	19.1
Equity to total assets, %	41.1	40.2	38.8
Current ratio	0.7	0.5	0.4
Gearing, %	43.4	58.5	84.7
Gross capital expenditure on fixed assets	9,055	6,127	3,855
% of net sales	6.9	5.2	3.7
Net capital expenditure on fixed assets	7,713	6,110	3,821
% of net sales	5.9	5.1	3.7
Average number of personnel	337	329	336

PER-SHARE RATIOS			
	2017	2016	2015
Earnings per share (EPS), euro	1.01	0.91	0.79
Equity per share, euro	4.61	4.34	4.18
*) Nominal dividend per share, euro	0.80	0.75	0.70
*) Effective dividend yield, %	2.68	2.68	3.15
*) Pay-out ratio, %	79.0	82.5	88.5
Price/Earnings ratio (P/E)	29.5	30.8	28.0
Price of Series A share			
at year-end, euro	29.87	28.00	22.19
high, euro	32.49	28.51	27.20
low, euro	25.05	20.30	20.51
average price, euro	28.59	25.17	23.76
Trading volume of A shares	1,464,747	881,172	2,036,830
% of all A shares outstanding	8.6	5.2	12.0
Market capitalisation of A shares 31 Dec, MEUR	507.4	476.4	377.7
Market capitalisation of K shares 31 Dec, MEUR	111.5	104.5	82.8
Total market capitalisation, MEUR	618.8	580.9	460.5
Number of shares			
year's average number, adjusted for share issues **)	20,728,115	20,747,742	20,757,645
number at year-end adjusted for dilution from warrants **)	20,717,683	20,747,684	20,753,184

**) The amount of dividend used for calculating the 2017 ratios is the Board of Directors' proposal to the Annual General Meeting.

**) Treasury shares held by Olvi plc deducted.

Calculation of Financial Ratios

Ratio		Numerator	Denominator
Cash flow ratio, %	= 100 *	Operating profit + depreciation + financial income and expenses + extraordinary income and expenses – taxes	Net sales
Return on investment, % (ROI)	= 100 *	Profit before taxes + interest and other financial expenses	Balance sheet total – interest-free liabilities (average)
Return on equity, % (ROE)	= 100 *	Profit before taxes – taxes	Shareholders' equity + non-controlling interests + voluntary provisions and depreciation difference deducted by deferred tax liability (average during the year)
Equity to total assets, %	= 100 *	Shareholders' equity + non-controlling interests + voluntary provisions and depreciation difference deducted by deferred tax liability	Balance sheet total – advance payments received
Current ratio	=	Liquid assets + inventories	Current liabilities
Gearing, %	= 100 *	Interest-bearing liabilities + advance payments received – cash and other liquid assets	Shareholders' equity + voluntary provisions and depreciation difference deducted by deferred tax liability
Earnings per share (EPS)	=	Profit before taxes – taxes +/– non-controlling interests	Average number of shares during the period adjusted for share issues
Equity per share	=	Shareholders' equity + voluntary provisions and depreciation difference deducted by deferred tax liability and non-controlling interests	Number of shares on 31 December adjusted for share issues
Effective dividend yield, %	= 100 *	Dividend per share adjusted for share issues	Last trading price of the year, adjusted for share issues
Price/Earnings ratio (P/E)	=	Last trading price of the year, adjusted for share issues	Earnings per share
Pay-out ratio, %	= 100 *	Dividend per share	Earnings per share
Market capitalisation at year-end	=	Number of shares at year-end, adjusted for share issues * Price of Series A share at year-end	

The Group presents figures directly derived from the consolidated income statement: net sales, operating profit and profit for the period, the corresponding percentages in proportion to net sales, as well as the earnings per share ratio. (Earnings per share = Profit belonging to parent company shareholders / Average number of shares during the period, adjusted for share issues).

In addition to the consolidated financial statements prepared in accordance with IFRS, Olvi Group presents Alternative Performance Measures that describe the financial development of its business and provide a commensurate overall view of the company’s profitability, financial position and liquidity.

The Group has applied the ESMA (European Securities and Markets Authority) new guidelines on Alternative Performance Measures that entered into force on 3 July 2016 and defined APMs as described below.

As an APM supporting net sales, the Group presents sales volumes in millions of litres. Sales volume is an important indicator of the extent of operations generally used in the industry.

The definition of gross margin is operating profit plus depreciation and impairment.

Gross capital expenditure consists of total expenditure on fixed assets, including the effect of any corporate acquisitions.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Income Statement

	Note	1 Jan to 31 Dec 2017 EUR 1,000	%	1 Jan to 31 Dec 2016 EUR 1,000	%
NET SALES	1	**345,185**	**100.0**	**320,683 *)**	**100.0**
Increase (+)/decrease (-) in inventories of finished and unfinished products		1,098	0.3	1,249	0.4
Manufacture for own use		88	0.0	73	0.0
Other operating income	3	2,034	0.6	1,582	0.5
Materials and services	4	164,562	47.7	153,431 *)	47.8
Personnel expenses	6	45,639	13.2	43,047	13.4
Depreciation and impairment	5	20,755	6.0	18,734	5.8
Other operating expenses	4	72,702	21.0	67,930 *)	21.3
OPERATING PROFIT		**44,747**	**13.0**	**40,445**	**12.6**
Financial income	8	477	0.1	1,207	0.4
Financial expenses	9	-2,819	-0.8	-1,816	-0.6
Share of profit in associates	32	-69	0.0	37	0.0
PROFIT BEFORE TAXES		**42,336**	**12.3**	**39,873**	**12.4**
Income taxes	10	-6,212	-1.8	-7,079	-2.2
NET PROFIT FOR THE PERIOD		**36,124**	**10.5**	**32,794**	**10.2**
Other comprehensive income items that may later be transferred to profit and loss: Translation differences related to foreign subsidiaries		-7,278	-2.1	-74	0.0
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**28,846**	**8.4**	**32,720**	**10.2**
Distribution of profit:					
- parent company shareholders		35,956	10.4	32,488	10.1
- non-controlling interests		168	0.1	306	0.1
Distribution of comprehensive income:					
- parent company shareholders		28,872	8.4	32,406	10.1
- non-controlling interests		-26	0.0	314	0.1
Earnings per share calculated from the profit belonging to parent company shareholders:					
Undiluted earnings per share (EUR)		1.73		1.57	
Diluted earnings per share (EUR)		1.73		1.57	

*) Change in accounting policies.

The notes constitute an essential part of the financial statements.

Consolidated Balance Sheet

	Note	31/12/2017 EUR 1,000	%	31/12/2016 EUR 1,000	%
ASSETS					
Non-current assets					
Tangible assets	12	188,155		196,239	
Goodwill	13, 14	15,279		15,978	
Other intangible assets	13	5,340		5,295	
Shares in associates		1,113		1,183	
Financial assets available for sale	15	543		543	
Loan receivables and other non-current receivables	16	433		280	
Deferred tax receivables	19	379		265	
Total non-current assets		**211,242**	**62.4**	**219,783**	**66.9**
Current assets					
Inventories	17	34,336		32,669	
Accounts receivable and other receivables	18	64,181		55,627	
Income tax receivable		235		129	
Liquid assets	20	28,625		20,297	
Total current assets		**127,377**	**37.6**	**108,722**	**33.1**
TOTAL ASSETS		**338,619**	**100.0**	**328,505**	**100.0**
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity held by parent company shareholders					
Share capital	21	20,759		20,759	
Other reserves	21	1,092		1,092	
Treasury shares	21	-228		-228	
Translation differences		-44,106		-37,022	
Retained earnings		238,242		217,234	
Total shareholders' equity held by parent company shareholders		**215,759**	**63.7**	**201,835**	**61.5**
Share belonging to non-controlling interests		1,228	0.4	1,714	0.5
Total shareholders' equity		**216,987**	**64.1**	**203,549**	**62.0**
Non-current liabilities					
Financial liabilities	23	4,651		12,932	
Other liabilities		28		17	
Deferred tax liabilities	19	6,443		7,749	
Current liabilities					
Financial liabilities	23	8,573		11,708	
Accounts payable and other liabilities	24	100,052		92,328	
Income tax liability		1,885		222	
Total liabilities		**121,632**	**35.9**	**124,956**	**38.0**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**338,619**	**100.0**	**328,505**	**100.0**

The notes constitute an essential part of the financial statements.

Consolidated Cash Flow Statement

	Note	1-12/2017 EUR 1,000	1-12/2016 EUR 1,000
Cash flow from operations			
Net profit for the period		36,124	32,794
Adjustments:	27		
Depreciation and impairment	5	20,755	18,734
Other adjustments		8,894	6,778
Change in net working capital:			
Increase (-) / decrease (+) in current interest-free accounts receivable and other receivables		-10,936	-5,269
Increase (-) / decrease (+) in inventories		-2,131	-1,290
Increase (+) / decrease (-) in current interest-free liabilities		9,303	15,387
Interest paid		-491	-777
Interest received		271	428
Dividends received		4	2
Taxes paid		-4,713	-5,553
Cash flow from operations (A)		**57,080**	**61,234**
Cash flow from investments			
Investments in tangible assets		-21,204	-17,822
Investments in intangible assets		-904	-698
Capital gains on disposal of tangible assets		1,682	568
Capital gains on disposal of intangible assets		0	176
Expenditure on other investments		-345	-37
Cash flow from investments (B)		**-20,771**	**-17,813**
Cash flow from financing			
Withdrawals of loans		0	447
Repayments of loans		-11,491	-21,835
Acquisition of treasury shares		0	-120
Dividends paid		-15,574	-14,529
Increase (-)/decrease (+) in current interest-bearing business receivables		15	8
Increase (-)/decrease (+) in non-current loan receivables		0	23
Cash flow from financing (C)		**-27,050**	**-36,006**
Increase (+)/decrease (-) in liquid assets (A+B+C)		**9,259**	**7,415**
Liquid assets 1 January		**20,297**	**12,786**
Effect of exchange rate changes		-931	96
Liquid assets 31 December	20	**28,625**	**20,297**

The notes constitute an essential part of the financial statements.

Changes in Consolidated Shareholders' Equity

EUR 1,000	SHAREHOLDERS' EQUITY BELONGING TO PARENT COMPANY SHAREHOLDERS						
	A	B	C	D	E	F	G
Shareholders' equity 1 Jan 2016	**20,759**	**1,092**	**-108**	**-36,940**	**198,979**	**1,444**	**185,226**
Comprehensive income							
Net profit for the period					32,488	306	32,794
Other comprehensive income items							
Translation differences				-82		8	-74
Total comprehensive income for the period				**-82**	**32,488**	**314**	**32,720**
Transactions with shareholders							
Payment of dividends					-14,523	-42	-14,565
Acquisition of treasury shares			-120				-120
Share-based incentives					290		290
Total transactions with shareholders			**-120**		**-14,233**	**-42**	**-14,395**
Changes in holdings in subsidiaries							
Acquisition of shares from non-controlling interests					1		1
Change in share belonging to non-controlling interests					-1	-2	-3
Total changes in holdings in subsidiaries					**0**	**-2**	**-2**
Shareholders' equity 31 Dec 2016	**20,759**	**1,092**	**-228**	**-37,022**	**217,234**	**1,714**	**203,549**

EUR 1,000	SHAREHOLDERS' EQUITY BELONGING TO PARENT COMPANY SHAREHOLDERS						
	A	B	C	D	E	F	G
Shareholders' equity 1 Jan 2017	**20,759**	**1,092**	**-228**	**-37,022**	**217,234**	**1,714**	**203,549**
Comprehensive income							
Net profit for the period					35,956	168	36,124
Other comprehensive income items							
Translation differences				-7,084		-194	-7,278
Total comprehensive income for the period				**-7,084**	**35,956**	**-26**	**28,846**
Transactions with shareholders							
Payment of dividends					-15,561	-35	-15,596
Share-based incentives					534		534
Total transactions with shareholders					**-15,027**	**-35**	**-15,062**
Changes in holdings in subsidiaries							
Acquisition of shares from non-controlling interests					258		258
Change in share belonging to non-controlling interests					-179	-425	-604
Total changes in holdings in subsidiaries					**79**	**-425**	**-346**
Shareholders' equity 31 Dec 2017	**20,759**	**1,092**	**-228**	**-44,106**	**238,242**	**1,228**	**216,987**

A = Share capital
B = Other reserves
C = Treasury shares reserve
D = Translation differences
E = Retained earnings
F = Share belonging to non-controlling interests
G = Total

Other reserves include the share premium account, legal reserve and other reserves.

The notes constitute an essential part of the financial statements.

Consolidated Accounting Policies

Basic information on the Group

Olvi plc ("the company") and its subsidiaries (jointly "the Group") manufacture beers, ciders, long drinks, mineral waters, juices, soft drinks, energy drinks, sports beverages, kvass and other beverages. The companies belonging to Olvi Group are located in Finland, Estonia, Latvia, Lithuania and Belarus.

The Group's parent company is Olvi plc (Business ID 0170318-9), and its Series A shares are quoted on the Nasdaq OMX Helsinki Ltd Main List. The parent company is headquartered in Iisalmi and its registered address is P.O. Box 16, 74101 Iisalmi.

A copy of the consolidated financial statements is available on the Internet at www.olvigroup.fi or from the headquarters of the Group's parent company at Olvitie I-IV, 74100 Iisalmi.

The accounting period of all Group companies corresponds to the calendar year and ended on 31 December 2017.

On 22 February 2018, the Board of Directors of Olvi plc approved the disclosure of the financial statements bulletin for 2017. According to the Finnish Companies Act, shareholders have the option to approve or reject the financial statements at a General Meeting of Shareholders to be held after disclosure. The General Meeting of Shareholders may also decide on amending the financial statements.

Accounting policies

Basis of preparation

The consolidated financial statements have been prepared in compliance with the approved International Financial Reporting Standards (IFRS), observing the IAS and IFRS standards as well as SIC and IFRIC interpretations valid on 31 December 2017. In the Finnish Accounting Act and regulations enacted by virtue of the Act, International Financial Reporting Standards refer to the standards approved for use in the European Union in accordance with the procedure specified in the EU regulation (EC) No 1606/2002. The notes to the financial statements are also in compliance with Finnish legislation concerning accounting and corporate law that supplements the IFRS regulations.

The consolidated financial statements have been prepared on the basis of original cost, with the exception of financial assets available for sale, financial assets and liabilities recognised at fair value through profit or loss, derivative contracts, as well as share-based transactions settled in cash, which have been recognised at fair value. The financial statement information is presented in thousands of euros (EUR 1,000). For the sake of presentation, individual figures and totals have been rounded to full thousands, which may cause rounding differences in additions.

Consolidation principles

Subsidiaries

Subsidiaries are entities in which the Group exercises control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Intra-Group shareholdings have been eliminated using the purchase method. The consideration given and the acquired entity's identifiable assets and assumed liabilities have been measured at fair value at the time of acquisition.

Acquired subsidiaries are included in the consolidated financial statements as of the date the Group has acquired a position of control, and divested subsidiaries are included until the date the Group's control is discontinued. All intra-Group business transactions, receivables, liabilities, unrealised gains and internal profit distribution are eliminated during the preparation of the consolidated financial statements. Unrealised losses are not eliminated if they are caused by impairment.

The distribution of profit or loss for the financial period between the parent company's shareholders and non-controlling interests is presented in the separate income statement, and the distribution of comprehensive income between the parent company's shareholders and non-controlling interests is presented in connection with the statement of comprehensive income. Comprehensive income is allocated between parent company shareholders and non-controlling interests even if this would lead to a negative share allocated to non-controlling interests. The share of equity belonging to non-controlling interests is presented as a separate balance sheet item under shareholders' equity. Changes in the parent company's holding in a subsidiary that do not lead to loss of control are treated as equity transactions.

Associates

Associates are entities in which the Group exercises significant power. Significant power arises generally when the Group holds more than 20 percent of the voting rights in an entity or the Group otherwise has significant power but no position of control.

Associates are consolidated using the equity method. A share of profit in associates corresponding to the Group's share of holding has been calculated in accordance with the Group's holding and presented as a separate item in the income statement after financial income and expenses. If the Group's share of an associate's losses exceeds the book value of the investment, the investment is recognised in the balance sheet at zero value, and losses exceeding the book value are not taken into account unless the Group is otherwise committed to the fulfilment of the associate's obligations.

Conversion of items in foreign currency

The figures indicating the earnings and financial position of Group entities are determined in the currency of each unit's primary operating environment ("functional currency"). The consolidated financial statements are presented in euro, which is the operating and presentation currency of the Group's parent company.

Transactions denominated in foreign currency have been converted into the functional currency at the exchange rate valid on the transaction date. Monetary items in foreign currency have been converted into the functional currency at the exchange rates valid on the closing date of the reporting period.

Gains and losses originating from business transactions in foreign currency and the conversion of monetary items are recognised through profit and loss. Foreign exchange gains and losses from operations are included in the corresponding items above operating profit. Foreign exchange gains and losses on loans denominated in foreign currency are included in financial income and expenses, with the exception of exchange rate differences on foreign currency items that constitute a part of the net investment made in a foreign unit. These exchange rate differences are recognised in other comprehensive income items, and accumulated exchange rate differences are included in the translation difference presented in shareholders' equity.

The income statements of non-Finnish consolidated companies that use a functional currency other than the Group's presentation currency have been converted into euro at the average exchange rates for the accounting period, and balance sheet items have been converted at the exchange rates on the balance sheet date. The different exchange rates applicable to the conversion of profit or loss on the income statement and balance sheet result in a translation difference recognised in shareholders' equity on the balance sheet, and any change in this difference is recognised in other comprehensive income items. Translation differences arising from the elimination of the acquisition cost of foreign Group companies, as well as translation differences arising from equity items accumulated after the acquisition, are recognised in other comprehensive income items. When a subsidiary is divested in full or in part, accumulated translation differences are recognised in the income statement as part of the sales gain or loss.

Goodwill arising from the acquisition of foreign entities and the fair value adjustments made to the book values of the assets and liabilities of such foreign entities upon acquisition are treated as assets and liabilities belonging to the foreign entities. They are converted into euro at the exchange rates valid on the closing date of the reporting period.

Accounting policies requiring consideration by management and crucial factors of uncertainty associated with estimates

Preparation of financial statements in accordance with IFRS standards requires the Group's management to make certain estimates and considerations.

Furthermore, the application of accounting policies requires choice and consideration. This applies particularly to cases in which valid IFRS standards provide for alternative methods of recognition, measurement or presentation.

Factors of uncertainty associated with estimates

Estimates made in connection with the preparation of financial statements are based on the management's best understanding on the balance sheet date, and the outcome may differ from the estimates and assumptions. The background of the estimates includes previous experience and assumptions concerning the future that are deemed most probable on the balance sheet date with regard to issues such as the expected development of the Group's financial operating environment concerning sales and the level of costs.

The Group, regularly and jointly with the management of subsidiaries, assesses the realisation of estimates and assumptions, as well as changes in the underlying factors, by applying several sources of information, both internal and external.

Any changes in the estimates and assumptions are recognised in the accounting period during which the estimates and assumptions are adjusted and in all subsequent accounting periods.

The most important sectors in which management has applied consideration and that require the use of estimates and assumptions are goodwill testing (more information in Note 14, Impairment and goodwill testing) as well as deferred tax receivables and liabilities (more information in Note 19, Deferred tax receivables and liabilities).

Other accounting policies are presented together with the notes related to each sector.

New and upcoming IFRS standards applicable to accounting periods beginning on or after 1 January 2017

The consolidated financial statements have been prepared in accordance with the same accounting policies used in 2016, with the exception of the following new standards, interpretations and revisions to existing standards that the Group has applied since 1 January 2017.

The Group has adopted the following new or revised standards and interpretations in 2017:

Subject	Crucial requirements	Effective date *)
Disclosure Initiative – amendments to IAS 7	From now on, entities must provide a description of changes in liabilities arising from financing activities. This covers changes arising from cash flows (such as withdrawals and repayments of loans), as well as changes not associated with cash flows, such as acquisitions, transfers, accumulated interest and unrealised foreign exchange differences. Changes in financial assets shall be included in disclosures if the cash flows are included or will be included in cash flows from financing. This might apply, for example, to assets hedging financial liabilities. The disclosures may also include changes to other items, for example by presenting a "reconciliation of net debts". In this case, changes to other items must be presented separately from the change in liabilities arising from financing. The information may be presented in a table as a reconciliation between opening and closing balances but the standard does not dictate a certain format. As a consequence of the change, the Group has prepared a new note to the financial statements presenting the reconciliation of net debts.	1 January 2017

*) Applicable to reporting periods beginning on or after the specified date.

Other amendments to standards that entered into force on 1 January 2017 have not had any effect on the consolidated financial statements.

Other changes in accounting policies as of 1 January 2017 *)

Olvi Group has clarified the presentation of recycling fees within the income statement. Across all of the Group's units, recycling fees based on sales are presented as a deduction in net sales. As a result of this, net sales for the comparison year 2016 are 795 thousand euro lower than previously reported. The change has not had any effect on the presented operating profit.

IFRS standards, interpretations and amendments coming into force later

The following provides information on standards and interpretations that have been published but will enter into force on a date later than 1 January 2017.

Subject	**Crucial requirements**	**Effective date *)**
IFRS 9 Financial Instruments *and associated amendments to several other standards*	*IFRS 9 Financial Instruments* addresses the classification of financial assets and liabilities, their measurement and derecognition, revises the rules for hedge accounting and provides for a new impairment model for financial assets. The Group has reviewed its financial assets and liabilities, and the adoption of the new standard as of 1 January 2018 is expected to have the following effect: The Group's financial assets consist above all of liquid assets in bank accounts as well as accounts receivable. In addition, the Group has a minor amount (0.5 million euro) of equity investments classified as financial assets available for sale under the standard in force. According to the management's current opinion, these financial assets will mainly be classified as financial assets measured at fair value through other comprehensive income items. The change in classification is not expected to have any substantial impact on the Group's earnings. The new impairment model for financial assets requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The Group's credit losses have been less than 0.5 million euro annually. Due to the change, credit losses will be recognised somewhat earlier but this is not expected to have any substantial effect on the consolidated earnings and balance sheet. The new standard also introduces more extensive disclosure requirements and changes in presentation. These are expected to affect the nature and extent of information presented in the consolidated financial statements, particularly in the year of introduction of the new standard. The Group will adopt the standard in the accounting period starting 1 January 2018. The intention is to apply the new rules in the Group retroactively as of 1 January 2018 so as to benefit from the practical	1 January 2018

	expedients permitted under the standard. The comparison data for 2017 will not be adjusted.	

*) Applicable to reporting periods beginning on or after the specified date.

Subject	**Crucial requirements**	**Effective date *)**
IFRS 15 Revenue from Contracts with Customers and associated amendments to several other standards	The IASB has published a new standard for revenue recognition. It replaces IAS 18 concerning the sales of goods and services, as well as IAS 11 concerning construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to the customer – so the notion of control replaces the existing notion of risks and rewards. A new five-step process must be applied to revenue recognition: • identify contracts with customers • identify the separate performance obligations • determine the transaction price of the contract • allocate the transaction price to each of the separate performance obligations, and • recognise the revenue as each performance obligation is satisfied. The Group has reviewed its customer contracts and analysed the effect of the new standard on the consolidated financial statements, recognition practices, systems and processes. A substantial part of the Group's customer contracts relates to the sale of beverage products. Approximately 99% of the Group's sales comes from beverage products. The performance obligation for beverage products comprises the delivery of beverages to customers, and the contracts do not have any service elements or other separable elements. Control over beverage products passes to the customer in accordance with their delivery terms, usually within the day of delivery. The contracts include volume discounts and annual discounts, the estimated effect of which is deducted from net sales in the same period for which the sales income is recognised. The amendment to the standard has not been found to have any effect on the recognition practice. The Group has analysed the impact of the new standard on the transaction price of a performance obligation and notes that the amendment to the standard will not affect the transaction price or the consolidated income statement with regard to the sales of beverage products. The time of fulfilment of the performance obligation also corresponds to the present time of income recognition for the sales of beverage products. Due to the nature of the Group's business and the previous recognition practice, the amendment to the recognition standard is not	1 January 2018

	expected to have any substantial effect on the consolidated income statement or balance sheet, and it will not impose any changes on business practices. However, the amendment will affect the presentation of the financial statements through the imposed effects on the disclosure of notes. The Group will adopt the standard by providing additional information non-retroactively.	
IFRS 16 Leases	IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The standard will affect primarily the accounting for the Group's operating leases. At the end of the accounting period, the Group has approximately 2 million euro of operating lease obligations. The Group's leases concern the rental of individual office spaces and logistics premises, as well as machinery and equipment. A substantial part of the leases are either short-term or low-value. However, the Group has contracts classified as operational leases under the current standard, and upon adoption of the new standard, these will be recognised in the balance sheet. The amendment is expected to have only a minor effect on the consolidated balance sheet total (less than one percent of the total), and it will not have any substantial effect on the consolidated income statement. The Group is currently assessing the more detailed effect in euros. However, most of the premises, machinery and equipment used by the company are in its ownership and are already presented in the consolidated balance sheet. The standard must be applied for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.	1 January 2019 Earlier application is only allowed if IFRS 15 is adopted simultaneously.

'Share-based Payments' - amendment to IFRS 2	The amendment clarifies the accounting for certain types of share-based transactions and provides guidelines on the following: • the effect of the conditions establishing a right and conditions not generating a final right on the measurement of cash-settled share-based transactions • transactions settled in equity that have a net provision for property tax obligations, and • an amendment to conditions settled in equity that changes the classification of a transaction from cash-settled to equity-settled. The Group is currently analysing the effect of the amendment on the consolidated financial statements.	1 January 2018

IFRIC 22 Foreign Currency Transactions and Advance Consideration	IFRIC 22 provides guidance on the exchange rate that should be applied to foreign currency items (such as sales transactions) at the time of reporting when performance has been provided or received in advance. The Group will take the guidance into account but does not expect it to have any substantial effect on the consolidated financial statements due to the minor amount of such foreign currency items.	1 January 2018, not yet endorsed in the EU

*) Applicable to reporting periods beginning on or after the specified date.

Notes to the Consolidated Financial Statements

1. Segment information

Accounting policies

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible of allocating resources to the operating segments and assessing their performance, is identified to be the Group's Managing Director making strategic decisions together with the parent company's Board of Directors.

Olvi Group has five reporting segments corresponding to the Group's business units. Operating segments are defined on the basis of the management model and internal reporting utilised by the Group's top management for strategic decisions. Olvi Group's operating segments consist of the Group's geographical operating areas, which are Finland, Estonia, Latvia, Lithuania and Belarus.

The products and services of the reporting segments are produced in a specific economic environment with risks and profitability deviating from the risks and profitability of the economic environment of other segments. The Group has not combined operating segments together to create reporting segments.

Net sales in the reported operating segments are mostly generated from the manufacture and wholesale of various beverages. The net sales also include a minor amount of services to licensed restaurants in relation to beverage-serving equipment.

Principles for recognition of income

Net sales consist of consideration received for the sales of products and services measured at fair value, deducted by indirect taxes, discounts and translation differences for sales in foreign currency.

The Group manufactures different kinds of alcoholic and non-alcoholic beverages and sells them, along with other products related to the beverage industry.

Product sales are recognised when the Group has delivered the products to the customer and when substantial risks and benefits related to their ownership have been transferred to the customer, and there are no outstanding obligations that could affect the customer's acceptance of the products. Delivery is considered to be realised only once the products have been delivered to the location agreed with the customer, and the risk of non-marketability and damage has been transferred to the customer.

Beverage sales often involve annual discounts. Sales are recognised at the price specified in the sales contract less annual discounts per the terms and conditions of contract, as well as any returns of defective products estimated at the time of sale.

The Group's management assesses the operating segments' performance through operating profit (EBIT). Interest income and expenses are not allocated to segments because responsibility for the Group's financing tasks is centralised in the parent company Olvi plc.

Operating profit

The standard IAS 1 *Presentation of Financial Statements* does not define the concept of operating profit. The Group has defined it as follows: operating profit is the net amount created by adding other operating income to net sales, subtracting purchase costs adjusted by change in inventories of finished and unfinished products and costs of manufacture for own use, and subtracting costs of employee benefits, depreciation and amortisation, any impairment losses and other operating expenses.

All income statement items other than the above are presented below operating profit. Exchange rate differences are included in operating profit if they arise from items associated with business operations. Otherwise they are recognised in financial items. The principles for calculation of other ratios are presented under *Calculation of Financial Ratios.*

A segment's assets and liabilities refer to business items that the segment uses in its business operations or that can be allocated to segments on reasonable grounds. Unallocated items include tax and financial items, as well as items common to the entire Group. Investments include increases in property, plant and equipment items and intangible assets that are used during more than one accounting period.

Pricing between segments is based on fair market terms.

Sales of operating segments in 2017 and 2016

1,000 litres	**Finland**	**Estonia**	**Latvia**	**Lithuania**	**Belarus**	**Elimin-ations**	**Group**
Sales in 2017	199,717	112,794	76,326	85,381	196,389	-27,583	643,024
Sales in 2016	178,044	121,467	67,246	81,800	178,298	-17,480	609,375

Operating segments 2017 in accordance with asset locations

EUR 1,000	**Finland**	**Estonia**	**Latvia**	**Lithuania**	**Belarus**	**Elimin-ations**	**Group**
INCOME							
External sales	130,506	68,808	33,805	36,629	75,437	0	345,185
Internal sales	951	4,943	3,707	2,526	0	-12,127	0
Total net sales	**131,457**	**73,751**	**37,512**	**39,155**	**75,437**	**-12,127**	**345,185**
EARNINGS							
Operating profit for the segment	12,763	14,734	4,437	3,365	9,435	13	44,747
Financial income							477
Financial expenses							-2,819
Share of profit in associates							-69
Income taxes							-6,212
Net profit for the period							**36,124**
OTHER INFORMATION							
Segment assets	169,755	68,365	31,354	45,932	66,607	-72,633	309,380
Unallocated assets							29,239
Total consolidated assets							**338,619**
Segment liabilities	65,956	17,812	5,217	9,048	9,561	-7,781	99,813
Unallocated liabilities							21,819
Total consolidated liabilities							**121,632**
Segment investments	9,055	3,716	1,691	2,380	4,868	0	21,710
Unallocated investments							0
Total investments							**21,710**
Depreciation	8,888	3,202	1,928	2,379	4,540	-182	20,755

Operating segments 2016 in accordance with asset locations

EUR 1,000	Finland	Estonia	Latvia	Lithuania	Belarus	Elimin-ations	Group
INCOME							
External sales	118,339	71,443	30,267	33,858	66,776	0	320,683
Internal sales	537	5,261	1,572	911	0	-8,281	0
Total net sales	**118,876**	**76,704**	**31,839**	**34,769**	**66,776**	**-8,281**	**320,683 *)**
EARNINGS							
Operating profit for the segment	10,743	15,926	3,377	2,702	7,471	226	40,445
Financial income							1,207
Financial expenses							-1,816
Share of profit in associates							37
Income taxes							-7,079
Net profit for the period							**32,794**
OTHER INFORMATION							
Segment assets	159,061	67,281	30,243	41,288	76,621	-66,680	307,814
Unallocated assets							20,691
Total consolidated assets							**328,505**
Segment liabilities	62,520	11,225	5,054	5,912	9,130	-1,871	91,970
Unallocated liabilities							32,986
Total consolidated liabilities							**124,956**
Segment investments	6,127	3,601	1,608	4,721	4,396	0	20,453
Unallocated investments							0
Total investments							**20,453**
Depreciation	7,653	3,073	1,844	2,140	4,206	-182	18,734

*) Change in accounting policies.

Net sales in geographical regions 2017 in accordance with customer locations

EUR 1,000	Finland	Estonia	Latvia	Lithuania	Belarus	Elimin-ations	Group
External sales	126,788	65,741	32,799	36,185	63,524	20,148	345,185
Internal sales	1,680	4,683	1,862	2,823	1,079	-12,127	0
Total net sales	**128,468**	**70,424**	**34,661**	**39,008**	**64,603**	**8,021**	**345,185**

Net sales in geographical regions 2016 in accordance with customer locations

EUR 1,000	Finland	Estonia	Latvia	Lithuania	Belarus	Elimin-ations	Group
External sales	113,911	68,126	30,200	31,767	55,084	21,595	320,683
Internal sales	1,518	2,026	2,400	2,033	304	-8,281	0
Total net sales	**115,429**	**70,152**	**32,600**	**33,800**	**55,388**	**13,314**	**320,683 *)**

*) Change in accounting policies.

2. Non-current assets held for sale

Accounting policies

Non-current assets held for sale and assets associated with discontinued operations are classified as assets held for sale and measured at book value or a lower fair value deducted by sales costs if the amount corresponding to the book value is going to be accrued mostly from the sale of the asset instead of continuous use. The prerequisites for classification as an item held for sale are considered to be fulfilled when a sale is highly probable and the asset can be immediately sold in its current condition on usual and conventional terms, management is committed to the sale, and it is expected to be carried out within one year of classification. Depreciation of these assets will be discontinued at the time of classification.

Olvi Group has not had any non-current assets classified as held for sale in the financial statements for 2016 and 2017.

3. Other operating income

EUR 1,000	**2017**	**2016**
Sales gains on property, plant and equipment	172	238
Rental income	193	158
Others	1,669	1,186
Total	**2,034**	**1,582**

The Group rents out beverage-serving equipment to its HoReCa customers and coolers to its retail-ers. Rental income is recognised in equal instalments over the rental period. The accounting policies for leases are described in Note 12, Property, plant and equipment.

Other operating income consists mostly of project grants and energy tax refunds. Accounting policies related to government grants are described in Note 12, Property, plant and equipment.

4. Other operating expenses

The item Materials and services on the income statement consists mostly of raw materials and packaging supplies.

EUR 1,000	**2017**	**2016**
Sales losses and scrapping of property, plant and equipment	145	114
Rental costs	3,440	3,466
Sales freights and other variable costs	37,252	34,080
Other fixed costs	31,865	30,270
Total	**72,702**	**67,930 *)**

*) Change in accounting policies.

Other fixed operating expenses consist mostly of the costs of administration, marketing and sales, building maintenance costs, as well as other personnel-related costs. The accounting policies for leases are described in Note 12, Property, plant and equipment.

5. Depreciation and impairment

EUR 1,000	2017	2016
Depreciation and impairment on tangible assets:		
Buildings	3,500	3,372
Machinery and equipment	10,954	10,205
Machinery and equipment, finance lease	785	846
Other tangible assets	4,355	3,159
Other tangible assets, finance lease	113	188
Total depreciation and impairment on tangible assets	19,707	17,770
Amortisation and impairment on intangible assets:		
Intangible assets	1,048	964
Total amortisation and impairment on intangible assets	1,048	964
Total	**20,755**	**18,734**

The accounting policies and depreciation periods for tangible and intangible assets are presented in Notes 12, Property, plant and equipment, and 13, Intangible assets.

6. Costs of employee benefits

Accounting policies concerning employee benefits

Pension obligations

The Group's pension schemes are defined contribution plans. In defined contribution plans, the Group makes fixed payments to a separate entity. The Group has no legal or factual obligation to make any additional contributions if the entity receiving the payments fails to pay the pension benefits in question. Contributions paid to defined contribution pension plans are recognised in the income statement during the period to which the charge applies.

Share-based payments

The Group applies the standard IFRS 2 *Share-based Payment* to all share-based business transactions. Arrangements settled in equity instruments are measured at fair value on the date of granting and recognised as expenses in the income statement in equal instalments over the vesting period. Arrangements settled in cash are measured at fair value at each closing of the accounts, and changes in the fair value of the liability are recognised in the income statement. The earnings effect of the arrangement is presented in the income statement under the costs of employee benefits.

The cost determined at the time of granting the share-based bonuses is based on the Group management's estimate of the number of shares that are expected to become vested at the end of the vesting period. The Group updates the expectation of the final number of shares on each balance sheet date. The changes in the estimates are recognised in the income statement.

EUR 1,000	2017	2016
Wages and salaries	36,563	34,792
Pension costs - defined contribution	2,873	2,805
Benefits exercised and payable in stock	500	292
Benefits payable in cash	701	163
Other personnel expenses	5,002	4,995
Total	**45,639**	**43,047**
Group personnel on average during the period		
Finland	337	329
Estonia	327	339
Latvia	196	207
Lithuania	228	235
Belarus	695	749
Total	**1,783**	**1,859**

Information on employee benefits and loans to management is presented in Note 30, Related party transactions.

7. Research and development costs

The income statement includes 542 thousand euro of R&D costs recognised as expenses in 2017 (523 thousand euro in 2016), which is 0.2 (0.2) percent of net sales.

The accounting policies for research and development costs are presented in Note 13, Intangible assets.

8. Financial income

Accounting policies

Interest

Interest income is recognised on the basis of elapsed time using the effective interest method. If a loan receivable or other receivable becomes impaired, its book value is reduced to correspond to the recoverable amount. Interest income from impaired loan receivables is recognised in accordance with original effective interest.

Dividends

Dividend income is recognised when the right to dividend becomes vested.

EUR 1,000	**2017**	**2016**
Dividend income from investments held as fixed assets	4	2
Interest income from bank deposits	173	321
Other interest and financial income	300	884
Total	**477**	**1,207**

9. Financial expenses

EUR 1,000	**2017**	**2016**
Interest expenses on finance lease contracts	74	83
Interest expenses on financial liabilities measured at original amortised cost	305	511
Net gains (-) / losses (+) from interest derivatives	-102	23
Other financial expenses	2,542	1,199
Total	**2,819**	**1,816**

Other financial expenses consist mostly of unrealised foreign exchange losses.

The accounting policies for financial expenses are presented in Note 23, Financial liabilities.

10. Income taxes

Accounting policies

The tax expenses in the income statement comprise tax based on the taxable income for the period and change in deferred tax. The tax based on the taxable income for the period is calculated on the basis of taxable income in accordance with the tax rate valid in each country. The tax is adjusted by any taxes associated with previous periods. The Group will offset tax receivables and liabilities based on the taxable income for a period only in the case that the Group has a legally enforceable right to offset the recognised items against each other, and that the Group will either provide performance on a net basis or simultaneously realise an asset and repay a debt.

EUR 1,000	Note	2017	2016
Tax based on taxable income for the period		7,600	6,264
Taxes from previous accounting periods		-7	-42
Deferred taxes	19	-1,381	857
Total		**6,212**	**7,079**

Reconciliation between the tax expenses in the income statement and taxes calculated in accordance with the tax rate in the Group's home country 20.0% (20.0%):

EUR 1,000	2017	2016
Earnings before tax	42,336	39,873
Taxes calculated at the home country's rate	8,467	7,975
Effect of different tax rates for foreign subsidiaries	-1,056	-1,293
Tax effect of tax-free items	-58	-130
Tax effect of non-deductible items	671	569
Change in deferred tax - Change in Latvian tax rate	-1,805	0
Taxes from previous accounting period	-7	-42
Taxes in income statement	**6,212**	**7,079**

11. Earnings per share

Undiluted earnings per share are calculated by dividing the profit for the accounting period belonging to the parent company's shareholders by the weighted average of shares outstanding during the accounting period. When calculating the weighted average, the number of treasury shares in the company's possession is deducted from the number of shares. Olvi plc held a total of 41,125 of its own Series A shares on 31 December 2017.

A more detailed account of treasury shares is provided in Note 21, Notes concerning shareholders' equity.

	2017	2016
Profit belonging to parent company shareholders (EUR 1,000)	35,956	32,488
Weighted average number of shares during the period (1,000)	20,759	20,759
Effect of treasury shares (1,000)	-31	-11
Weighted average number of shares for the calculation of EPS (1,000)	20,728	20,748
Undiluted/diluted earnings per share (euro per share)	1.73	1.57

In the calculation of earnings per share adjusted for dilution, the weighted average number of shares includes the diluting effect of the conversion of all potential options outstanding during the period. When calculating the weighted average number of shares adjusted for dilution, the number of treasury shares in the company's possession is deducted from the number of shares. The calculation of the dilution effect includes consideration for the number of treasury shares acquired using funds received from the exchange of options.

During 2016 and 2017, Olvi Group has not had options or any other schemes having a diluting effect, which means that undiluted earnings per share and earnings per share adjusted for dilution have been equal during these years.

12. Property, plant and equipment

Accounting policies

Recognition of property, plant and equipment

Property, plant and equipment are recognised in the balance sheet at original cost deducted by accumulated depreciation and impairment losses.

Acquisition cost includes costs directly arising from the acquisition of a property, plant and equipment item. The acquisition cost of an item of our own manufacture includes material costs, direct costs of employee benefits as well as other direct costs arising from making a property, plant and equipment item ready for its intended purpose. Any borrowing costs directly arising from the acquisition, construction or manufacture of a property, plant and equipment item fulfilling the preconditions are capitalised as part of the acquisition cost of the item.

Any subsequent costs arising from additions to an item, a partial replacement of an item or maintenance of an item are included in the book value of a property, plant or equipment item only if it is probable that future economic benefit associated with the item will be to the Group's advantage and that the acquisition cost of the item can be reliably determined. Service costs, in other words repair and maintenance costs, are recognised in profit or loss once they are realised.

Asset items are depreciated by the straight-line method over their estimated useful life. Depreciation is not booked on land areas. Estimated useful lives are the following:

Buildings	20 to 40 years
Plant machinery and equipment	15 to 20 years
Recyclable packaging	5 to 20 years
Other fixed assets	5 years

The residual value and useful life of asset items are reviewed upon each closing of the accounts and adjusted if necessary to reflect any changes in the expected economic benefit.

Depreciation on a property, plant or equipment item will be discontinued when the item is classified as available for sale in accordance with the standard IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.*

Sales gains and losses arising from the decommissioning and transfer of property, plant and equipment items are included in other operating income or other operating expenses. Sales gain or loss is determined as the difference between sales price and residual acquisition cost.

Government grants

Public subsidies such as government grants associated with the acquisition of property, plant and equipment items are recognised as deductions in the book values of property, plant and equipment items when it is reasonably certain that the subsidies will be received and that the Group fulfils the preconditions for receiving such subsidies. The subsidies will be recognised as income through reduced depreciation over the useful life of the item.

Subsidies received as compensation for realised costs are recognised on the income statement at the same time as the associated costs are recognised as expenses. Such subsidies are presented in other operating income.

Leases

The Group as a lessee

Leases on tangible assets in which the Group has a significant part of the risks and benefits characteristic of ownership are categorised as finance lease agreements. Asset items acquired on finance lease agreements are recognised in the balance sheet at the fair value of the leased item in the start of the lease period or at a lower present value of minimum rents. Asset items acquired on finance lease agreements are depreciated over the useful life of the item or the lease period, whichever is shorter. Leasing rents payable are divided into financing cost and reduction of debt over the lease period so that the interest rate on the debt remaining in each accounting period is equal. Lease obligations are included in financial liabilities.

Lease agreements in which the risks and benefits characteristic of ownership remain with the lessor are treated as other lease agreements. Leases payable on the basis of other lease agreements are recognised as expenses in the income statement in equal instalments over the lease period.

The Group as a lessor
Items leased out by the Group in which a significant part of the risks and benefits characteristic of ownership have been transferred to the lessee are treated as finance lease agreements and recognised as receivables in the balance sheet. The receivable is recognised at present value.

The financial income on a finance lease agreement is recognised as income during the lease period so that the remaining net investment will produce the same percentage of yield over the lease period. The Group does not currently have any substantial finance lease agreements as a lessor.

Assets leased out on agreements other than finance lease are included in property, plant and equipment items in the balance sheet.

They are depreciated over their useful life just as similar property, plant and equipment items in own use. Lease income is recognised in the balance sheet as equal instalments over the lease period.

EUR 1,000	Land and water properties	Buildings	Machinery and equipment	Machinery and equipment, finance lease	Other tangible assets	Other tangible assets, finance lease	Advance payments and unfinished purchases	Total
Acquisition cost 1 Jan 2017	**1,883**	**121,915**	**249,267**	**8,635**	**33,404**	**1,342**	**6,824**	**423,269**
Additions	0	558	4,415	343	3,290	0	12,200	20,807
Deductions	-2	0	-1,264	0	-3,961	0	-6	-5,233
Transfers between items	0	1,946	6,167	-126	1,868	0	-10,588	-732
Exchange rate differences	0	-2,713	-5,015	0	-1,558	0	-485	-9,771
Acquisition cost 31 Dec 2017	**1,881**	**121,706**	**253,570**	**8,852**	**33,043**	**1,342**	**7,946**	**428,339**
Accumulated depreciation and impairment 1 Jan 2017	**0**	**50,528**	**155,203**	**5,326**	**14,892**	**1,081**	**0**	**227,030**
Depreciation	0	3,500	10,954	785	3,146	113	0	18,498
Accumulated depreciation on transfers and deductions	0	0	-1,041	-126	-1,143	0	0	-2,309
Exchange rate differences	0	-409	-1,660	0	-965	0	0	-3,034
Accumulated depreciation and impairment 31 Dec 2017	**0**	**53,619**	**163,456**	**5,986**	**15,930**	**1,194**	**0**	**240,184**
Book value 1 Jan 2017	**1,883**	**71,386**	**94,064**	**3,309**	**18,512**	**261**	**6,824**	**196,239**
Book value 31 Dec 2017	**1,881**	**68,087**	**90,114**	**2,867**	**17,113**	**148**	**7,946**	**188,155**

Other tangible assets consist mainly of vehicles, equipment included in equipment service, as well as office furniture.

EUR 1,000	Land and water properties	Buildings	Machinery and equipment	Machinery and equipment, finance lease	Other tangible assets	Other tangible assets, finance lease	Advance payments and unfinished purchases	Total
Acquisition cost 1 Jan 2016	**1,862**	**116,701**	**234,328**	**8,270**	**31,008**	**1,342**	**14,531**	**421,471**
Additions	0	76	3,364	885	2,515	0	12,911	19,750
Deductions	0	-142	-570	-39	-2,604	0	-151	-3,505
Transfers between items	21	5,428	11,665	-481	2,448	0	-19,711	-630
Exchange rate differences	0	-148	480	0	37	0	-756	-387
Acquisition cost 31 Dec 2016	**1,883**	**121,915**	**249,267**	**8,635**	**33,404**	**1,342**	**6,824**	**436,699**
Accumulated depreciation and impairment 1 Jan 2016	**0**	**47,165**	**144,491**	**4,984**	**12,251**	**893**	**0**	**223,214**
Depreciation	0	3,372	10,205	846	2,850	188	0	17,462
Accumulated depreciation on transfers and deductions	0	-41	429	-504	-261	0	0	-377
Exchange rate differences	0	33	77	0	52	0	0	161
Accumulated depreciation and impairment 31 Dec 2016	**0**	**50,528**	**155,203**	**5,326**	**14,892**	**1,081**	**0**	**240,460**
Book value 1 Jan 2016	**1,862**	**69,536**	**89,836**	**3,285**	**18,758**	**449**	**14,531**	**198,258**
Book value 31 Dec 2016	**1,883**	**71,386**	**94,064**	**3,309**	**18,512**	**261**	**6,824**	**196,239**

Other tangible assets consist mainly of vehicles, equipment included in equipment service, as well as office furniture.

13. Intangible assets

Accounting policies

Goodwill

Goodwill arising from business combinations is recognised at the amount to which the total of consideration given, the share of non-controlling interests in the acquired entity and any previous holding exceed the fair value of net assets acquired.

No regular amortisation is booked on goodwill but it is tested for impairment annually or, if necessary, more frequently. For this purpose, goodwill is allocated to cash generating units that correspond to the management's way of supervising the business and associated goodwill. In the Group, cash generating units correspond to operating segments reported to top management. Goodwill is recognised at original cost deducted by impairment.

Research and development costs

Research and development costs are recognised as expenses in the income statement. Development costs arising from the design of new or more advanced products are capitalised as intangible assets in the balance sheet starting from the time the product is technically feasible, it can be utilised commercially, and future economic benefit is expected from the product.

Development costs previously recognised as expenses will not be subsequently capitalised. Amortisation is booked on an item starting from the time it is ready for use. An item that is not yet ready for use is tested annually for impairment.

Other intangible assets

An intangible asset item is recognised in the balance sheet only if its acquisition cost can be reliably determined and it is probable that the expected economic benefit from the item will be to the Group's advantage. Intangible assets with a limited useful life are booked in the balance sheet at original cost and recognised as expenses in the income statement by straight-line amortisation over their known or estimated useful life. No amortisation is booked on intangible assets with an unlimited useful life but they are tested annually for impairment. The Group currently has no intangible assets with an unlimited useful life.

The amortisation periods for intangible assets are the following:

Development costs	6 years
Trademarks	10 years
Computer software	5 years
Others	5 years

EUR 1,000	Goodwill	Intangible assets	Total
Acquisition cost 1 Jan 2017	**20,955**	**26,945**	**47,900**
Additions	0	904	904
Deductions	0	-2	-2
Transfers between items	0	204	204
Exchange rate differences	-699	-49	-748
Acquisition cost 31 Dec 2017	**20,256**	**28,002**	**48,258**
Accumulated depreciation and impairment 1 Jan 2017	**4,977**	**21,650**	**26,627**
Depreciation	0	1,048	1,048
Accumulated depreciation on deductions	0	-2	-2
Exchange rate differences	0	-34	-34
Accumulated depreciation and impairment 31 Dec 2017	**4,977**	**22,662**	**27,639**
Book value 1 Jan 2017	**15,978**	**5,295**	**21,273**
Book value 31 Dec 2017	**15,279**	**5,340**	**20,619**

Intangible assets consist mainly of trademarks, computer software and leases on land areas.

EUR 1,000	Goodwill	Intangible assets	Total
Acquisition cost 1 Jan 2016	**20,994**	**24,911**	**46,147**
Additions	0	698	698
Deductions	0	-221	-221
Transfers between items	0	1,552	1,552
Exchange rate differences	-39	5	-34
Acquisition cost 31 Dec 2016	**20,955**	**26,945**	**48,142**
Accumulated depreciation and impairment 1 Jan 2016	**4,977**	**20,728**	**25,947**
Depreciation	0	964	964
Accumulated depreciation on deductions	0	-45	-45
Exchange rate differences	0	3	3
Accumulated depreciation and impairment 31 Dec 2016	**4,977**	**21,650**	**26,869**
Book value 1 Jan 2016	**16,017**	**4,183**	**20,200**
Book value 31 Dec 2016	**15,978**	**5,295**	**21,273**

Intangible assets consist mainly of trademarks, computer software and leases on land areas.

14. Impairment and testing of goodwill

Accounting policies

Impairment

The balance sheet values of non-current tangible and intangible assets are assessed for impairment on the balance sheet date and every time there is evidence that the value of an asset may have been impaired. The impairment test estimates the amount recoverable from an asset. Recoverable amount equals to the fair value of an asset deducted by costs arising from its transfer, or value in use if this is higher.

An impairment loss is recognised in the income statement when the book value of an asset exceeds its recoverable amount. If an impairment loss is attributable to a cash generating unit, it is first allocated to reduce the goodwill attributable to the cash generating unit and then to reduce other asset items within the unit on a pro rata basis. An impairment loss will be reversed if there is a change in the circumstances and the amount recoverable from an asset has changed since the recognition of the impairment loss. However, any impairment loss reversal may not exceed the amount that would be the book value of the asset if the impairment loss was not recognised. Impairment losses recognised on goodwill are not to be reversed in any circumstances.

Impairment testing

The Group carries out annual impairment testing of goodwill as well as unfinished intangible and tangible assets, and any evidence of potential impairment is evaluated as presented above in the accounting policies. Recoverable amounts from cash generating units are determined through calculations based on value in use. The preparation of these calculations requires the use of estimates.

The crucial variables used for the calculation of value in use are budgeted sales volume, budgeted net sales and operating profit. Estimated sales and production volumes are based on existing fixed assets.

Goodwill allocated to the Estonian segment amounts to 8,146 thousand euro, to the Latvian segment 287 thousand euro, to the Lithuanian segment 2,241 thousand euro and to the Belarusian segment 4,605 thousand euro.

The estimated future cash flows used for impairment testing are based on the financial plans of the operating segments approved by Group management. The cash flow estimates are based on financial plans for the next four years. Cash flow estimates due later than four years are extrapolated using estimated growth rates that do not exceed the estimated long-term growth rates of the cash generating units. The growth rates applied to each segment were as follows: Estonia 0.0% (0.0%), Latvia

2.0% (2.0%), Lithuania 3.0% (3.0%) and Belarus 5.5% (6.0%). In the assessment of future cash flows, management has also compared previous financial plans with actual development.

The discount rate is weighted average cost of capital (WACC) before taxes: in Estonia 10.14 (10.30), in Latvia 9.23 (9.60), in Lithuania 9.44 (9.30) and in Belarus 19.04 (18.40) percent.

In the management's opinion, any reasonably potential change in any of the variables used for assessing each segment's recoverable amount could not lead into a situation in which the segments' recoverable amounts would be lower than their book values.

According to sensitivity analysis applied to impairment testing, there is currently no need for recognition of impairment. The Board of Directors of Olvi plc is actively monitoring the development of the economic situation in the subsidiary countries and any effects this may have.

15. Financial assets

Accounting policies

Classification of financial assets
The Group's financial assets are classified into the following groups: loans and other receivables, financial assets available for sale and financial assets at fair value through profit or loss (derivatives). The classification is based on the purpose of acquiring the financial assets and carried out upon original acquisition.

All purchases and sales of financial assets are recognised based on the transaction date. Transaction costs are included in the original book value of financial assets.

Financial assets are derecognised once the rights to the investment's cash flows have ceased or have been transferred to another party, and the Group has transferred any substantial risks and benefits of ownership.

Loans and receivables
The group of loans and receivables includes the Group's accounts receivable and other receivables. They are measured at original amortised cost using the effective interest method. On the balance sheet, they are included in current or non-current assets according to their nature, in the latter group if the time to maturity is more than 12 months.

Financial assets available for sale
The Group's other financial assets, with the exception of derivative contracts, are classified as financial assets available for sale. Financial assets available for sale may comprise equities and interest-bearing investments. They are recognised at fair value or, if the fair value cannot be determined reliably, at purchase price. Changes in the fair value of financial assets available for sale are recognised in other comprehensive income items and presented in the fair value reserve included in *Other reserves* under shareholders' equity, taking the tax effect into account. Accumulated changes in fair value are transferred from shareholders' equity to classification adjustments affecting profit or loss when the investment is sold or its value has reduced so that an impairment loss must be recognised.

Financial assets available for sale are included in non-current assets except if the intention is to hold them for less than 12 months from the balance sheet date, in which case they are included in current assets.

The Group's financial assets available for sale consist mostly of unquoted equity investments contributing to a Group company's operations, as well as shares in a housing corporation.

EUR 1,000	Note	**2017**	**2016**
Book value 1 January		543	543
Additions		0	5
Deductions		0	-5
Book value 31 December	26	**543**	**543**

Derivative contracts and hedge accounting

Olvi Group uses derivative contracts that are treated as assets held for trading because the Group does not apply hedge accounting in accordance with the IFRS regulations. Derivatives held for trading are interest rate and currency swaps recognised at fair value. The fair value of interest rate swaps is recognised in other current assets or liabilities. Both realised and unrealised gains and losses arising from changes in fair value are recognised in financial items within the income statement for the accounting period during which they arise.

Impairment of financial assets

On each balance sheet date, the Group estimates whether there is objective evidence that the value of a financial asset item or financial asset group may have been impaired. If there is evidence of potential impairment, the amount of loss is determined as the difference between the book value of the asset and its fair value or the present value of estimated future cash flows discounted at the original effective interest rate. Impairment losses are recognised in financial items through profit or loss.

16. Loans receivable and other non-current receivables

EUR 1,000	Note	2017	2016
Loans receivable	26	122	146
Other non-current receivables	26	311	134
Total		**433**	**280**

Other non-current receivables consist mainly of security deposits.

17. Inventories

Accounting policies

Inventories are recognised at acquisition cost or a lower probable net realisable value. The acquisition cost of raw materials and supplies is determined by the weighted average method. The acquisition cost of finished and unfinished products is based on actual costs and manufacturing volumes and comprises raw materials, direct expenses due to work performed, other direct expenses, as well as a proportion of the variable and fixed overheads of manufacturing. Net realisable value refers to estimated sales price available through normal business operations, deducted by estimated costs of finishing the product and costs of sale.

EUR 1,000	2017	2016
Materials and supplies	18,422	17,783
Unfinished products	1,766	1,801
Finished products/goods	11,209	10,043
Other inventories	2,939	3,042
Total	**34,336**	**32,669**

Non-marketability deductions on inventories have been booked for 1,214 thousand euro in 2017 (893 thousand euro in 2016).

18. Accounts receivable and other receivables

EUR 1,000	Note	2017	2016
Accounts receivable	26	51,623	49,196
Prepayments and accrued income	26	8,329	3,522
Other receivables	26	4,229	2,909
Total		**64,181**	**55,627**

Essential items included in prepayments and accrued income are associated with the accruals of rents and the costs of marketing and sales, insurance and administrative expenses. During the accounting period, the Group has recognised 390 thousand euro of credit losses on accounts receivable (94 thousand euro in 2016). There are no significant credit risk concentrations associated with receivables.

On each balance sheet date, the Group estimates whether there is objective evidence that the value of a financial asset item or financial asset group may have been impaired. Factors suggesting impairment of an account receivable include the debtor's substantial financial difficulties, a threat of bankruptcy or a payment delay exceeding 60 days, however taking into account the general payment patterns in each country.

Maturity distribution of accounts receivable		
EUR 1,000	**2017**	**2016**
Not due	39,485	37,470
Overdue		
Less than 30 days	10,216	9,469
31 to 60 days	770	355
61 to 90 days	320	466
91 to 120 days	45	184
More than 120 days	787	1,252
Total	**51,623**	**49,196**

Accounts receivable by currency	**2017**	**2017**	**2016**	**2016**
	Foreign 1,000	**EUR 1,000**	**Foreign 1,000**	**EUR 1,000**
EUR	39,748	39,748	36,747	36,747
BYN	26,509	11,255	24,406	11,934
RUB	43,029	620	33,125	515

19. Deferred tax receivables and liabilities

Accounting policies

Deferred taxes are calculated on temporary differences between book value and tax base. However, a deferred tax liability shall not be booked on the original recognition of goodwill, or if this arises from the original recognition of an asset or liability item when the case does not concern a business combination and the transaction does not affect the accounted earnings or taxable income at the time of its realisation.

Deferred taxes are recognised for investments in subsidiaries, associates and joint ventures unless the Group is able to determine the time when a temporary difference will be reversed, and when the temporary difference will probably not be reversed in the foreseeable future.

Within the Group, the most substantial temporary differences arise from depreciation on property, plant and equipment, arrangements settled in equity instruments, as well as the fair valuation of derivative contracts.

Deferred taxes are calculated at tax rates enacted or practically approved by the balance sheet date, which are expected to be applicable when the deferred tax receivable is realised or the deferred tax liability is paid.

Deferred tax receivables are recognised up to the probable amount of taxable income in the future against which the temporary difference can be utilised. The amount of deferred tax receivables and the probability of utilisation are assessed at every closing of the accounts. Deferred tax receivables and liabilities are presented in the balance sheet as separate items under non-current assets or liabilities. The Group will offset deferred tax receivables and liabilities only in the case that the Group has a legally enforceable right to offset the tax receivables and liabilities based on taxable income for the period, and the deferred tax receivables and liabilities are associated with income taxes collected by the same tax authority either from the same taxpayer or another taxpayer who are either planning to offset the tax receivables and liabilities based on taxable income for the period, or to realise the receivable and pay the liabilities simultaneously in each future period during which a substantial amount of deferred tax liabilities is expected to be paid or a substantial amount of deferred tax receivables is expected to be utilised.

Changes in deferred taxes during 2017:

Deferred tax receivables					
EUR 1,000	**31/12/2016**	**Recognised through profit and loss**	**Recognised in equity**	**Exchange rate differences**	**31/12/2017**
Fair valuation of derivatives	54	-26	0	0	28
Internal margin on inventories and fixed assets	132	-6	0	0	126
Share-based incentives	79	146	0	0	225
Total	**265**	**114**	**0**	**0**	**379**

No substantial factors of uncertainty are associated with deferred tax receivables.

Deferred tax liabilities					
EUR 1,000	**31/12/2016**	**Recognised through profit and loss**	**Recognised in equity**	**Exchange rate differences**	**31/12/2017**
Property, plant and equipment	5,803	186	0	-39	5,950
A/S Cēsu Alus’s tax on depreciation difference and retained losses	1,805	-1,805	0	0	0
Exchange rate difference on intra-Group loan	141	352	0	0	493
Total	**7,749**	**-1,267**	**0**	**-39**	**6,443**

The Group does not have any unused tax losses.

No deferred tax liability has been recognised on the undistributed earnings of AS A. Le Coq, 94,036 thousand euro in 2017, as the parent company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. If deferred tax was recognised on undistributed earnings, its effect would be 23,509 thousand euro.

Changes in deferred taxes during 2016:

Deferred tax receivables					
EUR 1,000	**31/12/2015**	**Recognised through profit and loss**	**Recognised in equity**	**Exchange rate differences**	**31/12/2016**
Fair valuation of derivatives	0	54	0	0	54
Internal margin on inventories and fixed assets	147	-15	0	0	132
Share-based incentives	0	79	0	0	79
Total	**147**	**118**	**0**	**0**	**265**

Deferred tax liabilities					
EUR 1,000	**31/12/2015**	**Recognised through profit and loss**	**Recognised in equity**	**Exchange rate differences**	**31/12/2016**
Fair valuation of derivatives	119	-119	0	0	0
Property, plant and equipment	4,926	880	0	-3	5,803
A/S Cēsu Alus's tax on depreciation difference and retained losses	1,624	181	0	0	1,805
Exchange rate difference on intra-Group loan	108	33	0	0	141
Total	**6,777**	**975**	**0**	**-3**	**7,749**

20. Liquid assets and cash flow

Accounting policies

Liquid assets comprise cash, bank deposits withdrawable on demand, as well as other short-term very liquid investments. Items classified as liquid assets have a maturity of no more than three months calculated from the date of acquisition. Account overdraft facilities are presented under other current liabilities.

EUR 1,000	Note	**2017**	**2016**
Cash and bank accounts	26	28,625	20,297
Total		**28,625**	**20,297**

Reconciliation of net debt		
Net debt		
EUR 1,000	**2017**	**2016**
Liquid assets	28,625	20,297
Loans - repayable within a year	8,573	11,708
Loans - repayable in more than a year	4,651	12,932
Net debt	-15,401	4,343
Liquid assets	28,625	20,297
Gross debt - fixed rate and variable rate with interest rate swaps	8,249	16,237
Gross debt - variable rate	2,243	5,056
Gross debt - finance lease	2,732	3,347
Net debt	-15,401	4,343

EUR 1,000	Liquid assets	Finance lease, within a year	Finance lease, more than a year	Loans, within a year	Loans, more than a year	Total
Net debt 1 Jan 2016	**12,786**	**803**	**2,590**	**21,879**	**21,590**	**34,076**
Cash flows	7,415	0	0	-11,078	-11,098	-29,591
Finance leasing	0	104	-150	0	0	-46
Exchange rate adjustments	96	0	0	0	0	-96
Net debt 31 Dec 2016	**20,297**	**907**	**2,440**	**10,801**	**10,492**	**4,343**
Cash flows	9,259	0	0	-3,088	-7,713	-20,060
Finance leasing	0	-47	-568	0	0	-615
Exchange rate adjustments	-931	0	0	0	0	931
Net debt 31 Dec 2017	**28,625**	**860**	**1,872**	**7,713**	**2,779**	**-15,401**

The liquid assets presented in the cash flow statement comprise cash and bank deposits.

21. Notes concerning shareholders' equity

Accounting policies

The Group classifies the financial instruments it has issued either as shareholders' equity or liabilities (financial liabilities). An equity instrument is any contract that presents a right to a share of an entity's assets after deduction of all of the entity's debts.

Outstanding Series K and Series A shares are presented as share capital. Any transaction costs immediately arising from the issuance of new shares or options, after being adjusted for tax effects, are presented in shareholders' equity as a deduction of payments received.

If the Group acquires the company's own shares, the consideration paid and the immediate costs of acquisition are deducted from shareholders' equity until the shares are annulled or re-released to circulation.

If the shares are re-released, the consideration received less immediate transaction costs is included in shareholders' equity.

Number of shares

The following specifies changes in the numbers of shares and corresponding changes in shareholders' equity.

EUR 1,000	Number of Series K shares	Number of Series A shares	Share capital	Other reserves	Treasury shares	Total
31/12/2016	3,732,256	17,015,428	20,759	1,092	-228	21,623
Transfer from Olvi's joint account		-36,576				0
Share-based incentives		6,575				0
31/12/2017	3,732,256	16,985,427	20,759	1,092	-228	21,623

The maximum number of shares is 6.0 million K shares and 24.0 million A shares (6.0 million K shares and 24.0 million A shares in 2016). The minimum number of K shares is 1.5 million. The Group's maximum share capital is 60.0 million euro (60.0 million euro in 2016) and the minimum share capital is 15.0 (15.0) million euro. All issued shares have been paid in full.

Other reserves include the share premium account, legal reserve and other reserves.

Descriptions of equity reserves

Share premium account
The share premium account comprises any subscription price in excess of the par value of shares upon share issues.

Legal reserve
The legal reserve originates from reserve transfers made due to an obligation formerly included in the Articles of Association.

Translation differences
The Translation differences reserve includes translation differences arising from the conversion of the financial statements of foreign subsidiaries.

Treasury shares
Olvi plc's Annual General Meeting on 21 April 2017 made a decision concerning abandoned or "ghost" shares held in a joint book-entry account. The decision was that the right to a share incorporated in the book-entry system and placed in the joint account, and the rights that the share carries have been forfeited, and authorised the Board of Directors to take all measures called for by the decision. On this basis, 36,576 shares have been transferred from Olvi's joint account to treasury shares on 18 May 2017.

Before the transfer, Olvi held 11,124 Series A shares as treasury shares. After the transfer, Olvi plc held 47,700 Series A shares as treasury shares.

On 3 July 2017, Olvi handed over 6,575 of its own Series A shares to key personnel as a part of the share-based incentive scheme that concluded at the end of June 2017.

At the end of December 2017, Olvi holds 41,125 Series A shares as treasury shares. The total purchase price of treasury shares was 228,162 euro.

Series A shares held by Olvi plc as treasury shares represented 0.20 percent of all shares and 0.04 percent of the aggregate number of votes. The treasury shares represent 0.24 percent of all Series A shares and associated votes. Treasury shares held by the company itself are ineligible for voting.

On 21 April 2017, the General Meeting of Shareholders of Olvi plc decided to revoke any unused authorisations to acquire treasury shares and authorise the Board of Directors of Olvi plc to decide on the acquisition of a maximum of 500,000 Series A shares using distributable funds.

The Annual General Meeting also decided to revoke all existing unused authorisations for the transfer of own shares and authorise the Board of Directors to decide on the issue of a maximum of 1,000,000 new Series A shares and the transfer of a maximum of 500,000 Series A shares held as treasury shares.

Payment of dividends

The dividend proposed by the Board of Directors to the General Meeting of Shareholders has not been recognised in these financial statements. Dividends will only be recognised on the basis of the General Meeting's decision.

After the balance sheet date, the Board of Directors has proposed a dividend of 0.80 euro per share for both Series K and Series A shares for 2017, totalling 16.6 million euro. Dividend for 2016 was paid at 0.75 euro per share, totalling 15.6 million euro. The dividends were paid on 10 May 2017.

22. Share-based payments

Olvi Group has share-based incentive plans for key employees. The aim of the share-based incentive plans is to combine the objectives of the shareholders and the key employees in order to increase the value of the company, to make the key employees committed to the company, and to offer them a competitive reward plan based on earning the company's shares.

Accounting policies for share-based payments are presented in Note 6, Costs of employee benefits.

The Group had a share-based incentive plan that expired at the end of June 2017 and had one three-year performance period beginning on 1 July 2014 and ending on 30 June 2017. From January to September 2017, accounting entries associated with the performance period from 1 July 2014 to 30 June 2017 were recognised for a total of 143.4 thousand euro. In accordance with the terms and conditions of the plan, rewards were paid in July 2017 partially in Olvi plc Series A shares and partially in cash. Olvi plc handed over a total of 6,575 treasury shares acquired for the plan to 45 key employees.

The Group has an active share-based incentive plan for key personnel started in 2016. The performance period for the share-based incentive plan is two years. The prerequisite for receiving reward is that a key employee purchases the company's Series A shares up to the maximum number determined by the Board of Directors. Furthermore, entitlement to a reward is tied to the continuance of employment or service upon reward payment. Rewards will be paid partly in the company's Series A shares and partly in cash in 2018. The cash proportion is intended to cover taxes and tax-related costs arising from the rewards to the key employees. The Board of Directors may decide that the share proportion be paid fully or partially in cash. The plan is directed to approximately 50 people. The rewards to be paid on the basis of the plan are in total an approximate maximum of 36,280 shares in Olvi plc and a cash payment needed for taxes and tax-related costs arising from the shares. The costs of the plan will be recognised over the performance period from 1 July 2016 to 30 June 2018. In January–December 2017, costs associated with the plan established on 24 February 2016 were recognised for a total of 1,054.8 thousand euro. During the plan's existence, a total of 1,418.5 thousand euro has been recognised as expenses, 709.4 thousand euro of which is presented in equity (portion to be paid in shares) and 709.1 thousand euro in accrued expenses (portion to be paid in cash).

Olvi Group does not have any other share-based plans or option plans.

23. Financial liabilities

Accounting policies

Financial liabilities are initially recognised at fair value increased by transaction costs arising from the acquisition of debt. Financial liabilities will subsequently be measured at original amortised cost using the effective interest method.

Financial liabilities are divided into non-current and current liabilities on the basis of the period of realisation. Financial liabilities are classified as current unless the Group has an unconditional right to postpone repayment for at least 12 months after the end of the reporting period.

Arrangement fees related to loan commitments are treated as transaction costs up to the amount for which it is probable that the full commitment or a part of it will be withdrawn. In this case, the fee will be recognised on the balance sheet until the loan is withdrawn. At the time of withdrawal, the arrangement fee associated with a loan commitment is recognised as a part of the transaction costs. To the extent that it is probable that a loan commitment will not be withdrawn, the arrangement fee shall be recognised as an advance payment for a liquidity-related service and amortised over the period of the loan commitment.

Any general and specific borrowing costs directly arising from the acquisition, construction or manufacture of an asset item fulfilling the preconditions are capitalised as part of the acquisition cost of the item when it is probable that they will generate economic benefit in the future and when the costs can be reliably determined. Capitalisation will cease once the asset item is substantially ready for its intended purpose or sale. Other borrowing costs are recognised as expenses in the period during which they have arisen.

Financial liabilities are derecognised once the liability or a part thereof has ceased to exist – in other words, once the obligation specified in the contract has been fulfilled or annulled or it has ceased to be valid.

EUR 1,000	Note	Book values 2017	Fair values 2017	Book values 2016	Fair values 2016
Non-current liabilities					
Loans from financial institutions	26	2,764	2,738	10,477	10,312
Finance lease liabilities	26	1,872	1,872	2,440	2,440
Other liabilities	26	15	15	15	15
Total		**4,651**	**4,625**	**12,932**	**12,767**

EUR 1,000	Note	Book values 2017	Fair values 2017	Book values 2016	Fair values 2016
Current liabilities					
Loans from financial institutions	26	7,713	7,713	10,801	10,801
Finance lease liabilities	26	860	860	907	907
Total		**8,573**	**8,573**	**11,708**	**11,708**

The Group's financial liabilities on 31 December 2017 consist of loans from financial institutions, as well as finance lease liabilities. Typical finance lease contracts extend over a period of 36 to 48 months and have a fixed instalment throughout the contract period.

8.3 (16.2) million euro of the loans from financial institutions have a fixed interest rate or are converted to fixed rate through interest rate swaps. The amount of variable-rate loans was 2.2 (5.0) million euro.

The fair value of non-current loans is determined by discounting estimated future cash flows to the present using the interest rate at which the Group could get a similar loan on the balance sheet date.

Market rates on the balance sheet date stood at –0.329% to –0.186%, and a company-specific margin has been added for discounting.

The book value of current financial liabilities and finance lease liabilities corresponds to their fair value.

Ranges of interest rates on financial liabilities		
	2017	**2016**
Loans from financial institutions	0.13% to 0.61%	0.13% to 3.55%
Interest rate swaps	0.33% to 1.77%	0.32% to 1.76%
Finance lease liabilities	0.73% to 2.30%	1.20% to 4.81%
Other liabilities	0 %	0 %

Maturities of finance lease liabilities			
EUR 1,000	Note	**2017**	**2016**
Finance lease liabilities - total of minimum rents			
Due within one year		880	930
Within more than one but less than five years		1,701	2,312
Within more than five years		327	327
	26	2,908	3,569
Finance lease liabilities - present value of minimum rents			
Due within one year		860	907
Within more than one but less than five years		1,582	2,150
Within more than five years		290	290
	26	2,732	3,347
Total amount of finance lease liabilities	26	**2,732**	**3,347**

The Group's other interest-bearing liabilities will fall due as follows:		
EUR 1,000	**2017**	**2016**
In 2017		3,116
In 2018	2,242	4,427
In 2019	8,250	13,750
Total	**10,492**	**21,293**

24. Accounts payable and other liabilities

EUR 1,000	Note	**2017**	**2016**
Current			
Accounts payable	26	34,715	40,005
Accrued expenses	26	26,409	15,485
Other liabilities	26	38,928	36,838
Total		**100,052**	**92,328**

Essential items included in accrued expenses are associated with subsequent remuneration and salary obligations, as well as the obligation to redeem recyclable packaging from customers. Other liabilities include, among other things, accruals related to indirect taxes. Accounts payable and other liabilities fall due within 12 months, and their fair values correspond to the book values.

	2017 Foreign 1,000	**2017 EUR 1,000**	**2016 Foreign 1,000**	**2016 EUR 1,000**
EUR	31,074	31,074	36,034	36,034
USD	399	333	128	121
BYN	7,201	3,058	7,434	3,635
GBP	4	4	22	26
RUB	16,360	236	12,132	189
CHF	12	10	0	0

25. Management of financing risks

The Group is exposed to financing risks in its normal course of business: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk, credit risk and liquidity risk.

The objective of financing risk management is to minimise the adverse effects of changes in the financial markets on the Group's financial performance, shareholders' equity and liquidity. The general principles of the Group's risk management are approved by the Board of Directors of the parent company, and the parent company's management together with the management of subsidiaries is responsible for their practical implementation. Responsibility for Olvi Group's financing tasks is centralised in the parent company Olvi plc. The objectives of centralisation include optimisation of cash flows and financing costs, as well as efficient risk management.

I Market risk

I 1. Foreign exchange risk

Olvi Group operates internationally, and its business involves risks arising from exchange rate fluctuations. Foreign exchange risks arise from commercial transactions, in other words cash flows from purchases and sales, as well as investments in foreign subsidiaries, internal loan receivables and the conversion of the subsidiary's financial statements into euro.

The Group's most significant foreign exchange risk arises from the operations in Belarus. Operations in Belarus involve foreign exchange risks arising from the cash flows of purchases and sales in foreign currency, as well as the investment in the Belarusian subsidiary, internal financing and the conversion of the subsidiary's income statement and balance sheet items into euro. The Belarusian currency has fluctuated substantially in recent years and will continue to carry a risk of devaluation in the future, and if realised, this would result in a decline in Olvi Group's operating profit, net profit and shareholders' equity denominated in euro.

With regard to the net investment in the Belarusian subsidiary, the Group is exposed to balance sheet conversion risk. The translation position (BYN) on 31 December 2017 was 51.0 million euro (63.5 million euro in 2016). A +/– 10 percent change in the exchange rate would impact the consolidated shareholders' equity by approximately +5.7/–4.6 million euro. Intra-Group receivables and liabilities that constitute a part of the net investment made in a foreign operation have been taken into account in the sensitivity analysis.

The Group's other foreign exchange risks can be considered minor. The functional and reporting currency of the Group's other foreign subsidiaries is the euro. The Group has a minor amount of purchases and sales in other currencies. Due to the nature of the business, the time between order and delivery is short, which results in minor operations-related foreign exchange risk. Foreign exchange risk is also reduced by the fact that most of the Group's product sales and purchases of raw materials are denominated in euro. Loans in foreign currencies are fully hedged.

Consolidated financial income and expenses include 159 thousand euro of exchange rate gains (one thousand euro in 2016) and 2,267 thousand euro of exchange rate losses (1,009 thousand euro in 2016).

Olvi Group regularly assesses the exchange rate risks related to operations and financing. Exchange rates can be hedged if this is considered reasonable. During the accounting period, derivatives have not been used for purposes other than hedging external loans.

Foreign currency accounts receivable and payable are presented in Notes 18, Accounts receivable and other receivables, and 24, Accounts payable and other liabilities.

I 2. Interest rate risk

The Group's interest rate risk arises from non-current liabilities. Most of the Group's income and operational cash flows are independent of market interest rate fluctuations.

The Group uses interest rate swaps to reduce interest rate risk. On the balance sheet date, 78.8 percent of variable rate loans are converted to fixed rate through interest rate swaps. The principal-weighted average maturity of interest-bearing loans was 1.2 (1.9) years.

The amount of payment obligations under finance lease contracts on 31 December 2017 was 2.7 million euro (3.3 million euro in 2016).

The Group aims to optimise financing costs through operational measures and to manage interest rate risk using available means.

The maturity distribution of financial liabilities is presented in Note 23, Financial liabilities and 24, Accounts payable and other liabilities.

Sensitivity analysis of interest rate risks according to IFRS 7
The following assumptions have been used when preparing the interest rate risk analysis: The sensitivity analysis represents the pre-tax net earnings effect of a reasonably potential change (= +/-2%). The effect of a change in the interest rate level is calculated on the amount of interest-bearing variable-rate debt at year-end, in other words, net debt is assumed to remain at the year-end level for the entire accounting period.

Variable-rate net debt on 31 December 2017 amounted to 2,213 (5,027) thousand euro. An interest rate increase of two percentage points would increase annual financial expenses by 44 thousand euro. The change does not have any essential effect on consolidated net profit before tax or the consolidated balance sheet.

II Credit risk

The Group's credit risk arises from wholesale and HoReCa (hotel, restaurant, catering) customers with outstanding accounts receivable.

The creditworthiness of the Group’s customers is reviewed regularly and always when entering into agreements with new customers. The Group only extends credit to businesses with flawless credit ratings. Furthermore, the Group aims to control credit risks through efficient collection of receivables. The amount of customer-specific accounts receivable is monitored regularly, and the customer’s creditworthiness is re-assessed if necessary.

The Group does not have any significant concentrations of credit risk on receivables because its accounts receivable are distributed across a variety of customers and geographical regions. The largest customer accounts for 14.3 percent (13.3 in 2016) of the Group’s total sales. The amount of credit losses recognised in 2017 was 390 (94) thousand euro.

The maturity distribution of accounts receivable is presented in Note 18, Accounts receivable and other receivables.

Investments related to cash management are made in liquid money market instruments having a fundamentally low risk.

III Liquidity risk

Olvi Group's parent company and subsidiaries prepare monthly rolling cash flow estimates that the Group uses for assessing the amount of financing required for business operations in order to maintain sufficient liquid assets to fund everyday operations and investments, as well as to repay any loans falling due.

The Group aims to secure the availability and flexibility of funding by centralising the management of the Group's liquid assets with the parent company. The Group uses several banks and several forms of financing. The Group aims to secure the availability and flexibility of funding with an account overdraft facility and credit limits.

On the date of closing the accounts, the Group had 40 million euro of unused binding credit limits and an account overdraft facility of 5 million euro, 5 million euro of which was unused on 31 December 2017. Some of the facilities are valid until further notice, while some are renewed annually. The Group also has 2 million euro of unbinding credit limits.

The parent company Olvi plc has issued a 30 million euro commercial paper programme in order to secure short-term liquidity needs quickly and cost-efficiently. At the time of closing the accounts, Olvi plc did not have any short-term loans withdrawn under the commercial paper programme.
In order to secure short-term liquidity, operating capital is monitored regularly, and the aim is to reduce the amount of money tied in operating capital. Key factors include monitoring the turnover rate of receivables and improving the efficiency of credit control.

The Group had 28,625 thousand euro of liquid assets on 31 December 2017 (20,297 thousand euro in 2016). The Group's liquidity on the balance sheet date was good. The current ratio on 31 December 2017 was 1.2 (1.0 in 2016).

Note 23, Financial liabilities, presents the maturity distribution of financial liabilities.

IV Capital risk management

Olvi Group's long-term objective is to generate the highest possible added value on invested capital, however taking into account the expectations imposed on the Group by various parties and the company's development in the long term. The main principle of capital management is to maintain Olvi Group's strong financial position and to ensure that the Group's financing needs can be fulfilled cost-efficiently also under critical financial market conditions.

Another objective is to maintain an optimal capital structure in order to manage and reduce the cost of capital.

In order to maintain or change its capital structure, the Group may change the amount of dividends paid to shareholders, repay capital to shareholders, issue new shares, acquire treasury shares and annul them, or sell its assets to reduce debt.

Capital is monitored through the equity to total assets ratio and the gearing ratio. Olvi Group's equity to total assets ratio in 2017 stood at 64.1 (62.0) percent and the gearing ratio was –7.1 (2.1) percent.

26. Fair values of financial assets and liabilities

Financial assets
Unquoted equity investments are recognised at purchase price as they cannot be recognised at fair value using the valuation methods. The original book value of receivables corresponds to their fair value.

Financial liabilities
The fair values of interest rate swaps have been determined using the method of present value of future cash flows, supported by market interest rates and other market information on the balance sheet date. The fair values of loans from financial institutions, finance lease liabilities, accounts payable and other liabilities do not substantially deviate from their balance sheet values. The fair values are presented in Note 23, Financial liabilities and 24, Accounts payable and other liabilities.

Olvi Group has the following interest rate swaps valid on 31 December 2017:

EUR/other 1,000	Nominal value	Currency	Expiration date	Fair value
Interest rate swap	3,750	EUR	29.1.2019	-15
Interest rate swap	10,000	EUR	5.5.2020	-126

27. Adjustments to business cash flows

EUR 1,000	2017	2016
Transactions with no associated payment:		
Depreciation and impairment	20,755	18,734
Unrealised foreign exchange gains and losses	2,134	-689
Financial income	-347	-1,207
Financial expenses	555	1,816
Income taxes	6,212	7,079
Other adjustments	340	-221
Total	**29,649**	**25,512**

28. Other lease contracts

The accounting policies for leases are described in Note 12, Property, plant and equipment.

The Group as a lessee:

EUR 1,000	2017	2016
Minimum rents payable on the basis of other non-cancellable leases:		
Due within one year	1,163	1,078
Within more than one but less than five years	739	701
Within more than five years	2	2
Total	**1,904**	**1,781**

The Group has leased operating premises and storage terminal facilities, as well as machinery and equipment.

The Group as a lessor:

EUR 1,000	2017	2016
Minimum rents payable on the basis of other non-cancellable leases:		
Due within one year	1,578	1,578
Within more than one but less than five years		
Within more than five years		
Total	**1,578**	**1,578**

The Group rents out beverage distribution and refrigeration equipment to its customers. The amount of rental income received is not significant to the Group's overall business.

29. Provisions, collateral and contingent liabilities

Accounting policies

A provision is recognised in the balance sheet when the Group has a legal or factual obligation based on a previous event, it is probable that the fulfilment of the obligation requires payment or causes a financial loss, and the amount of the obligation can be reliably estimated. If there is a possibility to receive compensation for part of the obligation from a third party, the compensation is recognised as a separate asset item but this is only done once the possibility of receiving compensation is practically certain. Provisions are measured at the present value of the costs required to cover the obligation.

A provision is recognised for onerous contracts if the costs necessary for fulfilling the obligations exceed the benefits available from the contract.

A provision for environmental obligations is recognised when the Group has an obligation based on environmental legislation and the Group's environmental responsibility policy that is associated with the decommissioning of a production facility, remedy of environmental damage or transfer of equipment to another location.

On the balance sheet date, the Group does not have any provisions recognised under IAS 37.

A conditional debt is a potential obligation arising from earlier events, the existence of which will only become certain once an uncertain event outside the Group's scope of control is realised. Existing obligations that will probably not require fulfilment of a payment obligation or whose amount cannot be reliably determined are also considered conditional debts. Conditional debts are presented in the notes.

Olvi Group has a conditional debt under IAS 37 concerning recycling fees in the Lithuanian unit. This refers to a disputed claim sent to almost 1,800 companies demanding repayment of environmental fees for 2013–2015. The Group estimates that the amount of the obligation is in the order of 1 to 2 million euro but regards its realisation improbable.

Other off-balance sheet liabilities:

EUR 1,000	2017	2016
Pledges and contingent liabilities		
For own commitments	1,886	1,886
Other liabilities	2,000	2,000

30. Related party transactions

The Group's related parties include its associated companies, as well as the key management persons of the Board of Directors, Managing Director and members of the Management Group and their immediate family.

The Group's parent and subsidiary relationships are the following:

	Share of holding (%)	Share of voting rights (%)
Parent company Olvi plc, Iisalmi, Finland		
AS A. Le Coq, Tartu, Estonia	100.00	100.00
AS Karme, Karksi vald, Estonia	49.00	49.00
Verska Mineraalvee OÜ, Värska vald, Estonia	20.00	20.00
A/S Cēsu Alus, Cēsis, Latvia	99.88	99.88
AB Volfas Engelman, Kaunas, Lithuania	99.58	99.58
OAO Lidskoe Pivo, Lida, Belarus	95.87	95.87

Related party transactions and related party receivables and liabilities

Transactions with associated companies, as well as receivables from and liabilities to associated companies:

EUR 1,000	2017	2016
Sales	126	289
Purchases	409	528
Receivables	173	218
Liabilities	50	44

Associated companies are presented in more detail in Note 32, Shares in associates.

Employee benefits to management

Wages, salaries and emoluments		
EUR 1,000	**2017**	**2016**
Managing Director		
Salaries and other short-term employee benefits	689	393
Pension commitments, statutory pension cover	117	70
Total	**805**	**463**
Salaries and performance bonuses paid to other Management Group members		
Salary in money	686	644
Performance bonuses	152	0
Fringe benefits	22	22
Total	**860**	**666**

Compensation paid to members of the Board of Directors for Board duties		
Hakkarainen Pentti	48	0
Hortling Heikki	0	18
Lager Esa	42	59
Hortling Nora	37	35
Autere Jaakko	30	31
Markula Elisa	30	31
Sirviö Heikki	30	31
Total	**217**	**206**

On 3 July 2017, the Managing Director was granted 1,000 Olvi plc Series A shares, and other Management Group members were granted a total of 1,200 shares under the share-based incentive plan for the performance period 1 July 2014 to 30 June 2017.

No loans have been granted to management.

31. Costs arising from audit

EUR 1,000	2017	2016
Fees for statutory audit	180	129
Other services	156	125
Total	**336**	**254**

In 2017, PricewaterhouseCoopers Oy has invoiced Olvi Group for services other than statutory audit for a total of 119,534 euro (93,397 in 2016).

32. Shares in associates

Information on the Group's associated companies and their aggregate assets, liabilities, net sales and profit/loss:

EUR 1,000	Share of holding (%)	2017	2016
AS Karme, Karksi vald, Estonia	**49.00**		
Current assets		387	211
Non-current assets		7	376
Current liabilities		24	51
Non-current liabilities		0	0
Net sales		89	448
Profit/loss		-170	-4
Verska Mineraalvee OÜ, Värska vald, Estonia	**20.00**		
Current assets		259	303
Non-current assets		924	694
Current liabilities		223	166
Non-current liabilities		318	256
Net sales		772	906
Profit/loss		70	184

Olvi Group engages in sales and manufacturing co-operation with associated companies.

33. Events after the closing date of the reporting period

On 1 February 2018, Olvi announced that it will acquire 80 percent of the stock of Servaali Oy. Servaali Oy is one of Finland’s largest private importers of alcoholic beverages. The acquisition takes in Servaali’s operations in Finland and Sweden, but does not include its subsidiaries in the Baltic countries. With the acquisition, Olvi is expanding its product portfolio to wines, strengthening its market position in mild alcoholic beverages and responds actively to the potential for growth provided by the changing operating environment. The agreement includes an option for Olvi to redeem the remaining 20% of Servaali within the next few years, and accordingly includes the right of Momentin Group Oy to sell this remainder to Olvi. Completion of the transaction requires the approval of the competition authorities and the fulfilment of other terms of trade. The acquisition is expected to come into effect within the first half of 2018.

OLVI PLC

Parent Company's Income Statement (FAS)

	Note	1 Jan to 31 Dec 2017 EUR 1,000	%	1 Jan to 31 Dec 2016 EUR 1,000	%
NET SALES	1	**131,457**	**100.0**	**118,876**	**100.0**
Increase (+)/decrease (-) in inventories of finished and unfinished products		112	0.1	286	0.2
Manufacture for own use		88	0.1	73	0.1
Other operating income	2	779	0.6	763	0.6
Materials and services	3	57,721	43.9	52,433	44.1
Personnel expenses	4	21,102	16.1	20,375	17.1
Depreciation and impairment	8	8,598	6.5	7,273	6.1
Other operating expenses	9	32,296	24.6	29,143	24.5
OPERATING PROFIT		**12,719**	**9.7**	**10,775**	**9.1**
Financial income and expenses	10	10,614	8.0	9,252	7.8
PROFIT BEFORE APPROPRIATIONS AND TAXES		**23,333**	**17.7**	**20,027**	**16.8**
Appropriations	11	-1,096	-0.8	-4,171	-3.5
Income taxes	12	-2,334	-1.8	-1,159	-1.0
NET PROFIT FOR THE PERIOD		**19,903**	**15.1**	**14,697**	**12.4**

Parent Company's Balance Sheet (FAS)

	Note	31/12/2017 EUR 1,000	%	31/12/2016 EUR 1,000	%
ASSETS					
FIXED ASSETS					
Intangible assets	13	2,548		2,646	
Tangible assets	13	71,397		70,977	
Shares in Group companies	14	61,613		59,141	
Other investments	14	535		535	
TOTAL FIXED ASSETS		**136,094**	**58.6**	**133,299**	**59.5**
CURRENT ASSETS					
Inventories	16	7,248		6,600	
Non-current receivables	17	41,484		53,915	
Current receivables	17	24,832		17,290	
Cash in hand and at bank		22,710		13,077	
TOTAL CURRENT ASSETS		**96,273**	**41.4**	**90,882**	**40.5**
TOTAL ASSETS		**232,367**	**100.0**	**224,181**	**100.0**
EQUITY AND LIABILITIES					
SHAREHOLDERS’ EQUITY					
Share capital		20,759		20,759	
Share premium account		857		857	
Legal reserve		127		127	
Retained earnings		32,401		33,066	
Net profit for the period		19,903		14,697	
TOTAL SHAREHOLDERS’ EQUITY	18	**74,047**	**31.9**	**69,506**	**31.0**
ACCUMULATED APPROPRIATIONS	19	**26,899**	**11.6**	**25,803**	**11.5**
LIABILITIES					
Non-current liabilities		56,485		55,023	
Current liabilities		74,935		73,850	
TOTAL LIABILITIES	20	**131,420**	**56.5**	**128,873**	**57.5**
TOTAL EQUITY AND LIABILITIES		**232,367**	**100.0**	**224,181**	**100.0**

Parent Company's Cash Flow Statement

	Note	1-12/2017 EUR 1,000	1-12/2016 EUR 1,000
Cash flow from operations			
Profit before appropriations		20,999	18,868
Adjustments:			
Depreciation according to plan and impairment	8	8,598	7,273
Financial income and expenses	10	-10,512	-9,252
Other adjustments		2,720	888
Cash flow before change in working capital		21,806	17,777
Change in net working capital:			
Increase (-) / decrease (+) in current interest-free accounts receivable and other receivables		-2,075	-2,038
Increase (-) / decrease (+) in inventories		-648	-612
Increase (+) / decrease (-) in current interest-free liabilities		4,038	11,570
Interest paid		-528	-690
Interest received		92	65
Dividends received		5,779	10,004
Taxes paid		-1,582	-1,004
Cash flow from operations (A)		**26,882**	**35,072**
Cash flow from investments			
Investments in tangible and intangible assets		-9,997	-5,171
Capital gains on disposal of tangible and intangible assets		140	91
Expenditure on other investments		-345	-2
Cash flow from investments (B)		**-10,203**	**-5,082**
Cash flow from financing			
Withdrawals of loans		10,500	5,600
Repayments of loans		-12,828	-21,342
Acquisition (-) /sale (+) of treasury shares		90	-120
Dividends paid		-15,534	-14,491
Increase (-) /decrease (+) in non-current loan receivables		10,726	5,031
Cash flow from financing (C)		**-7,046**	**-25,322**
Increase (+)/decrease (-) in liquid assets (A+B+C)		**9,633**	**4,668**
Liquid assets 1 January		**13,077**	**8,409**
Liquid assets 31 December		**22,710**	**13,077**
Change in liquid assets		**9,633**	**4,668**

Parent Company's Accounting Policies

Olvi plc's accounting period extends from 1 January to 31 December. The financial statements have been prepared in accordance with the Finnish Accounting Standards (FAS).

Fixed assets
Intangible and tangible assets have been recognised on the balance sheet at their direct acquisition cost deducted by accumulated depreciation according to plan. Depreciation according to plan has been calculated on a straight-line basis over the expected economic life of the asset item concerned.

Depreciation periods according to plan:

Development costs	6 years
Trademarks	10 years
Other intangible fixed assets	5 years
Buildings	30 years
Underground shelter	30 years
Plant machinery and equipment	15 years
Tanks and containers	20 years
Recyclable packaging	5 to 20 years
Wastewater basin, tarpaulin hall	10 years
Other fixed assets	5 years

As of 1 January 2016, Olvi plc adopts the general industry practice of presenting recyclable beverage packages in tangible assets when they meet the criteria of IAS 16. This means that as of 1 January 2016, property, plant and equipment has included not only the recyclable packages in inventory but also Olvi plc's share of the package stock in accordance to shares determined by the Ekopullo-yhdistys association, which Olvi is obliged to repurchase. The repurchase obligation related to packaging used by clients is presented as a current liability on the balance sheet.

Inventories
Inventories have been valued in accordance with the FIFO principle at acquisition cost or, if lower, at probable net realisable value. The acquisition cost of raw materials and supplies is determined by the weighted average method. The value of finished and unfinished products includes variable costs and the appropriate proportion of the overheads of acquisition and manufacturing.

Research and development costs
Research and development costs are recognised as expenses in the income statement. Development costs arising from the design of new or more advanced products are capitalised as intangible assets in the balance sheet starting from the time the product is technically feasible, it can be utilised commercially, and future economic benefit is expected from the product. Development costs previously recognised as expenses will not be subsequently capitalised. Amortisation is booked on an item starting from the time it is ready for use.

Pension cover for personnel
Pension cover for personnel has been arranged through a statutory TyEL (EPA) insurance policy with an external pension insurance company. Pension insurance contributions have been allocated to match the salaries booked on an accrual basis in the annual accounts.

Derivative contracts
The parent company's derivative contracts are interest rate swaps measured at fair value.
Changes in fair value are recognised in financial items within the income statement.

Deferred taxes
A deferred tax liability or asset has been calculated on temporary differences between taxation and the financial statements using the tax rate for upcoming years confirmed by the balance sheet date. The balance sheet includes deferred tax liabilities in their entirety and deferred tax assets up to the estimated probable amount.

Foreign currency items
Transactions denominated in foreign currency have been recognised during the accounting period at the exchange rate on the transaction date,
and any foreign currency receivables and liabilities outstanding on the balance sheet date have been recognised at the mean exchange rate on the balance sheet date.

Treasury shares
Acquired treasury shares are recognised as a reduction in retained earnings.

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

Notes to the income statement and balance sheet (EUR 1,000)

1. Net sales by market area	2017	2016
Finland	126,788	113,902
Belarus	136	312
Estonia	2,323	2,321
Other exports	2,210	2,341
Total	**131,457**	**118,876**

2. Other operating income	2017	2016
Capital gains on disposals of fixed assets	78	85
Others	701	678
Total	**779**	**763**

3. Materials and services	2017	2016
Materials and supplies (goods):		
Purchases during the year	54,684	49,471
Change in stocks	-535	-326
Outsourced services	3,572	3,288
Total	**57,721**	**52,433**

4. Personnel expenses	2017	2016
Wages, salaries and emoluments	16,440	16,253
Pension expenses	2,873	2,805
Other personnel expenses	1,789	1,317
Total	**21,102**	**20,375**

5. Management salaries and emoluments	2017	2016
Managing Director	689	393
Chairman of the Board	70	68
Other members of the Board	148	137
Total	**906**	**598**

6. Parent company's personnel on average during the period	2017	2016
Full-time		
clerical employees	171	171
workers	167	157
Part-time	34	30
Total	**372**	**358**

7. Auditors' fees	2017	2016
Fees for statutory audit	112	76
Other services	120	93
Total	**231**	**170**

8. Depreciation and impairment	2017	2016
Depreciation and impairment on tangible and intangible assets	8,598	7,273
Total	**8,598**	**7,273**

Depreciation and impairment for 2017 includes a write-down of 1.2 million euro on glass bottle inventory.

9. Other operating expenses	2017	2016
Sales freights	15,104	13,542
Costs of marketing and sales	3,962	3,835
Other operating expenses	13,230	11,765
Total	**32,296**	**29,143**

10. Financial income and expenses	2017	2016
Dividend income from Group companies	10,775	10,002
Total income from long-term investments	4	2
Other interest and financial income		
From Group companies	794	507
From others	221	845
Total	1,015	1,351
Total dividend income and other interest and financial income	**11,793**	**11,356**
Interest expenses and other financial expenses		
To Group companies	676	618
To others	504	1,485
Total interest expenses and other financial expenses	**1,180**	**2,104**
Total financial income and expenses	**10,614**	**9,252**

11. Appropriations	2017	2016
Difference between depreciation according to plan and depreciation applied in taxation	1,096	4,171
Total	**1,096**	**4,171**

12. Income taxes	2017	2016
Income tax on business operations	2,434	1,436
Taxes from previous accounting periods	-7	-42
Other direct taxes	25	0
Change in deferred tax	-120	-236
Total	**2,334**	**1,159**

13. Fixed assets

Intangible assets

	Development costs	Other intangible assets	Total
Acquisition cost 1 Jan 2017	**152**	**22,121**	**22,273**
Additions	0	677	677
Acquisition cost 31 Dec 2017	**152**	**22,797**	**22,949**
Accumulated depreciation and impairment 1 Jan 2017	**99**	**19,527**	**19,627**
Depreciation	25	749	775
Accumulated depreciation and impairment 31 Dec 2017	**124**	**20,277**	**20,401**
Book value 1 Jan 2017	**53**	**2,593**	**2,646**
Book value 31 Dec 2017	**27**	**2,521**	**2,548**

Tangible assets

	Land and water properties	Buildings	Machinery and equipment	Other tangible assets	Advance payments and unfinished purchases	Total
Acquisition cost 1 Jan 2017	**1,088**	**41,028**	**114,854**	**9,523**	**1,423**	**167,916**
Additions	0	539	3,875	38	3,926	8,378
Deductions	-2	0	-177	-1,918	0	-2,097
Transfers between items	0	0	287	0	-287	0
Acquisition cost 31 Dec 2017	**1,086**	**41,567**	**118,840**	**7,643**	**5,062**	**174,198**
Accumulated depreciation and impairment 1 Dec 2017	**0**	**21,574**	**74,686**	**680**	**0**	**96,940**
Depreciation	0	900	5,034	682	0	6,616
Accumulated depreciation on deductions	0	0	-144	-611	0	-755
Accumulated depreciation and impairment 31 Dec 2017	**0**	**22,474**	**79,575**	**751**	**0**	**102,800**
Book value 1 Jan 2017	**1,088**	**19,454**	**40,169**	**8,843**	**1,423**	**70,977**
Book value 31 Dec 2017	**1,086**	**19,093**	**39,264**	**6,892**	**5,062**	**71,397**

	31/12/2017	**31/12/2016**
Book value of production machinery and equipment	34,978	36,784

14. Investments

	Shares in Group companies	Other shares	Total investments
Acquisition cost 1 Jan 2017	**59,141**	**535**	**59,676**
Additions	2,472	0	2,472
Deductions	0	0	0
Acquisition cost 31 Dec 2017	**61,613**	**535**	**62,148**
Book value 31 Dec 2017	**61,613**	**535**	**62,148**

15. Group companies

	Group’s holding (%)	Parent company’s holding (%)
AS A. Le Coq, Tartu, Estonia	100.00	100.00
AS Karme, Karksi vald, Estonia	49.00	0.00
Verska Mineraalvee OÜ, Värska vald, Estonia	20.00	0.00
A/S Cēsu Alus, Cēsis, Latvia	99.88	99.88
AB Volfas Engelman, Kaunas, Lithuania	99.58	99.58
OAO Lidskoe Pivo, Lida, Belarus	95.87	95.87

16. Inventories	2017	2016
Materials and supplies	2,822	2,287
Unfinished products	797	761
Finished products / goods	3,628	3,553
Total	**7,248**	**6,600**

17. Receivables	2017	2016
Non-current receivables		
Loans receivable from Group companies	41,099	53,650
Deposits pledged as collateral	112	112
Deferred tax receivables	253	133
Prepayments and accrued income	20	20
Total non-current receivables	**41,484**	**53,915**
Current receivables		
Receivables from Group companies		
Accounts receivable	314	518
Dividends and other receivables	5,467	0
Total receivables from Group companies	5,781	518
Receivables from non-Group companies		
Accounts receivable	16,078	15,605
Other receivables	0	-1
Prepayments and accrued income	2,973	1,168
Total receivables from non-Group companies	19,051	16,772
Total current receivables	**24,832**	**17,290**
Total receivables	**66,315**	**71,205**
Deferred tax receivables		
Deferred tax receivables 1 January	133	0
Change in deferred tax	120	133
Deferred tax receivables 31 December	**253**	**133**

18. Shareholders' equity	2017	2016
Share capital 1 January	20,759	20,759
Share capital 31 December	20,759	20,759
Share premium account 1 January	857	857
Share premium account 31 December	857	857
Legal reserve 1 January and 31 December	127	127
Retained earnings 1 January	47,763	47,709
Payment of dividends	-15,561	-14,523
Share-based incentives	199	0
Acquisition of treasury shares	0	-120
Retained earnings 31 December	32,401	33,066
Net profit for the period	19,903	14,697
Total shareholders' equity	**74,047**	**69,506**

Distributable unrestricted equity	**2017**	**2016**
Retained earnings	32,401	33,066
Net profit for the period	19,903	14,697
Capitalised development costs	-27	-53
Total	**52,277**	**47,710**

Olvi plc's share capital is divided into share series as follows:	2017 qty	2017 euro	2017 votes	2016 qty	2016 euro	2016 votes
Series K (20 votes/share), registered	3,732,256	3,732,256	74,645,120	3,732,256	3,732,256	74,645,120
Series K total	3,732,256	3,732,256	74,645,120	3,732,256	3,732,256	74,645,120
Series A (1 vote/share), registered	17,026,552	17,026,552	17,026,552	17,026,552	17,026,552	17,026,552
Series A total	17,026,552	17,026,552	17,026,552	17,026,552	17,026,552	17,026,552
Total 31 December	20,758,808	20,758,808	91,671,672	20,758,808	20,758,808	91,671,672

Votes per Series A share	1
Votes per Series K share	20

The registered share capital on 31 December 2017 totalled 20,759 thousand euro.

Olvi plc's shares received a dividend of 0.75 euro per share for 2016 (0.70 euro per share for 2015), totalling 15.6 (14.5) million euro. The dividends were paid on 10 May 2017. The Series K and Series A shares entitle to equal dividend. The Articles of Association include a redemption clause concerning Series K shares.

Treasury shares

Olvi plc's Annual General Meeting on 21 April 2017 made a decision concerning abandoned or "ghost" shares held in a joint book-entry account. The decision was that the right to a share incorporated in the book-entry system and placed in the joint account, and the rights that the share carries have been forfeited, and authorised the Board of Directors to take all measures called for by the decision. On this basis, 36,576 shares have been transferred from Olvi's joint account to treasury shares on 18 May 2017.

Before the transfer, Olvi held 11,124 Series A shares as treasury shares. After the transfer, Olvi holds 47,700 Series A shares as treasury shares.

On 3 July 2017, Olvi handed over 6,575 of its own Series A shares to key personnel as a part of the share-based incentive scheme that concluded at the end of June 2017.

At the end of December 2017, Olvi holds 41,125 Series A shares as treasury shares. The total purchase price of treasury shares was 228,162 euro.

Series A shares held by Olvi plc as treasury shares represented 0.20 percent of all shares and 0.04 percent of the aggregate number of votes. The treasury shares represent 0.24 percent of all Series A shares and associated votes. Treasury shares held by the company itself are ineligible for voting.

On 21 April 2017, the General Meeting of Shareholders of Olvi plc decided to revoke any unused authorisations to acquire treasury shares and authorise the Board of Directors of Olvi plc to decide on the acquisition of a maximum of 500,000 Series A shares using distributable funds.

19. Accumulated appropriations

Accumulated appropriations consist of accumulated depreciation difference.

20. Liabilities	2017	2016
Non-current liabilities		
Loans from financial institutions	2,750	10,463
Deferred tax liabilities	0	0
Other liabilities	30	30
Total	2,780	10,493
Liabilities to Group companies		
Other liabilities	53,706	44,530
Total	53,706	44,530
Total non-current liabilities	**56,485**	**55,023**
Current liabilities		
Loans from financial institutions	7,713	10,801
Accounts payable	16,550	23,290
Accrued expenses	22,236	11,334
Other liabilities	28,269	28,084
Total	74,769	73,509
Liabilities to Group companies		
Accounts payable	166	341
Total	166	341
Total current liabilities	**74,935**	**73,850**
Total liabilities	**131,420**	**128,873**
Accrued expenses		
Provisions for personnel costs	6,373	5,153
Provision for interest on loans	7	13
Income tax liability	999	154
Accrued expenses on recycled beverage packages	3,831	3,637
Annual discount liabilities	2,588	1,725
Other accrued expenses	8,438	653
Total accrued expenses	22,236	11,334
Interest-free liabilities 31 December	67,222	63,049
Liabilities falling due later than five years from now:		
Loans from financial institutions and other loans	30	30
Deferred tax liabilities		
Deferred tax liabilities 1 January	0	103
Change in deferred tax	0	-103
Deferred tax liabilities 31 December	**0**	**0**

21. Share-based payments

Olvi plc has share-based incentive plans for key employees. The aim of the share-based incentive plans is to combine the objectives of the shareholders and the key employees in order to increase the value of the company, to make the key employees committed to the company, and to offer them a competitive reward plan based on earning the company's shares.

The parent company had a share-based incentive plan that expired at the end of June 2017 and had one three-year performance period beginning on 1 July 2014 and ending on 30 June 2017. From January to September 2017, accounting entries associated with the performance period from 1 July 2014 to 30 June 2017 were recognised for a total of 110.7 thousand euro. In accordance with the terms and conditions of the plan, rewards were paid in July 2017 partially in Olvi plc Series A shares and partially in cash. Olvi plc handed over a total of 6,575 treasury shares acquired for the plan to 45 key employees.

Olvi plc has an active share-based incentive plan for key personnel started in 2016. The performance period for the share-based incentive plan is two years. The prerequisite for receiving reward is that a key employee purchases the company's Series A shares up to the maximum number determined by the Board of Directors. Furthermore, entitlement to a reward is tied to the continuance of employment or service upon reward payment. Rewards will be paid partly in the company's Series A shares and partly in cash in 2018. The cash proportion is intended to cover taxes and tax-related costs arising from the rewards to the key employees. The Board of Directors may decide that the share proportion be paid fully or partially in cash. The plan is directed to approximately 50 people. The rewards to be paid on the basis of the plan are in total an approximate maximum of 36,280 shares in Olvi plc and a cash payment needed for taxes and tax-related costs arising from the shares. The costs of the plan will be recognised over the performance period from 1 July 2016 to 30 June 2018. From January to December 2017, costs associated with the plan based on the 24 February 2016 decision were recognised for a total of 857.9 thousand euro in the parent company.

Olvi Group does not have any other share-based plans or option plans.

22. Pledges, contingent liabilities and other commitments	**2017**	**2016**
Pledges and contingent liabilities		
For own commitments		
Mortgages on land and buildings	1,336	1,336
Other off-balance sheet liabilities		
Rental liabilities on business premises and land areas	456	365
Other liabilities	4,000	4,290
Total pledges, contingent liabilities and other commitments	**5,793**	**5,991**

The company is obliged to adjust the value-added tax deductions booked on real estate investments if taxable use of the premises diminishes during the review period. The maximum liability is 3,172,001 euro and the last year of review is 2026.

The total amount of overdraft facilities granted on 31 December 2017 was 5,000,000.00 euro, of which 0.00 euro was in use on the balance sheet date.

23. Leasing liabilities	**2017**	**2016**
Due within one year	238	207
Due later	270	308
Total	**508**	**515**

24. Derivative contracts

	Nominal value 2017	**Fair value 2017**	**Nominal value 2016**	**Fair value 2016**
Derivatives	13,750	-141	18,650	-270

The business significance of the derivative contracts is minor. The derivative contracts are interest rate swaps on loans and will reach maturity in 2019 and 2020.

OLVI PLC

Shares and share capital 31 December 2017	Shares	%	Votes	%
Series K shares, registered	3 732 256	18,0	74 645 120	81,4
Series A shares, registered	17 026 552	82,0	17 026 552	18,6
Total	**20 758 808**	**100,0**	**91 671 672**	**100,0**

Registered share capital, EUR 1,000 20,759

Olvi plc's Series A and Series K shares received a dividend of 0.75 euro per share for 2016 (0.70 euro per share for 2015), totalling 15.6 (14.5) million euro. The dividends were paid on 10 May 2017.

Votes per Series A share 1
Votes per Series K share 20

The Series K and Series A shares entitle to equal dividend.
The Articles of Association include a redemption clause concerning Series K shares.

DISTRIBUTION OF HOLDINGS AND INFORMATION ON SHAREHOLDERS

Largest shareholders on 31 December 2017

	Series K	Series A	Total	%	Votes	%
1. Olvi Foundation	2 363 904	890 613	3 254 517	15,68	48 168 693	52,54
2. The Estate of Hortling Heikki *)	903 488	103 280	1 006 768	4,85	18 173 040	19,82
3. The Estate of Hortling Kalle Einari	187 104	25 248	212 352	1,02	3 767 328	4,11
4. Hortling Timo Einari	165 824	36 658	202 482	0,98	3 353 138	3,66
5. OP Corporate Bank plc, nominee register		2 153 674	2 153 674	10,37	2 153 674	2,35
6. Hortling-Rinne Marit	102 288	3 380	105 668	0,51	2 049 140	2,24
7. Nordea Bank AB (publ), Finnish Branch, nominee register		1 384 110	1 384 110	6,67	1 384 110	1,51
8. Ilmarinen Mutual Pension Insurance Company		849 218	849 218	4,09	849 218	0,93
9. Varma Mutual Pension Insurance Company		828 075	828 075	3,99	828 075	0,90
10. Skandinaviska Enskilda Banken Ab (publ), Helsinki branch, nominee register		769 456	769 456	3,71	769 456	0,84
11. AC Invest Oy		460 000	460 000	2,22	460 000	0,50
12. Fondita Nordic Micro Cap mutual fund		320 000	320 000	1,54	320 000	0,35
13. Odin Finland mutual fund		219 398	219 398	1,06	219 398	0,24
14. Laakkonen Hannu		216 072	216 072	1,04	216 072	0,24
15. Veritas Pension Insurance Company		199 544	199 544	0,96	199 544	0,22
16. Lahti Ari		180 000	180 000	0,87	180 000	0,20
17. Kamprad Ingvar		165 000	165 000	0,79	165 000	0,18
18. Aktia Capital mutual fund		164 000	164 000	0,79	164 000	0,18
19. Etera Mutual Pension Insurance Company		119 274	119 274	0,57	119 274	0,13
20. Vidgren Juha		110 000	110 000	0,53	110 000	0,12
Others	9 648	7 829 552	7 839 200	37,77	8 022 512	8,75
Total	**3 732 256**	**17 026 552**	**20 758 808**	**100,00**	**91 671 672**	**100,00**

*) The figures include the shareholder's own holdings and shares held by parties in his control.

Olvi plc had 10,800 (9,866) shareholders registered in the book-entry system on 31 December 2017, of which 9 (9) nominee registered.

Insiders

The Insider Guidelines for listed companies, which were prepared by the Helsinki Stock Exchange, the Finland Chamber of Commerce and the Confederation of Finnish Industries, were adopted by Olvi plc already in 2000.As of 3 July 2016, the Market Abuse Regulation (EU) No 596/2014 (MAR) became applicable in Finland, and Olvi plc's practices of dealing with insider issues are in compliance with the MAR in accordance with the interpretation of the European Securities and Markets Authority (ESMA).

Management's interests

The members of the Board of Directors and the Managing Director of Olvi plc held a total of 57,831 Series A shares on 31 December 2017, which represent 0.3 percent of the total number of shares and 0.1 percent of the votes.

The share-based incentive scheme for management is described in Note 21, Share-based payments. The company's management does not hold any warrants or options.

Shareholders by size of holding on 31 December 2017

Number of book entries	Number of share-holders	% of share-holders	Number of book entries	% of book entries	Votes	% of votes
1 to 1,000	9 558	88,50	1 995 513	9,61	2 005 241	2,19
1,001 to 10,000	1 123	10,40	2 940 452	14,16	3 078 164	3,36
10,001 to 500,000	112	1,04	5 580 545	26,88	14 265 521	15,56
500,001 to 999,999,999,999	7	0,06	10 242 298	49,34	72 322 746	78,89
Total	**10 800**	**100,00**	**20 758 808**	**100,00**	**91 671 672**	**100,00**

Shareholders by category on 31 December 2017

	Number of share-holders	% of share-holders	Number of book entries	% of book entries	Nominee registered number of book entries	% of book entries	Votes	% of votes
Businesses	376	3,48	4 606 722	22,19			49 520 898	54,02
Financial institutions and insurance companies	31	0,29	877 840	4,23	4 383 736	21,12	5 261 576	5,74
Public sector organisations	9	0,08	2 064 209	9,94			2 064 209	2,25
Non-profit organisations	86	0,80	454 710	2,19			454 710	0,50
Households	10 253	94,94	7 812 087	37,63			33 810 775	36,88
Non-Finnish shareholders	45	0,42	465 416	2,24	94 088	0,45	559 504	0,61
Total	**10 800**	**100,00**	**16 280 984**	**78,43**	**4 477 824**	**21,57**	**91 671 672**	**100,00**

Foreign and nominee-registered holdings on 31 December 2017

	Number of share-holders	% of share-holders	Number of book entries	% of book entries	Votes	% of votes
Foreign total	42	0,39	465 416	2,24	465 416	0,51
Nominee-registered (foreign) total	3	0,03	94 088	0,45	94 088	0,10
Nominee-registered (Finnish) total	6	0,06	4 383 736	21,13	4 383 736	4,78
Total	**51**	**0,47**	**4 943 240**	**23,81**	**4 943 240**	**5,39**

Board of Directors' proposal for the distribution of profit

The parent company Olvi plc had 52.3 (47.7) million euro of distributable funds on 31 December 2017, of which profit for the period accounted for 19.9 (14.7) million euro.

Olvi plc's Board of Directors proposes to the Annual General Meeting that distributable funds be used as follows:

- a dividend of 0.80 (0.75) euro shall be paid for 2017 on each Series K and Series A share, totalling 16.6 (15.6) million euro. The dividend represents 46.1 (47.9) percent of Olvi Group's earnings per share.

The dividend will be paid to shareholders registered in Olvi plc's register of shareholders held by Euroclear Finland Ltd on the record date of the dividend payment, 18 April 2018. It is proposed that the dividend be paid on 30 April 2018.

No dividend shall be paid on treasury shares.

- 35.7 million euro shall be retained in the parent company's non-restricted equity.

Date and Signatures

Signed in Iisalmi, this 23rd day of March 2018

Pentti Hakkarainen
Chairman of the Board

Nora Hortling
Vice Chairman of the Board

Jaakko Autere
Member of the Board

Esa Lager
Member of the Board

Elisa Markula
Member of the Board

Heikki Sirviö
Member of the Board

Lasse Aho
Managing Director

Auditor's Note

A report of the audit has been submitted today.

Signed in Iisalmi, this 23rd day of March 2018

PricewaterhouseCoopers Oy
Authorised Public Accounting Firm

Juha Toppinen
Authorised Public Accountant

Members of Olvi plc's Board of Directors since the Annual General Meeting of 21 April 2017

Pentti Hakkarainen (b. 1958), Chairman of Olvi plc's Board of Directors
M.Sc. (Econ), LL.M.
European Central Bank, Supervisory Board (Banking Supervision), full-time member

Positions of trust, a.o.t.:*
- 2017— Finnvera plc, Chairman of the Board
- 2008—2017 ECB, Governing Council, Alternate
- 2008—2017 Financial Supervision Authority of Finland, Chairman of the Board
- 2015—2017 ECB, Budget Committee, Chair
- 2012—2015 ECB, Committee on Controlling, Chair
- 2008—2017 IMF, Board of Governors, Alternate
- 2005—2017 EU Economic and Financial Committee, Member
- 2004—2006 IMF, Audit Committee, Chair and Member
- 2000—2001 Bankers' Association in Finland, Vice Chair
- 1991—1999 IS-Yhtymä Oy, Member of the Board

Work experience in brief:
- 2008—2017 Bank of Finland, Deputy Governor
- 2002—2007 Member of the Board, Bank of Finland
- 1998—2001 Postipankki Ltd., CEO, *a.o.t.**
- 1995—1997 OKOBANK plc, CEO, Member of the Board, *a.o.t.**
- 1985—1995 Outokumpu Corporation, Director of Finance, *a.o.t.**

a.o.t. = among other tasks*

Nora Hortling (b. 1986), Vice Chairperson of Olvi plc's Board of Directors
M.Sc. (Econ), Bachelor of Hotel, Restaurant and Tourism Management

Vice Chairperson of the Board of Olvi plc
since 2016
Member of Olvi plc's Board of Directors since 2015

Work experience in brief:
- 2016 onwards Kespro Oy, Purchasing Manager, fruits, vegetables and dairy products
- 2014 onwards Kespro Oy, Product Manager
- 2011–2013 Olvi plc, Marketing
- 2009–2010 Ravintolakolmio Group, Restaurant Paasi, Shift Manager
- 2007 Radisson SAS Hotel, Paris Boulogne, Receptionist
- 2005–2009 Ravintolakolmio Group, several restaurants, Shift Manager

Esa Lager (b. 1959), Member of Olvi plc's Board of Directors
Master of Laws, M.Sc. (Econ)

Chairman of Olvi plc's Board of Directors from 11 April 2016 to 21 April 2017
Vice Chairman of Olvi plc's Board of Directors from 2002 to 10 April 2016
Chairman of Olvi plc's Board of Directors from 14 April 2004 to 2 September 2004
Member of Olvi plc's Board of Directors since 2002

Important positions in other organisations:
- Member of Stockmann plc's Board of Directors since 3/2017
- Chairman of the Board of Finnish Industry Investment Ltd since 4/2015, previously Member of the Board of Finnish Industry Investment Ltd since 2014
- Member of SATO Corporation's Board of Directors since 2014, Vice Chairman 2014–2015, Chairman of the Board 2015–2016
- Vice Chairman of the Board of Ilkka-Yhtymä Oyj, Member of the Board since 2011
- Member of the Board of Alma Media Corporation since 2014
- Member of the Board of Terrafame Ltd. since 2015

Work experience in brief:
- Outokumpu Oyj, Chief Financial Officer (CFO), deputy to the CEO
- Outokumpu Oyj, Director of Finance
- Kansallis-Osake-Pankki, various expert and managerial positions in international operations

Jaakko Autere (b. 1963), Member of Olvi plc's Board of Directors
M.Sc. (Econ), CEO of Gogrow Oy

Member of Olvi plc's Board of Directors since 2011

Important positions in other organisations:
- Sensisto Oy, Member of the Board since 10/2016
- Saarioinen Oy, Member of the Board
- Design Forum Finland, Member of the Board

Work experience in brief:

- 2012– Gogrow Oy, CEO
- 2009–2011 President, Fiskars Home Business Area, CEO of Iittala Group Oy Ab
- 2005–2009 Managing Director, Orkla AS, Biscuit Division (Göteborgs Kex, Saetre, Kantolan)
- 2004–2005 Managing Director, L'Oreal Norway
- 2000–2004 General Manager, L'Oreal Sweden
- 1997–2000 Marketing Manager, Kellogg's Marketing & Sales Company UK & ROI Ltd.
- 1991–1997 Marketing Manager, Product Manager Nordisk Kellogg's, Denmark
- 1989–1991 Product Group manager, Olvi, Iisalmi

Elisa Markula (b. 1966), Member of Olvi plc's Board of Directors
Turku School of Economics and Business, Administration, MSc Economics (International Marketing)
Managing Director, Oy Gustav Paulig Ab/Head of Coffee Division, Paulig Group

Member of Olvi plc's Board of Directors since 2015

Work experience in brief:
- 2009– Head of Coffee Division, Paulig Group/Managing Director, Oy Gustav Paulig Ab
- 2006–2009 Senior Vice President, Oy Suomen LEGO Ab
- 2003–2006 Sales Director, Oy Snellman Ab
- 2000–2003 Key Account Manager and Trade Marketing Manager, Oy SCA Hygiene Products Ab
- 1998–2000 Product Manager, Feminine Consumer Products, Oy SCA Hygiene Products Ab
- 1993–1998 Area Marketing Manager, Oy Fazer Chocolates Ab

Important positions in other organisations:
- Member of the Board of the Association of Finnish Advertisers

Heikki Sirviö (b. 1955), Member of Olvi plc's Board of Directors
M.Sc. (Engineering), Honorary Industrial Counsellor, retired

Member of Olvi plc's Board of Directors since 2015

Work experience in brief:
- 2010–2015 Senior Advisor, Yara International ASA
- 2008–2009 CEO, Yara Suomi Oy
- 2004–2007 CEO and President, Kemira GrowHow Oyj
- 2000–2004 CEO, Kemira Agro Oy, Kemira Oy
- 1994–2000 BU Director, Kemphos, KemiraChemicals Oy
- 1991–1993 Project Manager, Kemira Agro, Kemira Oy
- 1988–1989 Operations Manager, Kemira Agro, Kemira Oy
- 1985–1988 Materials Manager, Kemira Agro Finland, Kemira Oy
- 1980–1984 Department Engineer, Siilinjärvi plants, Kemira Oy

Important positions in other organisations:

- 2016 onwards Chairman of the Board of Olvi Foundation
- 8/2016 onwards Member of the Board of SoilFood Oy
- 2014–2015 Member of Olvi Foundation's Board of Directors
- 2001–2007 Member of the Board of the Chemical Industry Federation of Finland and Member of the Executive Committee 2006–2007

European Fertilizer Manufacturers Association (EFMA)
- 2001–2005 Chairman of the Agricultural and Environmental Committee
- 2001–2007 Member of the Executive Committee and the Board of the Association
- 2006–2007 Deputy to the Chairman of the Association

- 2007 Acting Chairman of the association

International Fertilizer Association (IFA)

- 2001–2004 Member of the Finance Committee,
- 2005–2007 Member of the Executive Committee
- 2005–2007 Vice President of West and Central Europe

Administrative positions in other organisations:

- 2000–2010 Siilinjärven Osuuspankki co-operative bank, Member of the Supervisory Board
- 2008–2011 Hankkija Oy, Member of the Board
- 2008–2009 Pellervo Economic Research Institute, Member of the Board