FINANCIAL STATEMENTS 2016

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FINANCIAL STATEMENTS FOR THE YEAR 2016

BOARD OF DIRECTORS' REPORT

THE YEAR IN BRIEF

Olvi Group's business developed favourably in 2016. The Group's sales volume, net sales and operating profit improved on the previous year, and the balance sheet became stronger once again.

Full year 2016:

- Olvi Group's sales volume increased by 5.1 percent to 609.4 (579.9) million litres
- The Group's net sales increased by 3.5 percent and amounted to 321.5 (310.5) million euro
- The Group's operating profit increased by 6.0 percent and amounted to 40.4 (38.2) million euro
- Net profit for the period increased by 47.6 percent to 32.8 (22.2) million euro. The profit for the comparison year was burdened by 10.5 million euro of intra-Group unrealised exchange rate losses on Belarusian operations, which were recognised in financial items
- Olvi Group's earnings per share stood at 1.57 (1.08) euro per share
- The equity ratio improved again, standing at 62.0 (58.6) percent
- Cash flow from operations remained strong and totalled 61.2 (61.7) million euro.
- The Board proposes a dividend of 0.75 (0.70) euro per share.

CONSOLIDATED KEY RATIOS

	1-12/ 2016	1-12/ 2015
Sales volume, Mltr	609.4	579.9
Net sales, MEUR	321.5	310.5
Gross margin, MEUR	59.2	54.5
% of net sales	18.4	17.6
Operating profit, MEUR	40.4	38.2
% of net sales	12.6	12.3
Net profit for the period	32.8	22.2
% of net sales	10.2	7.2
Earnings per share, EUR	1.57	1.08
Gross capital expenditure, MEUR	20.5	26.0
Equity per share, EUR	9.73	8.86 *)
Equity to total assets, %	62.0	58.6 *)
Gearing, %	2.1	18.4 *)

*) Change in accounting policies.

BUSINESS DEVELOPMENT

Olvi Group's business developed favourably in 2016. The Group's sales volume, net sales and operating profit improved on the previous year.

Business development in 2016 has been positive particularly in Finland. The sales volume increased by 20 percent on the previous year, and the overall market share became stronger. Operating profit in Finland increased by 37 percent during 2016, which can be considered as very good performance.

During 2016, we have been able to further develop the efficiency of our production and logistics processes which, together with increased sales volumes, has a positive effect on the company's earnings development and also allows cost-efficient operations in the future.

All in all, the Group's business operations in the Baltic states developed well in 2016 even though the overall market in the region declined. Profitability in Estonia remained on a very strong level. Operating profit in Latvia improved by 13 percent and the company made the best result in its history. Lithuania also improved its result on the previous year, and it was gratifying that earnings improved also towards the end of the year. Positive development in the Baltic states was supported by increased market shares, successful new products and cost-efficiency.

Development in the Baltic states in 2017 may be affected by an exceptionally large additional increase in excise duties on mild alcoholic beverages planned in Estonia as of 1 July 2017. When realised, the change will probably result in a partial transfer of sales to cross-border trading between Estonia and Latvia. Through a decline in harbour and on-board sales in Estonia, some sales volume will also return from Estonia to Finland.

The business environment in Belarus has remained challenging. Consumer purchasing power has declined, which has been reflected as a downturn in the market and also affected the sales and earnings development of Olvi's Belarusian unit. Attention has been paid to cost control within the company, and this has resulted in a 10 percent improvement in the company's operating profit measured in the local currency. However, operating profit measured in euro fell short of the previous year because the exchange rate in 2016 was weaker, particularly in the first half of the year.

The Group's other financial indicators have developed very well in 2016. Profit for the accounting period has increased by 47.6 percent on the previous year, and the consolidated balance sheet became stronger in 2016. The equity ratio improved to 62.0 percent while the gearing ratio dropped to 2.1 percent. Cash flow from operations remained strong and totalled 61.2 million euro.

Olvi Group has made active efforts towards developing its operations, among other things by utilising the Lean management philosophy in business control and development. Olvi's determined work was recognised through the second prize in the annual national competition "Lean work of the year 2016" arranged by the Lean Association of Finland. In addition to the recognition, our effort is shown as positive development in profitability, which enables us to produce increasing sales volumes smoothly while making further cuts on our environmental footprint. Development work has been done in all of the Group's units and different operations. In addition to Lean, another theme for development within the Group has been responsibility and associated reporting, and this effort will continue in 2017.

The company's strong financial condition, the investments and operational developments in recent years combined with a good market position and strong appreciation of our brands provide a solid foundation for the new year and make it possible to persistently develop the company's operations and shareholder value.

OLVI GROUP'S SALES VOLUME, NET SALES AND EARNINGS 2016

Sales development

Olvi Group's sales volume in 2016 made an all-time high of 609.4 (579.9) million litres. This represents an increase of 29.5 million litres or 5.1 percent on the previous year.

The increase in the Group's sales volume originated from Finnish operations, which showed an increase of 20.3 percent. The sales volume in the Baltic states declined slightly, reflecting overall market decline. The sales volume in Belarus was almost on a par with the previous year.

Sales volume, million litres	**1-12/ 2016**	**1-12/ 2015**
Finland (Olvi plc)	178.0	148.0
Estonia (AS A. Le Coq)	121.5	123.9
Latvia (A/S Cēsu Alus)	67.2	68.1
Lithuania (AB Volfas Engelman)	81.8	84.9
Belarus (OAO Lidskoe Pivo)	178.3	175.1
Eliminations	-17.5	-20.1
Total	**609.4**	**579.9**

The Group's net sales in 2016 increased by 3.5 percent and amounted to 321.5 (310.5) million euro. Net sales improved particularly in Finland (15.6 percent), reflecting the increase in sales volume.

Net sales, million euro	**1-12/ 2016**	**1-12/ 2015**
Finland (Olvi plc)	118.9	102.9
Estonia (AS A. Le Coq)	76.9	75.8
Latvia (A/S Cēsu Alus)	31.8	31.2
Lithuania (AB Volfas Engelman)	35.3	35.8
Belarus (OAO Lidskoe Pivo)	66.8	73.6
Eliminations	-8.3	-8.7
Total	**321.5**	**310.5**

Earnings development

The Group's operating profit in 2016 increased by 6.0 percent and amounted to 40.4 (38.2) million euro, or 12.6 (12.3) percent of net sales. Operating profit improved in Finland and the Baltic states.

Operating profit, million euro	**1-12/ 2016**	**1-12/ 2015**
Finland (Olvi plc)	10.7	7.8
Estonia (AS A. Le Coq)	15.9	15.9
Latvia (A/S Cēsu Alus)	3.4	3.0
Lithuania (AB Volfas Engelman)	2.7	2.6
Belarus (OAO Lidskoe Pivo)	7.5	8.8
Eliminations	0.2	-0.0
Total	**40.4**	**38.2**

The Group's net profit for 2016 increased by 47.6 percent and amounted to 32.8 (22.2) million euro. Earnings per share calculated from the profit belonging to parent company shareholders increased in 2016 and stood at 1.57 (1.08) euro. The net profit and earnings per share for the comparison year were burdened by unrealised exchange rate losses on an intra-Group loan directed at investments in Belarus, which totalled 10.5 million euro and were recognised in financial items.

FINANCING AND INVESTMENTS

Olvi Group's balance sheet total at the end of December 2016 was 328.5 (316.3) million euro. Equity per share at the end of 2016 stood at 9.73 (8.86) euro. The equity ratio improved and stood at 62.0 (58.6) percent. The Group's interest-bearing net liabilities decreased by 29.8 million euro during 2016 and amounted to 4.3 million euro at year-end (34.1). The gearing ratio declined substantially during 2016 and stood at 2.1 (18.4) percent. Cash flow from operations totalled 61.2 (61.7) million euro. The current ratio, which represents the Group's liquidity, was 1.0 (1.0).

Olvi Group's gross capital expenditure in 2016 amounted to 20.5 (26.0) million euro. The parent company Olvi accounted for 6.1 million euro, the Baltic subsidiaries for 10.0 million euro and Lidskoe Pivo in Belarus for 4.4 million euro of the total. Capital expenditure declined on the previous year. The largest individual investment was the warehouse construction in Lithuania.

CHANGES IN CORPORATE STRUCTURE IN 2016

During 2016, Olvi Group acquired 31 shares in the subsidiary A/S Cēsu Alus. There were no other changes in Olvi's holdings in subsidiaries during 2016.

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

	2016	**2015**
AS A. Le Coq, Estonia	100.00	100.00
A/S Cēsu Alus, Latvia	99.88	99.87
AB Volfas Engelman, Lithuania	99.58	99.58
OAO Lidskoe Pivo, Belarus	94.57	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 2016 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 Esa Lager, M.Sc. (Econ), LL.M., Vice Chairperson Nora Hortling, M.Sc. (Econ), as well as members Jaakko Autere, M.Sc. (Econ), 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 Sami Posti, Authorised Public Accountant, as auditor in charge in the accounting period of 2016.

MANAGEMENT

The Management Group of Olvi plc consists of Lasse Aho, Managing Director (Chairman), Ilkka Auvola, Sales Director, Olli Heikkilä, Marketing Director, Pia Hortling, Product Development 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 2016 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 in 2016 was 881,172 (2,036,830) shares, which represented 5.2 (12.0) percent of all Series A shares. The value of trading was 22.2 (48.4) million euro. The Olvi A share was quoted on Nasdaq OMX Helsinki (Helsinki Stock Exchange) at 28.00 (22.19) euro at the end of 2016. In January-December, the highest quote for the Series A share was 28.51 (27.20) euro and the lowest quote was 20.30 (20.51) euro. The average share price in 2016 was 25.17 (23.76) euro.

At the end of December 2016, the market capitalisation of Series A shares was 476.4 (377.8) million euro and the market capitalisation of all shares was 580.9 (460.6) million euro.

The number of shareholders at the end of December 2016 was 9,866 (10,108). Foreign holdings plus foreign and Finnish nominee-registered holdings represented 24.1 (22.4)

percent of the total number of book entries and 5.5 (5.1) 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 14 April 2016, 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 2016, however no longer than 18 months from the General Meeting's decision of issue authorisation.

TREASURY SHARES

During the year 2016, Olvi acquired 5,500 of its own Series A shares. The purchase price was 120,139 euro. At the end of the reporting period, Olvi held a total of 11,124 Series A shares as treasury shares. The total purchase price of treasury shares was 228,162 euro. Treasury shares held by the company itself are ineligible for voting.

Series A shares held by Olvi plc as treasury shares represented 0.054 percent of the share capital and 0.012 percent of the aggregate number of votes. The treasury shares represented 0.065 percent of all Series A shares and associated votes.

FLAGGING NOTICES

On 11 April 2016, Olvi plc received a flagging notice concerning its shares in accordance with Chapter 9, Section 5 of the Securities Markets Act from the Estate of Heikki Hortling. According to the notice, shares held by Heikki Wilhelm Hortling have been transferred to the Estate of Heikki Hortling. Shares transferred to the Estate: 99,760 Series A shares representing 0.48 percent of all shares and 0.11 percent of all votes; and 903,488 Series K shares representing 4.35 percent of all shares and 19.29 percent of all votes. Holding, Series A and Series K shares combined: 4.83 percent of all shares and 19.40 percent of all votes.

During 2016, Olvi has not received any other flagging notices in accordance with Chapter 2, Section 10 of the Securities Markets Act.

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 regula-

tions, 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 2016, the company complies with the new Corporate Governance Code approved by the Securities Market Association that 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. Since the Market Abuse Regulation (EU) No 596/2014 (MAR) become applicable in Finland on 3 July 2016, Olvi plc adheres to the Stock Exchange's revised Insider Guidelines.

Description of corporate governance policy

The company's corporate governance policy and procedures are described in the Corporate Governance Statement 2016. 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 CG 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.

RESPONSIBILITY

Responsibility is one of our corporate values and a crucial component of strategic and operational decision-making, and therefore a natural part of the company's everyday operations. Responsible operations are a crucial part of our business competence today, and we view this as 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, responsibility is one of Olvi's focal points for 2017. Our responsibility includes financial, ecological and social responsibility.

Our responsibility footprint is determined throughout the supply chain – from the cornfields to the consumer. 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. The improvements that we have gained through the Lean methodology are an important part of resource effectiveness and financial responsibility. What is most effective is often also most ecological: for example, the optimisation of transports and more efficient use of natural resources promote the mitigation of climate impacts.

Olvi Group is a significant employer locally. Our target is to create a workplace that encourages the best performance and gives our employees a feeling of being respected. In order to create the best conditions for work and development, we promote the well-being of our personnel by paying attention to occupational health, safety, well-being and equality. In addition to our own employees, we influence our operating environment by indirectly employing the staff of subcontractors, among other things. Financial and social effects are also reflected in our operating environment through tax payments.

We operate in an industry in which open and responsible communications to consumers is a prerequisite, in addition to product safety. Our products are manufactured to high standards, and must comply with laws, official regulations and quality standards.

ENVIRONMENTAL ISSUES

In accordance with its environmental policy, Olvi is strongly committed to procedures and

methods that spare the environment, as well as all laws and recommendations related to its business. The objectives for Olvi's environmental policy are defined annually and realised as objectives on the performance cards. The achievement of environmental targets and related indicators are regularly monitored by top management and designated representatives.

Olvi Group's environmental principles

- We favour efficient reuse and recycling of packages.
- We route by-products and production waste to recovery.
- In the development of products and procedures, we are committed to the efficient use of raw materials and energy, as well as the reduction of environmental impacts.
- Olvi endeavours to spare clean water, purify water for reuse, and to apply efficient pre-processing of waste water to prevent the release of substances that cause environmental load (such as phosphorus and biological oxygen consumers).
- In 2017 and 2018, Olvi will invest in a modernisation of its waste water pre-treatment process.
- We will change over to a Finnish renewable fuel at our power plant during 2017–2018.
- We favour co-operation partners that show environmental responsibility.
- We openly disclose information on our operations and the environmental impacts of our products.
- We encourage our personnel to take responsibility and show innovation also with regard to their work environment and environmental impacts.
- The production plant's energy efficiency will be improved through a multitude of actions identified in an energy review.

Handling of waste and emissions from production, packaging and transports

- The by-products mash and excess yeast are delivered to cattle farms for use as animal feed.
- We improved the efficiency of waste recycling in our production process in 2016, and were able to reduce the amount of landfill waste to almost zero.
- Raw materials and chemicals are transported to the brewery in tanks and recyclable packages.
- Packaging waste from production, as well as hazardous waste, is sorted at our own waste processing centre and shipped to recycling or to a hazardous waste treatment plant.
- Olvi's products are packaged exclusively in refillable or recyclable packages.
- We have carried out an energy review of the Iisalmi production plant in 2015 and 2016, and the actions identified will be implemented in practice.
- Olvi belongs to nationwide beverage package systems.
- Waste water is routed to the process of the local municipal waste water treatment plant through an equalising tank that reduces biological oxygen-consuming load and a bio-filter. This process will be modernised in 2016–2017.
- Most of the production facility's heat requirement is produced by district heating supplemented by the production of a steam facility. This, as well as the transport of goods, generates flue gas emissions, and the fermentation process at the brewery releases carbon dioxide. The wort-boiling process releases a harmless bread-like sweet smell to the vicinity.

Olvi's environmental measures and objectives are described in more detail on the corporate Web site at www.olvi.fi.

In 2009, Olvi joined a voluntary energy efficiency agreement system for the food industry based on the EU Energy Services Directive. The agreement was revised in 2017 and is valid until the end of 2025. The system involves agreement on a framework for continuous and systematic improvements in energy efficiency. This shows that Olvi is a serious player in our society's joint effort against climate change.

Olvi's environmental permit was revised in 2016.

Olvi Group companies have not been involved in any legal or administrative proceedings related to environmental issues, and the company is not aware of any environmental

risks that would have a significant effect on the Group's financial position.

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 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 2016 was 1859 (1940). The Group's average number of personnel decreased by 81 people or 4.2 percent. The greatest decline in the Group's average number of personnel was seen in Belarus, where the figure dropped by 80 people. The number of personnel in the Baltic states increased by 6 people in 2016. The figure in Finland decreased by 7 people in 2016.

Olvi Group's average number of personnel by country:

	1-12/ 2016	**1-12/ 2015**
Finland	329	336
Estonia	339	336
Latvia	207	206
Lithuania	235	233
Belarus	749	829
Total	**1,859**	**1,940**

WAGES, SALARIES AND EMOLUMENTS

Wages, salaries and emoluments in the accounting period:

EUR 1,000	**2016**	**2015**
Wages, salaries and emoluments	34,792	32,854

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 2016 and the Remuneration Report 2016. The reports have been made available on the company's Web site www.olvi.fi simultaneously with the publication of the annual 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.

Bonuses based on earnings or performance are a sign of achievements that outperform the target level. Basic wages and salary are compensation for work well done.
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 2016, 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.

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.

The Group currently has two share-based incentive plans in force: a plan having a three-year performance period from 1 July 2014 to 30 June 2017, and another plan having a performance period 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 share-based incentive plan is 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.

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 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 Belarus, particularly the situation in the country's economy and politics, as well as any potential and substantial legislative changes in the operating environment that might be implemented on a rapid schedule.

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 customer relations and business operations. 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.

The company has a hedging policy concerning raw materials and their prices. 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. The Group's operations in Finland, the Baltic states and Belarus utilise a common enterprise resource planning system. A risk analysis pertaining to information security and the operation of information systems is carried out annually.

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, 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. Financing risks are also described in the Investors section of the corporate Web site.

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, negative development of the Russian economy may impose challenges on the Belarusian operating environment.

Operations in Belarus also 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 be affected to changes in consumer behaviour and the operations of our clientele arising from changes in official regulations. The planned excise tax hike in Estonia as of 1 July 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. The effect of the change on the entire Olvi Group in 2017 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 a potential amendment to the Finnish Alcohol Act, the details and timing of which remain open for the time being.

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 2017 will increase slightly on the previous year. Operating profit for 2017 is estimated to be on a par with the previous year.

BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFIT

The parent company Olvi plc had 47.8 (47.7) million euro of distributable funds on 31 December 2016, of which profit for the period accounted for 14.7 (11.7) 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 0.75 (0.70) euro shall be paid for 2016 on each Series K and Series A share, totalling 15.6 (14.5) million euro. The dividend represents 47.9 (65.1) 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, 25 April 2017. It is proposed that the dividend be paid on 10 May 2017. No dividend shall be paid on treasury shares.

2) 32.2 million euro shall be retained in the parent company's non-restricted equity.

FINANCIAL REPORTS IN 2017

Olvi Group's Annual Report will be published on 29 March 2017. 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 2016. The Corporate Governance Statement and Remuneration Report for the financial year 2016 will also be published at the same time.

The notice to convene Olvi plc's Annual General Meeting, which will be held on 21 April 2017 in Iisalmi, will be published on 29 March 2017. 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 2017:

- Interim report from January to March on 28 April 2017,
- Interim report from January to June on 18 August 2017, and
- Interim report from January to September on 27 October 2017.

OLVI PLC
Board of Directors

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Income Statement

	Note	1 Jan to 31 Dec 2016 EUR 1 000	%	1 Jan to 31 Dec 2015 EUR 1 000	%
NET SALES	1	**321 478**	**100,0**	**310 494**	**100,0**
Increase (+)/decrease(-) in inventories of finished and unfinished products		1 249	0,4	253	0,1
Manufacture for own use		73	0,0	63	0,0
Other operating income	3	1 582	0,5	1 743	0,6
Materials and services		153 653	47,8	145 304	46,8
Personnel expenses	6	43 047	13,4	41 320	13,3
Depreciation and impairment	5	18 734	5,8	16 348	5,3
Other operating expenses	4	68 503	21,3	71 423	23,0
OPERATING PROFIT		**40 445**	**12,6**	**38 157**	**12,3**
Financial income	8	1 207	0,4	281	0,1
Financial expenses	9	-1 816	-0,6	-11 641	-3,8
Share of profit in associates	32	37	0,0	21	0,0
PROFIT BEFORE TAXES		**39 873**	**12,4**	**26 818**	**8,6**
Income taxes	10	-7 079	-2,2	-4 598	-1,4
NET PROFIT FOR THE PERIOD		**32 794**	**10,2**	**22 220**	**7,2**
Other comprehensive income items:					
Translation differences related to foreign subsidiaries		-74	0,0	-14 620	-4,8
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**32 720**	**10,2**	**7 600**	**2,4**
Distribution of profit:					
- parent company shareholders		32 488	10,1	22 334	7,2
- non-controlling interests		306	0,1	-114	0,0
Distribution of comprehensive income:					
- parent company shareholders		32 406	10,1	8 358	2,6
- non-controlling interests		314	0,1	-758	-0,2
Earnings per share calculated from the profit belonging to parent company shareholders:					
Undiluted earnings per share (EUR)		1,57		1,08	
Diluted earnings per share (EUR)		1,57		1,08	

The notes constitute an essential part of the financial statements.

Consolidated Balance Sheet

	Note	31.12.2016 EUR 1 000	%	31.12.2015 EUR 1 000	%
ASSETS					
Non-current assets					
Tangible assets	12	196 239		198 258 *)	
Goodwill	13, 14	15 978		16 017	
Other intangible assets	13	5 295		4 183	
Shares in associates		1 183		1 146	
Financial assets available for sale	15	543		543	
Loan receivables and other non-current receivables	16	280		310	
Deferred tax receivables	19	265		147	
Total non-current assets		**219 783**	**66,9**	**220 604**	**69,7**
Current assets					
Inventories	17	32 669		31 013 *)	
Accounts receivable and other receivables	18	55 627		51 232	
Income tax receivable		129		236	
Other non-current assets held for sale	2	0		421	
Liquid assets	20	20 297		12 786	
Total current assets		**108 722**	**33,1**	**95 688**	**30,3**
TOTAL ASSETS		**328 505**	**100,0**	**316 292**	**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		-108	
Translation differences		-37 022		-36 940	
Retained earnings		217 234		198 979	
Total shareholders' equity held by parent company shareholders		**201 835**	**61,5**	**183 782**	**58,1**
Share belonging to non-controlling interests		1 714	0,5	1 444	0,5
Total shareholders' equity		**203 549**	**62,0**	**185 226 *)**	**58,6**
Non-current liabilities					
Financial liabilities	23	12 932		24 179	
Other liabilities		17		4	
Deferred tax liabilities	19	7 749		6 777	
Current liabilities					
Financial liabilities	23	11 708		22 683	
Accounts payable and other liabilities	24	92 328		77 387 *)	
Income tax liability		222		36	
Total liabilities		**124 956**	**38,0**	**131 066**	**41,4**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**328 505**	**100,0**	**316 292**	**100,0**

*) Change in accounting policies.

The notes constitute an essential part of the financial statements.

Consolidated Cash Flow Statement

	Note	1-12/2016 EUR 1 000	1-12/2015 EUR 1 000
Cash flow from operations			
Net profit for the period		32 794	22 220
Adjustments:	27		
Depreciation and impairment	5	18 734	16 348
Other adjustments		6 778	12 336
Change in net working capital:			
Increase (-) / decrease (+) in current interest-free accounts receivable and other receivables		-5 269	11 832
Increase (-) / decrease (+) in inventories		-1 290	-361
Increase (+) / decrease (-) in current interest-free liabilities		15 387	2 698
Interest paid		-777	-1 113
Interest received		428	228
Dividends received		2	0
Taxes paid		-5 553	-2 520
Cash flow from operations (A)		**61 234**	**61 668**
Cash flow from investments			
Investments in tangible and intangible assets		-18 520	-25 100
Capital gains on disposal of tangible and intangible assets		744	249
Expenditure on other investments		-37	-16
Cash flow from investments (B)		**-17 813**	**-24 867**
Cash flow from financing			
Withdrawals of loans		447	20 360
Repayments of loans		-21 835	-35 250
Acquisition of treasury shares		-120	-64
Dividends paid		-14 529	-13 514
Increase (-)/decrease (+) in current interest-bearing business		8	-8
Increase (-)/decrease (+) in non-current loan receivables		23	26
Cash flow from financing (C)		**-36 006**	**-28 450**
Increase (+)/decrease (-) in liquid assets (A+B+C)		**7 415**	**8 351**
Liquid assets 1 January		**12 786**	**4 382**
Effect of exchange rate changes		96	53
Liquid assets 31 December	20	**20 297**	**12 786**

The notes constitute an essential part of the financial statements.

Changes in Consolidated Shareholders' Equity

	SHAREHOLDERS' EQUITY BELONGING TO PARENT COMPANY SHAREHOLDERS						
EUR 1 000	**A**	**B**	**C**	**D**	**E**	**F**	**G**
Shareholders' equity 1 Jan 2015	**20 759**	**1 092**	**-8**	**-22 964**	**189 972**	**2 249**	**191 100 *)**
Comprehensive income							
Net profit for the period					22 334	-114	22 220
Other comprehensive income items							
Translation differences				-13 976		-644	-14 620
Total comprehensive income for the period				**-13 976**	**22 334**	**-758**	**7 600**
Transactions with shareholders							
Payment of dividends					-13 492	-46	-13 538
Dividends not withdrawn					109		109
Acquisition of treasury shares			-100				-100
Share-based incentives					56		56
Total transactions with shareholders			**-100**		**-13 327**	**-46**	**-13 473**
Changes in holdings in subsidiaries							
Acquisition of shares from non-controlling interests					0		0
Change in share belonging to non-controlling interests					0	-1	-1
Total changes in holdings in subsidiaries					**0**	**-1**	**-1**
Shareholders' equity 31 Dec 2015	**20 759**	**1 092**	**-108**	**-36 940**	**198 979**	**1 444**	**185 226**

*) Change in accounting policies.

	SHAREHOLDERS' EQUITY BELONGING TO PARENT COMPANY SHAREHOLDERS						
EUR 1 000	**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**

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.olvi.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 2016.

Olvi plc's Board of Directors has approved the disclosure of these financial statements at its meeting on 21 February 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 2016. 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.

Preparation of financial statements in accordance with IFRS standards requires the Group's management to make certain estimates and considerations. Information on considerations made by management with regard to application of the Group's accounting policies that have the most significant effect on the figures presented in the financial statements is presented in the Section "Accounting policies requiring consideration by management and crucial factors of uncertainty associated with estimates".

Consolidated Accounting Policies

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.

Segment reporting

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's operating segments consist of the Group's geographical operating areas, which are Finland, Estonia, Latvia, Lithuania and Belarus.

The Group's segment information is described in more detail in Note 1 to the consolidated financial statements, Segment information.

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.

Inflation accounting

As of 1 January 2015, Olvi Group has discontinued the application of the IAS 29 *Financial Reporting in Hyperinflationary Economies* standard in its Belarusian unit because the Belarusian functional currency is no longer considered hyperinflationary as referred to in the standard. After the change, Olvi Group no longer applies inflation accounting.

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.

Intangible assets

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 good-

will. 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:

Trademarks and development costs	10 years
Computer software	5 years
Others	5 years

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.

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.

Cash flow estimates are based on forecasts approved by management covering a four-year period. 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. More information on goodwill and impairment testing is provided in Note 14, Impairment testing of goodwill.

Inventories

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 based on actual manufacturing volumes. 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.

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.

Provisions

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.

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.

Taxes

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.

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.

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.

Products sold

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.

The sales of beverages often carry annual discounts, and customers are entitled to return any defective products. Sales are recognised at the price specified in the sales contract less annual discounts and returns of defective products estimated at the time of sale.

Discounts are estimated and recognised on the basis of actual purchases and expected annual purchases in accordance with the terms and conditions of the sales contracts.

Rental income

The Group rents out beverage-serving equipment to its HoReCa customers and coolers to its retailers. Rental income is recognised in equal instalments over the rental period.

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.

Non-current assets held for sale and discontinued operations

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.

Financial assets and liabilities

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.

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.

Liquid assets

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.

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.

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.

Financial liabilities and borrowing costs

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.

Shareholders' equity

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.

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.

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.*

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

Estimates and assumptions regarding the future have to be made during preparation of the financial statements. These are based on previous experience and expectations of future events, but the outcome may differ from the estimates and assumptions. Furthermore, the application of accounting policies requires choice and consideration.

Management consideration associated with the selection and application of accounting policies

Group management makes consideration-based choices with regard to the selection and application of accounting policies.

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. 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 as well as deferred tax receivables and liabilities.

New and upcoming IFRS standards applicable to accounting periods beginning on or after 1 January 2016

The consolidated financial statements have been prepared in accordance with the same accounting policies used in 2015, with the exception of the following new standards, interpretations and revisions to existing standards that the Group has applied since 1 January 2016.

The Group has adopted the following new or revised standards and interpretations in 2016:

Subject	**Crucial requirements**	**Effective date *)**
Annual improvements to the IFRS 2012–2014	The most recent annual improvements clarify the following: • IFRS 5 – when an asset (or disposal group) is reclassified from "held for sale" to "held for distribution," or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such.	1 January 2016

	• IFRS 7 – specific guidance for transferred financial assets (such as factoring) to help management determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, therefore, whether the asset qualifies for derecognition. • IFRS 7 – that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34. • IAS 19 – that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise. • IAS 34 – what is meant in the standard by "disclosure of information elsewhere in the interim financial report"; entities using this relief must make cross-references between the interim financial statements and the location of the information in question, and make the information available to users on the same terms and at the same time as the interim financial statements. The clarifications to standards have not had any substantial effect on the consolidated financial statements.	
Disclosure Initiative – amendments to IAS 1	The amendments to IAS 1 *Presentation of Financial Statements* relate to the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including: • Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance. • Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals. • Notes – confirmation that the notes do not need to be presented in a particular order. • Other comprehensive income arising from investments accounted for under the equity method – the share of other comprehensive income arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single item in the statement of other comprehensive income. According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards or accounting policies are not required for these amendments. The change has not had any substantial effect on the presentation of the consolidated financial statements.	1 January 2016

Investment Entities: Applying the Consolidation Exception – amendments to IFRS 10, IFRS 12 and IAS 28	The amendments made to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* clarify that • the consolidation exception also applies to mid-level parent companies that are subsidiaries to investment entities. • An investment entity must consolidate a subsidiary that is not an investment entity and whose primary purpose and operations consist of the provision of services supporting the investment operations of the investment entity. • Entities that are not investment entities themselves but have a holding in an associate or joint venture that is an investment entity may choose between two alternatives of applying the equity method. They may either retain the fair values used by the associate or joint venture, or prepare consolidated financial statements on the associate or joint venture level when the fair values in question would not be used. The amendment has not affected the preparation of the consolidated financial statements.	1 January 2016

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

In addition to the adoption of the above amendments to standards and interpretations, Olvi Group has amended its accounting policies related to recyclable beverage packaging as follows:

As of 1 January 2016, Olvi Group adopts the general industry practice of presenting recyclable beverage packages in tangible assets when they meet the criteria of IAS 16. This means that starting from 1 January 2016, property, plant and equipment includes not only the recyclable packages in inventory but also Olvi plc's share of the package stock in accordance to shares determined by the Ekopulloyhdistys association, as well as packages held by the clients of subsidiaries, which the Group is obliged to repurchase. The repurchase obligation related to packaging used by clients is presented as a current liability on the balance sheet. The balance sheet, financial ratios and notes for the comparison year have been adjusted to correspond to the new accounting policies. As a result of the change, property, plant and equipment for the comparison year has increased by 13.0 million euro, inventories have decreased by 11.2 million euro, accruals and deferred income have increased by 3.2 million euro and shareholders' equity has decreased by 1.4 million euro. The change in accounting policies does not have any substantial effect on consolidated operating profit or net profit for the period.

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 2016.

Subject	**Crucial requirements**	**Effective date *)**
IFRS 9 Financial Instruments *and associated amendments to several other standards*	*IFRS 9 Financial Instruments* supersedes IAS 39 and brings changes to the classification and measurement of financial assets, the determination of impairment and the principles of hedge accounting. Debt instruments held as financial assets are measured at amortised cost but only if the objective of the business model is to hold the investments for the collection of all contractual cash flows,	1 January 2018

	and if the contractual cash flows under the instrument solely represent payments of principal and interest. All other investments in debt instruments and equities held as financial assets, as well as structured investment products, are recognised at fair value. All changes in the fair value of financial assets are recognised through profit or loss. An exception to this are changes in the fair value of equity investments that are not held for trading: these may be recognised either through profit or loss or in equity reserves (without subsequent relocation to profit or loss). Furthermore, some investments in debt instruments included in financial assets may be measured at fair value through other comprehensive income items depending on the company's business model. The Group has a minor amount 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 impairment of financial assets must be determined using a model based on expected credit losses. The Group's most substantial financial assets are accounts payable, and the Group will apply the simplified procedure allowed by the standard, under which a loss will be recognised over its entire validity period using a provision matrix, except to the extent that there is proof warranting the recognition of an individual financial asset item completely as credit loss. The procedure may result in credit losses being recognised somewhat earlier but is not expected to have any substantial effect on the consolidated earnings and balance sheet. The new hedge accounting rules align hedge accounting more closely with common risk management practices. The Group does not currently apply hedge accounting but uses a minor amount of derivatives. The Group will analyse the potential utilisation of hedge accounting on the basis of reliefs associated with hedge accounting in the future. The new standard also introduces more extensive disclosure requirements, which will result in changes to the presentation of the consolidated financial statements. IFRS 9 will enter into force on 1 January 2018, and the Group will adopt it as of that date.	

*) 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 analysed the impact of the new standard on the consolidated financial statements using the five-step process above. A substantial part of the Group's customer contracts relates to the sale of beverage products. Control over beverage products passes to the customer in accordance with their delivery terms, usually within the day of delivery. The contracts include volume and annual discounts, the estimated effect of which is currently deducted from net sales on the same period for which the sales income has been recognised, and according to preliminary analysis, the amendment to the standard does not have any effect on the accounting 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. The Group is involved in minor amounts of beverage equipment rentals and maintenance services included in these. Rents are recognised over the rental period and, in accordance with the terms of the maintenance service agreement, either as equal instalments over the contract period or based on service performed. Due to the nature of the Group's business, the amendment to the recognition standard is not 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.	1 January 2018

IFRS 16 Leases	IFRS 16 mainly affects the accounting of lessees, and as a consequence, all other leases but those of a minor value or short period shall be recognised in the balance sheet. From the lessee's point of view, the standard has abandoned the current division between operational leases and finance leases, and according to the standard, in practice all leases result in the recognition of an asset (right to use the leased asset) and a financial liability pertaining to the lease payment obligation. The standard also has effect on the income statement as the total costs are typically higher in the beginning of the lease period and lower towards the end. Furthermore, the lease costs now included in operating expenses will be replaced by interest and depreciation, which will affect crucial indicators such as EBITDA. The standard also has an impact on the presentation of the cash flow statement. According to IFRS 16, a contract is a lease or includes a lease if the contract gives the right to control the use of a specified asset item during a certain period against consideration. 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 with the exception of minor and short-term contracts. The Group's leases concern the rental of individual office spaces and logistics premises, as well as machinery and equipment. The amendment will have some effect on the consolidated financial statements, particularly the consolidated balance sheet total and the balance sheet indicators. 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.	1 January 2019 Earlier application is only allowed if IFRS 15 is adopted simultaneously.
Recognition of Deferred Tax Assets for Unrealised Losses – amendments to IAS 12	Amendments to IAS 12 were made in January 2016, clarifying the recognition of deferred taxes when an asset item is measured at fair value and the fair value is lower than the taxable value. The amendments confirm particularly that: • A temporary difference always arises when the book value of an asset is lower than its taxable value at the end of the reporting period. • When assessing future taxable income, an entity may assume that it will be able to accumulate an amount higher than the book value of an asset. • If tax legislation imposes restrictions on the sources of taxable income that may be offset against certain types of deferred tax assets, the usability of deferred tax assets may only be assessed together with other deferred tax assets of the same type. • Tax deductions arising from the reversal of deferred tax assets shall not be taken into account when estimating the taxable income used for assessing the usability of such assets. The amendment does not have any substantial effect on the consolidated financial statements.	1 January 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 will prepare a new note to the financial statements presenting the reconciliation of net debts.	1 January 2017
Sales or contribution of assets between an investor and its associates or joint ventures – amendments to IFRS 10 and IAS 28	The IASB has made limited amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures.* The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 *Business Combinations).* Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the share of other investors. The amendments apply prospectively. The Group applies the amended standard to any potential transactions. ** In December 2015, the IASB decided to postpone application of this amendment until a research project related to the equity method is completed.	n/a **
Clarifications IFRS 15 Revenue from Contracts with Customers	The amendments include clarifications to the identification of performance obligations, the treatment of licences and an entity's role as principal or agent (presentation of income as gross or net). New and changed imaginary examples have been included in relation to all of the subjects mentioned above. The IASB has also included new practical reliefs with regard to adoption of the standard.	1 January 2018, not yet endorsed in the EU

	The Group takes the clarifications into account as part of its IFRS 15 implementation.	
Annual improvements to the IFRS 2014–2016	These annual improvements clarify: • IFRS 12 and its disclosure requirements, except for the summary of financial information on subsidiaries, joint ventures and associates (B10–B16) apply to an entity's shares in other entities that have been classified as held for sale or discontinued operations under IFRS 5. The amendment does not have any effect on the Group's consolidated financial statements.	1 January 2017, not yet endorsed in the EU
'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, not yet endorsed in the EU
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

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.

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.

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 2016 and 2015

1 000 litres	Finland	Estonia	Latvia	Lithuania	Belarus	Elimin-ations	Group
Sales in 2016	178 044	121 467	67 246	81 800	178 298	-17 480	609 375
Sales in 2015	148 029	123 871	68 122	84 877	175 129	-20 127	579 901

Operating segments 2016 in accordance with asset locations

EUR 1 000	Finland	Estonia	Latvia	Lithuania	Belarus	Elimin-ations	Group
INCOME							
External sales	118 339	71 665	30 267	34 431	66 776		321 478
Internal sales	537	5 261	1 572	911	0	-8 281	0
Total net sales	**118 876**	**76 926**	**31 839**	**35 342**	**66 776**	**-8 281**	**321 478**
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

Operating segments 2015 in accordance with asset locations

EUR 1 000	Finland	Estonia	Latvia	Lithuania	Belarus	Elimin-ations	Group
INCOME							
External sales	102 658	70 847	28 669	34 774	73 546		310 494
Internal sales	211	4 943	2 519	1 069	4	-8 746	0
Total net sales	**102 869**	**75 790**	**31 188**	**35 843**	**73 550**	**-8 746**	**310 494**
EARNINGS							
Operating profit for the segment	7 839	15 913	2 987	2 610	8 838	-30	38 157
Financial income							281
Financial expenses							-11 641
Share of profit in associates							21
Income taxes							-4 598
Net profit for the period							**22 220**
OTHER INFORMATION							
Segment assets	155 104	69 133	30 712	38 470	74 485	-66 916	300 988
Unallocated assets							13 509
Total consolidated assets							**314 497**
Segment liabilities	46 831	12 299	4 424	5 550	6 334	-1 566	73 872
Unallocated liabilities							53 960
Total consolidated liabilities							**127 832**
Segment investments	3 855	3 397	1 232	3 011	14 466	0	25 961
Unallocated investments							0
Total investments							**25 961**
Depreciation	5 752	2 989	1 767	1 923	4 099	-182	16 348

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	68 348	30 200	32 340	55 084	21 595	321 478
Internal sales	1 518	2 026	2 400	2 033	304	-8 281	0
Total net sales	**115 429**	**70 374**	**32 600**	**34 373**	**55 388**	**13 314**	**321 478**

Net sales in geographical regions 2015 in accordance with customer locations

EUR 1 000	Finland	Estonia	Latvia	Lithuania	Belarus	Elimin-ations	Group
External sales	98 247	69 143	28 233	33 373	62 676	18 822	310 494
Internal sales	1 415	1 624	2 317	2 932	458	-8 746	0
Total net sales	**99 662**	**70 767**	**30 550**	**36 305**	**63 134**	**10 076**	**310 494**

2. Non-current assets held for sale

EUR 1 000	2016	2015
Non-current assets held for sale	0	421
Total	**0**	**421**

Non-current assets held for sale consisted mainly of equipment decommissioned by the parent company Olvi plc and AB Volfas Engelman.

3. Other operating income

EUR 1 000	2016	2015
Sales gains on property, plant and equipment	238	353
Rental income	158	146
Others	1 186	1 244
Total	**1 582**	**1 743**

Other operating income consists mostly of project grants and energy tax refunds.

4. Other operating expenses

EUR 1 000	2016	2015
Sales losses and scrapping of property, plant and equipment	114	125
Rental costs	3 466	3 976
External services	39 706	47 178
Others	25 217	20 144
Total	**68 503**	**71 423**

Outsourced services include freight costs and other purchased services. Other operating expenses consist mostly of the costs of administration, marketing and sales, energy and repair costs, building maintenance costs, as well as other personnel-related costs.

5. Depreciation and impairment

EUR 1 000	2016	2015
Depreciation and impairment on tangible assets:		
Buildings	3 372	2 982
Machinery and equipment	10 205	9 209
Machinery and equipment, finance lease	846	771
Other tangible assets	3 159	2 321
Other tangible assets, finance lease	188	203
Total depreciation and impairment on tangible assets	17 770	15 486
Amortisation and impairment on intangible assets:		
Intangible assets	964	862
Total amortisation and impairment on intangible assets	964	862
Total	**18 734**	**16 348**

6. Costs of employee benefits

EUR 1 000	2016	2015
Wages and salaries	34 792	32 854
Pension costs - defined contribution	2 805	2 581
Benefits exercised and payable in stock	292	56
Benefits payable in cash	163	32
Other personnel expenses	4 995	5 797
Total	**43 047**	**41 320**

Group personnel on average during the period		
Finland	329	336
Estonia	339	336
Latvia	207	206
Lithuania	235	233
Belarus	749	829
Total	**1 859**	**1 940**

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 523 thousand euro of R&D costs recognised as expenses in 2016 (498 thousand euro in 2015), which is 0.2 (0.2) percent of net sales.

8. Financial income

EUR 1 000	2016	2015
Dividend income from investments held as fixed assets	2	3
Interest income from bank deposits	321	129
Other interest and financial income	884	149
Total	**1 207**	**281**

9. Financial expenses

EUR 1 000	2016	2015
Interest expenses on finance lease contracts	83	91
Interest expenses on financial liabilities measured at original amortised cost	511	858
Net gains (-) / losses (+) from interest derivatives	23	4
Other financial expenses	1 199	10 688
Total	**1 816**	**11 641**

Other financial expenses consist mostly of unrealised foreign exchange losses.

10. Income taxes

EUR 1 000	Note	2016	2015
Tax based on taxable income for the period		6 264	3 248
Taxes from previous accounting periods		-42	-81
Deferred taxes	19	857	1 431
Total		**7 079**	**4 598**

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	2016	2015
Earnings before tax	39 873	26 817
Taxes calculated at the home country's rate	7 975	5 363
Effect of different tax rates for foreign subsidiaries	-1 293	-1 060
Tax effect of tax-free items	-130	-104
Tax effect of non-deductible items	569	480
Taxes from previous accounting period	-42	-81
Taxes in income statement	**7 079**	**4 598**

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 11 124 of its own Series A shares on 31 December 2016.

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

	2016	2015
Profit belonging to parent company shareholders (EUR 1 000)	32 488	22 334
Weighted average number of shares during the period (1 000)	20 759	20 759
Effect of treasury shares (1 000)	-11	-1
Weighted average number of shares for the calculation of EPS (1 000)	20 748	20 758
Undiluted/diluted earnings per share (euro per share)	1,57	1,08

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 2015 and 2016, 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

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**	**117 914**	**246 545**	**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**	**123 128**	**261 484**	**8 635**	**33 404**	**1 342**	**6 824**	**436 699**
Accumulated depreciation and impairment 1 Jan 2016	**0**	**48 378**	**156 708**	**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**	**51 741**	**167 420**	**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.

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 2015	**1 862**	**101 878**	**235 838**	**7 599**	**32 000**	**1 193**	**42 113**	**422 482**
Additions	0	247	2 168	689	686	150	21 555	25 495
Deductions	0	-113	-3 300	0	-324	0	-6	-3 743
Transfers between items	0	20 682	22 335	-18	1 851	0	-44 952	-103
Exchange rate differences	0	-4 780	-10 496	0	-3 205	0	-4 178	-22 659
Acquisition cost 31 Dec 2015	**1 862**	**117 914**	**246 545**	**8 270**	**31 008**	**1 342**	**14 531**	**421 471**
Accumulated depreciation and impairment 1 Jan 2015	**0**	**46 194**	**154 026**	**4 261**	**12 145**	**690**	**0**	**217 315**
Depreciation	0	2 982	9 219	771	2 320	203	0	15 495
Accumulated depreciation on transfers and deductions	0	-36	-3 117	-48	-256	0	0	-3 457
Exchange rate differences	0	-762	-3 419	0	-1 959	0	0	-6 140
Accumulated depreciation and impairment 31 Dec 2015	**0**	**48 378**	**156 708**	**4 984**	**12 251**	**893**	**0**	**223 214**
Book value 1 Jan 2015	**1 862**	**55 684**	**81 811**	**3 338**	**19 855**	**503**	**42 113**	**205 166 *)**
Book value 31 Dec 2015	**1 862**	**69 536**	**89 836**	**3 285**	**18 758**	**449**	**14 531**	**198 258**

*) Change in accounting policies.

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

13. Intangible assets

EUR 1 000	Goodwill	Intangible assets	Total
Acquisition cost 1 Jan 2016	**20 994**	**25 153**	**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**	**27 187**	**48 142**
Accumulated depreciation and impairment 1 Jan 2016	**4 977**	**20 970**	**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**	**21 892**	**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.

EUR 1 000	Goodwill	Intangible assets	Total
Acquisition cost 1 Jan 2015	**23 194**	**24 714**	**47 908**
Additions	0	466	466
Deductions	0	-1	-1
Transfers between items	0	103	103
Exchange rate differences	-2 200	-128	-2 328
Acquisition cost 31 Dec 2015	**20 994**	**25 153**	**46 147**
Accumulated depreciation and impairment 1 Jan 2015	**4 977**	**20 152**	**25 129**
Depreciation	0	862	862
Accumulated depreciation on deductions	0	-1	-1
Exchange rate differences	0	-42	-42
Accumulated depreciation and impairment 31 Dec 2015	**4 977**	**20 970**	**25 947**
Book value 1 Jan 2015	**18 217**	**4 562**	**22 779**
Book value 31 Dec 2015	**16 017**	**4 183**	**20 200**

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

14. Impairment testing of goodwill

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 5 304 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% (2.0%), Latvia 2.0% (2.0%), Lithuania 3.0% (3.0%) and Belarus 6.0% (5.0%). 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 10.30 (7.93), in Latvia 9.60 (7.86), in Lithuania 9.30 (8.12) and in Belarus 18.40 (17.71) percent. The discount rate has been increased to correspond to the industry's volatility outlook (asset beta).

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 available for sale

Other financial assets consist mostly of unquoted equity investments contributing to the Group company's operations, as well as shares in a housing corporation. Financial assets available for sale are recognised at fair value. If fair value cannot be reliably determined, the assets are recognised at original cost.

EUR 1 000	Note	**2016**	**2015**
Book value 1 January		543	549
Additions		5	0
Deductions		-5	-6
Book value 31 December	26	**543**	**543**

16. Loans receivable and other non-current receivables

EUR 1 000	Note	**2016**	**2015**
Loans receivable	26	146	169
Other non-current receivables	26	134	141
Total		**280**	**310**

Other non-current receivables consist mainly of security deposits.

17. Inventories

EUR 1 000	**2016**	**2015**
Materials and supplies	17 783	17 459 *)
Unfinished products	1 801	1 968
Finished products/goods	10 043	8 925
Other inventories	3 042	2 661
Total	**32 669**	**31 013**

*) Change in accounting policies.

Non-marketability deductions on inventories have been booked for 893 thousand euro in 2016 (2 444 thousand euro in 2015).

18. Accounts receivable and other receivables

EUR 1 000	Note	**2016**	**2015**
Accounts receivable	26	49 196	43 246
Prepayments and accrued income	26	3 522	4 160
Other receivables	26	2 909	3 826
Total		**55 627**	**51 232**

Essential items included in prepayments and accrued income are associated with the accruals of rents and the costs of marketing and sales, insurance and administration, as well as discounts and marketing subsidies. During the accounting period, the Group has recognised 94 thousand euro of credit losses on accounts receivable (151 thousand euro in 2015). There are no significant credit risk concentrations associated with receivables.

Maturity distribution of accounts receivable		
EUR 1 000	**2016**	**2015**
Not due	37 470	33 240
Overdue		
Less than 30 days	9 469	6 147
31 to 60 days	355	2 187
61 to 90 days	466	68
91 to 120 days	184	1 075
More than 120 days	1 252	529
Total	**49 196**	**43 246**

Accounts receivable by currency	**2016**	**2016**	**2015**	**2015**
	Foreign 1 000	**EUR 1 000**	**Foreign 1 000**	**EUR 1 000**
EUR	36 747	36 747	33 022	33 022
BYN	24 406	11 934	0	0
BYR	0	0	207 074 239	10 201
RUB	33 125	515	1 889	23

19. Deferred tax receivables and liabilities

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**

The Group does not have any unused tax losses (1 161 thousand euro in 2015).

No deferred tax liability has been recognised on the undistributed earnings of AS A. Le Coq, 91 182 thousand euro in 2016, 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.

Changes in deferred taxes during 2015:

Deferred tax receivables					
EUR 1 000	**31.12.2014**	**Recognised through profit and loss**	**Recognised in equity**	**Exchange rate differences**	**31.12.2015**
Internal margin on inventories and fixed assets	156	-10	0	1	147
Other items	7	-7	0	0	0
Total	**163**	**-17**	**0**	**1**	**147**

Deferred tax liabilities					
EUR 1 000	**31.12.2014**	**Recognised through profit and loss**	**Recognised in equity**	**Exchange rate differences**	**31.12.2015**
Fair valuation of derivatives	109	10	0	0	119
Property, plant and equipment	4 280	880	0	-234	4 926
A/S Cēsu Alus's tax on depreciation difference and retained losses	1 209	415	0	0	1 624
Exchange rate difference on intra-Group loan	0	108	0	0	108
Total	**5 598**	**1 413**	**0**	**-234**	**6 777**

20. Liquid assets

EUR 1 000	Note	**2016**	**2015**
Cash and bank accounts	26	20 297	12 786
Total		**20 297**	**12 786**

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

21. Notes concerning shareholders' equity

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

EUR 1 000	**Number of Series K shares**	**Number of Series A shares**	**Share capital**	**Other reserves**	**Treasury shares**	**Total**
31.12.2015	3 732 256	17 020 928	20 759	1 092	-108	21 743
Acquisition of treasury shares		-5 500			-120	-120
31.12.2016	3 732 256	17 015 428	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 2015). 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 2015) 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.

The following is a description of reserves in shareholders' equity:

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
During the year 2016, Olvi acquired 5 500 of its own Series A shares. The purchase price was 120 139 euro. Olvi plc held a total of 11 124 of its own Series A shares on 31 December 2016, and the total acquisition price was 228 162 euro. Treasury shares held by the company itself are ineligible for voting.

Series A shares held by Olvi plc as treasury shares represented 0.054 percent of the share capital and 0.012 percent of the aggregate number of votes. The treasury shares represented 0.065 percent of all Series A shares and associated votes.

On 14 April 2016, 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 the company's own shares using distributable funds.

The Annual General Meeting 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.

Dividends
After the balance sheet date, the Board of Directors has proposed a dividend of 0.75 euro per share for both Series K and Series A shares for 2016, totalling 15.6 million euro. Dividend for 2015 was paid at 0.70 euro per share, totalling 14.5 million euro. The dividends were paid on 28 April 2016.

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.

At the end of fiscal 2016, an incentive plan based on the Group's cumulative operating profit in the years 2014 to 2016 expired. Its target group included approximately 50 people. In accordance with the terms and conditions of the plan, rewards would have been paid in Olvi plc Series A shares and in cash. The targets of the plan were not met, which means that the plan will lapse. No costs arising from the plan have been recognised in the consolidated financial statements.

The Group has an active share-based incentive plan with one three-year performance period, beginning on 1 July 2014 and ending on 30 June 2017. 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 cash proportion is intended to cover taxes and tax-related costs arising from the rewards to the key employees. The prerequisite for receiving a reward for this performance period 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 em-

ployment or service upon reward payment. In 2016, accounting entries associated with the performance period from 1 July 2014 to 30 June 2017 were recognised for a total of 91.3 thousand euro.

On 24 February 2016, Olvi plc's Board of Directors decided on a new share-based incentive plan for the Group's key personnel. 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 series Series A 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 2016, costs associated with the plan established on 24 February 2016 were recognised for a total of 363.8 thousand euro.

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

23. Financial liabilities

EUR 1 000	Note	**Book values 2016**	**Fair values 2016**	**Book values 2015**	**Fair values 2015**
Non-current liabilities					
Loans from financial institutions	26	10 477	10 312	21 573	21 088
Finance lease liabilities	26	2 440	2 440	2 590	2 590
Other liabilities	26	15	15	16	16
Total		**12 932**	**12 767**	**24 179**	**23 694**

EUR 1 000	Note	**Book values 2016**	**Fair values 2016**	**Book values 2015**	**Fair values 2015**
Current liabilities					
Loans from financial institutions	26	10 801	10 801	21 879	21 879
Finance lease liabilities	26	907	907	804	804
Total		**11 708**	**11 708**	**22 683**	**22 683**

The Group's financial liabilities on 31 December 2016 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.

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 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 –0.319% to –0.082%, 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	**2016**	**2015**
Loans from financial institutions	0.13% to 3.55%	0.57% to 3.55%
Interest rate swaps	0.32% to 1.76%	0.33% to 2.01%
Finance lease liabilities	1.20% to 4.81%	1,55% to 6.75%
Other liabilities	0 %	0 %

Maturities of finance lease liabilities			
EUR 1 000	Note	**2016**	**2015**
Finance lease liabilities - total of minimum rents			
Due within one year		907	803
Within more than one but less than five years		2 150	2 009
Within more than five years		290	582
	26	3 347	3 394
Finance lease liabilities - present value of minimum rents			
Due within one year		907	803
Within more than one but less than five years		2 150	2 009
Within more than five years		290	582
	26	3 347	3 394
Total amount of finance lease liabilities	26	**3 347**	**3 394**

The Group's other interest-bearing liabilities will fall due as follows:		
EUR 1 000	**2016**	**2015**
In 2016		21 879
In 2017	10 830	10 994
In 2018	7 713	7 810
In 2019	2 750	2 785
Total	**21 293**	**43 468**

24. Accounts payable and other liabilities

EUR 1 000	Note	**2016**	**2015**
Current			
Accounts payable	26	40 005	36 272
Accrued expenses	26	15 485	11 287 *)
Other liabilities	26	36 838	29 828
Total		**92 328**	**77 387**

*) Change in accounting policies.

Essential items included 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.

Distribution of accounts payable by currency				
	2016	**2016**	**2015**	**2015**
	Foreign 1 000	**EUR 1 000**	**Foreign 1 000**	**EUR 1 000**
EUR	36 034	36 034	34 457	34 457
USD	128	121	28	25
BYN	7 434	3 635	0	0
BYR	0	0	36 345 079	1 790
GBP	22	26	0	0
RUB	12 132	189	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. In recent years, the Belarusian currency has fluctuated substantially. During 2015, the Belarusian currency (BYR) devaluated, which had a substantial impact on the consolidated income statement and balance sheet for 2015. The weaker currency caused depreciation of the Belarusian subsidiary's operating profit denominated in euro, and financial expenses included 10.5 million euro of unrealised exchange rate losses on an internal loan used for funding investments in Belarus. The translation difference on consolidated shareholders' equity increased by 14.6 million euro in 2015, which had a negative impact on the consolidated key indicators related to equity. During 2016, the currency has been more stable, and the financial statements for 2016 do not include any items of similar magnitude. However, the Belarusian currency 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 2016 was 63.5 million euro (63.0 million euro in 2015). A +/- 10 percent change in the exchange rate would impact the consolidated shareholders' equity by approximately +7.1/–5.8 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 a thousand euro of exchange rate gains (53 thousand euro in 2015) and 1 009 thousand euro of exchange rate losses (10 554 thousand euro in 2015).

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 has diversified its borrowing between fixed- and variable-rate loans. The Group uses interest rate swaps to reduce interest rate risk if required by the debt market conditions. On the balance sheet date, fixed-rate loans accounted for 76.4 percent (75.8 in 2015) of interest-bearing loans. The principal-weighted average maturity of interest-bearing loans was 1.9 (2.6) years.

Fixed currency swaps taken out for the purpose of hedging against foreign exchange risk associated with loans denominated in foreign currency are recognised at fair value. The Group does not apply hedge accounting in accordance with IFRS.

The amount of payment obligations under finance lease contracts on 31 December 2016 was 3.3 million euro (3.4 million euro in 2015).

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.

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 2016 amounted to 5 027 thousand euro (8 640). An interest rate increase of two percentage points would increase annual financial expenses by 101 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 13.2 percent (10.8 in 2015) of the Group’s total sales. The amount of credit losses recognised in 2016 was 94 (151) 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 2016. 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 20 297 thousand euro of liquid assets on 31 December 2016 (12 786 thousand euro in 2015). The Group's liquidity on the balance sheet date was good. The current ratio on 31 December 2016 was 1.0 (1.0 in 2015).

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 2016 stood at 62.0 (58.6) percent and the gearing ratio was 2.1 (18.4) percent.

26. Fair values of financial assets and liabilities

The fair values of financial liabilities are presented in Note 23, Financial liabilities.

Olvi Group has the following interest rate swaps valid on 31 December 2016:

EUR/other 1 000	Nominal value	Currency	Expiration date	Fair value
Interest rate swap	6 250	EUR	29.1.2019	-39
Interest rate swap	600	EUR	25.4.2017	0
Interest rate swap	10 000	EUR	5.5.2020	-190
Interest and exchange rate swap	675	GBP	14.3.2017	791
Interest and exchange rate swap	800	EUR	14.3.2017	-809
Interest and exchange rate swap	844	GBP	24.4.2017	989
Interest and exchange rate swap	1 000	EUR	24.4.2017	-1 012

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.

27. Adjustments to business cash flows

EUR 1 000	2016	2015
Transactions with no associated payment:		
Depreciation and impairment	18 734	16 348
Unrealised foreign exchange gains and losses	-689	-4 413
Financial income	-1 207	-281
Financial expenses	1 816	11 641
Income taxes	7 079	4 598
Other adjustments	-221	791
Total	**25 512**	**28 684**

28. Other lease contracts

The Group as a lessee:

EUR 1 000	2016	2015
Minimum rents payable on the basis of other non-cancellable leases:		
Due within one year	1 540	1 402
Within more than one but less than five years	1 396	1 179
Within more than five years	2	4
Total	**2 938**	**2 585**

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

The Group as a lessor:

EUR 1 000	2016	2015
Minimum rents payable on the basis of other non-cancellable leases:		
Due within one year	1 578	1 400
Within more than one but less than five years		
Within more than five years		
Total	**1 578**	**1 400**

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. Collateral and contingent liabilities

EUR 1 000	2016	2015
Pledges and contingent liabilities		
For own commitments	1 886	2 352
Package liabilities	0	0 *)
Other liabilities	2 000	2 000

*) Change in accounting policies. According to the new accounting policy, the liability reported for 2015 belongs to accrued expenses.

30. Related party transactions

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	94.57	94.57

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	2016	2015
Sales	289	279
Purchases	528	732
Receivables	218	276
Liabilities	44	53

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

Employee benefits to management

Wages, salaries and emoluments		
EUR 1 000	2016	2015
Managing Director		
Salaries and other short-term employee benefits	393	350
Pension commitments, statutory pension cover	70	61
Total	**463**	**411**
Compensation paid to members of the Board of Directors for Board duties		
Hortling Heikki	18	83
Lager Esa	59	37
Hortling Nora	35	20
Autere Jaakko	31	31
Markula Elisa	31	20
Pääkkönen Tarja	0	11
Sinnemaa Heikki	0	11
Sirviö Heikki	31	20
Total	**206**	**233**

No loans have been granted to management.

31. Costs arising from audit

EUR 1 000	2016	2015
Fees for statutory audit	129	142
Other services	125	85
Total	**254**	**227**

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 (%)	2016	2015
AS Karme, Karksi vald, Estonia	**49.00**		
Current assets		211	303
Non-current assets		376	544
Current liabilities		51	209
Non-current liabilities		0	0
Net sales		448	1 150
Profit/loss		-4	106
Verska Mineraalvee OÜ, Värska vald, Estonia	**20.00**		
Current assets		303	259
Non-current assets		694	448
Current liabilities		166	160
Non-current liabilities		256	155
Net sales		906	718
Profit/loss		184	103

Consolidated Financial Ratios 2014 to 2016

BUSINESS VOLUME AND PROFITABILITY			
EUR 1 000	**2016 IFRS**	**2015 IFRS**	**2014 IFRS**
Net sales	321 478	310 494	320 785
Change, %	3,5	-3,2	-0,3
Operating profit	40 445	38 157	41 000
% of net sales	12,6	12,3	12,8
Financial income and expenses	-609	-11 360	5
Profit before tax	39 873	26 818	41 053
% of net sales	12,4	8,6	12,8
Net profit for the period	32 794	22 220	33 079
% of net sales	10,2	7,2	10,3
Balance sheet total	328 505	316 292 *)	334 550 *)
Cash flow ratio, %	16,0	12,4	14,6
Return on investment, % (ROI)	18,1	15,9 *)	18,9 *)
Return on equity, % (ROE)	16,9	11,8 *)	18,3 *)
Equity to total assets, %	62,0	58,6 *)	57,1 *)
Current ratio	1,0	1,0 *)	1,0 *)
Gearing, %	2,1	18,4 *)	30,0 *)
Gross capital expenditure on fixed assets	20 453	25 961	41 633
% of net sales	6,4	8,4	13,0
Net capital expenditure on fixed assets	18 036	25 674	41 047
% of net sales	5,6	8,3	12,8
Average number of personnel:			
Olvi plc	329	336	369
Personnel in Estonia, Latvia, Lithuania and Belarus	1 530	1 604	1 589
Total employees	1 859	1 940	1 958

PER-SHARE RATIOS			
	2016 IFRS	**2015 IFRS**	**2014 IFRS**
Undiluted earnings per share, euro	1,57	1,08	1,57
Diluted earnings per share, euro	1,57	1,08	1,57
Equity per share, euro	9,73	8,86 *)	9,10 *)
**) Pay-out ratio, %	47,9	65,1	41,5
Price/Earnings ratio (P/E)	17,9	20,6	13,4

*) Change in accounting policies.

**) The amount of dividend used for calculating the 2016 ratios is the Board of Directors' proposal to the Annual General Meeting.

OLVI PLC

Parent Company's Income Statement (FAS)

	Note	1 Jan to 31 Dec 2016 EUR 1 000	%	1 Jan to 31 Dec 2015 EUR 1 000	%
NET SALES	1	**118 876**	**100,0**	**102 869**	**100,0**
Increase (+)/decrease(-) in inventories of finished and unfinished products		286	0,2	-184	-0,2
Manufacture for own use		73	0,1	63	0,1
Other operating income	2	763	0,6	494	0,5
Materials and services	3	52 433	44,1	44 577	43,4
Personnel expenses	4	20 375	17,1	18 116	17,6
Depreciation and impairment	8	7 273	6,1	5 371	5,2
Other operating expenses	9	29 143	24,5	27 620	26,9
OPERATING PROFIT		**10 775**	**9,1**	**7 558**	**7,3**
Financial income and expenses	10	9 252	7,8	9 197	9,0
PROFIT BEFORE APPROPRIATIONS AND TAXES		**20 027**	**16,8**	**16 755**	**16,3**
Appropriations	11	-4 171	-3,5	-4 761	-4,7
Income taxes	12	-1 159	-1,0	-332	-0,3
NET PROFIT FOR THE PERIOD		**14 697**	**12,4**	**11 663**	**11,3**

Parent Company's Balance Sheet (FAS)

	Note	31.12.2016 EUR 1 000	%	31.12.2015 EUR 1 000	%
ASSETS					
FIXED ASSETS					
Intangible assets	13	2 646		1 512	
Tangible assets	13	70 977		73 268 *)	
Shares in Group companies	14	59 141		59 140	
Other investments	14	535		535	
TOTAL FIXED ASSETS		**133 299**	**59,5**	**134 455**	**60,2**
CURRENT ASSETS					
Inventories	16	6 600		5 988 *)	
Non-current receivables	17	53 915		58 187	
Current receivables	17	17 290		16 302	
Cash in hand and at bank		13 077		8 409	
TOTAL CURRENT ASSETS		**90 882**	**40,5**	**88 885**	**39,8**
TOTAL ASSETS		**224 181**	**100,0**	**223 340**	**100,0**
EQUITY AND LIABILITIES					
SHAREHOLDERS' EQUITY					
Share capital		20 759		20 759	
Share premium account		857		857	
Legal reserve		127		127	
Retained earnings		33 066		36 047	
Net profit for the period		14 697		11 663	
TOTAL SHAREHOLDERS' EQUITY	18	**69 506**	**31,0**	**69 452**	**31,1**
ACCUMULATED APPROPRIATIONS	19	**25 803**	**11,5**	**21 632**	**9,7**
LIABILITIES					
Non-current liabilities		55 023		60 003	
Current liabilities		73 850		72 252 *)	
TOTAL LIABILITIES	20	**128 873**	**57,5**	**132 256**	**59,2**
TOTAL EQUITY AND LIABILITIES		**224 181**	**100,0**	**223 340**	**100,0**

*) Change in accounting policies.

Parent Company's Cash Flow Statement

	Note	1-12/2016 EUR 1 000	1-12/2015 EUR 1 000
Cash flow from operations			
Profit before extraordinary items		18 868	16 423
Adjustments:			
Depreciation according to plan and impairment	8	7 273	5 371
Financial income and expenses	10	-9 252	-9 197
Other adjustments		888	318
Cash flow before change in working capital		17 777	12 916
Change in net working capital:			
Increase (-) / decrease (+) in current interest-free accounts receivable and other receivables		-2 038	17 515
Increase (-) / decrease (+) in inventories		-612	1 287
Increase (+) / decrease (-) in current interest-free liabilities		11 570	2 243
Interest paid		-690	-1 011
Interest received		65	91
Dividends received		10 004	10 000
Taxes paid		-1 004	-153
Cash flow from operations (A)		**35 072**	**42 886**
Cash flow from investments			
Investments in tangible and intangible assets		-5 171	-3 737
Capital gains on disposal of tangible and intangible assets		91	80
Expenditure on other investments		-2	4
Cash flow from investments (B)		**-5 082**	**-3 653**
Cash flow from financing			
Withdrawals of loans		5 600	26 600
Repayments of loans		-21 342	-34 806
Acquisition of treasury shares		-120	-64
Dividends paid		-14 491	-13 475
Increase (-)/decrease (+) in non-current loan receivables		5 031	-9 605
Cash flow from financing (C)		**-25 322**	**-31 350**
Increase (+)/decrease (-) in liquid assets (A+B+C)		**4 668**	**7 883**
Liquid assets 1 January		**8 409**	**525**
Liquid assets 31 December		**13 077**	**8 409**
Change in liquid assets		**4 668**	**7 883**

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:

Trademarks and development costs	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 starting from 1 January 2016, property, plant and equipment includes not only the recyclable packages in inventory but also Olvi plc's share of the package stock in accordance to shares determined by the Ekopulloyhdistys 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. The balance sheet, financial ratios and notes for the comparison year have been adjusted to correspond to the new accounting policies. The change in accounting policies does not have any substantial effect on consolidated operating profit or net profit for the period.

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	**2016**	**2015**
Finland	113 902	98 253
Belarus	312	269
Estonia	2 321	2 089
Other exports	2 341	2 258
Total	**118 876**	**102 869**

2. Other operating income	**2016**	**2015**
Capital gains on disposals of fixed assets	85	56
Others	678	438
Total	**763**	**494**

3. Materials and services	**2016**	**2015**
Materials and supplies (goods):		
Purchases during the year	49 471	40 251
Change in stocks	-326	1 103
Outsourced services	3 288	3 223
Total	**52 433**	**44 577**

4. Personnel expenses	**2016**	**2015**
Wages, salaries and emoluments	16 253	14 488
Pension expenses	2 805	2 581
Other personnel expenses	1 317	1 046
Total	**20 375**	**18 116**

5. Management salaries and emoluments	**2016**	**2015**
Managing Director	393	350
Chairman of the Board	68	83
Other members of the Board	137	150
Total	**598**	**583**

6. Parent company’s personnel on average during the period	**2016**	**2015**
Full-time		
clerical employees	124	125
workers	189	156
Part-time		
clerical employees	2	0
workers	14	55
Total	**329**	**336**

7. Auditors’ fees	**2016**	**2015**
Fees for statutory audit	76	75
Other services	93	61
Total	**170**	**136**

8. Depreciation and impairment	**2016**	**2015**
Depreciation and impairment on tangible and intangible assets	7 273	5 371
Total	**7 273**	**5 371**

9. Other operating expenses	**2016**	**2015**
Sales freights	13 542	12 749
Costs of marketing and sales	3 835	3 251
Other operating expenses	11 765	11 620
Total	**29 143**	**27 620**

10. Financial income and expenses	**2016**	**2015**
Dividend income from Group companies	10 002	10 119
Total income from long-term investments	2	3
Other interest and financial income		
From Group companies	507	565
From others	845	140
Total	1 351	706
Total dividend income and other interest and financial income	**11 356**	**10 829**
Interest expenses and other financial expenses		
To Group companies	618	560
To others	1 485	1 071
Total interest expenses and other financial expenses	**2 104**	**1 631**
Total financial income and expenses	**9 252**	**9 197**

11. Appropriations	**2016**	**2015**
Difference between depreciation according to plan and depreciation applied in taxation	4 171	4 761
Total	**4 171**	**4 761**

12. Income taxes	**2016**	**2015**
Income tax on business operations	1 436	413
Taxes from previous accounting periods	-42	-81
Change in deferred tax	-236	-1
Total	**1 159**	**332**

13. Fixed assets

Intangible assets

	Development costs	Other intangible assets	Total
Acquisition cost 1 Jan 2016	**153**	**20 251**	**20 404**
Additions	0	2 303	2 303
Deductions	0	-430	-430
Acquisition cost 31 Dec 2016	**153**	**22 125**	**22 277**
Accumulated depreciation and impairment 1 Jan 2016	**75**	**18 818**	**18 892**
Depreciation	25	713	739
Accumulated depreciation and impairment 31 Dec 2016	**100**	**19 531**	**19 631**
Book value 1 Jan 2016	**78**	**1 434**	**1 512**
Book value 31 Dec 2016	**53**	**2 593**	**2 646**

Tangible assets	Land and water properties	Buildings	Machinery and equipment	Other tangible assets	Advance payments and unfinished purchases	Total
Acquisition cost 1 Jan 2016	**1 088**	**41 615**	**127 247**	**9 639**	**1 319**	**180 909**
Additions	0	383	3 513	249	2 333	6 478
Deductions	0	0	-6	-309	-2 229	-2 544
Acquisition cost 31 Dec 2016	**1 088**	**41 998**	**130 754**	**9 579**	**1 423**	**184 843**
Accumulated depreciation and impairment 1 Jan 2016	**0**	**21 663**	**85 978**	**0**	**0**	**107 641**
Depreciation	0	881	4 607	737	0	6 226
Accumulated depreciation and impairment 31 Dec 2016	**0**	**22 544**	**90 586**	**737**	**0**	**113 866**
Book value 1 Jan 2016	**1 088**	**19 953**	**41 269**	**9 639**	**1 319**	**73 268 *)**
Book value 31 Dec 2016	**1 088**	**19 454**	**40 169**	**8 843**	**1 423**	**70 977**

	31.12.2016	**31.12.2015**
Book value of production machinery and equipment	36 784	38 501

*) Change in accounting policies.

14. Investments

	Shares in Group companies	Other shares	Total investments
Acquisition cost 1 Jan 2016	**59 140**	**535**	**59 675**
Additions	2	5	7
Deductions	0	-5	-5
Acquisition cost 31 Dec 2016	**59 141**	**535**	**59 676**
Book value 31 Dec 2016	**59 141**	**535**	**59 676**

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	94.57	94.57

16. Inventories

	2016	2015
Materials and supplies	2 287	1 961 *)
Unfinished products	761	746
Finished products / goods	3 553	3 281
Total	**6 600**	**5 988**

*) Change in accounting policies.

17. Receivables	**2016**	**2015**
Non-current receivables		
Loans receivable from Group companies	53 650	58 048
Deposits pledged as collateral	112	119
Deferred tax receivables	133	0
Prepayments and accrued income	20	20
Total non-current receivables	**53 915**	**58 187**
Current receivables		
Receivables from Group companies		
Accounts receivable	518	491
Dividends receivable	0	93
Total receivables from Group companies	518	584
Receivables from non-Group companies		
Accounts receivable	15 605	12 835
Other receivables	-1	0
Prepayments and accrued income	1 168	2 883
Total receivables from non-Group companies	16 772	15 718
Total current receivables	**17 290**	**16 302**
Total receivables	**71 205**	**74 489**
Deferred tax receivables		
Deferred tax receivables 1 January	0	0
Change in deferred tax	133	0
Deferred tax receivables 31 December	**133**	**0**

18. Shareholders' equity	**2016**	**2015**
Share capital 1 January	20 759	20 759
Increase of share capital	0	0
Share capital 31 December	20 759	20 759
Share premium account 1 January	857	857
Bonus issue	0	0
Share premium account 31 December	857	857
Legal reserve 1 January and 31 December	127	127
Retained earnings 1 January	47 709	49 530
Payment of dividends	-14 523	-13 492
Dividends not withdrawn	0	109
Acquisition of treasury shares	-120	-99
Retained earnings 31 December	33 066	36 047
Net profit for the period	14 697	11 663
Total shareholders' equity	**69 506**	**69 452**

Olvi plc's share capital is divided into share series as follows:

	2016 qty	**2016 euro**	**2016 votes**	**2015 qty**	**2015 euro**	**2015 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 2016 totalled 20 759 thousand euro.

Olvi plc's shares received a dividend of 0.70 euro per share for 2015 (0.65 euro per share for 2014), totalling 14.5 (13.5) million euro. The dividends were paid on 28 April 2016. 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

During the year 2016, Olvi acquired 5 500 of its own Series A shares. The purchase price was 120 139 euro. Olvi plc held a total of 11 124 of its own Series A shares on 31 December 2016, and the total acquisition price was 228 162 euro. Treasury shares held by the company itself are ineligible for voting.

Series A shares held by Olvi plc as treasury shares represented 0.054 percent of the share capital and 0.012 percent of the aggregate number of votes. The treasury shares represented 0.065 percent of all Series A shares and associated votes.

On 14 April 2016, 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 the company's own shares using distributable funds.

The Annual General Meeting 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.

19. Accumulated appropriations

Accumulated appropriations consist of accumulated depreciation difference.

20. Liabilities	**2016**	**2015**
Non-current liabilities		
Loans from financial institutions	10 463	21 560
Deferred tax liabilities	0	103
Other liabilities	30	30
Total	10 493	21 692
Liabilities to Group companies		
Other liabilities	44 530	38 311
Total	44 530	38 311
Total non-current liabilities	**55 023**	**60 003**
Current liabilities		
Loans from financial institutions	10 801	21 879
Accounts payable	23 290	20 432
Accrued expenses	11 334	8 312 *)
Other liabilities	28 084	21 315
Total	73 509	71 937
Liabilities to Group companies		
Accounts payable	341	315
Total	341	315
Total current liabilities	**73 850**	**72 252**
Total liabilities	**128 873**	**132 256**
Accrued expenses		
Provisions for personnel costs	5 153	2 791
Provision for interest on loans	283	248
Other accrued expenses	5 898	5 274 *)
Total accrued expenses	11 334	8 312
Interest-free liabilities 31 December	63 049	50 373 *)
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	103	104
Change in deferred tax	-103	-1
Deferred tax liabilities 31 December	**0**	**103**

*) Change in accounting policies.

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.

At the end of fiscal 2016, an incentive plan based on the parent company's cumulative operating profit in the years 2014 to 2016 expired. Its target group included approximately 50 people. In accordance with the terms and conditions of the plan, rewards would have been paid in Olvi plc Series A shares and in cash. The targets of the plan were not met, which means that the plan will lapse. No costs arising from the plan have been recognised in the parent company's financial statements.

Olvi plc has an active share-based incentive plan with one three-year performance period, beginning on 1 July 2014 and ending on 30 June 2017. 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 cash proportion is intended to cover taxes and tax-related costs arising from the rewards to the key employees. The prerequisite for receiving a reward for this performance period 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. In 2016, accounting entries associated with the performance period from 1 July 2014 to 30 June 2017 were recognised for a total of 51.7 thousand euro.

On 24 February 2016, Olvi plc's Board of Directors decided on a new share-based incentive plan for the Group's key personnel. 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 series Series A 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 2016, costs associated with the plan established on 24 February 2016 were recognised for a total of 264.8 thousand euro.

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

22. Pledges, contingent liabilities and other commitments	**2016**	**2015**
Pledges and contingent liabilities		
For own commitments		
Mortgages on land and buildings	1 336	1 336
Other off-balance sheet liabilities		
Package liabilities	0	0 *)
Rental liabilities on business premises and land areas	365	355
Other liabilities	4 290	5 047
Total pledges, contingent liabilities and other commitments	**5 991**	**6 738**

*) Change in accounting policies. According to the new accounting policy, the liability reported for 2015 belongs to accrued expenses.

23. Leasing liabilities	**2015**	**2014**
Due within one year	183	168
Due later	195	172
Total	**378**	**340**

24. Derivative contracts

	Nominal value 2016	**Fair value 2016**	**Nominal value 2015**	**Fair value 2015**
Derivatives	18 650	-270	28 990	553

The business significance of the derivative contracts is minor. The derivative contracts are interest rate swaps on loans and will reach maturity in 2017, 2019 and 2020.

OLVI PLC

Shares and share capital 31 December 2016	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 0.70 euro per share for 2015 (0.65 euro per share for 2014), totalling 14.5 (13.5) million euro. The dividends were paid on 28 April 2016.

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 2016

	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	36 308	202 132	0,97	3 352 788	3,66
5. OP Corporate Bank plc, nominee register		2 153 672	2 153 672	10,37	2 153 672	2,35
6. Hortling-Rinne Laila Marit	102 288	3 380	105 668	0,51	2 049 140	2,24
7. Nordea Bank AB (publ), Finnish Branch, nominee register		1 890 440	1 890 440	9,11	1 890 440	2,06
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. AC Invest Oy		460 000	460 000	2,22	460 000	0,50
11. Skandinaviska Enskilda Banken Ab (publ), Helsinki branch, nominee register		442 183	442 183	2,13	442 183	0,48
12. Fondita Nordic Micro Cap mutual fund		320 000	320 000	1,54	320 000	0,35
13. Laakkonen Hannu		216 072	216 072	1,04	216 072	0,24
14. Lahti Ari		180 000	180 000	0,87	180 000	0,20
15. Aktia Capital mutual fund		164 000	164 000	0,79	164 000	0,18
16. Kamprad Ingvar		158 000	158 000	0,76	158 000	0,17
17. Veritas Pension Insurance Company		150 000	150 000	0,72	150 000	0,16
18. Odin Finland mutual fund		145 845	145 845	0,70	145 845	0,16
19. Etera Mutual Pension Insurance Company		119 274	119 274	0,57	119 274	0,13
20. Säästöpankki Kotimaa fund		110 798	110 798	0,53	110 798	0,12
Others	9 648	7 780 146	7 789 794	37,54	7 973 106	8,70
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 9 866 (10 108) shareholders registered in the book-entry system on 31 December 2016, of which 9 (9) nominee registered.

Insiders

Olvi plc adopted the insider guidelines drawn up and recommended by the Nasdaq OMX Helsinki Stock Exchange on 1 September 2005.

Management's interests

The members of the Board of Directors and the Managing Director of Olvi plc held a total of 56 831 Series A shares on 31 December 2016, 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 2016

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	8 637	87,54	1 946 249	9,38	1 955 977	2,13
1 001 to 10 000	1 114	11,29	2 923 526	14,08	3 061 238	3,34
10 001 to 500 000	109	1,10	5 872 991	28,29	14 557 967	15,88
500 001 to 999 999 999 999	6	0,06	9 977 106	48,06	72 018 338	78,56
On waiting list			2 064	0,01	41 280	0,05
In collective account			36 872	0,18	36 872	0,04
Total	**9 866**	**100,00**	**20 758 808**	**100,00**	**91 671 672**	**100,00**

Shareholders by category on 31 December 2016

	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	356	3,61	4 569 964	22,01			49 484 140	53,98
Financial institutions and insurance companies	32	0,32	963 983	4,64	4 526 397	21,80	5 490 380	5,99
Public sector organisations	9	0,09	2 014 665	9,71			2 014 665	2,20
Non-profit organisations	77	0,78	414 853	2,00			414 853	0,45
Households	9 338	94,65	7 760 231	37,38			33 719 703	36,78
Non-Finnish shareholders	54	0,55	370 354	1,78	99 425	0,48	469 779	0,51
On waiting list			2 064	0,01			41 280	0,05
In collective account			36 872	0,18			36 872	0,04
Total	**9 866**	**100,00**	**16 132 986**	**77,72**	**4 625 822**	**22,28**	**91 671 672**	**100,00**

Foreign and nominee-registered holdings on 31 December 2016

	Number of share-holders	% of share-holders	Number of book entries	% of book entries	Votes	% of votes
Foreign total	51	0,52	370 354	1,78	370 354	0,40
Nominee-registered (foreign) total	3	0,03	99 425	0,48	99 425	0,11
Nominee-registered (Finnish) total	6	0,06	4 526 397	21,80	4 526 397	4,94
Total	**60**	**0,61**	**4 996 176**	**24,07**	**4 996 176**	**5,45**

OLVI PLC

Parent company's financial ratios, 2014 to 2016

BUSINESS VOLUME AND PROFITABILITY			
EUR 1 000	**2016**	**2015**	**2014**
Net sales	118 876	102 869	105 329
Change, %	15,6	-2,3	-13,3
Operating profit	10 775	7 558	7 350
% of net sales	9,1	7,3	7,0
Financial income and expenses	9 252	9 197	9 176
Profit before extraordinary items	20 027	16 755	16 525
% of net sales	16,8	16,3	15,7
Profit before provisions and taxes	20 027	16 755	16 525
% of net sales	16,8	16,3	15,7
Net profit for the period	14 697	11 663	12 458
% of net sales	12,4	11,3	11,8
Balance sheet total	224 181	223 340 *)	225 839 *)
Cash flow ratio, %	22,0	21,2	18,8
Return on investment, % (ROI)	13,2	10,5	11,1
Return on equity, % (ROE)	21,3	19,1	19,1
Equity to total assets, %	40,2	38,8 *)	37,5 *)
Current ratio	0,5	0,4 *)	0,5 *)
Gearing, %	58,5	84,7	104,9
Gross capital expenditure on fixed assets	6 127	3 855	15 591
% of net sales	5,2	3,7	14,8
Net capital expenditure on fixed assets	6 110	3 821	15 431
% of net sales	5,1	3,7	14,6
Average number of personnel	329	336	369

PER-SHARE RATIOS			
	2016	**2015**	**2014**
Earnings per share (EPS), euro	0,91	0,79	0,77
Equity per share, euro	4,34	4,18	4,08
**) Nominal dividend per share, euro	0,75	0,70	0,65
**) Effective dividend yield, %	2,68	3,15	3,08
**) Pay-out ratio, %	82,5	88,5	84,4
Price/Earnings ratio (P/E)	30,8	28,0	27,4
Price of Series A share			
at year-end, euro	28,00	22,19	21,07
high, euro	28,51	27,20	29,90
low, euro	20,30	20,51	20,70
average price, euro	25,17	23,76	25,03
Trading volume of A shares	881 172	2 036 830	2 174 302
% of all A shares outstanding	5,2	12,0	12,8
Market capitalisation of A shares 31 Dec, MEUR	476,4	377,8	358,7
Market capitalisation of K shares 31 Dec, MEUR	104,5	82,8	78,6
Total market capitalisation, MEUR	580,9	460,6	437,4
Number of shares			
year's average number, adjusted for share issues ***)	20 747 742	20 757 645	20 757 684
number at year-end adjusted for dilution from warrants ***)	20 747 684	20 753 184	20 757 684

*) Change in accounting policies.

**) The amount of dividend used for calculating the 2016 ratios is the Board of Directors' proposal to the Annual General Meeting.

***) Treasury shares held by Olvi plc deducted.

Calculation of Financial Ratios

Ratio		Formula
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.

Equity per share = Shareholders' equity held by parent company shareholders / Number of shares at end of period, adjusted for share issues

Equity to total assets, % = 100 * (Shareholders' equity held by parent company shareholders + non-controlling interests) / (Balance sheet total)

Gearing, % = 100 * (Interest-bearing debt – cash in hand and at bank) / (Shareholders' equity held by parent company shareholders + non-controlling interests)

Board of Directors' proposal for the distribution of profit

The parent company Olvi plc had 47.8 (47.7) million euro of distributable funds on 31 December 2016, of which profit for the period accounted for 14.7 (11.7) million euro.

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

- a dividend of 0.75 (0.70) euro shall be paid for 2016 on each Series K and Series A share, totalling 15.6 (14.5) million euro. The dividend represents 47.9 (65.1) 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, 25 April 2017. It is proposed that the dividend be paid on 10 May 2017.

No dividend shall be paid on treasury shares.

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

Date and Signatures

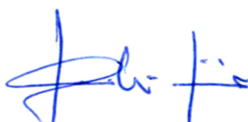
Signed in Iisalmi, this 23rd day of February 2017

Esa Lager
Chairman of the Board

Nora Hortling
Vice Chairman of the Board

Jaakko Autere
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 21st day of March 2017

PricewaterhouseCoopers Oy
Authorised Public Accounting Firm

Sami Posti
Authorised Public Accountant

Olvi plc's Board of Directors 2016*

* from AGM 14 April 2016 to AGM 21 April 2017

Heikki Hortling (b. 1951— d. 2016)
M.Sc. (Econ), Honorary Industrial Counsellor

Chairman of the Board of Olvi plc
from 1998 until his death (10 April 2016)
Vice Chairman of Olvi plc's Board of Directors 1987–1997

Important positions in other organisations:

- Vice Chairman of the Board of Ponsse Plc
- Member of the Board of Puhelinosuuskunta IPY (telecom co-operative)

Work experience in brief:
Several positions in Olvi plc, including
marketing and materials management

Esa Lager (b. 1959), Chairman of Olvi plc's Board of Directors since 10 April 2016
Master of Laws, M.Sc. (Econ)

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:

- Chairman of the Board of Finnish Industry Investment Ltd since 4/2015, previously Member of the Board of Finnish Industry Investment Ltd since 2014
- Chairman of the Board of SATO Corporation since 3/2015, previously Vice Chairman of the Board of SATO Corporation and Member of the Board since 2014
- 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 Fennovoima Ltd 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

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

Vice Chairman of Olvi plc's Board of Directors since 10 April 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
- 2015 onwards Kespro Oy, Product Group Manager, fruits and vegetables
- 2014 onwards Kespro Oy, Product Manager
- 2011–2013 Olvi plc, Marketing
- 2009–2010 Ravintolakolmio Group, Restaurant Paasi, Shift Manager
- 2007 Radisson Blu Hotel, Paris Boulogne, Receptionist
- 2005–2009 Ravintolakolmio Group, several restaurants, Shift Manager

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:

- 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
- 2014 onwards Member of the Board of Olvi Foundation
- 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 Industry Association (IFA)
- 2001–2004 Member of the Finance Committee
- 2005–2007 Member of the Executive Committee
- 2005–2007 Vice Precident 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