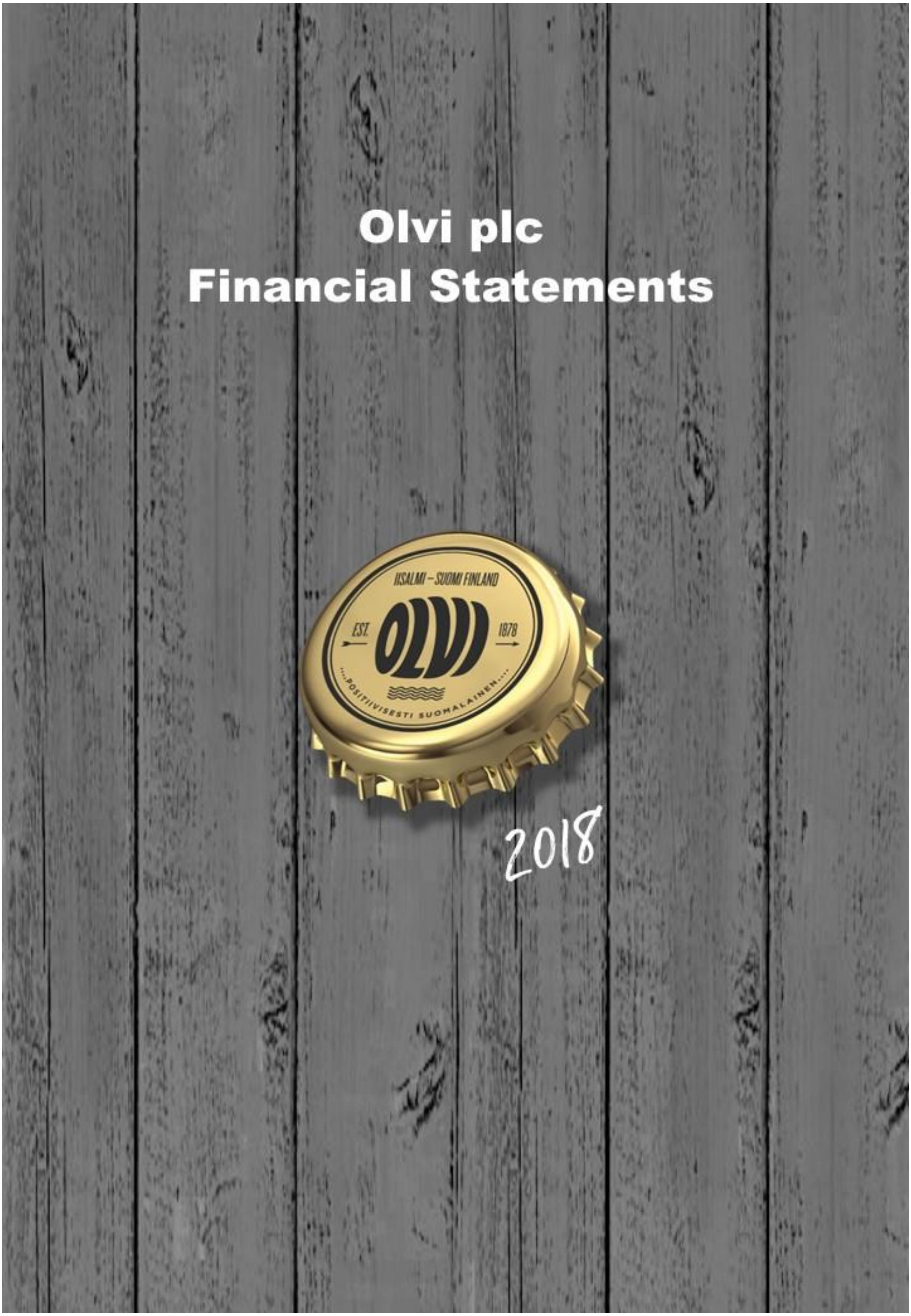
Olvi plc
Financial Statements



2018

OLVI PLC
Business ID 0170318-9

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BOARD OF DIRECTORS' REPORT

THE YEAR IN BRIEF

Olvi Group's business development was strong in 2018. The Group's performance was an all-time high in terms of both sales volume and operating profit, and the balance sheet became even stronger.

Full year 2018:

- Olvi Group's sales volume increased by 9.1 percent to 701.3 (643.0) million litres.
- The Group's net sales increased by 11.3 percent and amounted to 384.3 (345.2) million euro
- The Group's operating profit increased by 12.1 percent and amounted to 50.1 (44.7) million euro
- Net profit for the period increased by 13.9 percent to 41.1 (36.1) million euro
- Olvi Group's earnings per share stood at 1.97 (1.73) euro per share
- The equity to total assets ratio was 64.9 (64.1) percent.
- The Board proposes a dividend of 0.90 (0.80) euro per share.

CONSOLIDATED KEY RATIOS

	1-12/ 2018	1-12/ 2017
Sales volume, Mltr	701.3	643.0
Net sales, MEUR	384.3	345.2
Gross margin, MEUR	70.8	65.5
% of net sales	18.4	19.0
Operating profit, MEUR	50.1	44.7
% of net sales	13.0	13.0
Net profit for the period	41.1	36.1
% of net sales	10.7	10.5
Earnings per share, EUR	1.97	1.73
Gross capital expenditure, MEUR	34.2	21.7
Equity per share, EUR	11.31	10.41
Equity to total assets, %	64.9	64.1
Gearing, %	-6.0	-7.1

BUSINESS DEVELOPMENT

Boosted by the great summer weather, Olvi Group's sales volume exceeded 700 million litres for the first time in the company's history. At the same time, the company's profitability developed favourably, and the operating profit and net profit for 2018 improved clearly on the previous year. In addition to earnings, the Group's balance sheet is strong.

Deviating from the previous year, as a result of corporate acquisitions in 2018, the operations in Finland now include the business of Servaali Oy and The Helsinki Distilling Company in addition to Olvi plc. The sales volume in Finland has increased by 6.8 percent. The figure adjusted for comparability is 3.1 percent. Olvi plc made an all-time high by exceeding 200 million litres of production in December. Net sales increased by 21.2 percent, with the comparable figure being 7.0 percent. Factors behind the comparable growth include, among others, an increased share of strong beers after legislative changes. Good net sales development combined with cost-effective operations is also reflected as positive development of operating profit. Operating profit increased by 45.0 percent on the previous year, mostly attributable to the parent company; however, it should be noted that the previous year's profit included a write-down of 1.2 million euro.

The year 2018 in the Baltic states was characterised by the effects of Estonian excise tax hikes on cross-border trade between Estonia and Latvia, as well as harbour and on-board sales in Estonia. In the first half of the year, sales volumes declined substantially in Estonia but also in Latvia. In the second half of the year, sales volumes outperformed the previous year all across the Baltic states, thanks to good seasonal sales, successful launches of new products and increased exports. These factors and adaptation measures resulted in improved profitability as well. In full-year figures, only the net sales in Estonia fell short of the previous year. Lithuania was able to substantially improve earnings through increased sales volume.

Operations in Belarus continued on a growth track. The market position and purchasing power of consumers in the domestic market have improved. The sales volume made an all-time high of 228 million litres, representing an increase of 16.2 percent on the previous year. The company's operating profit improved by 9.4 percent. Measured in the local currency, the accumulated net sales increased by as much as 19.6 percent and operating profit by 20.2 percent.

During 2018, Olvi made substantial investments in its competitive ability for the future. Investments amounted to 50.3 million euro, including corporate acquisitions. One of our most significant investments is an energy plant utilising renewable energy that was commissioned in Finland in the turn of the year 2017–2018. This enables us to reduce the environmental impact while also achieving cost savings. Measures to improve the efficiency of production and logistics continued across the Group. A new production investment completed at the end of the year was a single-use glass bottle line at Iisalmi.

We believe in moderate growth in 2019. We will continue to develop our product range and make it more versatile, as well as invest in improving production efficiency. Even though Olvi Group has a strong market position in all of its main market areas, weather conditions in the high season are of great importance with regard to achieving the full-year sales volume targets. The two first quarters are expected to be most challenging for earnings development; higher prices of raw materials will become effective at the beginning of the year but sales prices will be increased during the spring.

OLVI GROUP'S SALES VOLUME, NET SALES AND EARNINGS 2018

Sales development

Olvi Group's sales volume in 2018 made an all-time high of 701.3 (643.0) million litres. This represents an increase of 58.3 million litres or 9.1 percent.

The increase in the Group's sales volume originated mainly from Finnish and Belarusian operations. Aggregate sales volume in the Baltic states increased by 2.6 percent, which is attributable to Lithuania.

Sales volume, million litres	**1-12/ 2018**	**1-12/ 2017**
Finland	213.2	199.7
Estonia	110.7	112.8
Latvia	75.6	76.3
Lithuania	95.4	85.4
Belarus	228.2	196.4
Eliminations	-21.8	-27.6
Total	**701.3**	**643.0**

The Group's net sales in 2018 increased by 11.3 percent and amounted to 384.3 (345.2) million euro. Net sales improved particularly in Finland, Lithuania and Belarus.

Net sales, million euro	**1-12/ 2018**	**1-12/ 2017**
Finland	159.3	131.5
Estonia	70.4	73.8
Latvia	39.8	37.5
Lithuania	43.1	39.2
Belarus	82.1	75.4
Eliminations	-10.3	-12.1
Total	**384.3**	**345.2**

Earnings development

The Group's operating profit for January-December increased by 12.1 percent and amounted to 50.1 (44.7) million euro, or 13.0 (13.0) percent of net sales. With the exception of Estonia and Latvia, operating profit improved across all units.

Operating profit, million euro	**1-12/ 2018**	**1-12/ 2017**
Finland	18.5	12.8
Estonia	14.0	14.7
Latvia	4.3	4.4
Lithuania	3.7	3.4
Belarus	10.3	9.4
Eliminations	-0.7	0.0
Total	**50.1**	**44.7**

The Group's net profit for 2018 increased by 13.9 percent and amounted to 41.1 (36.1) million euro.

Earnings per share calculated from the profit belonging to parent company shareholders increased in January-December and stood at 1.97 (1.73) euro. Fourth-quarter earnings per share amounted to 0.25 (0.20) euro.

FINANCING AND INVESTMENTS

Olvi Group's balance sheet total at the end of December 2018 was 365.4 (338.6) million euro. Equity per share at the end of 2018 stood at 11.31 (10.41) euro. The equity to total assets ratio was 64.9 (64.1) percent. The Group's interest-bearing net liabilities decreased by 1.2 million euro during 2018 and amounted to -14.2 million euro at year-end (-15.4). The gearing ratio declined during 2018 and stood at -6.0 (-7.1) percent. Cash flow from operations totalled 63.0 (57.1) million euro. The current ratio, which represents the Group's liquidity, was 1.1 (1.2).

Olvi Group's capital expenditure on extensions and replacements in 2018 amounted to 34.2 (21.7) million euro. The parent company Olvi accounted for 13.4 million euro, the Baltic subsidiaries for 14.1 million euro and Lidskoe Pivo in Belarus for 6.7 million euro of the total. The largest individual investment was an energy plant utilising renewable energy in Finland.

CHANGES IN CORPORATE STRUCTURE IN 2018

On 3 April 2018, Olvi plc acquired 80 percent of the stock of Servaali Oy, and since that date, the company has been consolidated with Olvi Group. Servaali Oy is one of Finland's largest private importers of alcoholic beverages. With the acquisition, Olvi is expanding its product portfolio to wines, strengthening its market position in mild alcoholic beverages and responding actively to the potential for growth provided by the changing operating environment.

On 2 July 2018, Olvi plc acquired 67 percent of the stock of The Helsinki Distilling Company, and since that date, the company has been consolidated in Olvi Group. The Helsinki Distilling Company is a rapidly growing company established in 2013 and the first distillery in Helsinki in a century. The acquisition is a part of Olvi's new growth strategy aimed at strengthening Olvi's product portfolio both in the domestic alcoholic beverages market and in the international Premium Craft market.

In Olvi Group's segment reporting, Servaali Oy's and The Helsinki Distilling Company's business operations are included in the figures for Finland.

Furthermore, during the year, Olvi's subsidiary AB Volfas Engelman acquired UAB Lamate, which owns an area of water and land in Lithuania.

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

	2018	**2017**
AS A. Le Coq, Estonia	100.00	100.00
A/S Cēsu Alus, Latvia	99.88	99.88
AB Volfas Engelman, Lithuania	99.58	99.58
OAO Lidskoe Pivo, Belarus	95.87	95.87
Servaali Oy, Finland	80.00	-
The Helsinki Distilling Company, Finland	67.00	-

In addition to these, Olvi plc's subsidiaries have holdings in other companies. A. Le Coq has a 49.0 percent holding in AS Karme and 20.0 percent holding in Verska Mineraalvee OÜ in Estonia. AB Volfas Engelman has a 100 percent holding in UAB Lamate. OAO Lidskoe Pivo has a 100 percent holding in Trade House Lidskoe Pivo, which will be consolidated in the Group's figures starting from the financial statements 2018.

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 mostly 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 2018 both in Finland and by the subsidiaries. New products have been presented in interim reports released during the accounting period, as well as on each company's Web site.

MANAGEMENT AND AUDITORS

The company's Board of Directors consists of Chairman Pentti Hakkarainen, M.Sc. (Econ), LL.M., Vice Chairperson Nora Hortling, M.Sc. (Econ), as well as other members Lasse Heinonen, M.Sc. (Econ), Elisa Markula, M.Sc. (Econ), Päivi Paltola, M.Sc. (Econ) and Heikki Sirviö, M.Sc (Engineering), Honorary Industrial Counsellor.

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

MANAGEMENT

The Management Group of Olvi plc consists of Lasse Aho, Managing Director (Chairman), Ilkka Auvola, Sales Director, Olli Heikkilä, Marketing Director, Pia Hortling, Public Relations and Purchasing Director, Kati Kokkonen, Chief Financial Officer until 30 August 2018, replaced by Tiina-Liisa Liukkonen as of 1 September 2018, 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
Servaali Oy, Helsinki, Finland – Teemu Lehto (Chairman of the Board)
The Helsinki Distilling Company, Helsinki, Finland – Séamus Holohan

The Managing Directors of the subsidiaries report to Lasse Aho, the Managing Director of Olvi plc. The Boards of Directors of the subsidiaries in the Baltic states and Belarus consist of Lasse Aho (Chairman), Pia Hortling, Tiina-Liisa Liukkonen and Lauri Multanen. The Boards of Directors of the subsidiaries in Finland consist of executive managers from the parent company and minority shareholders. The Management Group of each subsidiary consists of the corresponding Managing Director and approximately four sector directors.

OLVI A SHARE AND SHARE MARKET

Olvi's share capital at the end of December 2018 stood at 20.8 million euro. The total number of shares was 20,722,232, of these 16,989,976 or 82.0 percent being publicly traded Series A shares and 3,732,256 or 18.0 percent Series K shares.

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

The total trading volume of Olvi A shares on Nasdaq OMX Helsinki Ltd (Helsinki Stock Exchange) in 2018 was 1,741,051 (1,464,747) shares, which represented 10.2 (8.6) percent of all Series A shares. The value of trading was 52.1 (41.9) million euro.

The Olvi A share was quoted on Nasdaq OMX Helsinki Ltd at 31.50 (29.87) euro at the end of 2018. In January-December, the highest quote for the Series A share was 34.00 (32.49) euro and the lowest quote was 27.00 (25.05) euro. The average share price in 2018 was 29.95 (28.59) euro.

At the end of December 2018, the market capitalisation of Series A shares was 534.4 (507.4) million euro and the market capitalisation of all shares was 651.9 (618.8) million euro.

The number of shareholders at the end of December 2018 was 11,601 (10,800). Foreign holdings plus foreign and Finnish nominee-registered holdings represented 24.8 (23.8) percent of the total number of book entries and 5.6 (5.4) 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 16 April 2018, 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 authorisation is valid for one year starting from the General Meeting and covers a maximum of 500,000 Series A shares.

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

It was proposed that the issue authorisation shall be valid until the closing of the Annual General Meeting 2019, however no longer than 18 months from the General Meeting's decision of issue authorisation.

TREASURY SHARES

At the beginning of January 2018, Olvi plc held 41,125 of its own shares as treasury shares. During January–December 2018, the following changes have occurred in treasury shares.
On 9 May 2018, the Board of Directors of Olvi plc decided to initiate a scheme of acquiring treasury shares based on the authorisation issued by the Annual General Meeting on 16 April 2018. On this basis, the Board will repurchase a maximum of 36,280 Series A shares. The acquired shares shall be used for the purpose of financing or executing any upcoming corporate acquisitions or other arrangements, implementing the company's incentive schemes or for other purposes decided upon by the Board of Directors. The acquisition of shares started on 11 May 2018 and ended on 8 June 2018. At the start of the repurchase scheme, Olvi plc held 41,125 Series A shares as treasury shares. After the end of the scheme, Olvi plc held 77,405 Series A shares as treasury shares. The total purchase price of treasury shares was 1,332,427 euro.

Olvi plc's Annual General Meeting on 21 April 2017 made a decision concerning abandoned or "ghost" shares held in a joint book-entry account. The decision was that the right to a share incorporated in the book-entry system and placed in the joint account, and the rights that the share carries have been forfeited, and authorised the Board of Directors to take all measures called for by the decision. On this basis, 36,576 shares have been transferred from Olvi's joint account to treasury shares on 18 May 2017. At its meeting on 28 May 2018, the Board of Directors of Olvi plc decided to cancel the shares that were gratuitously transferred to Olvi on 18 May 2017. The cancellation of shares was recorded in the Trade Register on 15 June 2018.

Olvi Group's share-based incentive plan for key personnel, the performance period of which was from 1 July 2016 to 30 June 2018, has expired. The target group of the plan included approximately 50 people, and in accordance with the terms and conditions of the plan, rewards were paid in Olvi plc Series A shares and partially in cash. A total of 35,830 Series A shares were handed over as share-based rewards.

In the beginning of December 2018, the Board of Directors of Olvi plc decided to initiate a scheme of acquiring treasury shares based on the authorisation issued by the Annual General Meeting on 16 April 2018. On this basis, the Board will repurchase a maximum of 43,000 Series A shares. The acquired shares shall be used for the purpose of financing or executing any upcoming corporate acquisitions or other arrangements, implementing the company's incentive schemes or for other purposes decided upon by the Board of Directors. The acquisition of shares started on 11 December 2018 and ended on 21 January 2019. At the start of the repurchase scheme, Olvi plc held 4,999 Series A shares as treasury shares. The number of Series A shares held by Olvi plc as treasury shares on 31 December 2018 is 25,728, which represents 0.1 percent of the entire stock. The total acquisition price up to the end of the year is 956,460.18 euro. Treasury shares held by the company itself are ineligible for voting.

FLAGGING NOTICES

During January-December 2018, Olvi has not received any flagging notices in accordance with Chapter 2, Section 10 of the Securities Markets Act.

EVENTS AFTER THE REVIEW PERIOD

Olvi plc's share repurchase scheme continued until 21 January 2019. On the basis of the repurchase scheme, Olvi plc acquired a total of 43,000 Series A shares for a total acquisition price of 1,391,253.37 euro. Olvi plc initiated a new share-based incentive plan for key personnel, the performance period of which is from 1 February 2019 to 31 January 2021. The plan is directed to approximately 60 people. In accordance with the share-based incentive plan, Olvi plc sold a total of 36,456 treasury shares to the target group members for a price of 1,179,522.94 euro. After this, Olvi holds 11,543 treasury shares, the acquisition price of which is 502,763.70 euro.

CORPORATE GOVERNANCE

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

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

The company complies with the Corporate Governance Recommendation for Listed Companies issued by NASDAQ OMX Helsinki Ltd, Finland Chamber of Commerce and the Confederation of Finnish Industries as valid from time to time. In its reporting for 2018, the company complies with the Corporate Governance Code that was approved by the Securities Market Association on 1 October 2015 and entered into force on 1 January 2016.

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

Description of corporate governance policy

The company's corporate governance policy and procedures are described in the Corporate Governance Statement 2018. The statement provides the descriptions of corporate governance called for by the Finnish Corporate Governance Code. The statement includes information on matters such as the General Meeting, Board of Directors and other management, as well as the audit. The statement describes the procedures of internal control and the main features of risk management systems. Furthermore, the statement describes the company's administration of insiders and related parties, as well as the crucial principles and regulations pertaining to administration ((EU) No 596/2014, "MAR"). The company also describes any departures from the guidelines.

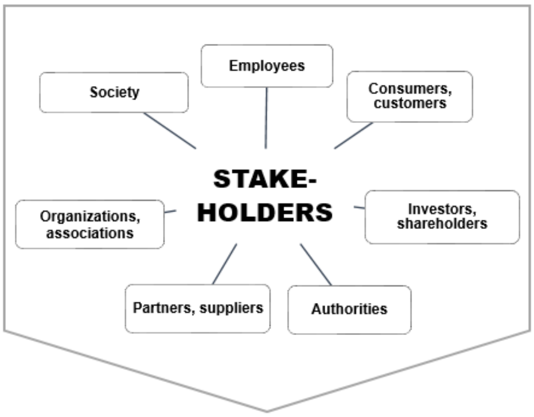
CORPORATE RESPONSIBILITY AND NON-FINANCIAL REPORTING

Management and reporting of corporate responsibility

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

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

Background factors affecting corporate responsibility work include international commitments and treaties such as the Paris climate agreement, the UN sustainable development goals and the International Labour Organization, which gather countries and players together to mitigate climate change and to promote sustainable and fair development. The focal points of responsibility work are also affected by international megatrends such as the values of responsibility and sustainable development, digitalisation, globalisation, demographic future and consumption patterns. Expectations imposed by various stakeholders have also affected the focal points and targets of responsibility work.



Focal points of responsibility

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

A responsible value chain

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

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

Responsibility for the environment

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

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

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

A Group-wide environmental policy defines the objectives and targets for environmental responsibility. These are realised as short and long-term targets and indicators, which are regularly monitored on scorecards.

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

Reducing our carbon footprint

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

Water consumption and wastewater treatment

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

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

Recycling of materials

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

The most important indicators, targets and realised values in the focus area of *environmental responsibility* are:

Consumption per litre produced	**1-12/ 2018**	**1-12/ 2017**
Power, kWh	0.106	0.103
Steam and heat, kWh	0.126	0.163
Water consumption, ltr	2.706	3.475

The Group aims to continuously develop energy efficiency and to reduce energy and water consumption. Recycling of materials is also being made more efficient. The target is to increase the share of green electricity to 100 percent by 2023, and the share of renewable energy used for steam production to 100 percent if possible across Group companies. The long-term target is that by 2030, all energy shall be produced from renewable sources.

Responsible procurement

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

The Group's procurement principles are defined in the responsible procurement policy. Raw materials are purchased from approved suppliers committed to our Code of Conduct. 95% of our contracting partners for raw materials and packaging supplies have signed the Code of Conduct. Our aim is that all partners shall sign the Code of Conduct by the year 2022. Furthermore, the quality of each raw material delivery is assured. In order to develop corporate responsibility within the industry, involvement with local parties is important.

The best workplace

The Group aims to be a positive, fair and safe workplace. The company is a significant employer locally, and its success is supported by skilled, enthusiastic and motivated staff. Our work with responsibility aims to support and sustain a positive corporate culture.

A safe work environment

Every employee has the right to a safe work environment. Continuous work is undertaken to identify and eliminate hazards, thus preventing accidents. The objective is a workplace without accidents, having a smooth workflow. Employees are encouraged to make safety observations, and these are regularly processed in order to develop operations. Each employee receives sufficient introductory training for the job and the associated safety issues and instructions.

Ensuring occupational health and well-being

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

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

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

Equal opportunities

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

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

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

Competence development

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

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

	1-12/ 2018	**1-12/ 2017**
Number of personnel	1,797	1,783
Gender distribution men / women	63/37	63/37
Accidents/year	16	23
Accident frequency *)	4.94	7.26
Training, hours per person	9.01	13.80

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

Accident-free operation is the company's long-term target for 2030. The annual target is to reduce the number of accidents by 10 percent compared to the previous year. A long-term target is to achieve top ranking (AAA) in the People Power personnel survey by 2030.

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

Generating value for stakeholders

A business model enabling the generation of value

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

Olvi's strengths in the market environment include:

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

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

Effects on stakeholders

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

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

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

The most important indicators in this focus area and the realised values are:

EUR 1,000	1-12/ 2018	1-12/ 2017
Payments to suppliers	482,114	463,205
Wages and salaries	27,236	24,767
Dividends paid	16,587	15,574
Taxes paid and collected	476,621	391,391
Interest paid	603	491

Tax footprint

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

EUR 1,000	1-12/ 2018	1-12/ 2017
Taxes paid by the company		
Income tax	10,100	5,317
Real estate tax	215	530
Social security contributions	9,402	8,267
Other taxes	666	390
Total	20,383	14,504
Taxes collected by the company		
Value added tax	116,312	93,382
Excise tax	334,193	278,382
Other taxes	5,733	5,123
Total	456,238	376,887

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

Consumer communications

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

Products are manufactured to high standards, and must comply with laws, official regulations and quality standards. The management of product safety risks is conducted through the HACCP (Hazard Analysis and Critical Control Points) system and self-control. Olvi, Cēsu Alus and Lidskoe Pivo have certified product safety systems in place. A. Le Coq and Volfas Engelman will introduce such systems by 2020. In addition to product safety, crucial factors affecting success in the long term include tasty and responsibly manufactured products that fulfil consumer expectations.

Brands and products are means of communication towards consumers, and for this reason, the role of responsible marketing is crucial to the realisation of corporate responsibility. Sufficient, clear and transparent presentation of product information on packaging and Web pages is at the core of responsible consumer information. Consumers are guided towards enjoying our products responsibly and moderately. Moderate consumption of our products is promoted in close co-operation with national and international beverage industry players and associations.

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

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

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

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

Ethical operating practices are crystallised in the company’s Code of Conduct. The Code also includes principles concerning respect for human rights and fighting corruption and bribery. The Group’s target is zero tolerance against human rights violations, corruption or bribery.

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

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

Respect for human rights emphasises equal treatment of personnel, a safe working environment and diversity of management, as well as responsible procurement. Personnel is guided towards respect for human rights and zero tolerance on corruption and bribery through training as well as the general HR policy and a policy for preventing misconduct. Responsible procurement means that primary suppliers shall commit to the operating principles in Olvi Group's Code of Conduct. The Group monitors the number of suppliers committed to the operating principles.

Since 2018, the Group has had a whistleblowing channel addressing ethical operating principles, respect for human rights and the fight against corruption and bribery. The management has not become informed of a single case of unethical action through this channel or any other means.

DIVERSITY OF THE BOARD OF DIRECTORS AND MANAGEMENT

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

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

PERSONNEL

Olvi Group's human resources policy provides guidelines on general HR management practices aimed at

- maintaining an interesting and professionally developing employer image and ensuring that our personnel and their competence allow the realisation of our business strategy
- supporting personnel and making them committed to good performance
- maintaining well-being at work and working capacity
- building a positive and innovative corporate culture
- ensuring our ability to function as a Group of companies and to utilise the Group's resources, competence and experience for continuous renewal and development.

Olvi Group's HR management is based on the values of Olvi plc and responsible operating principles. The promotion of a good working community is the responsibility of every Olvi employee.

Olvi Group has a shared mission statement and vision. The business strategies in all of the operating countries are largely similar and based on the same values.
In implementing the strategies, Olvi plc approves local flexibility in the means used for achieving targets because the operating environments and competitive situations of the companies are different.

Olvi Group's annual targets are put into practice in the organisation through the annual planning process, result cards, appraisal discussions and day-to-day management. The competence of personnel is maintained through continuous training. Smooth and efficient work is a foundation for well-being. Operations and work are continuously developed in accordance with Lean thinking. Olvi issues a separate human resources statement each year for internal use within the company.

Olvi Group's average number of personnel in January-December was 1,797 (1,783). The Group's average number of personnel increased by 14 people or 0.8 percent. The average number of personnel in the Baltic states decreased by 41 people from January to December. The figure in Finland increased by 34 people and in Belarus by 21 people.

Olvi Group's average number of personnel by country:

	1-12/ 2018	1-12/ 2017
Finland	371	337
Estonia	301	327
Latvia	194	196
Lithuania	215	228
Belarus	716	695
Total	**1,797**	**1,783**

WAGES, SALARIES AND EMOLUMENTS

Wages, salaries and emoluments in the accounting period:

EUR 1,000	2018	2017
Wages, salaries and emoluments	38,497	36,563

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 2018 and the Remuneration Report 2018. The reports have been made available on the company's Web site www.olvigroup.fi simultaneously with the publication of the operating report. The reports are not updated during the accounting period, but up-to-date information on the subject areas included in them can be presented on the company's Web site as necessary.

REMUNERATION SCHEMES

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

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

Components of remuneration to personnel

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

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

Short-term incentives

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

In 2018, the Group has had a performance bonus scheme based on operating profit. The entire personnel in Finland is included in the scope of performance bonuses, while in other Group companies, the scope includes the management group members. Furthermore, Olvi Group's subsidiaries have incentive schemes that cover either the entire personnel or the company's key employees and are based on the achievement of targets specified in performance cards.

Long-term incentives

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

The share-based incentive plan for key personnel that started in 2016 has been active during the review period and expired on 30 June 2018. In accordance with the terms and conditions of the plan, the bonuses were paid partially in Olvi plc's Series A shares and partially in cash. The prerequisite for receiving reward was that a key employee purchased the company's Series A shares up to the maximum number determined by the Board of Directors. Furthermore, entitlement to a reward was tied to the continuance of employment or service upon reward payment. Upon expiration of the share-based incentive plan, the Group handed over a total of 35,380 of its own Series A shares to the participants.

The share-based incentive plans are described in more detail in Note 23 to the financial statements, Share-based payments.

Personnel fund

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

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

BUSINESS RISKS AND THEIR MANAGEMENT

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

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

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

Strategic risks

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

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

Operational risks

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

Raw materials

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

Production process

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

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

Markets and customers

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

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

Personnel

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

Information security and IT

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

Financing risks

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

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

Responsibility for Olvi Group's financing tasks is centralised in the parent company Olvi. The objectives of centralisation include optimisation of cash flows and financing costs, as well as efficient risk management. Financing risks are described in more detail in Note 26 to the consolidated financial statements, Management of financing risks.

BUSINESS RISKS AND UNCERTAINTIES IN THE NEAR TERM

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

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

Olvi Group's operations are also affected by changes in consumer behaviour and the operations of our clientele arising from changes in official regulations in each of the operating countries. The implemented and planned excise tax hikes in Estonia will 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 long-term effect of the change on the entire Olvi Group's business operations and earnings development is still difficult to estimate because there are several contributing factors, such as the pricing policies of companies doing business in harbours and on board after the excise duty changes. The amended Finnish Alcohol Act has also had an effect on consumer behaviour, and among other things, if wines were introduced to grocery stores, this would substantially affect Olvi's business in the future.

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

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 in 2019 will be on a par with the previous year, net sales will increase clearly and comparable operating profit will be on a par with the previous year. Even though Olvi Group has a strong market position in all of its main market areas, weather conditions in the high season are of great importance with regard to achieving the full-year sales volume targets. The two first quarters are expected to be most challenging for earnings development; higher prices of raw materials will become effective at the beginning of the year but sales prices will be increased during the spring.

BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFIT

The parent company Olvi plc had 70.3 (52.3) million euro of distributable funds on 31 December 2018, of which profit for the period accounted for 35.2 (19.9) 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 0.90 (0.80) euro shall be paid for 2018 on each Series K and Series A share, totalling 18.6 (16.6) million euro. The dividend represents 45.7 (46.1) percent of Olvi Group's earnings per share. The dividends will be paid in two instalments. The first instalment of 0.45 euro per share will be paid on 9 May 2019 to shareholders registered in the register of shareholders held by Euroclear Finland Ltd on the record date 18 April 2019. The second instalment of 0.45 euro per share will be paid on 9 September 2019 to shareholders registered in the register of shareholders held by Euroclear Finland Ltd on the record date 2 September 2019. No dividend shall be paid on treasury shares.

2) 51.7 million euro shall be retained in the parent company's non-restricted equity.

FINANCIAL REPORTS IN 2019

Olvi Group's Annual Report will be published on 22 March 2019. The annual report will include the Board of Directors' report, the Group's and the parent company's financial statements, as well as the auditors' report regarding the accounting period 1 January to 31 December 2018. At the same time, the company will issue its corporate governance statement and a report on wages, salaries and emoluments in fiscal 2018.

The notice to convene Olvi plc's Annual General Meeting, which will be held on 16 April 2019 in Iisalmi, will be published on 22 March 2019. 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 2019:

- Interim report from January to March on 2 May 2019
- Interim report from January to June on 15 August 2019, and
- Interim report from January to September on 30 October 2019.

OLVI PLC
Board of Directors

Consolidated Financial Ratios 2016 to 2018

BUSINESS VOLUME AND PROFITABILITY			
EUR 1,000	**2018 IFRS**	**2017 IFRS**	**2016 IFRS**
Net sales	384,302	345,185	320,683
Change, %	11.3	7.6	3.3
Operating profit	50,150	44,747	40,445
% of net sales	13.0	13.0	12.6
Financial income and expenses	-997	-2,341	-609
Profit before tax	49,176	42,336	39,873
% of net sales	12.8	12.3	12.4
Net profit for the period	41,137	36,124	32,794
% of net sales	10.7	10.5	10.2
Balance sheet total	365,446	338,619	328,505
Cash flow ratio, %	16.1	16.5	16.1
Return on investment, % (ROI)	21.2	19.7	18.1
Return on equity, % (ROE)	18.1	17.2	16.9
Equity to total assets, %	64.9	64.1	62.0
Current ratio	1.1	1.2	1.0
Gearing, %	-6.0	-7.1	2.1
Gross capital expenditure on fixed assets	34,234	21,710	20,453
% of net sales	8.9	6.3	6.4
Net capital expenditure on fixed assets	30,749	18,847	18,036
% of net sales	8.0	5.5	5.6
Average number of personnel:			
Olvi plc	371	337	329
Personnel in Estonia, Latvia, Lithuania and Belarus	1,426	1,446	1,530
Total employees	1,797	1,783	1,859

PER-SHARE RATIOS			
	2018 IFRS	**2017 IFRS**	**2016 IFRS**
Earnings per share (EPS), euro, undiluted	1.97	1.73	1.57
Earnings per share (EPS), euro, diluted	1.97	1.73	1.57
Equity per share, euro	11.31	10.41	9.73
*) Pay-out ratio, %	45.7	46.1	47.9
Price/Earnings ratio (P/E)	16.0	17.2	17.9

*) The amount of dividend used for calculating the 2018 ratios is the Board of Directors' proposal to the Annual General Meeting.

OLVI PLC

Parent company's financial ratios 2016 to 2018

BUSINESS VOLUME AND PROFITABILITY			
EUR 1,000	**2018**	**2017**	**2016**
Net sales	140,692	131,457	118,876
Change, %	7.0	10.6	15.6
Operating profit	18,369	12,719	10,775
% of net sales	13.1	9.7	9.1
Financial income and expenses	21,891	10,614	9,252
Profit before extraordinary items	40,260	23,333	20,027
% of net sales	28.6	17.7	16.8
Profit before provisions and taxes	40,260	23,333	20,027
% of net sales	28.6	17.7	16.8
Net profit for the period	35,210	19,903	14,697
% of net sales	25.0	15.1	12.4
Balance sheet total	248,407	232,367	224,181
Cash flow ratio, %	31.9	22.5	22.0
Return on investment, % (ROI)	24.2	14.9	13.2
Return on equity, % (ROE)	35.3	22.6	21.3
Equity to total assets, %	46.3	41.1	40.2
Current ratio	0.5	0.7	0.5
Gearing, %	42.1	43.4	58.5
Gross capital expenditure on fixed assets	13,274	9,055	6,127
% of net sales	9.4	6.9	5.2
Net capital expenditure on fixed assets	11,800	7,713	6,110
% of net sales	8.4	5.9	5.1
Average number of personnel	349	337	329

PER-SHARE RATIOS	**2018**	**2017**	**2016**
Earnings per share (EPS), euro	1.79	1.01	0.91
Equity per share, euro	5.56	4.61	4.34
*) Nominal dividend per share, euro	0.90	0.80	0.75
*) Effective dividend yield, %	2.86	2.68	2.68
*) Pay-out ratio, %	50.1	79.0	82.5
Price/Earnings ratio (P/E)	17.6	29.5	30.8
Price of Series A share			
at year-end, euro	31.50	29.87	28.00
high, euro	34.00	32.49	28.51
low, euro	27.00	25.05	20.30
average price, euro	29.95	28.59	25.17
Trading volume of A shares	1,741,051	1,464,747	881,172
% of all A shares outstanding	10.2	8.6	5.2
Market capitalisation of A shares 31 Dec, MEUR	534.4	507.4	476.4
Market capitalisation of K shares 31 Dec, MEUR	117.6	111.5	104.5
Total market capitalisation, MEUR	651.9	618.8	580.9
Number of shares			
year's average number, adjusted for share issues **)	20,711,397	20,728,115	20,747,742
number at year-end adjusted for dilution from warrants **)	20,696,504	20,717,683	20,747,684

*) The amount of dividend used for calculating the 2018 ratios is the Board of Directors' proposal to the Annual General Meeting.

**) Treasury shares held by Olvi plc deducted.

Calculation of Financial Ratios

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

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

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

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

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

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

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

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income

		1 JAN TO 31 DEC 2018		1 JAN TO 31 DEC 2017	
	Note	EUR 1,000	%	EUR 1,000	%
NET SALES	1	**384,302**	**100.0**	**345,185**	**100.0**
Increase (+)/decrease (-) in inventories of finished and unfinished products		-1,096	-0.3	1,098	0.3
Manufacture for own use		51	0.0	88	0.0
Other operating income	3	2,144	0.6	2,034	0.6
Materials and services	4	189,911	49.4	164,562	47.7
Personnel expenses	6	47,119	12.3	45,639	13.2
Depreciation and impairment	5	20,602	5.4	20,755	6.0
Other operating expenses	4	77,619	20.2	72,702	21.0
OPERATING PROFIT		**50,150**	**12.9**	**44,747**	**13.0**
Financial income	8	432	0.1	477	0.1
Financial expenses	9	-1,429	-0.4	-2,819	-0.8
Share of profit in associates	32	23	0.0	-69	0.0
PROFIT BEFORE TAXES		**49,176**	**12.7**	**42,336**	**12.3**
Income taxes	10	-8,039	-2.1	-6,212	-1.8
NET PROFIT FOR THE PERIOD		**41,137**	**10.6**	**36,124**	**10.5**
Other comprehensive income items that may be subsequently reclassified to profit and loss:					
Translation differences related to foreign subsidiaries		-2,713	-0.7	-7,278	-2.1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**38,424**	**9.9**	**28,846**	**8.4**
Distribution of profit:					
- parent company shareholders		40,809	10.6	35,956	10.4
- non-controlling interests		328	0.1	168	0.1
Distribution of comprehensive income:					
- parent company shareholders		38,169	9.9	28,872	8.4
- non-controlling interests		255	0.1	-26	0.0
Earnings per share calculated from the profit belonging to parent company shareholders:					
Undiluted earnings per share (EUR)		1.97		1.73	
Diluted earnings per share (EUR)		1.97		1.73	

The notes constitute an essential part of the financial statements.

Consolidated Balance Sheet

	Note	31/12/2018 EUR 1,000	%	31/12/2017 EUR 1,000	%
ASSETS					
Non-current assets					
Tangible assets	12	195,599		188,155	
Goodwill	13.14	26,134		15,279	
Other intangible assets	13	11,481		5,340	
Shares in associates		1,016		1,113	
Investments	16	543		543	
Loan receivables and other non-current receivables	17	235		433	
Deferred tax receivables	20	558		379	
Total non-current assets		**235,566**	**64.5**	**211,242**	**62.4**
Current assets					
Inventories	18	39,882		34,336	
Accounts receivable and other receivables	19	71,038		64,181	
Income tax receivable		439		235	
Liquid assets	21	18,520		28,625	
Total current assets		**129,880**	**35.5**	**127,377**	**37.6**
TOTAL ASSETS		**365,446**	**100.0**	**338,619**	**100.0**
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity held by parent company shareholders					
Share capital	22	20,759		20,759	
Other reserves	22	1,092		1,092	
Treasury shares	22	-956		-228	
Translation differences		-46,746		-44,106	
Retained earnings		259,864		238,242	
Total shareholders' equity held by parent company shareholders		**234,013**	**64.0**	**215,759**	**63.7**
Share belonging to non-controlling interests		3,165	0.9	1,228	0.4
Total shareholders' equity		**237,178**	**64.9**	**216,987**	**64.1**
Non-current liabilities					
Financial liabilities	24	1,167		4,651	
Other liabilities		4,765		28	
Deferred tax liabilities	20	8,085		6,443	
Current liabilities					
Financial liabilities	24	3,554		8,573	
Accounts payable and other liabilities	25	110,222		100,052	
Income tax liability		475		1,885	
Total liabilities		**128,268**	**35.1**	**121,632**	**35.9**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**365,446**	**100.0**	**338,619**	**100.0**

The notes constitute an essential part of the financial statements.

Consolidated Cash Flow Statement

	Note	1-12/2018 EUR 1,000	1-12/2017 EUR 1,000
Cash flow from operations			
Net profit for the period		41,137	36,124
Adjustments:	27		
Depreciation and impairment	5	20,602	20,755
Other adjustments		10,459	8,894
Change in net working capital:			
Increase (-) / decrease (+) in current interest-free accounts receivable and other receivables		-796	-10,936
Increase (-) / decrease (+) in inventories		-577	-2,131
Increase (+) / decrease (-) in current interest-free liabilities		2,782	9,303
Interest paid		-603	-491
Interest received		440	271
Dividends received		123	4
Taxes paid		-10,525	-4,713
Cash flow from operations (A)		**63,042**	**57,080**
Cash flow from investments			
Investments in tangible assets		-30,803	-21,204
Investments in intangible assets		-1,512	-904
Capital gains on disposal of tangible assets		1,796	1,682
Expenditure on other investments		0	-345
Shares purchased in subsidiaries		-16,059	0
Cash flow from investments (B)		**-46,578**	**-20,771**
Cash flow from financing			
Withdrawals of loans		13,543	0
Repayments of loans		-21,641	-11,491
Acquisition of treasury shares		-1,770	0
Dividends paid		-16,587	-15,574
Increase (-)/decrease (+) in current interest-bearing business receivables		316	15
Cash flow from financing (C)		**-26,139**	**-27,050**
Increase (+)/decrease (-) in liquid assets (A+B+C)		**-9,675**	**9,259**
Liquid assets 1 January		**28,625**	**20,297**
Effect of exchange rate changes		-430	-931
Liquid assets 31 December	21	**18,520**	**28,625**

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

	SHAREHOLDERS' EQUITY BELONGING TO PARENT COMPANY SHAREHOLDERS						
EUR 1,000	**A**	**B**	**C**	**D**	**E**	**F**	**G**
Shareholders' equity 1 Jan 2018	**20,759**	**1,092**	**-228**	**-44,106**	**238,242**	**1,228**	**216,987**
Comprehensive income							
Net profit for the period					40,809	328	41,137
Other comprehensive income items							
Translation differences				-2,640		-73	-2,713
Total comprehensive income for the period				**-2,640**	**40,809**	**255**	**38,424**
Transactions with shareholders							
Payment of dividends					-16,574	-200	-16,774
Acquisition of treasury shares			-1,770				-1,770
Share-based incentives, value of work performed					391		391
Issue of treasury shares to employees			1,042		-1,042		0
Adjustment to previous periods					37	2	39
Total transactions with shareholders			**-728**		**-17,188**	**-198**	**-18,114**
Changes in holdings in subsidiaries							
Obligation to redeem shares from non-controlling interests					-1,999		-1,999
Change in share belonging to non-controlling interests						1,880	1,880
Total changes in holdings in subsidiaries					**-1,999**	**1,880**	**-119**
Shareholders' equity 31 Dec 2018	**20,759**	**1,092**	**-956**	**-46,746**	**259,864**	**3,165**	**237,178**

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, whisky and other non-alcoholic and alcoholic beverages. The companies belonging to Olvi Group are located in Finland, Estonia, Latvia, Lithuania and Belarus.

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

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

The accounting period of Group companies is generally the calendar year. An exception to this is Servaali Oy, which became a Group company through an acquisition and whose accounting period ended on 30 June 2018. The Finnish Accounting Board has granted Servaali an exemption from the requirement to have the same financial year as the parent company, valid until the end of 2020.

Olvi plc's Board of Directors has approved the disclosure of the financial statements bulletin for 2018 on 25 February 2019. 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 2018. 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 and liabilities recognised at fair value through other comprehensive income or through profit or loss, derivative contracts, as well as share-based transactions settled in cash, which have been recognised at fair value. The financial statement information is presented in thousands of euros (EUR 1,000). For the sake of presentation, individual figures and totals have been rounded to full thousands, which may cause rounding differences in additions.

Consolidation principles

Subsidiaries

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

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

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

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

Associates

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

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

Conversion of items in foreign currency

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

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

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

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

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

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

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

Furthermore, the application of accounting policies requires choice and consideration. This applies particularly to cases in which valid

IFRS standards provide for alternative methods of recognition, measurement or presentation.

Factors of uncertainty associated with estimates

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

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

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

The most important sectors in which management has applied consideration and that require the use of estimates and assumptions are goodwill testing (more information in Note 14, Impairment and goodwill testing), estimates related to corporate acquisitions, as well as deferred tax receivables and liabilities (more information in Note 20, Deferred tax receivables and
liabilities).

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

New and upcoming IFRS standards applicable to accounting periods beginning on or after 1 January 2018

The consolidated financial statements have been prepared in accordance with the same accounting policies used in 2017, with the exception of the following new standards, interpretations and revisions to existing standards that the Group has applied since 1 January 2018.

Subject	Crucial requirements	Effective date *)
IFRS 15 *Revenue from Contracts with Customers and associated amendments to several other standards*	The Group has adopted IFRS 15 Revenue from Contracts with Customers as of 1 January 2018. IFRS 15 replaced IAS 18 concerning the sales of goods and services, as well as IAS 11 concerning construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to the customer – so the notion of control replaces the existing notion of risks and rewards. A new five-step process must be applied to revenue recognition: - identify contracts with customers - identify the separate performance obligations - determine the transaction price of the contract - allocate the transaction price to each of the separate performance obligations, and - recognise the revenue as each performance obligation is satisfied. The Group has reviewed its customer contracts and analysed the effect of the new standard on the consolidated financial statements, recognition practices, systems and processes.	1 January 2018

	A substantial part of the Group's customer contracts relates to the sale of beverage products. Approximately 99% of the Group's sales comes from beverage products. The performance obligation for beverage products comprises the delivery of beverages to customers, and the contracts do not have any service elements or other separable elements. Control over beverage products passes to the customer in accordance with their delivery terms, usually within the day of delivery. The contracts include volume discounts and annual discounts, the estimated effect of which is deducted from net sales in the same period for which the sales income is recognised. The amendment to the standard has not been found to have any effect on the recognition practice. The Group has analysed the impact of the new standard on the transaction price of a performance obligation and noted that the amendment to the standard will not affect the transaction price or the consolidated income statement with regard to the sales of beverage products. The time of fulfilment of the performance obligation also corresponds to the present time of income recognition for the sales of beverage products. Due to the nature of the Group's business and the previous recognition practice, the adoption of the new recognition standard did not have any substantial effect on the consolidated income statement or balance sheet, and it did not impose any changes on recognition practices. However, the amendment affected the presentation of the financial statements through the imposed effects on the disclosure of notes. The notes now include a more detailed breakdown of segment revenue to comply with the presentation requirements of the standard. The Group adopted the standard by providing additional information non-retroactively, and no retroactive adjustments to consolidated shareholders equity have been made as a result of the adoption.	
IFRS 9 Financial Instruments *and associated amendments to several other standards*	The Group has adopted IFRS 9 Financial Instruments as of 1 January 2018. IFRS 9 replaces the previous IAS 39 Financial Instruments standard. *IFRS 9 Financial Instruments* addresses the classification of financial assets and liabilities, their measurement and derecognition, revises the rules for hedge accounting and provides for a new impairment model for financial assets. As a result of the adoption of IFRS 9, the following changes have been made to the consolidated income statement and balance sheet: Assets previously classified as financial assets available for sale (0.5 million euro) have been reclassified under the new standard as Financial assets measured at fair value through other comprehensive income. The change in classification does not have any effect on the Group's earnings.	1 January 2018

	The new impairment model for financial assets requires the recognition of an impairment provision based on expected credit losses. The amendment applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. As of 1 January 2018, the Group has introduced a provision matrix related to credit losses on accounts receivable. According to this, a credit loss provision is booked to the amount of expected credit losses over the entire life of an asset when a financial asset is initially recognised on the balance sheet. The special characteristics of each country are accounted for when determining the amount of the credit loss provision. The adoption of the credit loss matrix has had an impact of 149 thousand euro on consolidated earnings. No retroactive adjustments have been made to accrued earnings. The new standard also introduces more extensive disclosure requirements and changes in presentation. These affect the nature and extent of information presented in the consolidated financial statements.	
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 adoption of the standard has not had any effect on the consolidated financial statements.	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	IFRIC 22 provides guidance on the exchange rate that should be applied to foreign currency items (such as sales transactions) at the time of reporting when performance has been provided or received in advance. The adoption of the standard has not had any effect on the consolidated financial statements.	1 January 2018

IFRS standards, interpretations and amendments coming into force later

Subject	Crucial requirements	Effective date *)
IFRS 16 Leases	IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the lessee's balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The standard will affect primarily the accounting for the Group's operating leases. The Group's operational lease commitments that will hereafter be recognised in the balance sheet amount to 1,399 thousand euro at the balance sheet date. In addition to the balance sheet, 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. Thus the adoption of IFRS 16 is expected to increase the Group's gross margin. The adoption of the standard will not have any significant effect at the operating profit level. With regard to the cash flow statement, the adoption of IFRS 16 will increase cash flow from operations and decrease cash flow from financing. The Group's leases concern the rental of individual office spaces and logistics premises, as well as machinery and equipment. Some of the Group's leases are either short-term or low-value, and the relief allowed in the standard is applied to these. A simplified approach to adoption will be taken, with no adjustments to the comparison figures for the previous year. The Group's operations as a lessor are not substantial and are therefore not expected to have any significant effect on the financial statements. The standard must be adopted in accounting periods starting on or after 1 January 2019.	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	IFRIC 23 provides guidance on the analysis, presentation and assessment of uncertainties in income taxes. The Group estimates that the adoption of the standard will not have any effect on the Group's future financial statements.	1 January 2019
IFRS 9 Amendments	The amendment addresses the recognition of a debt instrument if a contract is terminated or amended prematurely. The Group estimates that the adoption of the amendment will not have any effect on the Group's future financial statements.	1 January 2019
Annual improvements to IFRS	Amendments apply to the following standards: IFRS 3, IFRS 11, IAS 12 and IAS 23. The Group estimates that the amendments will not have any effect on the Group's future financial statements.	1 January 2019

IAS 1 and IAS 8 amendments to the definition of 'material'	The amendment clarifies the definition of 'material'. The Group estimates that the amendments will not have any effect on the Group's future financial statements.	1 January 2020

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

Notes to the Consolidated Financial Statements

1. Segment information

Accounting policies

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

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

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

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

Principles for recognition of income

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

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

Sales of beverage products are recognised when the Group has delivered the products to the customer and when control over the products has 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. Lease income on equipment is recognised over the lease period.

Beverage sales often involve annual discounts. Sales are recognised at the price specified in the sales contract less annual discounts per the terms and conditions of contract, as well as any returns of defective products estimated at the time of sale. The Group 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. The accounting policies for leases are described in Note 11, Property, plant and equipment.

Operating profit

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.*

Sales of operating segments in 2018 and 2017

1,000 litres	Finland	Estonia	Latvia	Lithuania	Belarus	Elimin-ations	Group
Sales in 2018	213,205	110,733	75,590	95,384	228,161	-21,800	701,273
Sales in 2017	199,717	112,794	76,326	85,381	196,389	-27,583	643,024

Operating segments 2018 in accordance with asset locations

EUR 1,000	Finland	Estonia	Latvia	Lithuania	Belarus	Elimin-ations	Group
INCOME							
External sales	158,397	65,626	37,630	40,862	81,787	0	384,302
Beverage sales	156,733	65,626	37,630	40,862	81,787	0	382,638
Eqpt services	1,664	0	0	0	0	0	1,664
Internal sales	899	4,751	2,201	2,189	306	-10,346	0
Total net sales	**159,296**	**70,377**	**39,831**	**43,051**	**82,093**	**-10,346**	**384,302**
EARNINGS							
Operating profit for the segment	18,510	14,011	4,328	3,658	10,320	-677	50,150
Financial income							432
Financial expenses							-1,429
Share of profit in associates							23
Income taxes							-8,039
Net profit for the period							**41,137**
OTHER INFORMATION							
Segment assets	214,587	66,075	31,952	51,353	68,895	-86,934	345,928
Unallocated assets							19,518
Total consolidated assets							**365,446**
Segment liabilities	81,575	10,945	5,973	9,082	10,925	-3,744	114,756
Unallocated liabilities							13,511
Total consolidated liabilities							**128,268**
Segment investments	13,438	4,060	2,188	7,830	6,717	0	34,233
Unallocated investments							0
Total investments							**34,233**
Depreciation	7,829	3,287	2,074	2,486	4,540	385	20,601

Operating segments 2017 in accordance with asset locations

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

Net sales in geographical regions 2018 in accordance with customer locations

EUR 1,000	Finland	Estonia	Latvia	Lithuania	Belarus	Other countries	Elimin-ations	Group
External sales	154,895	54,822	42,915	40,863	68,980	21,827	0	384,302
Internal sales	1,940	2,170	1,985	2,178	2,074	0	-10,347	0
Total net sales	**156,835**	**56,992**	**44,900**	**43,041**	**71,054**	**21,827**	**-10,347**	**384,302**

Net sales in geographical regions 2017 in accordance with customer locations

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

2. Business Combinations

The Helsinki Distilling Company

On 2 July 2018, Olvi plc acquired 67 percent of the stock of The Helsinki Distilling Company. The Helsinki Distilling Company focuses on the manufacture of strong alcoholic products, of which Helsinki Whiskey and Helsinki Dry Gin are the best known. The company also has a subsidiary called Tislaamo – Distillery Bar, which operates an exhibition space and restaurant. Through the acquisition, Olvi expands its operations to strong alcoholic beverages. The Helsinki Distilling Company brings a substantial addition to our expertise in this sector.

The acquisition was executed through a share purchase, and the debt-free sales price for a 67 percent stake was approximately 2.3 million euro, paid on 2 July 2018. Furthermore, Olvi subscribed to 195,643 Series B shares in a private placing. The agreement also includes a conditional additional sales price that will be due for payment on 30 April 2019.

The agreement includes an option for Olvi to redeem the remaining 33% within the next few years, and accordingly includes the right of minority shareholders to sell this remainder to Olvi. A liability has been recognised in the interim report for this obligation of redemption.

The Helsinki Distilling Company has been consolidated in Olvi Group since the beginning of July 2018. The share of non-controlling interests has not been recognised but the acquisition has been treated as a 100-percent takeover. In Olvi Group's segment reporting, The Helsinki Distilling Company's business operations are included in the figures for Finland.

The operating profit for January-December includes 223.5 thousand euro of expenses related to the acquisition.

The following tables present a summary of the acquisition price and the fair value of the assets acquired and liabilities assumed at the time of acquisition. The balance sheet has been prepared in its essential parts in accordance with IFRS and Olvi Group's accounting policies.

Acquisition price	
EUR 1,000	
Paid in cash	2,261
Estimated fair value of conditional sales price	27
Estimated fair value of redemption obligation	899
Total acquisition price 100%	3,187

Amounts recognised for assets acquired and liabilities assumed (100 %)	
EUR 1,000	
Tangible assets	561
Intangible assets	
Intangible rights based on customers	207
Intangible rights related to markets	653
Other intangible assets	312
Inventories	1,373
Accounts receivable and other receivables	355
Deferred tax receivables	165
Liquid assets	8
Accounts payable and other liabilities	730
Deferred tax liabilities	402
Interest-bearing liabilities	518
Identifiable net assets total	1,984
Goodwill	1,203

Servaali Oy

On 3 April 2018, Olvi plc acquired 80 percent of the stock of Servaali Oy. Servaali Oy is one of Finland's largest private importers of alcoholic beverages. With the acquisition, Olvi is expanding its product portfolio to wines, strengthening its market position in mild alcoholic beverages and responding actively to the potential for growth provided by the changing operating environment.

The acquisition was executed through a share purchase, and the debt-free sales price for a 80 percent stake was 15.8 million euro, paid on 3 April 2018. The agreement also includes an additional sales price based on the company's profitability development over an agreed review period of several years. The additional sales price has been determined on the basis of the current value of estimated future cash flows. The applicable discount rate of interest has been 9%. The conditional additional sales price will be due for payment on 30 November 2021.

The agreement includes an option for Olvi to redeem the remaining 20% of Servaali within the next few years, and accordingly includes the right of Momentin Group Oy to sell this remainder to Olvi. A liability has been recognised for this obligation of redemption.

Servaali Oy has been consolidated in Olvi Group since the beginning of April 2018. In Olvi Group's segment reporting, Servaali's business operations are included in the figures for Finland.

The operating profit for January-December includes 570.9 thousand euro of expenses related to the acquisition.

The following tables present a summary of the acquisition price and the fair value of the assets acquired and liabilities assumed at the time of acquisition. The balance sheet has been prepared in its essential parts in accordance with IFRS and Olvi Group's accounting policies.

Acquisition price	
EUR 1,000	
Paid in cash	15,800
Estimated fair value of condit. add'l sales price	1,592
Share belonging to non-controlling interests (20 %)	1,880
Total acquisition price 100%	19,272

Amounts recognised for assets acquired and liabilities assumed (100 %)	
EUR 1,000	
Tangible assets	190
Intangible assets	
Intangible rights based on customers	3,325
Intangible rights related to markets	1,122
Inventories	3,261
Accounts receivable and other receivables	5,992
Deferred tax receivables	93
Liquid assets	1,994
Accounts payable and other liabilities	5,300
Deferred tax liabilities	935
Interest-bearing liabilities	343
Identifiable net assets total	9,400
Goodwill	9,872
Share of net assets belonging to non-controlling interests (20%) *)	1,880

*) The company has measured the share of non-controlling interests (20%) as a share of the fair value of the object's net assets.

If the companies had been included in the Group since the beginning of the accounting period, the net sales for January-December would have been approximately 390,3 million euro and the operating profit 50,2 million euro.

3. Other operating income

EUR 1,000	2018	2017
Sales gains on property, plant and equipment	219	172
Rental income	179	193
Others	1,746	1,669
Total	**2,144**	**2,034**

Other operating income consists of items such as insurance compensation, project grants and energy tax refunds.

4. Materials and services and Other operating expenses

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

EUR 1,000	2018	2017
Sales losses and scrapping of property, plant and equipment	118	145
Rental costs	3,725	3,440
Sales freights and other variable costs	36,587	37,252
Other fixed costs	37,189	31,865
Total	**77,619**	**72,702**

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

5. Depreciation and impairment

EUR 1,000	2018	2017
Depreciation and impairment on tangible assets:		
Buildings	3,575	3,500
Machinery and equipment	11,639	10,954
Machinery and equipment, finance lease	527	785
Other tangible assets	3,110	4,355
Other tangible assets, finance lease	84	113
Total depreciation and impairment on tangible assets	18,935	19,707
Amortisation and impairment on intangible assets:		
Intangible assets	1,667	1,048
Total amortisation and impairment on intangible assets	1,667	1,048
Total	**20,602**	**20,755**

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

6. Costs of employee benefits

Accounting policies concerning employee benefits

Pension obligations

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

Share-based payments

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

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

EUR 1,000	**2018**	**2017**
Wages and salaries	38,497	36,563
Pension costs - defined contribution	3,075	2,873
Benefits exercised and payable in stock	427	500
Benefits payable in cash	355	701
Other personnel expenses	4,765	5,002
Total	**47,119**	**45,639**
Group personnel on average during the period		
Finland	371	337
Estonia	301	327
Latvia	194	196
Lithuania	215	228
Belarus	716	695
Total	**1,797**	**1,783**

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 600 thousand euro of R&D costs recognised as expenses in 2018 (542 thousand euro in 2017), which is 0.2 (0.2) percent of net sales.

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

8. Financial income

Accounting policies

Interest
Interest income is recognised on the basis of elapsed time using the effective interest method. Interest income from impaired loan receivables is recognised in accordance with original effective interest.

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

EUR 1,000	**2018**	**2017**
Dividend income from investments held as fixed assets	3	4
Interest income from bank deposits	324	173
Other interest and financial income	105	300
Total	**432**	**477**

9. Financial expenses

EUR 1,000	**2018**	**2017**
Interest expenses on finance lease contracts	26	74
Interest expenses on financial liabilities measured at original amortised cost	241	305
Net gains (-) / losses (+) from interest derivatives	-38	-102
Other financial expenses	1,200	2,542
Total	**1,429**	**2,819**

Other financial expenses consist mostly of unrealised foreign exchange losses.

The accounting policies for financial expenses are presented in Note 24, Financial liabilities.

10. Income taxes

Accounting policies

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

EUR 1,000	Note	**2018**	**2017**
Tax based on taxable income for the period		7,772	7,600
Taxes from previous accounting periods		-62	-7
Deferred taxes	20	329	-1,381
Total		**8,039**	**6,212**

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	**2018**	**2017**
Earnings before tax	49,176	42,336
Taxes calculated at the home country's rate	9,835	8,467
Effect of different tax rates for foreign subsidiaries	-1,537	-1,056
Tax effect of tax-free items	-818	-58
Tax effect of non-deductible items	621	671
Change in deferred tax – Change in Latvian tax rate	0	-1,805
Taxes from previous accounting period	-62	-7
Taxes in income statement	**8,039**	**6,212**
Effective tax rate, %	16.3	14.7

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 25,728 of its own Series A shares on 31 December 2018.

A more detailed account of treasury shares is provided in Note 22, Notes concerning shareholders' equity.

	2018	**2017**
Profit belonging to parent company shareholders (EUR 1,000)	40,809	35,956
Weighted average number of shares during the period (1,000)	20,739	20,759
Effect of treasury shares (1,000)	-28	-31
Weighted average number of shares for the calculation of EPS (1,000)	20,711	20,728
Undiluted/diluted earnings per share (euro per share)	1.97	1.73

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 2017 and 2018, Olvi Group has not had options or any other schemes having a diluting effect, which means that undiluted earnings per share and earnings per share adjusted for dilution have been equal during these years.

12. Property, plant and equipment

Accounting policies

Recognition of property, plant and equipment

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

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

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

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

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

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

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

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

Government grants

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

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

Leases

The Group as a lessee

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

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

The Group as a lessor

Items leased out by the Group in which a significant part of the risks and benefits characteristic of ownership have been transferred to the lessee are treated as finance lease agreements and recognised as receivables in the balance sheet. The receivable is recognised at present value.
The financial income on a finance lease agreement is recognised as income during the lease period so that the remaining net investment will produce the same percentage of yield over the lease period. The Group does not currently have any substantial finance lease agreements as a lessor.

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

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

EUR 1,000	Land and water properties	Buildings	Machinery and equipment	Machinery and eqpt, finance lease	Other tangible assets	Other tangible assets, finance lease	Advance payments and unfin. purchases	Total
Acquisition cost 1 Jan 2018	**1,881**	**121,706**	**253,570**	**8,852**	**33,043**	**1,342**	**7,946**	**428,339**
Corporate acquisitions	0	196	479	76	0		0	751
Additions	15	670	3,829	291	4,128	0	23,157	32,089
Deductions	-12	-5	-515	-5,484	-2,337	-4	-282	-8,639
Transfers between items	0	2,925	9,265	-215	1,780	0	-14,817	-1,062
Exchange rate differences	0	-887	-1,642	0	-594	0	-92	-3,214
Acquisition cost 31 Dec 2018	**1,884**	**124,604**	**264,986**	**3,520**	**36,021**	**1,338**	**15,911**	**448,264**
Accumulated depreciation and impairment 1 Jan 2018	**0**	**53,619**	**163,456**	**5,986**	**15,930**	**1,194**	**0**	**240,184**
Depreciation	0	3,575	11,639	514	3,109	84	0	18,922
Accumulated depreciation on deductions and	0	0	-462	-4,183	-650	-4	0	-5,299
Exchange rate differences	0	-160	-614	0	-368	0	0	-1,142
Accumulated depreciation and impairment 31 Dec 2018	**0**	**57,034**	**174,019**	**2,317**	**18,021**	**1,275**	**0**	**252,665**
Book value 1 Jan 2018	**1,881**	**68,087**	**90,114**	**2,867**	**17,113**	**148**	**7,946**	**188,155**
Book value 31 Dec 2018	**1,884**	**67,570**	**90,967**	**1,203**	**18,000**	**63**	**15,911**	**195,599**

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

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

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

13. Intangible assets

Accounting policies

Goodwill

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

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

Research and development costs

Research and development costs are recognised as expenses in the income statement. Development costs arising from the design of new or more advanced products are capitalised as intangible assets in the balance sheet starting from the time the product is technically feasible, it can be utilised commercially, and future economic benefit is expected from the product. As a result of corporate acquisitions in the accounting period from 1 January to 31 December 2018, Olvi Group has a total of 349 thousand euro of capitalised development costs.

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

Other intangible assets

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

The amortisation periods for intangible assets are the following:

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

EUR 1,000	Goodwill	Intangible assets	Total
Acquisition cost 1 Jan 2018	**20,256**	**28,002**	**48,258**
Corporate acquisitions	11,075	5,619	16,694
Additions	0	2,152	2,152
Deductions	0	0	0
Transfers between items	0	47	47
Exchange rate differences	-220	-26	-246
Acquisition cost 31 Dec 2018	**31,111**	**35,794**	**66,905**
Accumulated depreciation and impairment 1 Jan 2018	**4,977**	**22,662**	**27,639**
Depreciation	0	1,667	1,667
Accumulated depreciation on deductions	0	0	0
Exchange rate differences	0	-17	-17
Accumulated depreciation and impairment 31 Dec 2018	**4,977**	**24,312**	**29,289**
Book value 1 Jan 2018	**15,279**	**5,340**	**20,619**
Book value 31 Dec 2018	**26,134**	**11,482**	**37,616**

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

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

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

14. Impairment and impairment testing of goodwill

Accounting policies

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

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

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

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

Goodwill allocated to the Estonian segment amounts to 8,146 thousand euro, to the Latvian segment 287 thousand euro, to the Lithuanian segment 2,241 thousand euro, to the Belarusian segment 4,385 thousand euro and to the Finnish segment 11,075 thousand euro.

The estimated future cash flows used for impairment testing are based on the financial plans of the operating segments approved by Group management. The cash flow estimates are based on financial plans for the next four years. Cash flow estimates due later than four years are extrapolated using estimated growth rates that do not exceed the estimated long-term growth rates of the cash generating units. The growth rates applied to each segment were as follows: Estonia 0.0% (0.0%), Latvia 2.0% (2.0%), Lithuania 3.0% (3.0%), Belarus 3.5% (5.5%) and Finland 3%. 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 8.76 (10.14), in Latvia 8.47 (9.23), in Lithuania 8.32 (9.44), in Belarus 17.58 (19.04) and in Finland 7.92–8.07 percent.

According to impairment testing, there is currently no need for recognition of impairment.

The Group also applies a sensitivity analysis to all segments. The sensitivity analysis estimates the maximum change in a single variable that would still allow the recoverable amount to equal the balance sheet value of the asset. 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. Sensitivity is at its lowest in the Belarusian and Lithuanian segments but even there, the sensitivity percentages do not drop below 22 percent for any variable. The Board of Directors of Olvi plc is actively monitoring the development of the economic situation in the subsidiary countries and any effects this may have.

15. Financial assets

Accounting policies

Classification of financial assets

The Group's financial assets are classified into the following groups: financial assets recognised at amortised cost (loans and other receivables), financial assets recognised at fair value through profit or loss (derivatives) and financial assets recognised at fair value through other comprehensive income (other investments). The classification is based on the purpose of acquiring the financial assets and carried out upon original acquisition. Transaction costs are included in the original book value of financial assets. 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 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.

EUR 1,000	Assets recognised at fair value through profit or loss	Assets recognised at fair value through other comprehensive income	Assets recognised at amortised cost
31/12/2018			
Investments		543	
Loans receivable and other non-current receivables			235
Accounts receivable and other receivables			71,038
Derivative contracts	0		

Fair value hierarchy of financial assets

EUR 1,000	**2018**	**2017**
	Level 3	Level 3
Investments	543	543

Impairment of financial assets

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

16. Investments

The Group's investments consist mostly of unquoted equity holdings contributing to the Group company's operations, as well as shares in a housing corporation.

EUR 1,000	**2018**	**2017**
Book value 1 January	543	543
Additions	0	0
Deductions	0	0
Book value 31 December	**543**	**543**

17. Loans receivable and other non-current receivables

The group of loans receivable and other non-current receivables includes the Group's loans receivable and other non-current receivables. They are measured at amortised cost.

EUR 1,000	Note	**2018**	**2017**
Loans receivable	26	91	122
Other non-current receivables	26	143	311
Total		**235**	**433**

Other non-current receivables consist mainly of security deposits.

18. Inventories

Accounting policies

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

EUR 1,000	**2018**	**2017**
Materials and supplies	20,547	18,422
Unfinished products	2,018	1,766
Finished products/goods	14,099	11,209
Other inventories	3,219	2,939
Total	**39,882**	**34,336**

Non-marketability deductions on inventories have been booked for 1,454 thousand euro in 2018 (1,214 thousand euro in 2017).

19. Accounts receivable and other receivables

EUR 1,000	**2018**	**2017**
Accounts receivable	59,030	51,623
Prepayments and accrued income	6,788	8,329
Other receivables	5,220	4,229
Total	**71,038**	**64,181**

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. During the accounting period, the Group has recognised 349 thousand euro of credit losses on accounts receivable (390 thousand euro in 2017). There are no significant credit risk concentrations associated with receivables.

The Group has introduced a provision matrix for credit losses on accounts receivable. According to this, a credit loss provision is booked to the amount of expected credit losses over the entire life of an asset when a financial asset is initially recognised on the balance sheet. The special characteristics of each country are accounted for. The average credit loss provision percentage is 0.26%. The adoption has had an impact of 149 thousand euro on consolidated earnings. No retroactive adjustments have been made to accrued earnings. On the balance sheet date, accounts receivable included a credit loss provision of 613 thousand euro.

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

Maturity distribution of accounts receivable		
EUR 1,000	**2018**	**2017**
Not due	48,183	39,485
Overdue		
Less than 30 days	6,781	10,216
31 to 60 days	3,498	770
61 to 90 days	143	320
91 to 120 days	42	45
More than 120 days	383	787
Total	**59,030**	**51,623**

Accounts receivable by currer	2018	2018	2017	2017
	Foreign 1,000	EUR 1,000	Foreign 1,000	EUR 1,000
EUR	47,169	47,169	39,748	39,748
BYN	29,299	11,846	26,509	11,255
RUB	975	12	43,029	620
SEK	26	3	0	0

20. Deferred tax receivables and liabilities

Accounting policies

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

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

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

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

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

Changes in deferred taxes during 2018:

Deferred tax receivables					
EUR 1,000	31 Dec 17	Recognised through profit and loss	Acquisitions of subsidiaries	Exchange rate differences	31 Dec 18
Fair valuation of derivatives	28	19	0	0	47
Internal margin on inventories and fixed assets	126	-11	0	0	115
Share-based incentives	225	0	0	0	225
Confirmed losses	0	-1	163	0	162
Other items	0	4	5	0	9
Total	**379**	**11**	**168**	**0**	**558**

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

Deferred tax liabilities					
EUR 1,000	31 Dec 17	Recognised through profit and loss	Acquisitions of subsidiaries	Exchange rate differences	31 Dec 18
Tangible and intangible fixed assets	5,950	210	1,305	-10	7,455
Exchange rate difference on intra-Group loan	493	131	0	0	624
Other items	0	0	7	0	7
Total	**6,443**	**341**	**1,312**	**-10**	**8,086**

The Group has 812 thousand euro of unused tax losses.

No deferred tax liability has been recognised on the undistributed earnings of AS A. Le Coq and Cesu, 100,525 thousand euro in 2018, as the parent company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. If deferred tax was recognised on undistributed earnings, its effect would be 25,131 thousand euro.

Changes in deferred taxes during 2017:

Deferred tax receivables					
EUR 1,000	31 Dec 16	Recognised through profit and loss	Recognised in equity	Exchange rate differences	31 Dec 17
Fair valuation of derivatives	54	-26	0	0	28
Internal margin on inventories and fixed assets	132	-6	0	0	126
Share-based incentives	79	146	0	0	225
Total	**265**	**114**	**0**	**0**	**379**

Deferred tax liabilities					
EUR 1,000	**31 Dec 16**	**Recognised through profit and loss**	**Recognised in equity**	**Exchange rate differences**	**31 Dec 17**
Property, plant and equipment	5,803	186	0	-39	5,950
A/S Cēsu Alus's tax on depreciation difference and retained losses	1,805	-1,805	0	0	0
Exchange rate difference on intra-Group loan	141	352	0	0	493
Total	**7,749**	**-1,267**	**0**	**-39**	**6,443**

21. Liquid assets and cash flow

Accounting policies

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

EUR 1,000	**2018**	**2017**
Cash and bank accounts	18,520	28,625
Total	**18,520**	**28,625**

Reconciliation of net debt

Net debt

EUR 1,000	**2018**	**2017**
Liquid assets	18,520	28,625
Liquid investments	413	31
Loans – repayable within a year	3,554	8,573
Loans – repayable in more than a year	1,167	4,651
Net debt	-14,212	-15,432
Liquid assets and investments	18,933	28,656
Gross debt – fixed rate and variable rate with interest rate swaps	3,655	8,249
Gross debt – variable rate	0	2,243
Gross debt – finance lease	1,066	2,732
Net debt	-14,212	-15,432

EUR 1,000	Liquid assets	Liquid inv'ments	Finance lease, within a year	Finance lease, in more than a year	Loans, within a year	Loans, in more than a year	Total
Net debt 1 January 2017	**20,297**	**23**	**907**	**2,440**	**10,801**	**10,492**	**4,320**
Cash flows	9,259	8	0	0	-3,088	-7,713	-20,068
Finance leasing	0	0	-47	-568	0	0	-615
Exchange rate adjustments	-931	0	0	0	0	0	931
Net debt 31 December	**28,625**	**31**	**860**	**1,872**	**7,713**	**2,779**	**-15,432**
Cash flows	-9,675	382	0	0	-4,678	-2,160	2,455
Finance leasing	0	0	-341	-1,324	0	0	-1,665
Exchange rate adjustments	-430	0	0	0	0	0	430
Net debt 31 December	**18,520**	**413**	**519**	**548**	**3,035**	**619**	**-14,212**

The liquid assets presented in the cash flow statement comprise cash and bank deposits. Liquid investments comprise current interest-bearing receivables.

22. Notes concerning shareholders' equity

Accounting policies

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

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

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

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

Number of shares

The following specifies changes in the numbers of shares and corresponding changes in sharehold-ers' equity.

EUR 1,000	Number of Series K shares	Number of Series A shares	Share capital	Other reserves	Treasury shares	Total
31 December 2017	3,732,256	16,985,427	20,759	1,092	-228	21,623
Acquisition of treasury shares		-57,009			-1,770	-1,770
Share-based incentives		35,830			1,042	1,042
31 December 2018	3,732,256	16,964,248	20,759	1,092	-956	20,895

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 2017). 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 2017) and the minimum share capital is 15.0 (15.0) million euro. All issued shares have been paid in full.

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

Descriptions of equity reserves

Share premium account
The share premium account comprises any subscription price in excess of the par value of shares upon share issues. The share no longer has a par value.

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
On 9 May 2018, the Board of Directors of Olvi plc decided to initiate a scheme of acquiring treasury shares based on the authorisation issued by the Annual General Meeting on 16 April 2018. On this basis, the Board will repurchase a maximum of 36,280 Series A shares. The acquired shares shall be used for the purpose of financing or executing any upcoming corporate acquisitions or other arrangements, implementing the company's incentive schemes or for other purposes decided upon by the Board of Directors. The acquisition of shares started on 11 May 2018 and ended on 8 June 2018. The total acquisition price for the 36,280 shares acquired was 1,104,266 euro. At the start of the repurchase scheme, Olvi held 41,125 Series A shares as treasury shares.

Olvi plc's Annual General Meeting on 21 April 2017 made a decision concerning abandoned or "ghost" shares held in a joint book-entry account. The decision was that the right to a share incorporated in the book-entry system and placed in the joint account, and the rights that the share carries have been forfeited, and authorised the Board of Directors to take all measures called for by the decision. On this basis, 36,576 shares have been transferred from Olvi's joint account to treasury shares on 18 May 2017. At its meeting on 28 May 2018, the Board of Directors of Olvi plc decided to cancel the shares that were gratuitously transferred to Olvi on 18 May 2017. The cancellation of shares was recorded in the Trade Register on 15 June 2018.

Olvi Group's share-based incentive plan for key personnel, the performance period of which was from 1 July 2016 to 30 June 2018, has expired. The target group of the plan included approximately 50 people, and in accordance with the terms and conditions of the plan, rewards were paid in Olvi plc Series A shares and partially in cash. A total of 35,830 Series A shares were handed over as share-based rewards at the beginning of July.

In the beginning of December 2018, the Board of Directors of Olvi plc decided to initiate a scheme of acquiring treasury shares based on the authorisation issued by the Annual General Meeting on 16 April 2018. On this basis, the Board will repurchase a maximum of 43,000 Series A shares. The acquired shares shall be used for the purpose of financing or executing any upcoming corporate acquisitions or other arrangements, implementing the company's incentive schemes or for other purposes decided upon by the Board of Directors. The acquisition of shares started on 11 December 2018 and ended on 21 January 2019. At the start of the repurchase scheme, Olvi plc held 4,999 Series A shares as treasury shares.

Series A shares held by Olvi plc as treasury shares on 31 December 2018 (25,728 shares) represent 0.01 percent of all shares and 0.02 percent of the aggregate number of votes. The treasury shares represented 0.1 percent of all Series A shares and associated votes. The total purchase price of treasury shares was 956,460.18 euro. Treasury shares held by the company itself are ineligible for voting.

Payment of dividends

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

After the balance sheet date, the Board of Directors has proposed a dividend of 0.90 euro per share for both Series K and Series A shares for 2018, totalling 18.6 million euro. Dividend for 2017 was paid at 0.80 euro per share, totalling 16.6 million euro. The dividends were paid on 30 April 2018.

23. Share-based payments

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

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

During the accounting period, Olvi Group has had an active share-based incentive plan for key personnel. The aim of the share-based incentive plan was 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 share-based incentive plan for key personnel that started in 2016 has been active during the accounting period and expired on 30 June 2018. The performance period for the share-based incentive plan was two years. The prerequisite for receiving reward was that a key employee purchased the company's Series A shares up to the maximum number determined by the Board of Directors. Furthermore, entitlement to a reward was tied to the continuance of employment upon reward payment. Rewards were paid partly in the company's Series A shares and partly in cash in July 2018. The cash proportion was intended to cover taxes and tax-related costs arising from the rewards to the key employees. The plan was directed to approximately 50 people. The rewards paid on the basis of the plan were 35,830 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 were recognised over the performance period from 1 July 2016 to 30 June 2018. From January to December 2018, costs associated with the plan were recognised for a total of 782.3 thousand euro.

Olvi Group has initiated a new share-based incentive plan for key employees with terms and conditions equivalent to the previous plan. The performance period is from 1 February 2019 to 31 January 2021. This has been described in the section “Events after the review period” in the financial statements.

24. Financial liabilities

Accounting policies

Financial liabilities are initially recognised at fair value increased by transaction costs arising from the acquisition of debt. 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.

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.

EUR 1,000	**Book values 2018**	**Fair values 2018**	**Book values 2017**	**Fair values 2017**
Non-current liabilities				
Loans from financial institutions	248	248	2,764	2,738
Finance lease liabilities	548	548	1,872	1,872
Other liabilities	371	371	15	15
Total	**1,167**	**1,167**	**4,651**	**4,625**

EUR 1,000	**Book values 2018**	**Fair values 2018**	**Book values 2017**	**Fair values 2017**
Current liabilities				
Loans from financial institutions	2,992	2,992	7,713	7,713
Finance lease liabilities	519	519	860	860
Other liabilities	43	43	0	0
Total	**3,554**	**3,554**	**8,573**	**8,573**

The Group's financial liabilities on 31 December 2018 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.

The amount of variable-rate loans was 3.2 (2.2) 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 –0.309% to –0.237%, 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		
	2018	**2017**
Loans from financial institutions	0.13% to 3.50%	0.13% to 0.61%
Interest rate swaps	0.20% to 0.33%	0.33% to 1.77%
Finance lease liabilities	-0.27% to 2.70%	0.73% to 2.30%
Other liabilities	2.00%	0.00%

Maturities of finance lease liabilities		
EUR 1,000	**2018**	**2017**
Finance lease liabilities - total of minimum rents		
Due within one year	526	880
Within more than one but less than five years	570	1,701
Within more than five years	0	327
	1,096	2,908
Finance lease liabilities - present value of minimum rents		
Due within one year	520	860
Within more than one but less than five years	547	1,582
Within more than five years	0	290
	1,067	2,732
Total amount of finance lease liabilities	**1,067**	**2,732**

Contract-based maturities of finance lease liabilities		
EUR 1,000	**2018**	**2017**
in 2018		2,242
in 2019	3,616	8,250
in 2020	26	0
in 2021	81	0
in 2022	81	0
Later	55	0
Total	**3,859**	**10,492**

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 through profit or loss. 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.

Olvi Group has the following interest rate swaps valid on 31 December 2018:

EUR/other 1,000	Nominal value	Currency	Expiration date	Fair value
Interest rate swap	1,250	EUR	29/01/2019	-2
Interest rate swap	10,000	EUR	05/05/2020	-93

Fair value hierarchy of financial liabilities

EUR 1,000	**2018**	**2017**
	Level 2	Level 2
Derivative contracts	-95	-141

25. Accounts payable and other liabilities

EUR 1,000	2018	2017
Current		
Accounts payable	49,914	34,715
Accrued expenses	18,024	26,409
Other liabilities	42,284	38,928
Total	**110,222**	**100,052**

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

Currency distribution of accounts	2018	2018	2017	2017
	Foreign 1,000	EUR 1,000	Foreign 1,000	EUR 1,000
EUR	45,648	45,648	31,074	31,074
USD	337	295	399	333
BYN	8,316	3,362	7,201	3,058
GBP	4	4	4	4
RUB	46,774	587	16,360	236
CHF	21	18	12	10
SEK	3	0	12	10

26. 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.

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

I Market risk

I 1. Foreign exchange risk
Olvi Group operates internationally, and its business involves risks arising from exchange rate fluctuations. Foreign exchange risks arise from commercial transactions, in other words cash flows from purchases and sales, as well as investments in foreign subsidiaries, internal loan receivables and the conversion of the subsidiary’s financial statements into euro.

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

With regard to the net investment in the Belarusian subsidiary, the Group is exposed to balance sheet conversion risk. The translation position (BYN) on 31 December 2018 was 54.9 million euro

(51.0 million in 2017). An exchange rate change of +/- 10 percent would impact consolidated shareholders' equity by approximately +6.1/-5.0 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 22 thousand euro of exchange rate gains (159 thousand euro in 2017) and 820 thousand euro of exchange rate losses (2,267 thousand euro in 2017).

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 Note 19. Accounts receivable and other receivables, and 25. Accounts payable and other liabilities.

I 2. Interest rate risk

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

The Group uses interest rate swaps to reduce interest rate risk. Variable rate loans are converted to fixed rate through interest rate swaps. The Group's interest-bearing loans from financial institutions will fall due mostly in 2019.

The amount of payment obligations under finance lease contracts on 31 December 2018 was 1.1 million euro (2.7 million euro in 2017).

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 Notes 24, Financial liabilities and 25, Accounts payable and other liabilities.

The Group's variable-rate loans have been converted to fixed rate through interest rate swaps. Changes in the interest rate level do not have any essential effect on consolidated net profit before tax.

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 13.9 percent (14.3 in 2017) of the Group's total sales. The amount of credit losses recognised in 2018 was 349 (390) thousand euro.

The Group has introduced a provision matrix for credit losses on accounts receivable. According to this, a credit loss provision is booked to the amount of expected credit losses over the entire life of an asset when a financial asset is initially recognised on the balance sheet. The special characteristics of each country are accounted for. The average credit loss provision percentage is 0.26%. The adoption has had an impact of 149 thousand euro on consolidated earnings. No retroactive adjustments have been made to accrued earnings.

The maturity distribution of accounts receivable is presented in Note 19, 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 an account overdraft facility of 5 million euro, which was completely unused on 31 December 2018. Some of the facilities are valid until further notice, while some are renewed annually. The Group also has 5 million euro of unbinding credit limits.

The parent company Olvi plc has access to 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 18,520 thousand euro of liquid assets on 31 December 2018 (28,625 thousand euro in 2017). The Group’s liquidity on the balance sheet date was good. The current ratio on 31 December 2018 was 1.1 (1.2 in 2017).

Note 24, 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 2018 stood at 64.9 (64.1) percent and the gearing ratio was -6.0 (-7.1) percent.

27. Adjustments to business cash flows

EUR 1,000	2018	2017
Transactions with no associated payment:		
Depreciation and impairment	20,602	20,755
Unrealised foreign exchange gains and losses	759	2,134
Financial income	-414	-347
Financial expenses	652	555
Income taxes	8,039	6,212
Other adjustments	1,423	340
Total	**31,061**	**29,649**

28. Other lease contracts

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

The Group as a lessee:

EUR 1,000	2018	2017
Minimum rents payable on the basis of other non-cancellable leases:		
Due within one year	1,129	1,163
Within more than one but less than five years	805	739
Within more than five years	2	2
Total	**1,936**	**1,904**

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

The Group as a lessor:

EUR 1,000	2018	2017
Minimum rents payable on the basis of other non-cancellable leases:		
Due within one year	1,595	1,578
Within more than one but less than five years		
Within more than five years		
Total	**1,595**	**1,578**

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

29. Provisions, collateral and contingent liabilities

Accounting policies

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

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

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

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

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

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

Other off-balance sheet liabilities:

EUR 1,000	**2018**	**2017**
Pledges and contingent liabilities		
For own commitments	2,114	1,886
Other liabilities	57	2,000

30. Related party transactions

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

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

	Group's 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
UAB Lamate, Lithuania	99.58	99.58
OAO Lidskoe Pivo, Lida, Belarus	95.87	95.87
Trade House Lidskoe Pivo, Belarus	95.87	95.87
Servaali Oy, Helsinki, Finland	80.00	80.00
Helsingin tislaamo Oy / Helsinki Distilling Company Ltd, Helsinki, Finland	67.00	67.00

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	2018	2017
Sales	183	126
Purchases	592	409
Receivables	136	173
Liabilities	37	50

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

Employee benefits to management

Wages, salaries and emoluments		
EUR 1,000	**2018**	**2017**
Managing Director		
Salaries and other short-term employee benefits	541	652
Share-based payments	282	37
Pension commitments, statutory pension cover	140	117
Total	**963**	**806**
Salaries and performance bonuses paid to other Management Group members		
Salary in money	638	630
Share-based payments	392	56
Performance bonuses	200	152
Fringe benefits	24	22
Total	**1,254**	**860**
Compensation paid to members of the Board of Directors for Board duties		
Hakkarainen Pentti	71	48
Hortling Nora	38	37
Autere Jaakko	10	30
Heinonen Lasse	22	0
Lager Esa	10	42
Markula Elisa	31	30
Paltola Päivi	22	0
Sirviö Heikki	31	30
Total	**235**	**217**

On 4 July 2018, the Managing Director was granted 7,200 Olvi plc Series A shares, and other Management Group members were granted a total of 10,500 shares under the share-based incentive plan for the performance period 1 July 2016 to 30 June 2018.

No loans have been granted to management.

31. Costs arising from audit

EUR 1,000	2018	2017
PwC		
Fees for statutory audit	206	180
Associated auditing services	4	3
Tax services	73	3
Other services	13	150
Total	**296**	**336**
Other entities		
Fees for statutory audit	6	0
Associated auditing services	0	0
Tax services	0	0
Other services	55	0
Total	**61**	**0**

In 2018, PricewaterhouseCoopers Oy has invoiced Olvi Group for services other than statutory audit for a total of 76,392 euro (119,534 euro in 2017).

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 (%)	2018	2017
AS Karme, Karksi vald, Estonia	**49.00**		
Current assets		176	387
Non-current assets		0	7
Current liabilities		71	24
Non-current liabilities		0	0
Net sales		55	89
Profit/loss		51	-170
Verska Mineraalvee OÜ, Värska vald, Estonia	**20.00**		
Current assets		243	259
Non-current assets		944	924
Current liabilities		194	223
Non-current liabilities		232	318
Net sales		1,025	772
Profit/loss		117	70

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

33. Events after the closing date of the reporting period

Olvi plc's share repurchase scheme continued until 21 January 2019. On the basis of the repurchase scheme, Olvi plc acquired a total of 43,000 Series A shares for a total acquisition price of 1,391,253.37 euro. Olvi plc initiated a new share-based incentive plan for key personnel, the performance period of which is from 1 February 2019 to 31 January 2021. The plan is directed to approximately 60 people. In accordance with the share-based incentive plan, Olvi plc sold a total of 36,456 treasury shares to the target group members for a price of 1,179,522.94 euro. After this, Olvi holds 11,543 treasury shares, the acquisition price of which is 502,763.70 euro.

OLVI PLC

Parent Company's Income Statement (FAS)

		1 JAN TO 31 DEC 2018		1 JAN TO 31 DEC 2017	
	Note	EUR 1,000	%	EUR 1,000	%
NET SALES	1	**140,692**	**100.0**	**131,457**	**100.0**
Increase (+)/decrease(-) in inventories of finished and unfinished products		595	0.4	112	0.1
Manufacture for own use		51	0.0	88	0.1
Other operating income	2	3,711	2.6	3,115 *)	0.6
Materials and services	3	61,361	43.6	57,721	43.9
Personnel expenses	4	21,740	15.5	21,102	16.1
Depreciation and impairment	8	7,726	5.5	8,598	6.5
Other operating expenses	9	35,853	25.5	34,632	24.6
OPERATING PROFIT		**18,369**	**13.1**	**12,719**	**9.7**
Financial income and expenses	10	21,891	15.5	10,614	8.0
PROFIT BEFORE APPROPRIATIONS AND TAXES		**40,260**	**28.6**	**23,333**	**17.7**
Appropriations	11	-1,963	-1.4	-1,096	-0.8
Income taxes	12	-3,087	-2.2	-2,334	-1.8
NET PROFIT FOR THE PERIOD		**35,210**	**25.0**	**19,903**	**15.1**

*) Change in accounting policies.

Parent Company's Balance Sheet (FAS)

	Note	31/12/2018 EUR 1,000	%	31/12/2017 EUR 1,000	%
ASSETS					
FIXED ASSETS					
Intangible assets	13	2,657		2,548	
Tangible assets	13	76,814		71,397	
Shares in Group companies	14	85,812		61,613	
Other investments	14	535		535	
TOTAL FIXED ASSETS		**165,818**	**66.8**	**136,094**	**58.6**
CURRENT ASSETS					
Inventories	16	7,327		7,248	
Non-current receivables	17	47,219		41,484	
Current receivables	17	19,642		24,832	
Cash in hand and at bank		8,401		22,710	
TOTAL CURRENT ASSETS		**82,589**	**33.2**	**96,273**	**41.4**
TOTAL ASSETS		**248,407**	**100.0**	**232,367**	**100.0**
EQUITY AND LIABILITIES					
SHAREHOLDERS' EQUITY					
Share capital		20,759		20,759	
Share premium account		857		857	
Legal reserve		127		127	
Retained earnings		35,061		32,401	
Net profit for the period		35,210		19,903	
TOTAL SHAREHOLDERS' EQUITY	18	**92,014**	**37.0**	**74,047**	**31.9**
ACCUMULATED APPROPRIATIONS	19	**28,862**	**11.6**	**26,899**	**11.6**
LIABILITIES					
Non-current liabilities		54,086		56,485	
Current liabilities		73,445		74,935	
TOTAL LIABILITIES	20	**127,531**	**51.2**	**131,420**	**56.5**
TOTAL EQUITY AND LIABILITIES		**248,407**	**100.0**	**232,367**	**100.0**

Parent Company's Cash Flow Statement

	Note	1-12/2018 EUR 1,000	1-12/2017 EUR 1,000
Cash flow from operations			
Profit before appropriations		37,173	20,999
Adjustments:			
Depreciation according to plan and impairment	8	7,726	8,598
Financial income and expenses	10	-21,846	-10,512
Other adjustments		3,856	2,720
Cash flow before change in working capital		26,909	21,806
Change in net working capital:			
Increase (-) / decrease (+) in current interest-free accounts receivable and other receivables		1,401	-2,075
Increase (-) / decrease (+) in inventories		-80	-648
Increase (+) / decrease (-) in current interest-free liabilities		4,172	4,038
Interest paid		-478	-528
Interest received		541	92
Dividends received		16,415	5,779
Taxes paid		-3,963	-1,582
Cash flow from operations (A)		**44,916**	**26,882**
Cash flow from investments			
Investments in tangible and intangible assets		-12,979	-9,997
Capital gains on disposal of tangible and intangible assets		52	140
Expenditure on other investments		-19,610	-345
Cash flow from investments (B)		**-32,537**	**-10,203**
Cash flow from financing			
Withdrawals of loans		13,000	10,500
Repayments of loans		-25,713	-12,828
Acquisition (-)/sale (+) of treasury shares		-16,574	90
Dividends paid		-1,495	-15,534
Increase (-)/decrease (+) in non-current loan receivables		4,094	10,726
Cash flow from financing (C)		**-26,688**	**-7,046**
Increase (+)/decrease (-) in liquid assets (A+B+C)		**-14,309**	**9,633**
Liquid assets 1 January		**22,710**	**13,077**
Liquid assets 31 December		**8,401**	**22,710**
Change in liquid assets		**-14,309**	**9,633**

Parent Company's Accounting Policies

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

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

Depreciation periods according to plan:

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

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.

Other operating income
As of 1 January 2018, Olvi plc presents internal services charged to subsidiaries, management fee charges, in other operating income instead of other operating expenses. The comparison data has been adjusted to correspond to the new accounting policy.

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	**2018**	**2017**
Finland	136,885	126,788
Belarus	423	136
Estonia	1,714	2,323
Other exports	1,670	2,210
Total	**140,692**	**131,457**

2. Other operating income	**2018**	**2017**
Capital gains on disposals of fixed assets	38	78
Others	3,673	3,037
Total	**3,711**	**3,115**

3. Materials and services	**2018**	**2017**
Materials and supplies (goods):		
Purchases during the year	57,936	54,684
Change in stocks	1,005	-535
Outsourced services	2,420	3,572
Total	**61,361**	**57,721**

4. Personnel expenses	**2018**	**2017**
Wages, salaries and emoluments	17,517	16,440
Pension expenses	2,882	2,873
Other personnel expenses	1,342	1,789
Total	**21,740**	**21,102**

5. Management salaries and emoluments	**2018**	**2017**
Managing Director	823	689
Chairman of the Board	71	70
Other members of the Board	164	148
Total	**1,058**	**906**

6. Parent company's personnel on average during the period	**2018**	**2017**
Clerical employees	185	181
Workers	164	156
Total	**349**	**337**

7. Auditors' fees	2018	2017
PwC		
Fees for statutory audit	140	112
Associated auditing services	4	3
Tax services	73	3
Other services	0	114
Total	**216**	**231**
Other entities		
Fees for statutory audit	4	0
Associated auditing services	0	0
Tax services	0	0
Other services	51	0
Total	**54**	**0**

8. Depreciation and impairment	2018	2017
Depreciation and impairment on tangible and intangible assets	7,726	8,598
Total	**7,726**	**8,598**

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

9. Other operating expenses	2018	2017
Sales freights	14,997	15,104
Costs of marketing and sales	5,467	3,962
Other operating expenses	15,389	15,566
Total	**35,853**	**34,632**

10. Financial income and expenses	2018	2017
Dividend income from Group companies	21,603	10,775
Total income from long-term investments	3	4
Other interest and financial income		
From Group companies	1,414	794
From others	69	221
Total	1,483	1,015
Total dividend income and other interest and financial income	**23,089**	**11,793**
Interest expenses and other financial expenses		
To Group companies	741	676
To others	456	504
Total interest expenses and other financial expenses	**1,197**	**1,180**
Total financial income and expenses	**21,891**	**10,614**

11. Appropriations	2018	2017
Difference between depreciation according to plan and depreciation applied in taxation	1,963	1,096
Total	**1,963**	**1,096**

12. Income taxes	2018	2017
Income tax on business operations	3,073	2,434
Taxes from previous accounting periods	-54	-7
Other direct taxes	93	25
Change in deferred tax	-24	-120
Total	**3,087**	**2,334**

13. Fixed assets

Intangible assets

	Development costs	Other intangible assets	Total
Acquisition cost 1 Jan 2018	**152**	**22,797**	**22,949**
Additions	0	959	959
Acquisition cost 31 Dec 2018	**152**	**23,757**	**23,908**
Accumulated depreciation and impairment 1 Jan 2018	**124**	**20,277**	**20,401**
Depreciation	25	825	851
Accumulated depreciation and impairment 31 Dec 2018	**150**	**21,102**	**21,252**
Book value 1 Jan 2018	**27**	**2,521**	**2,548**
Book value 31 Dec 2018	**2**	**2,655**	**2,657**

Tangible assets

	Land and water properties	Buildings	Machinery and equipment	Other tangible assets	Advance payments and unfinished purchases	Total
Acquisition cost 1 Jan 2018	**1,086**	**41,567**	**118,840**	**7,643**	**5,062**	**174,198**
Additions	0	687	3,370	400	7,858	12,315
Deductions	0	0	-149	0	0	-149
Transfers between items	0	1,841	3,295	0	-5,136	0
Acquisition cost 31 Dec 2018	**1,086**	**44,095**	**125,356**	**8,043**	**7,784**	**186,365**
Accumulated depreciation and impairment 1 Jan 2018	**0**	**22,474**	**79,575**	**751**	**0**	**102,800**
Depreciation	0	972	5,512	391	0	6,875
Accumulated depreciation on deductions	0	0	-125	0	0	-125
Accumulated depreciation and impairment 31 Dec 2018	**0**	**23,446**	**84,963**	**1,142**	**0**	**109,551**
Book value 1 Jan 2018	**1,086**	**19,093**	**39,264**	**6,892**	**5,062**	**71,397**
Book value 31 Dec 2018	**1,086**	**20,649**	**40,393**	**6,901**	**7,784**	**76,814**

	31.12.2018	31.12.2017
Book value of production machinery and equipment	36,176	34,978

14. Investments

	Shares in Group companies	Other shares	Total investments
Acquisition cost 1 Jan 2018	**61,613**	**535**	**62,148**
Additions	24,199	0	24,199
Deductions	0	0	0
Acquisition cost 31 Dec 2018	**85,812**	**535**	**86,347**
Book value 31 Dec 2018	**85,812**	**535**	**86,347**

15. Group companies

	Group's holding (%)	Parent'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
UAB Lamate, Lithuania	99.58	99.58
OAO Lidskoe Pivo, Lida, Belarus	95.87	95.87
Trade House Lidskoe Pivo, Belarus	95.87	95.87
Servaali Oy, Helsinki, Finland	80.00	80.00
Helsingin tislaamo Oy / Helsinki Distilling Company Ltd, Helsinki, Finland	67.00	67.00

16. Inventories

	2018	2017
Materials and supplies	3,123	2,822
Unfinished products	826	797
Finished products / goods	3,379	3,628
Total	**7,327**	**7,248**

17. Receivables

	2018	2017
Non-current receivables		
Loans receivable from Group companies	46,810	41,099
Deposits pledged as collateral	112	112
Deferred tax receivables	277	253
Prepayments and accrued income	20	20
Total non-current receivables	**47,219**	**41,484**
Current receivables		
Receivables from Group companies		
Accounts receivable	289	314
Dividends and other receivables	1,703	5,467
Total receivables from Group companies	1,992	5,781
Receivables from non-Group companies		
Accounts receivable	15,749	16,078
Other receivables	272	-0
Prepayments and accrued income	1,629	2,973
Total receivables from non-Group companies	17,649	19,051
Total current receivables	**19,642**	**24,832**
Total receivables	**66,861**	**66,315**
Deferred tax receivables		
Deferred tax receivables 1 January	253	133
Change in deferred tax	24	120
Deferred tax receivables 31 December	**277**	**253**

18. Shareholders' equity	2018	2017
Share capital 1 January	20,759	20,759
Share capital 31 December	20,759	20,759
Share premium account 1 January	857	857
Share premium account 31 December	857	857
Legal reserve 1 January and 31 December	127	127
Retained earnings 1 January	52,304	47,763
Payment of dividends	-16,574	-15,561
Share-based incentives	-1,770	199
Acquisition of treasury shares	1,101	0
Retained earnings 31 December	35,061	32,401
Net profit for the period	35,210	19,903
Total shareholders' equity	**92,014**	**74,047**

Distributable unrestricted equity	**2018**	**2017**
Retained earnings	35,061	32,401
Net profit for the period	35,210	19,903
Capitalised development costs	-4	-27
Total	**70,267**	**52,277**

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

	2018 qty	2018 euro	2018 votes	2017 qty	2017 euro	2017 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	16,989,976	16,989,976	16,989,976	17,026,552	17,026,552	17,026,552
Series A total	16,989,976	16,989,976	16,989,976	17,026,552	17,026,552	17,026,552
Total 31 December	20,722,232	20,722,232	91,635,096	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 2018 totalled 20,759 thousand euro.

Olvi plc's shares received a dividend of 0.80 euro per share for 2017 (0.75 euro per share for 2016), totalling 16.6 (15.6) million euro. The dividends were paid on 30 April 2018. 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

At the beginning of January 2018, Olvi plc held 41,125 of its own shares as treasury shares. During January–December 2018, the following changes have occurred in treasury shares.

On 9 May 2018, the Board of Directors of Olvi plc decided to initiate a scheme of acquiring treasury shares based on the authorisation issued by the Annual General Meeting on 16 April 2018. On this basis, the Board will repurchase a maximum of 36,280 Series A shares. The acquired shares shall be used for the purpose of financing or executing any upcoming corporate acquisitions or other arrangements, implementing the company's incentive schemes or for other purposes decided upon by the Board of Directors. The acquisition of shares started on 11 May 2018 and ended on 8 June 2018. At the start of the repurchase scheme, Olvi plc held 41,125 Series A shares as treasury shares. After the end of the scheme, Olvi plc held 77,405 Series A shares as treasury shares. The total purchase price of treasury shares was 1,332,427.31 euro.

Olvi plc's Annual General Meeting on 21 April 2017 made a decision concerning abandoned or "ghost" shares held in a joint book-entry account. The decision was that the right to a share incorporated in the book-entry system and placed in the joint account, and the rights that the share carries have been forfeited, and authorised the Board of Directors to take all measures called for by the decision. On this basis, 36,576 shares have been transferred from Olvi's joint account to treasury shares on 18 May 2017. At its meeting on 28 May 2018, the Board of Directors of Olvi plc decided to cancel the shares that were gratuitously transferred to Olvi on 18 May 2017. The cancellation of shares was recorded in the Trade Register on 15 June 2018.

Olvi Group's share-based incentive plan for key personnel, the performance period of which was from 1 July 2016 to 30 June 2018, has expired. The target group of the plan included approximately 50 people, and in accordance with the terms and conditions of the plan, rewards were paid in Olvi plc Series A shares and partially in cash. A total of 35,830 Series A shares were handed over as share-based rewards at the beginning of July.

In the beginning of December 2018, the Board of Directors of Olvi plc decided to initiate a scheme of acquiring treasury shares based on the authorisation issued by the Annual General Meeting on 16 April 2018. On this basis, the Board will repurchase a maximum of 43,000 Series A shares. The acquired shares shall be used for the purpose of financing or executing any upcoming corporate acquisitions or other arrangements, implementing the company's incentive schemes or for other purposes decided upon by the Board of Directors. The acquisition of shares started on 11 December 2018 and ended on 21 January 2019. At the start of the repurchase scheme, Olvi plc held 4,999 Series A shares as treasury shares.

Series A shares held by Olvi plc as treasury shares on 31 December 2018 (25,728 shares) represent 0.01 percent of all shares and 0.02 percent of the aggregate number of votes. The treasury shares represented 0.1 percent of all Series A shares and associated votes. The total purchase price of treasury shares was 956,460.18 euro. Treasury shares held by the company itself are ineligible for voting.

19. Accumulated appropriations

Accumulated appropriations consist of accumulated depreciation difference.

20. Liabilities	2018	2017
Non-current liabilities		
Loans from financial institutions	0	2,750
Deferred tax liabilities	0	0
Other liabilities	4,640	30
Total	4,640	2,780
Liabilities to Group companies		
Other liabilities	49,447	53,706
Total	49,447	53,706
Total non-current liabilities	**54,086**	**56,485**
Current liabilities		
Loans from financial institutions	2,750	7,713
Accounts payable	27,202	16,550
Accrued expenses	12,923	22,236
Other liabilities	30,401	28,269
Total	73,277	74,769
Liabilities to Group companies		
Accounts payable	168	166
Total	168	166
Total current liabilities	**73,445**	**74,935**
Total liabilities	**127,531**	**131,420**
Accrued expenses		
Provisions for personnel costs	5,637	6,373
Provision for interest on loans	2	7
Income tax liability	55	999
Accrued expenses on recyclable beverage packages	3,497	3,831
Annual discount liabilities	3,359	2,588
Other accrued expenses	374	8,438
Total accrued expenses	12,923	22,236
Interest-free liabilities 31 December	75,305	67,222
Liabilities falling due later than five years from now:		
Loans from financial institutions and other loans	4,640	30
Deferred tax liabilities		
Deferred tax liabilities 1 January	0	0
Change in deferred tax	0	0
Deferred tax liabilities 31 December	**0**	**0**

21. Share-based payments

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

During the accounting period, the parent company has had an active share-based incentive plan for key personnel. The share-based incentive plan for key personnel that started in 2016 has been active during the accounting period and expired on 30 June 2018. The performance period for the share-based incentive plan was two years. The prerequisite for receiving reward was that a key employee purchased the company's Series A shares up to the maximum number determined by the Board of Directors. Furthermore, entitlement to a reward was tied to the continuance of employment upon reward payment. Rewards were paid partly in the company's Series A shares and partly in cash in July 2018. The cash proportion was intended to cover taxes and tax-related costs arising from the rewards to the key employees. The plan was directed to approximately 50 people. The rewards paid on the basis of the plan were 35,830 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 were recognised over the performance period from 1 July 2016 to 30 June 2018. From January to December 2018, costs associated with the plan were recognised for a total of 609.6 thousand euro.

Olvi plc has initiated a new share-based incentive plan for key employees with terms and conditions equivalent to the previous plan. The performance period is from 1 February 2019 to 31 January 2021.

22. Pledges, contingent liabilities and other commitments	**2018**	**2017**
Pledges and contingent liabilities		
For own commitments		
Mortgages on land and buildings	1,336	1,336
Other off-balance sheet liabilities		
Rental liabilities on business premises and land areas	484	456
Other liabilities	607	4,000
Total pledges, contingent liabilities and other commitments	**2,427**	**5,793**

The company is obliged to adjust the value-added tax deductions booked on real estate investments if taxable use of the premises diminishes during the review period. The maximum liability is 3,132,920 euro and the final year of review is 2027.

The total amount of overdraft facilities granted on 31 December 2018 was 5,000,000.00 euro, of which 0.00 euro was in use on the balance sheet date.

23. Leasing liabilities	**2018**	**2017**
Due within one year	260	238
Due later	236	270
Total	**496**	**508**

	Nominal value 2018	**Fair value 2018**	**Nominal value 2017**	**Fair value 2017**
Derivatives	11,250	-95	13,750	-141

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

Shares and share capital 31 December 2018	**Shares**	**%**	**Votes**	**%**
Series K shares, registered	3,732,256	18.0	74,645,120	81.5
Series A shares, registered	16,989,976	82.0	16,989,976	18.5
Total	**20,722,232**	**100.0**	**91,635,096**	**100.0**

Registered share capital, EUR 1,000 20,759

Olvi plc's shares received a dividend of 0.80 euro per share for 2017 (0.75 euro per share for 2016), totalling 16.6 (15.6) million euro. The dividends were paid on 30 April 2018.

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 2018

	Series K	Series A	Total	%	Votes	%
1. Olvi Foundation	2,363,904	890,613	3,254,517	15.71	48,168,693	52.57
2.The Heirs of Hortling Heikki *)	903,488	99,760	1,003,248	4.84	18,169,520	19.83
3. Hortling Timo Einari	212,600	49,577	262,177	1.27	4,301,577	4.69
4. Hortling-Rinne Marit	149,064	14,699	163,763	0.79	2,995,979	3.27
5. OP Corporate Bank plc, nominee	0	2,153,674	2,153,674	10.39	2,153,674	2.35
6. Nordea Bank Abp, nominee reg.	0	1,428,482	1,428,482	6.89	1,428,482	1.56
7. Skandinaviska Enskilda Banken AB	0	1,062,064	1,062,064	5.13	1,062,064	1.16
8. Ilmarinen Mutual Pension Insurance Company	0	901,401	901,401	4.35	901,401	0.98
9. Varma Mutual Pension Insurance Company	0	828,075	828,075	4.00	828,075	0.90
10. Hortling Pia Johanna	23,388	22,066	45,454	0.22	489,826	0.53
11. Hortling Jens Einari	23,388	16,216	39,604	0.19	483,976	0.53
12. Rinne Ville Petteri	23,388	9,554	32,942	0.16	477,314	0.52
13. Rinne Valtteri Markunpoika	23,388	9,134	32,522	0.16	476,894	0.52
14. AC Invest Oy	0	460,000	460,000	2.22	460,000	0.50
15. Veritas Pension Insurance Company	0	250,000	250,000	1.21	250,000	0.27
16. Fondita Nordic Micro Cap mutual fund	0	247,000	247,000	1.19	247,000	0.27
17. Odin Finland mutual fund	0	219,344	219,344	1.06	219,344	0.24
18. Laakkonen Hannu	0	216,072	216,072	1.04	216,072	0.24
19. Lahti Ari	0	180,000	180,000	0.87	180,000	0.20
20. Aktia Capital mutual fund	0	164,000	164,000	0.79	164,000	0.18
Others	9,648	7,768,245	7,777,893	37.54	7,961,205	8.69
Total	3,732,256	16,989,976	20,722,232	100.00	91,635,096	100.00

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

Olvi plc had 11,601 (10,800) shareholders registered in the book-entry system on 31 December 2018, 10 (9) of them nominee-registered.

Insiders

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

Management's interests

The members of the Board of Directors and the Managing Director of Olvi plc held a total of 69,835 Series A shares on 31 December 2018, 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 2018

Number of book entries	Number of shareholders	% of shareholders	Number of book entries	% of book entries	Votes	% of votes
1 to 1,000	10,406	89.70	2,020,685	9.75	2,030,413	2.22
1,001 to 10,000	1,081	9.32	2,844,107	13.72	2,981,819	3.25
10,001 to 500,000	107	0.92	5,038,875	24.32	10,168,875	11.10
500,001 to 999,999,999,999	7	0.06	10,631,461	51.30	72,711,909	79.35
Total	11,601	100.00	20,722,232	100.00	91,635,096	100.00

Shareholders by category on 31 December 2018

	Number of shareholders	% of shareholders	Number of book entries	% of book entries	Nominee registered number of book entries	% of book entries	Votes	% of votes
Businesses	373	3.22	4,510,798	21.77	0	0.00	49,425,024	53.94
Financial institutions and insurance companies	35	0.30	839,549	4.05	4,729,906	22.83	5,569,455	6.08
Public sector organisations	9	0.08	2,047,839	9.88	0	0.00	2,047,839	2.23
Non-profit organisations	86	0.74	452,171	2.18	0	0.00	452,171	0.49
Households	11,051	95.26	7,550,045	36.43	0	0.00	29,993,757	32.73
Non-Finnish shareholders	46	0.40	294,293	1.42	110,477	0.53	404,770	0.44
On waiting list			187,104	0.90			3,742,080	4.08
Total	11,601	100.00	15,881,799	76.64	4,840,383	23.36	91,635,096	100.00

Foreign and nominee-registered holdings on 31 December 2018

	Number of shareholders	% of shareholders	Number of book entries	% of book entries	Votes	% of votes
Foreign total	42	0.36	294,293	1.42	294,293	0.32
Nominee-registered (foreign) total	4	0.03	110,477	0.53	110,477	0.12
Nominee-registered (Finnish) total	6	0.05	4,729,906	22.84	4,729,906	5.16
Total	52	0.45	5,134,676	24.78	5,134,676	5.60

Board of Directors' proposal for the distribution of profit

The parent company Olvi plc had 70.3 (52.3) million euro of distributable funds on 31 December 2018, of which profit for the period accounted for 35.2 (19.9) 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 0.90 (0.80) euro shall be paid for 2018 on each Series K and Series A share, totalling 18.6 (16.6) million euro. The dividend represents 45.7 (46.1) 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 dates of the dividend payments, 18 April 2019 and 2 September 2019. It is proposed that the dividend be paid in two instalments on 9 May 2019 and 9 September 2019.

No dividend shall be paid on treasury shares.

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

Date and Signatures

Signed in Helsinki, this 22nd day of March 2019

Pentti Hakkarainen
hallituksen puheenjohtaja

Nora Hortling
hallituksen varapuheenjohtaja

Lasse Heinonen
hallituksen jäsen

Elisa Markula
hallituksen jäsen

Päivi Paltola
hallituksen jäsen

Heikki Sirviö
hallituksen jäsen

Lasse Aho
Managing Director

Auditor's Note

A report of the audit has been submitted today.

Signed in Helsinki, this 22nd day of March 2019

PricewaterhouseCoopers Oy
Authorised Public Accounting Firm

Juha Toppinen
KHT

Members of Olvi plc's Board of Directors since the Annual General Meeting of 16 April 2018

Pentti Hakkarainen (b. 1958), Chairman of Olvi plc's Board of Directors since 2017
M.Sc. (Econ), LL.M.
European Central Bank, Supervisory Board (Banking Supervision), full-time member

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

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

Nora Hortling (b. 1986), Vice Chairperson of Olvi plc's Board of Directors since 2016
Member of Olvi plc's Board of Directors since 2015
M.Sc. (Econ), Bachelor of Hotel, Restaurant and Tourism Management
Kespro Oy, Director of Purchasing and Sales, fruits and vegetable

Work experience in brief:
- 2016—2017 Kespro Oy, Purchasing Manager, fruits, vegetables and dairy products
- 2014—2015 Kespro Oy, Product Manager
- 2011—2013 Olvi plc, Marketing
- 2009—2010 Ravintolakolmio Group, Restaurant Paasi, Shift Manager
- 2007 Radisson SAS Hotel, Paris Boulogne, Receptionist
- 2005—2009 Ravintolakolmio Group, several restaurants, Shift Manager

Lasse Heinonen, (b. 1968), Member of Olvi plc's Board of Directors since 2018
M.Sc. (Econ)
Ahlström Capital, President and CEO

Work experience in brief:
- 2011—2018 Tieto Corporation, CFO
- 2015—2016 Tieto Corporation, Head of Telecom, Media & Energy
- 2004—2011 Finnair Plc, executive roles such as EVP Cargo & Aviation Services, Deputy CEO and CFO
- 1992—2004 Novartis Pharma and Sandoz, leadership roles in finance and logistics in Finland, Turkey and Switzerland

Important positions in other organisations:
- 2018 onwards Ahlsröm-Munksjö plc, Member of the Board
- 2018 onwards Terveystalo plc, Member of the Board
- 2018 onwards Destia Oy, Member of the Board
- 2018 onwards Enics AG, Chairman of the Board
- 2017 onwards Are Oy, Member of the Board

Elisa Markula (b. 1966), Member of Olvi plc's Board of Directors since 2015
Turku School of Economics and Business, Administration, MSc Economics (International Marketing)
CEO, Tikkurila Oyj

Work experience in brief:
- 2009—2018 Paulig Group, Head of Coffee Division/ Oy Gustav Paulig Ab, Managing Director
- 2006—2009 Oy Suomen LEGO Ab, Senior Vice President
- 2003—2006 Oy Snellman Ab, Sales Director
- 2000—2003 Oy SCA Hygiene Products Ab, Key Account Manager and Trade Marketing Manager
- 1998—2000 Oy SCA Hygiene Products Ab, Product Manager, Feminine Consumer Products
- 1993—1998 Oy Fazer Chocolates Ab, Area Marketing Manager

Important positions in other organisations:
- The Association of Finnish Advertisers, Member of the Board
- Kemianteollisuus ry, Member of the Board
- East Office of Finnish Industries, Member of the Board
- Finnish-Russian Chamber of Commerce (FRCC), Member of the Board
- Väriteollisuus ry, Chairman of the Board

Päivi Paltola, (b. 1971), Member of Olvi plc's Board of Directors since 2018
M.Sc. (Econ)
Marketing Director, Marimekko Corporation

Work experience in brief:
- 2014—2017 Fiskars Group, Fiskars Living, Senior Vice President (Iittala, Royal Copenhagen, Arabia, Rörstrand and own retail)
- 2012—2014 Fiskars Group, Fiskars Home, Finland, Business Director (Iittala, Royal Copenhagen, Arabia, Rörstrand)
- 2010—2012 Fiskars Group, Fiskars Home, Finland, Business Director (Iittala, Arabia, Rörstrand)
- 2008—2010 Lumene Group, Brand Director, Lumene and Cutrin
- 2004—2008 Lumene Group, Marketing Manager
- 2000—2004 Orion-Yhtymä Oyj NOIRO, Product Manager Skin Care (Lumene, Nanoel, Favora)
- 1997—2000 Orion-Yhtymä Oyj NOIRO, Product Manager

Important positions in other organisations:
- 2016—2018 Design Museum Foundation, Member of the Board
- 2011—2015 Art&Design City, Member of the Board

Heikki Sirviö (b. 1955), Member of Olvi plc's Board of Directors since 2018
M.Sc. (Engineering), Honorary Industrial Counsellor, retired

Work experience in brief:
- 2010—2015 Yara International ASA, Senior Advisor
- 2008—2009 Yara Suomi Oy, CEO
- 2004—2007 Kemira GrowHow Oyj, CEO and President
- 2000—2004 Kemira Agro Oy, Kemira Oy, CEO
- 1996—2000 KemiraChemicals Oy, Factory Manager
- 1994—2000 Kemphos, KemiraChemicals Oy, BU Director
- 1991—1993 Kemira Agro, Kemira Oy, Project Manager
- 1989—1991 Kemira Agro Oy, Technical Manager
- 1980—1989 Kemira Agro, multiple managerial positions

Important positions in other organisations:

- 2016 onwards Chairman of the Board of Olvi Foundation
- 2016 onwards SoilFood Oy, Member of the Board
- 2014—2016 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 Association (IFA)
- 2001—2004 Member of the Finance Committee
- 2005—2007 Member of the Executive Committee
- 2005—2007 Vice President of West and Central Europe

Administrative positions in other organisations:
- 2000—2010 Siilinjärven Osuuspankki co-operative bank, Member of the Supervisory Board
- 2008—2011 Hankkija Oy, Member of the Board
- 2008—2009 Pellervo Economic Research Institute, Member of the Board