



ANNUAL REVIEW

2017

About this report

This annual review is published as supplementary material to the annual report and financial statements.

The annual review includes basic information about the company and a review of its operations in 2017, in addition to its key financial statement information and corporate responsibility report.

The annual review for 2017 is published in PDF format on Olvi Group's website, together with other financial statement and annual report documents.

The financial statement information is available at www.olvigroup.fi/en/releases-and-publications/annual-reports/

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THIS IS OLVI

OLVI IS THE ONLY FINNISH BREWERY

• THAT HAS REMAINED •

INDEPENDENT SINCE
1878



• NET SALES •

345.2

MEUR

 **1,783**
EMPLOYEES



5

OPERATING COUNTRIES
FINLAND

AND

← **ESTONIA**

← **LATVIA**

← **LITHUANIA**

← **BELARUS**



• SERIES A SHARE •
NASDAQ OMX HELSINKI

OUR ORIGINS

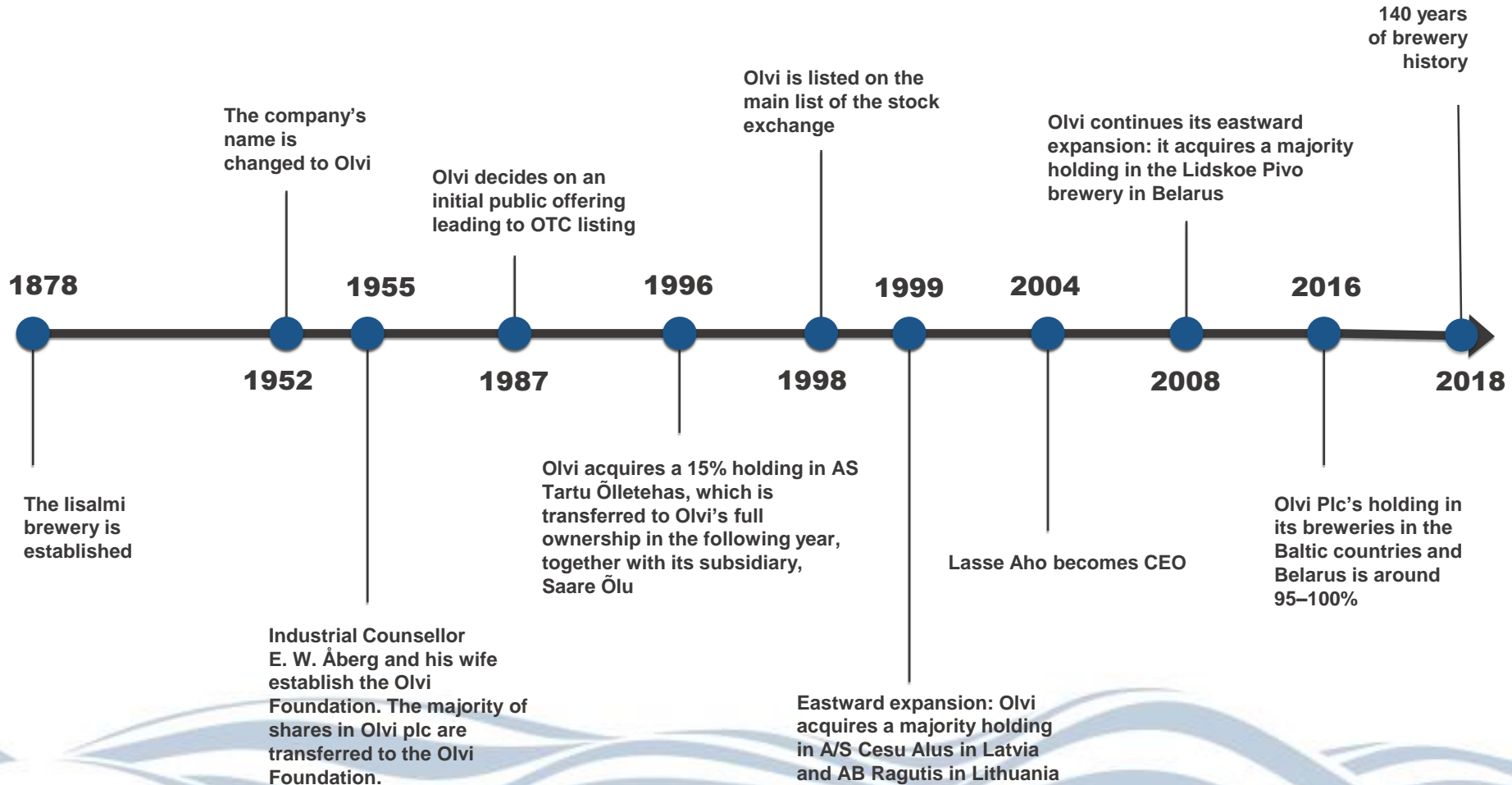
In 1878, master brewer William Gideon Åberg established a brewery in Iisalmi, Finland, with his wife, Onni.

Inspired by the thoughts of Zacharias Topelius, they wanted to reduce the high consumption of spirits in Finland and offer milder alternatives.












At the time, Finland had around 78 breweries. Of these, Olvi is the only one to have remained an independent Finnish brewery.



OLVI'S HISTORY



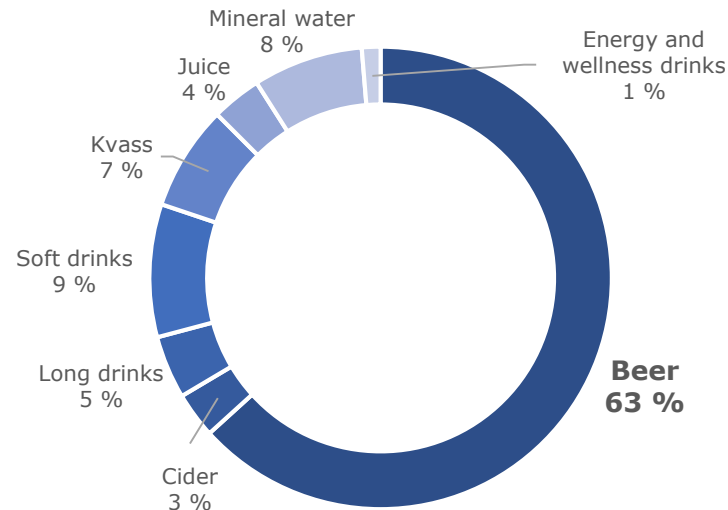
KEY FIGURES OF OLVI GROUP BY UNIT

Key figures		 Finland	 Estonia	 Latvia	 Lithuania	 Belarus
Year of foundation		1878	1807	1590	1853	1876
Number of employees		337	327	196	228	695
Sales volume 2017 (Mltr)		199.7	112.8	76.3	85.4	196.4
Net sales 2017 (MEUR)		131.5	73.8	37.5	39.2	75.4
Operating profit 2017 (MEUR)		12.8	14.7	4.4	3.4	9.4
Holdings		Parent company	100.00	99.88	99.58	95.87

PRODUCT MIX AND BRANDS



Sales volume by product group
(Group total)



MANAGING DIRECTOR'S REVIEW

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

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

In the Baltic states, 2017 was exceptional year due to substantial excise tax hikes on mild alcoholic beverages. Also in Latvia and Lithuania, development early in the year was very favourable, partially thanks to contract manufacturing for Estonia. Towards the end of the year, development was more

moderate. The substantial excise tax hike in Estonia resulted in a partial shift of sales to cross-border trade between Estonia and Latvia, as well as a decline in Estonian harbour and on-board sales. The change brings uncertainty also to the outlook for 2018, particularly in the first half of the year. All in all, 2017 was a very successful year also in the Baltic states. Profitability in Estonia remained strong, and Latvia and Lithuania broke their earnings records.

A positive trend continued in the Belarusian business, as has been the case for a few successive years now. The sales volume made an all-time high of 196 million litres, representing an increase of 10.1 percent on the previous year. The company's operating profit improved by 26.3 percent.

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

achieving cost savings. Gross capital expenditure slightly exceeded the full-year amount of depreciation.

We are embarking on 2018 with confidence in spite of the changes in the Baltic operating environment. The full-year outlook is good.

I want to thank all our customers and collaborator as well as our employees in all our operating units for the excellent year of 2017. Let us keep up the good work!



Lasse Aho
Managing Director

OLVI IN 2017

KEY ACHIEVEMENTS

- Olvi Group achieved its all-time best results in terms of sales volumes and net sales.
- We will invest in a new special-design glass bottle line in Iisalmi in the near future. For this reason, our net sales for 2017 are burdened by a write-down of EUR 1.2 million related to glass bottle stock in Finland.
- The Group has a strong balance sheet. Its equity ratio improved by 2 percentage points, and the company is free of net debt.
- The subsidiaries had an exceptional year due to significant increases in excise taxes and the changes in purchasing behaviour that ensued. Several countries will continue to increase excise taxes in the near future. However, Finland still has the highest beer tax rate within the European Union.
- Sustainability was one of Olvi Group's focus areas in 2017. In terms of sustainable development and responsible value chains, one of our most significant investments was a power plant in Finland. The power plant uses renewable energy, mainly forest chips and a mixture of bark and sawdust.
- We continued to operate in line with the Lean methodology, promoting cost and resource efficiency.
- After the end of the financial year, we announced that we would be acquiring a controlling interest in Servaali Oy. This acquisition will expand our product portfolio to wines, in addition to strengthening our position in mild alcoholic beverages.

Sales volume



643.0 Mltr
(609.4 Mltr)

Net sales



345.2 MEUR
(320.7 MEUR)

Operating profit



44.7 MEUR
(40.4 MEUR)

Operating profit % of net sales



13.0 %
(12.6 %)

Equity to
total assets



64.1 %
(62.0 %)

Gross capital
expenditure



21.7 MEUR
(20.5 MEUR)

Share price
29 Dec 2017

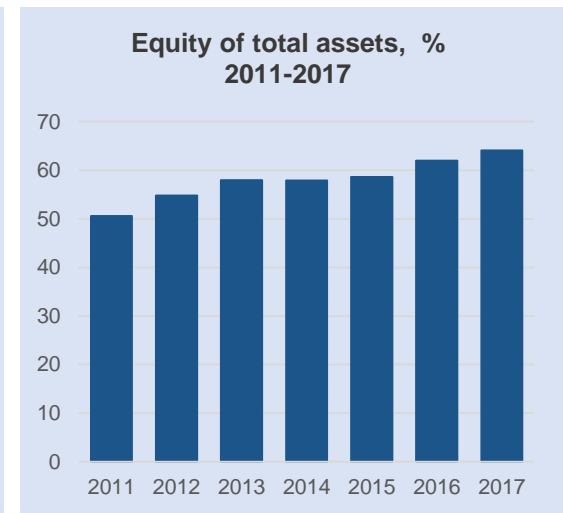
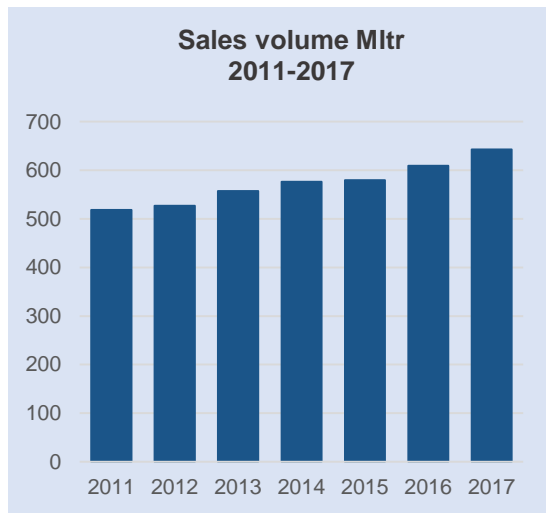


29.87 €
(28.00 €)

BUSINESS DEVELOPMENT

Olvi Group's business will develop favourably.

Olvi estimates that the Group's sales volume and net sales for 2018 will increase slightly on the previous year. Operating profit for 2018 is estimated to be on a par with the previous year.



OUR STRATEGY AIMS TO PROFITABLE GROWTH

MISSION



**OLVI CREATES
POSITIVE DRINKING
ENJOYMENT**

VALUES

- Finnishness and localness
- Responsibility
- Positiveness
- Customer Focus

STRATEGY



Profitable growth and strengthening the market position, and innovative product development with alcoholic and non-alcoholic beverages.

Leveraging of new growth opportunities in new markets.

Operational efficiency, localness, responsibility, premium taste of the products, expert and motivated personnel and customer orientation are at the core of our strategy.

STRATEGIC CHOICES

- Optimisation of production capacity
- Learning-focused and competent personnel
- Product portfolio reflects demand
- Maintaining and further developing own operational efficiency
- Ensuring profitable growth
- Industry's leading practices in responsibility

VISION



**TO BE THE MOST
ATTRACTIVE AND
RESPECTED
FINNISH
BEVERAGE
COMPANY**

MEGATRENDS



**SUSTAINIBILITY AND
RESPONSIBLE WAYS OF
OPERATING**



DIGITALISATION



**GLOBALISATION AND CHANGES IN
THE GLOBAL ECONOMY**

DEMOGRAPHIC CHANGES



CHANGES IN CONSUMER BEHAVIOUR



The global changes identified by us shape our operating environment over the long term. Through our strategy and responsible operations we create the future with the choices we make today, by responding to the challenges and opportunities the megatrends bring.

MEGATRENDS



Sustainability and responsible operations reflect throughout the value chain

- Increased stakeholder expectations on company's responsibility and transparency
- Sustainable values increasingly important in consumers' daily choices
- Efficient use of our natural resources and mitigation of climate change



Digitalisation increases detailed information and production efficiency

- Automation creates opportunities to increase production efficiency
- Customer and consumer data as well as big data increase significantly
- Availability of services
- Spread of information and exchange of experiences becomes faster



Globalisation and changes in the global economy require agility and prudent risk management

- Changes in currency exchange rates and raw material prices, economic downturns, import restrictions
Globaaliin trendien nopea leviäminen
- Fast spreading of global trends
- Predictability of critical raw material prices and availability weakened



Demographic changes broaden the product portfolio

- Urbanisation, 1-person households, aging population, population growth globally
- New consumer groups and packaging sizes create new opportunities



Changes in consumer behaviour reflected in product development

- Naturalness, healthiness, uniqueness and product origin are emphasised
- Polarisation of consumer groups



Corporate Responsibility Report

About this Corporate Responsibility Report

The corporate responsibility report is published as supplementary material to the annual report and financial statements.

The financial statement information is available at www.olvigroup.fi/en/releases-and-publications/annual-reports/.

Responsible operating practices are an integral part of business competence. Sustainability is one of Olvi Plc's key values and an essential part of its strategic and operational decision-making. This also makes sustainability a natural part of our day-to-day operations.

The indicator information is from 1 January to 31 December 2017. The information has mainly been collected and presented at Group level. The report is the result of a self-assessment.

The content of the report has been divided into four sustainability focus areas: responsible value chain, best workplace, creating value for stakeholders and consumer communication.

SUSTAINABILITY FOCUS AREAS

RESPONSIBLE VALUECHAIN

- **CO₂ emissions**
- **Energy efficiency**
- **Green electricity, renewable energy**
- **Water consumption and wastewater treatment**
- **Material recycling**
- **Responsible purchasing**

CONSUMER COMMUNICATION

- **Responsible consumption, marketing and consumer information**
- **Quality and safety of products**
- **Multiple range of non-alcoholic products**








BEST WORKPLACE

- **A safe work environment**
- **Ensuring occupational health and well-being**
- **Equal opportunities**
- **Competence development**
- **Leadership, managerial work and work community skills**
- **A positive and innovative corporate culture**

VALUE FOR STAKEHOLDERS

- **Positive financial development**
- **Tax footprint**
- **Being local and local partners**
- **Share value**
- **Risk management**

ACTS OF SUSTAINABILITY AT OLVI

	RESPONSIBLE VALUE CHAIN	BEST WORKPLACE	CREATING VALUE FOR STAKEHOLDERS	CONSUMER COMMUNICATION	ETHICAL OPERATING PRACTICES
	We started up a power plant that uses renewable energy.	We have been able to reduce our number of occupational accidents since 2010, to fewer than ten accidents per year.	In 2017, we paid EUR 260.0 million in taxes and fees to society.	We launched a non-alcoholic beer and a gluten-free beer.	<p>We have implemented a Group-wide</p> <ul style="list-style-type: none"> - <i>Code of Conduct.</i> <p>We have also implemented a <i>Code Of Conduct for Suppliers and Partners</i> to ensure compliance with our principles.</p>
	Based on energy studies, we improved our processes to reduce our energy consumption.	We are implementing an occupational safety plan.	In 2017, we paid EUR 44.9 million in taxes and fees to society.	We have reduced the sugar content of our soft drinks.	
	We are aiming for ISO 14001 certification for our environmental management system, and for an LCA assessment.	We took a mobile app into use for recording safety observations.	In 2017, we paid EUR 26.0 million in taxes and fees to society.	We have launched a campaign in schools against alcohol abuse.	
	To reduce emissions and improve safety at work, we have decided to start using electric forklifts and LED lights indoors.	We are implementing an occupational safety plan.	In 2017, we paid EUR 31.6 million in taxes and fees to society.	We have launched an alcohol-free beer.	
	We took an energy-efficient brewery into use for beer production.	We are implementing an occupational safety plan.	In 2017, we paid EUR 28.9 million in taxes and fees to society.	We have reduced the sugar content of our soft drinks and have launched a light beer.	

RESPONSIBLE VALUE CHAIN



1. CULTIVATION

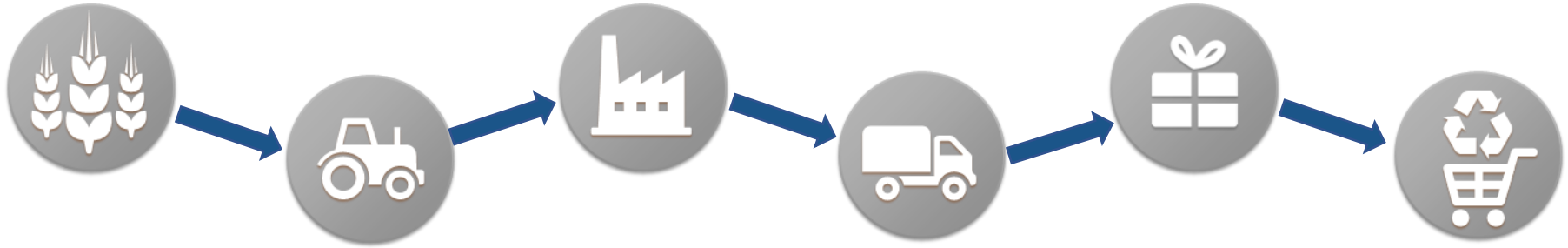
- Local operations and raw materials
- Minimisation of emissions
- Traceability
- Maintenance of natural diversity
- Quality and safety

3 .OLVI'S PRODUCTION PLANTS

- Occupational safety
- Well-being at work
- Quality and safety
- Minimisation of emissions
- Recycling of waste
- Resource efficiency
- Quality management systems

5. CUSTOMERS

- Reliable operations
- Product safety
- Responsible consumption and product information



2. PRODUCTION OF RAW MATERIALS

- Resource efficiency
- Minimisation of emissions
- Recycling of waste
- Quality and safety

4. DISTRIBUTION

- Route optimisation
- Efficient distribution and storage
- Minimisation of emissions
- Safety

6. CONSUMERS

- Recyclability
- Responsible consumption, marketing and product information
- Nutrition

Fair practices in working life and ethical operating practices.
Responsible procurement. Social involvement and cooperation with stakeholders. Direct and indirect employment locally.

RESPONSIBLE VALUE CHAIN



Consumption per litre produced (Group)	2017
Electricity, kWh	0.103
Steam and heat, kWh	0.163
Water, litres	3.475



A heating plant using renewable energy

- Investment: around EUR 5 million
- Main sources of energy: a mixture of bark and sawdust, and wood chips from local sawmills and logging areas
- Need for energy: 1–2 truckloads per day
- Steam capacity: 4.5 MW
- The recovery of waste heat from flue gas provides an additional capacity of 1 MW

In the procurement of materials and raw materials, we choose responsible suppliers and prefer local suppliers and transparent and traceable purchases.

The raw materials and packaging materials must meet customers' and consumers' requirements and expectations.

Our partners commit to our *Code of Conduct*.

BEST WORKPLACE



	2017
Number of employees	1,783
Accidents per year	23
Accident frequency rate*	7.26
Training, hours per employee	13.80

*) (number of accidents / hours worked) x 1,000,000

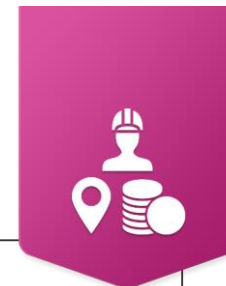
The Group is committed to being a positive, fair and safe workplace.

We continuously develop our ways of working and our work environment to prevent health risks and adverse health effects and to promote health and working capacity. We implement Lean development projects to streamline work processes.

We treat all of our employees in a fair and equal manner.

We develop our employees' knowledge and skills systematically over the long term. We encourage our employees to develop multiple skills and actively improve their competencies.

GENERATING VALUE FOR STAKEHOLDERS



TAX FOOTPRINT



Taxes borne (M€)	Finland	Estonia	Latvia	Lithuania	Belarus	Group total
Corporate income tax	1.6	1.3	0.6	0.3	1.6	5.3
Real estate tax	0.1	0.0	0.0	0.1	0.3	0.5
Employer's charges	3.2	2.2	0.7	0.4	1.7	8.3
Other taxes	0.0	0.0	0.0	0.0	0.4	0.4
Total	5.0	3.4	1.4	0.8	3.9	14.5

Taxes collected (M€)	Finland	Estonia	Latvia	Lithuania	Belarus	Group total
VAT, remitted	55.3	11.8	8.2	7.8	10.3	93.4
Excise taxes	198.4	28.4	15.5	21.4	14.7	278.4
Other taxes	1.3	1.3	0.9	1.6	0.0	5.1
Yhteensä	255.0	41.5	24.6	30.8	25.0	376.9

SHARE PERFORMANCE AND DIVIDEND HISTORY



Number of Olvi Plc shares, 31 Dec 2017

20,758,808

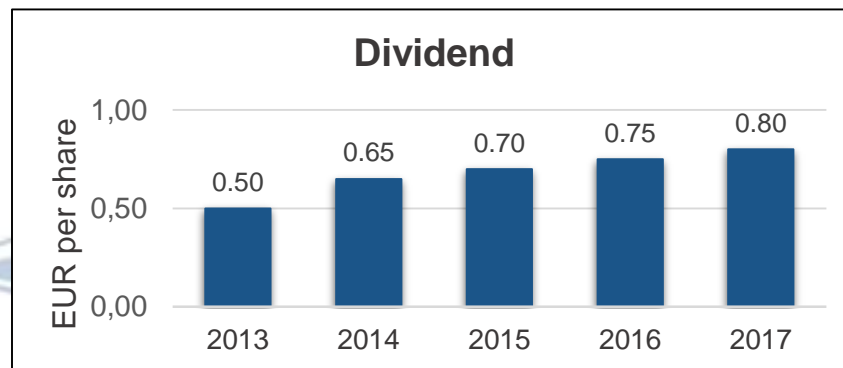
Number of shareholders, 31 Dec 2017

10,800



Year-high: EUR 32.49

Year-low: EUR 25.05



In line with the target set by its Board of Directors, the company seeks to pay a dividend equalling 40–60 per cent of earnings per share.

Proposed dividend: EUR 0.80 (unconfirmed)

CONSUMER COMMUNICATION



Open and responsible consumer communication is essential for our operations, in addition to product safety.

We work to help consumers enjoy our products in moderation, and we promote the development of a responsible drinking culture. To serve this purpose, we cooperate closely with national and international operators in the field, among other partners.

We promote responsible consumption by offering smaller packaging sizes and adding non-alcoholic products to our selection. By 2020, all of our alcohol products will be equipped with warning labels (“Not for consumption during pregnancy, for drivers, or for persons under 18 years of age”).



In addition to regulations and guidelines related to marketing, we follow a self-regulatory system that exceeds statutory requirements in some respects. There were no violations of responsible marketing practices in our company in 2017.

Our products are manufactured according to high standards, and they meet the relevant legal requirements, statutory obligations and quality standards.

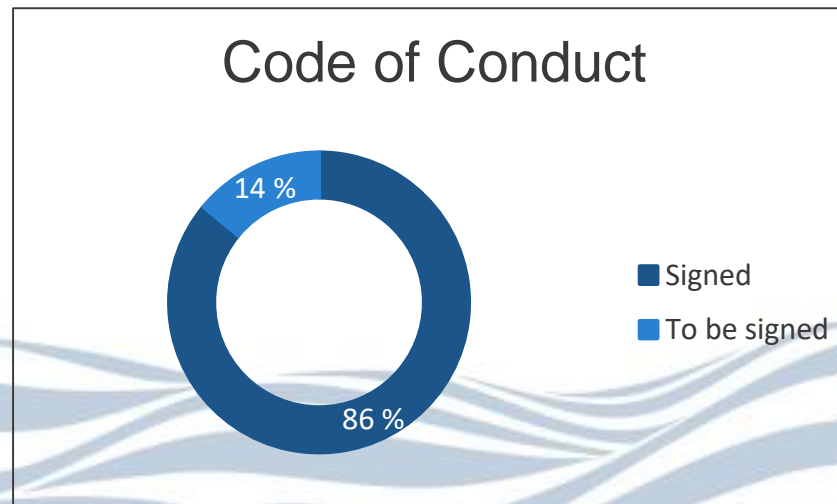
To ensure the availability of responsible consumer information, we seek to present product information transparently and consistently across the Group. Product labelling enables every product to be traced all the way from the ingredients to the shelves.

ETHICAL OPERATING PRACTISES

Ethical and sustainable operating practices are a fundamental part of our values, business operations and success in all our market areas. In every Olvi Group company, we work to maintain our reputation for integrity and reliability.

Our ethical operating practices are outlined in our *Code of Conduct* and our *Code of Conduct for Suppliers and Partners*. We aim to commit our partners to the same principles of responsibility as we are committed to.

Of Olvi Group's partners, 86 per cent have signed our *Code of Conduct*.



COMMITMENTS

Olvi is committed to observing and having respect to selected national and international agreements and guidelines. These support and guide the realisation of our corporate responsibility.



CDP

A non-profit organisation aimed at collecting company-specific data on fighting climate change, greenhouse gas emissions and adaptation to climate change.



UN Global Compact

A social responsibility initiative under the UN, based on ten principles that cover human rights, labour, environment and anticorruption.



The International Labour Organization

The ILO creates international general agreements for labour, and monitors and supports compliance with these among its member countries.



National associations of the brewing and soft drinks industry

Guidelines for responsible marketing and sustainable development. These are on line with guidelines given by Brewers of Europe, European Cider and Fruit Wine Association AICV and Soft Drinks Europe UNESDA.

Certified management systems

Management systems in use – Quality (ISO 9001), Environmental (ISO 14001), Occupational Health and Safety (OHSAS 18001) and Product Safety (FSSC 22000).