



OLVI PLC

INTERIM REPORT 27 OCTOBER 2017 at 9:00 am

OLVI GROUP'S INTERIM REPORT, 1 JANUARY TO 30 SEPTEMBER 2017 (9 MONTHS)

INTERIM REPORT IN BRIEF

Olvi Group's sales and profitability developed favourably in January–September. Third-quarter operating profit was on a par with the previous year in spite of exceptionally poor weather conditions for the season and changes in taxation affecting the Baltic states market.

January to September 2017 in brief:

- Olvi Group's sales volume was 500.5 (475.0) million litres
- The Group's net sales amounted to 271.4 (249.7) million euro
- The Group's operating profit amounted to 40.4 (35.1) million euro
- Olvi Group's earnings per share stood at 1.54 (1.34) euro per share
- The equity to total assets ratio was 63.4 (60.4) percent

July to September 2017 in brief:

- Olvi Group's sales volume was 171.9 (168.6) million litres
- The Group's net sales amounted to 91.3 (89.7) million euro
- The Group's operating profit amounted to 15.2 (15.2) million euro
- Olvi Group's earnings per share stood at 0.61 (0.64) euro per share

Olvi estimates that the Group's sales volume, net sales and operating profit for 2017 will increase slightly on the previous year.

CONSOLIDATED KEY RATIOS

	7-9/ 2017	7-9/ 2016	Change % / pp	1-9/ 2017	1-9/ 2016	Change % / pp	1-12/ 2016
Sales volume, Mltr	171.9	168.6	2.0	500.5	475.0	5.4	609.4
Net sales, MEUR	91.3	89.7	1.8	271.4	249.7	8.7	321.5
Gross margin, MEUR	20.1	20.0	0.7	55.0	49.0	12.3	59.2
% of net sales	22.0	22.3		20.3	19.6		18.4
Operating profit, MEUR	15.2	15.2	0.1	40.4	35.1	15.0	40.4
% of net sales	16.6	16.9		14.9	14.1		12.6
Net profit for the period	12.7	13.4	-5.6	32.1	27.9	14.8	32.8
% of net sales	13.9	15.0		11.8	11.2		10.2
Earnings per share, EUR	0.61	0.64	-4.7	1.54	1.34	14.9	1.57
Gross capital expenditure, MEUR	5.4	4.7	13.8	15.3	15.7	-2.3	20.5
Equity per share, EUR				10.20	9.32	9.4	9.73
Equity to total assets, %				63.4	60.4	3.0	62.0
Gearing, %				-5.8	9.9	15.7	2.1

BUSINESS DEVELOPMENT

LASSE AHO, MANAGING DIRECTOR:

Olvi Group's performance in the third quarter can be considered good, taking into account market development and changes in the operating environment.

Sales increased slightly and operating profit was on a par with the previous year even though the rainy summer had a negative impact on market development across the Group's operating area and substantial excise tax hikes in Estonia hampered the company's sales and earnings in the third quarter as expected.

The Group's development in January–September has been very good, and all consolidated key indicators have improved on the comparison period last year.

Strong business development in Finland continued in the third quarter. Our market share strengthened even further, the sales volume increased by approximately 11 percent and the operating profit by approximately 19 percent on the comparison period last year. The improved efficiency of production processes allowed smooth deliveries of record-breaking sales volumes. Business development in Finland has been favourable for a couple of years in a row – within the last two years, our sales volume has increased by more than 30 percent, which has lifted our market share, operational efficiency and profitability to a new level.

In Estonia, the strong increase in excise tax for mild alcoholic beverages as of the beginning of July, in combination with cool summer weather, has hampered the company's third-quarter sales volume and earnings as expected. The decline was affected by advance purchases in the second quarter before the tax hike, the transfer of sales to the Latvian-Estonian border, as well as a decline in harbour and on-board sales in comparison to the same period last year. The company's accumulated earnings are almost on a par with the previous year. The long-term earnings effect of the substantial change in the unit's operating environment is still difficult to estimate because in addition to local consumer demand in Estonia, it is affected by the pricing policies of companies doing business in harbours and on board, as well as a potential amendment to the Finnish Alcohol Act, the details and timing of which remain open for the time being.

Earnings development in the Latvian unit has been very good in the third quarter and during the entire year 2017. The company's operating profit has increased by almost 40 percent, and the company, which has a long history, will probably break its all-time earnings record this year. The effect of the excise tax change in Estonia mentioned above has been a contributing factor to the substantial sales increase and, consequently, the operating profit improvement brought by more efficient operations.

The third-quarter sales and earnings of the Lithuanian unit were almost on a par with the previous year, and the company's accumulated operating profit has improved by 37 percent on the previous year. The company's sales are slowed down by excise tax hikes implemented in Lithuania in the first part of the year, but despite the change in operating environment, the company has been able to improve its profitability.

Business in Belarus has developed well during 2017 even though the summer season was slowed down by cool weather. However, third-quarter operating profit improved by 7 percent, and the accumulated figure by as much as 26 percent compared to the previous year. The local currency has weakened against the euro during the third quarter, which decreased the earnings reported in euro. Third-quarter operating profit measured in the local currency increased by 12 percent.

In addition to net sales and operating profit, the Group's other financial indicators have also developed favourably during the year. The consolidated balance sheet indicators have become even stronger. Consolidated cash flow improved on the previous year, with the January to September figure amounting to 46.4 million euro. Net profit from July to September fell slightly short of the previous year due to higher unrealised exchange rate differences recognised in financial items during the review period. The accumulated net profit increased by 14.8 percent and earnings per share by 14.9 percent on the comparison period last year.

SEASONAL NATURE OF THE OPERATIONS

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

SALES DEVELOPMENT

Sales volume development

Olvi Group's sales volume in January–September increased by 5.4 percent to 500.5 (475.0) million litres. The sales volume in July–September was 171.9 (168.6) million litres.

From January to September, sales volumes increased in all other units except Estonia.

Sales volume development by unit:

Sales volume, million litres	7-9/ 2017	7-9/ 2016	Change %	1-9/ 2017	1-9/ 2016	Change %
Finland (Olvi plc)	52.6	47.5	10.7	151.3	132.5	14.2
Estonia (AS A. Le Coq)	24.1	31.9	-24.3	91.3	97.0	-5.9
Latvia (A/S Cēsu Alus)	19.2	19.2	0.0	61.4	53.6	14.5
Lithuania (AB Volfas Engelman)	23.2	23.9	-3.0	66.1	64.9	1.9
Belarus (OAO Lidskoe Pivo)	58.5	51.3	14.0	154.1	142.2	8.4
Eliminations	-5.7	-5.2		-23.7	-15.3	
Total	171.9	168.6	2.0	500.5	475.0	5.4

Net sales development

The Group's net sales in January–September increased by 8.7 percent and amounted to 271.4 (249.7) million euro. Net sales in July–September amounted to 91.3 (89.7) million euro. Net sales increased in all units except Estonia.

Net sales development by unit:

Net sales, million euro	7-9/ 2017	7-9/ 2016	Change %	1-9/ 2017	1-9/ 2016	Change %
Finland (Olvi plc)	34.9	32.4	7.9	99.3	89.6	10.9
Estonia (AS A. Le Coq)	16.5	20.4	-19.3	60.3	61.7	-2.3
Latvia (A/S Cēsu Alus)	9.6	9.3	3.8	30.2	25.4	18.9
Lithuania (AB Volfas Engelman)	11.5	10.3	11.9	32.1	27.4	17.0
Belarus (OAO Lidskoe Pivo)	21.3	19.7	7.8	59.9	52.6	13.8
Eliminations	-2.5	-2.4		-10.4	-7.1	
Total	91.3	89.7	1.8	271.4	249.7	8.7

EARNINGS DEVELOPMENT

The Group's operating profit in January–September increased by 15.0 percent and amounted to 40.4 (35.1) million euro. Operating profit was 14.9 (14.1) percent of net sales. The operating profit for January–September increased in all units except Estonia. Operating profit in July–September stood at 15.2 (15.2) million euro, which was 16.6 (16.9) percent of net sales.

Operating profit development by unit:

Operating profit, million euro	7-9/ 2017	7-9/ 2016	Change %	1-9/ 2017	1-9/ 2016	Change %
Finland (Olvi plc)	5.3	4.5	19.4	11.6	9.6	21.1
Estonia (AS A. Le Coq)	3.7	5.0	-26.0	13.2	13.5	-2.0
Latvia (A/S Cēsu Alus)	1.6	1.2	27.8	4.0	2.9	39.1
Lithuania (AB Volfas Engelman)	1.3	1.4	-3.1	3.0	2.2	37.1
Belarus (OAO Lidskoe Pivo)	3.3	3.1	7.1	8.6	6.8	26.0
Eliminations	0.0	0.1		-0.0	0.2	
Total	15.2	15.2	0.1	40.4	35.1	15.0

The Group's profit after taxes in January–September increased by 14.8 percent on the previous year, amounting to 32.1 (27.9) million euro. Profit after taxes in July–September amounted to 12.7 (13.4) million euro. The profit for July–September was hampered by higher unrealised exchange rate losses recognised in financial items compared to the previous year.

Earnings per share calculated from the profit belonging to parent company shareholders stood at 1.54 (1.34) euro in January–September, and the July–September figure was 0.61 (0.64) euro.

BALANCE SHEET, FINANCING AND INVESTMENTS

Olvi Group's balance sheet total at the end of September 2017 was 335.4 (322.6) million euro. Equity per share at the end of September 2017 stood at 10.20 (9.32) euro. The equity ratio improved again to 63.4 (60.4) percent and the gearing ratio was -5.8 (9.9) percent.

The amount of interest-bearing liabilities at the end of September was 16.1 (29.8) million euro, including current liabilities of 8.3 (13.7) million euro.

Olvi Group's gross capital expenditure in January–September amounted to 15.3 (15.7) million euro. The parent company Olvi accounted for 6.4 million euro, the Baltic subsidiaries for 5.8 million euro and Lidskoe Pivo in Belarus for 3.1 million euro of the total.

PRODUCT DEVELOPMENT AND NEW PRODUCTS

Research and development includes projects to design and develop new products, packages, processes and production methods, as well as further development of existing products and packages. The R&D costs have been recognised as expenses. The main objective of Olvi Group's product development is to create new products for profitable and growing beverage segments.

NEW PRODUCTS

Novelties for the autumn in Finland include the Olvi American Brown Ale top-fermented beer, FIZZ Red Dry cider, Olvi Long Drink Red Grapefruit, Olvi Vichy Juniper Berry + Calcium, the Kane's Red Peak Rush soft drink, the TEHO Sport Blueberry-Acai and Orange-Mandarine sport beverages and A. Le Coq Premium Gluten-Free beer.

In Estonia, A. Le Coq launched a new variant to the Aura Active range, with pomegranate and grape flavour complemented with group B vitamins.

In Latvia, Cēsu Alus launched a hazelnut and honey flavoured porter in the Cēsu Bruza range. A cranberry-flavoured carbonated product was launched for Lielbāta waters.

In Belarus, Lidskoe Pivo launched a new variant of blueberry in the All Vitamins range, containing real blueberry and apple juice and group B vitamins.

Detailed information on new products can be found on each company's Web site.

PERSONNEL

Olvi Group's average number of personnel in January–September was 1,804 (1,895). The average number in July–September was 1,812 (1,905).

The Group's average number of personnel decreased by 91 people in January–September. The number increased in Finland but decreased in all other Group countries. The decrease reflects the effect of operational efficiency measures.

Olvi Group's average number of personnel by country:

	7-9/ 2017	7-9/ 2016	Change %	1-9/ 2017	1-9/ 2016	Change %
Finland	360	353	2.0	343	333	3.0
Estonia	330	350	-5.7	333	346	-3.8
Latvia	200	218	-8.3	204	216	-5.6
Lithuania	229	237	-3.4	228	235	-3.0
Belarus	693	747	-7.2	696	765	-9.0
Total	1812	1905	-4,9	1804	1895	-4.8

MANAGEMENT AND AUDITORS

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

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

MANAGEMENT

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

The Managing Directors of the subsidiaries are:

AS A. Le Coq, Tartu, Estonia – Tarmo Noop

A/S Cēsu Alus, Cēsis, Latvia – Eva Sietiņšone

AB Volfas Engelman, Kaunas, Lithuania – Marius Horbačas

OAO Lidskoe Pivo, Lida, Belarus – Audrius Mikšys

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

GROUP STRUCTURE

During 2017, Olvi Group has acquired 980 shares in its subsidiary OAO Lidskoe Pivo. There were no other changes in Olvi's holdings in subsidiaries in January–September 2017.

Olvi's holdings in the subsidiaries are:

	30 Sep 2017	31 Dec 2016	Change
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	-
OA O Lidskoe Pivo, Belarus	95.87	94.57	1.30

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

SHARES

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

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

Detailed information on Olvi's shares and share capital can be found in the tables attached to this interim report, in Table 5, Section 4.

The total trading volume of Olvi A shares on Nasdaq OMX Helsinki Ltd (Helsinki Stock Exchange) in January–September 2017 was 722,192 (671,434) shares, which represented 4.2 (3.9) percent of all Series A shares. The value of trading was 20.9 (16.4) million euro.

The Olvi A share was quoted on Nasdaq OMX Helsinki Ltd at 29.00 (26.45) euro at the end of September 2017. In January–September, the highest quote for the Series A share was 32.49 (27.80) euro and the lowest quote was 25.05 (20.30) euro. The average price in January–September was 28.91 (24.42) euro.

At the end of September 2017, the market capitalisation of Series A shares was 492.6 (450.1) million euro and the market capitalisation of all shares was 600.8 (548.8) million euro.

The number of shareholders at the end of September 2017 was 10,395 (9,893). Foreign holdings plus foreign and Finnish nominee-registered holdings represented 24.6 (22.4) percent of the total number of book entries and 5.6 (5.1) percent of total votes.

Foreign and nominee-registered holdings are reported in Table 5, Section 9 of the tables attached to this interim report, and the largest shareholders are reported in Table 5, Section 10.

Treasury shares

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

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

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

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

Detailed information on treasury shares is provided in Table 5, Sections 5 and 6 of the tables attached to this interim report.

Flagging notices

On 31 August 2017, Olvi plc (Business ID 0170318-9) has received a notice from FMR LLC in accordance with the Securities Markets Act. The share of Olvi plc's Series A shares held by entities controlled by FMR LLC has increased to five (5) percent through transactions conducted on 25 August 2017.

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

BUSINESS RISKS AND THEIR MANAGEMENT

Risk 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.

Business risks and uncertainties in the near term

The most substantial factor hampering the predictability of Olvi Group's business relates to Belarus and its economic and political outlook for the next few years. Furthermore, negative development of the Russian economy may impose challenges on the Belarusian operating environment.

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

Olvi Group's operations may also be affected to changes in consumer behaviour and the operations of our clientele arising from changes in official regulations. The excise tax hike that became effective in Estonia as of 1 July 2017 will probably result in a change of focus in volumes and consumption both from Estonia to the Latvian border and also from Estonia back to Finland. The long-term effect of the change on the entire Olvi Group's business operations and earnings development is still difficult to estimate because there are several contributing factors, such as the pricing policies of companies doing business in harbours and on board after the excise duty changes, as well as a potential amendment to the Finnish Alcohol Act, the details and timing of which remain open for the time being.

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

In addition to the risks described above, there have been no significant changes in Olvi Group's business risks. A more detailed description of the risks is provided in the Board of Directors' report and the notes to the financial statements, as well as in the Investors/Corporate Governance section of the company's Web site.

OTHER EVENTS DURING THE REVIEW PERIOD

Annual General Meeting

Decisions made at the Annual General Meeting can be found in the bulletin released on 21 April 2017.

NEAR-TERM OUTLOOK

Olvi estimates that the Group's sales volume, net sales and operating profit for 2017 will increase slightly on the previous year.

OLVI PLC
Board of Directors

Further information: Lasse Aho, Managing Director, Olvi plc
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TABLES:

- Statement of comprehensive income, Table 1
- Balance sheet, Table 2
- Changes in shareholders' equity, Table 3
- Cash flow statement, Table 4
- Notes to the interim report bulletin, Table 5

DISTRIBUTION:

NASDAQ OMX Helsinki Ltd
Key media
www.olvi.fi

OLVI GROUP
INCOME STATEMENT
EUR 1,000

TABLE 1

	7-9/ 2017	7-9/ 2016	1-9/ 2017	1-9/ 2016	1-12/ 2016
Net sales	91328	89681	271395	249696	321478
Other operating income	604	367	1438	1385	1582
Operating expenses	-71833	-70086	-217855	-202127	-263881
Depreciation and impairment	-4918	-4791	-14613	-13847	-18734
Operating profit	15181	15171	40365	35107	40445
Financial income	72	140	1886	1044	1207
Financial expenses	-543	-152	-2786	-1916	-1816
Share of profit in associates	0	0	0	0	37
Earnings before tax	14710	15159	39465	34235	39873
Taxes *)	-2034	-1730	-7399	-6303	-7079
NET PROFIT FOR THE PERIOD	12676	13429	32066	27932	32794
Other comprehensive income items:					
Translation differences related to foreign subsidiaries	-2681	1694	-7599	-3697	-74
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	9995	15123	24467	24235	32720
Distribution of profit:					
- parent company shareholders	12614	13256	31902	27734	32488
- non-controlling interests	62	173	164	198	306
Distribution of comprehensive income:					
- parent company shareholders	9992	14906	24474	24122	32406
- non-controlling interests	3	217	-7	113	314
Earnings per share calculated from the profit belonging to parent company shareholders, EUR					
- undiluted	0.61	0.64	1.54	1.34	1.57
- diluted	0.61	0.64	1.54	1.34	1.57

*) Taxes calculated from the profit for the review period.

OLVI GROUP
BALANCE SHEET
EUR 1,000

TABLE 2

	30 Sep 2017	30 Sep 2016	31 Dec 2016
ASSETS			
Non-current assets			
Tangible assets	189816	194758	196239
Goodwill	15361	15693	15978
Other intangible assets	5080	5240	5295
Shares in associates	1183	1146	1183
Financial assets available for sale	543	543	543
Loans receivable and other non-current receivables	280	311	280
Deferred tax receivables	350	261	265
Total non-current assets	212613	217952	219783
Current assets			
Inventories	35986	35037	32669
Accounts receivable and other receivables	58419	59066	55627
Income tax receivable	0	0	129
Other non-current assets held for sale	0	2	0
Liquid assets	28383	10528	20297
Total current assets	122788	104633	108722
TOTAL ASSETS	335401	322585	328505
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity held by parent company shareholders			
Share capital	20759	20759	20759
Other reserves	1092	1092	1092
Treasury shares	-228	-228	-228
Translation differences	-44450	-40552	-37022
Retained earnings	234070	212348	217234
	211243	193419	201835
Share belonging to non-controlling interests	1247	1513	1714
Total shareholders' equity	212490	194932	203549
Non-current liabilities			
Financial liabilities	7825	16114	12932
Other liabilities	23	11	17
Deferred tax liabilities	8910	7852	7749
Current liabilities			
Financial liabilities	8256	13702	11708
Accounts payable and other liabilities	96221	87963	92328
Income tax liability	1676	2011	222
Total liabilities	122911	127653	124956
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	335401	322585	328505

OLVI GROUP

CHANGES IN SHAREHOLDERS' EQUITY

EUR 1,000	Share capital	Other reserves	Treasury shares reserve	Translation differences	Retained earnings	Share belonging to non-controlling interests
Shareholders' equity 1 Jan 2016	20759	1092	-108	-36940	200415	1447
Comprehensive income:						
Net profit for the period					27734	198
Other comprehensive income items:						
Translation differences				-3612		-85
Total comprehensive income for the period				-3612	27734	113
Transactions with shareholders:						
Payment of dividends					-14523	-42
Acquisition of treasury shares			-120			
Share-based incentives					159	
Change in accounting policies					-1437	-3
Total transactions with shareholders			-120		-15801	-45
Changes in holdings in subsidiaries:						
Acquisition of shares from non-controlling interests					1	
Change in share belonging to non-controlling interests					-1	-2
Total changes in holdings in subsidiaries					0	-2
Shareholders' equity 30 Sep 2016	20759	1092	-228	-40552	212348	1513
EUR 1,000	Share capital	Other reserves	Treasury shares reserve	Translation differences	Retained earnings	Share belonging to non-controlling interests
Shareholders' equity 1 Jan 2017	20759	1092	-228	-37022	217234	1714
Comprehensive income:						
Net profit for the period					31902	164
Other comprehensive income items:						
Translation differences				-7428		-171
Total comprehensive income for the period				-7428	31902	-7
Transactions with shareholders:						
Payment of dividends					-15561	-35
Share-based incentives					416	
Total transactions with shareholders					-15145	-35
Changes in holdings in subsidiaries:						
Acquisition of shares from non-controlling interests					258	
Change in share belonging to non-controlling interests					-179	-425
Total changes in holdings in subsidiaries					79	-425
Shareholders' equity 30 Sep 2017	20759	1092	-228	-44450	234070	1247

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

OLVI GROUP
CASH FLOW STATEMENT
EUR 1,000

TABLE 4

	1-9/2017	1-9/2016	1-12/2016
Net profit for the period	32066	27932	32794
Adjustments to profit for the period	23446	19104	25512
Change in net working capital	-5511	-942	8828
Interest paid	-380	-574	-777
Interest received	208	296	428
Dividends received	4	0	2
Taxes paid	-3411	-2221	-5553
Cash flow from operations (A)	46422	43595	61234
Investments in tangible and intangible assets			
assets	-14162	-15683	-18520
Sales gains from tangible and intangible assets	915	427	744
Acquisition of shares from non-controlling interests	-345	0	-2
Expenditure on other investments	0	0	-35
Cash flow from investments (B)	-13592	-15256	-17813
Withdrawals of loans	0	745	447
Repayments of loans	-8920	-16928	-21835
Acquisition of treasury shares	0	-120	-120
Dividends paid	-15574	-14528	-14529
Increase (-) / decrease (+) in current interest-bearing business receivables	15	31	8
Increase (-) / decrease (+) in long-term loan receivables	0	-8	23
Cash flow from financing (C)	-24479	-30808	-36006
Increase (+)/decrease (-) in liquid assets (A+B+C)	8351	-2469	7415
Liquid assets 1 January	20297	12786	12786
Effect of exchange rate changes	-265	211	96
Liquid assets 30 Sep/31 Dec	28383	10528	20297

NOTES TO THE INTERIM REPORT

The accounting policies used for this interim report are the same as those used for the annual financial statements 2016. The accounting policies are presented in the Annual Report 2016, which was published on 29 March 2017. The information in the interim report 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 causes rounding differences in additions. The information disclosed in the interim report is unaudited.

Olvi will adopt two new IFRS standards in 2018 (IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers), as well as one in 2019 (IFRS 16 Leases). Information on the adoption and estimated effects of the standards can be found below.

IFRS 9 Financial Instruments

Olvi has analysed the effect of the new standard on the consolidated financial statements. The Group has a minor amount of equity investments classified as financial assets available for sale under the standard in force. According to the management's current opinion, these financial assets will mainly be classified as financial assets measured at fair value through other comprehensive income items. The change in classification is not expected to have any substantial impact on the Group's earnings.

According to the new standard, the impairment of financial assets must be determined using a model based on expected credit losses. The Group's most substantial financial assets are accounts payable, and the Group will apply the simplified procedure allowed by the standard, under which a loss will be recognised over its entire validity period using a provision matrix, except to the extent that there is proof warranting the recognition of an individual financial asset item completely as credit loss. The procedure may result in credit losses being recognised somewhat earlier but is not expected to have any substantial effect on the consolidated earnings and balance sheet.

IFRS 15 Revenue from Contracts with Customers

The Group has analysed the effect of the new standard on the consolidated financial statements.

A substantial part of the Group's customer contracts relates to the sale of beverage products. Control over beverage products passes to the customer in accordance with their delivery terms, usually within the day of delivery. The contracts include volume and annual discounts, the estimated effect of which is currently deducted from net sales on the same period for which the sales income has been recognised, and according to preliminary analysis, the amendment to the standard does not have any effect on the accounting practice.

The Group has analysed the impact of the new standard on the transaction price of a performance obligation and notes that the amendment to the standard will not affect the transaction price or the consolidated income statement with regard to the sales of beverage products. The time of fulfilment of the performance obligation also corresponds to the present time of income recognition for the sales of beverage products.

The Group is involved in minor amounts of beverage equipment rentals and maintenance services included in these. Rents are recognised over the rental period and, in accordance with the terms of the maintenance service agreement, either as equal instalments over the contract period or based on service performed.

Due to the nature of the Group's business, the amendment to the recognition standard is not expected to have any substantial effect on the consolidated income statement or balance sheet, and it will not impose any changes on business practices. However, the amendment will affect the presentation of the financial statements through the imposed requirements on the disclosure of notes.

The Group will adopt the standard by providing additional information non-retroactively.

IFRS 16 Leases

From the lessee's point of view, the new standard has abandoned the current division between operational leases and finance leases, and according to the standard, in practice all leases result in the recognition of an asset (right to use the leased asset) and a financial liability pertaining to the lease payment obligations. The standard also has effect on the income statement as the total costs are typically higher in the beginning of the lease period and lower towards the end. Furthermore, the lease costs now included in operating expenses will be replaced by interest and depreciation, which will affect crucial indicators such as EBITDA (gross margin). The standard also has an impact on the presentation of cash flow accounting.

The Group has contracts classified as operational leases under the current standard, and upon adoption of the new standard, these will be recognised in the balance sheet with the exception of minor and short-term contracts. The Group's leases concern the rental of individual office spaces and logistics premises, as well as machinery and equipment. The amendments are estimated to have some effect on the consolidated financial statements, particularly the consolidated balance sheet total and the balance sheet indicators. The Group is currently reviewing its lease contracts with their terms and conditions, and analysing the impact in euros. However, most of the premises, machinery and equipment used by the company are in its ownership and are already presented in the consolidated balance sheet.

1. SEGMENT INFORMATION

SALES VOLUME BY GEOGRAPHICAL SEGMENT (1,000 litres)

	7-9/ 2017	7-9/ 2016	1-9/ 2017	1-9/ 2016	1-12/ 2016
Olvi Group total	171880	168552	500526	474951	609375
Finland	52588	47486	151313	132523	178044
Estonia	24114	31860	91279	97023	121467
Latvia	19195	19191	61390	53620	67246
Lithuania	23187	23894	66136	64889	81800
Belarus	58528	51332	154068	142194	178298
- sales between segments	-5732	-5211	-23660	-15298	-17480

NET SALES BY GEOGRAPHICAL SEGMENT (EUR 1,000)

	7-9/ 2017	7-9/ 2016	1-9/ 2017	1-9/ 2016	1-12/ 2016
Olvi Group total	91328	89681	271395	249696	321478
Finland	34929	32386	99296	89561	118876
Estonia	16485	20423	60279	61726	76926
Latvia	9619	9263	30241	25444	31839
Lithuania	11504	10278	32065	27410	35342
Belarus	21271	19726	59906	52639	66776
- sales between segments	-2480	-2395	-10392	-7084	-8281

OPERATING PROFIT BY GEOGRAPHICAL SEGMENT (EUR 1,000)

	7-9/ 2017	7-9/ 2016	1-9/ 2017	1-9/ 2016	1-12/ 2016
Olvi Group total	15181	15171	40365	35107	40445
Finland	5343	4476	11596	9579	10743
Estonia	3668	4958	13215	13483	15926
Latvia	1595	1248	4004	2879	3377
Lithuania	1335	1378	3044	2220	2702
Belarus	3269	3052	8550	6785	7471
- eliminations	-29	59	-44	161	226

2. PERSONNEL ON AVERAGE

	7-9/ 2017	7-9/ 2016	1-9/ 2017	1-9/ 2016	1-12/ 2016
Finland	360	353	343	333	329
Estonia	330	350	333	346	339
Latvia	200	218	204	216	207
Lithuania	229	237	228	235	235
Belarus	693	747	696	765	749
Total	1812	1905	1804	1895	1859

3. RELATED PARTY TRANSACTIONS

Employee benefits to management

Salaries and other short-term employee benefits to the Board of Directors and Managing Director

EUR 1,000

	1-9/ 2017	1-9/ 2016	1-12/ 2016
Managing Director	606	310	393
Chairman of the Board	51	49	68
Other members of the Board	104	102	137
Total	761	461	598

4. SHARES AND SHARE CAPITAL

	30 Sep 2017	%
Number of A shares	17026552	82.0
Number of K shares	3732256	18.0
Total	20758808	100.0
Total votes carried by A shares	17026552	18.6
Total votes carried by K shares	74645120	81.4
Total number of votes	91671672	100.0
Votes per Series A share	1	
Votes per Series K share	20	

The registered share capital on 30 September 2017 totalled 20,759 thousand euro.

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

5. 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.

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

The Group has an active share-based incentive plan for key personnel started in 2016. The performance period for the share-based incentive plan is two years. The prerequisite for receiving reward is that a key employee purchases the company's Series A shares up to the maximum number determined by the Board of Directors. Furthermore, entitlement to a reward is tied to the continuance of employment or service upon reward payment. Rewards will be paid partly in the company's Series A shares and partly in cash in 2018. The cash proportion is intended to cover taxes and tax-related costs arising from the rewards to the key employees. The Board of Directors may decide that the share proportion be paid fully or partially in cash. The plan is directed to approximately 50 people. The rewards to be paid on the basis of the plan are in total an approximate maximum of 36,280 shares in Olvi plc and a cash payment needed for taxes and tax-related costs arising from the shares. The costs of the plan will be recognised over the performance period from 1 July 2016 to 30 June 2018. From January to September 2017, costs associated with the plan established on 24 February 2016 were recognised for a total of 817.8 thousand euro.

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

6. TREASURY SHARES

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

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

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

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

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

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

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

7. NUMBER OF SHARES *)	1-9/2017	1-9/2016	1-12/2016
- average	20731631	20747761	20747742
- at end of period	20717683	20747684	20747684

*) Treasury shares deducted.

8. TRADING OF SERIES A SHARES ON THE HELSINKI STOCK EXCHANGE

	1-9/2017	1-9/2016	1-12/2016
Trading volume of Olvi A shares	722192	671434	881172
Total trading volume, EUR 1,000	20874	16384	22162
Traded shares in proportion to all Series A shares, %	4.2	3.9	5.2
Average share price, EUR	28.91	24.42	25.17
Price on the closing date, EUR	29.00	26.45	28.00
Highest quote, EUR	32.49	27.80	28.51
Lowest quote, EUR	25.05	20.30	20.30

9. FOREIGN AND NOMINEE-REGISTERED HOLDINGS ON 30 SEPTEMBER 2017

	Book entries		Votes		Shareholders	
	qty	%	qty	%	qty	%
Finnish total	15648772	75.38	86561636	94.42	10342	99.49
Foreign total	423149	2.04	423149	0.46	44	0.42
Nominee-registered (foreign) total	89704	0.43	89704	0.10	3	0.03
Nominee-registered (Finnish) total	4597183	22.15	4597183	5.02	6	0.06
Total	20758808	100.00	91671672	100.00	10395	100.00

10. LARGEST SHAREHOLDERS ON 30 SEPTEMBER 2017

	Series K	Series A	Total	%	Votes	%
1. Olvi Foundation	2363904	890613	3254517	15.68	48168693	52.54
2. The Estate of Hortling Heikki *)	903488	103280	1006768	4.85	18173040	19.82
3. The Estate of Hortling Kalle Einari	187104	25248	212352	1.02	3767328	4.11
4. Hortling Timo Einari	165824	36658	202482	0.98	3353138	3.66
5. OP Corporate Bank plc, nominee register		2153807	2153807	10.38	2153807	2.35
6. Hortling-Rinne Laila Marit	102288	3380	105668	0.51	2049140	2.24
7. Nordea Bank Finland plc, nominee reg.		1726754	1726754	8.32	1726754	1.88
8. Ilmarinen Mutual Pension Insurance Company		849218	849218	4.09	849218	0.93
9. Varma Mutual Pension Insurance Company		828075	828075	3.99	828075	0.90
10. Skandinaviska Enskilda Banken, nominee reg.		663973	663973	3.20	663973	0.72
Others	9648	9745546	9755194	46.98	9938506	10.85
Total	3732256	17026552	20758808	100.00	91671672	100.00

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

11. PROPERTY, PLANT AND EQUIPMENT

EUR 1,000

	1-9/2017	1-9/2016	1-12/2016
Opening balance	196239	185240	198258
Additions	14783	28289	19750
Deductions and transfers	-1401	-2775	-3769
Depreciation	-13830	-12802	-17452
Exchange rate differences	-5975	-3194	-548
Total	189816	194758	196239

12. CONTINGENT LIABILITIES

EUR 1,000

	30 Sep 2017	30 Sep 2016	31 Dec 2016
Pledges and contingent liabilities			
For own commitments	2755	2352	1886
Leasing and rental liabilities:			
Due within one year	1408	1328	1540
Due within 1 to 5 years	1869	1770	1396
Due in more than 5 years	2	3	2
Leasing and rental liabilities total	3279	3101	2938
Other liabilities	2000	2000	2000

13. CALCULATION OF FINANCIAL RATIOS

In the summary of financial indicators (page 1), the Group presents figures directly derived from the consolidated income statement: net sales, operating profit and profit for the period, the corresponding percentages in proportion to net sales, as well as the earnings per share ratio. (Earnings per share = Profit belonging to parent company shareholders / Average number of shares during the period, adjusted for share issues).

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

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

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

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

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

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

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

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