



OLVI PLC HALF-YEAR REPORT 16 AUG 2018 at 9:00 am

OLVI GROUP'S HALF-YEAR REPORT, 1 JANUARY TO 30 JUNE 2018 (6 MONTHS)

## HALF-YEAR REPORT IN BRIEF

Olvi Group's business continued to develop favourably in the review period. The Group's sales volume, net sales and operating profit improved on the previous year, all making an all-time high in Olvi Group's history. Continuing warm summer weather reinforces the good outlook for full-year performance.

### January to June 2018 in brief:

- Olvi Group's sales volume was 350.7 (328.6) million litres
- The Group's net sales amounted to 187.4 (178.9) million euro
- The Group's operating profit amounted to 25.6 (25.2) million euro
- Olvi Group's earnings per share stood at 0.96 (0.93) euro per share
- The equity to total assets ratio was 56.8 (57.6) percent.

### April to June 2018 in brief:

- Olvi Group's sales volume was 217.0 (198.2) million litres
- The Group's net sales amounted to 116.8 (108.3) million euro
- The Group's operating profit amounted to 19.2 (19.0) million euro
- Olvi Group's earnings per share stood at 0.68 (0.67) euro per share

Olvi specifies its guidance and estimates that the Group's sales volume, net sales and operating profit for 2018 will increase slightly on the previous year. Previous guidance indicated that the Group's sales volume and net sales for 2018 would increase slightly on the previous year and that the operating profit for 2018 would be on a par with the previous year.

## CONSOLIDATED KEY RATIOS

	4-6/ 2018	4-6/ 2017	Change % / pp	1-6/ 2018	1-6/ 2017	Change % / pp	1-12/ 2017
Sales volume, Mltr	217.0	198.2	9.5	350.7	328.6	6.7	643.0
Net sales, MEUR	116.8	108.3	7.9	187.4	178.9	4.7	345.2
Gross margin, MEUR	24.1	23.8	1.3	35.3	34.9	1.3	65.5
% of net sales	20.6	22.0		18.9	19.5		19.0
Operating profit, MEUR	19.2	19.0	1.0	25.6	25.2	1.5	44.7
% of net sales	16.4	17.5		13.6	14.1		13.0
Net profit for the period	14.4	13.8	4.2	20.1	19.4	3.5	36.1
% of net sales	12.3	12.8		10.7	10.8		10.5
Earnings per share, EUR	0.68	0.67	1.5	0.96	0.93	3.2	1.73
Gross capital expenditure, MEUR	9.6	5.5	74.1	16.0	9.9	61.0	21.7
Equity per share, EUR				10.50	9.71	8.1	10.41
Equity to total assets, %				56.8	57.6	-0.8	64.1
Gearing, %				-2.9	4.4	7.3	-7.1

## BUSINESS DEVELOPMENT

### LASSE AHO, MANAGING DIRECTOR:

In the second quarter, Olvi Group's business developed favourably. Warm spring weather supported good sales development, and we even outperformed the exceptionally high second-quarter sales and operating profit of the previous year. Development was strong particularly in Finland and Belarus.

In Finland, sales volume, net sales and operating profit improved on the corresponding period last year both in the second quarter and in the half-year period. Our market share in the main product group, beers, made an all-time high in the second quarter. The company also broke its all-time monthly sales record in the second quarter. Good sales development in the first half of the year reflected a successful start in retail sales of strong beers, which was made possible by the new Finnish Alcohol Act. At the same time, the average net sales per litre increased, which had a positive effect on earnings development.

On the contrary, a changed operating environment has imposed challenges to the Estonian company's operations. The company's sales volume and earnings declined on the previous year. As the excise taxes on mild alcoholic beverages doubled, a downturn was seen in local sales in Estonia, and particularly on-board and harbour sales. Sales shifted to cross-border trade between Latvia and Estonia due to lower tax rates, and private imports of mild alcoholic beverages from Estonia to Finland declined. In addition to the actual sales decline, comparability between the first halves of 2018 and 2017 is hampered by the fact that in 2017, sales were exceptionally high in the first half of the year as the Estonian market was preparing for the excise tax hike of 1 July 2017. We have adapted our Estonian operations to the changed situation, and relative profitability has remained at a healthy level. We have been able to partially compensate for the challenging local market in Estonia and the other Baltic states through strong development of exports. The Baltic companies almost doubled their exports in comparison to the corresponding period last year.

Business in Latvia and Lithuania continued on a healthy track that has shown a positive trend for several years. Domestic business in Latvia developed well, and our market share was sustainably strong. A change in alcohol legislation banning large package sizes caused a slight decline in sales volume but also resulted in a shift of volume towards more profitable package sizes. The first-half reported figures for Latvia were particularly impacted by a decline in intra-Group sales associated with the change in the Estonian market mentioned above. On the contrary, the sales and operating profit in Lithuania improved in the first half of the year. Positive development was supported by successful launches of new products, among other things.

The sales volume in Belarus increased strongly in the second quarter and the whole half-year period. Thanks to the increased sales volume and the resulting cost efficiency, the company's second-quarter operating profit increased by 20 percent on the corresponding period last year, even though the earnings reported in euros declined due to a weaker exchange rate of the local currency.

Good development of business in Finland and Belarus has made it possible to sustain positive development at the Group level in spite of the negative trend in Estonia. Continuing warm summer weather reinforces the good outlook for full-year performance.

In addition to organic development, we have reinforced our future growth opportunities through corporate acquisitions in new product groups. Our product portfolio was extended to wines in April 2018 as Olvi acquired 80 percent of the stock in the Finnish-owned company Servaali Oy from Momentin Group Oy. Servaali Oy is one of Finland's largest private importers of alcoholic beverages. After the review period, in July 2018, Olvi acquired a 67 percent holding in The Helsinki Distilling Company, which means that our operations will extend to the stronger alcoholic beverages gin and whisky, and brings growth opportunities in the Premium Craft market.

Together with efficient operational action, the growth opportunities brought by the new units and exports provide a strong foundation for future development.

## 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-June increased by 6.7 percent to 350.7 (328.6) million litres. The sales volume in April-June increased by 9.5 percent to 217.0 (198.2) million litres.

The sales volume increased in January-June in Finland, Belarus and Lithuania. The decline in Latvian sales volume was impacted by diminished intra-Group sales. In Estonia, the sales volume declined due to doubled excise taxes on mild alcoholic beverages and the impact this had on consumer behaviour in Estonia and in harbour and on-board sales.

### Sales volume development by unit:

Sales volume, million litres	4-6/ 2018	4-6/ 2017	Change %	1-6/ 2018	1-6/ 2017	Change %
Finland (Olvi plc and Servaali Oy)	62.7	56.7	10.5	105.1	98.7	6.5
Estonia (AS A. Le Coq)	33.2	41.5	-20.0	55.8	67.2	-16.9
Latvia (A/S Cēsu Alus)	23.8	23.9	-0.8	38.2	42.2	-9.5
Lithuania (AB Volfas Engelman)	27.3	24.7	10.3	46.3	42.9	7.8
Belarus (OAO Lidskoe Pivo)	76.1	60.6	25.4	115.8	95.5	21.2
Eliminations	-6.0	-9.3		-10.4	-17.9	
<b>Total</b>	<b>217.0</b>	<b>198.2</b>	<b>9.5</b>	<b>350.7</b>	<b>328.6</b>	<b>6.7</b>

## Net sales development

The Group's net sales in January-June increased by 4.7 percent and amounted to 187.4 (178.9) million euro. Net sales in April-June increased by 7.9 percent to 116.8 (108.3) million euro. Net sales increased in Finland, Belarus and Lithuania, reflecting sales volume development.

### Net sales development by unit:

Net sales, million euro	4-6/ 2018	4-6/ 2017	Change %	1-6/ 2018	1-6/ 2017	Change %
Finland (Olvi plc and Servaali Oy)	46.9	37.3	25.7	75.3	64.4	17.0
Estonia (AS A. Le Coq)	21.1	27.2	-22.1	35.4	43.7	-18.9
Latvia (A/S Cēsu Alus)	12.4	12.2	2.1	19.8	20.6	-3.9
Lithuania (AB Volfas Engelman)	12.5	11.5	9.0	20.6	19.5	5.6
Belarus (OAO Lidskoe Pivo)	26.5	24.2	9.3	40.9	38.6	5.8
Eliminations	-2.6	-4.1		-4.7	-7.9	
<b>Total</b>	<b>116.8</b>	<b>108.3</b>	<b>7.9</b>	<b>187.4</b>	<b>178.9</b>	<b>4.7</b>

## EARNINGS DEVELOPMENT

The Group's operating profit in January-June stood at 25.6 (25.2) million euro, or 13.6 (14.1) percent of net sales. Operating profit in April-June stood at 19.2 (19.0) million euro, which was 16.4 (17.5) percent of net sales. The Group's operating profit improved in January-June. Second-quarter operating profit was on a par with the previous year. Earnings development was positive in Finland, Belarus and Lithuania. In Estonia, operating profit declined in euros but relative profitability remained good.

### Operating profit development by unit:

Operating profit, million euro	4-6/ 2018	4-6/ 2017	Change %	1-6/ 2018	1-6/ 2017	Change %
Finland (Olvi plc and Servaali Oy)	6.2	4.7	32.7	8.0	6.3	22.5
Estonia (AS A. Le Coq)	4.8	7.0	-31.2	7.2	9.5	-24.9
Latvia (A/S Cēsu Alus)	1.6	1.8	-6.9	2.2	2.4	-9.3
Lithuania (AB Volfas Engelman)	1.5	1.4	5.3	1.9	1.7	11.9
Belarus (OAO Lidskoe Pivo)	4.9	4.1	19.8	6.2	5.3	16.9
Eliminations	0.1	0.0		0.1	0.0	
<b>Total</b>	<b>19.2</b>	<b>19.0</b>	<b>1.0</b>	<b>25.6</b>	<b>25.2</b>	<b>1.5</b>

The Group's profit after taxes in January-June increased by 3.5 percent on the previous year, amounting to 20.1 (19.4) million euro. Profit in April-June increased by 4.2 percent to 14.4 (13.8) million euro.

Earnings per share calculated from the profit belonging to parent company shareholders improved. In January-June it stood at 0.96 (0.93) euro, and the April-June figure was 0.68 (0.67) euro.

## BALANCE SHEET, FINANCING AND INVESTMENTS

Olvi Group's balance sheet total at the end of June 2018 was 388.4 (351.6) million euro. Equity per share at the end of June 2018 stood at 10.50 (9.71) euro. The equity ratio was 56.8 (57.6) percent and the gearing ratio was -2.9 (4.4) percent.

The amount of interest-bearing liabilities was 19.4 (17.4) million euro at the end of June. Current liabilities made up 18.1 (8.4) million euro of all interest-bearing liabilities.

Consolidated cash flow from operations increased on the previous year, amounting to 35.7 (20.9) million euro.

Olvi Group's gross capital expenditure in January-June amounted to 16.0 (9.9) million euro (corporate acquisition excluded). The parent company Olvi accounted for 6.5 million euro, the Baltic subsidiaries for 8.1 million euro and Lidskoe Pivo in Belarus for 1.4 million euro of the total. Olvi Group has invested in an environmentally friendly energy plant and in increasing and diversifying its production capacity.

Annual investments are expected to be approximately on a par with the previous year.

The Group acquired an 80 percent holding in Servaali Oy on 3 April 2018. The net investment was 13.8 million euro. More information about the acquisition can be found in Note 13 in the tables section.

## 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.

The Group's new products are presented by market on each company's Web site.

## PERSONNEL

The Group's average number of personnel decreased in January-June by 31 people, ending at 1,770 (1,801). The Group's average number of personnel decreased by 60 people in the Baltic states. The average number increased by 20 people in Finland and 9 people in Belarus.

### Olvi Group's average number of personnel by country:

	4-6/ 2018	4-6/ 2017	Change %	1-6/ 2018	1-6/ 2017	Change %
Finland	391	359	8.9	354	334	6.0
Estonia	306	343	-10.8	300	335	-10.4
Latvia	203	222	-8.6	197	206	-4.4
Lithuania	215	227	-5.3	212	228	-7.0
Belarus	724	708	2.3	707	698	1.3
<b>Total</b>	<b>1839</b>	<b>1859</b>	<b>-1.1</b>	<b>1770</b>	<b>1801</b>	<b>-1.7</b>

## 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 Lasse Heinonen, M.Sc. (Econ), Elisa Markula, M.Sc. (Econ), Päivi Paltola, M.Sc. (Econ), and Heikki Sirviö, Honorary Industrial Counsellor, M.Sc. (Engineering).

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

## MANAGEMENT

In the review period, the Management Group of Olvi plc consisted 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.

Furthermore, the following directors of subsidiaries report to Olvi Group's Managing Director:

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  
Servaali Oy, Helsinki, Finland - Teemu Lehto

During the review period, the Board of Directors of each subsidiary outside Finland consisted 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

On 3 April 2018, Olvi plc acquired 80 percent of the stock of Servaali Oy, and since that date, the company has been consolidated in 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.

In Olvi Group's segment reporting, Servaali's business operations are included in the figures for Finland. Detailed information on the acquisition is presented in Note 13 to Table 5 in the tables section of the half-year report bulletin.

There were no other changes in Olvi's holdings in subsidiaries in January-June 2018.

**Olvi's holdings in the subsidiaries are:**

	30 June 2018	31 Dec 2017	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	-
OAO Lidskoe Pivo, Belarus	95.87	95.87	-
Servaali Oy, Finland	80.00	-	80.00

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 June 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.

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

The total trading volume of Olvi A shares on Nasdaq OMX Helsinki Ltd (Helsinki Stock Exchange) in January-June 2018 was 807,592 (505,835) shares, which represented 4.8 (3.0) percent of all Series A shares. The value of trading was 23.8 (14.4) million euro.

The Olvi A share was quoted on Nasdaq OMX Helsinki Ltd at 31.70 (30.64) euro at the end of June 2018. In January-June, the highest quote for the Series A share was 34.00 (32.00) euro and the lowest quote was 27.00 (25.05) euro. The average price in January-June was 29.55 (28.42) euro.

At the end of June 2018, the market capitalisation of Series A shares was 537.3 (520.2) million euro and the market capitalisation of all shares was 655.6 (634.6) million euro.

The number of shareholders at the end of June 2018 was 11,373 (10,237). Foreign holdings plus foreign and Finnish nominee-registered holdings represented 24.1 (24.5) percent of the total number of book entries and 5.5 (5.5) percent of total votes.

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

**Treasury shares**

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

On 9 May 2018, the Board of Directors of Olvi plc has 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 held 41,125 Series A shares as treasury shares. After the end of the scheme, Olvi plc holds 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.

At the end of June 2018, Olvi holds 40,829 treasury shares, which is 0.2 percent of the total number of shares. Treasury shares held by the company itself are ineligible for voting.

Detailed information on treasury shares is provided in Table 5, Section 6 of the tables attached to this half-year report.

### **Flagging notices**

During January-June 2018, Olvi has not received any 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.

Other short-term risks and uncertainties are related to the development of the general economic circumstances, changes in the competitive situation, as well as the impacts these may have on the company's operations. In addition to the risks described above, there have been no significant changes in Olvi Group's business risks. 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**

Olvi plc's Annual General Meeting of 16 April 2018 adopted the financial statements and granted discharge from liability to the members of the Board of Directors and Managing Director for the accounting period that ended on 31 December 2017.

In accordance with the Board's proposal, the General Meeting decided that a dividend of 0.80 (0.75) euro be paid on each A and K share for the accounting period 2017. The dividend according to the resolution accounts for 46.1 (47.9) percent of Olvi Group's consolidated earnings per share. The dividends were paid on 30 April 2018.

The General Meeting decided that the Board of Directors shall have six (6) members. Pentti Hakkarainen, Nora Hortling, Elisa Markula and Heikki Sirviö were re-elected as Members of the Board, and Lasse Heinonen and Päivi Paltola were elected as new members.

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

All decisions made at the General Meeting can be found in the bulletin released on 16 April 2018.

## **EVENTS AFTER THE REVIEW PERIOD**

### **Corporate acquisition**

In July 2018, Olvi acquired a 67 percent holding in The Helsinki Distilling Company, which means that the Group's operations will extend to the stronger alcoholic beverages gin and whisky, and brings growth opportunities in the Premium Craft market. The company will be consolidated in Olvi Group starting from 1 July 2018.

### **Changes in management**

After the end of the review period, Chief Financial Officer Kati Kokkonen has notified that she will transfer to another employer. Kati Kokkonen will continue in Olvi plc's service until 31 August 2018.

Tiina-Liisa Liukkonen (40), M.Sc. (Economics), e-MBA, has been appointed Olvi plc's Chief Financial Officer and member of the company's Management Group as of 1 September 2018. Liukkonen has long experience in financial control. She will transfer to Olvi from the position of CFO at Osuuskauppa PeeÄssä co-operative retail group. She has previously served as Group Controller and Finance Manager at Normet Oy, as well as auditor at Ernst & Young.

As of 1 September 2018, the Management Group of Olvi plc shall consist of Lasse Aho, Managing Director (Chairman), Ilkka Auvola, Sales Director, Olli Heikkilä, Marketing Director, Pia Hortling, Public Relations and Purchasing Director, Tiina-Liisa Liukkonen, Chief Financial Officer, Lauri Multanen, Production Director, as well as Marjatta Rissanen, Customer Service and Administrative Director.

## **OUTLOOK**

Olvi specifies its guidance and estimates that the Group's sales volume, net sales and operating profit for 2018 will increase slightly on the previous year. Previous guidance indicated that the Group's sales volume and net sales for 2018 would increase slightly on the previous year and that the operating profit for 2018 would be on a par with the previous year.

OLVI PLC

Board of Directors

Further information:

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TABLES:

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DISTRIBUTION:

NASDAQ OMX Helsinki Ltd

Key media

[www.olvi.fi](http://www.olvi.fi)

## INCOME STATEMENT

EUR 1,000

	4-6/ 2018	4-6/ 2017	1-6/ 2018	1-6/ 2017	1-12/ 2017
Net sales	116848	108273	187424	178934	345185
Other operating income	413	361	679	834	2034
Operating expenses	-93154	-84826	-152767	-144889	-281717
Depreciation and impairment	-4949	-4841	-9786	-9695	-20755
Operating profit	19158	18967	25550	25184	44747
Financial income	198	-24	281	1814	477
Financial expenses	67	-535	-313	-2243	-2819
Share of profit in associates	0	0	0	0	-69
Earnings before tax	19423	18408	25518	24755	42336
Taxes *)	-4993	-4565	-5446	-5365	-6212
NET PROFIT FOR THE PERIOD	14430	13843	20072	19390	36124
Other comprehensive income items that may be subsequently reclassified to profit and loss:					
Translation differences related to foreign subsidiaries	2031	-5979	1025	-4918	-7278
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	16461	7864	21097	14472	28846
Distribution of profit:					
- parent company shareholders	14185	13798	19811	19288	35956
- non-controlling interests	245	45	261	102	168
Distribution of comprehensive income:					
- parent company shareholders	16163	7949	20808	14482	28872
- non-controlling interests	298	-85	289	-10	-26
Earnings per share calculated from the profit belonging to parent company shareholders, EUR					
- undiluted	0.68	0.67	0.96	0.93	1.73
- diluted	0.68	0.67	0.96	0.93	1.73

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



## BALANCE SHEET

EUR 1,000

	30 June 2018	30 June 2017	31 Dec 2017
<b>ASSETS</b>			
Non-current assets			
Tangible assets	192789	191915	188155
Goodwill	25233	15584	15279
Other intangible assets	9553	5062	5340
Shares in associates	1113	1183	1113
Financial assets available for sale	543	543	543
Loans receivable and other non-current receivables	267	280	433
Deferred tax receivables	846	301	379
Total non-current assets	230344	214868	211242
Current assets			
Inventories	42172	37748	34336
Accounts receivable and other receivables	90503	90547	64181
Income tax receivable	93	0	235
Liquid assets	25261	8409	28625
Total current assets	158029	136704	127377
<b>TOTAL ASSETS</b>	<b>388373</b>	<b>351572</b>	<b>338619</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Shareholders' equity held by parent company shareholders			
Share capital	20759	20759	20759
Other reserves	1092	1092	1092
Treasury shares	-1332	-228	-228
Translation differences	-43109	-41828	-44106
Retained earnings	239716	221304	238242
	217126	201099	215759
Share belonging to non-controlling interests	3375	1244	1228
Total shareholders' equity	220501	202343	216987
Non-current liabilities			
Financial liabilities	1254	9015	4651
Other liabilities	3707	27	28
Deferred tax liabilities	7354	8377	6443
Current liabilities			
Financial liabilities	18099	8381	8573
Accounts payable and other liabilities	134761	122255	100052
Income tax liability	2697	1174	1885
Total liabilities	167872	149229	121632
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>388373</b>	<b>351572</b>	<b>338619</b>

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CHANGES IN SHAREHOLDERS' EQUITY

TABLE 3

EUR 1,000	Share capital	Other reserves	Treasury shares reserve	Translation differences	Retained earnings	Share of non-controlling interests	Total
Shareholders' equity 1 Jan 2017	20759	1092	-228	-37022	217234	1714	203549
Comprehensive income:							
Net profit for the period					19288	102	19390
Other comprehensive income items:							
Translation differences				-4806		-112	-4918
Total comprehensive income for the period				-4806	19288	-10	14472
Transactions with shareholders:							
Payment of dividends					-15561	-35	-15596
Share-based incentives					264		264
Total transactions with shareholders					-15297	-35	-15332
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 30 June 2017	20759	1092	-228	-41828	221304	1244	202343
EUR 1,000	Share capital	Other reserves	Treasury shares reserve	Translation differences	Retained earnings	Share of non-controlling interests	Total
Shareholders' equity 1 Jan 2018	20759	1092	-228	-44106	238242	1228	216987
Comprehensive income:							
Net profit for the period					19811	261	20072
Other comprehensive income items:							
Translation differences				997		28	1025
Total comprehensive income for the period				997	19811	289	21097
Transactions with shareholders:							
Payment of dividends					-16574	-22	-16596
Acquisition of treasury shares			-1104				-1104
Share-based incentives					236		236
Total transactions with shareholders			-1104		-16338	-22	-17464
Changes in holdings in subsidiaries:							
Obligation to redeem shares from non-controlling interests					-1999		-1999
Change in share belonging to non-controlling interests					0	1880	1880
Total changes in holdings in subsidiaries					-1999	1880	-119
Shareholders' equity 30 Jan 2018	20759	1092	-1332	-43109	239716	3375	220501

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

## OLVI GROUP

## CASH FLOW STATEMENT

EUR 1,000

	1-6/2018	1-6/2017	1-12/2017
Net profit for the period	20072	19390	36124
Adjustments to profit for the period	16073	15612	29649
Change in net working capital	2034	-12767	-3764
Interest paid	-244	-401	-491
Interest received	174	168	271
Dividends received	2	2	4
Taxes paid	-2453	-1077	-4713
Cash flow from operations (A)	35658	20927	57080
Investments in tangible and intangible assets	-15680	-9485	-22108
Sales gains from tangible and intangible assets	874	115	1682
Acquisition of shares from non-controlling interests	0	-345	-345
Shares purchased in subsidiaries	-13806	0	0
Cash flow from investments (B)	-28612	-9715	-20771
Withdrawals of loans	13574	160	0
Repayments of loans	-6176	-7378	-11491
Acquisition of treasury shares	-1104	0	0
Dividends paid	-16587	-15562	-15574
Increase (-) / decrease (+) in current interest-bearing business receivables	119	14	15
Cash flow from financing (C)	-10174	-22766	-27050
Increase (+)/decrease (-) in liquid assets (A+B+C)	-3128	-11554	9259
Liquid assets 1 January	28625	20297	20297
Effect of exchange rate changes	-236	-334	-931
Liquid assets 30 June/31 December	25261	8409	28625

## NOTES TO THE HALF-YEAR REPORT

The accounting policies for the half-year report are in compliance with IAS 34 and are the same as for the financial statements of 31 December 2017, with the exception of the new standards adopted as described below.

Olvi Group has adopted the following new standards as of 1 January 2018:

**IFRS 9 Financial Instruments**

The adoption of IFRS 9 affects particularly the presentation of information in the financial statements, and has a slight effect on the timing of recognition of credit losses, among other things. However, the adoption has not had any substantial effect on the Group's half-year report.

**IFRS 15 Revenue from Contracts with Customers**

The adoption of IFRS 15 affects the presentation of information in Olvi Group's financial statements and may affect the recognition of income in special sales situations. The Group's net sales consist of the sales of beverage products, which are recognised at one specific time when control is transferred. Due to the characteristics of Olvi Group's business, the adoption of IFRS 15 has not affected the time of income recognition or the amount of net sales.

The Group has provided more information on the adoption of these standards in its annual financial statements for 2017.

The information in the half-year 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 half-year report is unaudited.

## 1. SEGMENT INFORMATION

In segment reporting, the sales volume, net sales and operating profit of Servaali Oy, which was acquired by the Group on 3 April 2018, are consolidated in the Finland segment.

### SALES VOLUME BY GEOGRAPHICAL SEGMENT (1,000 litres)

	4-6/2018	4-6/2017	1-6/2018	1-6/2017	1-12/2017
Olvi Group total	216996	198237	350717	328646	643024
Finland	62681	56711	105095	98725	199717
Estonia	33229	41546	55795	67165	112794
Latvia	23751	23946	38167	42195	76326
Lithuania	27290	24742	46292	42949	85381
Belarus	76065	60639	115768	95540	196389
- sales between segments	-6020	-9347	-10400	-17928	-27583

### NET SALES BY GEOGRAPHICAL SEGMENT (EUR 1,000)

	4-6/2018	4-6/2017	1-6/2018	1-6/2017	1-12/2017
Olvi Group total	116848	108273	187424	178934	345185
Finland	46906	37314	75306	64367	131457
Estonia	21142	27153	35439	43688	73751
Latvia	12417	12161	19816	20622	37512
Lithuania	12525	11493	20633	19534	39155
Belarus	26451	24209	40888	38635	75437
- sales between segments	-2593	-4057	-4658	-7912	-12127

### OPERATING PROFIT BY GEOGRAPHICAL SEGMENT (EUR 1,000)

	4-6/2018	4-6/2017	1-6/2018	1-6/2017	1-12/2017
Olvi Group total	19158	18967	25550	25184	44747
Finland	6205	4677	7982	6253	12763
Estonia	4830	7017	7174	9547	14734
Latvia	1634	1755	2185	2409	4437
Lithuania	1514	1438	1912	1709	3365
Belarus	4908	4096	6172	5281	9435
- eliminations	67	-16	125	-15	13

## 2. PERSONNEL ON AVERAGE

	4-6/2018	4-6/2017	1-6/2018	1-6/2017	1-12/2017
Finland	391	359	354	334	337
Estonia	306	343	300	335	327
Latvia	203	222	197	206	196
Lithuania	215	227	212	228	228
Belarus	724	708	707	698	695
Total	1839	1859	1770	1801	1783

## 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

	1-6/2018	1-6/2017	1-12/2017
Managing Director	367	481	689
Chairman of the Board	34	34	69
Other members of the Board	75	66	148
Total	476	581	906

## 4. SHARES AND SHARE CAPITAL

	30 June 2018	%
Number of A shares	16989976	82.0
Number of K shares	3732256	18.0
Total	20722232	100.0
Total votes carried by A shares	16989976	18.5
Total votes carried by K shares	74645120	81.5
Total number of votes	91635096	100.0
Votes per Series A share	1	
Votes per Series K share	20	

The registered share capital on 30 June 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.

## 5. SHARE-BASED PAYMENTS

During the review period, Olvi Group has had an active share-based incentive plan for key personnel. The aim of the share-based incentive plan 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. The performance period for the share-based incentive plan was two years. The prerequisite for receiving a reward was 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 upon reward payment. Rewards were paid partly in the company's Series A shares and partly in cash in July 2018. The cash proportion is intended to cover taxes and tax-related costs arising from the rewards to the key employees. The plan is directed to approximately 50 people. The rewards to be paid on the basis of the plan are in total an approximate maximum of 36,280 series Series A shares in Olvi plc and a cash payment needed for taxes and tax-related costs arising from the shares. The costs of the plan will be recognised over the performance period from 1 July 2016 to 30 June 2018. From January to June 2018, costs associated with the plan were recognised for a total of 472.8 thousand euro.

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

## 6. TREASURY SHARES

### Authorisations related to treasury shares

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 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.

### Transactions related to treasury shares

On 9 May 2018, the Board of Directors of Olvi plc has 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. After the end of the scheme, Olvi plc holds 77,405 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. After cancellation, the company holds 40,829 of its own shares as treasury shares.

Series A shares held by Olvi plc as treasury shares on 30 June 2018 (40,829 shares) represent 0.2 percent of all shares and 0.04 percent of the aggregate number of votes. The treasury shares represented 0.24 percent of all Series A shares and associated votes. The total purchase price of treasury shares was 1,332,427 euro. Treasury shares held by the company itself are ineligible for voting.

7. NUMBER OF SHARES *)	1-6/2018	1-6/2017	1-12/2017
- average	20707666	20738793	20728115
- at end of period	20681403	20711108	20717683

\*) Treasury shares deducted.

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

	1-6/2018	1-6/2017	1-12/2017
Trading volume of Olvi A shares	807592	505835	1464747
Total trading volume, EUR 1,000	23847	14383	41884
Traded shares in proportion to all Series A shares, %	4.8	3.0	8.6
Average share price, EUR	29.55	28.42	28.59
Price on the closing date, EUR	31.70	30.64	29.87
Highest quote, EUR	34.00	32.00	32.49
Lowest quote, EUR	27.00	25.05	25.05

## 9. FOREIGN AND NOMINEE-REGISTERED HOLDINGS ON 30 JUNE 2018

	Book entries		Votes		Shareholders	
	qty	%	qty	%	qty	%
Finnish total	15725907	75.89	86638771	94.54	11329	99.61
Foreign total	446020	2.15	446020	0.49	35	0.31
Nominee-registered (foreign) total	106910	0.52	106910	0.12	3	0.03
Nominee-registered (Finnish) total	4443395	21.44	4443395	4.85	6	0.05
Total	20722232	100.00	91635096	100.00	11373	100.00

## 10. LARGEST SHAREHOLDERS ON 30 JUNE 2018

	Series K	Series A	Total	%	Votes	%
1. Olvi Foundation	2363904	890613	3254517	15.71	48168693	52.57
2. The Estate of Hortling Heikki *)	903488	103280	1006768	4.86	18173040	19.83
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		2153674	2153674	10.39	2153674	2.35
6. Hortling-Rinne Marit	102288	3380	105668	0.51	2049140	2.24
7. Nordea Bank AB (publ), Finnish Branch, nominee reg.		1324536	1324536	6.39	1324536	1.45
8. Ilmarinen Mutual Pension Insurance Company		901401	901401	4.35	901401	0.98
9. Skandinaviska Enskilda Banken AB (publ) Helsinki branch, nominee register		895490	895490	4.32	895490	0.98
10. Varma Mutual Pension Insurance Company		828075	828075	4.00	828075	0.90
Others	9648	9827621	9837269	47.47	10020581	10.93
Total	3732256	16989976	20722232	100.00	91635096	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

	1-6/2018	1-6/2017	1-12/2017
Opening balance	188155	196239	196239
Additions	15810	9646	20806
Deductions and transfers	-2760	-1155	-3655
Depreciation	-9177	-9159	-18498
Exchange rate differences	761	-3656	-6737
Total	192789	191915	188155

## 12. CONTINGENT LIABILITIES

EUR 1,000

	30 June 2018	30 June 2017	31 Dec 2017
Pledges and contingent liabilities			
For own commitments	1916	1886	1886
Leasing and rental liabilities:			
Due within one year	1164	1137	1163
Due within 1 to 5 years	737	1117	739
Due in more than 5 years	2	2	2
Leasing and rental liabilities total	1903	2256	1904
Other liabilities	2000	2000	2000

## 13. BUSINESS COMBINATIONS

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 in the half-year review 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. If the company had been included in the Group since the beginning of the accounting period, the net sales and operating profit for January-June would have been approximately 192,719 thousand euro and 25,803 thousand euro, respectively.

The operating profit for January-June includes 557.6 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. The acquisition has been recognised in the half-year report as preliminary.

Acquisition price	
EUR 1,000	
Paid in cash	15,800
Estimated fair value of conditional additional 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.

#### 14. 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, % =  $100 * (\text{Interest-bearing debt} - \text{cash in hand and at bank}) / (\text{Shareholders' equity held by parent company shareholders} + \text{non-controlling interests})$ .