



OLVI PLC

INTERIM REPORT 31 OCTOBER 2018 at 9:00 am

OLVI GROUP'S INTERIM REPORT, 1 JANUARY TO 30 SEPTEMBER 2018 (9 MONTHS)

INTERIM REPORT IN BRIEF

Olvi Group's performance was strong also in the third quarter. The Group's sales volume, net sales and operating profit improved substantially.

January to September 2018 in brief:

- Olvi Group's sales volume was 551.0 (500.5) million litres
- The Group's net sales amounted to 298.1 (269.6) million euro
- The Group's operating profit amounted to 44.4 (40.4) million euro
- Olvi Group's earnings per share stood at 1.72 (1.54) euro per share
- The equity to total assets ratio was 63.9 (63.4) percent

July to September 2018 in brief:

- Olvi Group's sales volume was 200.3 (171.9) million litres
- The Group's net sales amounted to 110.7 (90.7) million euro
- The Group's operating profit amounted to 18.9 (15.2) million euro
- Olvi Group's earnings per share stood at 0.77 (0.61) euro per share

Olvi estimates that the Group's sales volume, net sales and operating profit for 2018 will increase slightly on the previous year.

CONSOLIDATED KEY RATIOS

	7-9/ 2018	7-9/ 2017	Change % / pp	1-9/ 2018	1-9/ 2017	Change % / pp	1-12/ 2017
Sales volume, Mltr	200.3	171.9	16.5	551.0	500.5	10.1	643.0
Net sales, MEUR	110.7	90.7	22.0	298.1	269.6	10.6	345.2
Gross margin, MEUR	24.3	20.1	20.7	59.6	55.0	8.4	65.5
% of net sales	21.9	22.2		20.0	20.4		19.0
Operating profit, MEUR	18.9	15.2	24.5	44.4	40.4	10.1	44.7
% of net sales	17.1	16.7		14.9	15.0		13.0
Net profit for the period	16.0	12.7	26.1	36.1	32.1	12.4	36.1
% of net sales	14.4	14.0		12.1	11.9		10.5
Earnings per share, EUR	0.77	0.61	26.2	1.72	1.54	11.7	1.73
Gross capital expenditure, MEUR	8.3	5.4	53.3	24.2	15.3	58.3	21.7
Equity per share, EUR				11.10	10.20	8.8	10.41
Equity to total assets, %				63.9	63.4	0.5	64.1
Gearing, %				-5.5	-5.8	-0.3	-7.1

BUSINESS DEVELOPMENT

LASSE AHO, MANAGING DIRECTOR:

Olvi Group's business development in the third quarter was strong all across the Group. All country-specific operating segments improved their net sales and operating profit in the third quarter. The good development is attributable to increased sales volumes, with the exception of the local market in Estonia.

In Finland, sales volume, net sales and operating profit improved on the corresponding period last year both in the third quarter and for the entire year so far. Good business development was backed by the continuously warm summer in July and August, which boosted the demand for non-alcoholic beverages in particular. Market shares have also increased in several product categories compared to the previous year. The sales of strong beers have continued to increase, and this improves the average price of the sales volume. Our planned expansion to stronger alcoholic product segments has started through acquisitions.

In Estonia, third-quarter performance was clearly better than in the previous year, thanks to substantial cost savings, strong growth in export sales and exceptionally warm summer weather. In the previous year, the third quarter was hampered by excise tax hikes implemented earlier in the year, and as a consequence of this, the Estonian domestic market is challenging. The consumption of brewery products has declined by almost 20 percent while increasing almost 2.5-fold in cross-border trade between Estonia and Latvia during the last two years.

Also in Latvia and Lithuania, sales volume, net sales and operating profit developed favourably during the third quarter. Factors contributing to this included increased export sales, a higher share of premium products in relation to total sales, as well as exceptionally warm weather in the high season. Furthermore, successful launches of new products within the core brands boosted our market share and increased the average price of sales.

In Belarus, sales volume development has been strong in the third quarter as well as the entire year so far. Sales figures have increased both in the domestic market and most particularly in exports to Russia. At the same time, the market position has become stronger particularly in beers and soft drinks. Net sales and operating profit have developed favourably both in euro and particularly in the local currency (BYN); measured in the latter, net sales have increased by 21 percent and operating profit by 25 percent. Accumulated operating profit has already exceeded the previous year's 12-month total both in euro and in the local currency. The Belarusian economy has continued to revive during the operating year, and in the near term, improved consumer purchasing power is also estimated to increase consumption in product groups where Olvi Group is involved.

We continued to strengthen our growth prospects in new product groups through acquiring a majority holding in The Helsinki Distilling Company in early July. This expands our operations to stronger alcoholic beverages such as gin and whisky, and provides opportunities for growth in the Premium Craft market. The acquisition is in line with our earlier acquisition this year: the private importer of alcoholic beverages Servaali, which brought wines to the product portfolio. Furthermore, we are expanding our own production to strong alcoholic beverages and sparkling wines in the Baltic states.

We are creating strong foundations for Olvi Group's profitable business through efficiently developing our everyday operations and seeking opportunities of growth in exports, new product categories and business units. During the current year, we have made significant investments in ensuring future sales volumes and profitability. Gross capital expenditure has exceeded 24 million euro, which is 8.1 percent of net sales. Investments have been made in increasing capacity and the level of automation. In addition acquisitions have been made to enter new business areas.

SEASONAL NATURE OF THE OPERATIONS

The Group's business operations are characterised by seasonal variation. The net sales and operating profit from the reported 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 10.1 percent to 551.0 (500.5) million litres. The sales volume in July–September was 200.3 (171.9) million litres.

From January to September, sales volumes increased in all other countries except Estonia and Latvia. In the third quarter, sales volumes increased in all countries.

Sales volume development by segment:

Sales volume, million litres	7-9/ 2018	7-9/ 2017	Change %	1-9/ 2018	1-9/ 2017	Change %
Finland (Olvi plc, Servaali Oy and The Helsinki Distilling Company)	56.7	52.6	7.9	161.8	151.3	6.9
Estonia (AS A. Le Coq)	31.6	24.1	31.0	87.4	91.3	-4.3
Latvia (AS Cēsu Alus)	22.2	19.2	15.7	60.4	61.4	-1.6
Lithuania (AB Volfas Engelman)	28.7	23.2	23.9	75.0	66.1	13.4
Belarus (OAO Lidskoe Pivo)	68.5	58.5	17.0	184.3	154.1	19.6
Eliminations	-7.5	-5.7		-17.9	-23.7	
Total	200.3	171.9	16.5	551.0	500.5	10.1

Net sales development

The Group's net sales in January–September increased by 10.6 percent and amounted to 298.1 (269.6) million euro. Net sales in July–September amounted to 110.7 (90.7) million euro. For the year so far, net sales increased in all units except Estonia.

Net sales development by segment:

Net sales, million euro	7-9/ 2018	7-9/ 2017	Change %	1-9/ 2018	1-9/ 2017	Change %
Finland (Olvi plc, Servaali Oy and The Helsinki Distilling Company)	44.5	34.9	27.4	119.8	99.3	20.7
Estonia (AS A. Le Coq)	20.2	16.4	22.9	55.6	60.1	-7.5
Latvia (AS Cēsu Alus)	11.9	9.6	23.7	31.7	30.2	4.9
Lithuania (AB Volfas Engelman)	13.1	10.9	19.8	33.7	30.4	10.7
Belarus (OAO Lidskoe Pivo)	24.0	21.3	13.0	64.9	59.9	8.4
Eliminations	-3.0	-2.5		-7.7	-10.4	
Total	110.7	90.7	22.0	298.1	269.6	10.6

EARNINGS DEVELOPMENT

The Group's operating profit in January–September increased by 10.1 percent and amounted to 44.4 (40.4) million euro. Operating profit was 14.9 (15.0) percent of net sales. The operating profit for January–September increased in all units except Estonia. Operating profit in July–September stood at 18.9 (15.2) million euro, which was 17.1 (16.7) percent of net sales.

Operating profit development by segment:

Operating profit, million euro	7-9/ 2018	7-9/ 2017	Change %	1-9/ 2018	1-9/ 2017	Change %
Finland (Olvi plc, Servaali Oy and The Helsinki Distilling Company)	7.3	5.3	36.5	15.3	11.6	31.8
Estonia (AS A. Le Coq)	5.0	3.7	37.2	12.2	13.2	-7.6
Latvia (AS Cēsu Alus)	1.9	1.6	20.0	4.1	4.0	2.4
Lithuania (AB Volfas Engelman)	1.5	1.3	14.4	3.4	3.0	13.0
Belarus (OAO Lidskoe Pivo)	3.5	3.3	5.6	9.6	8.6	12.6
Eliminations	-0.3	-0.0		-0.2	-0.0	
Total	18.9	15.2	24.5	44.4	40.4	10.1

The Group's profit after taxes in January–September increased by 12.4 percent on the previous year, amounting to 36.1 (32.1) million euro. Profit after taxes in July–September amounted to 16.0 (12.7) million euro. Earnings per share calculated from the profit belonging to parent company shareholders stood at 1.72 (1.54) euro in January–September, and the July–September figure was 0.77 (0.61) euro.

BALANCE SHEET, FINANCING AND INVESTMENTS

Olvi Group's balance sheet total at the end of September 2018 was 365.0 (335.4) million euro. Equity per share at the end of September 2018 stood at 11.10 (10.20) euro. The equity ratio improved again to 63.9 (63.4) percent and the gearing ratio was -5.5 (-5.8) percent.

The amount of interest-bearing liabilities decreased strongly and at the end of September interest-bearing liabilities were 7.5 (16.1) million euro, including current liabilities of 5.9 (8.3) million euro.

Olvi Group's gross capital expenditure in January–September amounted to 24.2 (15.3) million euro. Finland accounted for 9.5 million euro, the Baltic subsidiaries for 11.7 million euro and Lidskoe Pivo in Belarus for 3.0 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.

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

PERSONNEL

Olvi Group's average number of personnel in January–September was 1,805 (1,804). The average number in July–September was 1,875 (1,812).

The Group's average number of personnel remained on the previous year's level. The number of personnel increased in Belarus and Finland due to the increase in litres manufactured. In Finland, the increase came mostly from fixed-term seasonal employees as well as the personnel of Servaali and The Helsinki Distilling Company being added to the figures.

Olvi Group's average number of personnel by country:

	7-9/2018	7-9/2017	Change %	1-9/2018	1-9/2017	Change %
Finland	406	360	12.8	372	343	8.5
Estonia	313	330	-5.2	304	333	-8.7
Latvia	196	200	-2.0	197	204	-3.4
Lithuania	215	229	-6.1	213	228	-6.6
Belarus	745	693	7.5	719	696	3.3
Total	1875	1812	3.5	1805	1804	0.1

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 until 31 August 2018, followed by Tiina-Liisa Liukkonen as of 1 September 2018, Lauri Multanen, Production Director, as well as Marjatta Rissanen, Customer Service and Administrative Director.

The Managing Directors of the subsidiaries are:

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

AS 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

The Helsinki Distilling Company, Helsinki, Finland – Séamus Holohan

The Managing Directors of the subsidiaries report to Lasse Aho, the Managing Director of Olvi plc. The Board of Directors of the subsidiaries in the Baltic states and Belarus consists of Lasse Aho (Chairman), Pia Hortling, Tiina-Liisa Liukkonen and Lauri Multanen. The Management Group of each subsidiary consists of the corresponding Managing Director and two to four sector directors.

GROUP STRUCTURE

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

In Olvi Group's segment reporting, The Helsinki Distilling Company'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 interim report bulletin.

There were no other changes in Olvi's holdings in subsidiaries in July–September 2018.

Olvi's holdings in the subsidiaries are:

	30 Sep 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
The Helsinki Distilling Company, Finland	67.00	-	67.00

SHARES

Olvi's share capital at the end of September 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 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 2018 was 1,164,965 (722,192) shares, which represented 6.9 (4.2) percent of all Series A shares. The value of trading was 35.1 (20.9) million euro.

The Olvi A share was quoted on Nasdaq OMX Helsinki Ltd at 28.60 (29.00) euro at the end of September 2018. In January–September, the highest quote for the Series A share was 34.00 (32.49) euro and the lowest quote was 27.00 (25.05) euro. The average price in January–September was 30.10 (28.91) euro.

At the end of September 2018, the market capitalisation of Series A shares was 485.8 (492.6) million euro and the market capitalisation of all shares was 592.5 (600.8) million euro.

The number of shareholders at the end of September 2018 was 11,616 (10,395). Foreign holdings plus foreign and Finnish nominee-registered holdings represented 24.1 (22.4) percent of the total number of book entries and 5.4 (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

At the beginning of January 2018, Olvi plc held 41,125 of its own shares as treasury shares. During January–September 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.

Olvi Group's share-based incentive plan for key personnel, the performance period of which was from 1 July 2016 to 30 June 2018, has expired. The target group of the plan included approximately 50 people, and in accordance with the terms and conditions of the plan, rewards

were paid in Olvi plc Series A shares and partially in cash. A total of 35,830 Series A shares were handed over as share-based rewards.

At the end of September 2018, Olvi holds 4,999 treasury shares, which is 0.02 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 interim report.

Flagging notices

During January-September 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, changes in 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.

NEAR-TERM OUTLOOK

Olvi estimates that the Group's sales volume, net sales and operating profit for 2018 will increase slightly on the previous year.

OLVI PLC
Board of Directors

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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

INCOME STATEMENT

EUR 1,000

	7-9/ 2018	7-9/ 2017	1-9/ 2018	1-9/ 2017	1-12/ 2017
Net sales	110661	90677	298085	269611	345185
Other operating income	502	604	1181	1438	2034
Operating expenses	-86906	-71182	-239673	-216071	-281717
Depreciation and impairment	-5360	-4918	-15146	-14613	-20755
Operating profit	18897	15181	44447	40365	44747
Financial income	50	72	331	1886	477
Financial expenses	-932	-543	-1245	-2786	-2819
Share of profit in associates	0	0	0	0	-69
Earnings before tax	18015	14710	43533	39465	42336
Taxes *)	-2036	-2034	-7482	-7399	-6212
NET PROFIT FOR THE PERIOD	15979	12676	36051	32066	36124
Other comprehensive income items that may be subsequently reclassified to profit and loss:					
Translation differences related to foreign subsidiaries					
	-3285	-2681	-2260	-7599	-7278
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	12694	9995	33791	24467	28846
Distribution of profit:					
- parent company shareholders	15866	12614	35677	31902	35956
- non-controlling interests	113	62	374	164	168
Distribution of comprehensive income:					
- parent company shareholders	12670	9992	33478	24474	28872
- non-controlling interests	24	3	313	-7	-26
Earnings per share calculated from the profit belonging to parent company shareholders, EUR					
- undiluted	0.77	0.61	1.72	1.54	1.73
- diluted	0.77	0.61	1.72	1.54	1.73

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

BALANCE SHEET

EUR 1,000

	30 Sep 2018	30 Sep 2017	31 Dec 2017
ASSETS			
Non-current assets			
Tangible assets	193065	189816	188155
Goodwill	26169	15361	15279
Other intangible assets	10449	5080	5340
Shares in associates	1113	1183	1113
Financial assets available for sale	543	543	543
Loans receivable and other non-current receivables	264	280	433
Deferred tax receivables	706	350	379
Total non-current assets	232309	212613	211242
Current assets			
Inventories	41762	35986	34336
Accounts receivable and other receivables	71210	58419	64181
Income tax receivable	0	0	235
Liquid assets	19731	28383	28625
Total current assets	132703	122788	127377
TOTAL ASSETS	365012	335401	338619
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity held by parent company shareholders			
Share capital	20759	20759	20759
Other reserves	1092	1092	1092
Treasury shares	-1332	-228	-228
Translation differences	-46305	-44450	-44106
Retained earnings	255737	234070	238242
	229951	211243	215759
Share belonging to non-controlling interests	3387	1247	1228
Total shareholders' equity	233338	212490	216987
Non-current liabilities			
Financial liabilities	1603	7825	4651
Other liabilities	4851	23	28
Deferred tax liabilities	7876	8910	6443
Current liabilities			
Financial liabilities	5914	8256	8573
Accounts payable and other liabilities	109565	96221	100052
Income tax liability	1865	1676	1885
Total liabilities	131674	122911	121632
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	365012	335401	338619

CHANGES IN SHAREHOLDERS' EQUITY

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					31902	164	32066
Other comprehensive income items:							
Translation differences				-7428		-171	-7599
Total comprehensive income for the period				-7428	31902	-7	24467
Transactions with shareholders:							
Payment of dividends					-15561	-35	-15596
Share-based incentives					416		416
Total transactions with shareholders					-15145	-35	-15180
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 Sep 2017	20759	1092	-228	-44450	234070	1247	212490

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					35677	374	36051
Other comprehensive income items:							
Translation differences				-2199		-61	-2260
Total comprehensive income for the period				-2199	35677	313	33791
Transactions with shareholders:							
Payment of dividends					-16574	-34	-16608
Acquisition of treasury shares			-1104				-1104
Share-based incentives					391		391
Total transactions with shareholders			-1104		-16183	-34	-17321
Changes in holdings in subsidiaries:							
Obligation to redeem shares from non-controlling interests					-1999		-1999
Change in share belonging to non-controlling interests						1880	1880
Total changes in holdings in subsidiaries					-1999	1880	-119
Shareholders' equity 30 Sep 2018	20759	1092	-1332	-46305	255737	3387	233338

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

CASH FLOW STATEMENT

EUR 1,000

	1-9/2018	1-9/2017	1-12/2017
Net profit for the period	36051	32066	36124
Adjustments to profit for the period	25146	23446	29649
Change in net working capital	-4334	-5511	-3764
Interest paid	-370	-380	-491
Interest received	299	208	271
Dividends received	3	4	4
Taxes paid	-6665	-3411	-4713
Cash flow from operations (A)	50130	46422	57080
Investments in tangible and intangible assets	-21609	-14162	-22108
Sales gains from tangible and intangible assets	1591	915	1682
Acquisition of shares from non-controlling interests	0	-345	-345
Shares purchased in subsidiaries	-16059	0	0
Cash flow from investments (B)	-36077	-13592	-20771
Withdrawals of loans	13648	0	0
Repayments of loans	-18602	-8920	-11491
Acquisition of treasury shares	-1104	0	0
Dividends paid	-16587	-15574	-15574
Increase (-) / decrease (+) in current interest-bearing business receivables	119	15	15
Cash flow from financing (C)	-22526	-24479	-27050
Increase (+)/decrease (-) in liquid assets (A+B+C)	-8473	8351	9259
Liquid assets 1 January	28625	20297	20297
Effect of exchange rate changes	-421	-265	-931
Liquid assets 30 Sep/31 Dec	19731	28383	28625

NOTES TO THE INTERIM REPORT

This interim report has been prepared in accordance with IFRS recognition and measurement principles but all of the requirements in IAS 34 have not been observed. The accounting policies have been 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. The Group has introduced a provision matrix for credit losses on accounts receivable. According to this, a credit loss provision is booked to the amount of expected credit losses over the entire life of an asset when a financial asset is initially recognised on the balance sheet. The special characteristics of each country are accounted for. However, this introduction has not had any substantial effect on the Group's interim report, and retained earnings have not been retroactively adjusted.

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 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.

1. SEGMENT INFORMATION

SALES BY SEGMENT (1,000 litres)

	7-9/ 2018	7-9/ 2017	1-9/ 2018	1-9/ 2017	1-12/ 2017
Olvi Group total	200283	171880	551000	500526	643024
Finland	56731	52588	161826	151313	199717
Estonia	31582	24114	87377	91279	112794
Latvia	22216	19195	60383	61390	76326
Lithuania	28720	23187	75012	66136	85381
Belarus	68509	58528	184277	154068	196389
- sales between segments	-7475	-5732	-17875	-23660	-27583

NET SALES BY SEGMENT (EUR 1000)

	7-9/ 2018	7-9/ 2017	1-9/ 2018	1-9/ 2017	1-12/ 2017
Olvi Group total	110661	90677	298085	269611	345185
Finland	44502	34929	119808	99296	131457
Estonia	20202	16435	55641	60123	73751
Latvia	11895	9619	31711	30241	37512
Lithuania	13059	10903	33692	30437	39155
Belarus	24032	21271	64920	59906	75437
- sales between segments	-3029	-2480	-7687	-10392	-12127

OPERATING PROFIT BY SEGMENT (EUR 1000)

	7-9/ 2018	7-9/ 2017	1-9/ 2018	1-9/ 2017	1-12/ 2017
Olvi Group total	18897	15181	44447	40365	44747
Finland	7295	5343	15277	11596	12763
Estonia	5033	3668	12207	13215	14734
Latvia	1913	1595	4098	4004	4437
Lithuania	1528	1335	3440	3044	3365
Belarus	3453	3269	9625	8550	9435
- eliminations	-325	-29	-200	-44	13

2. PERSONNEL ON AVERAGE

	7-9/ 2018	7-9/ 2017	1-9/ 2018	1-9/ 2017	1-12/ 2017
Finland	406	360	372	343	337
Estonia	313	330	304	333	327
Latvia	196	200	197	204	196
Lithuania	215	229	213	228	228
Belarus	745	693	719	696	695
Total	1875	1812	1805	1804	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

	1-9/ 2018	1-9/ 2017	1-12/ 2017
Managing Director	738	606	689
Chairman of the Board	51	51	69
Other members of the Board	117	104	148
Total	906	761	906

4. SHARES AND SHARE CAPITAL

	30 Sep 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 September 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 was to combine the objectives of the shareholders and the key employees in order to increase the value of the company, to make the key employees committed to the company, and to offer them a competitive reward plan based on earning the company's shares.

The share-based incentive plan for key personnel that started in 2016 has been active during the 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 was tied to the continuance of employment upon reward payment. Rewards were paid partly in the company's Series A shares and partly in cash in July 2018. The cash proportion was intended to cover taxes and tax-related costs arising from the rewards to the key employees. The plan was directed to approximately 50 people. The rewards paid on the basis of the plan were 35,830 Series A shares in Olvi plc and a cash payment needed for taxes and tax-related costs arising from the shares. The costs of the plan were recognised over the performance period from 1 July 2016 to 30 June 2018. From January to September 2018, costs associated with the plan were recognised for a total of 772.4 thousand euro.

Olvi Group does not have any share-based plans or option plans valid at the moment.

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.

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

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

Series A shares held by Olvi plc as treasury shares on 30 September 2018 (4,999 shares) represent 0.02 percent of all shares and 0.005 percent of the aggregate number of votes. The treasury shares represented 0.03 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 *)	1-9/2018	1-9/2017	1-12/2017
- average	20710496	20731631	20728115
- at end of period	20717233	20717683	20717683

*) Treasury shares deducted.

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

	1-9/2018	1-9/2017	1-12/2017
Trading volume of Olvi A shares	1164965	722192	1464747
Total trading volume, EUR 1,000	35067	20874	41884
Traded shares in proportion to all Series A shares, %	6.9	4.2	8.6
Average share price, EUR	30.10	28.91	28.59
Price on the closing date, EUR	28.60	29.00	29.87
Highest quote, EUR	34.00	32.49	32.49
Lowest quote, EUR	27.00	25.05	25.05

9. FOREIGN AND NOMINEE-REGISTERED HOLDINGS ON 30 SEPTEMBER 2018

	Book entries		Votes		Shareholders	
	qty	%	qty	%	qty	%
Finnish total	15736222	75.94	86649086	94.56	11566	99.57
Foreign total	452386	2.18	452386	0.49	41	0.35
Nominee-registered (foreign) total	102046	0.49	102046	0.11	3	0.03
Nominee-registered (Finnish) total	4431578	21.39	4431578	4.84	6	0.05
Total	20722232	100.00	91635096	100.00	11616	100.00

10. LARGEST SHAREHOLDERS ON 30 SEPTEMBER 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	37658	203482	0.98	3354138	3.66
5. OP Corporate Bank plc, nominee register		2153674	2153674	10.39	2153674	2.35
6. Hortling-Rinne Marit	102288	2780	105068	0.51	2048540	2.24
7. Nordea Bank Abp, nominee register		1258081	1258081	6.07	1258081	1.37
8. Skandinaviska Enskilda Banken AB (publ) Helsinki branch, nominee register		946193	946193	4.57	946193	1.03
9. Ilmarinen Mutual Pension Insurance Company		901401	901401	4.35	901401	0.98
10. Varma Mutual Pension Insurance Company		828075	828075	4.00	828075	0.90
Others	9648	9842973	9852621	47.54	10035933	10.96
Total	3732256	16989976	20722232	100.00	91635096	100.00

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

11. PROPERTY, PLANT AND EQUIPMENT

EUR 1,000

	1-9/2018	1-9/2017	1-12/2017
Opening balance	188155	196239	196239
Additions	24354	14783	20806
Deductions and transfers	-3725	-1401	-3655
Depreciation	-14007	-13830	-18498
Exchange rate differences	-1712	-5975	-6737
Total	193065	189816	188155

12. CONTINGENT LIABILITIES

EUR 1,000

	30 Sep 2018	30 Sep 2017	31 Dec 2017
Pledges and contingent liabilities			
For own commitments	1916	1886	1886
Leasing and rental liabilities:			
Due within one year	1046	1115	1163
Due within 1 to 5 years	976	1052	739
Due in more than 5 years	30	2	2
Leasing and rental liabilities total	2052	2169	1904
Other liabilities	2000	2000	2000

13. BUSINESS COMBINATIONS

The Helsinki Distilling Company

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

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

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

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

The operating profit for January-September includes 181.3 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 booked in Olvi Group's figures as preliminary.

Acquisition price EUR 1,000

Paid in cash	2261
Estimated fair value of conditional additional sales price	27
Estimated fair value of redemption obligation	899
Total acquisition price (100%)	3187

Amounts recognised for assets acquired and liabilities assumed (100%) EUR 1,000

Tangible assets	561
Intangible assets	
Intangible rights based on customers	207
Intangible rights related to markets	653
Other intangible assets	312
Inventories	1373
Accounts receivable and other receivables	355
Deferred tax receivables	165

Liquid assets	8
Accounts payable and other liabilities	730
Deferred tax liabilities	402
Interest-bearing liabilities	518
Identifiable net assets total	1984
Goodwill	1203

Servaali Oy

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

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

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

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

The operating profit for January-September includes 573.4 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 booked in Olvi Group's figures as preliminary.

Acquisition price EUR 1,000

Paid in cash	15800
Estimated fair value of conditional additional sales price	1592
Share belonging to non-controlling interests (20%)	1880
Total acquisition price (100%)	19272

Amounts recognised for assets acquired and liabilities assumed (100%) EUR 1,000

Tangible assets	190
Intangible assets	
Intangible rights based on customers	3325
Intangible rights related to markets	1122
Inventories	3261
Accounts receivable and other receivables	5992
Deferred tax receivables	93

Liquid assets	1994
Accounts payable and other liabilities	5300
Deferred tax liabilities	935
Interest-bearing liabilities	343
Identifiable net assets total	9400
Goodwill	9872
Share of net assets belonging to non-controlling interests (20%) *)	1880

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

If the companies had been included in the Group since the beginning of the accounting period, the net sales for January-September would have been approximately 304,1 million euro and the operating profit 44,5 million euro.

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 * (Shareholders' equity held by parent company shareholders + non-controlling interests) / (Balance sheet total).

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