

Annual Review



2018

About this report

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

The annual review includes basic information about the company and a review of its operations in 2018, in addition to its key financial statement information and corporate responsibility report.

The annual review for 2018 is published in PDF format on Olvi Group's website, together with other financial statement and annual report documents.

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

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This is Olvi



Our Origins

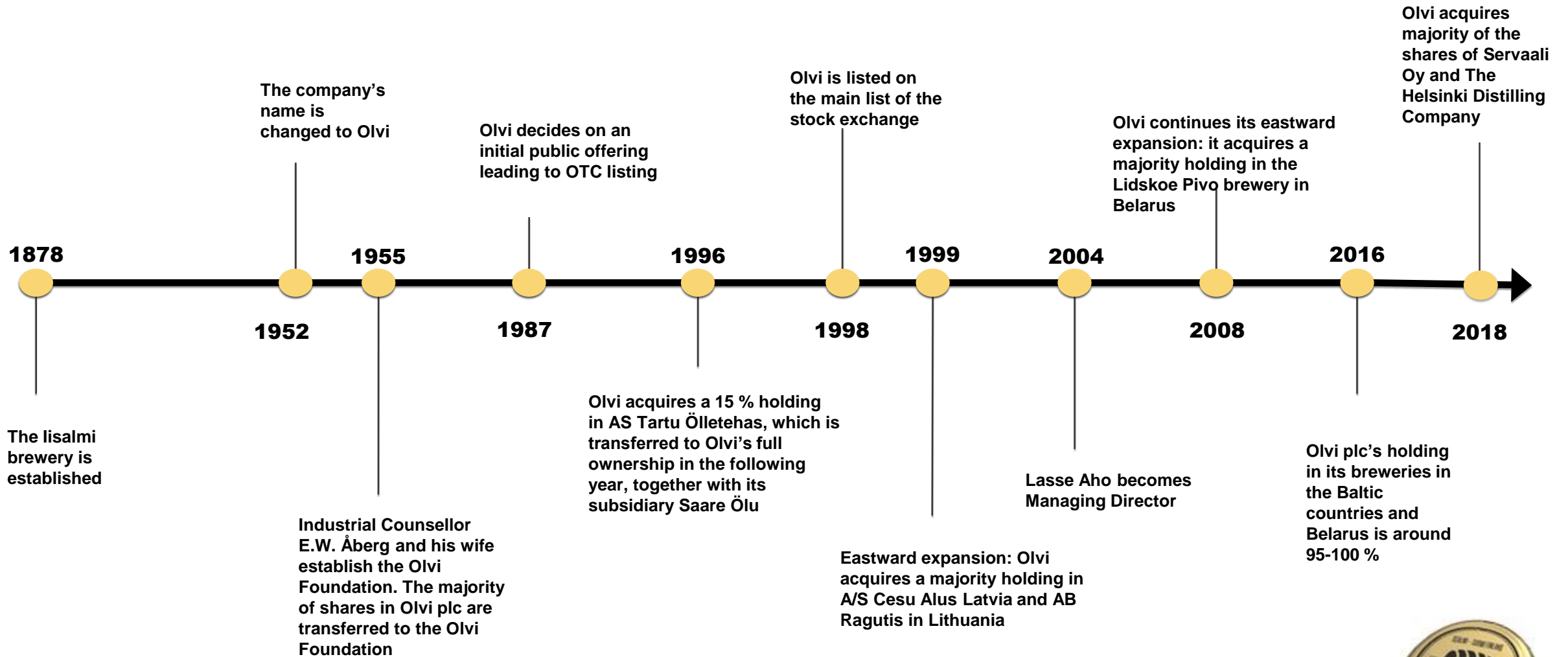
In 1878, master brewer William Gideon Åberg established a brewery in Iisalmi, Finland, with his wife, Onni.

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

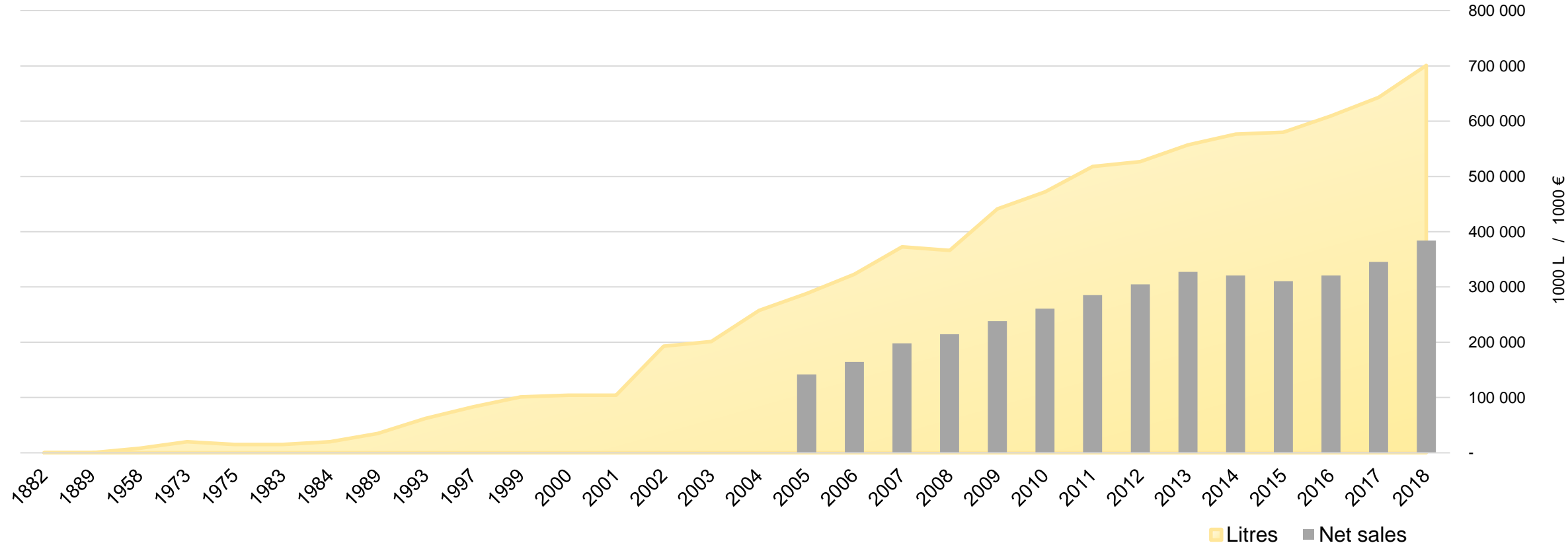
At the time, Finland had around 78 breweries. Of these, Olvi is the only one to have remained an independent Finnish brewery.



Olvi's History



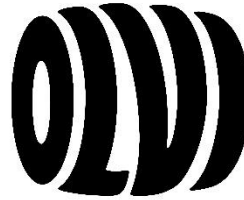
Development of Net Sales and Sales Volume



Group Structure

Servaali Oy
80 %

SERVAALI
International Premium Beverages



The Helsinki Distilling Company
67 %



100 %

**AS A. Le Coq
Estonia**



99,88 %

**A/S Cesu Alus
Latvia**



99,58 %












**Volfas Engelman
Lithuania**



95,87 %

**OAO Lidskoe Pivo
Belarus**



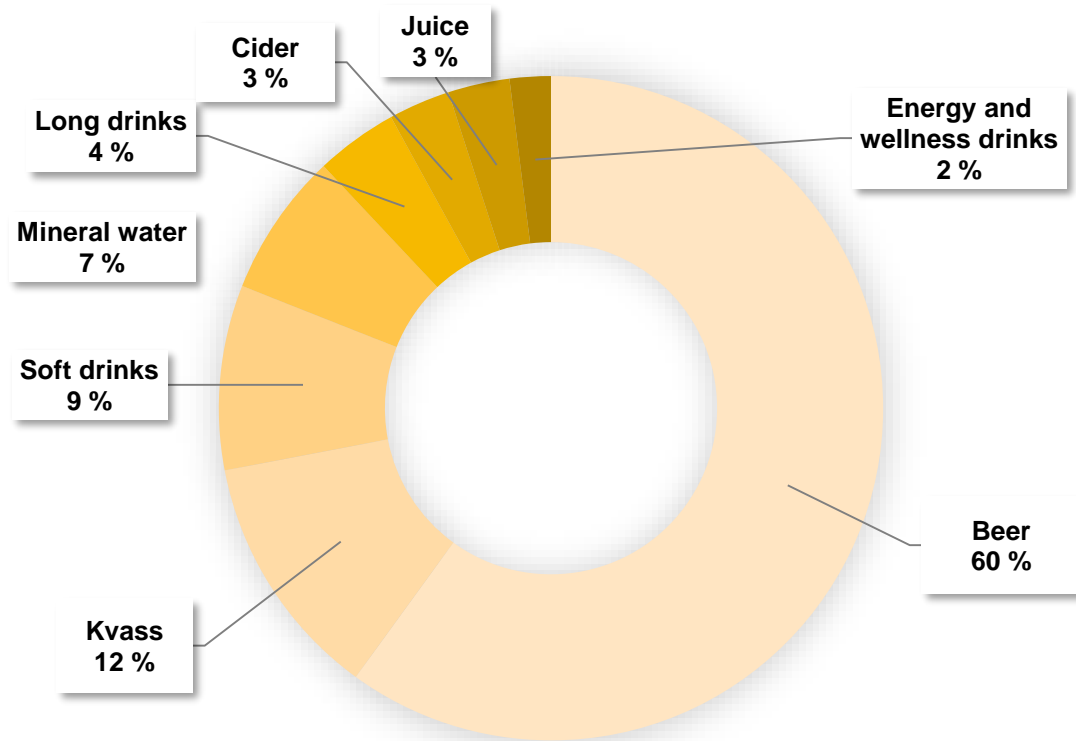
Key Figures of Olvi Group		 Finland *)	 Estonia	 Latvia	 Lithuania	 Belarus
Year of foundation		1878	1807	1590	1853	1876
Number of employees		371	301	194	215	716
Sales volume 2018 (Mltr)		213.2	110.7	75.6	95.4	228.2
Net sales 2018 (MEUR)		159.3	70.4	39.8	43.1	82.1
Operating profit 2018 (MEUR)		18.5	14.0	4.3	3.7	10.3
Holdings		Parent company	100.00	99.88	99.58	95.87

*) Includes Servaali Oy and The Helsinki Distilling Company



Product Mix and Brands

Sales volume by product group (Group total)



Managing Director's Review

Olvi Group continued on previous year's track on good business development. Sales volume exceeded 700 million litres for the first time, thanks to the great summer weather. At the same time company's profitability developed favourably and the operating profit and net profit for 2018 improved clearly on previous year. In addition to earnings, the Group's balance sheet is strong.

Deviating from the previous year, as a result of corporate acquisitions in 2018, the operations in Finland now include the business of Servaali Oy and The Helsinki Distilling Company in addition to Olvi plc. The sales volume in Finland has increased by 6.8 percent. The figure adjusted for comparability is 3.1 percent. Olvi plc made an all-time high by exceeding 200 million litres of production in December.

Net sales increased by 21.2 percent, with the comparable figure being 7.0 percent. Factors behind the comparable growth include, among others, an increased share of strong beers after legislative changes. Good net sales

development combined with cost-effective operations is also reflected as positive development of operating profit. Operating profit increased by 45.0 percent on the previous year, mostly attributable to the parent company.

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

Operations in Belarus continued on a growth track. The market position and purchasing power of consumers in the

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

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

We believe in moderate growth in 2019. We will continue to develop our product

range and make it more versatile, and invest in improving production efficiency. Even though Olvi Group has a strong market position in all of its main market areas, weather conditions in the high season are of great importance with regard to achieving the full-year sales volume targets.

I thank all our customers and collaborator as well as our employees in all our operating units for the excellent year of 2018.



Lasse Aho
Managing Director



Olvi in 2018

KEY EVENTS

- Olvi Group achieved its all-time high best results of sales volume, net sales and operating profit.
- The Group has a strong balance sheet. Its equity continues improving and the company is free of net debt.
- The subsidiaries had an exceptional year due to significant increases in excise taxes and the changes in purchasing behaviour that ensued. Finland still has the highest beer tax rate within the European Union.
- We continued to operate in line with the Lean methodology, promoting cost and resource efficiency.
- Olvi plc acquired the majority of shares of Servaali Oy and The Helsinki Distilling Company. Acquisitions are part of Olvi's new growth strategy aimed of strengthening Olvi's product portfolio both in domestic alcoholic beverages market and in the international Premium Craft market.

Sales volume

701.3 Mltr
(643.0 Mltr)

Net sales

384.3 MEUR
(345.2 MEUR)

Operating profit

50.1 MEUR
(44.7 MEUR)

Operating profit-% of net sales

13.0 %
(13.0 %)

Equity to total assets



64.9 %
(64.1 %)

Gross capital expenditure



34.2 MEUR
(21.7 MEUR)

Share price 31.12.2018



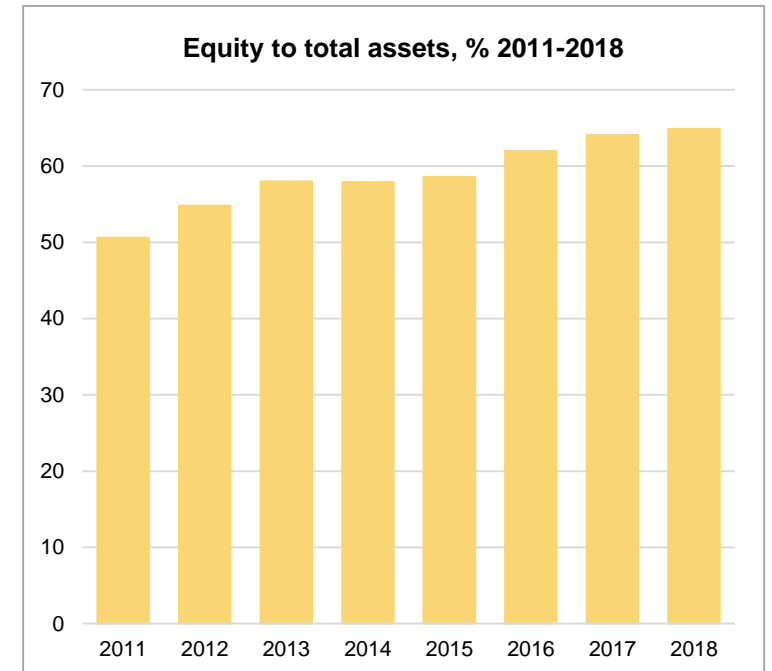
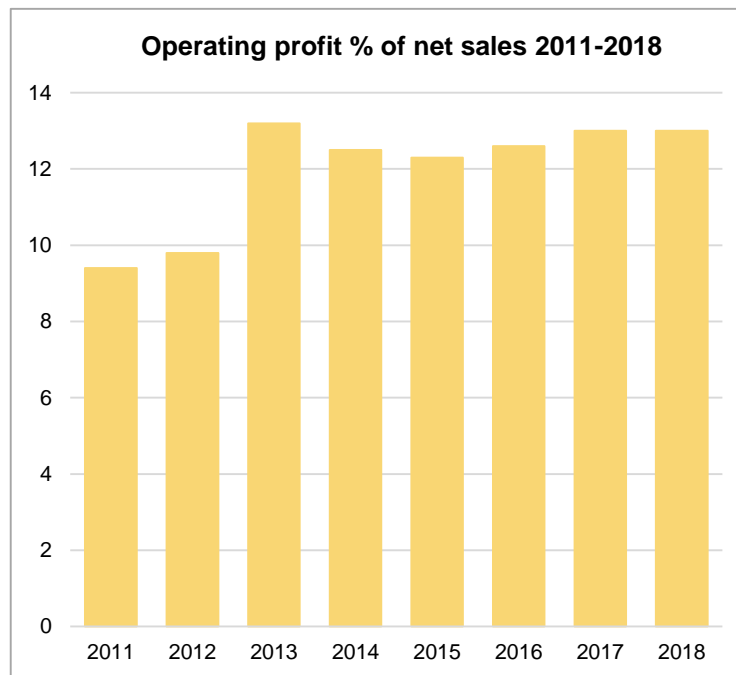
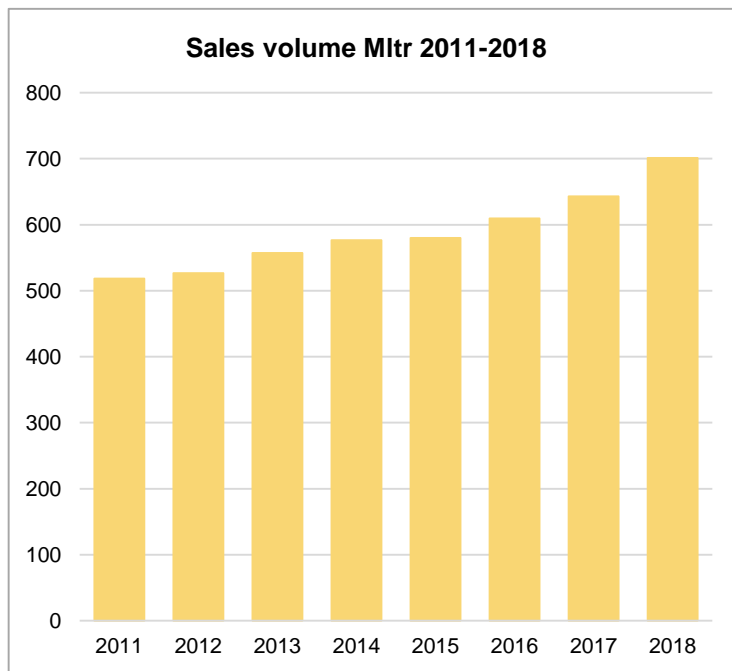
31.50 €
(29.87 €)



Business Development

Olvi Group's business has developed favourably.

Olvi's operating profit for fiscal year 2019 are expected to remain on the previous year's good level.



Our Strategy Aims to Profitable Growth

MISSION



**OLVI CREATES
POSITIVE DRINKING
ENJOYMENT**

VALUES

- Finnishness and localness
- Responsibility
- Positiveness
- Customer focus

STRATEGY



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

Leveraging of new growth opportunities in new markets.

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

STRATEGIC CHOICES

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

VISION



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



Corporate Responsibility Report



2018

About This Corporate Responsibility Report

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

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

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

The indicator information is from 1 January to 31 December 2018. The information has mainly been collected and presented at Group level. The information of the operations in Finland include Servaali Oy and The Helsinki Distilling Company. The report is the result of a self-assessment.

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



MEGATRENDS



STAKEHOLDERS



CR FOCUS AREAS

RESPONSIBLE VALUE CHAIN

- Environment
 - Energy consumption and renewable energy
 - Water consumption and wastewater emergence
 - Recycling of materials
- Responsible purchasing and traceability

CONSUMER COMMUNICATION

- Responsible consumption, marketing and consumer information
- Product safety
- Non-alcoholic beverages



ETHICAL OPERATING MODELS

BEST WORKPLACE

- Work safety and well-being
- Equality
- Competence
- Leadership and work community skills
- Corporate culture

GENERATING VALUE FOR STAKEHOLDERS

- Financial development and share value
- Local partners
- Tax footprint
- Responsibility to community



Sustainability at Olvi Group



RESPONSIBLE VALUE CHAIN



We use **green electricity** and at Olvi in Iisalmi we have transferred using **renewable energy** as a source of thermal energy



Water consumption /litre of produced beverage **2,7 litres**
→ **-22 %** since 2017

At Olvi in Iisalmi, **efficient pre-treatment of wastewater** has been developed to prevent environmental burden



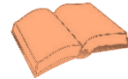
Material recycling:
mixed waste
→ **-38 %** since 2017



BEST WORKPLACE



We had **1797 employees**



We adapted **E-learning** as a learning environment

We provided **training** to employees **9,1 h/person**



Our employees knowledge and awareness of safety issues has increased.

Safety at work has improved.

Follow-up and analysing of work related accidents is in use in every unit of the Olvi Group



CREATING VALUE FOR STAKEHOLDERS



Financial performance has been developing favourably for several years.

Use of **local raw-materials** has increased in company's products

We employ directly as well as indirectly a significant number of people.



We paid **334.1 MEUR** in **excise duties**



CONSUMER COMMUNICATION



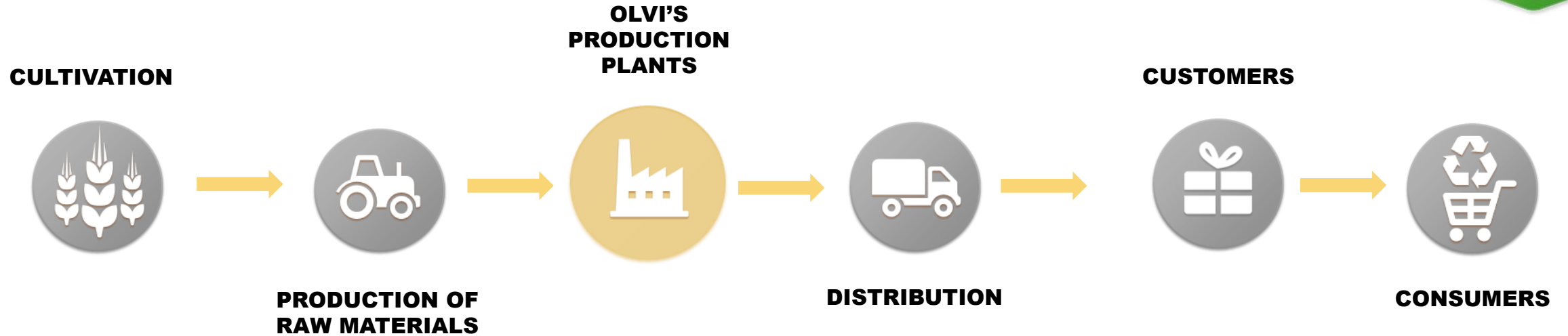
We work to **promote a culture** of enjoying alcohol **responsibly**

We have expanded the selections of **non-alcoholic products**.

We advertise ethically



Responsible Value Chain



The footprint of our corporate responsibility is defined throughout the supply chain – from the field to the customer. It covers our own operations as well as the whole supply chain, being a shared interest between our company, its suppliers and partners.







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



Responsible Value Chain

Our way of operating at Olvi is based on the Lean methodology and the use of certified management systems. These make it possible to gain substantial advantages in our environmental footprint, safety at work, resource effectiveness and financial responsibility. Results can be seen as increasing efficiency of energy usage and reduction of water consumption. Digital solutions create new opportunities to real-time monitoring and optimisation of the use of supplies.

In 2018 an energy plant utilising renewable energy and recovering the waste heat from fuel gas was taken into use at **Olvi in Iisalmi**. At Olvi we also use green electricity - certified EKO energy.

CONSUMPTION / litre produced	Olvi Iisalmi 2018	Olvi Iisalmi 2017	Group total 2018	Group total 2017
Electricity, kWh / litre produced	0.09 	0.09	0.09 	0.10
Steam and heat, kWh / litre produced	0.14 	0.14	0.13 	0.16
Water, litre / litre produced	2.23 	2.07	3.14 	3.48

A responsible supply chain means the choice of responsible suppliers and a preference for local suppliers, as well as transparency and traceability of procurement. The idea of circular economy is one of the most important selection criteria for the procurement of materials.

Our partners commit to follow our **ethical operating models**, which are outlined in our *Code of Conduct*.



2023

At Olvi Group
100% green electricity

2023

At Olvi Group **water consumption**
< 3 litre / litre produced

2030

At Olvi Group
biofuel in energy and
heat production








Best Workplace

The Group aims to be a positive, fair and safe workplace. **Working methods and work environment are developed continuously** to eliminate hazards as well as to promote occupational health and well-being. Lean development projects streamline the work processes.

All employees are treated equally and the competence of employees is developed systematically and persistently. Employees are encouraged to build multiple skills and to actively develop their competence.

We continued laudable work with **work safety** and promoted streamline and productive work through **Healthy and well-being employee** -project at Olvi in Iisalmi. Furthermore the **recruiting process** and **tools** were developed and the apprenticeship was utilized to strengthen and ensure competence.

	Olvi 2018	Olvi 2017	Group total 2018	Group total 2017
Number of personnel	371	337	1 797	1 783
Gender distribution men/women %	69 / 31	69/31	63 / 37	63 / 37
Accidents/year	8	6	16 	23
Accidents frequency *)	13.5 	10,4	4.94 	7.26
Training, hours/person	7.8 	12,0	9.1 	13.80

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



2030

At Olvi Group
**People Power personnel
survey top ranking
AAA**

2023

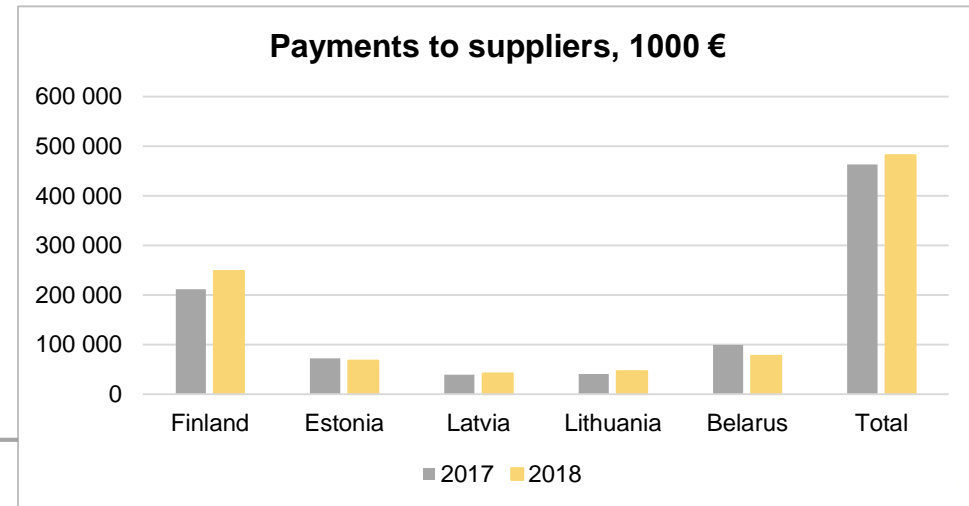
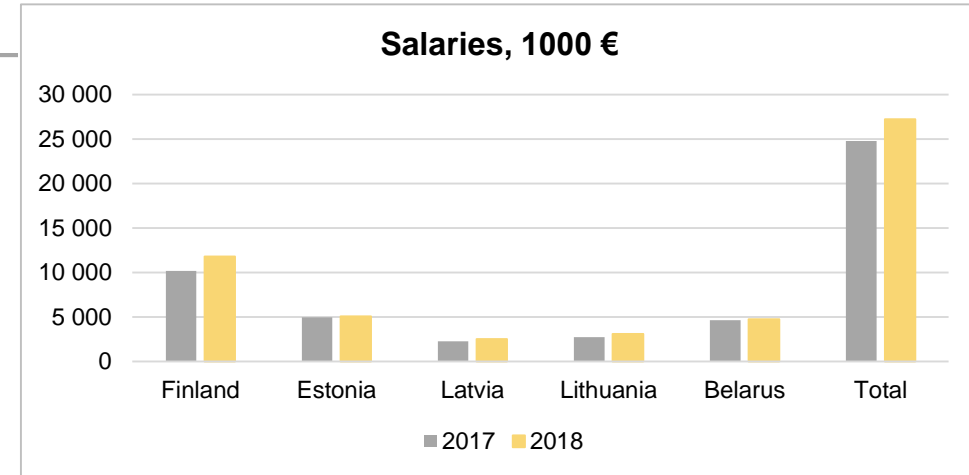
At Olvi Group
number of work related accidents
**reduce by 10% compared to
previous year**

2030

At Olvi Group
ZERO accidents



Generating Value for Stakeholders



Tax Footprint



Taxes borne (M€)	Finland	Estonia	Latvia	Lithuania	Belarus	Group total 2018	Group total 2017
Corporate income tax	4.2	3.8	0.2	0.5	1.4	10.1	5.3
Real estate tax	0.1	0.0	0.0	0.1	0.0	0.2	0.5
Employer's charges	4.2	2.3	0.8	0.4	1.7	9.4	8.3
Other taxes	0.0	0.0	0.0	0.0	0.6	0.6	0.4
Total	8.5	6.1	1.0	1.0	3.7	20.3	14.5

Taxes collected (M€)	Finland	Estonia	Latvia	Lithuania	Belarus	Group total 2018	Group total 2017
VAT, remitted	68.8	11.8	9.9	8.6	17.2	116.3	93.4
Excise taxes	243.9	31.6	20.7	23.4	14.5	334.1	278.4
Other taxes	1.6	1.3	0.9	1.9	0.0	5.7	5.1
Total	314.3	44.7	31.5	33.9	31.7	456.2	376.9



Share Performance and Dividend History



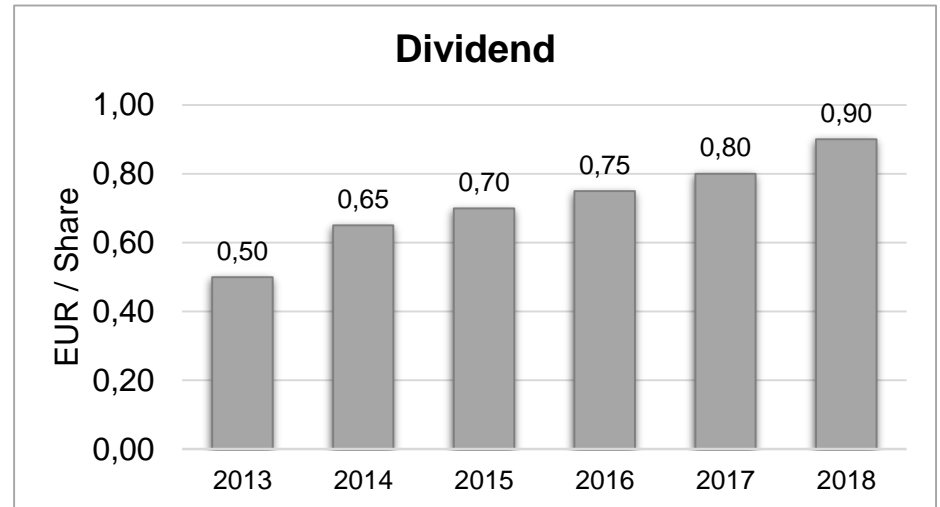
Number of Olvi plc shares, 31 Dec 2018

20,722,232

Number of shareholders, 31 Dec 2018

11,601

01.01.2018 - 31.12.2018



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

Proposed dividend 0.90 € (unconfirmed)



Consumer Communication



At Olvi Group open and **responsible consumer communication** is essential for our operations, in addition to product safety. In addition to regulations and guidelines related to marketing, we follow a self-regulatory system that exceeds statutory requirements in some respects. There were no violations of responsible marketing practices in our company in 2018.

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

We promote responsible consumption by offering **smaller packaging sizes** and adding non-alcoholic products to our selection. By 2020, all of our alcohol products will be equipped with warning labels (“Not for consumption during pregnancy, for drivers, or for persons under 18 / 21 years of age”).



Olvi 2018	A.Le Coq 2018	Cesu Alus 2018	Volfas Engelman 2018	Lidskoe Pivo 2018
51 %	63 %	95 %	100 %	100 %

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



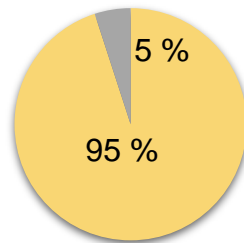
Ethical Operating Practises

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

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

Of Olvi Group's partners, **95 %** have signed our *Code of Conduct for Suppliers and Partners*.

**Code of Conduct for
Supplier and Partners
2018**



■ Signed ■ To be signed



**Code of Conduct for
Supplier and Partners
2022**



Commitments

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



UN Global Compact

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



The International Labour Organization

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



National associations of the brewing and soft drinks industry

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



CDP

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

Certified management systems

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

