ANNUAL REPORT 2020 OLVI PLC

POSITIVE AND ENJOYABLE BEVERAGE EXPERIENCES RESPONSIBLY

The Olvi Group companies offer a wide range of beverages for an extensive consumer base. Alongside traditional brewery products, there is a broad selection of non-alcoholic products, even in alcoholic product categories such as beers, ciders and long drinks. In 2020, our sales volume was higher than ever reaching 766 million litres. Our net sales in 2020 were EUR 415 million.

Our values are based on responsibility, local presence, positivity and customer focus. Sustainable development is part of our strategy and is reflected in our day-to-day operations. We promote responsible and sustainable business operations throughout our value chain, from the procurement of raw materials to the environmental footprints of our products and well-being at work.

Understanding and affecting the impacts of climate change are increasingly important for sustainable development. Olvi Group works to support the fight against climate change and the achievement of climate targets through sustainable business operations. Efforts to reduce greenhouse gas emissions are reflected in new and stricter laws, and through technological development. This enables companies to make their operations more environmentally friendly. Olvi Group has an active approach to this work through its carbon neutrality targets, for example.

This report includes Olvi Group's sustainability report, Board of Directors' report, financial statements, corporate governance statement and remuneration statement for 2020.

The Global Reporting Initiative (GRI) guidelines and accounting principles have been utilized in the reporting of Olvi Group's sustainability work.

TABLE OF CONTENTS

OLVI GROUP IN 2020

OLVI GROUP IN 2020

SALES VOLUME
765.9 million litres
+6.6%

NET SALES
414.9 million €
+1.5%

INVESTMENTS
32.0 million €

OCCUPATIONAL ACCIDENTS
-9.1%

NUMBER OF PERSONNEL
1,911
+1.8%

OPERATING PROFIT
56.4 million €
+7.5%

EQUITY RATIO
63.8%

TOTAL SHAREHOLDER RETURN
20.7%

PRODUCT LAUNCHES
284 products

EXPORTS
52 countries

WATER CONSUMPTION -6.0%, ACHIEVING THE TARGET OF 3 LITRES PER LITRE PRODUCED

BREWERIES: 71% GREEN ELECTRICITY AND 32% BIO-BASED ENERGY

ELECTRICITY CONSUMPTION
-4.5%

ENERGY CONSUMPTION
-8.6%

MIXED WASTE
-40.9%

CEO'S REVIEW:

GROWTH IN CHALLENGING CIRCUMSTANCES

Olvi Group continued to grow in 2020, which was its fifth consecutive year of positive development in terms of sales volume, net sales and operating profit.

The sales volume was strong already in January and continued to grow each month compared with the previous year. The most significant growth factors were strong sales development in the retail sector in Finland and an increase in subsidiaries' export sales. Growth was supported by effective and targeted brand marketing.

The coronavirus pandemic spread rapidly and affected consumer behaviour markedly from mid-March. The scope of the change was also affected by the measures taken by the authorities to significantly limit the number of guests at events and restaurants. The travel restrictions caused consumption to increase in the domestic market, with demand focusing on the retail sector and multipack products. Consumption at restaurants, hotels and events, as well as consumption related to travel, decreased significantly, particularly in the spring and towards the end of the year.

Olvi adapted to the changes rapidly and effectively, focusing on operational efficiency, performance reliability and occupational safety. The company's performance was successfully secured through production adjustments, sales assessment and monitoring in cooperation with customers, and cost-saving measures.

The planned investments were implemented successfully, although later than planned because of travel restrictions. The most significant investments were filling lines in Finland and Belarus. The Group's total investments were EUR 32 million, remaining at the previous year's level.

Olvi's sales volume increased by nearly 50 million litres during the year, representing an increase of 6.6%. Its net sales improved by 1.5% year-on-year, at EUR 415 million. The increase in net sales was slowed by the growth in multipack sales, which reduced the average price in net sales. Net sales development was also slowed by the devaluation of the Belarusian rouble by around 35% during the year.

The company's operating profit grew impressively to EUR 56.4 million, or 13.6% of net sales.

Interest in sustainable development and responsible operating practices is increasing continuously. Nevertheless, the coronavirus pandemic highlighted the importance of responsible operations in a completely new way. Domestic and locally manufactured products and safe working conditions were particularly significant.

We considered the changes caused by the pandemic in our sustainability work, but continued our work to achieve our goals in all our focus areas. We are closer and closer to our goal of being a company that uses 100% green electricity and bioenergy, and a company with zero accidents. We also actively provided consumers with more information about our products and their reasonable and responsible use. To support these goals, we identified the UN Sustainable Development Goals that are the most relevant in terms of our responsibility work. In addition, we started a study to achieve carbon-neutral operations through operational development.

Olvi Group had 1,911 employees in 2020. We increased well-being and safety at work by enabling remote work as far as possible. We hired a record number of summer employees for our production plants. We can be very pleased with our performance in 2020. We were able to continue our profitable growth and navigate the exceptional operating environment safely and successfully.

Lasse Aho
CEO
Olvi plc

OLVI GROUP

Olvi is an international brewery and beverage company. Olvi Group consists of Olvi plc and its six subsidiaries in five countries.

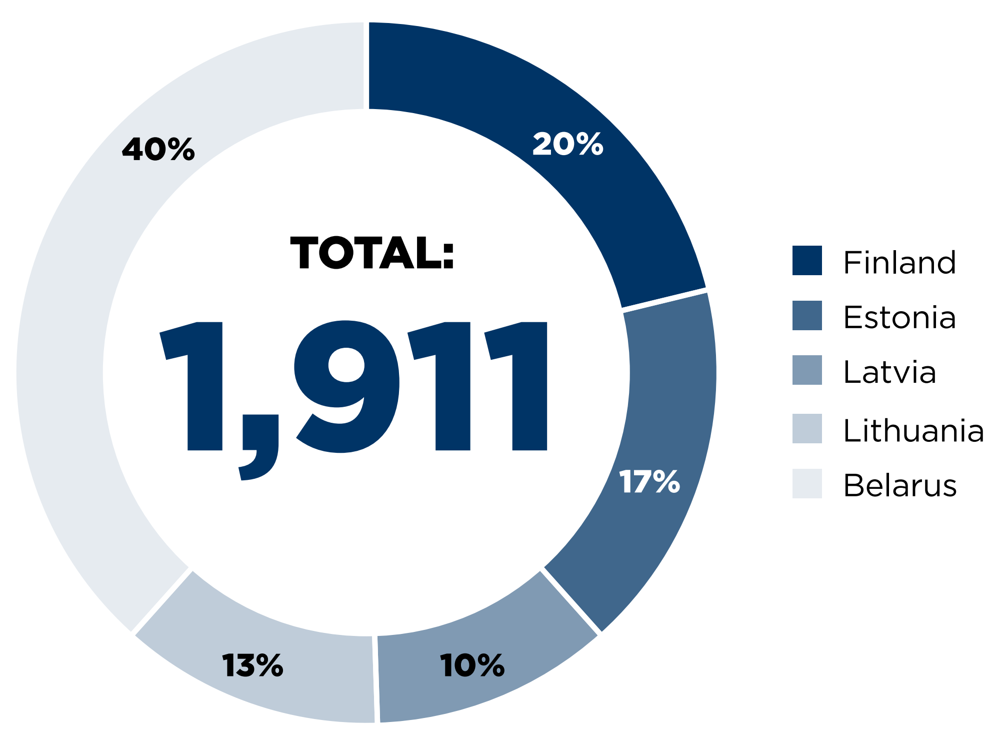
Olvi's story began in 1878, when master brewer William Gideon Åberg and his wife, Onni, established a brewery in Iisalmi, Finland. Their goal was to eliminate alcoholism by offering milder alcoholic beverages to Finns. Finland had 78 breweries at the time. Today, Olvi is the only one that continues to operate as an independent Finnish brewery.

Olvi began its international expansion in 1996 by acquiring a minority stake in Tarto Õlletehas, a brewery in Estonia. This company is now known as A. Le Coq. Olvi continued its international expansion in 1999 by acquiring a majority stake in Cēsu Alus in Latvia and Ragutis in Lithuania. Today, Ragutis is known as Volfas Engelman.

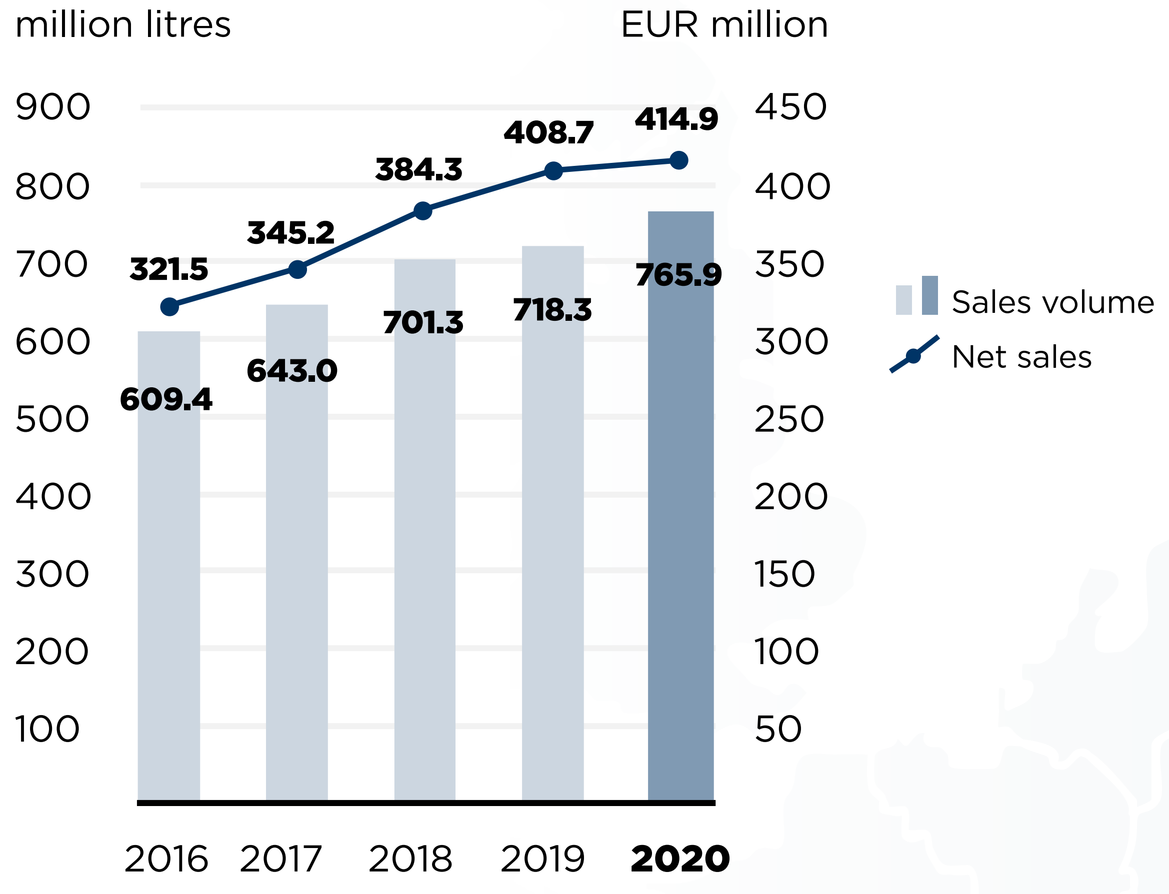
Olvi continued to grow in 2008 by acquiring a majority stake in the Lidskoe Pivo brewery in Belarus. Olvi completed its most recent acquisitions in 2018. These included a majority stake in Servaali, an importer of alcoholic beverages, and The Helsinki Distilling Company in Finland.

Olvi Group's largest product categories are beer, kvass, and soft drinks. In the future, the Group aims to increase its sales of non-alcoholic options, such as water and wellness drinks, while also maintaining its strong market position in mild alcoholic beverages. The Group exported products to 52 countries. Exports grew strongly in 2020 despite the challenges caused by the coronavirus pandemic.

EMPLOYEES BY COUNTRY



SALES VOLUME AND NET SALES 2016–2020



OLVI PLC

Olvi plc, the parent company of Olvi Group, was established more than 140 years ago. Today, the company is Finland's third-largest brewery and beverage manufacturer. Olvi's largest product category is beer. In 2020, Olvi improved its market shares in mild alcoholic beverages. Its product selection development focused on its own brands and premium products in particular. Olvi successfully launched new products, with a focus on non-alcoholic product categories.

In 2020, Olvi plc's market share continued to grow as a result of the strong demand driven by the coronavirus pandemic. During the year, its investments focused on increasing production capacity through a new syrup kitchen and a new filling line for plastic bottles. Olvi continued to invest in reducing its climate emissions. To support these efforts, the company participated in the CDP's climate emissions reporting for the first time. The company also updated its product safety management system to comply with the IFS standard.

In 2021, Olvi plc is focusing on further expanding and diversifying its selection of non-alcoholic products. The company also continues to invest in capacity increases for improved operational efficiency in its can and glass bottle lines in particular. The ongoing preparation of Olvi Group's digitalisation strategy, as well as its development work to achieve carbon neutrality for its Iisalmi brewery by 2023, will enable the company to respond better to future challenges and opportunities.

- **Founded:** 1878
- **Product categories:** Beer, cider, long drinks, other alcoholic drinks, water, soft drinks, energy drinks, sports drinks and wellness product categories

SALES VOLUME
244.4 million litres
+11.5%

NET SALES
180.3 million €
+6.6%

NUMBER OF PERSONNEL
389
+0.8%

OPERATING PROFIT
23.0 million €
+23.4%

Also includes Servaali and The Helsinki Distilling Company

OLVI USES 100% GREEN ELECTRICITY AND 97% BIOENERGY IN ITS PRODUCTION

CARBON-NEUTRAL FACTORY BY 2023

FACTUM THE MOST SUSTAINABLE BREWERY according to the FACTUM survey for decision-makers in the grocery trade

NON-ALCOHOLIC PRODUCTS: 48 ITEMS, **GROWTH +22.5%**

Products manufactured using 100% BIOENERGY

SERVAALI

Servaali is one of Finland's largest private importers of alcoholic beverages. Its largest product categories are wine and beer, but its selection also includes a wide range of non-alcoholic options. The company aims to increase its market share in Finland and expand into new international markets in the near future. Operations of Servaali will be integrated into Olvi plc in terms of governance and sales to the HoReCa sector during 2021.

SERVAALI

- **Established in 1995**
- **Product categories:** Wine, beer, spirits, cider and other products
- **Olvi plc's holding:** 80%

THE HELSINKI DISTILLING COMPANY

Before the establishment of The Helsinki Distilling Company, there had been no distilleries in Helsinki for 100 years. Its main product categories are whiskey and gin. Its products have won a number of international awards over the years. Helsinki Dry Gin in particular has won several gold medals in Finland and abroad.

Due to the coronavirus pandemic, the company launched Helsinki Käsidesi hand sanitiser products in 2020. The Helsinki Distilling Company will implement a product safety management system certified in accordance with the IFS standard in 2021.

THE HELSINKI DISTILLING CO.

- **Established in 2014**
- **Product categories:** Whiskey, gin, liqueurs and other spirits
- **Olvi plc's holding:** 78%

A. LE COQ

A. Le Coq is Estonia's largest brewery and beverage manufacturer. Its largest product categories are beer, water, juice and long drinks.

The coronavirus pandemic had a significant impact on its operations in 2020. Various restrictions related to the pandemic reduced HoReCa sales, which are important for A. Le Coq, as well as harbour and onboard sales. However, the company was able to compensate for this loss of sales through increased retail and export sales.

In 2020, A. Le Coq obtained ISO 9001 quality management certification, alongside its ISO 50001 energy management certification. The company paid special attention to its employees' health and well-being at work. The company started the largest environmental project in its history. The project is related to water treatment and a bio power plant.

In 2021, A. Le Coq is focusing especially on the development of responsible business operations through environmental friendliness and the promotion of responsible consumption.

- **Established in 1807**
- **Product categories:** Beer, water, juice, long drinks, soft drinks, cider, kvass, sports and energy drinks, other alcoholic beverages, juice concentrates and wellness product categories
- **Olvi plc's holding:** 100%

Products manufactured using **100% GREEN ELECTRICITY AND 10% BIOENERGY**

THE FIRST SOLAR POWER PLANT **IMPLEMENTED IN 2020**

SILVER RATING IN THE ESTONIAN SUSTAINABILITY INDEX LISTING IN 2020

SALES VOLUME
109.4 million litres
-0.1%

NET SALES
70.8 million €
-0.6%

NUMBER OF PERSONNEL
324
+4.2%

OPERATING PROFIT
13.3 million €
-7.1%

Products manufactured using **100% GREEN ELECTRICITY AND 14% BIOENERGY**

MIXED WASTE
-33%

PLATINUM RATING IN THE LATVIAN SUSTAINABILITY INDEX LISTING IN 2020

CĒSU ALUS

Cēsu Alus is Latvia's oldest and largest brewery. Its largest product category is beer.

In 2020, the coronavirus pandemic led to significant business restrictions especially in the HoReCa sector. This was reflected in the company's operating result. With the coronavirus crisis, the company prioritised employees' safety and well-being and the continuity of its production process. In addition, the company started to produce hand sanitiser to prevent the spread of the virus. Its sales increased in soft drinks and water in particular. The company also opened an online store. It continued its production investments by increasing its production capacity of special beers, for example.

In recognition of its long-term sustainability work, Cēsu Alus achieved the highest sustainability rating, Platinum, in the Latvian Sustainability Index listing in 2020 for the fourth consecutive year. In developing the recycling of beverage packaging, Cēsu Alus has played a key role in the preparation of a deposit return system in Latvia, and the work to implement the system continues.

In 2021, Cēsu Alus is focusing on premium products and the diversification of its beer product selection. It is also working to further improve the customer experience by opening an experience and visitor centre near its brewery in Cēsis.

- **Established in 1590**
- **Product categories:** Beer, soft drinks, long drinks, cider, water, kvass, energy and sports drinks, juice, other alcoholic beverages and wellness product categories
- **Olvi plc's holding:** 99.9%

SALES VOLUME
70.9 million litres
-0.0%

NET SALES
37.4 million €
-3.9%

NUMBER OF PERSONNEL
193
-1.0%

OPERATING PROFIT
3.6 million €
-15.4%

VOLFAS ENGELMAN

Volfas Engelman is Lithuania's second-largest beverage industry operator in its product categories. Its largest product categories include beer and kvass.

Volfas Engelman strengthened its market share in all its main product categories during 2020. The company achieved a record market share of 25% in beer. Overall, sales volumes increased by 12%, despite the restrictions caused by the coronavirus pandemic. Exports increased by almost 50%, with a particular focus on Russia, Korea and China.

Volfas Engelman obtained ISO 14001 environmental certification and ISO 45001 health and safety certification during 2020. Its natural mineral water plant, which was opened in 2019, obtained IFS product safety certification. The company invested in productivity and environmental friendliness by purchasing eco-friendly forklifts, for example.

In 2021, Volfas Engelman is focusing on the development of non-alcoholic beers and other non-alcoholic products, as well as on product premiumisation.

- **Established in 1853**
- **Product categories:** Beer, kvass, cider, long drinks, energy drinks, water, soft drinks, other alcoholic beverages, juice and wellness product categories
- **Olvi plc's holding:** 99.7%

SALES VOLUME
122.4 million litres
+13.8%

NET SALES
55.5 million €
+12.6%

NUMBER OF PERSONNEL
240
+4.3%

OPERATING PROFIT
4.2 million €
+13.1%

Volfas Engelman THE MOST VALUABLE BRAND in Lithuania by Verslo žinios

ISO 14001 ENVIRONMENTAL and ISO 45001 HEALTH AND SAFETY certification

PRODUCTS MANUFACTURED USING 100% GREEN ELECTRICITY

LIDSKAE BEER AND LIDSKY KVASS CERTIFICATED FOR DESIGNATION OF ORIGIN

NON-ALCOHOLIC PRODUCTS: 55% OF PRODUCT SELECTION

SBT ISO 45000 HEALTH AND SAFETY CERTIFICATION IN 2020

LIDSKOE PIVO

Lidskoe Pivo is one of the oldest and largest breweries in Belarus. Its largest product categories include beer, kvass and soft drinks.

In 2020, with a total volume of 246 million litres, the company became Belarus' leading beverage manufacturer. Its business operations developed favourably: profitability improved by 6.4% despite the many challenges posed by the operating environment, especially the considerable weakening of the Belarusian rouble.

Lidskoe Pivo has responded to changes in consumer behaviour in many ways. In 2020, the company invested in a new can line and continued to focus strongly on product launches. The company is proud of its "Lida origin" certificates in recognition of the special features of Lidskae beer and Lidsky kvass nationally.

Lidskoe Pivo will celebrate its 145th anniversary in 2021. The company aims to continue its strong growth and invest in new premium products.

ЛІДСКАЕ

- **Established in 1876**
- **Product categories:** Beer, kvass, soft drinks, water, wellness and energy drinks, cider, long drinks, juice and wellness product categories
- **Olvi plc's holding:** 96.4%

SALES VOLUME
245.7 million litres
+5.4%

NET SALES
83.3 million €
-8.2%

NUMBER OF PERSONNEL
765
+1.3%

OPERATING PROFIT
13.6 million €
+6.4%

PRODUCT CATEGORIES

IMAGES OF PRODUCTS LAUNCHED IN 2020

SALES VOLUME BY PRODUCT CATEGORY

BEER

455
million litres

KVASS

84
million litres

SOFT DRINKS

77
million litres

WATER

58
million litres

LONG DRINKS

32
million litres

CIDER

22
million litres

JUICE

20
million litres

ENERGY, SPORTS, WELLNESS AND OTHER DRINKS

18 million litres

STRATEGY

Olvi Group's mission is to create positive and enjoyable beverage experiences for its customers. Our vision is to be a preferred brewery offering a wide selection of beverages.

Our mission is the purpose of our operations: we want to bring well-being and positivity to consumers' lives through enjoyable beverage experiences. Our vision materialises when the implementation of our mission is combined with our strategic choices and values. We work to be the preferred choice with the widest selection for consumers and our customers and other stakeholders.

STRATEGIC CHOICES

Our strategic choices determine our work towards our vision. Olvi Group's way of working and managing business operations are reflected in our choices and their implementation, as well as our values. The Group-level strategy guides the operations of all Group companies, but we also accept local flexibility in strategy implementation, because operating environments and competitive situations vary. Local presence is one of our values, and must also be reflected in our business operations.

Our strategy focuses on strengthening our profitable growth and market position, and on growth opportunities in new markets. We focus on new products that support profitability, as well as investing in increasing the sales of selected products. We invest in innovative product development in both alcoholic and non-alcoholic products.

We optimise our production capacity and improve efficiency by focusing on dynamic production and sales planning, and operational efficiency. The Lean philosophy and opportunities offered by digitalisation play a key role in this respect. Highly competent and motivated employees with the ability for renewal are important for us. We invest in smooth and productive work, well-being at work, training and expertise.

Our strategic targets include leading the way in sustainability in our industry. We focus on further developing the Group's common sustainability programme, action plan and targets.

OUR VALUES GUIDE OUR OPERATIONS

- **Sustainability –** We appreciate sustainability and expect sustainability from all Olvi Group's employees and partners.
- **Local presence –** We appreciate local operations and manufacture products for local consumers.
- **Positivity –** A positive attitude is our way of working and responding to challenges. Positivity enables us to convert our targets into results and success in an agile manner.
- **Customer focus –** Our existence is founded on customers' needs. Identifying and meeting customers' needs are at the core of our operations.

Ethicality and sustainability are an integral part of our operations in line with our values.

MEGATRENDS

In our operations, we consider the challenges and opportunities arising from megatrends that affect Olvi Group. We have identified global changes that shape our operating environment over the long term. Through our strategy and sustainable operating method, we create the future with the choices we make today.

MISSION

Creating positive and enjoyable beverage experiences

STRATEGIC CHOICES

- A strong market position and an evolving wide product portfolio in alcoholic and non-alcoholic products
- Motivated, learning-oriented and highly competent employees
- Demand-driven and innovative product development
- Continuous development of efficiency
- Customer-oriented and data-driven decision-making
- Profitable growth
- Leading sustainability practices in the brewing and beverage industry
- Digital development and innovative use of data
- Synergies within the Group

VALUES

RESPONSIBILITY

LOCAL PRESENCE

POSITIVITY

CUSTOMER FOCUS

VISIO

THE PREFERRED BREWERY, which offers a wide selection of beverages

MEGATRENDIT

- **SUSTAINABLE DEVELOPMENT AND RESPONSIBLE OPERATING METHODS**
- **DIGITALISATION**
- **GLOBALISATION AND CHANGES IN THE GLOBAL ECONOMY**
- **CHANGES IN POPULATION STRUCTURE**
- **CHANGES IN CONSUMER BEHAVIOUR**

IMPACT OF MEGATRENDS ON OUR BUSINESS OPERATIONS

	SUSTAINABLE DEVELOPMENT AND RESPONSIBLE OPERATING METHODS	DIGITALISATION	GLOBALISATION AND CHANGES IN THE GLOBAL ECONOMY	CHANGES IN POPULATION STRUCTURE	CHANGES IN CONSUMER BEHAVIOUR
IMPACTS	• Stakeholders' expectations are growing throughout the value chain • Regulations and reporting obligations are increasing • The scarcity of natural resources calls for resource efficiency and adaptation to climate change	• Automation offers opportunities to improve production efficiency • Digitalisation is reflected in consumer and customer behaviour • Services are expected to be available immediately • The amount of information and data is growing • Information is distributed, and experiences are exchanged, at an increasing rate	• Changes in exchange rates, raw material prices, the economic situation and import restrictions • Global trends and product ideas spread rapidly	• Urbanisation continues • The number of single-person households is increasing • The population is ageing in certain market areas • The world's population is growing	• Choices are increasingly made based on naturalness, healthiness, individuality and product origin • Consumer groups are becoming polarised
OUR RESPONSE	• We consider expectations in our products, packaging and marketing • We develop our production and value chain sustainably in cooperation with our partners • We optimise transport • We require our partners to operate more sustainably • We share best practices and strengthen the vitality of local communities	• Data supports our decision-making • We combine the opportunities offered by digitalisation with our strategy to ensure future competitiveness • We use multiple channels for consumer communication and better customer experiences • We have an active presence on social media	• We focus on differentiating ourselves from the competition in selected markets • We monitor global trends and changes • We ensure the predictability of prices and availability of materials through long-term procurement agreements • We focus on prudent risk management • We develop risk management and measures to ensure operational continuity, based on what we have learned during the coronavirus pandemic	• We consider new opportunities created by new consumer groups and packaging sizes • We develop new product and service concepts	• We invest in innovative products and new product segments • We further develop our products • We consider trends in taste, raw materials and packaging • We increase consumer insight • We strengthen marketing, sales and our brand identity

STAKEHOLDERS

We have identified the Group's stakeholders and their key expectations. In addition to their key expectations, many stakeholders are interested in similar themes related to sustainability and responsibility.

CONSUMERS

Our consumers expect sustainable products and operations from us, as well as transparent and reliable product information. We communicate with our consumers via customer service channels, packaging, surveys, websites and social media.

CUSTOMERS

Our customers' expectations focus on safe and innovative products, good customer service and reliable deliveries. We interact with customers at customer meetings and events, for example. We also develop our operations and products based on their feedback and in cooperation with them.

EMPLOYEES

Our employees expect us to ensure safety at work and maintain and promote well-being at work in particular. We monitor employees' expectations through daily interaction, feedback, internal communication, employee surveys and performance based and development reviews.

PARTNERS AND SUPPLIERS

Our partners and suppliers want a reputable partner, as well as services and solutions that support their competitiveness. We interact with our partners and suppliers through general interaction, meetings, events and audits.

INVESTORS AND SHAREHOLDERS

Our investors and shareholders expect profitable growth and effective risk and reputation management from us, and they also expect us to promote sustainability. The Annual General Meeting, annual and interim reports, investor events and our website play an important role in our interaction.

SOCIETY, THE AUTHORITIES AND THE MEDIA

Society expects us to promote a responsible drinking culture, as well as being a good taxpayer and having a responsible product selection. The authorities' expectations focus on compliance with laws and regulations. The media and investors want us to provide transparent and reliable information and communicate rapidly. We comply with the requirements concerning listed companies. We monitor the development of society's and the authorities' expectations. We participate in discussions in the media and cooperate with the media.

ORGANISATIONS, ASSOCIATIONS AND PARTNERS

The expectations of organisations, associations and partners focus on sustainable operations, commitments and risk management. Our contribution to the development of our industry is also important for them. Interaction takes place through continuous discussions, feedback, meetings, events and cooperation projects.


SUSTAINABILITY

THE IMPORTANCE OF RESPONSIBILITY WAS HIGHLIGHTED

Responsibility and sustainable development concern the company's operations on an extensive scale. Safe working conditions and domestic products were particularly important in 2020 because of the coronavirus pandemic. Despite this, the circular economy and climate change continued to be strongly present in changes in the operating environment and the development of legislation.

Climate change and global warming are reflected in agricultural production, and Olvi Group depends on agricultural production for raw materials. The impacts of global warming may manifest themselves as better crops, or as crop losses and changes in quality. To reduce climate emissions, the EU aims for carbon neutrality by 2050, while Finland seeks to achieve this goal by 2035.

In line with the principles of the circular economy, the manufacture and consumption of products must burden the environment as little as possible, generate minimal waste and keep materials in circulation for a long time. The circular economy concerns plastics in particular. Of the raw material for plastic bottles manufactured in the EU, 25% must be recycled plastic by 2025 and 30% by 2030.

Olvi aims for industry-leading practices in corporate responsibility. In 2020, we identified the UN Sustainable Development Goals that are the most relevant for our responsibility work, and our parent company participated in the CDP's climate emissions reporting for the first time.

We also continued our work to improve well-being at work in 2020, and we introduced new operating models in response to the impacts of the coronavirus pandemic on working conditions. In addition, we invested in the environmental friendliness of our products and in further diversifying our product selection.

> OLVI PLC CARBON NEUTRAL FACTORY BY 2023

In 2021, we are focusing on Group-wide climate emissions reporting for the CDP, and on further identifying opportunities offered by the circular economy. We will also set carbon neutrality targets for our production in every operating country and examine climate emissions within the value chain. In terms of carbon neutrality, the focus of our work is on reducing emissions, not on compensating for them.

In addition, we are continuing our work to protect biodiversity in terms of Olvi Group's operations and implement a Group-wide plan concerning the use of plastic. Our core focuses also include promoting well-being and safety at work.

SUSTAINABILITY REPORT TABLE OF CONTENTS

CORPORATE RESPONSIBILITY AT OLVI

We seek to further develop our operations and the beverage industry as a whole, and we help our partners, customers and consumers make responsible choices.

Our operations are affected by international megatrends, such as values arising from responsibility and sustainable development, as well as climate change, globalisation, population development and consumption habits.

> OUR RESPONSIBILITY WORK REFLECTS WHAT IS EXPECTED OF US AND HOW WE SEEK TO DEVELOP OUR OPERATIONS

Our stakeholders' expectations concerning our company's sustainability throughout the value chain continue to increase, as do statutory requirements. Ethical production and procurement, fair and safe working conditions, and environmental measures are increasingly important for our customers and consumers, in addition to a broad, consumer-focused product selection. These are reflected in our focuses and targets. We are currently preparing a materiality analysis, and will further specify our key sustainability focuses and targets based on the analysis if necessary.

KEY FOCUS AREAS

We have determined our key sustainability focuses, considering the megatrends and stakeholder expectations that affect our operations.

Olvi Group's sustainability programme has four focuses:

- **Sustainable value chain**
- **Best place to work**
- **Creating value for stakeholders**
- **Consumer communication**

In addition to these, ethical business practices are an integral part of all our operations.

OUR COMMITMENT

Our sustainability work is also based on international commitments and agreements that bring countries and operators together to promote sustainable and fair development and combat climate change.

We are a member of the UN Global Compact initiative, and are committed to its principles. These principles guide our work to ensure human rights, labour rights and environmental protection, and to prevent corruption. We are also committed to promoting the UN Sustainable Development Goals through our sustainability programme.

> WE COMBINED OUR CURRENT TARGETS WITH THE MAIN GOALS AND SUB-GOALS OF THE UN FOR SUSTAINABLE DEVELOPMENT

We comply with the International Labour Organization's (ILO) fundamental conventions. The ILO monitors its member states' compliance with its conventions and provides support. In addition, we are committed to the guidelines issued by national brewing and soft drink industry associations on responsible marketing and sustainable development. To measure the climate emissions of our operations, we are committed to participating in the CDP's climate emissions reporting at the Group level.

SUSTAINABILITY THEMES

RESPONSIBLE VALUE CHAIN

- Carbon footprint
- Energy consumption and renewable energy use
- Water consumption
- Recycling of materials
- Responsible procurement

BEST PLACE TO WORK

- Corporate culture
- Leadership, supervisory work and workplace skills
- Highly competent employees
- Safety at work
- Occupational health and well-being at work
- Equal opportunities

CREATING VALUE FOR STAKEHOLDERS

- Financial and share performance
- Employment and local presence
- Tax footprint
- Risk management
- Social responsibility

CONSUMER COMMUNICATIONS

- Responsible consumption
- Non-alcoholic and healthier products
- Responsible consumer information
- Product safety
- Responsible marketing

UN SUSTAINABLE DEVELOPMENT GOALS FOR 2016–2030

The programme aims to eradicate poverty and promote sustainable development with equal consideration of the environment, the economy and people. Olvi's responsibility work is related to seven goals in particular.

GOOD HEALTH AND WELL-BEING

- We promote the responsible and moderate use of our products
- We maintain a diverse range of products
- We invest in the development and manufacture of healthy and natural products, and in smaller product packaging

QUALITY EDUCATION

- We encourage training for working life and competence development in line with the development of working life

CLEAN WATER AND SANITATION

- We promote the sustainable use of clean water
- We seek to minimise wastewater and improve its quality
- We recycle material fractions for reuse

AFFORDABLE AND CLEAN ENERGY

- We improve our resource efficiency and reduce our consumption of electricity and energy
- We increase the share of renewable energy

DECENT WORK AND ECONOMIC GROWTH

- We maintain a fair, equal and safe workplace
- We pay our taxes and other payments in accordance with the local legislation in each of our countries of operation

RESPONSIBLE CONSUMPTION AND PRODUCTION

- We reduce our environmental footprint and improve our resource efficiency
- We maximise materials recycling and the reuse of by-products
- We minimise the use of packaging materials. Our operations are guided by the principles of the circular economy

CLIMATE ACTION

- We develop our emissions reporting to identify the emissions generated by our operations
- We focus on identifying the climate impacts of our operations in more detail
- We develop our operations based on results

OLVI GROUP'S CERTIFIED MANAGEMENT SYSTEMS

Company	Quality ISO 9001	Environment ISO 14001	Occupational safety ISO 45001	Food product safety FSSC/ISO 22000	Energy ISO 50001
Olvi Oyj	✓	✓	✓	IFS 6.1	
A. Le Coq	✓				✓
Cēsu Alus	✓	✓	✓	BRC	✓
Volfas Engelman	✓	✓	✓	FSSC 22000	
Lidskoe Pivo	✓	✓	✓	FSSC 22000	
Uniqa				IFS 6.1	

GOVERNANCE

The management of sustainable development begins with our strategy and is based on our values, ethical business practices and Group-level policies and guidelines.

Our operations are guided by policies approved by the CEO of Olvi plc. For example, these policies concern the environment and safety at work as well as our products, the procurement of materials and ethical business practices.

We have determined Group-level key themes, indicators and main targets for the focus areas. In addition, the Group companies have company-specific focuses and indicators. We have also prepared long-term action plans to achieve the targets for each focus area.

SUSTAINABLE DEVELOPMENT BEGINS WITH OUR VALUES AND STRATEGY

We implement action programmes and measures to promote sustainability in all Group units. Olvi plc's Board of Directors annually reviews our sustainability targets in relation to our strategy, and monitors performance based on the indicators on a regular basis.

The persons in charge of the focus areas are responsible for monitoring the indicators and implementing measures to achieve the targets. Sustainable development is reflected in our day-to-day work through each employee.

OUR WAY OF WORKING

We further develop our problem-solving skills, ways of working and work environment through development projects. Applying the Lean philosophy and operating models makes work processes smoother and more efficient, as well as reducing waste and maintaining orderliness. This enables us to reduce our environmental footprint, increase our resource efficiency, improve safety at work and further develop our value creation for stakeholders.

Olvi Group's operations are guided by certified management systems. The management systems enable us to focus on operational quality, environmental considerations, occupational health and safety at work. These are reflected in the management of people and the management, monitoring and development of business matters. Management systems also support our work to ensure product safety, as well as promoting efficiency measures concerning energy consumption, for example. We assess the effectiveness of our management systems, as well as their ability to support business operations, through external and internal audits and feedback from the management.

Olvi Group's companies have increased their use of certified management systems annually. Our goal was for all Group companies to have environmental systems, health and safety systems and product safety systems in place in 2020, but this work has unfortunately been slowed by the coronavirus pandemic. We seek to implement these systems during 2022 at the latest.

OUR WAY OF WORKING IS BASED ON THE LEAN PHILOSOPHY AND CERTIFIED MANAGEMENT SYSTEMS

RESPONSIBLE VALUE CHAIN

RESPONSIBLE VALUE CHAIN

We work to continuously reduce our environmental footprint and improve our resource efficiency. The transparency and traceability of purchases always come first when we make procurement decisions.

The beverage industry uses considerable amounts of raw materials and natural resources. Supply chain management and procurement methods have a significant impact on the environment, the climate and society.

Olvi Group's sustainability footprint is determined throughout the supply chain, covering both its own operations and the entire value chain. Responsible supply chain management involves many areas, and we have identified our most material aspects.

As far as possible, we choose local operators and raw materials. The traceability of raw materials is key. Protecting biodiversity is also important to us. This is one of the reasons the raw materials we use must be grown, and the materials we use must be produced in line with the principles of sustainable development. To ensure this, we only purchase from approved suppliers. Ensuring the quality and safety of each raw material and packaging material is key.

Olvi Group has implemented numerous measures to improve resource efficiency and reduce emissions. During product development, we examine the safety and environmental impacts of the product and its raw materials and packaging materials. Employees' awareness and correct ways of working are important to us in terms of the environment, safe working conditions and well-being at work.

In logistics, we seek to minimise emissions through optimised routes and distribution. We pay special attention to efficient distribution and storage through solutions that are as environmentally friendly as possible. We work to ensure reliable deliveries and safe products for our customers.

> THE RECYCLABILITY OF OUR PRODUCTS PROMOTES THE CIRCULAR ECONOMY

We approach consumers through responsible marketing and clear product information. Promoting responsible consumption is at the core of our operations. Our products and packaging materials are recyclable, enabling the reuse of materials and the promotion of the circular economy.

REDUCING OUR CARBON FOOTPRINT

Olvi Group continuously takes measures to reduce its carbon footprint. The Lean philosophy and operating models are reflected in improved energy efficiency in our manufacturing process. New digital solutions enable the real-time monitoring and optimisation of our steam, heat and electricity use..

EMISSIONS FROM OUR OPERATIONS

The carbon dioxide emissions of our production operations are mainly generated by production plants, transportation and logistics. The most significant sources of emissions from our production plants are heating, steam and electricity, as well as carbon dioxide emissions generated during the fermentation process and cooling phase at our breweries.

> WE PARTICIPATED IN THE CDP'S CLIMATE EMISSIONS REPORTING

We aim to minimise our exhaust gas emissions from transportation and distribution by optimising our distribution chain and routes. We focus on shortening our total transport routes and loading lorries more efficiently.

We also pay attention to emissions from commuting and seek to minimise travel. We therefore seek primarily to hold remote meetings. Remote meetings and remote work increased significantly because of the coronavirus pandemic in 2020. At the same time, the exceptional year accelerated the introduction of digital tools and new operating models. Our goal is that we will not fully return to our previous operating model after the pandemic. Instead, we will seek to reduce flights and business travel days by 50% compared with 2019, excluding sales and store work.

We are further developing our emissions reporting to better identify emissions from various production phases and other operations. In 2020, Olvi plc participated in the CDP's climate emissions reporting for the first time. In 2021, our reporting will cover the entire Group. Our goals for 2021 also include setting carbon neutrality targets for our breweries. The parent company has already set a goal for the Iisalmi factory to achieve carbon neutrality by the end of 2023. Alongside this work, we will identify climate emissions from the entire Group's value chains (upstream and downstream, Scope 3).

IMPROVED RESOURCE EFFICIENCY

We aim to continuously improve our resource efficiency and reduce our electricity consumption. In 2020, the Group companies' electricity consumption decreased as a result of operational efficiency and energy-efficient choices. Electricity consumption was 0.088 kWh per litre produced, representing a decrease of 4.5% from 2019. Steam and heat consumption decreased by 8.6% from 2019 and was 0.120 kWh per litre produced as a result of operational optimisation and efficiency.

> ELECTRICITY AND ENERGY CONSUMPTION CONTINUES TO DECREASE

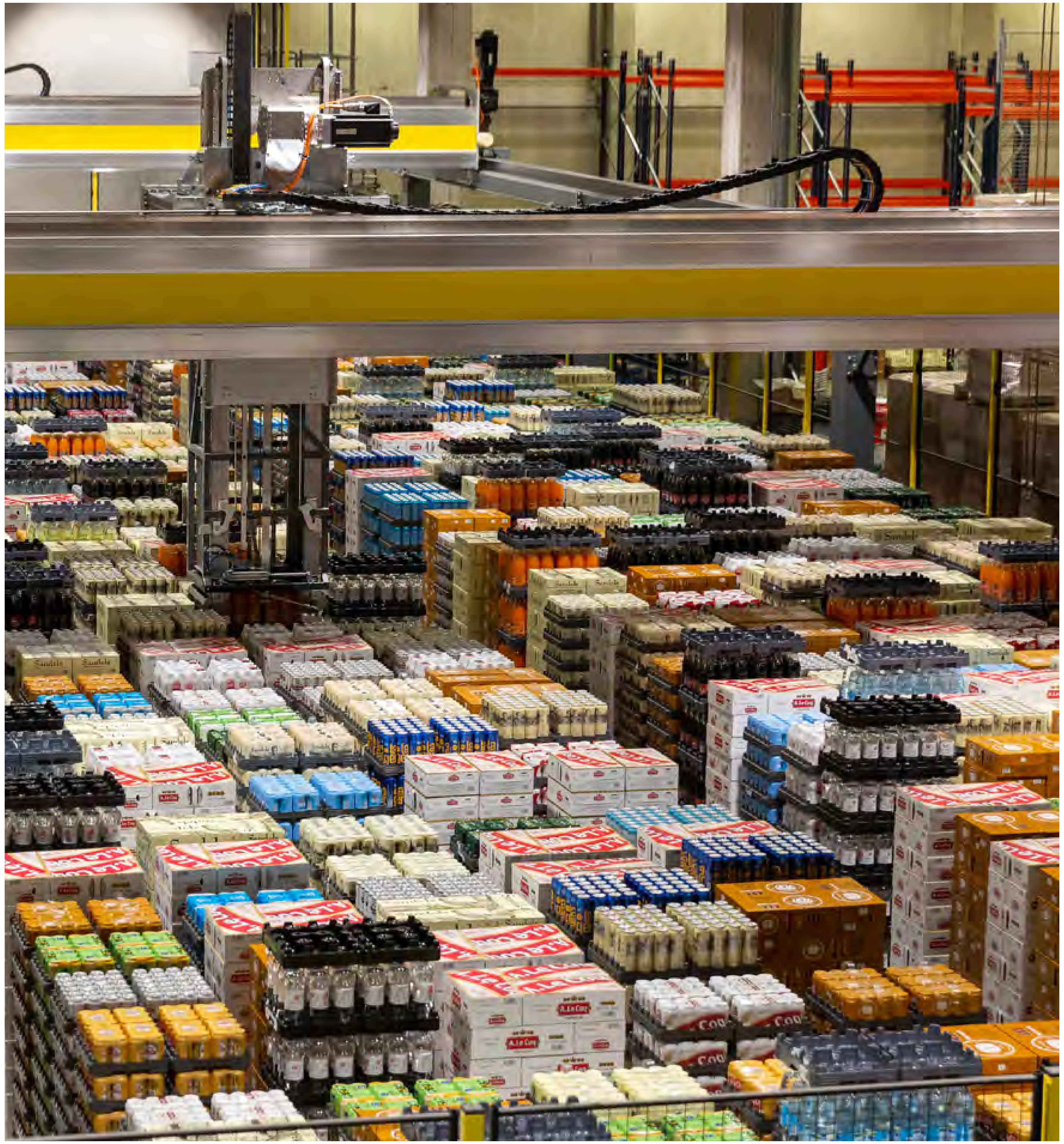
Olvi Group has conducted studies to measure energy consumption more effectively and optimise its use of various energy sources. We focus on reducing energy consumption by modernising equipment, for example.

The Group companies have transferred to LED lighting and intelligent lighting control. Nearly all the Group's production plants have LED lighting, which has reduced energy consumption in recent years.

SUSTAINABILITY ACTIONS

To promote energy efficiency measures:

- *Olvi plc* has joined the Finnish food industry's energy efficiency agreement
- *A. Le Coq* and *Cēsu Alus* have ISO 50001 energy certification



We are continuing to develop a monitoring system to analyse and report the consumption of various forms of energy and commodities. The system will enable us to monitor consumption at each process phase in each unit.

Our goal is to increase the share of renewable energy of electricity and energy consumption in the Group companies. We are also seeking to increase the recovery and recycling of the heat generated in the production process.

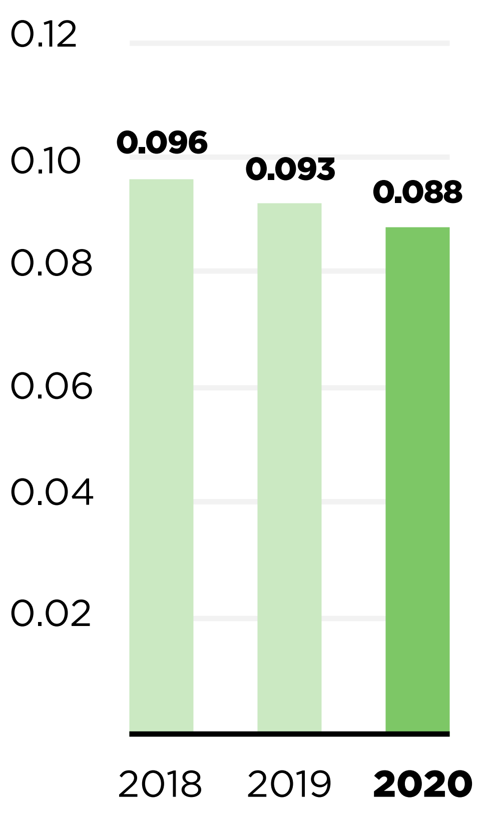
Our goal is for Olvi Group to achieve 100% bio-based energy and heat production by 2030.

OUR BREWERIES USE 71% GREEN ELECTRICITY

Our goal is for Olvi Group to use 100% green electricity by 2023. Of the electricity used by the Group's breweries, 71% was green in 2020. We have identified various opportunities to increase the use of renewable electricity, and one of the most promising options is electricity production through solar panels. The Group's first solar power system and solar panel plant were introduced at A. Le Coq's logistics centre in 2020.

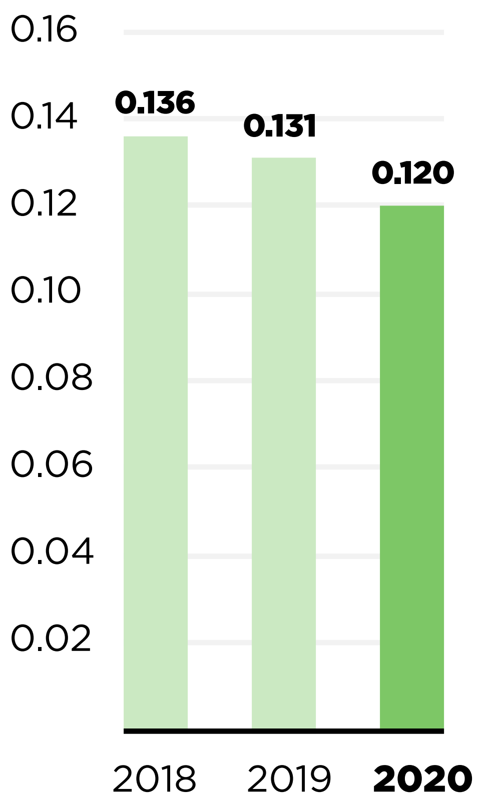
ELECTRICITY CONSUMPTION

kWh per litre produced



STEAM AND HEAT CONSUMPTION

kWh per litre produced



The figures do not include Servaali

SUSTAINABILITY ACTIONS

- *Cēsu Alus* and *The Helsinki Distilling Company* use biogas for heating
- *Olvi plc* has a bio-heating plant and uses 100% green electricity, of which 66% has EKOEnergy certification by the Finnish Association for Nature Conservation
- *A. Le Coq* has the Group's first solar panel plant

TARGET

BY 2023

green electricity

100%

TARGET

BY 2030

biofuel in energy and heat production

100%

OPTIMISING OUR WATER USAGE

The production of beverages is a water-intensive industry. Olvi Group seeks to reduce its water consumption per litre produced. In 2020, our water consumption decreased by 6% from 2019, and we achieved our target: our water consumption must be less than 3.0 litres per litre produced by 2023.

Depending on the location, we use local groundwater or our own wells as water sources. The high-quality groundwater comes from a protected area. We use water sustainably.

Olvi Group cooperates extensively with other industries for cleaner water and to protect the natural aquatic ecosystem.

PLANNING AND CHOICES TO REDUCE CONSUMPTION

We seek to reduce our water use through production planning. We optimise our water consumption by paying attention to washing, detergents, planning and technical equipment solutions. We will increase water recycling in the future.

Wastewater from the production process is directed to our own treatment plant or municipal wastewater treatment plants for purification and reuse. In co-operation with municipal wastewater plants, we have improved the efficiency of pre-treatment to improve water quality. This prevents nitrogen and phosphorus, as well as other substances that burden the environment, from entering the wastewater. We also re-use wastewater in the production of biogas.

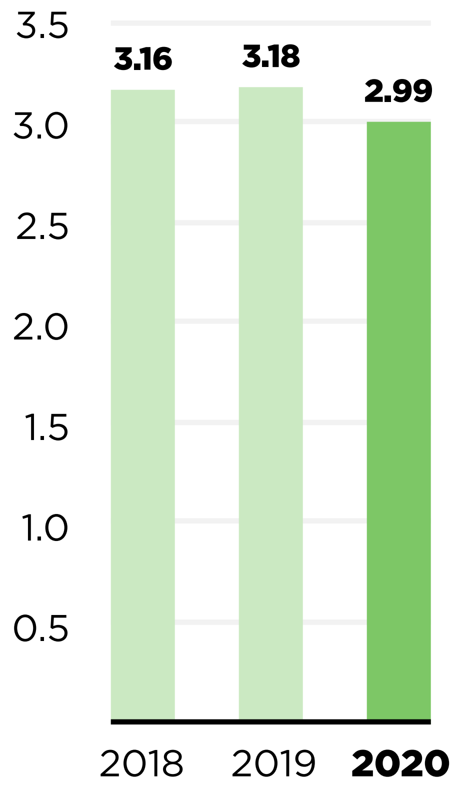
We have developed the management of chemicals used as detergents in the production process by reducing waste and optimising the amount of detergents.

SUSTAINABILITY ACTIONS

- *Lidskoe Pivo* invests in ensuring water quality
- *A. Le Coq* and *Cēsu Alus* produce biogas from wastewater

WATER CONSUMPTION

litres per litre produced



The figures do not include Servaali

TARGET

BY 2023

water consumption under

3,0 litres per produced litre

MATERIALS RECYCLING

Materials recycling includes recycling materials from production, reusing packaging materials, reusing by-products and recycling end products. The circular economy is one our most important selection criteria for materials procurement.

SORTING AND REUSE

We seek to maximise the reuse of material fractions and side streams generated during the production process. We are further developing the sorting and recycling of materials, and each Group company collects and sorts various materials such as paperboard, glass, plastic and hazardous substances.

We monitor the volumes of the material fractions generated, and the amount of mixed waste continued to decrease in Olvi Group in 2020, declining by 40.9% from 2019.

In addition to recycling material fractions, reusing side streams is important to us. The Group companies' by-products include spent grain and excess yeast, which we deliver for use as farm animal feed or as a side stream to biogas production, for example. We are also exploring other opportunities for their reuse. In addition, we work to increase the reuse of our wastewater in biogas production, for example.

RECYCLING SYSTEM FOR BEVERAGE PACKAGING

We actively cooperate with local organisations to develop recycling systems for beverage packaging. Olvi plc is one of the owners of Palpa, a company founded for beverage container recycling in 2003. Palpa manages the beverage container deposit system in Finland. Estonia and Lithuania have similar systems in place, and such systems are being built in Latvia and Belarus. Judging from the high recycling rates, these systems are highly effective.

RECYCLED MATERIAL IN PACKAGING

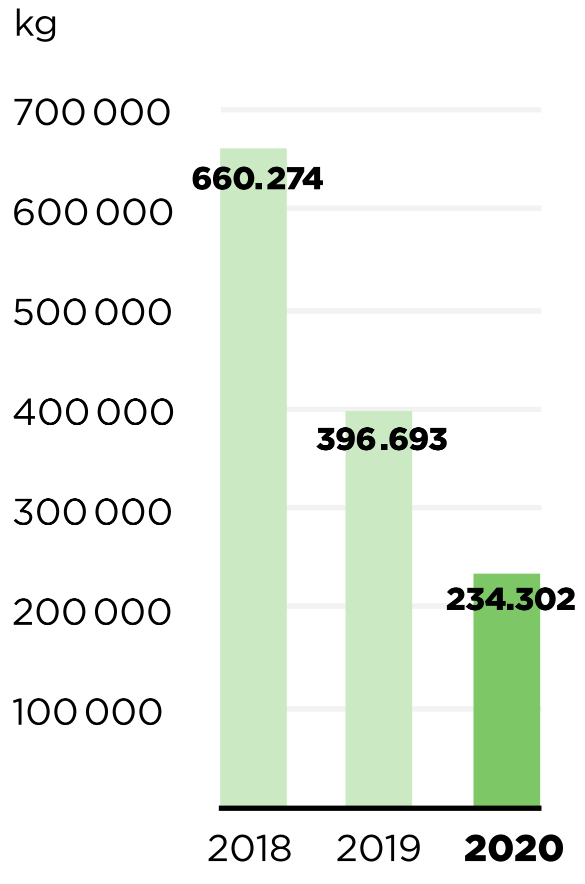
Recyclability is also important in other packaging. Across the Group, raw materials and chemicals are transported to breweries in recyclable packaging, and we use recycled packaging for all our beverage products. Some of the recycled containers are washed and refilled, while some are reused as materials.

The packaging of many of our products is made from recycled materials. The portion of recycled materials can be almost 100% in corrugated cardboard packaging and up to 50% in cans. In the production of glass bottles, the portion of recycled material ranges between 25% and 65%, depending on the bottle type. Recycled plastic is used increasingly in PET bottles, with the goal being at least 25% in 2025.

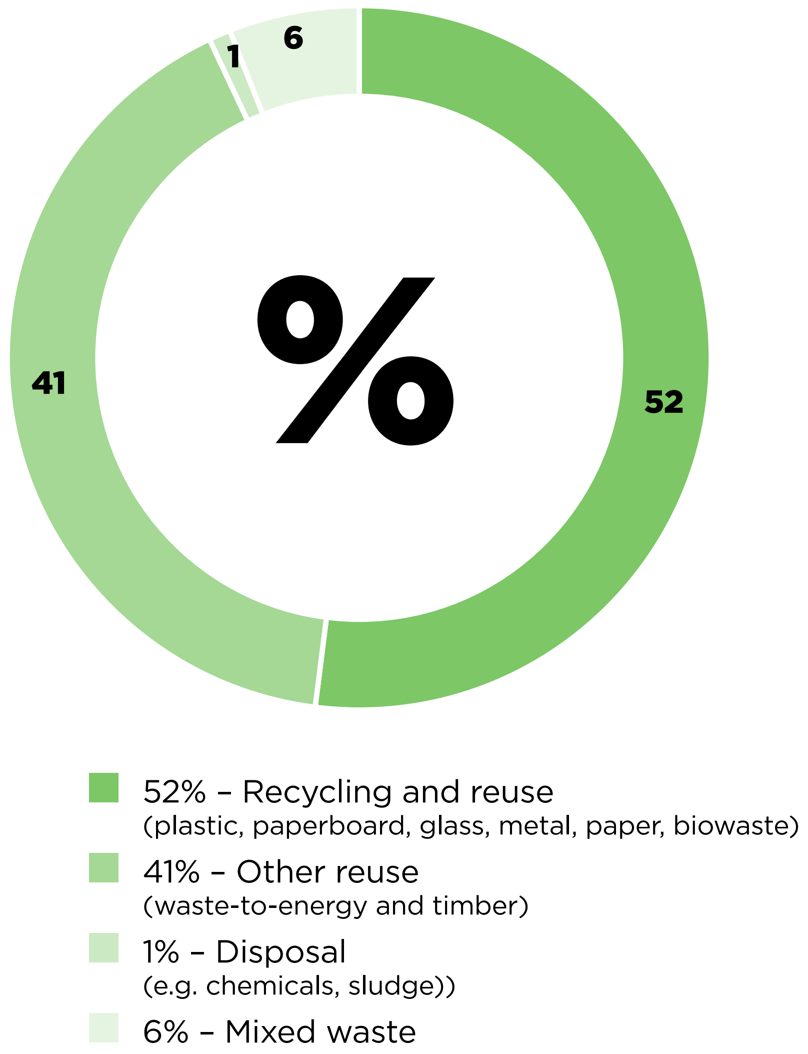
PRODUCT PACKAGING MADE FROM REUSED MATERIALS

Ensuring that the material we use is recyclable and ecological is an essential part of our product development. In the future, we will increase the use of reused materials and will continue to optimise our use of materials. In packaging materials, we aim to reduce our use of plastic in particular, as well as finding alternative and recyclable materials. In 2021, we will complete and implement our Group-wide plan concerning the use of plastic.

MIXED WASTE



MATERIALS AND WASTE BY TYPE



DEPOSIT-BASED RECYCLING SYSTEM AND RECYCLING RATES

	Finland	Estonia	Lithuania	Latvia
Plastic bottle	90%	85%	90%	
Glass bottle	87%	85%	90%	41%
Can	95%	50%	90%	

CASE: ECOLOGICAL PACKAGING AND THE CIRCULAR ECONOMY AT OLVI

We want to ensure that all the materials we use are recyclable and ecological. Our goal is to recycle all material fractions from production, such as plastic, paperboard, glass and metal. Of all the materials used and generated at Olvi in Iisalmi, nearly 100% is either recycled, reused or used for waste-to-energy and other purposes. Only around 0.2% of all materials ends up as mixed waste.

The process side streams include excess yeast and spent grain, which are delivered for use as feed for cattle and pigs. The amount of yeast and spent grain generated annually is 33 times higher than the amount of other recyclable materials. Spent grain and yeast are used to feed around 5,000 cattle and 6,000 pigs in nearby areas.

In the procurement of packaging materials, we invest in environmentally friendly materials, and we use recycled packaging materials as far as possible, considering product safety. The aluminium cans and glass we use contain an average of 50% and 29% recycled material, respectively. During 2021, we will introduce plastic bottles made from recycled material. The paperboard packaging we use contains an average of 60% recycled material.

All our products have recyclable or reusable packaging. Thanks to a well-functioning deposit return system, 90% of plastic bottles, 87% of glass bottles and 95% of aluminium cans are returned by consumers to be reused or used as a raw material.

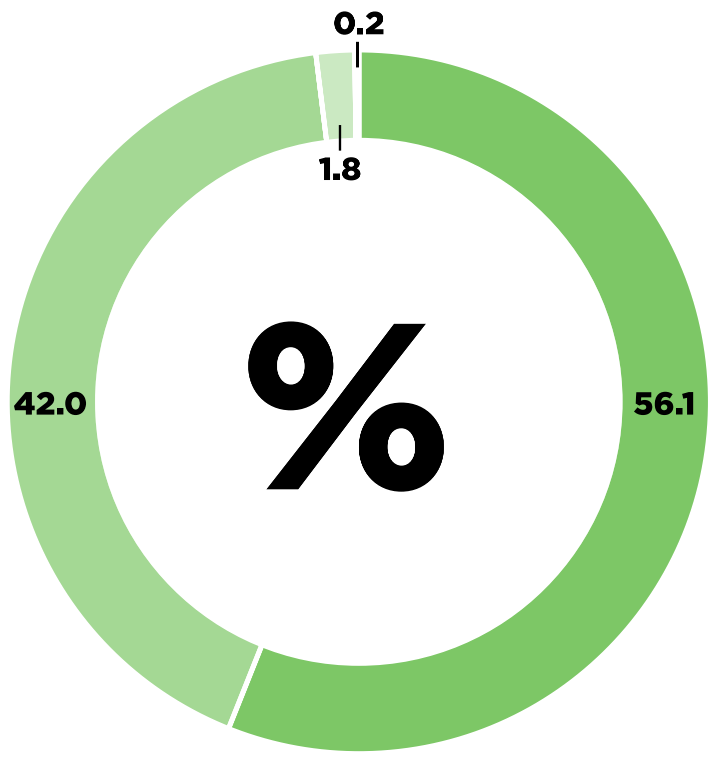
OUR GOAL IS TO INCREASE THE SHARE OF RECYCLED MATERIALS IN PACKAGING

We use plastic trays for the transport of our products. In the transport of cans alone, plastic trays reduce the annual consumption of paperboard by nearly 1 million kilos. When used correctly, plastic trays are also very durable and can be reused dozens of times. This multiplies the amount of paperboard saved.

"THE AMOUNT OF MIXED WASTE AT OLVI IS ALMOST ZERO, WHICH IS ONE OF THE FACTORS REDUCING OUR ENVIRONMENTAL FOOTPRINT."

PIA HORTLING
PUBLIC RELATIONS AND PURCHASING DIRECTOR
OLVI PLC

MATERIALS AND WASTE BY TYPE



- 56.1% – Recycling and reuse (plastic, paperboard, glass, metal, paper, biowaste)
- 42.0% – Other reuse (waste-to-energy and timber)
- 1.8% – Disposal (e.g. chemicals, sludge)
- 0.2% – Mixed waste

RESPONSIBLE PROCUREMENT

In addition to increasing sustainability, we are improving the transparency and traceability of procurement. We choose responsible suppliers of raw materials and other materials. To promote sustainability in our industry, we co-operate with local and international operators.

It is important to us that the raw materials and packaging materials we use, as well as the products made from the raw materials, meet the demands and expectations of our customers and consumers. The quality of raw materials from approved suppliers is always ensured.

MOST OF OUR RAW AND PACKAGING MATERIALS COME FROM FINLAND AND THE BALTIC COUNTRIES, AND FROM BELARUS FOR LIDSKOE PIVO

Olvi Group's shared procurement principles and operating models are defined in our procurement policy. Suppliers are selected based on predetermined quality criteria. Group-level agreements enable efficient time management and better investments in the development of products and materials in cooperation with selected suppliers. This approach also improves the optimisation of resources.

At the end of 2020, Olvi Group had 314 suppliers of raw materials and packaging materials. Olvi Group regularly audits its suppliers.

We use local suppliers as far as possible. We use 100% domestic malt barley in Finland, Lithuania and Belarus, and malt barley from the neighbouring markets in other countries. Most of our raw materials and packaging materials come from Finland and the Baltic countries, and from Belarus for Lidskoe Pivo.

CODE OF CONDUCT FOR SUPPLIERS AND PARTNERS

Our partners commit to compliance with our ethical operating methods. Our Code of Conduct for Suppliers and Partners is based on the Group's Code of Conduct.

By the end of 2020, the Code of Conduct had been signed by 91.7% of our contract partners for raw materials and packaging materials. Our goal is to include the Code of Conduct in all of the Group's cooperation and procurement agreements by 2022.

THE CODE OF CONDUCT SIGNED

The figures do not include Servaali

TARGET

BY 2022

All suppliers will have signed the Code of Conduct

BEST PLACE TO WORK

BEST PLACE TO WORK

We aim to be the best workplace for our employees. We promote employee comfort and pay attention to health, safety and well-being at work and equal treatment. This enables us to create optimal conditions for work and development.

Our goal is to be a positive, fair and safe workplace. We are a significant local employer in each of our locations. We work to be an attractive workplace, for both our existing and prospective employees.

We take care of our employees' well-being, which is based on productive work that runs smoothly, clear goals and responsibilities, and appropriate competence.

In 2020, Olvi Group had 1,911 employees in five countries. The average service time is around 9 years across the Group companies. Olvi Group also employs summer workers and trainees, 107 in total in 2020.

OLVI GROUP HAS A HIGH NUMBER OF LONG EMPLOYMENT RELATIONSHIPS

PERSONNEL MANAGEMENT

Olvi Group's personnel management is based on shared values and operating principles. Through personnel management, we ensure that our employees and their knowledge and skills enable the implementation of our business strategy.

82% OF EMPLOYEES PARTICIPATED IN PERFORMANCE BASED AND DEVELOPMENT REVIEWS

Olvi Group's business strategies and targets are implemented across the organisation by means of scorecards, performance based and development reviews, team and department meetings and day-to-day supervisory work.

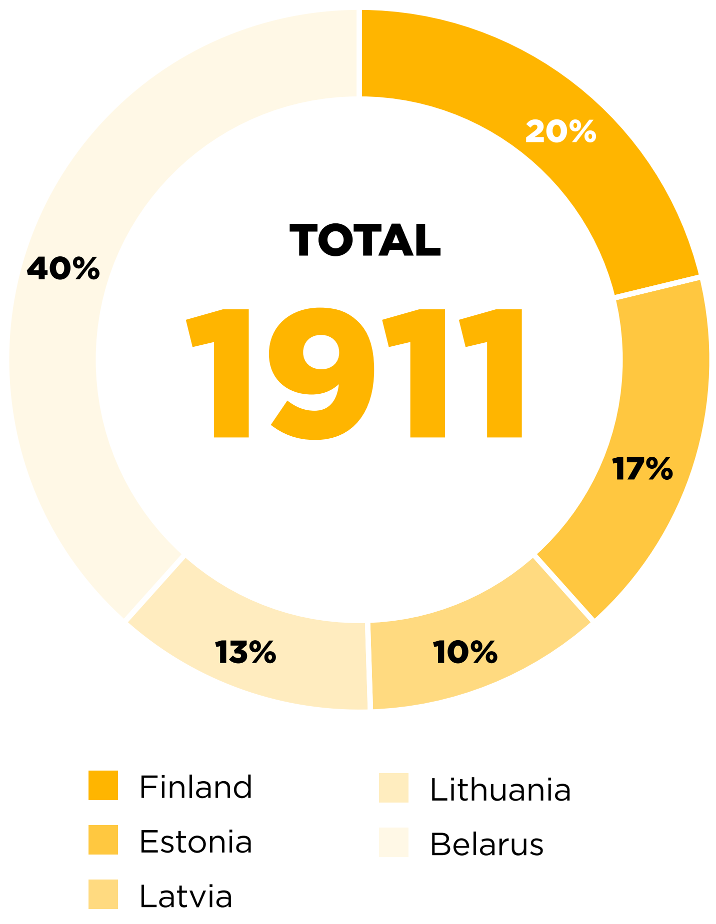
We have a joint personnel policy, with focuses that guide and harmonise our operating models. We aim to ensure our ability to work together and use the Group's resources, expertise and experience. These enable continuous renewal and development.

NUMBER OF PERSONNEL

2020
1911

2019
1877

EMPLOYEES BY COUNTRY



CORPORATE CULTURE

Corporate culture includes shared values and attitudes, as well as ways of thinking and working, and is shaped over time with people. It also strongly reflects the spirit of the workplace community, which guides operations and ways of working. Understanding and fostering corporate culture is very important in terms of the company's success.

> CORPORATE CULTURE HAS A SIGNIFICANT IMPACT ON SUCCESS

Management and supervisory work, competence development and common ways of working are important aspects of Olvi Group's corporate culture. The Group's success is supported by inspired and motivated employees, which is why we seek to maintain a positive, innovative and agile corporate culture. A positive attitude is our way of working and responding to challenges. Innovation keeps us abreast of the times – or even ahead of the times. Agility is related to local presence, organisation and self-direction. Effective teamwork and independent decision-making play a key role.

Our goal is to maintain an interesting employer brand that promotes the development of employees' professional skills. We work to be an attractive employer and enable summer workers to commit to Olvi Group.

STRENGTHENING THE GROUP'S CORPORATE CULTURE

We have many practices and operating models in place that support our corporate culture. We operate in line with our values, determine and communicate our strategy, and invest in the development of employees, operations and operating models. We encourage our employees to participate in operational development, which is supported by our continuous development approach based on the Lean principles. Employees are also encouraged to make suggestions for operational development.

In addition, our corporate culture is supported by the traditions and operating models that the Group companies have adopted over the years, and that we use to strengthen the team spirit and further improve the work atmosphere and well-being at work. We want to ensure that everyone is seen and heard, which is why we celebrate our successes and achievements together. We also reward employees for good work.

In 2021, we are continuing our work to determine our corporate culture and identify aspects that are important for its development and fostering. In addition, we are working to study the impacts of the new ways of working and operating models arising from the pandemic situation.

> WE SEEK TO MAINTAIN A POSITIVE, INNOVATIVE AND AGILE CORPORATE CULTURE

MANAGEMENT, SUPERVISORY WORK AND WORKPLACE SKILLS

We are continuously developing management, supervisory work and workplace skills to ensure a functional workplace community and a good work atmosphere. Through effective supervisory and workplace skills and an excellent management culture, we can support our employees' performance and development.

The exceptional year caused by the coronavirus pandemic accelerated the implementation of digital tools and new operating models. This also concerns management, supervisory work and meeting practices.

Our development of management, supervisory work and workplace practices is based on the feedback from performance based and development reviews. We also monitor trends in the results of the employee survey.

EMPLOYEE SURVEY

Our Group focuses on promoting an open work atmosphere that supports development. An employee survey implemented every two to three years is one of our tools for workplace development and monitoring well-being at work.

Based on the employee survey results, we determine common and department-specific development goals and measures for workplace communities in cooperation with employees. Continuity and team spirit are strengthened by monitoring and communicating the development measures and by the participation of all employees.

> DEVELOPMENT MEASURES BASED ON EMPLOYEE SURVEY RESULTS ARE DETERMINED IN COOPERATION WITH EMPLOYEES

In the latest employee survey, Olvi Group's PeoplePower rating improved to AA+. The PeoplePower rating indicates how well the company has succeeded in operational development in cooperation with its employees. It also indicates the employees' level of commitment. Our overall result in all Group companies in the survey was markedly better than the national average in each country. The response rate was 89.4%.

Our results improved in all Group companies in several areas, such as supporting well-being at work and professional development and involving employees in decision-making. All our results were good compared with the average in each country. Based on the results of the employee survey, we are especially focusing on the development of supervisory work and cooperation. The next survey will start in the autumn of 2021.

THE GROUP'S COMMON OPERATING MODELS

Olvi Group has had Group-wide development teams in place for a long time. The teams are responsible for strategy support and operational development by identifying best practices, seeking synergy benefits and promoting innovation. Each team has experts in key functions from all Group companies as members.

> THE GROUP'S DEVELOPMENT TEAMS SUPPORT STRATEGY IMPLEMENTATION

In 2012, we established the Olvi Academy to further develop the Group's operations and expertise and build a common operating culture. Olvi Academy's theme for 2020 was strategy implementation through personal strengths and success. In 2021, we will continue with this theme to strengthen the implementation of our strategy and vision.

COMPETENCE DEVELOPMENT

We work to support our employees as effectively as possible and commit them to high performance. We take care of our employees' expertise and development. We support these through company-level and Group-level training and operational development.

Training and development are based on our business targets and job requirements. Through these measures, we can also ensure that our employees' competence enables the implementation of our business strategy.

Training was provided through online courses and webinars because of the exceptional circumstances caused by the coronavirus pandemic. Remote learning makes it easy to participate in training. We offer a wide range of training through remote learning, which has improved the availability of international courses from around the world.

WE ENCOURAGE COMPETENCE DEVELOPMENT

We monitor our employees' skills and development needs through annual performance based and development reviews. Through these reviews, we ensure that our employees have sufficient competence for their jobs, as well as clear goals and responsibilities. Of our employees, 82% participated in performance based and development reviews in 2020.

AN ONLINE LEARNING ENVIRONMENT FOR TRAINING

We introduced a common online learning environment in 2018. This enables us to provide consistent training across the Group. Online training is available on responsibility, sustainability, occupational safety and data protection, for example.

We provide new employees with induction training by means of traditional personal induction, on-the-job guidance and remote training on general matters. We pay special attention to induction, as well as training for induction instructors. We also collect feedback on induction for operational development purposes.

DEVELOPMENT AND RENEWAL THROUGH REMOTE TRAINING

We monitor how much time each employee spends training. In 2020, the Group's employees spent an average of 6 hours on training, which was less than in the previous year. The decrease in the

time spent on training was a result of the exceptional circumstances caused by the coronavirus pandemic, which forced us to postpone training until a later date to some extent. Our employees have actively participated in the training available, and we are working to develop our practices to ensure appropriate monitoring.

WE WANT TO LEARN FROM ONE ANOTHER

In 2021, we will develop the monitoring of training by focus area. We are also focusing on using digitalisation in personal competence development and job improvement. In addition, we are continuing our work to share good practices between the Group companies, because we want to improve our operations together and learn from one another.

SAFE WORK ENVIRONMENT

Every one of our employees is entitled to a safe work environment. We aim to ensure smooth work without accidents. We focus on increasing employees' awareness of and expertise in safety at work.

Early intervention is important to minimise damage and prevent accidents, injuries and occupational diseases. We are continuously working to detect and eliminate risk factors.

> AT OLVI GROUP'S PLANTS, EACH EMPLOYEE HAS THE APPROPRIATE PROTECTIVE EQUIPMENT AND CLOTHING

Sufficient induction, regular safety training and up-to-date guidelines lay the foundation for a safe work environment. We invest in both job-specific and general safety training and guidelines.

Olvi Group has a common occupational safety policy in place. To ensure operational quality and consistency, our goal was to have occupational health and safety certification in place in all Group companies by the end of 2020. Unfortunately, the coronavirus pandemic has slowed this work. We are now seeking to implement the systems by the end of 2022 at the latest.

SUSTAINABILITY ACTIONS

- *Olvi, Cesu Alus, Volfas Engelman* and *Lidskoe Pivo* have certified ISO 45001 health and safety systems

AIMING FOR ZERO ACCIDENTS

Every employee at Olvi Group plays a significant role in ensuring a safe work environment. We encourage our employees to actively report safety observations. This is one of the most effective tools to identify and eliminate hazards.

Olvi Group's companies monitor, report and investigate near misses and accidents. Matters related to safety are reported to the management on a monthly basis.

We measure the safety of the work environment based on the total number of accidents and absences caused by accidents. A total of 20 accidents occurred at Olvi Group in 2020, meaning that the number of accidents decreased by 2, or 9.1%, from 2019. None of the accidents were serious. The Group's accident frequency rate was 5.8 in 2020 (6.7 in 2019), representing a decrease of 13.4%. This is a good level, and the trend is moving in the right direction. The accident frequency level is considerably lower than the average for the Finnish food industry, which was 29.3 in 2019, for example.

The decrease in the number of accidents is largely due to the fact that attention has been paid to the issue, internal communication has been increased, and successful development measures have been implemented. Systems development has aided the identification of accidents and lowered the threshold for reporting them. To further develop the reporting of accidents, we will prepare common guidelines for identifying occupational accidents during 2021.

TARGET

Number of accidents year-on-year

-10%

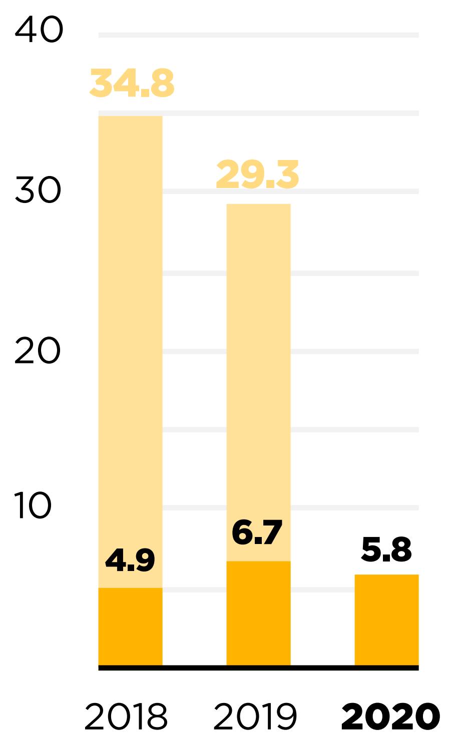
NUMBER OF ACCIDENTS

2020
20

2019
22

ACCIDENT FREQUENCY RATE

Accidents per million hours worked



Food industry average in Finland

TARGET

BY 2030

0 **accidents and accident related absences**

OCCUPATIONAL HEALTH AND WELL-BEING AT WORK

One of our main goals is to ensure employees' working capacity, health and well-being throughout their careers. We are continuously developing our ways of working and our work environment to promote smooth and productive work and eliminate health risks and hazards.

We plan the work and the machines and equipment needed, as well as the work environment and the working conditions, to eliminate any physical or mental health risks and hazards for our employees. We have a substance-free work environment for all Olvi Group's employees.

We seek to identify any factors that affect working capacity as early as possible by encouraging a culture of open discussion, for example. In terms of sickness absences, we ensure effective treatment, measures and rehabilitation through occupational healthcare.

We measure occupational health and working capacity by monitoring sickness absences. Our goal is to reduce sickness absences year-on-year. In 2020, sickness absences represented 4.8% of all working hours across the Group (3.9% in 2019). The number of sickness absences increased as a result of the impacts of the pandemic, because the possibility of a coronavirus infection needed to be eliminated in all cases with symptoms related to respiratory tract infections. However, the sickness absence rate is still at a good level compared with the average for the Finnish food industry (6.1%), for example.

ENCOURAGING HEALTHY LIFESTYLES

We take care of our employees' well-being at work to ensure their physical, emotional and social welfare. The Olvi Group companies promote well-being at work through various measures, events, occasions and lectures. The topics range from healthy lifestyles to ergonomics and coping at work.

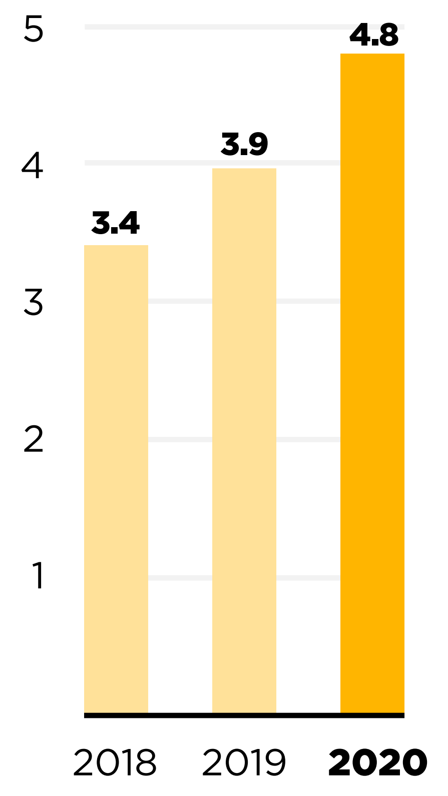
We work to create optimal working conditions and increase the flexibility of work. To promote well-being at work, we explore various work shift arrangements and models in the Group companies.

We also support exercise and recreation in our employees' free time. The Group companies encourage their employees to participate in various sporting events.

WE AIM TO REDUCE SICKNESS ABSENCES YEAR-ON-YEAR

NUMBER OF SICK DAYS

% of all working hours



CASE: A BREAK ROOM FOR EMPLOYEES

For many employees, A. Le Coq is more than just a workplace. The company has always sought to create a safe and comfortable work environment based on its employees' needs and modern solutions.

An employee well-being survey conducted in 2019 revealed that production employees needed better opportunities for recovery during breaks. Employees needed a break room where they could relax and rest during breaks, in addition to enjoying their meals. The company started a planning process during which employees had the opportunity to affect the location and interior design of the room. When the location had been selected, the construction work to create a sufficiently spacious room began. "We received a great deal of good advice from the interior designer who participated in the process. We added daylight through skylights, created cosy lighting, used soothing colours and chose furniture based on employees' needs," says Katrin Lember, Director of Administration.

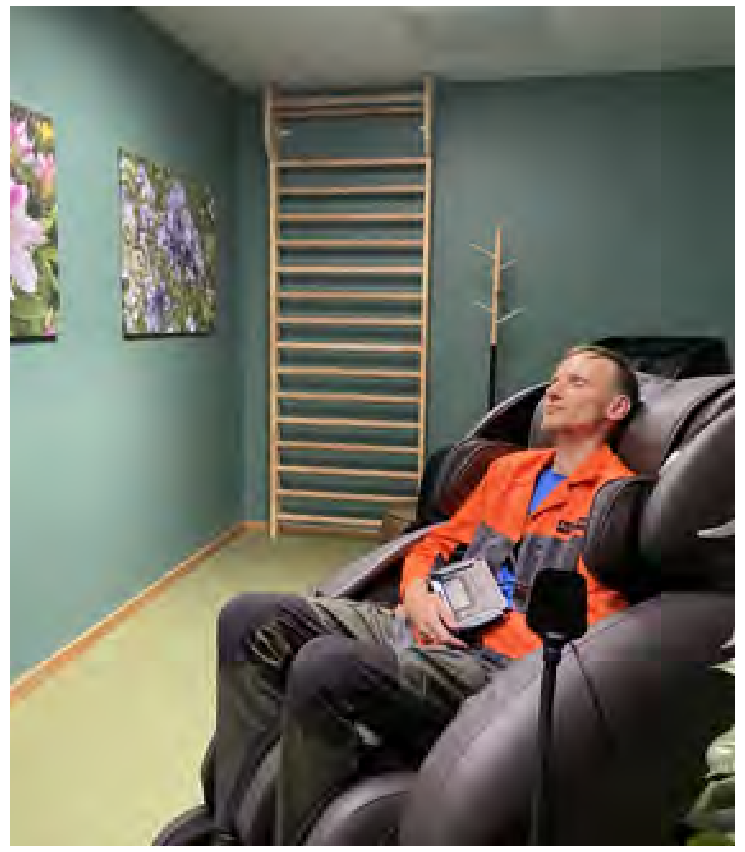
The break room has two massage chairs selected by the employees and equipment for exercise breaks. The kitchen has a new coffee maker, dishwasher and refrigerator, as well as the necessary tableware for enjoying meals during breaks. The break room also has two television sets for employees to choose a music or relaxation programme or watch the production channel, which monitors filling line operations. This enables production operators to take the necessary breaks and use the opportunities offered by the break room to maintain their working capacity.

The break room was introduced in July 2020, and has been well received among employees. "We hope that the new break room inspires employees to take care of their coping at work, as well as helping them to achieve the best possible results," says Lember

A. LE COQ SEEKS TO CREATE A SAFE AND COMFORTABLE WORK ENVIRONMENT BY PAYING ATTENTION TO ITS EMPLOYEES' NEEDS

"WE HOPE THAT THE NEW BREAK ROOM INSPIRES EMPLOYEES TO TAKE CARE OF THEIR WELL-BEING."

KATRIN LEMBER
DIRECTOR OF ADMINISTRATION
A. LE COQ



EQUAL OPPORTUNITIES

Our workplace community offers equal opportunities for all employees. We treat all our employees fairly and equally, regardless of their age, gender, religious beliefs, opinions, nationality or similar factors.

In 2020, 62% of Olvi Group's employees were men, and 38% were women. The average age of the Group's employees was 40, and the largest age group was 30–49.

> WE TREAT ALL OUR EMPLOYEES FAIRLY AND EQUALLY

Olvi Group has a common Code of Conduct to ensure equal opportunities. We measure equality through employee surveys. According to the results of the most recent employee survey, most of the Group's employees feel they are treated fairly, regardless of their gender and age.

We ensure that diversity is also reflected in our companies' boards of directors and management groups. We pay attention to ensuring that their members' work histories, international experience, age and gender are complementary, for the good of the Group's business operations. The members must also have broad-based expertise and diverse professional backgrounds.

In 2020, 50% of the members of Olvi plc's Board of Directors were men, and 50% were women. Of the members of country-specific boards and management teams, 55% were men, and 45% were women.

OPERATIONS BASED ON EQUALITY

Fair and equal treatment is reflected in recruitment, salaries and career development opportunities, for example. Recruitment is always based on an identified need for resources and the competence and qualification requirements related to the job. Recruitment supports the achievement of our business goals.

> WE MEASURE EQUALITY THROUGH EMPLOYEE SURVEYS

Salaries, employee benefits and incentives are always based on current laws and agreements and on local practices in each country. In addition, salaries are determined based on how demanding the job is and on competence, performance and results.

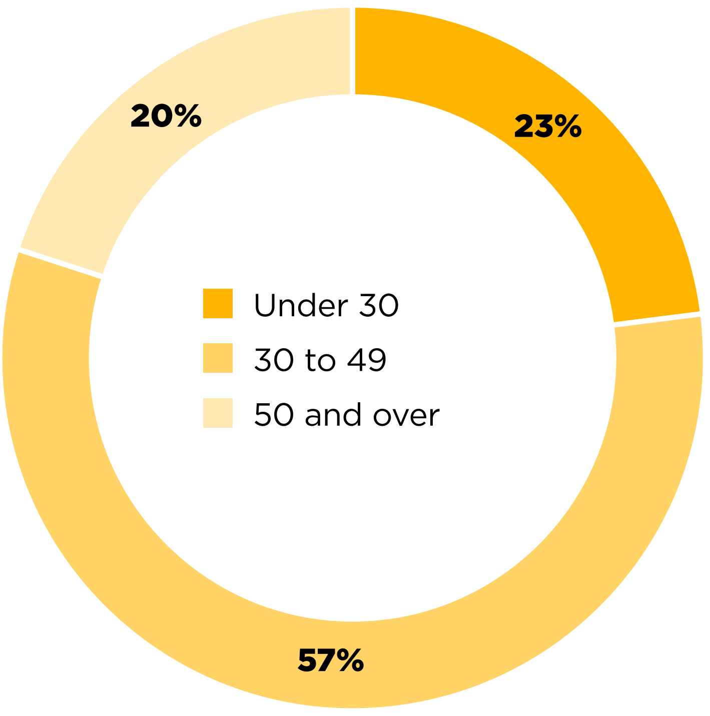
The Group companies have their own programmes and tools for promoting equality and non-discrimination. We do not condone bullying – that is, behaviour that may give rise to feelings of fear, humiliation or hostility. We address any issues immediately.

SUSTAINABILITY ACTIONS

- *Olvi plc* has guidelines for the prevention of harassment and inappropriate treatment

EMPLOYEES' GENDER DISTRIBUTION

EMPLOYEES' AGE DISTRIBUTION



MANAGEMENT GENDER DISTRIBUTION

CREATING VALUE FOR STAKEHOLDERS

CREATING VALUE FOR STAKEHOLDERS

Value creation for stakeholders is key for us. The financial and social impacts of our operations are reflected in our operating environment, particularly through employment, tax payments, social responsibility and local presence.

The positive development of Olvi Group's financial and share performance increases our opportunities to create value for stakeholders and communities. We are a growing and evolving Group committed to long-term development. We have a strong balance sheet and good profitability.

Our strengths include our respected brands and strong market position. Innovative product development and efficient processes also help us to create value.

WE ARE A GROWING AND EVOLVING GROUP

We are increasing the transparency of Olvi Group's tax footprint and value creation model in reporting. Our goal is to increase value creation for stakeholders by focusing on sustainable operational development, which enables the positive development of our financial and share performance to continue.

Olvi Group is a stable payer of dividends. Our long-term target is to pay a dividend equalling 40–60% of earnings per share on average. In 2020, the Group paid EUR 20.8 million in dividends.

EMPLOYMENT AND LOCAL PRESENCE

We employ a considerable number of people directly or indirectly. In 2020, Olvi Group had 1,911 employees. In addition, we offered work for 107 people during high seasons. We employ people indirectly in agriculture, packaging and logistics, for example.

Every year, we also offer a number of students an opportunity for training or writing their thesis.

It is important for us to cooperate closely with our local communities and contribute to local vitality. We choose local suppliers and subcontractors as our partners as far as possible. We support our local communities by using more local raw materials in our products. In addition, we protect natural ecosystems and biodiversity in terms of Olvi Group's operations.

WE OFFER MORE THAN 100 SUMMER JOBS EVERY YEAR

RISK MANAGEMENT

Risk management is part of day-to-day management and operations at Olvi Group. Our goal is to ensure the implementation of our strategy, and secure our financial development and the continuity of our business operations.

Proactive action is one of the purposes of risk management. Its other purposes include creating operating conditions where business risks can be managed comprehensively in all Group companies and at all organisational levels.

Risks are assessed by analysing their probability and possible impacts. The impacts can be financial, or they can be related to our reputation, employees, the local community and the environment. Based on risk analysis, we prepare an annually updated risk management development plan for continuous proactive operational development and the reduction of operational risks.

In 2020, risk management focused strongly on managing the changes caused by the coronavirus pandemic and anticipating their impacts. When the crisis broke out, the Group's management met at least weekly to monitor the situation, update forecasts and continuity plans in line with the risks, and prepare scenarios to understand the business impacts. In 2021, we will develop our risk management as a whole to better meet the Group's requirements.

> BUSINESS RISKS ARE MANAGED COMPREHENSIVELY AT ALL ORGANISATIONAL LEVELS

We have divided Olvi Group's risks into strategic and operational risks. Olvi plc's Board of Directors approves the Group's general risk management principles, and the companies' management teams are responsible for their implementation.

STRATEGIC RISKS

Strategic risks are related to the nature of the Group's business operations and its development goals and strategic choices. If they materialise, strategic risks can significantly undermine the Group's operating conditions.

Strategic risks are primarily threats that can hinder the achievement of strategic business goals. They can also be related to changes in tax and other legislation, or the operating environment and the foreign exchange market, for example.

The Group has operations in several countries, whose social and economic situations, development stages and development trends differ considerably. Other short-term risks and uncertainties are related to the development of the general economic situation, changes in the competitive situation and the possible impacts of these on the Group companies' operations.

> AIMING TO ENSURE STRATEGY IMPLEMENTATION

MANAGEMENT OF MAJOR OPERATIONAL RISKS

PROCUREMENT

- The prices and availability of materials are affected by economic development and changes in crops
- Interruptions in the quality and delivery of materials may hinder business operations and customer relationships
- **Consistent long-term procurement agreements, sustainable procurement principles and investment in overall quality**

PRODUCTION

- Unclear documentation and manual work phases may cause fluctuations in operational quality
- Unclear management and decision-making may lead to inefficiency and poor quality
- **Use of management systems, operational development, a higher level of automation and clear goals and indicators**

PERSONNEL

- Risks related to labour availability, employment relationships, key personnel, competence, well-being at work and accidents may hinder business operations
- **Maintaining and improving the employer brand, ensuring the availability and commitment of employees, maintaining well-being and safety at work, and developing management, training and remuneration systems**

NON-COMPLIANCE WITH ETHICAL VALUES

- Non-compliance with our values and operating principles, violations of human rights, as well as corruption and bribery, may lead to risks that could have a negative impact on the Group's stakeholder relations, reputation and financial performance
- **Ethical guidelines, anti-fraud policy and other operating models**

MARKETS AND CUSTOMERS

- Seasonal changes and characteristics are reflected in fluctuations in net sales and operating profit
- The loss of major customer relationships may have a strong impact on all business operations
- Unexpected changes in the operating environment may affect demand for products, the competitive position and consumers' purchasing behaviour
- **Sales planning, monitoring and active management, a wide selection of products and a broad customer base**

FINANCING

- Risks related to credit, solvency, capital, currencies and interest rates may have a negative impact on financial performance, equity and solvency
- **Centralised management of financing to optimise cash flows and financial expenses**

INFORMATION SECURITY

- Information security and system risks are reflected in functional failures and defects
- **Operations in line with the information security policy, operating methods and technical solutions to ensure the usability and accuracy of information, as well as regular operational analysis**

THE ENVIRONMENT

- Environmental risks may arise from wastewater treatment, chemical management and poor waste management. Any materialised risks will have a negative impact on the company's reputation and stakeholder relations and the Group's financial performance, in addition to the environment
- **The condition of production machinery, appropriate wastewater treatment, sufficient training for employees, and the continuous monitoring and development of the production process**

VALUE CREATION

Value is created for Olvi and its stakeholders as a result of Olvi Group's operations and value chain. To create value, we need resources that enable our value chain to produce outputs.

Olvi Group's companies produce and sell a wide range of beverages to a broad customer base in both non-alcoholic and alcoholic product categories. To manufacture products, we need high-quality raw materials and other materials, which our highly competent and innovative people convert into products wanted and appreciated by customers and consumers.

We cannot do this without appropriate production equipment, and the materials and natural resources required for its operation. Production must be efficient, safe and of a high quality. It is also important that we have the best and the right partners. Through their operations, our partners ensure that we can produce the planned volumes of carefully specified products in a cost-effective, timely and high-quality manner. We also want to ensure that we can deliver products that we have manufactured and sold to all our customers in a timely manner.

All this must be achieved responsibly and sustainably throughout the value chain. We work to minimise the environmental footprint of our products. Therefore, recycling and the circular economy, as well as protecting natural ecosystems and biodiversity, are important priorities in our operations. .

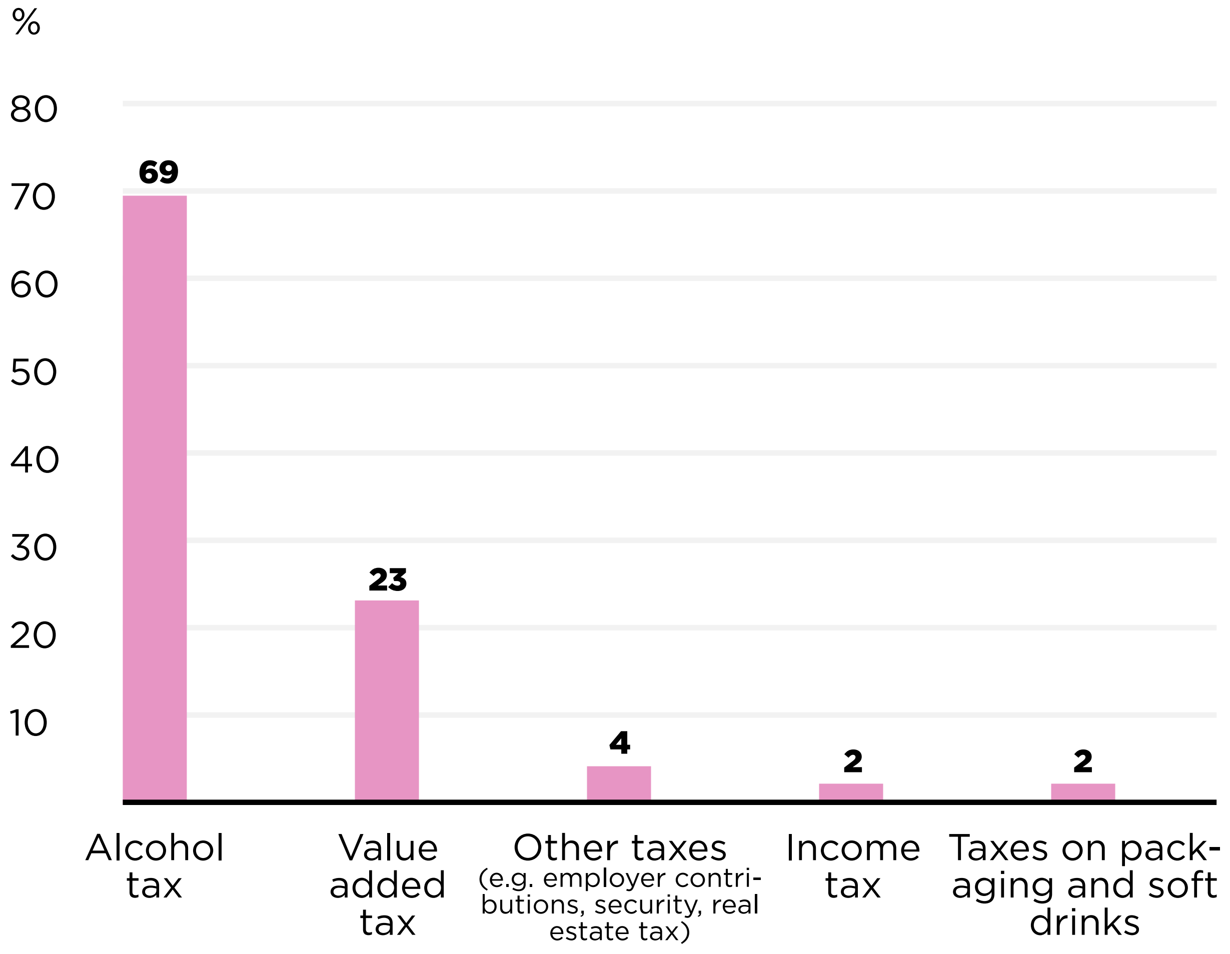
TAX FOOTPRINT

Profitable operations and good financial results ensure that we can also implement our social responsibility in the best possible way. In terms of social responsibility, our most significant inputs include taxes and tax-like payments. We pay our taxes and other payments in accordance with the local legislation in each of our countries of operation. We comply with current local tax laws, rules and regulations. We report the various forms of taxation at the Group and country levels.

In 2020, Olvi Group paid EUR 533.0 million in taxes and employer contributions. Excise duties represented 71% of all our taxes. The Group's excise duties include taxes on alcoholic beverages, soft drinks and packaging. Within the Group, its companies in Finland paid the highest amount of excise duties. In 2020, the Group paid EUR 379.7 million in excise duties, including EUR 294.3 million in Finland.

Value added tax represented 23% of the Group's taxes. In 2020, we paid EUR 121.7 million in value added tax. The remaining 6% consists of income tax, real estate tax, employer contributions and other taxes. These totalled EUR 31.6 million in 2020.

TAX FOOTPRINT IN 2020



VALUE CREATION AT OLVI GROUP IN 2020

RESOURCES

PERSONNEL
- At Olvi Group: 1,911

NATURAL RESOURCES
- Raw and packaging materials for products: 4,493 pcs
- Water: 2.243 million litres
- 32% renewable energy and 71% green electricity

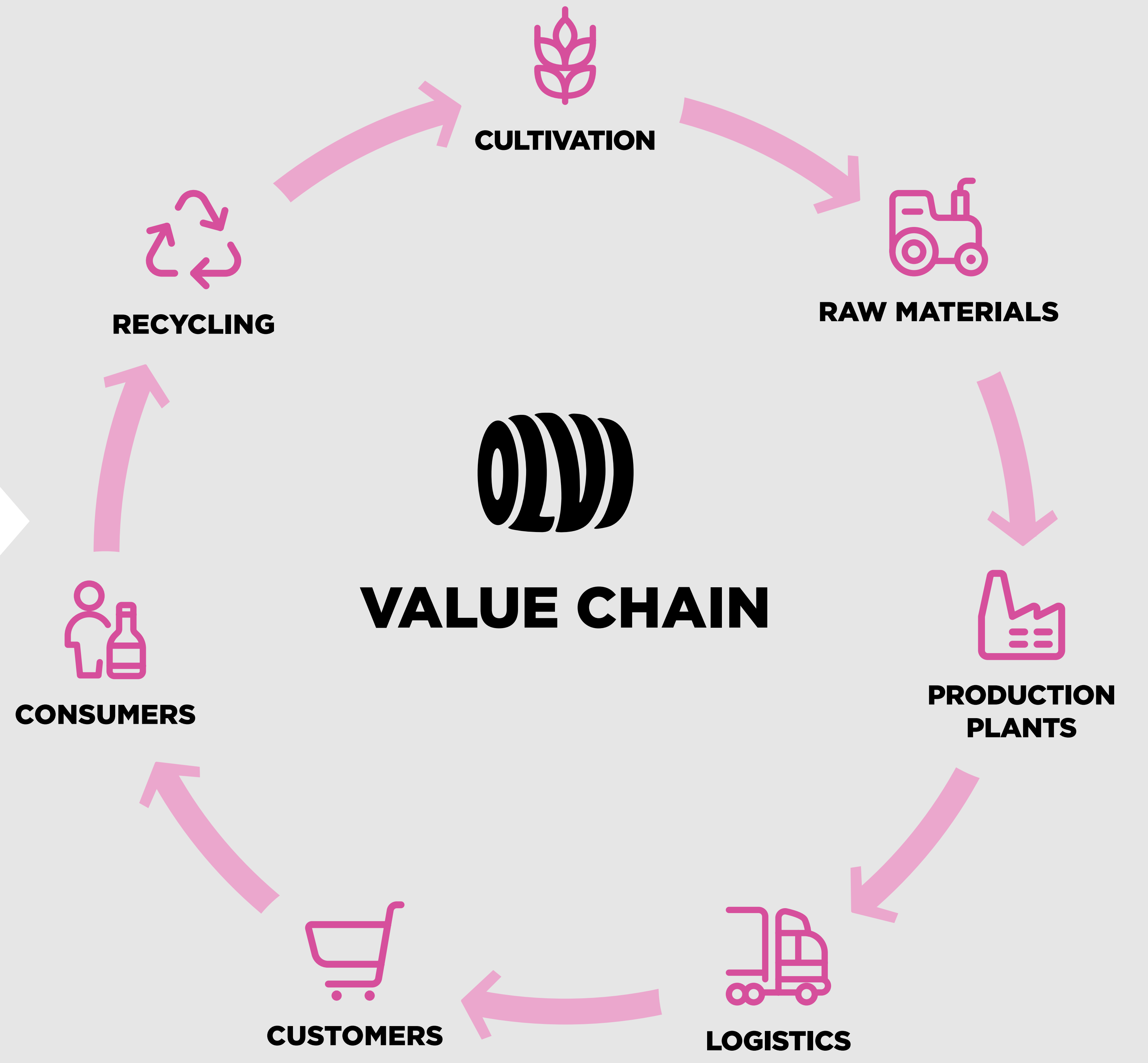
INTANGIBLE RESOURCES
- Brands and trademarks 243
- Product development and innovation processes: EUR 0.7 million
- Competence: 9 years of work experience on average

FINANCIAL RESOURCES
- Strong balance sheet: equity ratio 63.8%
- Good profitability: operating profit 13.6% of net sales
- Stable payer of dividends: 56.2% of the Group's net profit
- Investments: EUR 32.0 million

- **OWN PRODUCTION**
- 5 breweries and beverage factories
- 1 juice factory
- 1 mineral water plant
- 1 distillery

PARTNERS
- Customers: 10,773
- Suppliers 321
- Other stakeholders and partners

OLVI-GROUP



OUTPUT

FOR EMPLOYEES
- Direct and indirect employment
- An inspiring and healthy work environment for Olvi Group's employees AA+
- An accident-free work environment at Olvi Group by 2030, accident frequency rate 5.8

FOR CUSTOMERS AND CONSUMERS
- A wide product selection that responds to consumer trends in alcoholic and non-alcoholic product categories 4,122 product lines
- Innovative, healthy and local products 284 new products
- Refreshing and positive experiences for daily life and special occasions

FOR THE ENVIRONMENT
- Recycling and reuse of materials and side streams and minimisation of mixed waste Mixed waste -40.9%
- Optimisation of water consumption Consumption -6%
- Minimising climate emissions

DISTRIBUTION OF FINANCIAL VALUE
- Employees' salaries and fees EUR 46.0 million
- Shareholders EUR 20.8 million in dividends
- Financiers EUR 0.6 million
- Partners EUR 544.8 million
- Business development investments + operating profit = EUR 88.5 million
- Taxes EUR 533.0 million
- Donations and partnerships EUR 1.4 million

SOCIAL RESPONSIBILITY

Olvi Group creates value for its stakeholders by operating responsibly in society. All Group companies have operating principles for sponsorship and charity. The Group companies support sporting and cultural events, as well as work for the benefit of children, young people and the elderly.

> ”WE WANTED TO USE OUR EXPERTISE TO HELP”

EVA SIETIŅSONE
CEO
CĒSU ALUS

CASE: HAND SANITISER FOR THE FIGHT AGAINST THE CORONAVIRUS PANDEMIC

Demand for hand sanitiser increased rapidly with the coronavirus pandemic. To contribute to the fight against the spread of the coronavirus, The Helsinki Distilling Company and Cēsu Alus began to manufacture hand sanitiser at their production plants.

The Helsinki Distilling Company started to produce hand sanitiser in March at a rate of around 5,000 litres per week.

> OUR EMPLOYEES ARE PROUD OF THEIR CONTRIBUTION TO RESOLVING A GLOBAL CRISIS

“We decided to use our expertise and distillery for the production of disinfectants needed by everyone. Our employees were proud of their work and the product, which has played a key role during this serious crisis,” says Mikko Mykkänen, Master Distiller, CEO of The Helsinki Distilling Company.

DONATIONS TO PUBLIC HEALTHCARE

In Latvia, Cēsu Alus began to produce hand sanitiser and surface disinfectant in March. The first batch consisted of 70,000 bottles of disinfectant.

“There was an urgent need for disinfectants. We wanted to contribute and use our expertise to ensure the availability of disinfectants,” says Eva Sietiņsone, CEO of Cēsu Alus.

Cēsu Alus donated 5,000 bottles of disinfectant to the Cēsis Clinic, Vidzeme Hospital and Cēsis first-aid service department.

“We wanted to thank the doctors for their contribution and hard work in public healthcare. We also provided our employees with disinfectants.”

OLVI FOUNDATION

- Established in 1955
- Founded by Industrial Counsellor E. W. Åberg and Hedvig Åberg
- The foundation supports activities that benefit children and the elderly. It also supports young people's studies and opportunities for further education. In addition, the foundation supports local heritage work, and promotes the development of the food industry and the efficient use of natural resources
- In 2020, the foundation provided a total of EUR 3.3 million in grants

CASE: YRITYSKYLÄ EASTERN FINLAND

The Olvi Foundation has supported the operations of Yrityskylä Eastern Finland, a business village in Kuopio, since 2011. "Intended for Year 6 and Year 9 pupils, Yrityskylä is a learning environment focusing on society, the economy and working life.

Its purpose is to encourage and foster an entrepreneurial mindset," says Mervi Toivainen, Executive Assistant at the Olvi Foundation. The pupils learn about financial concepts and responsible business operations, and they can practise working life skills in a miniature city integrated with the learning environment. Depending on the pupils' year level at school, the content varies from working in a profession and responsible consumption to financial knowledge and digitalisation, for example.

> SKILLS ACQUIRED THROUGH THE BUSINESS VILLAGE MAKE IT EASIER FOR YOUNG PEOPLE TO ENTER WORKING LIFE

One of the companies employing pupils is a miniature Olvi, where they can learn about jobs and processes in the food industry. Through the partnership, Olvi can educate young people about the food industry and increase its popularity. Pupils can try out work in practice, which can be an inspiring experience, especially for pupils who are unable to realise their potential through traditional teaching methods.

The business village increases young people's awareness of local job opportunities and thereby contributes to the vitality of eastern Finland. Information about jobs and skills acquired through the learning environment make it easier for young people to enter working life. The partnership also contributes to Olvi's positive employer brand.

Support from the foundation promotes sustainable development goals, particularly in terms of equal education, decent work and responsible consumption.

> "PARTNERSHIP WITH THE BUSINESS VILLAGE IS ONE WAY TO IMPLEMENT SOCIAL RESPONSIBILITY"

MERVI TOIVAINEN
ASIAMIES, OLVI-SÄÄTIÖ

CONSUMER COMMUNICATION

CONSUMER COMMUNICATION

We are committed to promoting a culture of responsible and moderate drinking in all the countries we operate in. Open and responsible consumer communication is a prerequisite for our operations, in addition to product safety.

RESPONSIBLE CONSUMPTION

Great-tasting products that have been produced sustainably and better meet consumers' various expectations are crucial for our long-term success.

Consumer expectations can be related to the product content in terms of its composition or raw materials, for example, or to the product packaging and its environmental footprint. Lifestyles can also steer consumption habits towards specific types of product. In such a case, the responsibility of the product concept, as well as the production method, location and manufacturer, can be very significant factors for the consumer.

MODERATE CONSUMPTION HABITS

We guide consumers to enjoy alcohol and other products in moderation, bearing in mind that alcohol does not suit some people at all, and that these people should entirely abstain from alcohol. To support responsible drinking, Olvi Group organises activities in each of its countries of operation annually. We also cooperate closely with national and international operators and organisations to promote the moderate consumption of alcohol.

NON-ALCOHOLIC OPTIONS

The coronavirus pandemic has generally increased concerns about personal health and the impacts of long-term alcohol consumption on health. According to GlobalData (2020), 26% of Finns intend to reduce their alcohol consumption for health reasons.

Demand for non-alcoholic products increases when people want to continue to enjoy the moments of consumption by replacing traditional alcoholic beverages with non-alcoholic options (GlobalData 2020). We have continued to expand our selection of non-alcoholic products in response to demand and to promote a responsible drinking culture.

In 2020, each of Olvi Group's breweries expanded its non-alcoholic beer selection. This was also reflected in the seasonal beer products. Olvi's traditional Christmas beer product family was supplemented by A. Le Coq 0.0%, a non-alcoholic Christmas beer.

Non-alcoholic products also gained a foothold in the cider product category: the non-alcoholic Fizz 0.0% cider was launched in Finland, and the non-alcoholic Dārza cider in Latvia. The non-alcoholic Hoggy's cider had been launched in Estonia previously.

Strong growth has continued in beers, long drinks and ciders. We have also continued to expand our non-alcoholic product families. In addition, we have launched completely new products such as Olvi's KevytOlo Kombucha, a fermented tea beverage with organic green tea, available in two flavours: blackcurrant and strawberry-pomegranate.

TARGET

To increase the number of NON-ALCOHOLIC PRODUCTS in Group companies each year

0%

SUSTAINABILITY ACTIONS

- *Olvi plc* is involved in the Pakka operating model to prevent substance abuse among young people through a community-based approach
- *A. Le Coq and Cesu Alus* participated in campaigns against driving under the influence around Midsummer
- *Cesu Alus* provides pupils at schools with information about lifestyles that support wellbeing through "Be Independent" events

HEALTHIER BEVERAGES

Consumers are increasingly expecting beverage manufacturers to use healthy and natural ingredients. We therefore focus on natural and local raw materials.

Many consumers are also actively reducing their sugar intake (GlobalData). In response to this change, we have reduced the sugar content of soft drinks and alcoholic beverages, as well as launching sugar-free products.

A. Le Coq has reduced the sugar content of 10 products without compromising on taste and mouthfeel. Projects to reduce sugar content have also been implemented in other Group companies.

> THE SUGAR CONTENT OF MANY BEVERAGES HAS BEEN REDUCED

In 2020, the Group companies also added sugar-free products and products with no added sugar in their selections. Successful launches included Hoggy's cider by A. Le Coq and the Hard Seltzer product family by Olvi, A. Le Coq, Cēsu Alus and Volfas Engelman, as well as the TEHO Sport Peach and TEHO Sport Salty Liquorice recovery drinks by Olvi.

We also increased our investment in the water product category during 2020 by introducing new product sizes and packaging options. Aura mineral water is now also available with a sports cap. Strong growth continued in the water product category.

SUSTAINABLE PACKAGING

In addition to focusing on new non-alcoholic and value-added products, we have invested in a diverse range of sustainable product packaging. Our glass and plastic bottles contain recycled material, as do our corrugated cardboard packaging and shrink wrap. We are working to increase the use of recycled materials in these packaging options, which we want to communicate to consumers more clearly than before. To promote responsible consumption, we are also including smaller sizes in our product categories.

SUSTAINABILITY ACTIONS

- *Olvi plc* uses plastic trays for transporting cans, which reduces the amount of corrugated cardboard used for transport by around 1 million kilos each year

"WE FEEL THAT IT'S OUR DUTY TO HELP AND SUPPORT HEALTHCARE COMMUNITIES."

MARIUS HORBAČAUSKAS
CEO
VOLFAS ENGELMAN

CASE: MINERAL WATER FOR HEALTHCARE UNITS

The coronavirus pandemic highlighted the importance of hand hygiene and personal protective equipment such as face masks, and their proper use for everyone. In addition to external measures, a strong immune system protects against disease.

The Uniqa water factory in Lithuania produces mineral water that contains natural iodine and is one of the healthiest sources of iodine. Iodine is an important mineral for the human body. According to a study by UNICEF in 2007, as many as one in three Lithuanians may suffer from a lack of iodine. Iodine promotes the metabolism, the normal functioning of the nervous system, the production of thyroid hormones and the functioning of the thyroid.

Since the beginning of the quarantine caused by the coronavirus pandemic, Volfas Engelman has donated more than 19,000 bottles (14,400 litres) of mineral water to healthcare facilities. Water has been delivered to hospitals, first-aid facilities, healthcare centres and basic healthcare facilities.

"During the pandemic, it has been important to show solidarity and help others. We feel that it's our duty to support the Lithuanian healthcare community, which we can do by delivering mineral water," says Marius Horbačauskas, CEO of Volfas Engelman.

Similar product donations have also been made to healthcare centres by other Group companies.

A STRONG IMMUNE SYSTEM PROTECTS AGAINST DISEASE

RESPONSIBLE CONSUMER INFORMATION

Product labels and the Group companies' websites provide consumers with clear product information. Ingredient lists and energy content are provided voluntarily for many of our alcoholic products. With the help of product labelling, every product can also be traced all the way from the ingredients to the shop shelves.

Our goal is for all the Group's alcoholic product packaging to have warning labels by 2022. The warning labels indicate that you must not drink alcohol if you are underage, pregnant or driving a car. In 2020, most of our alcoholic product packaging had warning signs.

TARGET

BY 2022

all our alcoholic product packaging will have warning labels

In 2021, we are continuing to harmonise the information that we provide on our websites in different countries about responsible consumption, packaging and nutritional content, as well as the composition and recycling of packaging materials.

We closely monitor feedback from consumers on our products via various channels and respond quickly. We further develop our operations based on feedback from consumers and customers.

PRODUCT SAFETY

Product safety plays a key role in our manufacturing. By product safety, we mean the safety of the product content, as well as the safety of the product throughout its life cycle. The product must not be harmful to consumers' health in any way.

Olvi Group's product development and quality control functions ensure product safety. Our products are manufactured in accordance with high standards, and they must meet the relevant legal requirements, statutory obligations and quality standards.

Product quality is ensured through sensory, chemical and microbiological analysis.

> PRODUCT SAFETY PLAYS A KEY ROLE

Ensuring product safety and complying with factory hygiene rules concern every employee in the production chain. We manage product safety risks by following the HACCP (Hazard Analysis and Critical Control Points) monitoring system, and through self-monitoring.

Most of the Group's breweries have certified product safety systems.

RESPONSIBLE MARKETING

Marketing plays a key role in ensuring sustainability. We are committed to responsible product advertising and marketing based on guidelines such as the following:

- The International Chamber of Commerce's Framework for Responsible Food and Beverage Marketing Communications
- The guidelines of FoodDrinkEurope
- The guidelines of the Brewers of Europe
- The guidelines of the Union of European Soft Drinks Associations (UNESDA)
- The guidelines of the European Cider and Fruit Wine Association (AICV)
- The guidelines of local brewing and soft drink industry associations

In addition to regulations and guidelines, we follow a self-regulatory system that exceeds statutory requirements in some respects. This enables us to respond to the expectations of the operating environment and lead the way in developing sustainability practices in our industry. In addition to marketing, marketing ethics also apply to sponsorship activities.

> IN ADDITION TO REGULATIONS AND GUIDELINES, WE FOLLOW A SELF-REGULATORY SYSTEM

TARGET

No marketing cases contrary to the PRINCIPLES OF RESPONSIBILITY

ETHICAL OPERATING PRACTICES

ETHICAL OPERATING PRACTICES

Ethical and good ways of working are an integral part of our values and business operations in all our market areas. Responsible ways of working are necessary for maintaining trust between Olvi Group and its stakeholders.

We want to foster our reputation as a Group known for its honesty and reliability. To ensure the continuity of ethical business practices, it is essential that we have up-to-date ethical guidelines and operating models. Such guidelines determine the basic principles of internal and external ethical business practices.

CODE OF CONDUCT FOR OPERATIONS

Our Code of Conduct describes the foundation of our responsible operations. We comply with the laws and regulations concerning our operations. We promote healthy and effective competition, and comply with current competition regulations. Protecting Olvi Group's tangible and intangible assets is also important.

In our operations, we consider occupational health and safety, as well as working towards a cleaner environment. We also work to ensure that we communicate honestly and respectfully with our stakeholders and provide our investors with timely and reliable information. The Group companies do not participate in politics, and we avoid conflicts of interest between our jobs and private lives.

We focus on the equal treatment of our employees. At Olvi Group, everyone is treated equally and respectfully.

We respect international human rights and pay attention to their implementation. We have zero tolerance for forced labour and child labour in our supply chain. We require our suppliers and partners to comply with our Code of Conduct for them.

The Group's management, employees and partners must comply with anti-bribery and anti-corruption laws in all our locations.

WE WANT TO FOSTER OUR REPUTATION AS A GROUP KNOWN FOR ITS HONESTY AND RELIABILITY

We do not pay or offer to pay illegal or inappropriate payments or bribes, nor do we accept them to secure deals or maintain business operations or for any other reason. The management and employees must not abuse their power to achieve financial or other benefits for themselves.

We provide our employees with guidance on respecting human rights and preventing corruption and bribery. These aspects are discussed in our personnel policy and our anti-fraud policy. We also provide training on these topics. We have zero tolerance for human rights violations, corruption and bribery.

CHANNEL FOR REPORTING ETHICAL NON-COMPLIANCE

Olvi Group has had a whistleblowing channel in place since 2018. The whistleblowing channel enables our employees and stakeholders to file a confidential report if they detect non-compliance with our Code of Conduct or values. One report was submitted via the whistleblowing channel in 2020.

BOARD OF DIRECTORS' REPORT AND FINANCIAL STATEMENTS

TABLE OF CONTENTS

BOARD OF DIRECTORS' REPORT

FINANCIAL DEVELOPMENT

Olvi Group's sales volume, net sales and operating profit for 2020 made all-time highs for the fifth year in a row, in spite of the corona pandemic. The Group's financial standing also remained on a good level. The table below presents Olvi Group's consolidated key ratios in 2019 and 2020.

	2020	2019	Change %
Sales volume, Mltr	765.9	718.3	6.6
Net sales, MEUR	414.9	408.7	1.5
Gross margin, MEUR	81.4	76.7	6.1
% of net sales	19.6	18.8	
Operating profit, MEUR	56.4	52.5	7.5
% of net sales	13.6	12.8	
Net profit for the period	40.9	42.2	-3.1
% of net sales	9.9	10.3	
Earnings per share, EUR	1.96	2.02	-3.0
Investments, MEUR	32.0	31.0	3.4
Equity per share, EUR	12.81	12.58	1.8
Equity to total assets, %	63.8	66.4	-2.6
Gearing, %	-15.5	-11.6	3.9

BUSINESS DEVELOPMENT

Olvi Group's performance was strong in spite of the corona pandemic

Olvi Group's full-year business development continued on a good track. Sales volume increased by 47.6 million litres or 6.6 percent on the previous year. Net sales increased by 1.5 percent. Net sales development was affected by the corona pandemic; the focus of sales was on retail trade, and this increased the share of inexpensive multipacks. Operating profit improved to 56.4 million euro, an increase of 7.5 percent. Good development was made possible by strong market shares in retail trade across Olvi's operating countries. We responded quickly to the uncertainty caused by the corona pandemic in the second and third quarters and carried out cost-cutting measures. However, long-term innovative product development continued, as well as investments in improving operational efficiency and increasing production capacity. Olvi has good prerequisites for success also in 2021.

In the fourth quarter, sales volume continued on a strong growth track at 6.9 percent, net sales were on a par with the previous year but operating profit declined by 9.1 percent. Development was impacted by strict restrictions under the second wave of the corona pandemic, which we anticipated in the interim report issued on 29 October 2020. The restrictions concerned opening hours and sales of alcoholic products in the HoReCa sector, and in some of Olvi's operating countries, also retail trade. Substantial additional effort was put into marketing, particularly with regard to new product development and launches. Fourth-quarter net profit was impacted by one-off write-downs in the subsidiaries, particularly on packaging materials, as well as increases in deferred taxes associated with dividend payouts planned for the following year in those subsidiaries where taxes are payable upon the repatriation of earnings.

The corona pandemic has had a substantial impact on business in 2020. Consumer purchasing patterns have changed and varied along the year due to restrictions on movement and other measures taken to contain the spreading of the coronavirus. In the third quarter, the Group's HoReCa sales recovered close to the previous year's level but dropped again substantially towards the end of the year. The impacts on cross-border sales between Estonia and Finland have been similar. All in all, demand was strongly focused on retail trade, where the sales of large package sizes in particular have increased substantially. Strong sales growth in retail trade has enabled good development of Olvi's total sales. Furthermore, export sales have increased, and the Group has been successful in opening new export markets in spite of the corona pandemic. Olvi's production facilities have been able to operate normally during the year. Compliance with guidance from the authorities and the Group's own guidelines has made it possible to protect the operations against the coronavirus.

Olvi Group continued its investments in developing future business. Investments for the year totalled 32.0 million euro. The most important investments went into the sirup kitchen at Iisalmi and new filling lines in Finland and Belarus.

Performance by business segment

Business in Finland developed strongly during the entire year. Sales volume increased by 11.5 percent, which outperformed the previous year by more than 25 million litres. Thanks to strong brands and a versatile range of packaging alternatives, Olvi was able to substantially increase its sales to the retail trade sector. The demand for beer increased in particular. Furthermore, restrictions on travel caused a substantial drop in the number of Finns travelling abroad, thus boosting domestic consumer demand. Net sales increased by 6.6 percent and operating profit increased by 23.4 percent, ending up at 23.0 million euro. Factors behind the earnings improvement include better production efficiency enabled by Olvi's larger sales volumes, operating profit improvements at Servaali and Helsinki Distilling Company, as well as rapid and efficient cost-saving measures in Finland. The fourth quarter was also strong, with sales volume increasing by 16.7 percent and operating profit by 68.2 percent. The operating profit improvement was particularly attributable to a new boost in litres sold through retail trade during the second wave of the corona pandemic, as well as customers stocking up before the excise tax hike.

In Estonia, the sales volume and net sales remained on a par with the previous year, even though A. Le Coq lost substantial sales volume particularly in HoReCa and cross-border sales towards Finland due to travel restrictions. However, demand in domestic retail trade increased respectively. Operating profit declined by 7.1 percent but relative profitability remained on a good level. The fourth quarter in particular was weaker than the previous year, as harbour and on-board sales came to an almost complete halt and corona measures brought restrictions to HoReCa sales again. A. Le Coq's market position in Estonia has remained very strong, as the company is the market leader in most product categories.

In Latvia, the impact of the corona pandemic on total sales has been the greatest among Olvi Group's operating countries, due to sales restrictions imposed on retail trade as well as restaurants. There was also a substantial drop in cross-border sales. However, full-year sales volume remained on the previous year's level thanks to an increase in sales of non-alcoholic products. Net sales declined by 3.9 percent as consumers preferred less expensive packaging alternatives due to restrictions imposed on restaurants. Operating profit declined by 15.4 percent to 3.6 million euro.

In Lithuania, 2020 was a year of strong growth in spite of challenges brought by the corona pandemic. Sales volume increased by 13.8 percent and net sales by 12.6 percent. Volfas Engelman's domestic market position has strengthened particularly in beers. This supports the development of average price. The further development of exports has been successful, showing growth of 47 percent. Operating profit improved by 13.1 percent and exceeded the 4 million euro mark for the first time.

Also in Belarus, business development continued on a good track. The company's sales volume increased for the eleventh year in a row. Sales volume increased by 5.4 percent thanks to domestic retail sales and exports to Russia. However, the local currency began to weaken heavily in the beginning of the year, and devaluation of 35 percent impacted the development of net sales measured in euro. Due to this, net sales in euro declined by 8.2 percent in spite of an increase of 9.3 percent measured in the local currency. Operating profit improved by 6.4 percent, thanks to better profitability through production efficiency as well as temporary cost savings. The operating profit improvement in local currency was 26 percent. Relative profitability made an all-time high as operating profit increased to 16.4 percent of net sales.

OLVI GROUP'S SALES VOLUME, NET SALES AND EARNINGS 2020

Sales development

Olvi Group's sales volume in 2020 reached its all-time high at 765.9 (718.3) million litres. This represents an increase of 47.6 million litres or 6.6 percent on the previous year. The Group's sales volume increased in Lithuania, Finland and Belarus. Sales volumes in Estonia and Latvia remained on a par with the previous year. This is also an achievement when considering the impacts of the corona pandemic.

Sales volume, million litres	2020	2019	Change %
Finland	244.4	219.3	11.5
Estonia	109.4	109.5	-0.1
Latvia	70.9	70.9	-0.0
Lithuania	122.4	107.6	13.8
Belarus	245.7	233.1	5.4
Eliminations	-27.0	-22.0	
Total	**765.9**	**718.3**	**6.6**

The Group's full-year net sales increased by 1.5 percent and amounted to 414.9 (408.7) million euro. Generally speaking, the corona pandemic had a net sales impact through average price. This was due to changes in the focus of sales channels, as well as larger package sizes.

Net sales, million euro	2020	2019	Change %
Finland	180.3	169.1	6.6
Estonia	70.8	71.3	-0.6
Latvia	37.4	38.9	-3.9
Lithuania	55.5	49.3	12.6
Belarus	83.3	90.8	-8.2
Eliminations	-12.5	-10.6	
Total	**414.9**	**408.7**	**1.5**

Earnings development

The Group's operating profit for January-December increased by 7.5 percent and amounted to 56.4 (52.5) million euro, or 13.6 (12.8) percent of net sales. Operating profit development was attributable to increased sales volumes as well as cost savings, particularly in the second and third quarters.

Operating profit, million euro	2020	2019	Change %
Finland	23.0	18.7	23.4
Estonia	13.3	14.3	-7.1
Latvia	3.6	4.3	-15.4
Lithuania	4.2	3.7	13.1
Belarus	13.6	12.8	6.4
Eliminations	-1.3	-1.2	
Total	**56.4**	**52.5**	**7.5**

The Group's net profit for 2020 declined by 3.1 percent and amounted to 40.9 (42.2) million euro. The Group's fourth-quarter net profit was 2.9 (6.9) million euro. Net profit is hampered by exchange rate differences recognised in financial expenses due to the weakened Belarusian exchange rate (2.0 million euro), as well as deferred taxes on the planned dividend payment out of A. Le Coq's earnings for 2020 (2.6 million euro) in addition to dividend taxes paid in 2020. Earnings per share calculated from the profit belonging to parent company shareholders declined in January-December and stood at 1.96 (2.02) euro. Fourth-quarter earnings per share amounted to 0.14 (0.33) euro.

FINANCING AND INVESTMENTS

Olvi Group's balance sheet total at the end of December 2020 was 420.4 (397.4) million euro. Equity per share at the end of 2020 stood at 12.81 (12.58) euro. Devaluation of the Belarusian currency has an impact on the consolidated balance sheet. Equity per share for 2020 would have been 13.53 euro without the change in translation differences. The Group's financial standing and liquidity are on a good level. The equity to total assets ratio was 63.8 (66.4) percent, the gearing ratio stood at -15.5 (-11.6) percent and the current ratio was 1.3 (1.3).

Consolidated cash flow from operations declined slightly on the previous year, due to the change in working capital arising from the parent company's reduced use of receivables factoring. The cash flow figure was 65.8 (67.3) million euro. The Group's liquid assets increased by 12.5 million euro.

Olvi Group's capital expenditure on extensions and replacements in 2020 amounted to 32.0 (31.0) million euro. The companies in Finland accounted for 14.0 million euro, the Baltic subsidiaries for 10.0 million euro and Lidskoe Pivo in Belarus for 8.0 million euro of the total. Olvi Group has continued investments in increasing and diversifying its production capacity, as well as the modernisation of production facilities.

CHANGES IN CORPORATE STRUCTURE IN 2020

There were no substantial changes in Olvi's holdings in subsidiaries in 2020. One minority shareholder was bought out of Helsinki Distilling Company Ltd.

At the end of the accounting period, Olvi's shares of holding were:

	2020	2019	Change %
AS A. Le Coq, Estonia	100,00	100,00	-
A/S Cēsu Alus, Latvia	99,88	99,88	-
AB Volfas Engelman, Lithuania	99,67	99,66	0,01
OAO Lidskoe Pivo, Belarus	96,36	96,36	-
Servaali Oy, Finland	80,00	80,00	-
Helsinki Distilling Company Ltd, Finland	78,00	67,00	11,00

Olvi plc also holds 50 percent of Arctic Silence Oy. In addition to these, Olvi plc's subsidiaries have holdings in other companies. A. Le Coq has a 49.0 percent holding in AS Karme and 20.0 percent holding in Verska Mineraalvee OÜ in Estonia. AB Volfas Engelman has a 100 percent holding in UAB Uniqa. OAO Lidskoe Pivo has a 100 percent holding in Trade House Lidskoe Pivo.

RESEARCH AND DEVELOPMENT

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 mostly been recognised as expenses. The main objective of Olvi Group's product development is to create new products for profitable and growing beverage segments. Research and development costs in the accounting period amounted to 0.7 million euro (0.6 million euro in 2019).

Several new products were launched during 2020 both in Finland and by the subsidiaries. The new products are presented on each company's Web site.

CORPORATE RESPONSIBILITY

MANAGEMENT AND REPORTING OF CORPORATE RESPONSIBILITY

Responsibility is one of Olvi Group's values and a crucial part of strategic and operational decision-making and day-to-day operations. Sustainable development and responsible operations are a crucial part of our business competence, and this is a decisive factor with regard to business development and growth.

The Board of Directors of Olvi plc reviews sustainability targets annually in relation to the Group's strategy and objectives and regularly monitors the development of indicators. The indicators and targets are also monitored by the management and Boards of Directors of Group companies and persons responsible for focus areas. Reporting is guided by the EU Non-Financial Reporting Directive. In addition to the information presented in this Board of Directors' report, Olvi Group's sustainable development and responsibility is described in the corporate responsibility section of the Annual Report.

Servaali Oy and Helsinki Distilling Company Ltd were integrated into Olvi Group's corporate responsibility scheme during 2020. In 2019 the companies were included in the personnel and financial figures, and in 2020 Helsinki Distilling Company Ltd is also included in the environmental responsibility figures.

FOCUS AREAS OF RESPONSIBILITY

Corporate responsibility is divided into economic, social and environmental responsibility. This is the background for dividing Olvi Group's corporate responsibility into four focus areas through which responsibility work is managed:

- A responsible value chain
- The best workplace
- Generating value for stakeholders
- Consumer communications

The focal points and targets of the Group's responsibility work are also affected by megatrends as well as expectations set by stakeholders and commitments in which we are involved. In addition to these four focus areas, one of the cornerstones of operations is ethical business practice, which is a fundamental prerequisite for a responsible company and a starting point for all actions and development.

ENVIRONMENT

The beverage industry uses a substantial amount of raw materials and natural resources, such as cereal, energy, water and packaging materials. Supply chain management therefore has a substantial effect on the environment, climate and society.

Responsibility for the environment is one of the most important themes in the supply chain – also for the Group's stakeholders. Environmental responsibility means responsible management of environmental matters, as well as a high degree of resource efficiency, such as efficient use of materials and energy, correct and safe choices of materials, recycling and circular economy, as well as optimisation of transports throughout the value chain.

Olvi Group engages in continuous action to reduce the environmental footprint. A Group-wide environmental policy defines the objectives and targets for environmental responsibility. These are realised as short and long-term targets and indicators, which are regularly monitored. Olvi Group also endeavours to reduce climate emissions and to switch over to renewable electricity and energy. To support this work, the parent company Olvi participated in CDP reporting of climate emissions for the first time in 2020. The entire Group will take part in reporting in 2021. Furthermore, the Group will define carbon neutrality targets for production plants during 2021.

Almost all of the companies have a certified ISO 45001 environmental management system, in addition to wihich A. Le Coq and Cesu Alus have an ISO 50001 energy management system. Olvi is committed to the energy efficiency agreement for the food industry. The consumption of utilities such as water, steam and electrical power is monitored in real time.

The key indicators and their realised values are:

Indicator	2020	2019
Electricity *, kWh / litre produced	0.088	0.093
Steam and heat *, kWh / litre produced	0.12	0.13
Water consumption *, litres / litre produced	2.99	3.18
Mixed waste, kg	234,302	396,693

The figures do not include Servaali Oy.

PERSONNEL

Olvi Group's human resources policy provides guidelines on general HR management practices. The Group's HR management is based on a strategy, values and responsible operating principles.

We want to provide a safe working environment. Continuous work is done to develop work practices and to identify, prevent and eliminate dangers. The objective is a workplace without accidents, having a smooth workflow. The Group shares a common occupational safety policy.

The work community provides equal opportunities to all employees. All employees are treated equally regardless of their age, gender, religion, opinions, nationality or other such characteristics.

The Group's gender distribution has remained very stable. In 2020, the Group employed 62 percent men and 38 percent women. The management teams and members of the Boards of Directors consisted of 55 percent men and 45 percent women. To guarantee equal opportunities, Olvi Group applies common ethical guidelines (Code of Conduct). We measure the realisation of equality through a personnel survey.

The key indicators and their realised values are:

	2020	2019
Total employees	1,911	1,877
Gender distribution men / women	62/38	62/38
Accidents/year	20	22
Accident frequency *)	5.8	6.7

*) Accident frequency = (number of occupational accidents / hours worked) x 1,000,000.

In connection with annual planning, a personnel plan is prepared based on the company's objectives and operating plan. Recruitment supports the achievement of business targets. Recruitment is always based on carefully considered resource needs as well as the qualifications and competence requirements required for the task. Olvi Group's annual targets are put into practice in the organisation through the annual planning process, result cards, team and department meetings, appraisal discussions and day-to-day management and leadership.

Olvi Group's average number of personnel in January-December was 1,911 (1,877). The Group's average number of personnel increased by 34 people or 1.8 percent. From January to December, the average number increased by 3 people in Finland and by a total of 21 people across the Baltic states. The average number in Belarus increased by 10 people in January-December.

SALARIES AND BONUSES

Compensation, employee benefits and incentives are always based on currently valid legislation and agreements in compliance with country-specific practices. In addition to these, factors affecting compensation include the level of demand of the job, as well as the employee's competence, performance and/or results achieved, in line with fair local practice.

1000 EUR	2020	2019
Salaries and bonuses	46,000	44,404

According to its corporate governance policy, the company shall issue an annual Remuneration Report separate from the Annual Report. It has been prepared in accordance with EU legislation pertaining to the rights of shareholders as well as the recommendations concerning remuneration in the Finnish Corporate Governance Code 2020.

The company's Board of Directors has considered and approved the Corporate Governance Statement 2020 and the Remuneration Report 2020. The reports have been made available on the corporate Web site www.olvi.fi simultaneously with the publication of the Board of Directors' report. The reports are not updated during the accounting period, but up-to-date information on the subject areas included in them can be presented on the company's Web site as necessary.

ETHICAL BUSINESS PRACTISES

An ethical and sustainable way of operation is a substantial part of the Group's values, business and success in all market areas. A reputation as an honest and trustworthy Group is something to be cherished. Ethical operating practices are crystallised in the Group's ethical guidelines that also include principles concerning respect for human rights and fighting corruption and bribery. Our target is zero tolerance against human rights violations, corruption and bribery.

The Code of Conduct lists the following as the foundations for our responsible operations:

- compliance with the applicable laws and regulations
- realisation of human rights and equal opportunities
- occupational health and safety and a cleaner environment
- zero tolerance towards bribery and corruption
- promoting healthy and effective competition and complying with competition regulations in force
- protecting the tangible and intangible assets of the company
- honest and respectful communications to stakeholders
- timely and reliable information to investors
- Olvi plc and its subsidiaries will not engage in political activity

Respect for human rights is associated with equal treatment of personnel, a safe working environment and diversity of management, as well as responsible procurement. Personnel is guided through training as well as the general HR policy and a policy for preventing misconduct.

Responsible procurement means, among other things, that suppliers shall commit to Olvi Group's Code of Conduct for Suppliers and Partners. With regard to raw materials and packaging supplies, 91.7 percent of our contracting partners had signed the Code of Conduct in 2020.

The Group has a whistleblowing channel addressing ethical operating principles, respect for human rights and the fight against corruption and bribery. In 2020 we received one notice through the whistleblowing channel, and it has been duly processed.

The members of Olvi plc's Board of Directors shall represent diversified knowledge and skills, including industry knowledge, and possess a variety of professional backgrounds that allows work and international experience, different ages and genders to support and supplement each other for the good of the company's business and to increase shareholder value. In addition to the competence, anyone to be elected a Board member shall have the possibility to devote a sufficient amount of time to attending to the duties. It shall be ensured that the principle of diversity is realised in the management groups and Boards of Directors of the companies. In 2020, the Board of Directors of Olvi plc consisted of 50 percent men and 50 percent women. The Boards of Directors of subsidiaries and the management teams of Group companies consisted of 55 percent men and 45 percent women.

ADMINISTRATION

CORPORATE GOVERNANCE

Olvi plc adheres to responsible and open corporate governance of a high standard. Good corporate governance is based on a combination of laws and decrees issued on the basis of them, as well as self-regulation and other best practices. Open corporate governance supports the value creation of the Company and its attractiveness as an investment object.

Olvi plc complies with the Corporate Governance Recommendation for Listed Companies issued by NASDAQ OMX Helsinki Ltd, Finland Chamber of Commerce and the Confederation of Finnish Industries as valid from time to time, explaining any departures. The recommendation has been complied with since it entered into force in 2003. Operations and reporting are in compliance with the Corporate Governance Code of the Securities Market Association valid as of 1 January 2020.

BUSINESS STRATEGY

Olvi Group has a shared mission statement and vision. The Group-level strategy guides the operations of all companies. We also approve local flexibility in implementing the strategy because the operating environments and competitive situations of the companies are different. Business is based on the Group's shared values.

The strategy focuses on profitable growth, strengthening our market position and the potential of growth offered by new markets. We have focused on novel products that support profitability and put effort into increasing the sales of select products. Our efforts go into innovative product development in alcoholic as well as non-alcoholic products. We optimise our production capacity and develop efficiency by focusing on dynamic production and sales planning and operational efficiency measures. The Lean philosophy and utilisation of the opportunities brought by digitalisation play a crucial role in this. Modern, motivated and skilled employees are important to us. We put effort into smooth and productive work, well-being, training and expertise. One of our strategic goals is to be among the leading players concerning responsibility within our industry. We focus on developing the Group's shared responsibility programme, operating plan and targets.

Olvi's strengths in the market environment include:

- stable ownership base
- agile decision-making enabled by the management model
- efficient production capacity and operational reliability
- optimisation of production capacity
- focus and commitment in the markets chosen
- strong local brands and market shares
- a versatile product portfolio and innovative product development
- being local: products developed for local markets, local manufacturing and, to the extent possible, local raw materials
- a Northern location: pure water and possibilities for agriculture

These strengths combined with a sound financial position facilitate profitable growth and development also in the future.

BOARD OF DIRECTORS AND AUDITOR

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

The company's auditor is the authorised public accounting firm Ernst & Young Oy, with Elina Laitinen, Authorised Public Accountant, as auditor in charge.

MANAGEMENT

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

The Managing Directors of the subsidiaries are:

- AS A. Le Coq, Tartu, Estonia - Tarmo Noop
- A/S Cēsu Alus, Cēsis, Latvia - Eva Sietiņsone
- AB Volfas Engelman, Kaunas, Lithuania - Marius Horbačauskas
- OAO Lidskoe Pivo, Lida, Belarus - Audrius Mikšys
- Servaali Oy, Helsinki, Finland - Teemu Lehto (Chairman of the Board)
- Helsinki Distilling Company Ltd, Helsinki, Finland – Mikko Mykkänen.

The Managing Directors of the subsidiaries report to Lasse Aho, the Managing Director of Olvi plc. The Boards of Directors of the subsidiaries in the Baltic states and Belarus consist of Lasse Aho (Chairman), Pia Hortling, Tiina-Liisa Liukkonen and Lauri Multanen. The Boards of Directors of the subsidiaries in Finland consist of executive managers from the parent company and minority shareholders. The Management Group of each subsidiary consists of the corresponding Managing Director and approximately four sector directors.

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.

Risks are assessed by analysing the probability of their realisation and the potential effects. The effects may be financial but may also impact the company's reputation, personnel, the local community and/or the environment.

Olvi Group's risks are divided into strategic and operational risks.

STRATEGIC RISKS

Strategic risks refer to risks related to the characteristics of the Group's business, development objectives and strategic choices. If realised, strategic risks can substantially hamper the Group's operational preconditions.

Strategic risks are primarily threats that may prevent the realisation of strategic business objectives. They may also relate to changes in tax legislation and other regulations, the operating environment and foreign exchange markets, for example. The Group's operations are located in several countries that differ substantially in terms of their social and economic situations and the phases and directions of development. Other short-term risks and uncertainties are related to development of the general economic circumstances, changes in the competitive situation, as well as the impacts these may have on the company's operations.

OPERATIONAL RISKS

The Group's most substantial identified operational risks relate to the procurement and quality of raw materials and packaging supplies, the production process, markets and customers, personnel, information security and systems, as well as changes in foreign exchange rates, the environment as well as actions in violation of ethical values.

Procurement
General economic development and annual fluctuations in crop yield affect the prices and availability of major raw materials and packaging supplies used within Olvi Group. Disruptions in raw material deliveries and quality may hamper business operations and customer relations. Purchases of major materials are made under procurement contracts standardised at the Group level. The Group aims to secure the predictability of purchase prices for critical materials through long-term procurement contracts. All units emphasise the significance of the quality of raw materials and other production factors in the overall production chain.

Ensuring traceability and compliance with responsible procurement principles are an important part of risk management. The Group must know the impacts of its operations and the entire supply chain if further operational development is desired.

Production process
The aim is to minimise production risks through clear documentation of processes, increasing the degree of automation, compliance with quality management system and the pursuit of clear operating methods in relation to decision-making and supervision. The efficiency and applicability of processes and methods are monitored using internal indicators.

The monitoring and development of production efficiency includes, among other things, the reliability and utilisation rate of production machinery, development of the working environment and factors related to people's work. The Group has a property and loss-of-profits insurance programme covering all of the operating areas, and its coverage is reviewed annually.

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

Negative changes in the economy or other operating environment may impact consumers' purchasing behaviour and hamper the liquidity of our customers. All Group companies employ efficient credit controls as a major method for minimising credit losses. Legislative changes and other changes in the operations of authorities, such as changes in excise taxes and marketing restrictions, may affect the demand for the Group's products and their relative competitive position.

Personnel
Risks related to personnel include risks in obtaining labour, employment relationship risks, key person risks, competence risks and risks related to well-being at work and occupational accidents. Crucial focal points in HR management include maintaining and developing a good employer image, as well as ensuring the availability and commitment of personnel. Other focal points include maintaining and continuously developing well-being and safety at work, improvement of management systems, construction and maintenance of backup personnel systems, as well as training and incentive schemes.

Information security and IT
Olvi Group employs an information security policy that defines the principles for implementing information security and provides guidelines for its development. Risks related to information technology and systems are manifested as operational disruptions and deficiencies, for example. The availability and correctness of data is ensured through the choice of operating methods and various technical solutions. Issues related to information security and the operation of information systems are analysed regularly.

Financing risks
The Group is exposed to financing risks in its normal course of business: market risk (including both foreign exchange risk and interest rate risk), credit risk, liquidity risk and capital risk.

The objective of financing risk management is to minimise the adverse effects of changes in the financial markets on the Group's financial performance, shareholders' equity and liquidity. The general principles of the Group's risk management are approved by the Board of Directors of the parent company, and the parent company's management together with the management of subsidiaries is responsible for their practical implementation.

Responsibility for Olvi Group's financing tasks is centralised in the parent company Olvi. The objectives of centralisation include optimisation of cash flows and financing costs, as well as efficient risk management. Financing risks are described in more detail in Note 22 to the consolidated financial statements, Management of financing risks.

Environment
The Group has defined environmental risks and associated risk management. The Group's most significant environmental risks arise from the production process, such as wastewater handling and the management of chemicals used in the production process. If realised, these risks would have a negative effect on the company's reputation, relations with stakeholders, as well as the share price and earnings for the accounting period. Risk is managed through well-maintained production machinery, appropriate treatment of wastewater, sufficient training to personnel and continuous monitoring and development of the production process.

Actions in violation of ethical values
Actions in violation of ethical values involve substantial risks. The Group focuses on avoiding actions that would violate human rights, or any corruption or bribery. Actions in violation of ethical values would cause a risk to reputation that would have a negative effect on relations with stakeholders, as well as the share price and earnings for the accounting period. Olvi Group has guidelines for ethical operations and policies for promoting ethical operations and preventing misconduct.

BUSINESS RISKS AND UNCERTAINTIES IN THE NEAR TERM

The corona pandemic still has an impact on business operations through increased risks and weakened predictability. Olvi has taken precautions for changes in business operations and prolongation of the corona crisis through cost adaptation and by drafting scenarios and contingency plans, among other measures. So far, the availability of raw materials and the health situation among personnel have been good, and no production disruptions have taken place. However, prolongation of the corona pandemic or substantial numbers of personnel falling ill may impact the production process.

Even though the corona pandemic has had an impact on operational business, for example by causing substantial changes in demand across different sales channels, the Group's financial position has remained strong. Liquidity has not been impacted. The situation has not had any substantial effect on credit loss risk either. No increases can be seen in overdue receivables or credit losses even though the corona pandemic has imposed challenges particularly on customers in the restaurant business. If the corona pandemic is prolonged, this might have an impact also on credit losses particularly in the restaurant sector.

The unstable political situation and substantial weakening of the currency exchange rate bring more uncertainty to Belarus. So far, the situation in the country has not affected the company's day-to-day operations. 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 development of the general economic circumstances, changes in the competitive situation, as well as the impacts these may have on the company's operations.

OLVI SHARES AND SHAREHOLDERS

Olvi's share capital at the end of December 2020 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. The total trading volume of Olvi A shares on Nasdaq OMX Helsinki Ltd (Helsinki Stock Exchange) in 2020 was 1 474,892 (1 575,876) shares, which represented 8.7 (9.3) percent of all Series A shares. The value of trading was 60.5 (56.7) million euro.

The Olvi A share was quoted on Nasdaq OMX Helsinki Ltd at 48.50 (41.20) euro at the end of 2020. In January-December, the highest quote for the Series A share was 50.00 (42.60) euro and the lowest quote was 30.25 (31.20) euro. The average share price in 2020 was 41.03 (36.01) euro.

At the end of December 2020, the market capitalisation of Series A shares was 822.1 (699.5) million euro and the market capitalisation of all shares was 1,003.2 (853.3) million euro.

The number of shareholders at the end of December 2020 was 14,102 (12,233). Foreign holdings plus foreign and Finnish nominee-registered holdings represented 23.6 (25.4) percent of the total number of book entries and 5.3 (5.8) percent of total votes.

Detailed information on Olvi's shares and shareholdings can be found in the notes to the parent company's financial statements.

BOARD OF DIRECTORS' AUTHORISATIONS

On 8 April 2020, 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 the company's own shares using distributable funds. The authorisation is valid for one year starting from the General Meeting and covers a maximum of 500,000 Series A shares, which corresponds to 2.4 percent of the entire stock and 0.5 percent of the aggregate number of votes.

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.

It was proposed that the issue authorisation shall be valid until the closing of the Annual General Meeting 2021, however no longer than 18 months from the General Meeting's decision of issue authorisation.

TREASURY SHARES

At the beginning of January 2020, Olvi plc held 11,549 of its own shares as treasury shares. During January–December 2020, the following changes have occurred in treasury shares.

In the end of October 2020, the Board of Directors of Olvi plc decided to initiate a scheme of acquiring treasury shares based on the authorisation issued by the Annual General Meeting on 8 April 2020. On this basis, the Board will repurchase a maximum of 35,550 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 5 November 2020 and ended on 15 January 2021. At the start of the repurchase scheme, Olvi plc held 11,549

Series A shares as treasury shares. In November and December, Olvi plc acquired a total of 27,011 more treasury shares at an acquisition price of 1,299,510.77 euro. On the date of closing the accounts, 31 December 2020, the total number of Series A shares held by the company as treasury shares was 38,560 and the total acquisition price was 1,802,467.05 euro.

Series A shares held by Olvi plc as treasury shares represent 0.19 percent of all shares and 0.04 percent of the aggregate number of votes. The treasury shares represent 0.23 percent of all Series A shares and associated votes. Treasury shares held by the company are ineligible for voting.

FLAGGING NOTICES

During 2020, Olvi has not received any flagging notices in accordance with Chapter 2, Section 10 of the Securities Markets Act.

BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFIT

The parent company Olvi plc had 98.2 (89.4) million euro of distributable funds on 31 December 2020, of which profit for the period accounted for 30.8 (37.7) million euro.

Olvi plc's Board of Directors proposes to the Annual General Meeting that distributable funds be used as follows:

1) A dividend of 1.10 (1.00) euro shall be paid for 2020 on each Series K and Series A share, totalling 22.8 (20.7) million euro. The dividend represents 56.2 (49.6) percent of Olvi Group's earnings per share. The dividend will be paid in two instalments. The first instalment of 0.55 euro per share will be paid on 20 April 2021 to shareholders registered in the register of shareholders held by Euroclear Finland Ltd on the record date 6 April 2021. The second instalment of 0.55 euro per share will be paid on 3 September 2021 to shareholders registered in the register of shareholders held by Euroclear Finland Ltd on the record date 27 August 2021. No dividend shall be paid on treasury shares.

2) 75.4 million euro shall be retained in the parent company's non-restricted equity.

NEAR-TERM OUTLOOK AND EVENTS AFTER THE REVIEW PERIOD

Olvi's operating profit for fiscal year 2021 is expected to remain on the previous year's good level. 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. Compared to the previous year, first-quarter performance will be impacted by strict restrictions arising from the corona pandemic. Total consumption across the markets is expected to decline temporarily. Also, plans are in place for more effort to be put into marketing in order to prepare for the high season.

There have been no significant reportable changes after the end of the accounting period.

FINANCIAL REPORTS IN 2021

Olvi Group's Annual Report will be published on 10 March 2021. The Annual Report will include the Board of Directors' report, the Group's and the parent company's financial statements, as well as the auditors' report regarding the accounting period 1 January to 31 December 2020. At the same time, the company will issue its Corporate Governance Statement and Remuneration Report for fiscal year 2020.

The notice to convene Olvi plc's Annual General Meeting, which will be held on 31 March 2021 in Iisalmi, will be published on 10 March 2021. The financial statements, Board of Directors' report and notice to convene the AGM will be available on Olvi plc's Web site on the same day. The AGM will be implemented as an administrative meeting by virtue of an emergency law. The shareholders may participate in the meeting by voting in advance in connection with registration for the meeting.

The following interim reports will be released in 2021:

- Interim report for January-March on 29 April 2021
- Half-year report from January to June on 12 August 2021, and
- Interim report from January to September on 2 November 2021.

OLVI PLC
Board of Directors

CONSOLIDATED FINANCIAL RATIOS 2018 TO 2020

BUSINESS VOLUME AND PROFITABILITY

EUR 1,000	2020	2019	2018
Net sales	414,884	408,706	384,302
Change, %	1.5	6.4	11.3
Operating profit	56,435	52,514	50,150
% of net sales	13.6	12.8	13.0
Financial income and expenses	-2,624	997	-997
Profit before tax	53,811	53,523	49,176
% of net sales	13.0	13.1	12.8
Net profit for the period	40,916	42,230	41,137
% of net sales	9.9	10.3	10.7
Balance sheet total	420,351	397,397	365,446
Cash flow ratio, %	15.9	16.2	16.1
Return on investment, % (ROI)	21.0	21.2	21.4
Return on equity, % (ROE)	15.4	16.9	18.1
Equity to total assets, %	63.8	66.4	64.9
Current ratio	1.3	1.3	1.1
Gearing, %	-15.5	-11.6	-6.0
Capital expenditure on fixed assets	32,035	30,968	34,234
% of net sales	7.7	7.6	8.9
Net capital expenditure on fixed assets	30,345	28,988	30,749
% of net sales	7.3	7.1	8.0
Average number of personnel:			
Personnel in Finland	389	386	371
Personnel in Estonia, Latvia, Lithuania and Belarus	1,522	1,491	1,453
Total employees	1,911	1,877	1,824

PER-SHARE RATIOS

	2020	2019	2018
Earnings per share (EPS), euro, undiluted	1.96	2.02	1.97
Earnings per share (EPS), euro, diluted	1.96	2.02	1.97
Equity per share, euro	12.81	12.58	11.31
*) Pay-out ratio, %	56.2	49.6	45.7
Price/Earnings ratio (P/E)	24.8	20.4	16

*) The amount of dividend used for calculating the 2020 ratios is the Board of Directors' proposal to the Annual General Meeting.

PARENT COMPANY'S FINANCIAL RATIOS, 2018 TO 2020

BUSINESS VOLUME AND PROFITABILITY

EUR 1,000	2020	2019	2018
Net sales	156,809	144,838	140,692
Change, %	8.3	2.9	7.0
Operating profit	22,780	18,896	18,369
% of net sales	14.5	13.0	13.1
Financial income and expenses	16,979	25,118	21,891
Profit before appropriations and taxes	39,759	44,015	40,260
% of net sales	25.4	30.4	28.6
Net profit for the period	30,823	37,743	35,210
% of net sales	19.7	26.1	25.0
Balance sheet total	284,352	265,586	248,407
Cash flow ratio, %	29.0	33.4	31.9
Return on investment, % (ROI)	22.9	26.4	25.7
Return on equity, % (ROE)	25.3	32.0	35.3
Equity to total assets, %	52.5	51.3	46.3
Current ratio	0.8	0.6	0.5
Gearing, %	4.3	12.8	38.1
Capital expenditure on fixed assets	13,579	14,081	13,274
% of net sales	8.7	9.7	9.4
Net capital expenditure on fixed assets	13,445	13,903	11,800
% of net sales	8.6	9.6	8.4
Average number of personnel	358	352	349

*) The amount of dividend used for calculating the 2020 ratios is the Board of Directors' proposal to the Annual General Meeting.

**) Treasury shares held by Olvi plc deducted.

PER-SHARE RATIOS

	2020	2019	2018
Earnings per share (EPS), euro	1.74	1.94	1.79
Equity per share, euro	7.21	6.57	5.56
*) Nominal dividend per share, euro	1.10	1.00	0.90
*) Effective dividend yield, %	2.27	2.43	2.86
*) Pay-out ratio, %	63.1	51.6	50.1
Price/Earnings ratio (P/E)	27.8	21.2	17.6
Price of Series A share			
at year-end, euro	48.50	41.20	31.50
high, euro	50.00	42.60	34.00
low, euro	30.25	31.20	27.00
average price, euro	41.03	36.01	29.95
Trading volume of A shares	1,474,892	1,575,876	1,741,051
% of all A shares outstanding	8.7	9.3	10.2
Market capitalisation of A shares 31 Dec, MEUR	822.1	699.5	534.4
Market capitalisation of K shares 31 Dec, MEUR	181.0	153.8	117.6
Total market capitalisation, MEUR	1,003.2	853.3	651.9
Number of shares			
year's average number, adjusted for share issues **)	20,708,331	20,708,204	20,711,397
number at year-end adjusted for dilution from warrants **)	20,683,672	20,710,683	20,696,504

CALCULATION OF FINANCIAL RATIOS

Cash flow ratio % =

$$100 * \frac{\text{Operating profit + depreciation + financial income and expenses + extraordinary income and expenses - taxes}}{\text{Net sales}}$$

Return on investment % (ROI) =

$$100 * \frac{\text{Profit before taxes + interest and other financial expenses}}{\text{Balance sheet total - interest-free liabilities (average)}}$$

Return on equity % (ROE) =

$$100 * \frac{\text{Profit before taxes – taxes}}{\text{Shareholders' equity + non-controlling interests + voluntary provisions and depreciation difference deducted by deferred tax liability (average during the year)}}$$

Equity to total assets, % =

$$100 * \frac{\text{Shareholders' equity + non-controlling interests + voluntary provisions and depreciation difference deducted by deferred tax liability}}{\text{Balance sheet total - advance payments received}}$$

Current ratio =

$$100 * \frac{\text{Financial assets + inventories}}{\text{Current liabilities}}$$

Gearing, %=

$$100 * \frac{\text{Interest-bearing liabilities + advance payments received - cash and other liquid assets}}{\text{Shareholders' equity + voluntary provisions and depreciation difference deducted by deferred tax liability}}$$

Earnings per share (EPS) =

$$\frac{\text{Profit before taxes – taxes +/- non-controlling interests}}{\text{Average number of shares during the period adjusted for share issues}}$$

Equity per share =

$$\frac{\text{Shareholders' equity + voluntary provisions and depreciation difference deducted by deferred tax liability and non-controlling interests}}{\text{Number of shares on 31 December adjusted for share issues}}$$

Effective dividend yield, % =

$$100 * \frac{\text{Dividend per share adjusted for share issues}}{\text{Last trading price of the year, adjusted for share issues}}$$

Price/Earnings ratio (P/E) =

$$\frac{\text{Last trading price of the year, adjusted for share issues}}{\text{Earnings per share}}$$

Pay-out ratio, % =

$$100 * \frac{\text{Dividend per share}}{\text{Earnings per share}}$$

Market capitalisation

Number of shares at year-end, adjusted for share issues *
Price of Series A share at year-end

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 earn-ings per share ratio. (Earnings per share = Profit belonging to parent company shareholders / Average num-ber 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.

Investments consist of increases in fixed assets, excluding increases under IFRS 16.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR 1,000	Note	2020	%	2019	%
NET SALES	1	414,884	100.0	408,706	100.0
Increase (+)/decrease (-) in inventories of finished and unfinished products		1,094	0.3	2,311	0.6
Other operating income		923	0.2	1,417	0.3
Materials and services	3	205,228	49.5	202,416	49.5
Personnel expenses	4	54,397	13.1	52,482	12.8
Depreciation and impairment	5	24,972	6.0	24,186	5.9
Other operating expenses	6	75,869	18.3	80,837	19.8
OPERATING PROFIT		**56,435**	**13.6**	**52,514**	**12.8**
Financial income	9	277	0.1	1,488	0.4
Financial expenses	9	-2,903	-0.7	-492	-0.1
Share of profit in associates and joint ventures	25	2	0.0	13	0.0
PROFIT BEFORE TAXES		**53,811**	**13.0**	**53,523**	**13.1**
Income taxes	10	-12,895	-3.1	-11,293	-2.8
NET PROFIT FOR THE PERIOD		**40,916**	**9.9**	**42,230**	**10.3**

EUR 1,000	Note	2020	%	2019	%
Other comprehensive income items that may be subsequently reclassified to profit and loss:					
Translation differences related to foreign subsidiaries		-15,588	-3.8	2,887	0.7
Change in fair value, other investments		0	0.0	369	0.1
Taxes related to these items		263	0.1	-130	0.0
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**25,591**	**6.2**	**45,356**	**11.1**
Distribution of profit:					
- parent company shareholders		40,559	9.8	41,760	10.2
- non-controlling interests		357	0.1	470	0.1
Distribution of comprehensive income:					
- parent company shareholders		25,704	6.2	44,814	11.0
- non-controlling interests		-113	0.0	542	0.1
Earnings per share calculated from the profit belonging to parent company shareholders:					
Undiluted earnings per share (EUR)		1.96		2.02	
Diluted earnings per share (EUR)		1.96		2.02	

CONSOLIDATED BALANCE SHEET

EUR 1,000	Note	2020	%	2019	%
ASSETS					
Non-current assets					
Tangible assets	12	204,156		208,701	
Goodwill	13.14	25,172		26,360	
Other intangible assets	13	9,925		10,598	
Investments in Associates and Joint Ventures	25	994		1,016	
Other investments	15	851		836	
Loan receivables and other non-current receivables	15	1,786		967	
Deferred tax receivables	17	1,086		475	
Total non-current assets		**243,970**	**58.0**	**248,953**	**62.6**
Current assets					
Inventories	16	42,278		43,056	
Accounts receivable and other receivables	15	88,234		70,685	
Income tax receivable		772		871	
Liquid assets	18	45,096		33,832	
Total current assets		**176,381**	**42.0**	**148,444**	**37.4**
TOTAL ASSETS		**420,351**	**100.0**	**397,397**	**100.0**

EUR 1,000	Note	2020	%	2019	%
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity held by parent company shareholders					
Share capital	19	20,759		20,759	
Other reserves	19	1,387		1,387	
Treasury shares	19	-1,802		-503	
Translation differences		-58,842		-43,987	
Retained earnings		303,465		282,895	
Total shareholders' equity held by parent company shareholders		**264,967**	**63.0**	**260,551**	**65.6**
Share belonging to non-controlling interests		3,165	0.8	3,318	0.8
Total shareholders' equity		**268,132**	**63.8**	**263,869**	**66.4**
Non-current liabilities					
Financial liabilities	21	2,303		2,337	
Other liabilities	23	4,473		4,777	
Deferred tax liabilities	17	11,107		7,859	
Current liabilities					
Financial liabilities	21	1,333		1,325	
Accounts payable and other liabilities	23	132,522		117,100	
Income tax liability		481		130	
Total liabilities		**152,219**	**36.2**	**133,528**	**33.6**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**420,351**	**100.0**	**397,397**	**100.0**

CONSOLIDATED CASH FLOW STATEMENT

EUR 1,000	Note	2020	2019
Cash flow from operations			
Net profit for the period		40,916	42,230
Adjustments:			
Depreciation and impairment	5	24,972	24,186
Other adjustments		16,327	10,673
Change in net working capital:			
Increase (-) / decrease (+) in current interest-free accounts receivable and other receivables	15	-22,809	-442
Increase (-) / decrease (+) in inventories	16	-1,274	-2,966
Increase (+) / decrease (-) in current interest-free liabilities	23	17,339	4,956
Interest paid	9	-588	-288
Interest received	9	260	258
Dividends received	9	4	3
Taxes paid	10	-9,351	-11,298
Cash flow from operations (A)		**65,796**	**67,312**
Cash flow from investments			
Investments in tangible assets	12	-30,199	-29,744
Investments in intangible assets	13	-1,334	-1,603
Capital gains on disposal of tangible assets	12	1,697	1,815
Acquisition of shares from non-controlling interests	25	-6	-213
Acquired shares in subsidiaries, associates and joint ventures	25	0	-50
Expenditure on other investments		-15	0
Dividends received	9	24	63
Cash flow from investments (B)		**-29,833**	**-29,732**

EUR 1,000	Note	2020	2019
Cash flow from financing			
Withdrawals of loans	21	15,497	2,445
Repayments of loans	21	-16,917	-6,522
Acquisition of treasury shares	19	-1,299	-726
Sales of treasury shares to employees	19	0	1,179
Dividends paid	19	-20,754	-18,787
Increase (-)/decrease (+) in current interest-bearing business receivables	15	26	-1
Cash flow from financing (C)		**-23,447**	**-22,412**
Increase (+)/decrease (-) in liquid assets (A+B+C)		**12,516**	**15,168**
Liquid assets 1 January	**18**	**33,832**	**18,520**
Effect of exchange rate changes		-1,252	144
Liquid assets 31 December	**18**	**45,096**	**33,832**

ADJUSTMENTS TO CASH FLOW FROM OPERATIONS:

EUR 1,000	2020	2019
Other adjustments to cash flow from operations before change in working capital:		
Capital gains on disposals of fixed assets	28	170
Share of profit in associates	-2	-13
Unrealised foreign exchange gains and losses	-15	-82
Financial income and expenses	2,641	-914
Income taxes	12,895	11,293
Other adjustments	780	219
Total	**16,327**	**10,673**

CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

EUR 1,000	A	B	C	D	E	F	G	H
Shareholders' equity 1 Jan 2020	20,759	1,092	-503	295	-43,987	282,895	3,318	263,869
Comprehensive income								
Net profit for the period						40,559	357	40,916
Other comprehensive income items								
Translation differences					-14,855		-470	-15,325
Total comprehensive income for the period					**-14,855**	**40,559**	**-113**	**25,591**
Transactions with shareholders								
Payment of dividends						-20,710	-38	-20,748
Acquisition of treasury shares			-1,299					-1,299
Share-based incentives, value of work performed						587		587
Adjustment to previous periods						138		138
Total transactions with shareholders			**-1,299**			**-19,985**	**-38**	**-21,322**
Changes in holdings in subsidiaries								
Acquisition of shares from non-controlling interests						-6		-6
Change in share belonging to non-controlling interests						2	-2	0
Total changes in holdings in subsidiaries						**-4**	**-2**	**-6**
Shareholders' equity 31 Dec 2020	**20,759**	**1,092**	**-1,802**	**295**	**-58,842**	**303,465**	**3,165**	**268,132**

A = Share capital
B = Other reserves
C = Treasury shares reserve
D = Fair value reserve
E = Translation differences
F = Retained earnings
G = Share belonging to non-controlling interests
H = Total

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

EUR 1,000	A	B	C	D	E	F	G	H
Shareholders' equity 1 Jan 2019	20,759	1,092	-956	0	-46,746	259,864	3,165	237,178
Comprehensive income								
Net profit for the period						41,760	470	42,230
Other comprehensive income items								
Translation differences					2,759		72	2,831
Change in fair value, other investments				295				295
Total comprehensive income for the period				295	2,759	41,760	542	45,356
Transactions with shareholders								
Payment of dividends						-18,640	-137	-18,777
Acquisition of treasury shares			-726					-726
Sales of treasury shares to employees			1,179					1,179
Share-based incentives, value of work performed						539		539
Adjustment to previous periods						-667		-667
Total transactions with shareholders			453			-18,768	-137	-18,452
Changes in holdings in subsidiaries								
Acquisition of shares from non-controlling interests						-213		-213
Change in share belonging to non-controlling interests						252	-252	0
Total changes in holdings in subsidiaries						39	-252	-213
Shareholders' equity 31 Dec 2019	20,759	1,092	-503	295	-43,987	282,895	3,318	263,869

A = Share capital
B = Other reserves
C = Treasury shares reserve
D = Fair value reserve
E = Translation differences
F = Retained earnings
G = Share belonging to non-controlling interests
H = Total

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

CONSOLIDATED ACCOUNTING POLICIES

BASIC INFORMATION ON THE GROUP

Olvi plc ("the company") and its subsidiaries (jointly "the Group") manufacture beers, ciders, long drinks, mineral waters, juices, soft drinks, energy drinks, sports beverages, kvass, whisky and other non-alcoholic and alcoholic beverages. The companies belonging to Olvi Group are located in Finland, Estonia, Latvia, Lithuania and Belarus.

The Group's parent company is Olvi plc (Business ID 0170318–9), and its Series A shares are quoted on the Nasdaq OMX Helsinki Ltd Main List. The parent company is headquartered in Iisalmi and its registered address is P.O. Box 16, 74101 Iisalmi.

A copy of the consolidated financial statements is available on the Internet at www.olvigroup.fi or from the headquarters of the Group's parent company at Olvitie I-IV, 74100 Iisalmi.

The accounting period of Group companies is generally the calendar year. An exception to this is Servaali Oy, which became a Group company through an acquisition and whose accounting period ended on 31 December 2020 but was 18 months long.

Olvi plc's Board of Directors has approved the disclosure of the financial statements bulletin for 2020 on 23 February 2021. According to the Finnish Companies Act, shareholders have the option to approve or reject the financial statements at a General Meeting of Shareholders to be held after disclosure. The General Meeting of Shareholders may also decide on amending the financial statements.

ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared in compliance with the approved International Financial Reporting Standards (IFRS), observing the IAS and IFRS standards as well as SIC and IFRIC interpretations valid on 31 December 2020. In the Finnish Accounting Act and regulations enacted by virtue of the Act, International Financial Reporting Standards refer to the standards approved for use in the European Union in accordance with the procedure specified in the EU regulation (EC) No 1606/2002. The notes to the financial statements are also in compliance with Finnish legislation concerning accounting and corporate law that supplements the IFRS regulations.

The consolidated financial statements have been prepared on the basis of original cost with the exception of financial assets and liabilities recognised at fair value through other comprehensive income or through profit or loss, derivative contracts, as well as share-based transactions settled in cash, which have been recognised at fair value. The financial statement information 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 may cause rounding differences in additions.

CONSOLIDATION PRINCIPLES

Subsidiaries

Subsidiaries are entities in which the Group exercises control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Intra-Group shareholdings have been eliminated using the purchase method. The consideration given and the acquired entity's identifiable assets and assumed liabilities have been measured at fair value at the time of acquisition.

Acquired subsidiaries are included in the consolidated financial statements as of the date the Group has acquired a position of control, and divested subsidiaries are included until the date the Group's control is discontinued. All intra-Group business transactions, receivables, liabilities, unrealised gains and internal profit distribution are eliminated during the preparation of the consolidated financial statements. Unrealised losses are not eliminated if they are caused by impairment.

The distribution of profit or loss for the financial period and the distribution of comprehensive income between the parent company's shareholders and non-controlling interests is presented in connection with the statement of comprehensive income. Comprehensive income is allocated between parent company shareholders and non-controlling interests even if this would lead to a negative share allocated to non-controlling interests. The share of equity belonging to non-controlling interests is presented as a separate balance sheet item under shareholders' equity. Changes in the parent company's holding in a subsidiary that do not lead to loss of control are treated as equity transactions.

Associates and joint ventures

Associates are entities in which the Group exercises significant power. Significant power arises generally when the Group holds more than 20 percent of the voting rights in an entity or the Group otherwise has significant power but no position of control.

Associates are consolidated using the equity method. A share of profit in associates corresponding to the Group's share of holding has been calculated in accordance with the Group's holding and presented as a separate item in the income statement after financial income and expenses. If the Group's share of an associate's losses exceeds the book value of the investment, the investment is recognised in the balance sheet at zero value, and losses exceeding the book value are not taken into account unless the Group is otherwise committed to the fulfilment of the associate's obligations.

A joint arrangement is an arrangement where two or more parties share joint control. Olvi's joint arrangement is a joint venture that is consolidated using the equity method.

CONVERSION OF ITEMS IN FOREIGN CURRENCY

The figures indicating the earnings and financial position of Group entities are determined in the currency of each unit's primary operating environment ("functional currency"). The consolidated financial statements are presented in euro, which is the operating and presentation currency of the Group's parent company.

Transactions denominated in foreign currency have been converted into the functional currency at the exchange rate valid on the transaction date. Monetary items in foreign currency have been converted into the functional currency at the exchange rates valid on the closing date of the reporting period.

Gains and losses originating from business transactions in foreign currency and the conversion of monetary items are recognised through profit and loss. Foreign exchange gains and losses from operations are included in the corresponding items above operating profit. Foreign exchange gains and losses on loans denominated in foreign currency are included in financial income and expenses, with the exception of exchange rate differences on foreign currency items that constitute a part of the net investment made in a foreign unit. These exchange rate differences are recognised in other comprehensive income items, and accumulated exchange rate differences are included in the translation difference presented in shareholders' equity.

The income statements of non-Finnish consolidated companies that use a functional currency other than the Group's presentation currency have been converted into euro at the average exchange rates for the accounting period, and balance sheet items have been converted at the exchange rates on the balance sheet date. The different exchange rates applicable to the conversion of profit or loss on the income statement and balance sheet result in a translation difference recognised in shareholders' equity on the balance sheet, and any change in this difference is recognised in other comprehensive income items. Translation differences arising from the elimination of the acquisition cost of foreign Group companies, as well as translation differences arising from equity items accumulated after the acquisition, are recognised in other comprehensive income items. When a subsidiary is divested in full or in part, accumulated translation differences are recognised in the income statement as part of the sales gain or loss.

Goodwill arising from the acquisition of foreign entities and the fair value adjustments made to the book values of the assets and liabilities of such foreign entities upon acquisition are treated as assets and liabilities belonging to the foreign entities. They are converted into euro at the exchange rates valid on the closing date of the reporting period.

OPERATING PROFIT

IAS 1 *Presentation of Financial Statements* does not define the concept of operating profit. The Group has defined it as follows: operating profit is the net amount created by adding other operating income to net sales, subtracting purchase costs adjusted by change in inventories of finished and unfinished products, and subtracting costs of employee benefits, depreciation and amortisation, any impairment losses and other operating expenses.

All income statement items other than the above are presented below operating profit. Exchange rate differences are included in operating profit if they arise from items associated with business operations. Otherwise they are recognised in financial items. The principles for calculation of other ratios are presented under *Calculation of Financial Ratios*.

ACCOUNTING POLICIES REQUIRING CONSIDERATION BY MANAGEMENT AND CRUCIAL FACTORS OF UNCERTAINTY ASSOCIATED WITH ESTIMATES

Preparation of financial statements in accordance with IFRS standards requires the Group's management to make certain estimates and considerations. Furthermore, the application of accounting policies requires choice and consideration. This applies particularly to cases in which valid IFRS standards provide for alternative methods of recognition, measurement or presentation.

Factors of uncertainty associated with estimates

Estimates made in connection with the preparation of financial statements are based on the management's best understanding on the balance sheet date, and the outcome may differ from the estimates and assumptions. The background of the estimates includes previous experience and assumptions concerning the future that are deemed most probable on the balance sheet date with regard to issues such as the expected development of the Group's financial operating environment concerning sales and the level of costs. The business impact of the corona pandemic and the uncertainty of the economic situation in Belarus have been taken into account in the estimates.

The Group, regularly and jointly with the management of subsidiaries, assesses the realisation of estimates and assumptions, as well as changes in the underlying factors, by applying several sources of information, both internal and external. Any changes in the estimates and assumptions are recognised in the accounting period during which the estimates and assumptions are adjusted and in all subsequent accounting periods.

The most important sectors in which management has applied consideration and that require the use of estimates and assumptions are goodwill testing (more information in Note 14, Impairment and goodwill testing), leases (more information in Note 12, Tangible assets), estimates related to corporate acquisitions (more information in Note 24, Provisions, collateral and contingent liabilities), as well as deferred tax receivables and liabilities (more information in Note 17, Deferred tax receivables and liabilities). Other accounting policies are presented together with the notes related to each sector. The most important factors in the estimates include predicted future cash flows and the processing of leases valid until further notice.

NEW AND UPCOMING IFRS STANDARDS APPLICABLE TO ACCOUNTING PERIODS BEGINNING ON OR AFTER 1 JANUARY 2020

The consolidated financial statements have been prepared in accordance with the same accounting policies used in 2019, with the exception of the following new standards, interpretations and revisions to existing standards that the Group has applied since 1 January 2020.

Standard	Crucial requirements	Effective date *)
Annual improvements to IFRS	Amendments applied to the following standards: IFRS 3, IFRS 16, IAS 1 and IAS 8. The Group estimates that the amendments did not have any effect on the consolidated financial statements 2020.	1 January 2020

MYÖHEMMIN VOIMAAN TULEVAT IFRS-STANDARDIT, TULKINNAT JA MUUTOKSET

Standard	Crucial requirements	Effective date *)
IFRS 17 Insurance Contracts	The standard will not have any effect on the Group's future financial statements.	1 January 2023

*) Applicable to reporting periods starting on or after the specified date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. INCOME FROM OPERATIONS AND SEGMENT INFORMATION

Principles for recognition of sales

Net sales consist of consideration received for the sales of products and services measured at fair value, deducted by indirect taxes, discounts and translation differences for sales in foreign currency.

Sales of beverage products are recognised at the moment the Group has delivered the products to the location agreed with the customer and when control over the products has been transferred to the customer. Delivery is considered to be realised only once the risk of non-marketability and damage has been transferred to the customer and Olvi has no outstanding obligations towards the customer. Beverage deliveries do not include any return terms and conditions. The Group rents out beverage-serving equipment to its HoReCa customers and coolers to its retailers. Rental income is recognised in equal instalments over the rental period. The accounting policies for leases are described in Note 12, Tangible assets.

The transaction price is determined on the basis of the contract with the customer and deducted by annual discounts estimated at the time of sale in accordance with the terms and conditions of contract, as well as any returns of defective products. Olvi Group applies the relief allowed under IFRS 15 and therefore does not disclose its order book.

Description of segments

Olvi Group has five reporting segments corresponding to the Group's business units. Operating segments are defined on the basis of the management model and internal reporting utilised for strategic decisions by the Group's top management, which is identified as the chief operating decision maker. The Group's top management consists of the parent company's Managing Director and Board of Directors. Olvi Group's operating segments consist of the Group's geographical operating areas, which are Finland, Estonia, Latvia, Lithuania and Belarus.

The products and services of the reporting segments are produced in a specific economic environment with risks and profitability deviating from the risks and profitability of the economic environment of other segments. The Group has not combined operating segments together to create reporting segments.

Net sales in the reported operating segments are mostly generated from the manufacture and wholesale of various beverages. The net sales also include a minor amount of services to licensed restaurants in relation to beverage-serving equipment. The Group's management assesses the operating segments' performance through operating profit (EBIT). Interest income and expenses are not allocated to segments because responsibility for the Group's financing tasks is centralised in the parent company Olvi plc. Pricing between segments is based on fair market terms.

A segment's assets and liabilities refer to business items that the segment uses in its business operations or that can be allocated to segments on reasonable grounds. Unallocated items include financial items, as well as items common to the entire Group. Investments include increases in tangible and intangible assets that are used during more than one accounting period.

The following tables present the segment sales volumes, net sales, earnings, assets and liabilities grouped by the location of segment assets in fiscal years 2020 and 2019. Furthermore, segment net sales are grouped by the geographical locations of customers in fiscal years 2020 and 2019.

2020 EUR/L 1,000	Finland	Estonia	Latvia	Lithuania	Belarus	Eliminations	Group
Sales volume	244,391	109,359	70,904	122,446	245,709	-26,956	765,854
INCOME							
External net sales	178,992	65,029	35,039	52,701	83,123	0	414,884
Beverage sales	177,738	65,029	35,039	52,701	83,123	0	413,630
Equipment services	1,254	0	0	0	0	0	1,254
Internal net sales	1,321	5,805	2,338	2,799	217	-12,480	0
Total net sales	**180,313**	**70,834**	**37,377**	**55,500**	**83,340**	**-12,480**	**414,884**
EARNINGS							
Operating profit for the segment	23,024	13,304	3,603	4,171	13,593	-1,259	56,435
Financial income							277
Financial expenses							-2,903
Share of profit in associates	0	2	0	0	0	0	2
Income taxes	-4,702	-3,041	118	-490	-2,107	-2,674	-12,896
Net profit for the period							**40,916**
OTHER INFORMATION							
Segment assets	248,652	73,869	32,315	57,366	57,429	-96,237	373,395
Investments in associates and joint ventures	50	944					994
Unallocated assets							46,955
Total consolidated assets							**420,351**
Segment liabilities	99,554	12,065	5,471	12,338	10,508	-3,084	136,852
Unallocated liabilities							15,367
Total consolidated liabilities							**152,219**
Segment investments	13,959	4,745	2,479	2,841	8,011	0	32,035
Depreciation and impairment	**9,704**	**3,801**	**2,621**	**3,066**	**4,781**	**999**	**24,972**

2019 EUR/L 1,000	Finland	Estonia	Latvia	Lithuania	Belarus	Eliminations	Group
Sales volume	219,258	109,462	70,939	107,631	233,090	-22,048	718,332
INCOME							
External net sales	167,579	67,297	37,014	46,266	90,550	0	408,706
Beverage sales	165,965	67,297	37,014	46,266	90,550	0	407,092
Equipment services	1,614	0	0	0	0	0	1,614
Internal net sales	1,523	3,990	1,867	3,014	222	-10,616	0
Total net sales	**169,102**	**71,287**	**38,881**	**49,280**	**90,772**	**-10,616**	**408,706**
EARNINGS							
Operating profit for the segment	18,653	14,317	4,259	3,689	12,776	-1,181	52,514
Financial income							1,488
Financial expenses							-492
Share of profit in associates	0	13	0	0	0	0	13
Income taxes	-3,896	-4,064	-92	-283	-2,718	-240	-11,293
Net profit for the period							**42,230**
OTHER INFORMATION							
Segment assets	222,739	75,781	32,807	55,515	71,297	-95,872	362,217
Investments in associates and joint ventures	50	966					1,016
Unallocated assets							35,178
Total consolidated assets							**397,397**
Segment liabilities	87,425	11,855	6,377	10,101	9,455	-3,589	121,624
Unallocated liabilities							11,904
Total consolidated liabilities							**133,527**
Segment investments	14,178	6,332	1,863	4,669	3,926	0	30,968
Depreciation and impairment	**8,881**	**3,592**	**2,422**	**2,831**	**5,460**	**999**	**24,186**

SEGMENT NET SALES BY TARGET COUNTRY 2020

2020 EUR 1,000	Finland	Estonia	Latvia	Lithuania	Belarus	Other countries	Eliminations	Group
External net sales	176,588	58,306	35,750	42,019	67,388	34,833	0	414,884
Internal net sales	2,419	2,240	1,820	4,284	1,715	0	-12,478	0
Total net sales	**179,007**	**60,546**	**37,570**	**46,303**	**69,103**	**34,833**	**-12,478**	**414,884**

SEGMENT NET SALES BY TARGET COUNTRY 2019

2019 EUR 1,000	Finland	Estonia	Latvia	Lithuania	Belarus	Other countries	Eliminations	Group
External net sales	163,117	58,678	40,430	38,250	76,370	31,862	0	408,706
Internal net sales	2,258	2,223	1,915	2,340	1,880	0	-10,617	0
Total net sales	**165,375**	**60,901**	**42,345**	**40,590**	**78,250**	**31,862**	**-10,617**	**408,706**

2. OTHER OPERATING INCOME

EUR 1,000	2020	2019
Sales gains on property, plant and equipment	272	391
Rental income	146	181
Others	505	845
Total	923	1,417

Other operating income consists of items such as gains on market money as well as sales of by-products from manufacturing.

3. MATERIALS AND SERVICES

Materials and services on the income statement consist mostly of the purchases of raw materials and packaging supplies.

4. COSTS OF EMPLOYEE BENEFITS

Accounting policies

Pension obligations
The Group's pension schemes are defined contribution plans. In defined contribution plans, the Group makes fixed payments to a third party. The Group has no legal or factual obligation to make any additional contributions if the entity receiving the payments fails to pay the pension benefits in question. Contributions paid to defined contribution pension plans are recognised in the income statement during the period to which the charge applies.

Share-based payments
The Group applies IFRS 2 Share-based Payment to all share-based business transactions. Arrangements settled in equity instruments are measured at fair value on the date of granting and recognised as expenses in the income statement in equal instalments over the vesting period. Arrangements settled in cash are measured at fair value at each closing of the accounts, and changes in the fair value of the liability are recognised in the income statement. The earnings effect of the arrangement is presented in the income statement under the costs of employee benefits.

The cost determined at the time of granting the share-based bonuses is based on the Group management's estimate of the number of shares that are expected to become vested at the end of the vesting period. The Group updates the expectation of the final number of shares on each balance sheet date. The changes in the estimates are recognised in the income statement.

EUR 1,000	2020	2019
Wages and salaries	46,000	44,404
Pension costs – defined contribution	2,875	2,937
Benefits exercised and payable in stock	587	545
Benefits payable in cash	973	665
Other personnel expenses	3,962	3,931
Total	**54,397**	**52,482**
Group personnel on average during the period		
Finland	389	386
Estonia	324	311
Latvia	193	195
Lithuania	240	230
Belarus	765	755
Total	1,911	1,877

Information on employee benefits and loans to management is presented in Note 26, Related party transactions.

5. DEPRECIATION AND IMPAIRMENT

EUR 1,000	2020	2019
Depreciation and impairment on tangible assets:		
Buildings	3,654	3,707
Buildings, leasing	153	130
Machinery and equipment	15,159	14,764
Machinery and equipment, leasing	1,249	1,134
Other tangible assets	2,164	1,812
Impairment on tangible assets	268	429
Total depreciation and impairment on tangible assets	22,647	21,977
Amortisation and impairment on intangible assets:		
Intangible assets	2,325	2,152
Impairment on intangible assets	0	57
Total amortisation and impairment on intangible assets	2,325	2,209
Total	**24,972**	**24,186**

The accounting policies and depreciation periods for tangible and intangible assets are presented in Notes 12, Tangible assets and 13. Intangible assets. Impairment consists mostly of write-downs on obsolete or unutilised production machinery and equipment.

6. OTHER OPERATING EXPENSES

EUR 1,000	2020	2019
Sales losses and scrapping of property, plant and equipment	300	561
Rental costs	3,134	3,141
Sales freights and other variable costs	34,804	36,592
Other fixed costs	37,631	40,543
Total	**75,869**	**80,837**

Other fixed operating expenses consist mostly of the costs of administration, marketing and sales, building maintenance costs, as well as other personnel-related costs. The recognition policies for leases are described in Note 12, Tangible assets.

7. RESEARCH AND DEVELOPMENT COSTS

The income statement includes 678 thousand euro of R&D costs recognised as expenses in 2020 (641 thousand euro in 2019), which is 0.2 (0.2) percent of net sales.

The recognition policies for research and development costs are presented in Note 13, Intangible assets.

8. AUDIT COSTS

EUR 1,000	2020	2019
Auditing firm elected by the General Meeting		
Fees for statutory audit	171	240
Associated auditing services	6	42
Tax services	4	5
Other services	8	51
Total	**189**	**338**
Other entities		
Fees for statutory audit	7	0
Associated auditing services	0	0
Tax services	0	0
Other services	74	0
Total	**81**	**0**

In 2019, the auditors of Olvi Group were paid fees for audit tasks as follows:

PricewaterhouseCoopers 134 thousand euro, other advisory and consulting services 91 thousand euro, as well as Ernst & Young 106 thousand euro, other advisory and consulting services 7 thousand euro.

9. FINANCIAL INCOME AND EXPENSES

Accounting policies

Interest
Interest income is recognised on the basis of elapsed time using the effective interest method. Interest income from impaired loan receivables is recognised in accordance with original effective interest.

Dividends
Dividend income is recognised when the right to dividend becomes vested.

EUR 1,000	2020	2019
Dividend income from investments held as fixed assets	4	3
Interest income from bank deposits	220	273
Exchange rate differences	8	1,022
Other interest and financial income	45	190
Total	**277**	**1,488**

EUR 1,000	2020	2019
Interest expenses on leases	114	89
Interest expenses on financial liabilities measured at original amortised cost	196	333
Net gains (-) / losses (+) from interest derivatives	-37	-59
Exchange rate differences	2,066	21
Other financial expenses	564	108
Total	**2,903**	**492**

The recognition policies for financial expenses are presented in Note 21, Financial liabilities. Information on other financial expenses is presented in Note 24, Provisions, collateral and contingent liabilities.

10. INCOME TAXES

Accounting policies

The tax expenses in the income statement comprise tax based on the taxable income for the period and change in deferred tax. The tax based on the taxable income for the period is calculated on the basis of taxable income in accordance with the tax rate valid in each country. The tax is adjusted by any taxes associated with previous periods. The Group will offset tax receivables and liabilities based on the taxable income for a period if and only if the Group has a legally enforceable right to offset the recognised items against each other, and that the Group will either provide performance on a net basis or simultaneously realise an asset and repay a debt.

EUR 1,000	Note	2020	2019
Tax based on taxable income for the period		10,138	10,933
Taxes from previous accounting periods		-31	-57
Deferred taxes	17	2,788	417
Total		**12,895**	**11,293**

Reconciliation between the tax expenses in the income statement and taxes calculated in accordance with the tax rate in the Group's home country 20.0% (20.0%):

EUR 1,000	2020	2019
Earnings before tax	53,811	53,523
Taxes calculated at the home country's rate	10,762	10,705
Effect of different tax rates for foreign subsidiaries	-885	7
Tax-free income	-141	-354
Tax effect of non-deductible items	779	881
Tax on profit distribution	2,605	0
Deductible expenses outside the income statement	-193	-329
Taxes from previous accounting period	-31	383
Taxes in income statement	**12,895**	**11,293**
Effective tax rate, %	24.0	21.1

11. EARNINGS PER SHARE

Undiluted earnings per share are calculated by dividing the profit for the accounting period belonging to the parent company's shareholders by the weighted average of shares outstanding during the accounting period. When calculating the weighted average, the number of treasury shares in the company's possession is deducted from the number of shares. Olvi plc held a total of 38,560 of its own Series A shares on 31 December 2020.

A more detailed account of treasury shares is provided in Note 19, Notes concerning shareholders' equity.

	2020	2019
Profit belonging to parent company shareholders (EUR 1,000)	40,559	41,760
Weighted average number of shares during the period (1,000)	20,722	20,722
Effect of treasury shares (1,000)	-14	-14
Weighted average number of shares for the calculation of EPS (1,000)	20,708	20,708
Undiluted/diluted earnings per share (euro per share)	1.96	2.02

In the calculation of earnings per share adjusted for dilution, the weighted average number of shares includes the diluting effect of the conversion of all potential options outstanding during the period. When calculating the weighted average number of shares adjusted for dilution, the number of treasury shares in the company's possession is deducted from the number of shares. The calculation of the dilution effect includes consideration for the number of treasury shares acquired using funds received from the exchange of options.

During 2019 and 2020, Olvi Group has not had options or any other schemes having a diluting effect, which means that undiluted earnings per share and earnings per share adjusted for dilution have been equal during these years.

12. TANGIBLE ASSETS

Accounting policies

Recognition of tangible assets

Tangible assets are recognised in the balance sheet at original cost deducted by accumulated depreciation and impairment losses.

Acquisition cost includes costs directly arising from the acquisition of a tangible asset. The acquisition cost of an asset of our own manufacture includes material costs, direct costs of employee benefits as well as other direct costs arising from making a tangible asset ready for its intended purpose. Any borrowing costs directly arising from the acquisition, construction or manufacture of a tangible asset fulfilling the preconditions are capitalised as part of the acquisition cost of the asset.

Any subsequent costs arising from additions to an asset, a partial replacement of an asset or maintenance of an asset are included in the book value of a tangible asset only if it is probable that future economic benefit associated with the asset will be to the Group's advantage and that the acquisition cost of the asset can be reliably determined. Service costs, in other words repair and maintenance costs, are recognised in profit or loss once they are realised.

Assets are depreciated by the straight-line method over their estimated useful life. Depreciation is not booked on land areas. Estimated useful lives are the following:

Buildings	20 to 40	years
Plant machinery and equipment	15 to 20	years
Recyclable packaging	5 to 20	years
Other tangible assets	5	years

The residual value and useful life of assets are reviewed upon each closing of the accounts and adjusted if necessary to reflect any changes in the expected economic benefit.

Depreciation on a tangible asset will be discontinued when the asset is classified as available for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Sales gains and losses arising from the decommissioning and transfer of tangible assets are included in other operating income or other operating expenses. Sales gain or loss is determined as the difference between sales price and residual acquisition cost.

Government grants

Public subsidies such as government grants associated with the acquisition of tangible assets are recognised as deductions in the book values of tangible assets when it is reasonably certain that the subsidies will be received and that the Group fulfils the preconditions for receiving such subsidies. The subsidies will be recognised as income through reduced depreciation over the useful life of the item.

Subsidies received as compensation for realised costs are recognised on the income statement at the same time as the associated costs are recognised as expenses. Such subsidies are presented in other operating income.

IFRS 16 LEASES

The Group as a lessee
Asset items acquired on lease agreements, excluding short-term and low-value leases, are recognised in the balance sheet at the fair value of the leased item in the beginning of the lease period or at a lower present value of minimum rents. Asset items acquired on lease agreements are depreciated over the useful life of the item or the lease period, whichever is shorter. Leasing rents payable are divided into financing cost and reduction of debt over the lease period so that the interest rate on the debt remaining in each accounting period is equal. As the discount rate, the Group primarily uses the internal rate of return in the lease or, if this cannot be determined, the incremental borrowing rate. Lease liabilities are included in interest-bearing financial liabilities on the balance sheet. The Group's lease agreements consist mostly of vehicles, leased production equipment and rental premises.

The lease term is the period of time during which the lease cannot be cancelled. Any options to extend or terminate a lease shall be accounted for if it is reasonably certain that the options will or will not be exercised. Leases valid until further notice in which the period of notice is no longer than 12 months are classified as short-term leases. Lease expenses under short-term leases are recognised through profit and loss in equal instalments.

The table below presents the effect of IFRS 16 Leases on Olvi Group's income statement from 1 January to 31 December 2020 and 1 January to 31 December 2019.

Leases on income statement

EUR 1,000	2020	2019
Depreciation on right-of-use assets	-1,402	-1,264
Interest expenses on leases	-114	-89
Expenses on short-term and low-value leases	-3,134	-3,141
Total on income statement	**-4,650**	**-4,494**

Outgoing cash flow from leases

EUR 1,000	2020	2019
Repayments of lease liabilities	-1,363	-1,336
Interest expenses on leases	-114	-89
Total on cash flow statement	**-1,477**	**-1,425**

The Group as a lessor
Items leased out by the Group in which a significant part of the risks and benefits characteristic of ownership have been transferred to the lessee are treated as finance lease agreements and recognised as receivables in the balance sheet. The receivable is recognised at present value. The financial income on a finance lease agreement is recognised as income during the lease period so that the remaining net investment will produce the same percentage of yield over the lease period. Assets leased out on agreements other than finance lease are included in tangible assets on the balance sheet. They are depreciated over their useful life just as similar tangible assets in own use. Lease income is recognised in the balance sheet as equal instalments over the lease period.

At the moment, the Group does not have any finance lease agreements as a lessor but all beverage distribution and cooling equipment leases are operating leases. Risk associated with assets leased out is managed through asset insurance policies. The leases are valid until further notice and as such can be terminated. The book value of assets leased out is 3.5 million euro (3.6 million in 2019). The amount of rental income received is not significant to the Group's overall business.

Changes in tangible assets in fiscal years 2019 and 2020

The following tables present changes in the Group's tangible assets in fiscal years 2019 and 2020.

EUR 1,000	Land and water properties	Buildings	Buildings, leasing	Machinery and equipment	Machinery and equipment, leasing	Other tangible assets	Other tangible assets, leasing	Advance payments and unfinished purchases	Total
Acquisition cost 1 Jan 2020	1,884	129,024	282	299,447	7,844	30,274	72	12,351	481,176
Additions	0	91	381	3,502	1,031	3,263	0	23,567	31,834
Deductions	0	-22	-6	-1,147	-705	-2,592	0	-60	-4,533
Transfers between items	0	6,320	502	20,583	-853	3,026	0	-30,144	-567
Exchange rate differences	0	-5,098	-33	-12,555	0	-1,033	0	-863	-19,582
Acquisition cost 31 Dec 2020	1,884	130,313	1,125	309,829	7,317	32,938	72	4,851	488,329
Accumulated depreciation and impairment 1 Jan 2020	0	60,812	130	193,183	4,496	13,783	72	0	272,475
Depreciation and impairment	0	3,654	153	15,316	1,249	2,164	0	0	22,536
Accumulated depreciation on deductions and transfers	0	-23	34	-2,280	-1,060	525	0	0	-2,804
Exchange rate differences	0	-1,149	-15	-6,172	0	-697	0	0	-8,033
Accumulated depreciation and impairment 31 Dec 2020	0	63,292	303	200,048	4,684	15,775	72	0	284,174
Book value 1 Jan 2020	1,884	68,212	152	106,264	3,347	16,491	0	12,351	208,701
Book value 31 Dec 2020	1,884	67,021	822	109,781	2,632	17,163	0	4,851	204,155

Other tangible assets consist mainly of packaging, vehicles, equipment included in equipment service, as well as office furniture.

EUR 1,000	Land and water properties	Buildings	Buildings, leasing	Machinery and equipment	Machinery and equipment, leasing	Other tangible assets	Other tangible assets, leasing	Advance payments and unfinished purchases	Total
Acquisition cost 1 Jan 2019	1,884	124,604	0	264,986	3,520	36,021	1,338	15,911	448,264
Effect of IFRS 16	0	0	278	0	663	0	0	0	941
Additions	0	177	-2	6,281	2,473	5,026	0	19,903	33,858
Deductions	0	0	0	-2,179	-21	-2,017	0	0	-4,217
Transfers between items	0	3,292	0	28,734	1,209	-9,481	-1,266	-23,635	-1,148
Exchange rate differences	0	951	6	1,624	0	726	0	171	3,478
Acquisition cost 31 Dec 2019	1,884	129,024	282	299,447	7,843	30,274	72	12,351	481,176
Accumulated depreciation and impairment 1 Jan 2019	0	57,034	0	174,019	2,317	18,021	1,274	0	252,665
Depreciation and impairment	0	3,707	130	14,856	1,134	1,812	0	0	21,639
Accumulated depreciation on deductions and transfers	0	-100	0	3,661	1,045	-6,482	-1,203	0	-3,078
Exchange rate differences	0	171	0	647	0	432	0	0	1,249
Accumulated depreciation and impairment 31 Dec 2019	0	60,812	130	193,183	4,496	13,783	72	0	272,475
Book value 1 Jan 2019	1,884	67,570	0	90,967	1,203	18,000	63	15,911	195,599
Book value 31 Dec 2019	1,884	68,212	152	106,264	3,347	16,491	0	12,351	208,701

Other tangible assets consist mainly of packaging, vehicles, equipment included in equipment service, as well as office furniture.

13. INTANGIBLE ASSETS

Accounting policies

Goodwill
Goodwill arising from business combinations is recognised at the amount to which the total of consideration given, the share of non-controlling interests in the acquired entity and any previous holding exceed the fair value of net assets acquired.

No regular amortisation is booked on goodwill but it is tested for impairment annually or, if necessary, more frequently. For this purpose, goodwill is allocated to cash generating units that correspond to the management's way of supervising the business and associated goodwill. In the Group, cash generating units correspond to operating segments reported to top management. Goodwill is recognised at original cost deducted by impairment.

Research and development costs
Research and development costs are recognised as expenses in the income statement. Development costs arising from the design of new or more advanced products are capitalised as intangible assets in the balance sheet starting from the time the product is technically feasible, it can be utilised commercially, and future economic benefit is expected from the product. As a result of corporate acquisitions in the accounting period from 1 January to 31 December 2018, Olvi Group has a total of 172 thousand euro of capitalised development costs on 31 December 2020.

Development costs previously recognised as expenses will not be subsequently capitalised. Amortisation is booked on an item starting from the time it is ready for use. An item that is not yet ready for use is tested annually for impairment.

Other intangible assets
An intangible asset item is recognised in the balance sheet only if its acquisition cost can be reliably determined and it is probable that the expected economic benefit from the item will be to the Group's advantage. Intangible assets with a limited useful life are booked in the balance sheet at original cost and recognised as expenses in the income statement by straight-line amortisation over their known or estimated useful life. No amortisation is booked on intangible assets with an unlimited useful life but they are tested annually for impairment.

The amortisation periods for intangible assets are the following:

Development costs	6	years
Trademarks	10	years
Computer software	5	years
Others	5	years

EUR 1,000	Goodwill	Intangible assets	Total
Acquisition cost 1 Jan 2020	31,217	37,138	68,355
Additions	0	1,509	1,509
Deductions	0	-346	-346
Transfers between items	0	196	196
Exchange rate differences	-556	-200	-756
Acquisition cost 31 Dec 2020	30,661	38,297	68,958
Accumulated depreciation and impairment 1 Jan 2020	4,857	26,540	31,397
Depreciation	0	2,325	2,325
Accumulated depreciation on deductions	0	-346	-346
Exchange rate differences	632	-147	485
Kertyneet poistot ja arvonalentumiset 31.12.2020	5 489	28 372	33 861
Book value 1 Jan 2020	26,360	10,598	36,958
Book value 31 Dec 2020	25,172	9,925	35,097

Intangible assets consist mainly of customer relationships, trademarks, computer software and leases on land areas.

EUR 1,000	Goodwill	Intangible assets	Total
Acquisition cost 1 Jan 2019	31,111	35,794	66,905
Additions	0	1,249	1,249
Deductions	0	-36	-36
Transfers between items	0	100	100
Exchange rate differences	106	31	137
Acquisition cost 31 Dec 2019	31,217	37,138	68,355
Accumulated depreciation and impairment 1 Jan 2019	4,977	24,312	29,289
Depreciation	0	2,209	2,209
Exchange rate differences	-120	19	-101
Accumulated depreciation and impairment 31 Dec 2019	4,857	26,540	31,397
Book value 1 Jan 2019	26,134	11,482	37,616
Book value 31 Dec 2019	26,360	10,598	36,958

14. IMPAIRMENT AND IMPAIRMENT TESTING OF GOODWILL

Accounting policies

Impairment

The balance sheet values of non-current tangible and intangible assets are assessed for impairment on the balance sheet date and every time there is evidence that the value of an asset may have been impaired. The impairment test estimates the amount recoverable from an asset. Recoverable amount equals to the fair value of an asset deducted by costs arising from its transfer, or value in use if this is higher.

An impairment loss is recognised in the income statement when the book value of an asset exceeds its recoverable amount. If an impairment loss is attributable to a cash generating unit, it is first allocated to reduce the goodwill attributable to the cash generating unit and then to reduce other asset items within the unit on a pro rata basis. An impairment loss will be reversed if there is a change in the circumstances and the amount recoverable from an asset has changed since the recognition of the impairment loss. However, any impairment loss reversal may not exceed the amount that would be the book value of the asset if the impairment loss was not recognised. Impairment losses recognised on goodwill are not to be reversed in any circumstances.

Impairment testing

The Group carries out annual impairment testing of goodwill as well as unfinished intangible and tangible assets, and any evidence of potential impairment is evaluated as presented above in the accounting policies. Recoverable amounts from cash generating units are determined through calculations based on value in use. The preparation of these calculations requires the use of estimates.

The crucial variables used for the calculation of value in use are budgeted sales volume, budgeted net sales and operating profit, as well as the WACC and growth percentage applied. Estimated sales and production volumes are based on existing fixed assets.

Goodwill allocated to the Estonian segment amounts to 8,146 thousand euro, to the Latvian segment 287 thousand euro, to the Lithuanian segment 2,241 thousand euro, to the Belarusian segment 3,423 thousand euro and to the Finnish segment 11,075 thousand euro. As of the beginning of 2020, the Finnish segment comprises one cash-generating unit instead of the previous three units.

The estimated future cash flows used for impairment testing are based on financial plans approved by Group management. The cash flow estimates are based on financial plans for the next four years. Cash flow estimates due later than four years are extrapolated using estimated growth rates that do not exceed the estimated long-term growth rates of the cash generating units. The growth rates applied to each segment were as follows: Estonia 2.0% (0.0%), Latvia 2.0% (2.0%), Lithuania 2.0% (3.0%), Belarus 2.0% (5.0%) and Finland 2.0% (2.0 to 3.0%). In the assessment of future cash flows, management has also compared previous financial plans with actual development.

The discount rate is weighted average cost of capital (WACC) before taxes: in Estonia 8.93 (8.61), in Latvia 9.07 (8.70), in Lithuania 9.55 (9.29), in Belarus 19.23 (19.45) and in Finland 8.82 (11.16 to 14.01) percent.

According to impairment testing, there is currently no need for recognition of impairment.

The Group applies a sensitivity analysis to all impairment tests. The sensitivity analysis estimates the maximum change in a single variable that would still allow the recoverable amount to equal the balance sheet value of the asset. The sensitivity percentages are on a good level and the safety margins are sufficient. The Board of Directors of Olvi plc is actively monitoring the development of the economic situation in the subsidiary countries and any effects this may have.

15. FINANCIAL ASSETS

Accounting policies

Classification of financial assets

The Group's financial assets are classified into the following groups: financial assets recognised at amortised cost (loans receivable and other non-current receivables), financial assets recognised at fair value through profit or loss (derivatives) and financial assets recognised at fair value through other comprehensive income (other investments). The classification is based on the purpose of acquiring the financial assets and carried out upon original acquisition. With regard to equity investments, the irrevocable option of recognising them at fair value through other comprehensive income has been exercised at the time of acquisition. Transaction costs are included in the original book value of financial assets. On the balance sheet, they are included in current or non-current assets according to their nature: in the latter group if the time to maturity is more than 12 months.

Financial assets are derecognised once the rights to the investment's cash flows have ceased or have been transferred to another party, and the Group has transferred any substantial risks and benefits of ownership.

EUR 1,000	Amortised cost	Fair value through profit or loss	Fair value through other comprehensive income	Level
31 Dec 2020				
Other investments			851	3
Loans receivable and other non-current receivables	1,786			
Accounts receivable and other current receivables	88,234			

EUR 1,000	Amortised cost	Fair value through profit or loss	Fair value through other comprehensive income	Level
31 Dec 2019				
Other investments			836	3
Loans receivable and other non-current receivables	967			
Accounts receivable and other current receivables	70,685			

Impairment of financial assets

On each balance sheet date, the Group estimates whether there is objective evidence that the value of a financial asset item or financial asset group may have been impaired. If there is evidence of potential impairment, the amount of loss is determined as the difference between the book value of the asset and its fair value or the present value of estimated future cash flows discounted at the original effective interest rate. Impairment is recognised through profit or loss in financial items or other operating income (impairment of accounts receivable).

15.1. OTHER INVESTMENTS

The Group's other investments consist mostly of unquoted equity holdings contributing to the Group company's operations, as well as shares in a housing corporation. Measurement at hierarchy level 3 has been determined on the basis of valuation by an external expert. Shares have been measured at fair value through other comprehensive income as these holdings do not belong to Olvi's core business. The error margin of valuation is +/- 2 percent.

EUR 1,000	2020	2019
Book value 1 January	**911**	**543**
Additions	15	0
Deductions	0	-1
Transfers between items	-60	0
Changes in fair value through other comprehensive income	0	369
Book value 31 December	**866**	**911**
Accumulated depreciation and impairment 1 Jan	**-75**	**0**
Accumulated depreciation on deductions and transfers	60	0
Impairment	0	-75
Accumulated depreciation and impairment 31 Dec	**-15**	**-75**
Book value 1 January	**836**	**543**
Book value 31 December	**851**	**836**

15.2. LOANS RECEIVABLE AND OTHER NON-CURRENT RECEIVABLES

The group of loans receivable and other non-current receivables includes the Group's loans receivable and other non-current receivables. Other non-current receivables consist mainly of security deposits and advances extended to customers. The book value of other non-current receivables is essentially equal to their fair value.

EUR 1,000	2020	2019
Loans receivable	433	77
Other non-current receivables	1,353	890
Total	**1,786**	**967**

15.3. ACCOUNTS RECEIVABLE AND OTHER INTEREST-FREE RECEIVABLES

EUR 1,000	2020	2019
Accounts receivable	79,167	59,880
Prepayments and accrued income	8,876	9,734
Other receivables	191	1,071
Total	**88,234**	**70,685**

The Group applies a simplified provision matrix to the recognition of credit risk on accounts receivable. 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. Receivables are grouped and the provision is assessed by country. At the time of closing the accounts, management shall assess information on consumer behaviour and the financial situation in different countries proactively and utilising various parameters. There are no significant credit risk concentrations associated with receivables.

On the balance sheet date, accounts receivable included a credit loss provision of 865 thousand euro (764 thousand euro in 2019). During the accounting period, the Group has recognised 126 thousand euro of credit losses on accounts receivable (368 thousand euro in 2019).

On each balance sheet date, the Group estimates whether there is objective evidence that the value of a financial asset item or financial asset group may have been impaired. Factors suggesting impairment of accounts receivable include the debtor's substantial financial difficulties, a threat of bankruptcy or a payment delay exceeding 60 days, however taking into account the general payment patterns in each country.

Essential items included in prepayments and accrued income are associated with the accruals of rents and the costs of marketing and sales, insurance and administration.

The following table presents the maturity distribution of accounts receivable and the credit loss provision in 2019 and 2020:

EUR 1,000	2020		
	Gross accounts receivable	**Provision**	**Net accounts receivable**
Not due	74,143	74	74,069
Overdue			
Less than 30 days	4,413	82	4,331
31 to 60 days	467	23	444
61 to 90 days	84	14	70
91 to 120 days	19	12	7
More than 120 days	906	660	246
Total	**80,032**	**865**	**79,167**

EUR 1,000	2019		
	Gross accounts receivable	**Provision**	**Net accounts receivable**
Not due	48,193	11	48,182
Overdue			
Less than 30 days	10,440	47	10,393
31 to 60 days	512	23	489
61 to 90 days	126	13	113
91 to 120 days	193	52	141
More than 120 days	1,180	618	562
Total	**60,644**	**764**	**59,881**

The following table presents the distribution of accounts receivable by currency:

EUR/other 1,000	2020		2019	
	other	**EUR**	**other**	**EUR**
EUR	70,170	70,170	47,731	47,734
BYN	30,638	9,671	30,368	12,910
RUB	17,438	191	0	0

16. INVENTORIES

Accounting policies

Inventories are recognised at acquisition cost or a lower probable net realisable value. The acquisition cost of raw materials and supplies is determined by the weighted average method. The acquisition cost of finished and unfinished products is based on actual costs and manufacturing volumes and comprises raw materials, direct expenses due to work performed, other direct expenses, as well as a proportion of the variable and fixed overheads of manufacturing. Net realisable value refers to estimated sales price available through normal business operations, deducted by estimated costs of finishing the product and costs of sale.

EUR 1,000	2020	2019
Materials and supplies	20,535	20,858
Unfinished products	3,100	3,122
Finished products/goods	17,003	16,566
Other inventories	1,640	2,510
Total	**42,278**	**43,056**

Non-marketability deductions on inventories have been booked for 1,359 thousand euro in 2020 (2,137 thousand euro in 2019).

17. DEFERRED TAX RECEIVABLES AND LIABILITIES

Accounting policies

Deferred taxes are calculated on temporary differences between book value and tax base. However, a deferred tax liability shall not be booked on the original recognition of goodwill, or if this arises from the original recognition of an asset or liability item when the case does not concern a business combination and the transaction does not affect the accounted earnings or taxable income at the time of its realisation.

Deferred taxes are recognised for investments in subsidiaries, associates and joint ventures unless the Group is able to determine the time when a temporary difference will be reversed, and when the temporary difference will probably not be reversed in the foreseeable future.

Within the Group, the most substantial temporary differences arise from depreciation on tangible assets, arrangements settled in equity instruments, planned profit distribution and the share-based incentive plan.

Deferred taxes are calculated at tax rates enacted or practically approved by the balance sheet date, which are expected to be applicable when the deferred tax receivable is realised or the deferred tax liability is paid.

The amount of deferred tax receivables and the probability of utilisation are assessed at every closing of the accounts. Deferred tax receivables on confirmed losses are recognised up to the probable amount of taxable income in the future against which the temporary difference can be utilised. The Group companies have a total of 2,041 thousand euro of unused tax-deductible losses which will expire between 2024 and 2030. Deferred tax on tax-deductible losses has been recognised until tax year 2020 to the probable amount of taxable income in the future.

Deferred tax receivables and liabilities are presented in the balance sheet as separate items under non-current assets or liabilities. The Group will offset deferred tax receivables and liabilities only in the case that the Group has a legally enforceable right to offset the tax receivables and liabilities based on taxable income for the period, and the deferred tax receivables and liabilities are associated with income taxes collected by the same tax authority either from the same taxpayer or another taxpayer who are either planning to offset the tax receivables and liabilities based on taxable income for the period, or to realise the receivable and pay the liabilities simultaneously in each future period during which a substantial amount of deferred tax liabilities is expected to be paid or a substantial amount of deferred tax receivables is expected to be utilised.

The following table presents changes in deferred tax receivables during fiscal year 2020:

EUR 1,000	31 Dec 2019	Recognised through profit and loss	Recognised in equity	Exchange rate differences	31 Dec 2020
Derivatives at fair value	22	-21	0	0	1
Internal margins	105	-11	138	-11	221
Share-based incentives	177	230	0	0	407
Confirmed losses	162	60	0	0	222
Other items	9	226	0	0	235
Total	**475**	**484**	**138**	**-11**	**1,086**

No substantial factors of uncertainty are associated with deferred tax receivables.

The following table presents changes in deferred tax liabilities during fiscal year 2020:

EUR 1,000	31 Dec 2019	Recognised through profit and loss	Recognised in equity	Exchange rate differences	31 Dec 2020
Fixed assets	7,772	670	0	-24	8,418
Profit distribution	0	2,605	0	0	2,605
Other items	87	-3	0	0	84
Total	**7,859**	**3,272**	**0**	**-24**	**11,107**

A deferred tax liability of 2,605 thousand euro for the planned profit distribution of AS A. Le Coq has been recognised in the 2020 financial statements. No deferred tax liability has been recognised on the undistrib-uted earnings of AS A. Le Coq and A/S Cēsu Alus, 79,268 thousand euro in 2020, as the parent company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. If deferred tax was recognised on undistributed earnings, its effect would be 19,817 thousand euro.

The following tables present changes in deferred tax receivables and liabilities during fiscal year 2019:

EUR 1,000	**31 Dec 2018**	**Recognised through profit and loss**	**Recognised in equity**	**Exchange rate differences**	**31 Dec 2019**
Derivatives at fair value	47	-25	0	0	22
Internal margins	115	-10	0	0	105
Share-based incentives	225	-48	0	0	177
Confirmed losses	162	0	0	0	162
Other items	9	0	0	0	9
Total	**558**	**-83**	**0**	**0**	**475**

EUR 1,000	**31 Dec 2018**	**Recognised through profit and loss**	**Acquisitions of subsidiaries**	**Exchange rate differences**	**31 Dec 2019**
Fixed assets	7,455	328	0	-11	7,772
Exchange rate differences	624	0	0	-624	0
Other items	7	6	74	0	87
Total	**8,086**	**334**	**74**	**-635**	**7,859**

18. LIQUID ASSETS

Accounting policies

Liquid assets comprise cash, bank deposits withdrawable on demand, as well as other short-term very liquid investments. Items classified as liquid assets have a maturity of no more than three months calculated from the date of acquisition. Any amount withdrawn from account overdraft facilities is presented in other current liabilities.

EUR 1,000	2020	2019
Cash and bank accounts	45,096	33,832
Total	**45,096**	**33,832**

19. NOTES CONCERNING SHAREHOLDERS' EQUITY

Accounting policies

The Group classifies the financial instruments it has issued either as shareholders' equity or liabilities (financial liabilities). An equity instrument is any contract that presents a right to a share of an entity's assets after deduction of all of the entity's debts.

Outstanding Series K and Series A shares are presented as share capital. Any transaction costs immediately arising from the issuance of new shares or options, after being adjusted for tax effects, are presented in shareholders' equity as a deduction of payments received.

If the Group acquires the company's own shares, the consideration paid and the immediate costs of acquisition are deducted from shareholders' equity until the shares are annulled or re-released to circulation. The value date for acquisition of treasury shares is the actual trading date.

If the shares are re-released, the consideration received less immediate transaction costs is included in shareholders' equity.

Number of shares

The following table specifies changes in the numbers of shares outstanding and corresponding changes in shareholders' equity:

EUR 1,000	Number of K shares	Number of A shares	Share capital EUR	Other reserves EUR	Treasury shares EUR	Total EUR
31 December 2019	3,732,256	16,978,427	20,759	1,387	-503	21,643
Acquisition of treasury shares		-27,011			-1,299	-1,299
31 December 2020	3,732,256	16,951,416	20,759	1,387	-1,802	20,344

The maximum number of shares is 6.0 million K shares and 24.0 million A shares (6.0 million K shares and 24.0 million A shares in 2019). The minimum number of K shares is 1.5 million. The Group's maximum share capital is 60.0 million euro (60.0 million euro in 2019) and the minimum share capital is 15.0 (15.0) million euro. All issued shares have been paid in full.

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

Descriptions of equity reserves

Share premium account
The share premium account comprises any subscription price in excess of the par value of shares upon share issues. The share no longer has a par value.

Legal reserve
The legal reserve originates from reserve transfers made due to an obligation formerly included in the Articles of Association.

Fair value reserve
The fair value reserve includes changes in the fair value of other investments.

Translation differences
The Translation differences reserve includes translation differences arising from the conversion of the financial statements of foreign subsidiaries.

Treasury shares
On 8 April 2020, 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 the company's own shares using distributable funds. The authorisation is valid for one year starting from the General Meeting and covers a maximum of 500,000 Series A shares. The Annual General Meeting also decided at the same time 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.

On 26 October 2020 the Board of Directors of Olvi plc decided to launch a repurchase scheme and acquire a maximum of 35,550 of the company's 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 5 November 2020 and ended on 15 January 2021. At the start of the repurchase scheme, Olvi held 11,549 Series A shares as treasury shares and their acquisition price was 502,956.28 euro. During the accounting period from 1 January to 31 December 2020, Olvi plc acquired a total of 27,011 more treasury shares at an acquisition price of 1,299,510.77 euro.

On the date of closing the accounts, 31 December 2020, the total number of Series A shares held by the company as treasury shares was 38,560 and the total acquisition price was 1,802,467.05 euro. Series A shares held by Olvi plc as treasury shares represent 0.19 percent of all shares and 0.04 percent of the aggregate number of votes. The treasury shares represent 0.23 percent of all Series A shares and associated votes. Treasury shares held by the company are ineligible for voting.

Payment of dividends

The dividend proposed by the Board of Directors to the General Meeting of Shareholders has not been recognised in these financial statements. Dividends will only be recognised on the basis of the General Meeting's decision.

After the balance sheet date, the Board of Directors has proposed a dividend of 1.10 euro per share for both Series K and Series A shares for 2020, totalling 22.8 million euro. Dividend for 2019 was paid at 1.00 euro per share, totalling 20.7 million euro. The dividend was paid on 8 May 2020 and 8 September 2020.

20. SHARE-BASED PAYMENTS

Olvi Group has a valid share-based incentive plan for key personnel, the performance period of which is from 1 February 2019 to 31 January 2021. The plan is directed to approximately 60 people. 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 prerequisite for receiving reward is that a key employee purchases the company's Series A shares up to the maximum number determined by the Board of Directors and that employment or service continues upon reward payment. Rewards will be paid partly in the company's Series A shares and partly in cash in 2021. The cash proportion is intended to cover taxes and tax-related costs arising from the rewards to the key employees. In 2020, costs associated with the plan were recognised for a total of 1,559.8 thousand euro. The balance sheet includes 1,645.0 thousand euro of current non-interest-bearing liabilities arising from the plan, along with 1,124.8 thousand euro in shareholders' equity. Olvi Group does not have any other share-based plans or option plans.

Accounting policies for share-based payments are presented in Note 4, Costs of employee benefits.

21. FINANCIAL LIABILITIES

Accounting policies

Financial liabilities are initially recognised at fair value including transaction costs. They are subsequently measured at original amortised cost using the effective interest method. A financial liability is derecognised once the liability or a part thereof has ceased to exist – in other words, once the obligation specified in the contract has been fulfilled or annulled or it has ceased to be valid. Financial liabilities are divided into non-current and current liabilities on the basis of the period of realisation. Financial liabilities are classified as current unless the Group has an unconditional right to postpone repayment for at least 12 months after the end of the reporting period.

The Group's financial liabilities on 31 December 2020 consist mostly of lease liabilities and a minor amount of other financial liabilities. The fair values of financial liabilities correspond to their book values.

EUR 1,000	2020	2019
Non-current interest-bearing liabilities		
Loans from financial institutions	228	316
Lease liabilities	2,059	2,006
Derivative liabilities	0	0
Other liabilities	16	16
Total	**2,303**	**2,337**
Current interest-bearing liabilities		
Loans from financial institutions	219	182
Lease liabilities	1,114	1,144
Other liabilities	0	0
Total	**1,333**	**1,325**

Maturities of financial liabilities

2020 EUR 1,000	Less than 1 year	1 to 5 years	More than 5 years
Loans from financial institutions	219	228	
Lease liabilities	1,114	1,712	347
Other liabilities		16	
Total	**1,333**	**1,956**	**347**

2019 EUR 1,000	Less than 1 year	1 to 5 years	More than 5 years
Loans from financial institutions	182	316	
Lease liabilities	1,144	1,630	375
Other liabilities		16	
Total	**1,325**	**1,962**	**375**

Reconciliation of financial liabilities

		Cash Flow		
EUR 1,000	**1.1.2020**	**Withdrawals/repayments**	**Increase in lease liabilities**	**31.12.2020**
Loans from financial institutions	498	-51		447
Lease liabilities	3,150	-1,362	1,385	3,173
Other liabilities	16			16
Total	**3,664**	**-1,413**	**1,385**	**3,636**

		Cash Flow		
EUR 1,000	**1.1.2019**	**Withdrawals/repayments**	**Increase in lease liabilities**	**31.12.2019**
Loans from financial institutions	3,240	-2,742		498
Lease liabilities	2,008	-1,336	2,478	3,150
Other liabilities	413	-397		16
Total	**5,661**	**-4,475**	**2,478**	**3,664**

Derivative contracts and hedge accounting

Olvi Group's derivative contracts are treated as assets held for trading because the Group does not apply hedge accounting in accordance with the IFRS regulations. Derivatives held for trading are interest rate and raw material contracts recognised at fair value through profit or loss. The fair value of these contracts is recognised in other current assets or liabilities. Both realised and unrealised gains and losses arising from changes in fair value are recognised in materials and services as well as financial items within the income statement for the accounting period during which they arise. Olvi Group has no derivative contracts valid on the balance sheet date 31 December 2020.

22. MANAGEMENT OF FINANCING RISKS

The Group is exposed to financing risks in its normal course of business: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The objective of financing risk management is to minimise the adverse effects of changes in the financial markets on the Group's financial performance, shareholders' equity and liquidity. The general principles of the Group's risk management are approved by the Board of Directors of the parent company, and the parent company's management together with the management of subsidiaries is responsible for their practical implementation. Responsibility for Olvi Group's financing tasks is centralised in the parent company Olvi plc. The objectives of centralisation include optimisation of cash flows and financing costs, as well as efficient risk management.

I Market risk

I 1. Foreign exchange risk

Olvi Group operates internationally, and its business involves risks arising from exchange rate fluctuations. Foreign exchange risks arise from commercial transactions, in other words cash flows from purchases and sales, as well as investments in foreign subsidiaries, internal loan receivables and the conversion of the subsidiary's financial statements into euro.

The Group's most significant foreign exchange risk arises from the operations in Belarus. 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, internal financing and the conversion of the subsidiary's income statement and balance sheet items into euro. The Belarusian currency has fluctuated substantially in recent years and will continue to carry a risk of devaluation in the future, and if realised, this would result in a decline in Olvi Group's operating profit, net profit and shareholders' equity denominated in euro.

With regard to the net investment in the Belarusian subsidiary, the Group is exposed to balance sheet conversion risk. The translation position (BYN) on 31 December 2020 was 49.2 million euro (57.7 million in 2019). An exchange rate change of +/- 10 percent would impact consolidated profit for the period by +0.8/-0.7 million euro and consolidated shareholders' equity by approximately +5.5/-4.5 million euro. Intra-Group receivables and liabilities that constitute a part of the net investment made in a foreign operation have been taken into account in the sensitivity analysis.

The Group's other foreign exchange risks can be considered minor. The functional and reporting currency of the Group's other foreign subsidiaries is the euro. The Group has a minor amount of purchases and sales in other currencies. Due to the nature of the business, the time between order and delivery is short, which results in minor operations-related foreign exchange risk. Foreign exchange risk is also reduced by the fact that most of the Group's product sales and purchases of raw materials are denominated in euro. Consolidated financial income and expenses include 8 thousand euro of exchange rate gains (1,022 thousand euro in 2019) and 2,066 thousand euro of exchange rate losses (21 thousand euro in 2019).

Olvi Group regularly assesses the exchange rate risks related to operations and financing. Exchange rates can be hedged if this is considered reasonable. Foreign currency accounts receivable and payable are presented in Notes 15.3, Accounts receivable and other interest-free receivables and 23, Accounts payable and other interest-free liabilities.

I 2. Interest rate risk

The Group's interest rate risk arises from interest-bearing financial liabilities and associated interest expenses. Most of the Group's income and operational cash flows are independent of market interest rate fluctuations.

The Group may use interest rate swaps to reduce interest rate risk. The Group aims to optimise financing costs through operational measures and to manage interest rate risk using available means. The Group has no interest rate swaps valid on the balance sheet date 31 December 2020. The Group's loans from financial institutions fell due mostly in 2019 and its interest-bearing liabilities on 31 December 2020 consist mostly of lease liabilities. The amount of lease liabilities on 31 December 2020 was 3.1 million euro (2.0 million euro in 2019). At the current level of loans, changes in the interest rate level do not have any essential effect on consolidated net profit before tax.

The maturity distribution of financial liabilities is presented in Note 21, Financial liabilities.

II Credit risk

The Group's credit risk arises from wholesale and HoReCa (hotel, restaurant, catering) customers with outstanding accounts receivable.

The creditworthiness of the Group's customers is reviewed regularly and always when entering into agreements with new customers. The Group only extends credit to businesses with flawless credit ratings. Furthermore, the Group aims to control credit risks through efficient collection of receivables. The amount of customer-specific accounts receivable is monitored regularly, and the customer's creditworthiness is re-assessed if necessary.

On each balance sheet date, the Group estimates whether there is objective evidence that the value of a financial asset item or financial asset group may have been impaired. Factors suggesting impairment of accounts receivable include the debtor's substantial financial difficulties, a threat of bankruptcy or a payment delay exceeding 60 days, however taking into account the general payment patterns in each country.

The Group applies a simplified provision matrix for the recognition of credit risk on accounts payable. 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. Receivables are grouped and the provision is assessed by country. At the time of closing the accounts, management shall assess information on consumer behaviour and the financial situation in different countries proactively and utilising various parameters.

No increases can be seen in overdue receivables or credit losses even though the corona pandemic has imposed challenges particularly on customers in the restaurant business. The Group does not have any significant concentrations of credit risk on receivables because its accounts receivable are distributed across a variety of customers and geographical regions. The two largest customers account for 28.2 percent (24.6 in 2019) of the Group's total sales. The amount of final credit losses recognised in 2020 was 126 thousand euro (368 thousand euro in 2019). On the balance sheet date, accounts receivable included a credit loss provision of 865 thousand euro (764 thousand euro in 2019). The credit risk on other non-current receivables is estimated to be low.

The maturity distribution of accounts receivable and the credit loss provision is presented in Note 15.3, Accounts receivable and other interest-free receivables.

III Liquidity risk

Olvi Group's parent company and subsidiaries prepare monthly rolling cash flow estimates that the Group uses for assessing the amount of financing required for business operations in order to maintain sufficient liquid assets to fund everyday operations and investments, as well as to repay any loans falling due.

The Group aims to secure the availability and flexibility of funding by centralising the management of the Group's liquid assets with the parent company. The Group uses several banks and several forms of financing. The Group aims to secure the availability and flexibility of funding with an account overdraft facility and credit limits.

On the date of closing the accounts, the Group had an account overdraft facility totalling 20 million euro, which was completely unused on 31 December 2020. The Group also has 5 million euro of unbinding credit limits, of which 934.1 thousand euro was in use on 31 December 2020. Some of the facilities are valid until further notice, while some are renewed annually. Investments related to cash management are made in liquid money market instruments having a fundamentally low risk.

The parent company Olvi plc has access to a 50 million euro commercial paper programme in order to secure short-term liquidity needs quickly and cost-efficiently. At the time of closing the accounts, Olvi plc did not have any short-term loans withdrawn under the commercial paper programme. In order to secure short-term liquidity, operating capital is monitored regularly, and the aim is to reduce the amount of money tied in operating capital. Key factors include monitoring the turnover rate of receivables and improving the efficiency of credit control.

The Group had 45,096 thousand euro of liquid assets on 31 December 2020 (33,832 thousand euro in 2019). The Group's liquidity on the balance sheet date was good. The current ratio on 31 December 2020 was 1.3 (1.3 in 2019).

Note 21, Financial liabilities, presents the maturity distribution of financial liabilities.

IV Capital risk management

Olvi Group's long-term objective is to generate the highest possible added value on invested capital, however taking into account the expectations imposed on the Group by various parties and the company's development in the long term. The main principle of capital management is to maintain Olvi Group's strong financial position and to ensure that the Group's financing needs can be fulfilled cost-efficiently also under critical financial market conditions. Another objective is to maintain an optimal capital structure in order to manage and reduce the cost of capital.

In order to maintain or change its capital structure, the Group may change the amount of dividends paid to shareholders, repay capital to shareholders, issue new shares, acquire treasury shares and annul them, or sell its assets to reduce debt.

Capital is monitored through the equity to total assets ratio and the gearing ratio. Olvi Group's equity to total assets ratio in 2020 stood at 63.8 (66.9) percent and the gearing ratio was -15.5 (-11.6) percent

23. ACCOUNTS PAYABLE AND OTHER INTEREST-FREE LIABILITIES

EUR 1,000	2020	2019
Non-current		
Advances received	141	137
Accrued expenses	0	516
Other liabilities	4,332	4,124
Total	**4,473**	**4,777**
Current		
Accounts payable	54,138	49,942
Accrued expenses	23,680	19,593
Other liabilities	54,704	47,567
Total	**132,522**	**117,100**

Other non-current liabilities mostly consist of additional sales price liabilities associated with corporate acquisitions. The additional sales price liabilities have been measured by discounting estimated future cash flows of the acquisitions to the present.

Essential items included in accrued expenses are associated with subsequent remuneration and salary obligations, as well as the obligation to redeem recyclable packaging from customers. Other liabilities include, among other things, accruals related to indirect taxes. Accounts payable and other liabilities fall due within 12 months, and their fair values correspond to the book values.

The following table presents the distribution of accounts payable by currency:

EUR/other 1,000	2020		2019	
	other	EUR	other	EUR
EUR	49,148	49,148	45,869	45,869
USD	590	481	121	107
BYN	12,831	4,050	7,865	3,358
GBP	21	24	3	4
RUB	36,151	395	41,484	593
CHF	44	40	11	10

24. PROVISIONS, COLLATERAL AND CONTINGENT LIABILITIES

Accounting policies

A provision is recognised in the balance sheet when the Group has a legal or factual obligation based on a previous event, it is probable that the fulfilment of the obligation requires payment or causes a financial loss, and the amount of the obligation can be reliably estimated. If there is a possibility to receive compensation for part of the obligation from a third party, the compensation is recognised as a separate asset item but this is only done once the possibility of receiving compensation is practically certain. Provisions are measured at the present value of the costs required to cover the obligation.

A provision is recognised for onerous contracts if the costs necessary for fulfilling the obligations exceed the benefits available from the contract. A provision for environmental obligations is recognised when the Group has an obligation based on environmental legislation and the Group's environmental responsibility policy that is associated with the decommissioning of a production facility, remedy of environmental damage or transfer of equipment to another location. On the balance sheet date, the Group does not have any provisions recognised under IAS 37.

A conditional debt is a potential obligation arising from earlier events, the existence of which will only become certain once an uncertain event outside the Group's scope of control is realised. Existing obligations that will probably not require fulfilment of a payment obligation or whose amount cannot be reliably determined are also considered conditional debts. Conditional debts are presented in the notes.

Conditional debts and other debts

Olvi Group has a conditional debt under IAS 37 concerning recycling fees in the Lithuanian unit. This refers to a disputed claim sent to almost 1,800 companies demanding duplicate payment of environmental fees for 2013– 2015. The Group estimates that the potential amount of the obligation is in the order of 1 to 2 million euro but regards its realisation improbable within the next few years.

Conditional additional sales price and redemption liabilities associated with the acquisitions in fiscal year 2018 have been recognised under non-current and current liabilities on Olvi Group's balance sheet. The total amount of the additional sales price and redemption liabilities on the balance sheet is 4.6 million euro (4.4 million euro in 2019), of which 4.3 million is non-current liabilities and 0.3 million current liabilities. Due to updated predictions, the additional sales price and redemption liabilities have increased by 0.4 million euro in the accounting period, and this is presented in other financial expenses on the cash flow statement. Servaali Oy accounts for 3.7 million euro of the liabilities (3.3 million euro in 2019), and Helsinki Distilling Company Ltd for 0.9 million euro (1.1 million euro in 2019). The applicable incremental borrowing rate is 1.0 percent. Servaali Oy's share of the liability will be realised in 2021 for the additional sales price and in 2024 for the redemption liability. Helsinki Distilling Company's share will be realised in 2024. The amounts of liabilities and conditional consideration recognised are based on estimates by Olvi Group's management regarding the future outlook and business development of the companies. Estimated future cash flows have been discounted to the present.

Off-balance sheet liabilities

EUR 1,000	2020	2019
Minimum rents payable on the basis of other non-cancellable leases:		
Due within one year	788	804
Within more than one but less than five years	398	306
Total	**1,186**	**1,110**

EUR 1,000	2020	2019
Pledges and contingent liabilities		
For own commitments	1,938	1,938
Other liabilities	60	60

25. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

	Group's holding (%)	Share of voting rights (%)
Parent company Olvi plc, Iisalmi, Finland		
AS A. Le Coq, Tartu, Estonia	100.00	100.00
AS Karme, Karksi vald, Estonia	49.00	49.00
Verska Mineraalvee OÜ, Värska vald, Estonia	20.00	20.00
A/S Cēsu Alus, Cēsis, Latvia	99.88	99.88
AB Volfas Engelman, Kaunas, Lithuania	99.67	99.67
UAB Uniqa, Lithuania	99.67	99.67
OAO Lidskoe Pivo, Lida, Belarus	96.36	96.36
Trade House Lidskoe Pivo, Belarus	96.36	96.36
Servaali Oy, Helsinki, Finland	80.00	80.00
Servaali Sweden AB, Stockholm, Sweden	80.00	80.00
Helsingin tislaamo Oy / Helsinki Distilling Company Ltd, Helsinki, Finland	78.00	78.00
Helsingin tislaamoravintola Oy, Helsinki, Finland	78.00	78.00
Arctic Silence Oy, Finland	50.00	50.00

Helsinki Distilling Company Ltd and Helsingin tislaamoravintola Oy are consolidated on a 100 percent basis even though the actual share of holding is 78 percent. The share in Arctic Silence Oy is treated as a joint venture as the operators have joint control over the company.

Information on the Group's associated companies and joint ventures, their aggregate assets, liabilities, net sales and profit/loss:

EUR 1,000	2020	2019
AS Karme, Karksi vald, Estonia		
Assets	84	80
Liabilities	13	10
Net sales	71	52
Profit/loss for the period	50	22
Verska Mineraalvee OÜ, Värska vald, Estonia		
Assets	1,172	1,150
Liabilities	393	382
Net sales	1,123	887
Profit/loss for the period	12	10
Arctic Silence Oy, Finland		
Assets	100	100
Liabilities	0	0
Net sales	0	0
Profit/loss for the period	0	0

Olvi Group engages in sales and manufacturing co-operation with the associated companies and joint ventures.

Investments in associates and joint ventures

Shares in entities consolidated using the equity method	2020	2019
Acquisition cost 1 Jan	1,016	1,016
Additions	0	50
Share of profit from entities consolidated using the equity method	2	13
Dividends received	-24	-63
Acquisition cost 31 Dec	994	1,016
Book value 1 January	1,016	1,016
Book value 31 December	994	1,016

26. RELATED PARTY TRANSACTIONS

The Group's related parties include its subsidiaries, associates and joint ventures, as well as key manage-ment persons including the Board of Directors, the Managing Director and members of the Management Group, including their immediate family and business interests.

Related party transactions and related party receivables and liabilities

Transactions with associated companies, as well as receivables from and liabilities to related parties in fis-cal years 2019 and 2020 are as follows:

EUR 1,000	2020	2019
Sales	368	160
Purchases	922	600
Receivables	156	180
Liabilities	94	65

Transactions with associated companies constitute part of normal business and have been carried out at market terms. Associated companies are presented in more detail in Note 25, Subsidiaries, associates and joint ventures.

Employee benefits to management

Wages, salaries and emoluments to management in fiscal years 2019 and 2020 are as follows:

EUR 1,000	2020	2019
Managing Director		
Salaries and other short-term employee benefits	550	766
Share-based payments	0	0
Pension commitments, statutory pension cover	89	130
Total	**639**	**896**
Salaries and performance bonuses paid to other Management Group members		
Salary in money	698	688
Performance bonuses	258	220
Fringe benefits	14	16
Total	**970**	**924**

Compensation paid to members of the Board of Directors for Board duties in fiscal years 2019 and 2020:

EUR 1,000	2020	2019
Hakkarainen Pentti	74	71
Hortling Nora	40	39
Heinonen Lasse	33	34
Markula Elisa	32	32
Paltola Päivi	34	34
Sirviö Heikki	33	32
Total	**246**	**242**

No loans have been granted to management.

27. EVENTS AFTER THE CLOSING DATE OF THE REPORTING PERIOD

There are no events after the closing date of the reporting period.

OLVI PLC

PARENT COMPANY'S INCOME STATEMENT (FAS)

EUR 1,000	Note	2020	%	2019	%
NET SALES	1	156,809	100.0	144,838	100.0
Increase (+)/decrease (-) in inventories of finished and unfinished products		-578	-0.4	1,288	0.9
Other operating income	2	2,582	1.6	3,067	2.1
Materials and services	3	75,036	47.9	68,825	47.5
Personnel expenses	4	21,328	13.6	20,911	14.4
Depreciation and impairment	8	9,304	5.9	8,586	5.9
Other operating expenses	9	30,365	19.4	31,975	22.1
OPERATING PROFIT		22,780	14.5	18,897	13.0
Financial income and expenses	10	16,979	10.8	25,118	17.3
PROFIT BEFORE APPROPRIATIONS AND TAXES		39,759	25.4	44,015	30.4
Appropriations	11	-5,286	-3.4	-2,415	-1.7
Income taxes	12	-3,650	-2.3	-3,857	-2.7
NET PROFIT FOR THE PERIOD		30,823	19.7	37,743	26.1

PARENT COMPANY'S BALANCE SHEET (FAS)

EUR 1,000	Note	2020	%	2019	%
ASSETS					
FIXED ASSETS					
Intangible assets	13	2,883		2,858	
Tangible assets	13	88,133		84,017	
Shares in Group companies	14	86,012		86,012	
Other investments	14	458		458	
TOTAL FIXED ASSETS		177,486	62.4	173,346	65.3
CURRENT ASSETS					
Inventories	16	7,855		8,056	
Non-current receivables	17	28,105		40,305	
Current receivables	17	40,984		18,469	
Cash in hand and at bank		29,922		25,411	
TOTAL CURRENT ASSETS		106,866	37.6	92,241	34.7
TOTAL ASSETS		284,352	100.0	265,586	100.0

EUR 1,000	Note	2020	%	2019	%
ASSETS					
SHAREHOLDERS' EQUITY					
Share capital		20,759		20,759	
Share premium account		857		857	
Legal reserve		127		127	
Retained earnings		67,374		51,641	
Net profit for the period		30,823		37,743	
TOTAL SHAREHOLDERS' EQUITY	18	119,940	42.2	111,127	41.8
ACCUMULATED APPROPRIATIONS	19	36,563	12.9	31,277	11.8
LIABILITIES					
Non-current liabilities		33,460		38,952	
Current liabilities		94,389		84,230	
TOTAL LIABILITIES	20	127,849	45.0	123,182	46.4
TOTAL EQUITY AND LIABILITIES		284,352	100.0	265,586	100.0

PARENT COMPANY'S CASH FLOW STATEMENT (FAS)

EUR 1,000	Note	2020	2019
Cash flow from operations			
Net profit for the period		30,823	37,743
Adjustments:			
Depreciation according to plan and impairment	8	9,304	8,586
Financial income and expenses	10	-16,942	-25,060
Other adjustments		8,929	6,352
Cash flow before change in working capital		32,114	27,620
Change in net working capital:			
Increase (-) / decrease (+) in current interest-free accounts receivable and other receivables		-23,250	1,031
Increase (-) / decrease (+) in inventories		201	-893
Increase (+) / decrease (-) in current interest-free liabilities		11,290	2,554
Interest paid		-191	-303
Interest received		1,166	1,316
Dividends received		17,313	19,300
Taxes paid		-3,661	-3,784
Cash flow from operations (A)		**34,981**	**46,843**
Cash flow from investments			
Investments in tangible and intangible assets		-13,861	-13,992
Capital gains on disposal of tangible and intangible assets		86	114
Expenditure on other investments		0	-200
Cash flow from investments (B)		**-13,775**	**-14,078**

EUR 1,000	Note	2020	2019
Cash flow from financing			
Withdrawals of loans		15,440	2,322
Repayments of loans		-22,440	-5,072
Dividends paid		-20,710	-18,639
Acquisition (-)/sale (+) of treasury shares		-1,300	454
Increase (-)/decrease (+) in non-current loan receivables		12,315	5,180
Cash flow from financing (C)		**-16,694**	**-15,755**
Increase (+)/decrease (-) in liquid assets (A+B+C)		**4,511**	**17,010**
Liquid assets 1 January		**25,411**	**8,401**
Liquid assets 31 December		**29,922**	**25,411**
Change in liquid assets		**4,511**	**17,010**

PARENT COMPANY'S ACCOUNTING POLICIES

Olvi plc's accounting period extends from 1 January to 31 December. The financial statements have been prepared in accordance with the Finnish Accounting Standards (FAS).

Fixed assets
Intangible and tangible assets have been recognised on the balance sheet at their direct acquisition cost deducted by accumulated depreciation according to plan. Depreciation according to plan has been calculated on a straight-line basis over the expected economic life of the asset item concerned.

Depreciation periods according to plan

Development costs	6	years
Trademarks	10	years
Other intangible fixed assets	5	years
Buildings	30	years
Underground shelter	30	years
Plant machinery and equipment	15	years
Tanks and containers	20	years
Recyclable packaging	5 to 20	years
Wastewater basin, tarpaulin hall	10	years
Other fixed assets	5	years

Inventories
Inventories have been valued in accordance with the FIFO principle at acquisition cost or, if lower, at probable net realisable value. The acquisition cost of raw materials and supplies is determined by the weighted average method. The value of finished and unfinished products includes variable costs and the appropriate proportion of the overheads of acquisition and manufacturing.

Research and development costs
Research and development costs are recognised as expenses in the income statement.

Personnel expenses
Pension cover for personnel has been arranged through a statutory TyEL (EPA) insurance policy with an external pension insurance company. Pension insurance contributions have been allocated to match the salaries booked on an accrual basis in the annual accounts. In fiscal year 2019 the costs of the share-based incentive plan have no longer been recognised as the company's expenses for the accounting period but from now on, the effect of the share-based incentive plan will be recognised as a reduction in retained earnings on the date of expiry of the incentive plan.

Derivative contracts
The parent company's potential derivative contracts consist of interest rate swaps and commodity derivatives measured at fair value. Changes in fair value are recognised in profit and loss under materials and services as well as financial items.

Deferred taxes
A deferred tax liability or asset has been calculated on temporary differences between taxation and the financial statements using the tax rate for upcoming years confirmed by the balance sheet date. The balance sheet includes deferred tax liabilities in their entirety and deferred tax assets up to the estimated probable amount.

Foreign currency items
Transactions denominated in foreign currency have been recognised during the accounting period at the exchange rate on the transaction date, and any foreign currency receivables and liabilities outstanding on the balance sheet date have been recognised at the mean exchange rate on the balance sheet date.

Treasury shares
Acquired treasury shares are recognised as a reduction in retained earnings. The value date for acquisition of treasury shares is the actual trading date.

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS (EUR 1,000)

1. Net sales by market area	2020	2019
Finland	153,992	140,347
Belarus	87	347
Estonia	1,185	1,906
Other exports	1,545	2,239
Total	**156,809**	**144,838**

2. Other operating income	2020	2019
Capital gains on disposals of fixed assets	14	117
Others	2,567	2,951
Total	**2,582**	**3,067**

3. Materials and services	2020	2019
Materials and supplies (goods):		
Purchases during the year	75,396	68,265
Change in stocks	-360	560
Total	**75,036**	**68,825**

4. Personnel expenses	2020	2019
Wages, salaries and emoluments	18,193	17,627
Pension expenses	2,588	2,599
Other personnel expenses	547	685
Total	**21,328**	**20,911**

5. Management salaries and emoluments	2020	2019
Managing Director	550	766
Chairman of the Board	74	71
Other members of the Board	172	171
Total	**796**	**1,008**

6. Personnel on average during the period	2020	2019
Clerical employees	191	190
Workers	167	162
Total	**358**	**352**

7. Audit costs	2020	2019
Auditing firm elected by the General Meeting		
Fees for statutory audit	87	136
Associated auditing services	5	19
Tax services	1	5
Other services	8	49
Total	**101**	**209**
Other entities		
Fees for statutory audit	0	0
Associated auditing services	0	0
Tax services	0	0
Other services	74	0
Total	**74**	**0**

8. Depreciation and impairment

8. Depreciation and impairment	2020	2019
Depreciation and impairment on tangible and intangible assets	9,304	8,586
Total	9,304	8,586

9. Other operating expenses

9. Other operating expenses	2020	2019
Sales freights	12,029	12,567
Costs of marketing and sales	5,276	5,958
Other operating expenses	13,060	13,450
Total	30,365	31,975

10. Financial income and expenses

10. Financial income and expenses	2020	2019
Dividend income from Group companies	16,947	24,184
Total income from long-term investments	4	3
Other interest and financial income		
From Group companies	896	1,322
From others	31	180
Total	927	1,503
Total dividend income and other interest and financial income	17,878	25,690
Interest expenses and other financial expenses		
To Group companies	299	353
To others	599	218
Total interest expenses and other financial expenses	899	571
Total financial income and expenses	16,979	25,118

11. Appropriations

11. Appropriations	2020	2019
Difference between depreciation according to plan and depreciation applied in taxation	5,286	2,415
Total	5,286	2,415

12. Income taxes

12. Income taxes	2020	2019
Income tax on business operations	3,597	3,584
Taxes from previous accounting periods	-31	-55
Other direct taxes	72	79
Change in deferred tax	11	249
Total	3,650	3,857

13. Fixed assets

Intangible assets	Intangible assets	Total
Acquisition cost 1 Jan 2020	25,027	25,027
Additions	1,074	1,074
Deductions	-346	-346
Acquisition cost 31 Dec 2020	25,754	25,754
Accumulated depreciation and impairment 1 Jan 2020	22,169	22,169
Depreciation	1,049	1,049
Accumulated depreciation on deductions	-346	-346
Accumulated depreciation and impairment 31 Dec 2020	22,871	22,871
Book value 1 Jan 2020	2,858	2,858
Book value 31 Dec 2020	2,883	2,883

Tangible assets	**Land and water properties**	**Buildings**	**Machinery and equipment**	**Other tangible assets**	**Advance payments and unfinished purchases**	**Total**
Acquisition cost 1 Jan 2020	**1,086**	**44,846**	**135,350**	**10,123**	**9,604**	**201,009**
Additions	0	75	2,941	650	8,839	12,505
Deductions	0	0	-78	-82	-60	-220
Transfers between items	0	5,509	12,750	0	-18,259	0
Acquisition cost 31 Dec 2020	**1,086**	**50,430**	**150,963**	**10,691**	**123**	**213,294**
Accumulated depreciation and impairment 1 Jan 2020	**0**	**24,496**	**90,937**	**1,559**	**0**	**116,992**
Depreciation	0	1,137	6,596	522	0	8,255
Accumulated depreciation on deductions	0	0	-67	-19	0	-86
Accumulated depreciation on transfers	0	-1	1	0	0	0
Accumulated depreciation and impairment 31 Dec 2020	**0**	**25,633**	**97,467**	**2,062**	**0**	**125,161**
Book value 1 Jan 2020	**1,086**	**20,350**	**44,413**	**8,564**	**9,604**	**84,017**
Book value 31 Dec 2020	**1,086**	**24,798**	**53,496**	**8,630**	**123**	**88,133**

	31.12.2020	31.12.2019
Book value of production machinery and equipment	48,527	40,198

14. Investments

14. Investments	Shares in Group companies	Other shares	Total investments
Acquisition cost 1 Jan 2020	86,012	534	86,546
Transfers between items	0	-60	-60
Acquisition cost 31 Dec 2020	86,012	474	86,486
Accumulated depreciation and impairment 1 Jan 2020	0	75	75
Transfers between items	0	-60	-60
Accumulated depreciation and impairment 31 Dec 2020	0	16	16
Book value 1 Jan 2020	86,012	458	86,471
Book value 31 Dec 2020	86,012	458	86,471

15. Group companies

15. Group companies	Group's holding (%)	Parent company's holding (%)
AS A. Le Coq, Tartu, Estonia	100.00	100.00
AS Karme, Karksi vald, Estonia	49.00	0.00
Verska Mineraalvee OÜ, Värska vald, Estonia	20.00	0.00
A/S Cēsu Alus, Cēsis, Latvia	99.88	99.88
AB Volfas Engelman, Kaunas, Lithuania	99.67	99.67
UAB Uniqa, Lithuania	99.67	99.67
OAO Lidskoe Pivo, Lida, Belarus	96.36	96.36
Trade House Lidskoe Pivo, Belarus	96.36	96.36
Servaali Oy, Helsinki, Finland	80.00	80.00
Servaali Sweden AB, Stockholm, Sweden	80.00	80.00
Helsingin tislaamo Oy / Helsinki Distilling Company Ltd, Helsinki, Finland	78.00	78.00
Helsingin tislaamoravintola Oy, Helsinki, Finland	78.00	78.00
Arctic Silence Oy, Helsinki, Finland	50.00	50.00

16. Inventories

16. Inventories	2020	2019
Materials and supplies	3,292	2,932
Unfinished products	924	915
Finished products / goods	3,639	4,208
Total	7,855	8,056

17. Receivables	2020	2019
Non-current receivables		
Loans receivable from Group companies	27,956	40,146
Deposits pledged as collateral	112	112
Deferred tax receivables	17	28
Prepayments and accrued income	20	20
Total non-current receivables	**28,105**	**40,305**
Current receivables		
Receivables from Group companies		
Accounts receivable	153	308
Dividends and other receivables	481	1,277
Total receivables from Group companies	634	1,585
Receivables from non-Group companies		
Accounts receivable	37,868	14,370
Other receivables	7	-3
Prepayments and accrued income	2,475	2,517
Total receivables from non-Group companies	40,350	16,884
Total current receivables	**40,984**	**18,469**
Total receivables	**69,089**	**58,774**
Deferred tax receivables		
Deferred tax receivables 1 January	28	277
Change in deferred tax	-11	-249
Deferred tax receivables 31 December	**17**	**28**

18. Shareholders' equity	2020	2019
Share capital 1 January	20,759	20,759
Share capital 31 December	20,759	20,759
Share premium account 1 January	857	857
Share premium account 31 December	857	857
Legal reserve 1 January and 31 December	127	127
Retained earnings 1 January	89,384	70,271
Payment of dividends	-20,711	-18,640
Acquisition of treasury shares	-1,300	-726
Sales of treasury shares to employees	0	1,179
Adjustment to previous periods	0	-444
Retained earnings 31 December	67,374	51,641
Net profit for the period	30,823	37,743
Total shareholders' equity	**119,940**	**111,127**

Distributable unrestricted equity	2020	2019
Retained earnings	67,374	51,641
Net profit for the period	30,823	37,743
Total	**98,197**	**89,384**

OLVI PLC'S SHARE CAPITAL IS DIVIDED INTO SHARE SERIES AS FOLLOWS:

	2020			2019		
	Pcs	EUR	Votes	Pcs	EUR	Votes
Series K (20 votes/share), registered	3,732,256	3,732,256	74,645,120	3,732,256	3,732,256	74,645,120
Series K total	3,732,256	3,732,256	74,645,120	3,732,256	3,732,256	74,645,120
Series A (1 vote/share), registered	16,989,976	17,026,552	16,989,976	16,989,976	17,026,552	16,989,976
Series A total	16,989,976	17,026,552	16,989,976	16,989,976	17,026,552	16,989,976
Total 31 December	20,722,232	20,758,808	91,635,096	20,722,232	20,758,808	91,635,096

Votes per Series A share	1
Votes per Series K share	20

The registered share capital on 31 December 2020 totalled 20,759 thousand euro.

Olvi plc's shares received a dividend of 1.00 euro per share for 2019 (0.90 euro per share for 2018), totalling 20.7 (18.6) million euro. The dividends were paid in two instalments. The first instalment of 0,50 euro per share was paid on 8 May 2020. The second instalment of 0,50 euro per share was paid on 8 September 2020. The Series K and Series A shares entitle to equal dividend. The Articles of Association include a redemption clause concerning Series K shares.

Treasury shares

On 8 April 2020, 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 the company's own shares using distributable funds. The authorisation is valid for one year starting from the General Meeting and covers a maximum of 500,000 Series A shares. The Annual General Meeting also decided at the same time 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.

On 26 October 2020 the Board of Directors of Olvi plc decided to launch a repurchase scheme and acquire a maximum of 35,550 of the company's 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 5 November 2020 and ended on 15 January 2021. At the start of the repurchase scheme, Olvi held 11,549 Series A shares as treasury shares and their acquisition price was 502,956.28 euro. During the accounting period from 1 January to 31 December 2020, Olvi plc acquired a total of 27,011 more treasury shares at an acquisition price of 1,299,510.77 euro.

On the date of closing the accounts, 31 December 2020, the total number of Series A shares held by the company as treasury shares was 38,560 and the total acquisition price was 1,802,467.05 euro. Series A shares held by Olvi plc as treasury shares represent 0.19 percent of all shares and 0.04 percent of the aggregate number of votes. The treasury shares represent 0.23 percent of all Series A shares and associated votes. Treasury shares held by the company are ineligible for voting.

19. Accumulated appropriations

Accumulated appropriations consist of accumulated depreciation difference.

20. Liabilities	2020	2019
Non-current liabilities		
Other liabilities	4,361	4,153
Total	4,361	4,153
Liabilities to Group companies		
Other liabilities	29,099	34,799
Total	29,099	34,799
Total non-current liabilities	**33,460**	**38,952**
Current liabilities		
Accounts payable	32,149	28,943
Accrued expenses	13,682	12,810
Other liabilities	41,318	34,310
Total	87,148	76,063
Liabilities to Group companies		
Other liabilities	7,000	8,000
Accounts payable	240	166
Total	7,240	8,166
Total current liabilities	**94,389**	**84,229**
Total liabilities	**127,849**	**123,181**

20. Liabilities	2020	2019
Accrued expenses		
Provisions for personnel costs	5,162	5,189
Income tax liability	-0	-23
Accrued expenses on recyclable beverage packages	5,729	5,723
Annual discount liabilities	2,076	1,339
Other accrued expenses	715	582
Total accrued expenses	13,682	12,810
Interest-free liabilities 31 December	91,720	80,352
Liabilities falling due later than five years from now:		
Loans from financial institutions and other loans	30	30

21. Share-based payments

In fiscal year 2019, Olvi plc initiated a new share-based incentive plan for key personnel, the performance period of which is from 1 February 2019 to 31 January 2021. The aim of the share-based incentive plans is to combine the objectives of the shareholders and the key employees in order to increase the value of the company, to make the key employees committed to the company, and to offer them a competitive reward plan based on earning the company's shares.

Until fiscal year 2018, Olvi recognised the costs of share-based incentive plans as expenses for the accounting period. Starting from fiscal year 2019, the costs of share-based incentive plans are recognised through profit for the period at the expiration of the plan.

22. Pledges, contingent liabilities and other commitments

	2020	2019
Pledges and contingent liabilities		
For own commitments		
Mortgages on land and buildings	1,336	1,336
Other off-balance sheet liabilities		
Rental liabilities on business premises and land areas	415	410
Other liabilities	610	610
Total pledges, contingent liabilities and other commitments	**2,360**	**2,356**

The company is obliged to adjust the value-added tax deductions booked on real estate investments if taxable use of the premises diminishes during the review period. The maximum liability is 4,399,837 euro and the final year of review is 2028.

On the date of closing the accounts, the company had an account overdraft facility totalling 20 million euro, which was completely unused on 31 December 2020. The company also has 5 million euro of unbinding credit limits, of which 934,108 euro was in use on 31 December 2020.

23. Leasing liabilities

	2020	2019
Due within one year	144	188
Due later	115	115
Total	**259**	**303**

24. Derivative contracts

The company has no valid derivative contracts on 31 December 2020.

SHARES AND SHAREHOLDERS

SHARES AND SHARE CAPITAL 31 DECEMBER 2020

	Shares	%	Votes	%
Series K shares, registered	3,732,256	18.0	74,645,120	81.5
Series A shares, registered	16,989,976	82.0	16,989,976	18.5
Total	**20,722,232**	**100.0**	**91,635,096**	**100.0**

Registered share capital, EUR 1,000	20,759

Olvi plc's shares received a dividend of 1.00 euro per share for 2019 (0.90 euro per share for 2018), totalling 20.7 (18.6) million euro. The dividends were paid in two instalments. The first instalment of 0,50 euro per share was paid on 8 May 2020. The second instalment of 0,50 euro per share was paid on 8 September 2020.

Votes per Series A share	1
Votes per Series K share	20

The Series K and Series A shares entitle to equal dividend. The Articles of Association include a redemption clause concerning Series K shares.

LARGEST SHAREHOLDERS ON 31 DECEMBER 2020

	Series K	Series A	Total	%	Votes	%
1. Olvi Foundation	2,363,904	890,613	3,254,517	15.71	48,168,693	52.57
2. The Estate of Hortling Heikki *)	903,488	103,280	1,006,768	4.86	18,173,040	19.83
3. Hortling Timo Einari	212,600	49,257	261,857	1.26	4,301,257	4.69
4. Hortling-Rinne Marit	149,064	14,699	163,763	0.79	2,995,979	3.27
5. OP Custody Ltd, nominee register	0	2,318,839	2,318,839	11.19	2,318,839	2.53
6. Nordea Bank Abp, nominee register	0	1,299,816	1,299,816	6.27	1,299,816	1.42
7. Skandinaviska Enskilda Banken AB (publ) Helsinki branch, nominee register	0	1,040,991	1,040,991	5.02	1,040,991	1.14
8. Varma Mutual Pension Insurance Company	0	828,075	828,075	4.00	828,075	0.90
9. Ilmarinen Mutual Pension Insurance Company	0	675,000	675,000	3.26	675,000	0.74
10. Hortling Pia Johanna	23,388	23,566	46,954	0.23	491,326	0.54
11. Hortling Jens Einari	23,388	16,216	39,604	0.19	483,976	0.53
12. Rinne Ville Petteri	23,388	10,004	33,392	0.16	477,764	0.52
13. Rinne Valtteri Markunpoika	23,388	9,136	32,524	0.16	476,896	0.52
14. AC Invest Oy	0	461,335	461,335	2.23	461,335	0.50
15. OP Finland mutual fund	0	300,000	300,000	1.45	300,000	0.33
16. Veritas Pension Insurance Company	0	247,115	247,115	1.19	247,115	0.27
17. Evli Finnish Small Cap Fund	0	242,500	242,500	1.17	242,500	0.26
18. Laakkonen Hannu	0	216,072	216,072	1.04	216,072	0.24
19. SEB Finland Small Cap	0	186,804	186,804	0.90	186,804	0.20
20. Lahti Ari Juhani	0	180,000	180,000	0.87	180,000	0.20
Others	9,648	7,876,658	7,886,306	38.05	8,069,618	8.80
Total	**3,732,256**	**16,989,976**	**20,722,232**	**100.00**	**91,635,096**	**100.00**

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

Olvi plc had 14,102 (12,233) shareholders registered in the book-entry system on 31 December 2020, 11 (10) of them nominee-registered.

MANAGEMENT'S INTERESTS

The members of the Board of Directors and the Managing Director of Olvi plc held a total of 70,535 Series A shares on 31 December 2020, which represent 0.3 percent of the total number of shares and 0.08 percent of the votes.

The share-based incentive plan for management and its accounting are described in Note 21, Share-based payments. The company's management does not hold any warrants or options.

SHAREHOLDERS BY SIZE OF HOLDING ON 31 DECEMBER 2020

Number of book entries	Number of shareholders	% of shareholders	Number of book entries	% of book entries	Votes	% of votes
1 to 1,000	12,940	91.76	2,070,372	9.99	2,080,100	2.27
1,001 to 10,000	1,042	7.39	2,681,414	12.94	2,819,126	3.08
10,001 to 500,000	113	0.80	5,549,960	26.78	14,234,936	15.53
500,001 to 999,999,999,999	7	0.05	10,420,486	50.29	72,500,934	79.12
Total	**14,102**	**100.00**	**20,722,232**	**100.00**	**91,635,096**	**100.00**

SHAREHOLDERS BY CATEGORY ON 31 DECEMBER 2020

	Number of shareholders	% of shareholders	Number of book entries	% of book entries	Nominee registered number of book entries	% of book entries	Votes	% of votes
Businesses	403	2.86	4,457,625	21.51	0	0.00	49,371,801	53.88
Financial institutions and insurance companies	35	0.25	1,372,250	6.62	4,706,443	22.71	6,078,693	6.63
Public sector organisations	9	0.06	1,791,354	8.65	0	0.00	1,791,354	1.96
Non-profit organisations	96	0.68	555,770	2.68	0	0.00	555,770	0.61
Households	13,507	95.78	7,662,314	36.98	0	0.00	33,661,002	36.73
Non-Finnish shareholders	52	0.37	61,980	0.30	114,496	0.55	176,476	0.19
Total	**14,102**	**100.00**	**15,901,293**	**76.74**	**4,820,939**	**23.26**	**91,635,096**	**100.00**

FOREIGN AND NOMINEE-REGISTERED HOLDINGS ON 31 DECEMBER 2020

	Number of shareholders	% of shareholders	Number of book entries	% of book entries	Votes	% of votes
Foreign total	46	0.33	61,980	0.30	61,980	0.07
Nominee-registered (foreign) total	6	0.04	114,496	0.55	114,496	0.12
Nominee-registered (Finnish) total	5	0.04	4,706,443	22.71	4,706,443	5.14
Total	**57**	**0.40**	**4,882,919**	**23.56**	**4,882,919**	**5.33**

BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFIT

The parent company Olvi plc had 98.2 (89.4) million euro of distributable funds on 31 December 2020, of which profit for the period accounted for 30.8 (37.7) million euro.

Olvi plc's Board of Directors proposes to the Annual General Meeting that distributable funds be used as follows:

- A dividend of 1.10 (1.00) euro shall be paid for 2020 on each Series K and Series A share, totalling 22.8 (20.7) million euro. The dividend represents 56.2 (49.6) percent of Olvi Group's earnings per share.

The dividend will be paid in two instalments. The first instalment of 0.55 euro per share will be paid on 20 April 2021 to shareholders registered in the register of shareholders held by Euroclear Finland Ltd on the record date 6 April 2021. The second instalment of 0.55 euro per share will be paid on 3 September 2021 to shareholders registered in the register of shareholders held by Euroclear Finland Ltd on the record date 27 August 2021.

No dividend shall be paid on treasury shares.

- 75.4 million euro shall be retained in the parent company's non-restricted equity.

Date and Signatures

Signed in Iisalmi, this 23rd day of February 2021

Pentti Hakkarainen
Chairman of the Board

Nora Hortling
Vice Chairman of the Board

Lasse Heinonen
Member of the Board

Elisa Markkula
Member of the Board

Päivi Paltola
Member of the Board

Heikki Sirviö
Member of the Board

Lasse Aho
Managing Director

AUDITOR'S NOTE

A report of the audit has been submitted today.

Signed in Iisalmi, this 23rd day of February 2021

Ernst & Young Oy
Authorised Public Accounting Firm

Elina Laitinen
Authorised Public Accountant

AUDITOR'S REPORT

(Translation of the Finnish original)

To the Annual General Meeting of Olvi Oyj

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Olvi Oyj (business identity code 0170318-9) for the year ended on December 31st, 2020. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position as well as its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 8 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition *We refer to the note of the financial statements 1 section "Principles for recognition of income"* Revenue of beverage products is recognised when the Group has delivered the products to the customer and when control over the products has been transferred to the customer, and there are no outstanding obligations that could affect the customer's acceptance of the products. Delivery is considered to be realised only once the products have been delivered to the location agreed with the customer, and the risk of non-marketability and damage has been transferred to the customer. Beverage sales often involve annual discounts. Sales are recognised at the price specified in the sales contract less annual discounts per the terms and conditions of contracts,as well as any returns of defective products estimated at the time of sale. Revenue recognition is a significant risk of material misstatement referred to in EU regulation No 537/2014, point (c) of Article 10(2) due to risk of incorrect amount and timing of revenue recognition.	Our audit procedures to address the risk of material misstatement in respect of correct timing of revenue recognition included among others, the following: • We assessed the appropriateness of group's accounting policies over revenue recognition and compared the group's accounting policies over revenue recognition with applicable accounting standards; • We examined the nature of the revenues, the amount and timing of recognition and the terms of the sales contracts; • We tested the amount and timing of the revenue and discounts recognised. Our testing included among others obtaining third party confirmations, comparing sales and yearly discounts to sales contracts and comparing timing of sales recognition to freight documentation; • We performed analytical procedures on revenue and discounts recognised; • We assessed the completeness and appropriateness of the group's disclosures in respect of revenues.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment testing – Goodwill *We refer to the notes 13 and 14* At the balance sheet date 31 December 2020, the amount of goodwill was 25,2 million euros, which represents 6,0 % of total assets and 9,4 % of equity (2019: 26,4 million euros, 6,6 % of total assets and 10 % of equity). Valuation of goodwill is a key audit matter because: • the annual impairment testing process is complex and includes estimates; • impairment testing is based on assumption concerning the markets and economy and • goodwill is material to the financial statements. The valuation of goodwill contains a significant risk of material misstatement referred to in EU regulation No 537/2014, point (c) of Article 10(2c). The estimated future cash flows of the cash generating units are calculated based on present value calculations, the results of which may change significantly when the assumptions used change. Present value is affected by multiple assumptions, such as the growth of revenues, gross margin and the interest rate used as the discount rate. Changes in these assumptions may lead to impairment in the value of goodwill.	In order to cover the significant risk associated with goodwill, our audit procedures included, among others, the following: • We assessed, with the assistance of our valuation experts, the appropriateness of the assumptions and methods used in the impairment testing. Our procedures were focused especially to the following assumptions: forecasted growth of revenue, operating margin and the weighted average cost of capital used to discount cash flows. • We tested the mathematical accuracy of the calculations. • We assessed the appropriateness of the sensitivity analysis and the possibility that a somewhat possible change in a key assumption could cause the carrying amount to exceed its recoverable amount. • We assessed the adequacy and appropriateness of the information concerning impairment testing presented in the notes 13 and 14.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 16 April 2019 and our appointment represents a total period of uninterrupted engagement of two years.

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Iisalmi, 23th February 2021

Ernst & Young Oy
Authorized Public Accountant Firm

Elina Laitinen
Authorized Public Accountant

MEMBERS OF OLVI PLC'S BOARD OF DIRECTORS SINCE THE ANNUAL GENERAL MEETING OF 8 APRIL 2020

Pentti Hakkarainen (b. 1958), Chairman of Olvi plc's Board of Directors since 2017
M.Sc. (Econ), LL.M.
European Central Bank, Supervisory Board (Banking Supervision), full-time member

Work experience in brief:

• 2008–2017	Bank of Finland, Deputy Governor
• 2002–2007	Bank of Finland, Member of the Board
• 1998–2001	Postipankki Ltd., CEO, a.o.t.*
• 1995–1997	OKOBANK plc, CEO, Member of the Board, a.o.t.*
• 1985–1995	Outokumpu Corporation, Director of Finance, a.o.t.*

Positions of trust, a.o.t.* = among other tasks

• 2017 alkaen	Finnvera plc, Chairman of the Board
• 2008–2017	ECB, Governing Council, Alternate
• 2008–2017	Financial Supervision Authority of Finland, Chairman of the Board
• 2015–2017	ECB, Budget Committee, Chair
• 2012–2015	ECB, Committee on Controlling, Chair
• 2008–2017	IMF, Board of Governors, Alternate
• 2005–2017	EU Economic and Financial Committee, Member
• 2004–2006	IMF, Audit Committee, Chair and Member
• 2000–2001	Bankers' Association in Finland, Vice Chair
• 1991–1999	IS-Yhtymä Oy, Member of the Board

Nora Hortling (b. 1986), Member of Olvi plc's Board of Directors since 2015 and Vice Chairperson since 2016
M.Sc. (Econ), Bachelor of Hotel, Restaurant and Tourism Management
Kespro Oy, Purchasing and Sales Director Fresh

Work experience in brief:

• 10/2019 onwards	Kespro Oy, Purchasing and Sales Director Fresh
• 2018–2019	Kespro Oy, Purchasing and Sales Director (fruits and vegetables)
• 2016–2017	Kespro Oy, Purchasing Manager (fruits, vegetables and dairy products)
• 2014–2015	Kespro Oy, Product Manager
• 2011–2013	Olvi plc, Marketing
• 2005–2010	Several managerial positions in the restaurant business

Lasse Heinonen (b. 1968), Member of Olvi plc's Board of Directors since 2018
M.Sc. (Econ)
Ahlström Capital, President and CEO

Work experience in brief:

- 2018 onwards — Ahlström Capital, President and CEO
- 2011–2018 — Tieto Corporation, CFO
- 2015–2016 — Tieto Corporation, Head of Telecom, Media & Energy
- 2004–2011 — Finnair Plc, executive roles such as EVP Cargo & Aviation Services, Deputy CEO and CFO
- 1992–2004 — Novartis Pharma and Sandoz, leadership roles in finance and logistics in Finland, Turkey and Switzerland

Important positions in other organisations:

- 2018 onwards — Ahlstrom-Munksjö , Member of the Board
- 2018 onwards — Terveystalo Oy, Member of the Board
- 2018 onwards — Destia Oy, Member of the Board
- 2018 onwards — nics AG, Chairman of the Board
- 2017–2019 — Are Oy, Member of the Board

Elisa Markula (b. 1966), Member of Olvi plc's Board of Directors since 2015
Turku School of Economics and Business Administration,
MSc Economics (International Marketing)
Tikkurila Oyj, CEO

Work experience in brief:

- 2018 onwards — Tikkurila Oyj, CEO
- 2009–2018 — Paulig Group, Head of Coffee Division / Oy Gustav Paulig Ab, Managing Director
- 2006–2009 — Oy Suomen LEGO Ab, Senior Vice President
- 2003–2006 — Oy Snellman Ab, Sales Director
- 2000–2003 — Oy SCA Hygiene Products Ab, Key Account Manager and Trade Marketing Manager
- 1998–2000 — Oy SCA Hygiene Products Ab, Product Manager, Feminine Consumer Products
- 1993–1998 — Oy Fazer Chocolates Ab, Area Marketing Manager

Important positions in other organisations:

- The Finnish Central Chamber of Commerce, Member of the Board
- The Chemical Industry Federation of Finland, Member of the Board
- East Office of Finnish Industries, Member of the Board
- Finnish-Russian Chamber of Commerce FRCC, Member of the Board
- Association of Finnish Paint Industry and Printing Ink Companies, Chairperson of the Board

Päivi Paltola (b. 1971), Member of Olvi plc's Board of Directors since 2018
M.Sc. (Econ)
Circulove Oy, Managing Director and Strategic Advisor

Work experience in brief:

- 2019 onwards Circulove Oy, Managing Director
- 2017–2019 Marimekko Corporation, Marketing Director
- 2014–2017 Fiskars Group, Fiskars Living, Senior Vice President (Iittala, Royal Copenhagen, Arabia, Rörstrand and own retail)
- 2012–2014 Fiskars Group, Fiskars Home, Finland, Business Director (Iittala, Royal Copenhagen, Arabia, Rörstrand)
- 2010–2012 Fiskars Group, Fiskars Home, Finland, Business Director (Iittala, Arabia, Rörstrand)
- 2008–2010 Lumene Group, Brand Director, Lumene and Cutrin
- 2004–2008 Lumene Group, Marketing Manager
- 2000–2004 Orion-Yhtymä Oyj NOIRO, Product Manager Skin Care (Lumene, Nanoel, Favora)
- 1997–2000 Orion-Yhtymä Oyj NOIRO, Product Manager (Lumene)

Important positions in other organisations:

- 2019 onwards Association for Finnish Work, Member of the Executive Committee
- 2016–2018 Design Museum Foundation, Member of the Board
- 2011–2015 Art&Design City, Member of the Board

Heikki Sirviö (b. 1955), Member of Olvi plc's Board of Directors since 2015
M.Sc. (Engineering), Honorary Industrial Counsellor, retired

Work experience in brief:

- 2010–2015 ASA, Senior Advisor
- 2008–2009 Yara Suomi Oy, CEO
- 2004–2007 Kemira Grow How Oyj, CEO and President
- 2000–2004 Kemira Agro Oy, Kemira Oy, CEO
- 1996–2000 KemiraChemicals Oy, Siilinjärvi plant, Factory Manager
- 1994–2000 KemiraChemicals Oy, Kemphos, BU Director
- 1991–1993 Kemira Agro, Kemira Oy, Project Manager
- 1989–1991 Kemira Agro Oy, Siilinjärvi plant, Technical Manager
- 1988–1989 Kemira Agro, Kemira Oy, Operational Manager
- 1985–1988 Kemira Agro Finland, Kemira Oy, Materials Manager
- 1980–1984 Kemira Oy, Siilinjärvi plant, Department Engineer

Important positions in other organisations:

- 2016 onwards Chairman of the Board of Olvi Foundation
- 2014–2015 Member of the Board of Olvi Foundation
- 2001–2007 Member of the Board of the Chemical Industry Federation of Finland and Member of the Executive Committee 2006–2007

European Fertilizer Manufacturers Association (EFMA)

- 2001–2005 Chairman of the Agricultural and Environmental Committee
- 2001–2007 Member of the Executive Committee and the Board of the Association
- 2006–2007 Deputy to the Chairman of the Association
- 2007 Acting Chairman of the Association

International Fertilizer Association (IFA)

- 2001–2004 Member of the Finance Committee
- 2005–2007 Member of the Executive Committee
- 2005–2007 Vice Precident of West and Central Europe

Administrative positions in other organisations:

- 2000–2010 Siilinjärven Osuuspankki co-operative bank, Member of the Supervisory Board
- 2008–2011 Hankkija Oy, Member of the Board
- 2008–2009 Pellervo Economic Research Institute, Member of the Board

CORPORATE GOVERNANCE

TABLE OF CONTENTS

INTRODUCTION

OLVI PLC'S GOVERNANCE MODEL

Olvi plc has a one-tier management structure. The statutory bodies consist of the **General Meeting, Board of Directors** and **Managing Director.** The company does not have a Supervisory Board.

The corporate governance model is efficient and flexible. It is based on the principle of majority rule, which promotes a strong ownership role and is balanced out by the principle of equal treatment, qualified majority requirements, and the rights given to minority shareholders, as well as a clear division between the responsibilities of the company's governing bodies.

The mutual relations, responsibilities, authorities, duties and operating methods of the sector managers and the personnel employed by the company have been constructed within the framework set by law to guide and direct the business and administration in a way that increases shareholder value.

Olvi plc (hereafter the Company) adheres to responsible and open corporate governance of a high standard. Good corporate governance is based on a combination of laws and decrees issued on the basis of them, as well as self-regulation and other best practices. Open corporate governance supports the value creation of the Company and its attractiveness as an investment object.

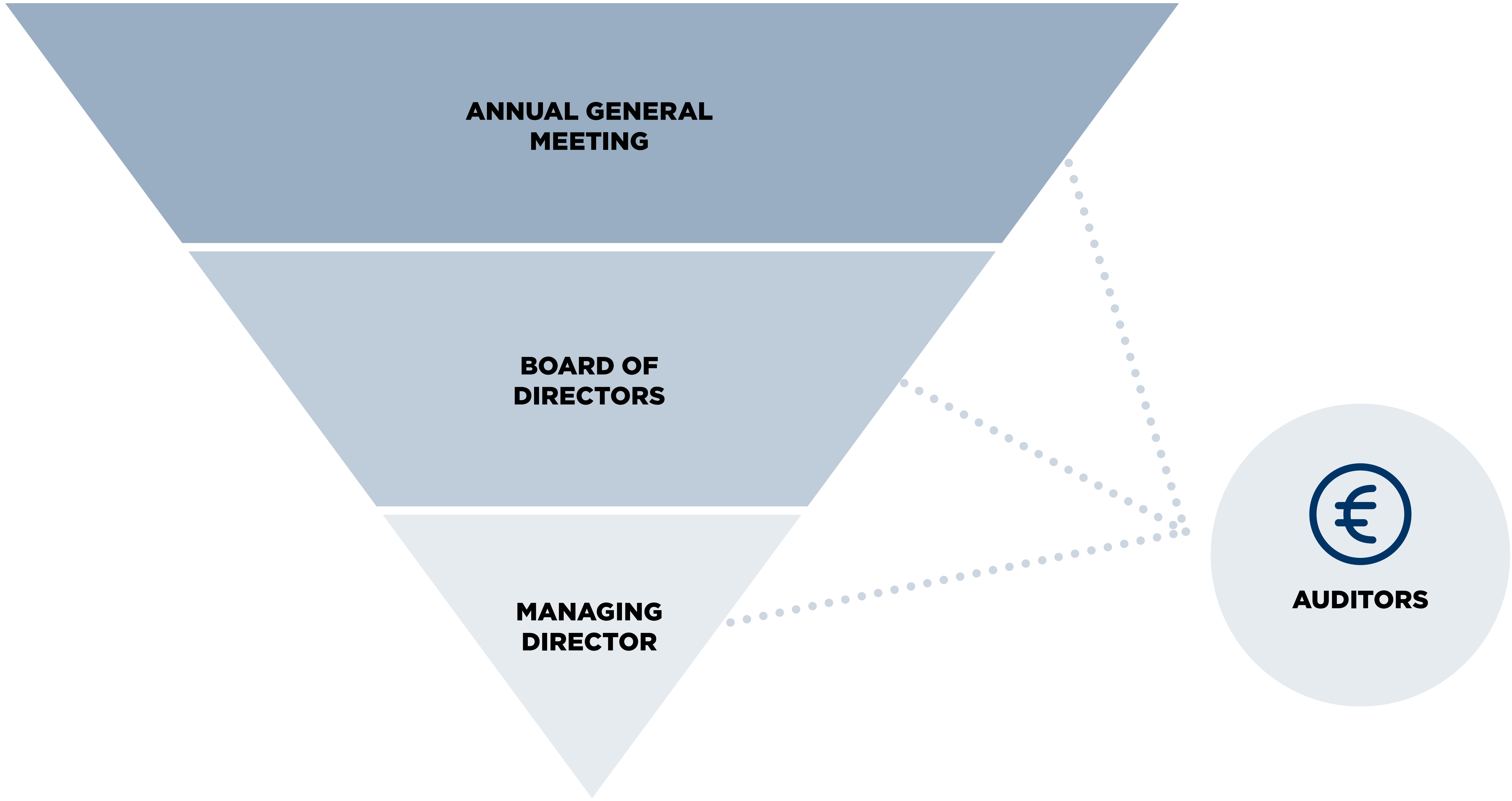
Responsibility is one of the Company's values and a crucial part of strategic and operational decision-making. Therefore, responsibility is also a natural part of the Company's everyday operations. The Company wants to meet the expectations of its stakeholders by developing the beverage industry towards even more responsibility, making responsible choices and helping its partners and consumers do the same.

The Company complies with the Corporate Governance Recommendation for Listed Companies issued by NASDAQ OMX Helsinki Ltd, Finland Chamber of Commerce and the Confederation of Finnish Industries as valid from time to time, explaining any departures. The Company has complied with the recommendation since it entered into force in 2003.

In its operations and reporting, the Company complies with the Corporate Governance Code of the Securities Market Association valid as of 1 January 2020.

The company's Board of Directors has considered this statement, and it was prepared as a statement separate from the Board of Directors' report. The statement will not be updated during the accounting period, but up-to-date information on the subject areas included in it is presented on the Company's Web site at http://www.olvigroup.fi/en/.

The Corporate Governance Code is publicly available on the Web site of the Securities Market Association > Finnish Corporate Governance Code



I GENERAL MEETING

RECOMMENDATION 1
Notice of the General Meeting and Proposals for Resolutions

Highest decision-making power in Olvi plc is exercised by the General Meeting of Shareholders. Shareholders exercise their decision-making power at the General Meeting, where they have the right to speak, ask questions, and vote.

According to the Limited Liability Companies Act and Olvi plc's Articles of Association, the duties of the General Meeting include:

- to decide on amendments to the Articles of Association and share capital as well as on convertible debt securities and option loans or options,
- to confirm the income statement and balance sheet,
- to decide on profit distribution,
- to decide upon the granting of discharge from liability to the Board members and the Managing Director,
- to decide on the number of Board members and auditors,
- to elect the Board members and the auditors,
- to decide on the fees and the grounds of compensation of travel costs of the Board members and the auditors.

The Annual General Meeting shall be held annually on the date determined by the Board before the end of June. The AGM can be held in Iisalmi, Helsinki, Espoo or Vantaa, as decided by the Board.

The notice to convene the Annual General Meeting shall be published as a stock exchange release and, should the Board of Directors so decide, published in one widely circulated newspaper of the Board of Directors' choice and on the company's Web site no earlier than three (3) months and no later than three (3) weeks before the General Meeting, in any case no later than eight (8) days before the record date for the General Meeting referred to in Chapter 4, Section 2(2) of the Limited Liability Companies Act.

In order to attend the General Meeting, shareholders must register themselves with the company no later than on the date specified in the notice to convene the meeting, which may be no earlier than ten (10) days before the meeting. Furthermore, the provisions of the Limited Liability Companies Act pertaining to the right to attend a General Meeting of a company belonging to the book-entry system shall be observed.

The Board decides upon the method of delivery of other notifications to the shareholders individually in each case.

The notice of General Meeting shall include:

- a proposal for the agenda,
- the essential contents of the Board of Director's proposals for resolution and, if the matter at hand involves other documents, a notice of the time and place where they are available for inspection,
- a mention of the fact that a shareholder has a right to obtain copies of these documents on request,
- the member candidates who have been notified to the Board,
- proposal concerning the composition of the Board of Directors,
- the specific procedure, if any, according to which the directors are to be appointed pursuant to Chapter 6, Section 9 of the Limited Liability Companies Act,
- proposal concerning the remuneration of the members of the Board,
- proposal concerning the election of auditors.

Any proposals submitted by shareholders concerning the composition and remuneration of the Board of Directors and the election of auditors shall be included in the notice of the General Meeting provided that the shareholders who submitted the proposal:

- represent no less than 10 percent of the votes conferred by the company's shares;
- the candidates have consented to the appointment; and
- the proposal was submitted to the company in such a manner that it can be included in the meeting notice.

Olvi plc's Annual General Meeting 2020

The Annual General Meeting was held on 8 April 2020 in Iisalmi. There were 90 shareholders represented at the AGM, with a total of 79,197,805 votes. This consisted of 3,722,608 Series K shares (20 votes per share) and 4,745,645 Series A shares (1 vote per share).

Due to the corona pandemic, extraordinary measures were in place at the Annual General Meeting. All members of the Board and the auditor in charge attended the meeting over a remote connection. In addition, the Managing Director and the Chief Financial Officer were in attendance. The CFO presented the auditors' report by authorisation from the auditor in charge. All decisions made at the General Meeting can be found in the stock exchange release of 8 April 2020. The documents of the General Meeting are available on the AGM 2020 page.

RECOMMENDATION 2
Shareholders' Proposals for Issues to Be Addressed at the General Meeting

A shareholder has the right to have a matter falling within the competence of the General Meeting under the Limited Liability Companies Act dealt with by the General Meeting. The company will publish its financial reporting schedule for the upcoming year before the closing of the accounting period. The schedule will include the date on which any shareholder's demands to have a matter dealt with by the Annual General Meeting shall be submitted to Olvi plc's Board of Directors at the latest. Under the Limited Liability Companies Act, the date may not be earlier than four weeks prior to the issuance of the notice of the General Meeting.

It is the duty of a shareholder to ensure that any matters demanded to be addressed at the General Meeting are in compliance with the Limited Liability Companies Act and that they are sufficiently detailed in order for them to be included in the notice of the General Meeting and be addressed at the General Meeting. The shareholder who made the demand also has the duty to ensure that a proposal for a resolution on the basis of which the matter can be resolved, is submitted to the General Meeting.

Any similar proposals submitted by shareholders representing no less than 10 percent of the company's shares after the publication of the notice of the General Meeting, must be published separately.

Before the General Meeting, Olvi plc will publish the following in the Corporate Governance/AGM section of its Web site:

- notice to convene the Annual General Meeting,
- documents to be presented to the meeting,
- proposals for resolution for the meeting,
- the date by which a shareholder shall notify the company's Board of Directors of a demand to have a matter dealt with by the Annual General Meeting, and
- a postal and/or email address to which demands to have a matter included on the agenda of the AGM shall be submitted,
- biographical details of the candidates for the Board,
- instructions for shareholders, and
- a link to online registration.

RECOMMENDATION 3
Attendance at the General Meeting

The Managing Director, the members of the company's Board of Directors and the auditor will attend Olvi plc's General Meetings. When a new member is to be elected to the Board of Directors, the Company pays particular attention to the requirement that the candidate shall attend the General Meeting deciding on the election. This makes it possible to introduce him or her to the shareholders.

The presence of the auditor at the Annual General meetings allows the shareholders to ask the auditor for more detailed information on matters that may have an impact on the evaluation of the financial statements or other issues on the agenda of the meeting.

If one or more persons fail to attend the General Meeting pursuant to the recommendation, the company shall notify the General Meeting of the absence.

RECOMMENDATION 4
Archive of the General Meeting Documents

Within two weeks of the meeting, Olvi plc will publish on its Web site the minutes of the General Meeting including the voting results, as well as those attachments to the minutes that constitute part of a decision made at the meeting. The documents will be kept available for viewing for a minimum of five (5) years after the General Meeting. Shareholders have the opportunity to study the General Meeting materials from previous years.

The minutes of Annual General Meetings shall be archived at the Company's head office as long as the Company exists.

II BOARD OF DIRECTORS

RECOMMENDATIONS 5 AND 6
Election and Term of Office of the Board of Directors

According to the Articles of Association of Olvi plc, the Annual General Meeting shall elect the Board of Directors. Election takes place annually for a period extending to the next Annual General Meeting of the Company.

RECOMMENDATION 7
Preparation of the Proposal for the Composition of the Board of Directors

The election of the Board of Directors is one of the most important decisions taken in the General Meeting. The Company shall receive a proposal for the composition of the Board of Directors from major shareholders. On its Web site, the Company has announced the date by which a shareholder shall notify the Company's Board of Directors of any proposals to be dealt with by the Annual General Meeting.

RECOMMENDATION 8
Composition of the Board of Directors

The Board of Directors includes at least four (4) and at most six (6) members elected by the General Meeting of Shareholders. Their term of office lasts until the closing of the General Meeting following their election.

From the Annual General Meeting of 16 April 2019 until the Annual General Meeting of 8 April 2020, the Board of Directors comprised six (6) members: Pentti Hakkarainen, Lasse Heinonen, Nora Hortling, Elisa Markula, Päivi Paltola and Heikki Sirviö. The Board of Directors had elected from amongst themselves Pentti Hakkarainen as Chairman.

The Annual General Meeting of 8 April 2020 elected Pentti Hakkarainen, Lasse Heinonen, Nora Hortling, Elisa Markula, Päivi Paltola and Heikki Sirviö to the Board of Directors. The Board of Directors organised on 8 April 2020 and elected from amongst themselves Pentti Hakkarainen as Chairman and Nora Hortling as Vice Chair.

Tiina-Liisa Liukkonen, Chief Financial Officer of Olvi plc, has served as the secretary of the Board.

RECOMMENDATION 9
Diversity of the Board of Directors

When preparing the composition of the Board of Directors, the requirements imposed by the company's operations and the company's current stage of development shall be taken into account. Diversity of the knowhow, experience and opinions of the members of the Board promotes the ability to have an open-minded approach to innovative ideas and also the ability to support and challenge the company's executive management.

The members of Olvi plc's Board of Directors shall represent diversified knowledge and skills, including industry knowledge, and possess a variety of professional backgrounds in a way that allows work and international experience, different ages and genders to support and supplement each other for the good of the company's business and to increase shareholder value.

In addition to the competence required by the position, anyone to be elected a Board member shall have the possibility to devote a sufficient amount of time to attending to the duties.

A legal person, a minor, anyone under guardianship or with restricted legal competency, bankrupt or banned from doing business cannot be elected a Board member.

The Board members' work experience and key memberships in other companies are presented on the Company's Web site.

RECOMMENDATION 10
Independence of Directors

The Board of Directors annually assesses the independence of its members and reports which Board members it determines to be independent of the company and its significant shareholders. The majority of the members of the Board shall be independent of the Company, and at least two members who are independent of the Company shall also be independent of the significant shareholders of the Company.

Independence of Board members in 2020

All members of the Board of Directors are independent of the Company. Among the Board members, Pentti Hakkarainen, Lasse Heinonen, Elisa Markula and Päivi Paltola are independent of significant shareholders. Among the Board members, Nora Hortling and Heikki Sirviö are considered not independent of significant shareholders as they represent some of the largest shareholders in Olvi plc.

RECOMMENDATION 11
Charter of the Board of Directors

The Board of Directors has confirmed rules of procedure that determine, among other things, the duties of the Board, the decision-making procedure and meeting practices. The rules of procedure of Olvi plc's Board of Directors have been published on the company's Web site.

RECOMMENDATION 12
Right of Board of Directors to Receive Information

Primary responsibility for the preparation and presentation of matters to be discussed by the Board lies with the Managing Director of Olvi plc. The Managing Director is also responsible for ensuring that the Board of Directors receives sufficient information for assessing the operations and financial position of the Company and its subsidiaries, as well as any other matters to be discussed.

The company will ensure that its members receive information by regularly reporting on the Group's business, operating environment, markets and financial position, as well as any substantial procurement or other contracts.

The Company will individually introduce any new Board members to the Company's operations. The need for introduction is assessed individually for each member, and personal wishes are listened to.

RECOMMENDATION 13
Performance Evaluation of the Board of Directors

The Board of Directors carries out annual self-evaluation of its operations and working methods. In addition to the realisation of targets set for the Board of Directors' operations, the results of the evaluation reveal objects of development in Board work.

The members of the Board shall analyse the Board's role from viewpoints such as Group management and the fulfilment of the supervisory role. Through the evaluation, the company gets feedback on the success and further development of reporting by executive management and the presenter's role of the Managing Director.

The members shall also evaluate the work of the Chairman of the Board, as well as their own performance and the added value they have brought to the Company. The evaluation of one's own work and the achievement of targets is used across the entire Company and is also realised in the Board of Directors.

If necessary, and/or if the Board so decides, an external evaluator can also be used.

III COMMITTEES

RECOMMENDATION 14
Establishment of a Committee

In its organising meeting on 16 April 2018, the Board of Directors has established an Audit Committee and a Remuneration Committee.

The committees have their own annually updated rules of procedure that determine, among other things, the duties of the committees, the principles of operation and meeting practices. The committees' rules of procedure are available on the Company's Web site at Audit Committee and Remuneration Committee.

The committees shall report their work to the Board of Directors regularly at Board meetings.

RECOMMENDATION 15
Appointment of Members to Committees

The committees are acting as support for the Board of Directors and prepare matters for the Board. The committees consist of three members, one of which is the Chairman of the committee. The Board of Directors has elected the members and Chairmen of the committees among its members as follows:

Audit Committee Lasse Heinonen (Chair), Päivi Paltola and Nora Hortling. Tiina-Liisa Liukkonen, Chief Financial Officer of Olvi plc, has served as the secretary of the committee.

Remuneration Committee: Pentti Hakkarainen (Chair), Elisa Markula and Heikki Sirviö. Marjatta Rissanen, Customer Services and Administrative Director, has served as the secretary of the committee.

The committees may invite representatives of the Company, and as necessary, outside experts, to their meetings.

The meetings of the committees are reported on the Company's Web site at Attendance at committee meetings 2020.

RECOMMENDATION 16
Audit Committee

The Audit Committee shall monitor and supervise the Company's financial reporting and the reporting process, monitor the statutory audit, evaluate the work of the auditors and monitor internal control and risk management. The duties of the committee are described on the Company's Web site at Audit committee.

All members of the Audit Committee are independent of the Company, and Lasse Heinonen and Päivi Paltola are independent of significant shareholders.

The scope of duties of the Audit Committee is extensive, and the versatile expertise, competence and business management experience of the members complement each other. The work experience of the committee members is described on the Company's Web site at Board members.

RECOMMENDATION 17
Remuneration Committee

The Remuneration Committee shall monitor and evaluate the competitiveness of the Company's remuneration and incentive schemes and their development. Its crucial duties include the development of the remuneration schemes and benefits to the Managing Director and the other executives, preparation of matters pertaining to the appointment of the Managing Director and other directors belonging to the Management Group, as well as the development of incentive and remuneration schemes for executive management and key personnel. The duties of the committee are described on the Company's Web site at Remuneration committee.

All members of the Remuneration Committee are independent of the Company.

RECOMMENDATIONS 18 AND 19
Nomination Committee and Shareholders' Nomination Board

The company has departed from Recommendations 18 and 19.

The company's Board of Directors has not established a Nomination Committee nor a Shareholders' Nomination Board for preparing the appointment of the Board of Directors. The Board of Directors shall attend to the duties defined for these committees.

IV MANAGING DIRECTOR AND THE OTHER EXECUTIVES

Lasse Aho (b. 1958), Master of Social Sciences, has been the company's Managing Director since 2004. The duties, education and work experience of the Managing Director are described in the Managing Director section of the Company's Web site.

RECOMMENDATION 20
Terms of the Managing Director's Service Contract

The terms of the Managing Director's service contract are defined in the written director's contract approved by the Board of Directors. The contract also specifies the financial benefits of the service, including the Managing Director's severance package and any other compensation.

The financial benefits according to the director's contract are described in the Remuneration Report published by the Company.

RECOMMENDATION 21
Restriction Concerning the Managing Director

Olvi plc's Managing Director is not a member of the Board of Directors. The Managing Director acts as the presenting official at Board meetings.

The roles and responsibilities of the Chairman of the Board and the Managing Director are clearly divided in the rules of procedure of the Board of Directors.

V REMUNERATION

RECOMMENDATIONS 22 AND 23
Decision-Making Relating to Remuneration and Remuneration and Shareholdings of the Board of Directors

Decision-making relating to remuneration, as well as remuneration and shareholdings of the Board of Directors, are described in the separate, annually published Remuneration Report.

VI OTHER GOVERNANCE

RECOMMENDATION 24
Internal Control

Internal control is a material part of the Company's administration and management systems, ensuring the prevention of risks and a high standard of operations. Internal control refers to all of the procedures, systems and methods used by corporate management to ensure efficient, economic and reliable operations and to implement their strategy. Internal control ensures that decision-making by management is based on correct, sufficient and reliable information, that operations are in compliance with the corporate governance policy and operating principles and that they are based on laws, guidelines of the authorities and decisions of the Company's governing bodies. Internal control is based on continuous evaluation of operations and responding to any deviations.

Internal control is not a separate functional entity but a part of everyday management and an integral part of the Company's operations. It covers all functions and organisational levels of Olvi Group. The Board of Directors of the Company is responsible for arranging sufficient and functional internal control within Olvi Group. Internal audit shall assess the functionality of internal control as a part of the evaluation and verification of the steering and control system.

As a part of internal control, the Annual Report includes a sustainability report drawn up in compliance with the EU non-financial reporting directive.

RECOMMENDATION 25
Risk Management

Overview of 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.

The Board of Directors is responsible for the risk management of the company and its Group and the internal control of business operations. The Board of Directors deals with and authorises the company's strategy, in connection with which the risks related to business operations and other operating environment are also annually surveyed.

The Group's risk management and anticipation of market changes form an important part of the management's everyday operations to secure the continuity of business operations.

Main characteristics of the risk management process and its connection with internal control

Risk management contributes to the achievement of set targets, making efforts to avoid unwanted operational and financial surprises. Furthermore, risk management aims to identify and utilise any business opportunities that may arise.

The Group's operational risks include risks related to production plants and production, personnel risks and data security risks.

The Group aims to minimise production risks through clearly documented processes, automation, quality management systems and clear procedures for decision-making and supervision.

Insurance policies have been taken out to prepare for property damage and business interruptions. Insurance coverage is reviewed regularly.

The realisation of personnel risks is prevented by a backup person system, job rotation and maintaining a good working atmosphere.

The management and supervision of data security risks is centralised with the Group's information management. Olvi Group's information management is reviewed in connection with the financial audit by the data security experts of the auditors.

The most significant identified risk areas are also taken into account in the action plans of internal control. This ensures that risk areas are monitored systematically and that the response to any situation requiring a remedy is quick.

Risk management related to financial reporting includes, for example, reports on realised results and other key figures and the preparation of forecasts. Olvi Group's financial development and risks are monitored on a monthly basis in the Board of Directors and Management Groups. In addition, the Group's Board of Directors deals with risks regularly in connection with the discussion of annual and interim reports.

RECOMMENDATION 26
Internal Audit

Internal audit operates objectively and independently, supporting the Board of Directors, the Managing Director and other administration in order to evaluate the standard of internal control and to prepare its development. Internal audit provides independent and objective evaluation and advisory services for risk management and control processes within the organisation.

Internal audit is carried out in accordance with an annual plan confirmed by the Board of Directors. Internal audit was implemented as an outsourced service in 2020.

RECOMMENDATION 27
Related Party Transactions

Related parties
Olvi plc's related parties include the top management of Olvi plc: the members of the Board of Directors, the Managing Director, the members of the Management Group and the Group's Development Director, as well as the spouses or common-law partners of the above and all other people belonging to their households. Furthermore, related parties are considered to include entities in which the above persons, solely or jointly with their related parties, exercise control or have influential power.

Register of related parties
The financial management of Olvi plc maintains an up-to-date register of related parties, identifying the persons belonging to related parties, their respective related parties and entities considered as related parties. Information essential to Olvi plc is collected for the register annually from the persons belonging to the Company's related parties. The register is not public, and the information contained in it will not be disclosed to third parties except for authorities entitled to such disclosure and the auditor. Description of data protection concerning transactions by management and related parties.

Monitoring and evaluating related party transactions
The monitoring and evaluation of related party transactions is the responsibility of Olvi plc's financial management under mandate from the Board of Directors. Financial management shall monitor and report as necessary of any contracts or transactions with related parties having unusual commercial terms. Related party transactions shall be reported in the consolidated financial statements, and also in the interim reports with regard to incentives fot key personnel.

Managers' transactions
Olvi plc is obliged to disclose any transactions conducted by management and their related parties. The Company publishes disclosures of transactions conducted by management and related parties on the Company's Web site at Financial releases.

Insider administration

Olvi plc complies with the insider guidelines of Nasdaq Helsinki Ltd valid at each time. Furthermore, the Board of Directors of Olvi plc has confirmed the company's own insider guidelines that supplement those issued by Nasdaq Helsinki Ltd (Guidelines for Insiders of Listed Companies). The guidelines clarify and supplement the practices of the company and the insiders and serve as a practical tool for handling insider issues. Each insider is always personally responsible for ensuring that his or her actions comply with the regulations given in law, the Financial Supervision Authority's standard and the insider guidelines.

The Market Abuse Regulation ((EU) No 596/2014, "MAR") entered into force on 3 July 2016. As a consequence of the MAR, the Company no longer has public insiders. The Company maintains a permanent company-specific insider register of persons who receive inside information due to their tasks or position, as well as insider lists specific to projects and events, but these are not public.

Managers' holdings ((EU) No 596/2014, "MAR")
Olvi plc's managerial employees subject to a notification obligation have provided their written consent for public presentation of their shareholdings on the company's Web site Managers' holdings of shares.

Silent period
Olvi plc observes a closed window of 30 days. Trading in the company's financial instruments is not allowed in the period preceding the publication of the company's interim reports and financial statement bulletin. The period begins 30 days before publication and ends on the day following the publication. Should an event occur during the silent period that requires the disclosure of information, Olvi plc shall make a disclosure without undue delay in accordance with the applicable regulations, and may comment the event in question.

Project-specific insiders are not allowed to trade in the Company's shares or comparable securities during the period in which they belong to project-specific insiders.

Whistle Blowing
Olvi plc has a feedback channel through which Olvi Group employees may anonymously report any suspected violations of financial market legislation and regulations within the listed company (whistle blowing). The feedback is collected by Group administration.

Supervision
Compliance with the guidelines is regularly supervised in accordance with instructions issued by the Board of Directors of Olvi plc.

Audit

The company's auditor, which shall be an auditing firm approved by the Central Chamber of Commerce, is elected annually at the General Meeting. The term of office of the auditor terminates at the close of the first General Meeting following the election.

It is the duty of the auditor to ensure that the financial statements have been prepared in accordance with the valid legislation and that they provide a true and fair view of the company's result and financial position and other necessary information for the Company's stakeholders. The requirements of internal control are also taken into account in the auditors' audit plans.

The auditor annually issues its report to the company's Annual General Meeting. In addition, the auditor reports on the main points of the annual audit plan and provides a written auditor's report concerning the entire Group to the Board of Directors in connection with the financial statements. The auditor shall always attend the Annual General Meeting, and also at least one meeting of Olvi plc's Board of Directors during the year.

In 2020, the auditor elected by the Annual General Meeting was Ernst & Young Oy, Certified Public Accountants, which was responsible for the audit of the Group's parent company Olvi plc and the subsidiaries located in the Baltic states. Furthermore, Ernst & Young has audited the consolidation data for the subsidiary located in Belarus. The auditor in charge from 8 April 2020 has been Elina Laitinen, Certified Public Accountant.

In 2020, the auditors of Olvi Group were paid fees for audit tasks as follows:

- Ernst & Young Oy 170,800.00 (106,000.00), other advisory and consulting services 17,900.00 (7,000.00) euro.

REMUNERATION REPORT

OLVI PLC'S REMUNERATION REPORT 2020

INTRODUCTION

The company complies with the Finnish Corporate Governance Code issued by the Securities Market Association that entered into force on 1 January 2020. This Remuneration Report has been prepared in accordance with EU legislation pertaining to the rights of shareholders as well as the recommendations concerning remuneration in the Finnish Corporate Governance Code 2020.

Olvi plc's Remuneration Policy 2020–2023 has been presented to the 2020 Annual General Meeting on 8 April 2020. The General Meeting approved the Remuneration Policy as an advisory resolution. The Remuneration Policy 2020–2023 has been applied to the remuneration of the company's governing bodies, the Board of Directors and the Managing Director in the accounting period from 1 January to 31 December 2020.

The objective of remuneration is to promote the achievement of operations and targets in accordance with Olvi plc's purpose, strategy and values through maintaining and developing competitive, fair and motivating systems and compensations that reward good performance. Olvi plc has created remuneration procedures that encourage the promotion of the company's success and shareholder value in the long term. The definition and adjustment of remuneration to the Managing Director is also based on these starting points.

The Remuneration Committee shall support the Board of Directors in decision-making related to remuneration. The Remuneration Committee shall monitor and evaluate the competitiveness of the company's remuneration schemes and their development. Remuneration schemes must not encourage imprudent risk-taking or negligence

The objective of remuneration of the Managing Director is to encourage and reward the realisation of business strategy, the achievement of operational and financial targets and the implementation of growth projects. Variable pay components, known as long-term and short-term incentives, constitute a substantial part of remuneration of the Managing Director. The goal is that the proportional share of variable remuneration is more than one-half of total earnings if variable remuneration is realised in accordance with maximum performance. Bonuses based on earnings or performance are a sign of achievements that outperform the target level. The Managing Director's earnings for 2020 totalled 549,703 euro, with variable pay components making up 34 percent. The realised variable pay components are based on the achievement of financial and operational targets set for fiscal 2019.

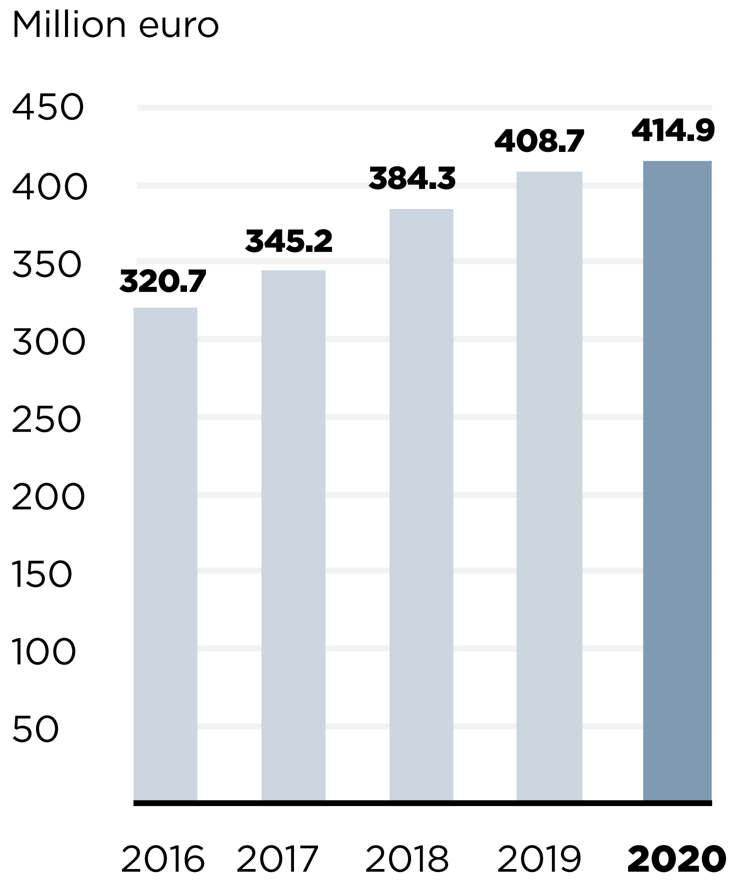
The following table presents the development of remuneration of the Board of Directors and the Managing Director compared to the average salary development of the Group's employees and the Group's financial development for the last five accounting periods.

Development of remuneration €	2015	2016	2017	2018	2019	2020
Annual pay to the Board of Directors	192,120	160,435	178,000	186,000	186,000	186,000
Total remuneration to the Board of Directors	237,020	197,885	217,400	235,150	242,300	246,150
Remuneration to the Managing Director	350,131	392,561	688,757	822,550	766,093	549,703
Salary development of the average employee *)	16,935	18,715	20,506	21,423	24,172	24,084

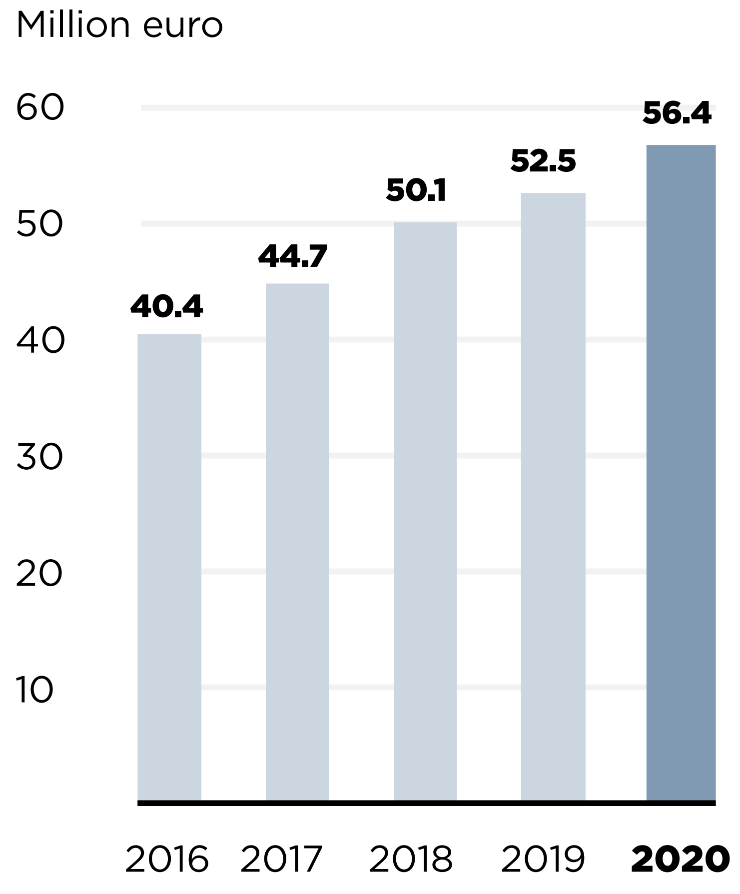
*) Personnel expenses in the financial statements divided by average number of employees

The company's net sales, operating profit and sales volume have grown steadily over the last five accounting periods. In 2020, sales volume and market share developed favourably as the corona pandemic caused sales to be focused on retail trade.

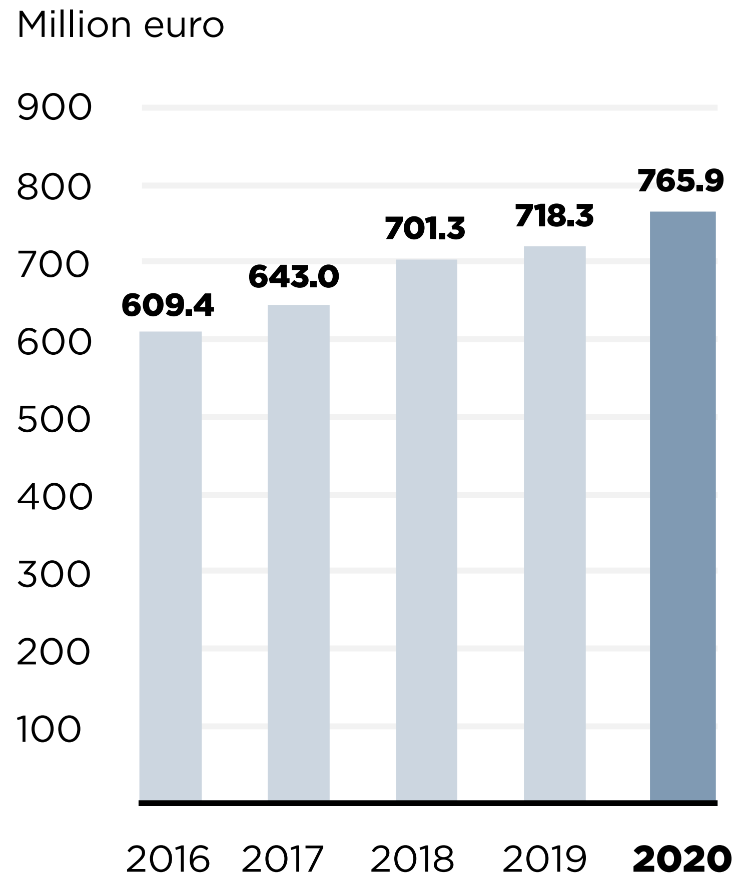
NET SALES, OLVI GROUP



OPERATING PROFIT, OLVI GROUP



SALES VOLUME, OLVI GROUP



REMUNERATION TO THE BOARD OF DIRECTORS FROM 1 JANUARY TO 31 DECEMBER 2020

Members of the Board of Directors receive a fixed monthly pay and an attendance allowance. The amount of pay varies across different roles. Furthermore, the members of Board Committees shall receive an attendance allowance for committee work.

Remuneration for Board work confirmed by the Annual General Meeting 2020 until the close of the Annual General Meeting 2021:

Monthly pay:	
• Chairman of the Board	5,000 euro
• Vice Chairperson of the Board	2,500 euro
• Member of the Board	2,000 euro

Attendance allowance per meeting:	
• Chairman of the Board	950 euro
• Member of the Board	650 euro

Travel expenses for the members of the Board shall be reimbursed in accordance with the company's travel regulations.

According to a decision made by the Annual General Meeting 2020, the members of the Board of Directors of Olvi plc have been remunerated as follows from 1 January to 31 December 2020:

Member of the Board	Annual pay €	Attendance allowances €	Committee meeting allowances €	Total remuneration
Hakkarainen Pentti (Chairman)	60,000	11,400	2,600	74,000
Hortling Nora (Vice Chair)	30,000	7,150	2,600	39,750
Heinonen Lasse (Member)	24,000	7,800	1,300	33,100
Markula Elisa (Member)	24,000	6,500	1,950	32,450
Paltola Päivi (Member)	24,000	7,800	1,950	33,750
Sirviö Heikki (Member)	24,000	7,150	1,950	33,100
Total	**186,000**	**47,800**	**12,350**	**246,150**

The members of the Board have not received any other benefits and have not belonged to the company's share-based or other incentive schemes.

REMUNERATION TO THE MANAGING DIRECTOR FROM 1 JANUARY TO 31 DECEMBER 2020

Decisions concerning the remuneration of the Managing Director are made by the Board of Directors within the limits of the Remuneration Policy for Governing Bodies presented to the General Meeting.

Remuneration to the Managing Director consists of a fixed monthly salary, fringe benefits (mobile phone benefit) as well as short-term and long-term incentives. The Managing Director shall not receive separate remuneration for his work in the management group or other internal management organs within the Group.

Remuneration to the Managing Director	Payments for 2020	Due in 2020
Basic salary	362,787 €	- €
Fringe benefits	240 €	- €
Short-term incentives	186,676 €	- €
Performance period 2019	186,676 €	- €
Performance period 2020	- €	200,748 €
Long-term incentive scheme	- €/shares	- €/shares
Performance period 2019–2021	- €	- €
Total	**549,703 €**	**200,748 €**

PENSION

Pension for the company's Managing Director is determined on the basis of valid legislation. The Managing Director belongs to the Finnish TyEL pension scheme in which the amount of employment pension is affected by the length of service and earnings. Income used for the determination of pension includes the beneficiary's basic salary, performance pay and any other taxable extra pay but not any income realised from shares. The Managing Director's retirement age is 65 years.

SHORT-TERM INCENTIVES (STI)

The goal of short-term incentives is to encourage and reward the realisation of short-term business strategy and the achievement of operational and financial targets. The company's performance bonus scheme communicates the company's targets, will and desire. Bonuses based on earnings and performance are a sign of achievements that outperform the target level.

The Board of Directors shall decide upon the basis for definition of the incentives. The monitoring period of a short-term incentive scheme is at most one accounting period, and the achievement of targets is assessed when the financial statements are completed.

The short-term incentive reward paid to the Managing Director in 2020 was based on the short-term incentive scheme of 2019 and the achievement of financial and operational targets set by the Board of Directors for the performance period in question. In 2019, the maximum amount of reward payable was 70 percent of annual income, and the realised amount was 60 percent of annual income. The reward totalled 186,676 euro.

In 2020, the maximum amount of reward under the short-term incentive scheme is 70 percent of annual income. The realised amount of reward for 2020 under the short-term incentive scheme is 60 percent of annual income, based on the achievement of the operating profit target and strategic targets determined by the Board of Directors. The total reward due to be paid for 2020 amounts to 200,748 euro.

LONG-TERM INCENTIVES (LTI)

The objectives for long-term incentives include increasing shareholder value, improving competitive ability, supporting profitable growth and relative profitability, and making operational management and key employees committed to the company.

The reward payable to the Managing Director from a long-term incentive scheme shall be based on performance criteria associated with the company's strategic targets and approved by the Board of Directors.

Share-based incentive schemes shall have a performance period of at least two years. At the end of the performance period, the realisation of the performance criteria is assessed, and any rewards payable shall depend on success related to these targets.

The Managing Director of the parent company belongs to the long-term share-based incentive plan for Olvi's key employees. The performance period of the incentive plan is two years, ending in 2021.