



Altia
Business Review
January-March 2018

ALTIA

Altia Plc's Business Review January–March 2018

Start of the year in line with expectations, comparable EBITDA improving

January–March 2018 compared to January–March 2017

- Growth in constant currencies was 2.0%, reported net sales of EUR 73.5 (73.4) million were impacted by unfavourable currency fluctuations
- The timing of Easter in the first quarter contributed positively to net sales and profitability
- Comparable EBITDA was EUR 5.2 (4.3) million, which is 7.0% (5.8%) of net sales
- Items affecting comparability were EUR -4.1 (-0.5) million, driven by IPO costs
- Net debt / comparable EBITDA (rolling 12 months) was 1.8 (0.7)
- The new Alcohol Act in Finland opened the retail channel outside monopolies for Altia's strong brands such as Koskenkorva, Jaloviina and Leijona
- Guidance remains unchanged

Important note: This is not an interim report as specified in the IAS 34 standard. The company complies with half-yearly reporting according to the Finnish Securities Markets Act and discloses business reviews for the first three- (Q1) and nine-month (Q3) periods of the year. The figures in the review are unaudited.

KEY FIGURES

	Q1/18	Q1/17	2017
Net sales, EUR million	73.5	73.4	359.0
Comparable EBITDA, EUR million	5.2	4.3	42.4
% of net sales	7.0	5.8	11.8
EBITDA, EUR million	1.1	3.8	40.3
Comparable operating result, EUR million	1.6	0.7	28.2
% of net sales	2.2	1.0	7.8
Operating result, EUR million	-2.5	0.3	26.1
Result for the period, EUR million	-1.8	0.7	18.3
Earnings per share, EUR	-0.05	0.02	0.51
Net debt / comparable EBITDA, rolling 12 months	1.8	0.7	1.1
Average number of personnel	705	785	762

Reconciliation of alternative key ratios to IFRS figures is presented in the appendix on page 9.

CEO Pekka Tennilä:

“The first three months of 2018 developed in line with our expectations. Net sales grew by 2.0% in constant currencies but the impact of the weak Swedish krona and Norwegian krone was EUR -1.3 million bringing the reported net sales to previous year's level. This year, the timing of Easter has contributed positively to the first quarter's net sales and profitability. The comparable EBITDA margin continued to improve in the first quarter and was 7.0% (5.8%). The IPO of Altia was completed as planned, and the costs related to it are impacting the reported profitability and result for the period.

The new Alcohol Act in Finland, which came into force at the beginning of the year, has opened the retail channel for Altia's own and partner brands. In the first quarter, the focus has been to start building distribution and launching new products. In March, Altia launched Koskenkorva RTD's (ready-to-

drink), Jaloviina Long Drink and the new Leijona Long Drink in retail, and new launches are prepared from both our own and partner brands during the second quarter. Altia's retail business has had a good early start. The retail offering will continue to develop in the coming months as retail chains are expected to expand their offering, especially in ready-to-drink products.

In exports, the focus continues to be on developing the key exports markets with the strong Nordic core brands Koskenkorva, O.P. Anderson and Larsen. Exports are showing good progress and are developing according to our expectations.

The first quarter was active with new launches in the key markets. For instance, in Finland, an innovation in the cognac category involving a unique process and new taste was launched with Renault Avec. In Sweden, Altia launched new sparkling wines in Systembolaget – Amies amies and Say Blush – and in Denmark, a new schnapps was launched: Brøndums Fadlagret. Easter is one of the annual peak seasons for both aquavit and schnapps, and the Altia brands performed well in the first quarter across the region.

The IPO of Altia, which was completed at the end of March, attracted a lot of interest and was significantly oversubscribed. We look very much forward to the journey together with our new shareholders. We will continue to further improve our ability to develop and compete successfully in the alcoholic beverage markets in the Nordics and globally. Going forward, we will continue to focus on our strategic streams: to grow the Nordic core brands, to execute a step change in wines, and to strengthen strategic partnerships and channel expansion while continuing to improve overall efficiencies.”

Financial Review

In January–March, Altia Group's net sales totalled EUR 73.5 (73.4) million. In constant currencies, net sales grew by 2.0%, the negative impact of the weak Swedish krona and Norwegian krone was approximately EUR 1.3 million. The timing of Easter this year in March contributed positively to net sales. Spirits sales were driven by the continued good development of Altia's Nordic core brands, and wine sales were impacted by partner portfolio changes.

NET SALES BY SEGMENT

EUR million	Q1/18	Q1/17	Change, %	2017
Finland & Exports	27.1	26.0	4.0	133.9
Scandinavia	22.5	23.2	-3.1	123.7
Altia Industrial	24.0	24.2	-0.7	101.3
Total	73.5	73.4	0.2	359.0

NET SALES BY PRODUCT CATEGORY

EUR million	Q1/18	Q1/17	Change, %	2017
Spirits	26.3	25.8	1.9	125.9
Wine	21.4	21.6	-0.8	124.7
Other beverages	1.9	1.8	5.0	8.4
Industrial products and services	24.0	24.2	-0.7	101.3
Other	-0.0	0.1		-1.3
Total	73.5	73.4	0.2	359.0

Comparable EBITDA, i.e. EBITDA excluding items affecting comparability (IAC), was EUR 5.2 (4.3) million, which is 7.0% (5.8%) of net sales. Reported EBITDA was EUR 1.1 (3.8) million.

Items affecting comparability totalled EUR -4.1 (-0.5) million and were driven by the EUR 3.9 million costs of the listing of Altia.

COMPARABLE EBITDA BY SEGMENT

EUR million	Q1/18	Q1/17	2017
Finland & Exports	3.4	3.1	19.6
Scandinavia	-0.1	-0.5	11.5
Altia Industrial	1.4	1.6	12.5
Other	0.4	0.1	-1.1
Total	5.2	4.3	42.4
% net sales	7.0	5.8	11.8

Items affecting comparability are presented in the appendix on page 9.

Comparable operating result (EBIT) was EUR 1.6 (0.7) million, and reported EBIT was EUR -2.5 (0.3) million.

Cash flow and balance sheet

There are substantial seasonal aspects affecting Altia's net sales and cash flow. The company typically generates large amounts of its revenue and cash flow during the fourth quarter of the year whereas the first quarter of the year is significantly lower. In addition, excise taxes related to high season at the end of the year are paid in January, resulting in negative cash flow in the beginning of the year. In the first quarter, net cash flow from operations totalled EUR -27.0 (-21.1) million. Receivables sold amounted to EUR 52.9 (45.8) million at the end of the period. Gearing was 56.9% (14.3%) and the reported net debt to comparable EBITDA ratio was 1.8 (0.7), both of the measures impacted by extra dividends of EUR 60.1 million paid at the end of 2017.

The Group has a revolving credit facility of EUR 60.0 million (50.0), of which EUR 20.0 million (0.0) was in use at the end of the reporting period. Altia drew down EUR 20 million in short-term loan under the revolving credit facility in January. In March, Altia repaid as planned a EUR 10 million short-term loan that was drawn down in December 2017 under the revolving credit facility.

Segments

Finland & Exports

The Finland & Exports segment comprises the import, sale and marketing of wines, spirits and other beverages in Finland and the Baltics, as well as exports and travel retail.

Net sales in the Finland & Exports segment were EUR 27.1 (26.0) million. Sales of wines and spirits in Finland have developed well, and both retail and exports have proceeded according to expectations. New retail listings have driven sales in the Baltics, but travel retail has had a soft start compared to the previous year mainly due to ferries being in the dock for repairs.

Comparable EBITDA was EUR 3.4 (3.1) million, which equals an EBITDA margin of 12.7% (11.9%).

Scandinavia

The Scandinavia segment comprises the import, sale and marketing of wines, spirits and other beverages in Sweden, Norway and Denmark.

The net sales of the Scandinavia segment grew in constant currencies by 2.5%. Reported net sales were EUR 22.5 (23.2) million, impacted by the weak Swedish krona and Norwegian krone. In the first quarter, the negative impact was EUR 1.3 million. Net sales were driven by Easter sales, and Altia's aquavit and cognac brands, especially O.P. Anderson aquavit and Grönstedts cognac, have performed well in Sweden and Norway. In Denmark, the launch of new Brøndums Fadlagret contributed to net sales.

Comparable EBITDA improved to EUR -0.1 (-0.5) million, which equals an EBITDA margin of -0.5% (-2.3%).

Altia Industrial

The Altia Industrial segment comprises Koskenkorva plant operations, starch, feed component and technical ethanol businesses, as well as contract manufacturing services at Rajamäki. It also includes supply chain operations, i.e. production operations in different countries, customer service and logistics.

Altia Industrial's net sales were EUR 24.0 (24.2) million. The decrease in net sales is related to lower contract manufacturing volumes in the first quarter compared to the previous year. The demand for starch and technical ethanol has remained at a good level. The Koskenkorva plant has been running at full capacity, and the plant's volumes were up by 5.4% compared to the previous year. At the Rajamäki alcoholic beverage plant, a new filler has been commissioned that is expected to further improve efficiency and quality, especially in packaging of wines.

Comparable EBITDA was EUR 1.4 (1.6) million, which equals an EBITDA margin of 5.9% (6.8%).

Corporate Governance

Extraordinary General Meeting

Altia's Extraordinary General Meeting on 22 February 2018 appointed Jukka Ohtola as a new member of Altia's Board of Directors. Jukka Ohtola serves as Ministerial Adviser in the Ownership Steering Department of the Prime Minister's Office.

Annual General Meeting

Altia's Annual General Meeting (AGM) was held on 1 March 2018. The AGM adopted the financial statements for 2017. The members of the Board of Directors and the CEO were discharged from liability for 2017. Authorised public accountants PricewaterhouseCoopers Oy was appointed as Altia Plc's auditor, with Ylva Eriksson, APA, as the principal auditor.

The AGM elected Sanna Suvanto-Harsaae as the chair of the Board of Directors of Altia Plc and Kai Telanne as the vice chair. Further, the AGM elected Kim Henriksson, Annikka Hurme, Tiina Lencioni, Jukka Ohtola and Torsten Steenholt as members of the Board of Directors.

In its organising meeting, the Board of Directors decided the members of the Audit Committee and Human Resources Committee as follows: the members of the Audit Committee are Kim Henriksson (chair), Tiina Lencioni and Sanna Suvanto-Harsaae, and the members of the Human Resources Committee are Sanna Suvanto-Harsaae (chair), Annikka Hurme and Kai Telanne.

Independence of the Board of Directors

The Board has evaluated the independence of its members. All members of the Board of Directors are independent of the company. Board member Jukka Ohtola holds an office with the Ownership Steering Department of the Prime Minister's Office. All other members of the Board are independent of the shareholders of the company.

Altia's share

Initial public offering of Altia

The initial public offering (IPO) of Altia Plc attracted strong demand and was significantly oversubscribed. The IPO included a share sale by the State of Finland of 23 000 000 existing shares in aggregate (including the over-allotment option) to private individuals and entities in Finland and to institutional investors as private placements in Finland and internationally, as well as an issue of 1 80 485 new shares in aggregate by Altia to the permanent employees of Altia in Finland and Sweden (personnel offering).

The subscription price for the sale shares was set to EUR 7.50 per sale share, and EUR 6.75 per share in the personnel offering. 6 000 000 shares were allocated to private individuals and entities in Finland,

and 17 000 000 shares were allocated to institutional investors. Approximately 16 500 investors submitted a subscription commitment in the public share sale.

Following the IPO, Altia's market capitalisation was approximately EUR 271.1 million. Trading in Altia's shares commenced on the prelist of Nasdaq Helsinki Ltd (Helsinki Stock Exchange) on 23 March 2018 and on the official list of the Helsinki Stock Exchange on 27 March 2018. The personnel shares were admitted for trading on 28 March 2018.

The trading code of the shares is "ALTIA", and the ISIN code is FI4000292438.

Issued shares and share capital

On 28 March 2018, a total of 180 485 new shares were registered in the Finnish Trade Register.

At the end of the period, Altia Plc's share capital amounted to EUR 60 480 378.36 and the number of issued shares was 36 140 485.

Shareholders and trading

At the end of March 2018, Altia had 17 079 shareholders. The closing price of Altia's share on 29 March 2018 was EUR 8.01 and the market capitalisation was EUR 289.5 million.

10 LARGEST SHAREHOLDERS (AT THE END OF THE PERIOD, 29 MARCH 2018)

Shareholder	Number of shares	% of shares
1 Prime Minister's Office	12 960 000*	35.9*
2 Varma Mutual Pension Insurance Company	1 200 000	3.3
3 Ilmarinen Mutual Pension Insurance Company	1 100 000	3.0
4 Erikoissijoitusrahasto Visio Allocator	527 000	1.5
5 Veritas Pension Insurance Company Ltd.	400 000	1.1
6 OP-Finland Small Firms Fund	350 000	1.0
7 Säästöpankki Pienyhtiöt	300 000	0.8
8 Mandatum Life Unit-Linked	281 388	0.8
9 Palcmills Oy	238 000	0.7
10 Nordea Life Assurance Finland Ltd.	186 934	0.5
Total	17 543 322	48.5
Nominee-registered shares	10 556 696	29.2

Source: Euroclear Finland

*) The State of Finland had a share lending agreement with Nordea Bank AB (publ) Finnish Branch ("Nordea") in connection with the Listing of the Company on 23 March 2018, according to which the State of Finland had on 23 March 2018 lent 3 000 000 existing shares in the Company to Nordea. The registered holding of the State of Finland, which amounted to 12 960 000 shares at the end of the period, did not include the lent shares.

OWNERSHIP STRUCTURE BY SECTOR (AT THE END OF THE PERIOD, 29 MARCH 2018)

Sector	Number of shares	% of shares
Public sector	15 666 819	43.4
Financial and insurance corporations	12 086 479	33.4
Households	6 036 530	16.7
Non-financial corporations	1 785 058	4.9
Non-profit institutions	344 808	1.0
Rest of the world	216 113	0.6
Total	36 135 807	100.0
On special accounts*	4 678	

Source: Euroclear Finland

*) Shares on the issuance account pending to be settled (as of 29 March 2018)

Outlook for 2018

Market outlook

The development of the Group's business operations and profitability are affected by factors such as the market situation and competitive environment, economic outlook, imports by consumers and changes in alcohol taxation. The uncertainty in the eurozone and changes in customers' buying behaviour are continuing. There is still significant uncertainty related to the development of consumer demand. Raw material prices and currencies are expected to remain volatile.

Seasonality

Sales in the sector are seasonal, with net sales and operating profit generally being significantly higher in the fourth quarter of the year compared to other quarters.

Guidance

The positive trend in Altia's core brand portfolio is expected to continue. Cost increases in key raw materials and expansion in exports will impact profitability development. Unfavourable currency impact of the weak Swedish krona and Norwegian krone are expected to continue.

Guidance as published on 23 February 2018 remains unchanged: The Group's comparable EBITDA is expected to improve or be at the 2017 level.

Financial calendar for 2018

Altia will publish financial reports in 2018 as follows:

- Half-yearly Report for January–June on 10 August 2018 at around 8:30 am EET
- Business Review for January–September on 6 November 2018 at around 8:30 am EET

Events after the period

In April, Altia repaid a EUR 20.0 million short-term loan that was drawn down in January under the revolving credit facility. Altia has a EUR 100.0 million commercial paper programme, of which EUR 18.0 million was issued in April, and a total of EUR 18.0 million (0.0) was in use on 3 May 2018.

Nordea Bank AB (publ), Finnish Branch ("Nordea"), acting as stabilising manager in the initial public offering of Altia, decided on 19 April 2018 to partially exercise the over-allotment option granted by the State of Finland and, as a result of the share price development of Altia, Nordea decided to terminate the stabilisation period.

Nordea purchased 2 862 519 shares in the company from the State of Finland in accordance with the over-allotment option agreed in connection with the offering. The State of Finland had, in connection with the offering, granted Nordea an option to purchase up to 3 000 000 shares in the company at a price corresponding to the price in the offering, in order to cover any over-allotments.

Altia announced on 4 April 2018, that Nordea carried out stabilisation measures on the Nasdaq Helsinki on 23 March 2018 at a price corresponding to the price in the offering, i.e. EUR 7.50 per share (number of shares: 137 481). After this, Nordea did not carry out stabilisation measures.

The State of Finland sold in the offering a total of 22 862 519 shares in the company, including the shares sold by exercise of the over-allotment option. The ownership of the State of Finland in the company after exercising the over-allotment option as at 20 April was 13 097 481 shares, representing 36.2% of all shares in the company.

Helsinki, 3 May 2018
Altia Plc
Board of Directors

Additional information:

Pekka Tennilä, CEO
Matti Piri, CFO

Contacts:

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Conference call and audio webcast:

Altia will host a conference call and audio webcast for analysts and investors in English on Friday 4 May 2018 at 11 am EET.

CEO Pekka Tennilä and CFO Matti Piri will present the Q1 Business Review, after which conference call participants will have the opportunity to ask questions. Presentation material will be made available before the call begins on Altia's website at: <https://altiagroup.com/investors>.

Conference call participants are requested to dial in and register a few minutes earlier on the following numbers:

Finland: +358 (0)9 7479 0360
Sweden: +46 (0)8 5033 6573
United Kingdom: +44 (0)330 336 9104
Participant passcode: 310062

The conference call can also be followed online. To join the audio webcast, please go to: <https://altia.videosync.fi/2018-05-04-q1-teleconference>

A recording of the audio webcast will be available later at Altia's website: <https://altiagroup.com/investors>

Distribution:

Nasdaq Helsinki Ltd
Principal media
www.altiagroup.com

Appendix:

Quarterly financial information

NET SALES BY QUARTER

EUR million	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Finland & Exports	27.1	40.7	31.4	35.7	26.0
Scandinavia	22.5	44.4	26.5	29.7	23.2
Altia Industrial	24.0	24.7	26.5	25.9	24.2
Total	73.5	109.8	84.5	91.3	73.4

EBITDA AND COMPARABLE EBITDA BY QUARTER

EUR million	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Finland & Exports	3.4	7.2	4.0	5.2	3.1
Scandinavia	-0.1	8.9	1.0	2.1	-0.5
Altia Industrial	1.4	3.7	4.5	2.6	1.6
Other	0.4	-1.3	0.9	-0.8	0.1
TOTAL comparable EBITDA	5.2	18.5	10.4	9.2	4.3
Items affecting comparability	-4.1	-2.2	0.7	-0.2	-0.5
EBITDA	1.1	16.3	11.1	9.0	3.8
Depreciation, amortisation and impairment	-3.5	-3.6	-3.6	-3.5	-3.5
Operating result	-2.5	12.7	7.6	5.4	0.3

Reconciliation of alternative performance measures (APM) to IFRS figures and items affecting comparability (IAC)

EUR million	Q1 2018	Q1 2017	2017
Items affecting comparability			
Net gains or losses from business and assets disposals	-	-	1.3
Cost for closure of business operations and restructurings	-0.2	-0.5	-1.1
Major corporate projects			
Costs related to stock exchange listing	-3.9	-	-2.4
Total items affecting comparability	-4.1	-0.5	-2.1
Comparable EBITDA			
Operating result	-2.5	0.3	26.1
Depreciation, amortisation and impairment	3.5	3.5	14.2
Total items affecting comparability	4.1	0.5	2.1
Comparable EBITDA	5.2	4.3	42.4
% of net sales	7.0	5.8	11.8
Comparable EBIT			
Operating result	-2.5	0.3	26.1
Total items affecting comparability	4.1	0.5	2.1
Comparable EBIT	1.6	0.7	28.2
% of net sales	2.2	1.0	7.8

Formulas for calculation of key ratios

Key figure	Definition	Reason for the use
EBITDA EBITDA margin, %	Operating result before depreciation and amortization EBITDA / net sales	EBITDA is the indicator to measure the performance of the Group.
Comparable operating result Comparable operating margin, % Comparable EBITDA Comparable EBITDA margin, %	Operating result excluding items affecting comparability Comparable operating result / net sales EBITDA excluding items affecting comparability Comparable EBITDA / net sales	Comparable EBITDA, comparable EBITDA margin, comparable operating result and comparable operating margin are presented in addition to EBITDA and operating result to reflect the underlying business performance and to enhance comparability from period to period. Altia believes that these comparable performance measures provide meaningful supplemental information by excluding items outside normal business, which reduce comparability between the periods.
Items affecting comparability	Material items outside normal business, such as net gains or losses from business and assets disposals, impairment losses, costs for closure of business operations and restructuring, major corporate projects (including direct transaction costs related to business acquisitions), voluntary pension plan changes, and costs related to other corporate development.	Comparable EBITDA is an internal measure to assess performance at Altia level and a key performance measure at segment level together with net sales. Comparable EBITDA margin is also one of Altia's financial targets. Comparable EBITDA is commonly used as a basis for valuation purposes outside the Company, and therefore it is important measure to report it regularly.
Borrowings Net debt	Non-current borrowings + current borrowings Borrowings – cash and cash equivalents	Net debt is an indicator to measure the total external debt financing of the Group.
Gearing, %	Net debt / total equity	Gearing ratio helps to show financial risk level and it is a useful measure for management to monitor the level of Group's indebtedness. It is an important measure for the loan portfolio.
Net debt / comparable EBITDA	Net debt / comparable EBITDA	The level of net debt to comparable EBITDA is one of Altia's financial targets.

Altia presents alternative performance measures as additional information to the financial measures presented in the consolidated income statement, consolidated balance sheet and consolidated statement of cash flows prepared in accordance with IFRS. In Altia's view, alternative performance measures provide significant additional information on Altia's results of operations, financial position and cash flows to management, investors, analysts and other stakeholders.

Alternative performance measures should not be viewed in isolation or as a substitute for the IFRS financial measures. Companies do not all calculate alternative performance measures in a uniform way, and therefore Altia's alternative performance measures may not be comparable with similarly named measures presented by other companies.

The alternative performance measures are unaudited.