OLVI PLC HALF-YEAR REPORT 18 AUG 2017 at 9:00 am

OLVI GROUP'S HALF-YEAR REPORT, 1 JANUARY TO 30 JUNE 2017 (6 MONTHS)

HALF-YEAR REPORT IN BRIEF

Olvi Group's business continued to develop favourably in the review period. The Group's and all of its units' net sales and operating profit improved on the comparable period in the previous year.

January to June 2017 in brief:
- Olvi Group's sales volume was 328.6 (306.4) million litres
- The Group's net sales amounted to 180.1 (160.0) million euro
- The Group's operating profit amounted to 25.2 (19.9) million euro
- Olvi Group's earnings per share stood at 0.93 (0.70) euro per share
- The equity to total assets ratio was 57.6 (52.7) percent.

April to June 2017 in brief:
- Olvi Group's sales volume was 198.2 (189.5) million litres
- The Group's net sales amounted to 108.9 (97.9) million euro
- The Group's operating profit amounted to 19.0 (15.5) million euro
- Olvi Group's earnings per share stood at 0.67 (0.56) euro per share

Olvi upgrades the operating profit outlook for 2017 and estimates that the Group's sales volume, net sales and operating profit for 2017 will increase slightly compared to the previous year.

CONSOLIDATED KEY RATIOS

	4-6/ 2017	4-6/ 2016	Change % / pp	1-6/ 2017	1-6/ 2016	Change % / pp	1-12/ 2016
Sales volume, Mltr	198.2	189.5	4.6	328.6	306.4	7.3	609.4
Net sales, MEUR	108.9	97.9	11.3	180.1	160.0	12.5	321.5
Gross margin, MEUR	23.8	20.2	17.9	34.9	29.0	20.3	59.2
% of net sales	21.9	20.6		19.4	18.1		18.4
Operating profit, MEUR	19.0	15.5	22.2	25.2	19.9	26.3	40.4
% of net sales	17.4	15.9		14.0	12.5		12.6
Net profit for the period	13.8	11.8	17.4	19.4	14.5	33.7	32.8
% of net sales	12.7	12.1		10.8	9.1		10.2
Earnings per share, EUR	0.67	0.56	19.6	0.93	0.70	32.9	1.57
Gross capital expenditure, MEUR	5.5	5.4	2.7	9.9	10.9	-9.3	20.5
Equity per share, EUR				9.71	8.62	12.6	9.73
Equity to total assets, %				57.6	52.7	4.9	62.0
Gearing, %				4.4	16.2	-11.8	2.1

BUSINESS DEVELOPMENT
LASSE AHO, MANAGING DIRECTOR:

In the first half and second quarter of the year, Olvi Group's business developed favourably even though cool weather in the review period had a negative impact on the overall market development in May and June. The Group's and all of its units' net sales and operating profit improved in comparison to the previous year, both in the second quarter and the half-year period, and the Group's relative profitability improved. All of the other key ratios improved as well.

In Finland, we have been able to increase our market share, and the sales volume has continued to grow thanks to factors such as our strong brands and successful new product launches. Larger sales volumes have made it possible to utilise production and logistics capacity more efficiently and contributed to positive earnings development.

In the Baltic states, development in the first half of the year has been positive, with half-year aggregate operating profit up 24 percent from the previous year. This year, business in the Baltic states is characterised by the impact of excise tax hikes on the operating environment. The excise tax hike on mild alcoholic beverages that came into effect in Estonia as of 1 July 2017 is reflected in consumers' purchasing behaviour and therefore also in the timing of Olvi Group's sales. There was a slight increase in the first half of the year before the tax hike, and we estimate that this will cause somewhat of a sales decline in the third quarter. Preparing for the tax change has also tied up the Group's working capital temporarily, and this reduced the consolidated operational cash flow in the period under review. Excise tax hikes were also seen in Lithuania in the first half of the year, and this has been reflected in the company's business as a temporary slowdown in second-quarter domestic sales. Sales in Latvia ad Lithuania were boosted by deliveries to the Estonian unit.

The business in Belarus, and particularly the company's profitability, have developed well in the first half of the year. Half-year operating profit increased by 41 percent, with a clear increase also in the second quarter even though cool weather in the early summer pushed down the otherwise very positive trend. During the first half, success was evident both in domestic sales within Belarus and exports to Russia.

Predicting the outlook for the rest of the year is more challenging than usual because of the need to estimate the impacts of excise tax hikes. However, we believe that positive development will continue in Finland and Belarus, and that business in the Baltic states will normalise after the effect of the tax change, at the latest during the autumn season.

SEASONAL NATURE OF THE OPERATIONS

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

SALES DEVELOPMENT

Sales volume development

Olvi Group's sales volume in January-June increased by 7.3 percent to 328.6 (306.4) million litres. The sales volume in April-June increased by 4.6 percent to 198.2 (189.5) million litres.

The January–June sales volume increased across all units. Second-quarter sales slowed down slightly due to the impact of cool weather on the general development of the market. Sales development has been positive above all in Finland. In addition to increased intra-Group sales, the sales increase in Latvia was also attributable to a boost in cross-border trade between Latvia and Estonia.

Sales volume development by unit:

Sales volume, million litres	4-6/ 2017	4-6/ 2016	Change %	1-6/ 2017	1-6/ 2016	Change %
Finland (Olvi plc)	56.7	49.9	13.8	98.7	85.0	16.1
Estonia (AS A. Le Coq)	41.5	39.3	5.7	67.2	65.2	3.1
Latvia (A/S Cēsu Alus)	23.9	21.4	12.0	42.2	34.4	22.6
Lithuania (AB Volfas Engelman)	24.7	24.5	0.9	42.9	41.0	4.8
Belarus (OAO Lidskoe Pivo)	60.6	61.0	-0.6	95.5	90.9	5.1
Eliminations	-9.3	-6.5		-17.9	-10.1	
Total	**198.2**	**189.5**	**4.6**	**328.6**	**306.4**	**7.3**

Net sales development

The Group's net sales in January-June increased by 12.5 percent and amounted to 180.1 (160.0) million euro. Net sales in April-June increased by 11.3 percent to 108.9 (97.9) million euro. Net sales increased in all units both in the second quarter and in January-June, reflecting the growth in sales volume and the development of average net sales price.

Net sales development by unit:

Net sales, million euro	4-6/ 2017	4-6/ 2016	Change %	1-6/ 2017	1-6/ 2016	Change %
Finland (Olvi plc)	37.3	33.4	11.7	64.4	57.2	12.6
Estonia (AS A. Le Coq)	27.2	25.2	7.9	43.8	41.3	6.0
Latvia (A/S Cēsu Alus)	12.2	10.0	22.1	20.6	16.2	27.4
Lithuania (AB Volfas Engelman)	12.1	10.3	16.8	20.6	17.1	20.0
Belarus (OAO Lidskoe Pivo)	24.2	21.9	10.4	38.6	32.9	17.4
Eliminations	-4.1	-3.0		-7.9	-4.7	
Total	**108.9**	**97.9**	**11.3**	**180.1**	**160.0**	**12.5**

EARNINGS DEVELOPMENT

The Group's operating profit in January-June stood at 25.2 (19.9) million euro, or 14.0 (12.5) percent of net sales. Operating profit in April-June stood at 19.0 (15.5) million euro, which was 17.4 (15.9) percent of net sales. Operating profit increased across all units in the second quarter as well as in the half-year period, and the Group's relative profitability improved.

Operating profit development by unit:

Operating profit, million euro	4-6/ 2017	4-6/ 2016	Change %	1-6/ 2017	1-6/ 2016	Change %
Finland (Olvi plc)	4.7	3.9	19.5	6.3	5.1	22.5
Estonia (AS A. Le Coq)	7.0	6.1	15.1	9.5	8.5	12.0
Latvia (A/S Cēsu Alus)	1.8	1.2	42.8	2.4	1.6	47.7
Lithuania (AB Volfas Engelman)	1.4	0.7	92.7	1.7	0.8	103.0
Belarus (OAO Lidskoe Pivo)	4.1	3.5	16.8	5.3	3.7	41.5
Eliminations	0.0	0.0		0.0	0.1	
Total	**19.0**	**15.5**	**22.2**	**25.2**	**19.9**	**26.3**

The Group's profit after taxes in January-June increased by 33.7 percent on the previous year, amounting to 19.4 (14.5) million euro. Profit in April-June increased by 17.4 percent to 13.8 (11.8) million euro.

Earnings per share calculated from the profit belonging to parent company shareholders improved. In January-June it stood at 0.93 (0.70) euro, and the April-June figure was 0.67 (0.56) euro.

BALANCE SHEET, FINANCING AND INVESTMENTS

Olvi Group's balance sheet total at the end of June 2017 was 351.6 (341.7) million euro. Equity per share at the end of June 2017 stood at 9.71 (8.62) euro. The equity ratio was 57.6 (52.7) percent and the gearing ratio was 4.4 (16.2) percent.

Consolidated cash flow from operations totalled 20.9 (30.4) million euro. The reduction in cash flow was affected by a temporary increase in working capital due to preparations for the tax change in Estonia.

The amount of interest-bearing liabilities dropped substantially and amounted to 17.4 (42.7) million euro at the end of June. Current liabilities made up 8.4 (25.7) million euro of all interest-bearing liabilities.

Olvi Group's gross capital expenditure in January-June amounted to 9.9 (10.9) million euro. The parent company Olvi accounted for 3.6 million euro, the Baltic subsidiaries for 4.0 million euro and Lidskoe Pivo in Belarus for 2.3 million euro of the total.

PRODUCT DEVELOPMENT AND NEW PRODUCTS

Research and development includes projects to design and develop new products, packages, processes and production methods, as well as further development of existing products and packages. The R&D costs have been recognised as expenses. The main objective of Olvi Group's product development is to create new products for profitable and growing beverage segments.

NEW PRODUCTS

No new products were launched in Finland in the second quarter. New introductions in the first quarter were published in the January-March interim report.

In Estonia, A. Le Coq launched A. Le Coq Kvass with cherry flavour. The Limpa range of juices saw the introduction of water + juice products in two flavours, cherry and blueberry, with no added sugar.

In Latvia, Cēsu Alus complemented its Cēsu Premium range with a non-alcoholic alternative in cans. In ciders, Cēsu Light Crispy Apple and the semi-dry Dārza (Orchard Cider) in rhubarb flavour ere introduced, with no added sugar. The range of radlers was complemented with Cēsu Radler Mango-Chili.

In Lithuania, Volfas Engelman expanded its Horn beer brand with the Disel Gold version. The kvass Smetoniska Gira received a new, sweeter SmaliŽių variant. The new price fighter energy drink Energy Beat was introduced. In soft drinks, the new brand Sakmé was introduced. It is more natural, contains less sugar and comes with added vitamin C.

In Belarus, Lidskoe Pivo launched a new beer Lidskoe 50 to celebrate the 50th anniversary of the Lidskoe brand. FIZZ Lime&Mint is this summer's seasonal variety of cider. The Vitamineral well-being beverage was complemented with the Balance and Isotonic variants.

Detailed information on new products can be found on each company's Web site.

PERSONNEL

The Group's average number of personnel decreased in January-June by 90 people, ending at 1,801 (1,891). The Group's average number of personnel decreased by 77 people in Belarus and 24 people in the Baltic states. The average number of personnel in Finland increased by 11 people.

Olvi Group's average number of personnel by country:

	4-6/ 2017	4-6/ 2016	Change %	1-6/ 2017	1-6/ 2016	Change %
Finland	359	357	0.6	334	323	3.4
Estonia	343	367	-6.5	335	344	-2.6
Latvia	222	226	-1.8	206	214	-3.7
Lithuania	227	241	-5.8	228	235	-3.0
Belarus	708	773	-8.4	698	775	-9.9
Total	**1,859**	**1,964**	**-5.3**	**1,801**	**1,891**	**-4.8**

MANAGEMENT AND AUDITORS

The company's Board of Directors consists of Chairman Pentti Hakkarainen, M.Sc. (Econ), LL.M., Vice Chairperson Nora Hortling, M.Sc. (Econ), as well as members Jaakko Autere, M.Sc. (Econ), Elisa Markula, M.Sc. (Econ), Esa Lager, M.Sc. (Econ), LL.M., and Heikki Sirviö, Honorary Industrial Counsellor, M.Sc. (Engineering).

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

MANAGEMENT

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, Kati Kokkonen, 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

The Managing Directors of the subsidiaries report to Lasse Aho, the Managing Director of Olvi plc. The Board of Directors of each subsidiary consists of Lasse Aho (Chairman), Pia Hortling, Kati Kokkonen and Lauri Multanen. The Management Group of each subsidiary consists of the corresponding Managing Director and two to four sector directors.

GROUP STRUCTURE

In January–June, Olvi Group acquired 980 shares in its subsidiary OAO Lidskoe Pivo. There were no other changes in Olvi's holdings in subsidiaries in January-June 2017.

Olvi's holdings in the subsidiaries are:

	30 June 2017	31 Dec 2016	Change
AS A. Le Coq, Estonia	100.00	100.00	-
A/S Cēsu Alus, Latvia	99.88	99.88	-
AB Volfas Engelman, Lithuania	99.58	99.58	-
OAO Lidskoe Pivo, Belarus	95.87	94.57	1.30

Furthermore, A. Le Coq has a 49.0 percent holding in AS Karme and 20.0 percent holding in Verska Mineraalvee OÜ in Estonia.

SHARES

Olvi's share capital at the end of June 2017 stood at 20.8 million euro. The total number of shares was 20,758,808, of these 17,026,552 or 82.0 percent being publicly traded Series A shares and 3,732,256 or 18.0 percent Series K shares.

Each Series A share carries one (1) vote and each Series K share carries twenty (20) votes. Series A and Series K shares have equal rights to dividends.

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

The total trading volume of Olvi A shares on Nasdaq OMX Helsinki in January-June 2017 was 505,835 (511,767) shares, which represented 3.0 (3.0) percent of all Series A shares. The value of trading was 14.4 (12.1) million euro.

The Olvi A share was quoted on Nasdaq OMX Helsinki (Helsinki Stock Exchange) at 30.64 (25.25) euro at the end of June 2017. In January-June, the highest quote for the Series A share was 32.00 (27.10) euro and the lowest quote was 25.05 (20.30) euro. The average price in January-June was 28.42 (23.73) euro.

At the end of June 2017, the market capitalisation of Series A shares was 520.2 (429.6) million euro and the market capitalisation of all shares was 634.6 (523.9) million euro.

The number of shareholders at the end of June 2017 was 10,237 (9,914). Foreign holdings plus foreign and Finnish nominee-registered holdings represented 24.5 (23.4) percent of the total number of book entries and 5.5 (5.3) percent of total votes.

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

Treasury shares

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

Before the transfer, Olvi held 11,124 Series A shares as treasury shares. After the transfer, Olvi holds 47,700 Series A shares as treasury shares. The number of treasury shares represents 0.2 percent of the entire stock. The total purchase price of treasury shares was 228,162 euro. Treasury shares held by the company itself are ineligible for voting.

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

Flagging notices

During January-June 2017, Olvi has not received any flagging notices in accordance with Chapter 2, Section 10 of the Securities Markets Act.

BUSINESS RISKS AND THEIR MANAGEMENT

Risk management

Risk management is a part of Olvi Group's everyday management and operations. The objective of risk management is to ensure the realisation of the company's strategy and secure its financial development and the continuity of business. The task of risk management is to operate proactively and create operating conditions in which business risks are managed comprehensively and systematically in all of the Group companies and all levels of the organisation.

Business risks and uncertainties in the near term

The most substantial factor hampering the predictability of Olvi Group's business relates to Belarus and its economic and political outlook for the next few years. Furthermore, negative development of the Russian economy may impose challenges on the Belarusian operating environment.

Operations in Belarus involve foreign exchange risks arising from the cash flows of purchases and sales in foreign currency, as well as the investment in the Belarusian subsidiary and the conversion of its income statement and balance sheet items into euro. The Group's other foreign exchange risks can be considered minor.

Olvi Group's operations may also be affected to changes in consumer behaviour and the operations of our clientele arising from changes in official regulations. The excise tax hike that became effective in Estonia as of 1 July 2017 will probably result in a change of focus in volumes and consumption both from Estonia to the Latvian border and also from Estonia back to Finland. The effect of the change on the entire Olvi Group in 2017 is still difficult to estimate because there are several contributing factors, such as the pricing policies of companies doing business in harbours and on board after the excise duty changes, as well as a potential amendment to the Finnish Alcohol Act, the details and timing of which remain open for the time being.

Other short-term risks and uncertainties are related to the development of the general economic circumstances, changes in the competitive situation, as well as the impacts these may have on the company's operations. In addition to the risks described above, there have been no significant changes in Olvi Group's business risks. A more detailed description of the risks is provided in the Board of Directors' report and the notes to the financial statements, as well as in the Investors/Corporate Governance section of the company's Web site.

OTHER EVENTS DURING THE REVIEW PERIOD

Annual General Meeting

Olvi plc's Annual General Meeting of 21 April 2017 adopted the financial statements and granted discharge from liability to the members of the Board of Directors and Managing Director for the accounting period that ended on 31 December 2016.

In accordance with the Board's proposal, the General Meeting decided that a dividend of 0.75 (0.70) euro be paid on each A and K share for the accounting period 2016. The dividend according to the resolution accounts for 47.9 (65.1) percent of Olvi Group's consolidated earnings per share. The dividends were paid on 10 May 2017.

The General Meeting decided that the Board of Directors shall have six (6) members. Jaakko Autere, Nora Hortling, Esa Lager, Elisa Markula and Heikki Sirviö were re-elected as Members of the Board, and Pentti Hakkarainen was elected as a new member.

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

All decisions made at the General Meeting can be found in the bulletin released on 21 April 2017.

NEAR-TERM OUTLOOK

Olvi estimates that the Group's sales volume, net sales and operating profit for 2017 will increase slightly on the previous year.

OLVI PLC
Board of Directors

Further information:

Lasse Aho, Managing Director, Olvi plc
Phone +358 290 00 1050 or +358 400 203 600

TABLES:
- Statement of comprehensive income, Table 1
- Balance sheet, Table 2
- Changes in shareholders' equity, Table 3
- Cash flow statement, Table 4
- Notes to the half-year report, Table 5

DISTRIBUTION:
NASDAQ OMX Helsinki Ltd
Key media
www.olvi.fi

OLVI GROUP TABLE 1

INCOME STATEMENT

EUR 1,000

	4-6/ 2017	4-6/ 2016	1-6/ 2017	1-6/ 2016	1-12/ 2016
Net sales	108908	97852	180067	160015	321478
Other operating income	361	560	834	1018	1582
Operating expenses	-85461	-78221	-146022	-132041	-263881
Depreciation and impairment	-4841	-4666	-9695	-9056	-18734
Operating profit	18967	15525	25184	19936	40445
Financial income	-24	333	1814	904	1207
Financial expenses	-535	-379	-2243	-1764	-1816
Share of profit in associates	0	0	0	0	37
Earnings before tax	18408	15479	24755	19076	39873
Taxes *)	-4565	-3685	-5365	-4573	-7079
NET PROFIT FOR THE PERIOD	13843	11794	19390	14503	32794
Other comprehensive income items:					
Translation differences related to foreign subsidiaries	-5979	1452	-4918	-5391	-74
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	7864	13246	14472	9112	32720
Distribution of profit:					
- parent company shareholders	13798	11576	19288	14478	32488
- non-controlling interests	45	218	102	25	306
Distribution of comprehensive income:					
- parent company shareholders	7949	12992	14482	9216	32406
- non-controlling interests	-85	254	-10	-104	314
Earnings per share calculated from the profit belonging to parent company shareholders, EUR					
- undiluted	0.67	0.56	0.93	0.70	1.57
- diluted	0.67	0.56	0.93	0.70	1.57

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

BALANCE SHEET

EUR 1,000

	30 June 2017	30 June 2016	31 Dec 2016
ASSETS			
Non-current assets			
Tangible assets	191915	194607	196239
Goodwill	15584	15557	15978
Other intangible assets	5062	4870	5295
Shares in associates	1183	1146	1183
Financial assets available for sale	543	549	543
Loans receivable and other non-current receivables	280	303	280
Deferred tax receivables	301	213	265
Total non-current assets	214868	217245	219783
Current assets			
Inventories	37748	36633	32669
Accounts receivable and other receivables	90547	73820	55627
Income tax receivable	0	0	129
Other non-current assets held for sale	0	419	0
Liquid assets	8409	13560	20297
Total current assets	136704	124432	108722
TOTAL ASSETS	351572	341677	328505
SHAREHOLDERS’ EQUITY AND LIABILITIES			
Shareholders’ equity held by parent company shareholders			
Share capital	20759	20759	20759
Other reserves	1092	1092	1092
Treasury shares	-228	-228	-228
Translation differences	-41828	-42202	-37022
Retained earnings	221304	199350	217234
	201099	178771	201835
Share belonging to non-controlling interests	1244	1297	1714
Total shareholders’ equity	202343	180068	203549
Non-current liabilities			
Financial liabilities	9015	17046	12932
Other liabilities	27	6	17
Deferred tax liabilities	8377	7634	7749
Current liabilities			
Financial liabilities	8381	25661	11708
Accounts payable and other liabilities	122255	110692	92328
Income tax liability	1174	570	222
Total liabilities	149229	161609	124956
TOTAL SHAREHOLDERS’ EQUITY AND LIABILITIES	351572	341677	328505

CHANGES IN SHAREHOLDERS' EQUITY

EUR 1,000	Share capital	Other reserves	Treasury shares reserve	Translation differences	Retained earnings	Share of non-controlling interests	Total
Shareholders' equity 1 Jan 2016	20759	1092	-108	-36940	200415	1447	186665
Comprehensive income:							
Net profit for the period					14478	25	14503
Other comprehensive income items:							
Translation differences				-5262		-129	-5391
Total comprehensive income for the period				-5262	14478	-104	9112
Transactions with shareholders:							
Payment of dividends					-14523	-42	-14565
Acquisition of treasury shares			-120				-120
Share-based incentives					27		27
Change in accounting policies					-1047	-2	-1049
Total transactions with shareholders			-120		-15543	-44	-15707
Changes in holdings in subsidiaries:							
Acquisition of shares from non-controlling interests					1		1
Change in share belonging to non-controlling interests					-1	-2	-3
Total changes in holdings in subsidiaries					0	-2	-2
Shareholders' equity 30 Jun 2016	20759	1092	-228	-42202	199350	1297	180068

EUR 1,000	Share capital	Other reserves	Treasury shares reserve	Translation differences	Retained earnings	Share of non-controlling interests	Total
Shareholders' equity 1 Jan 2017	20759	1092	-228	-37022	217234	1714	203549
Comprehensive income:							
Net profit for the period					19288	102	19390
Other comprehensive income items:							
Translation differences				-4806		-112	-4918
Total comprehensive income for the period				-4806	19288	-10	14472
Transactions with shareholders:							
Payment of dividends					-15561	-35	-15596

Share-based incentives					264		264
Total transactions with shareholders					-15297	-35	-15332
Changes in holdings in subsidiaries:							
Acquisition of shares from non-controlling interests					258		258
Change in share belonging to non-controlling interests					-179	-425	-604
Total changes in holdings in subsidiaries					79	-425	-346
Shareholders’ equity 30 June 2017	20759	1092	-228	-41828	221304	1244	202343

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

OLVI GROUP TABLE 4

CASH FLOW STATEMENT

EUR 1,000

	1-6/2017	1-6/2016	1-12/2016
Net profit for the period	19390	14503	32794
Adjustments to profit for the period	15612	11429	25512
Change in net working capital	-12767	4764	8828
Interest paid	-401	-466	-777
Interest received	168	172	428
Dividends received	2	0	2
Taxes paid	-1077	-12	-5553
Cash flow from operations (A)	20927	30390	61234
Investments in tangible and intangible assets	-9485	-11692	-18520
Sales gains from tangible and intangible assets	115	236	744
Acquisition of shares from non-controlling interests	-345	-2	-2
Expenditure on other investments	0	-3	-35
Cash flow from investments (B)	-9715	-11461	-17813
Withdrawals of loans	160	4327	447
Repayments of loans	-7378	-7749	-21835
Acquisition of treasury shares	0	-120	-120
Dividends paid	-15562	-14527	-14529
Increase (-) / decrease (+) in current interest-bearing business receivables	14	14	8
Increase (-) / decrease (+) in long-term loan receivables	0	0	23
Cash flow from financing (C)	-22766	-18055	-36006
Increase (+)/decrease (-) in liquid assets (A+B+C)	-11554	874	7415
Liquid assets 1 January	20297	12786	12786
Effect of exchange rate changes	-334	-100	96
Liquid assets 30 June/31 December	8409	13560	20297

NOTES TO THE HALF-YEAR REPORT

The accounting policies used for this half-year report are the same as those used for the annual financial statements 2016. The accounting policies are presented in the Annual Report 2016, which was published on 29 March 2017.

The information in the half-year report is presented in thousands of euros (EUR 1,000). For the sake of presentation, individual figures and totals have been rounded to full thousands, which causes rounding differences in additions. The information disclosed in the half-year report is unaudited.

Olvi will adopt two new IFRS standards in 2018 (IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers), as well as one in 2019 (IFRS 16 Leases). Information on the adoption and estimated effects of the standards can be found below.

IFRS 9 Financial Instruments

Olvi has analysed the effect of the new standard on the consolidated financial statements. The Group has a minor amount of equity investments classified as financial assets available for sale under the standard in force. According to the management's current opinion, these financial assets will mainly be classified as financial assets measured at fair value through other comprehensive income items. The change in classification is not expected to have any substantial impact on the Group's earnings.

According to the new standard, the impairment of financial assets must be determined using a model based on expected credit losses. The Group's most substantial financial assets are accounts payable, and the Group will apply the simplified procedure allowed by the standard, under which a loss will be recognised over its entire validity period using a provision matrix, except to the extent that there is proof warranting the recognition of an individual financial asset item completely as credit loss. The procedure may result in credit losses being recognised somewhat earlier but is not expected to have any substantial effect on the consolidated earnings and balance sheet.

IFRS 15 Revenue from Contracts with Customers

The Group has analysed the effect of the new standard on the consolidated financial statements.

A substantial part of the Group's customer contracts relates to the sale of beverage products. Control over beverage products passes to the customer in accordance with their delivery terms, usually within the day of delivery. The contracts include volume and annual discounts, the estimated effect of which is currently deducted from net sales on the same period for which the sales income has been recognised, and according to preliminary analysis, the amendment to the standard does not have any effect on the accounting practice.

The Group has analysed the impact of the new standard on the transaction price of a performance obligation and notes that the amendment to the standard will not affect the transaction price or the consolidated income statement with regard to the sales of beverage products. The time of fulfilment of the performance obligation also corresponds to the present time of income recognition for the sales of beverage products.

The Group is involved in minor amounts of beverage equipment rentals and maintenance services included in these. Rents are recognised over the rental period and, in accordance with the terms of the maintenance service agreement, either as equal instalments over the contract period or based on service performed.

Due to the nature of the Group's business, the amendment to the recognition standard is not expected to have any substantial effect on the consolidated income statement or balance sheet, and it will not impose any changes on business practices. However, the amendment will affect the presentation of the financial statements through the imposed effects on the disclosure of notes.

The Group will adopt the standard by providing additional information non-retroactively.

IFRS 16 Leases

From the lessee's point of view, the new standard has abandoned the current division between operational leases and finance leases, and according to the standard, in practice all leases result in the recognition of an asset (right to use the leased asset) and a financial liability pertaining to the lease payment obligation. The standard also has effect on the income statement as the total costs are typically higher in the beginning of the lease period and lower towards the end. Furthermore, the lease costs now included in operating expenses will be replaced by interest and depreciation, which will affect crucial indicators such as EBITDA (gross margin). The standard also has an impact on the presentation of the cash flow statement.

The Group has contracts classified as operational leases under the current standard, and upon adoption of the new standard, these will be recognised in the balance sheet with the exception of minor and short-term contracts. The Group's leases concern the rental of individual office spaces and logistics premises, as well as machinery and equipment. The amendment is estimated to have some effect on the consolidated financial statements, particularly the consolidated balance sheet total and the balance sheet indicators. The Group is currently reviewing its lease contracts with their terms and conditions, and analysing the impact in euros. However, most of the premises, machinery and equipment used by the company are in its ownership and are already presented in the consolidated balance sheet.

1. SEGMENT INFORMATION

SALES VOLUME BY GEOGRAPHICAL SEGMENT (1,000 litres)

	4-6/ 2017	4-6/ 2016	1-6/ 2017	1-6/ 2016	1-12/ 2016
Olvi Group total	198237	189516	328646	306399	609375
Finland	56711	49855	98725	85037	178044
Estonia	41546	39298	67165	65163	121467
Latvia	23946	21378	42195	34429	67246
Lithuania	24742	24516	42949	40995	81800
Belarus	60639	61013	95540	90862	178298
- sales between segments	-9347	-6544	-17928	-10087	-17480

NET SALES BY GEOGRAPHICAL SEGMENT (EUR 1,000)

	4-6/ 2017	4-6/ 2016	1-6/ 2017	1-6/ 2016	1-12/ 2016
Olvi Group total	108908	97852	180067	160015	321478
Finland	37314	33403	64367	57175	118876
Estonia	27215	25226	43794	41303	76926
Latvia	12161	9960	20622	16181	31839
Lithuania	12066	10328	20561	17132	35342
Belarus	24209	21921	38635	32913	66776
- sales between segments	-4057	-2986	-7912	-4689	-8281

OPERATING PROFIT BY GEOGRAPHICAL SEGMENT (EUR 1,000)

	4-6/ 2017	4-6/ 2016	1-6/ 2017	1-6/ 2016	1-12/ 2016
Olvi Group total	18967	15525	25184	19936	40445
Finland	4677	3914	6253	5103	10743
Estonia	7017	6095	9547	8525	15926
Latvia	1755	1229	2409	1631	3377
Lithuania	1438	746	1709	842	2702
Belarus	4096	3508	5281	3733	7471
- eliminations	-16	33	-15	102	226

2. PERSONNEL ON AVERAGE

	4-6/ 2017	4-6/ 2016	1-6/ 2017	1-6/ 2016	1-12/ 2016
Finland	359	357	334	323	329
Estonia	343	367	335	344	339
Latvia	222	226	206	214	207
Lithuania	227	241	228	235	235
Belarus	708	773	698	775	749
Total	1,859	1,964	1,801	1,891	1,859

3. RELATED PARTY TRANSACTIONS

Employee benefits to management
Salaries and other short-term employee benefits to the Board of Directors and Managing Director
EUR 1,000

	1-6/ 2017	1-6/ 2016	1-12/ 2016
Managing Director	481	202	393
Chairman of the Board	34	34	68
Other members of the Board	66	73	137
Total	581	309	598

4. SHARES AND SHARE CAPITAL

	30 June 2017	%
Number of A shares	17026552	82.0
Number of K shares	3732256	18.0
Total	20758808	100.0
Total votes carried by A shares	17026552	18.6
Total votes carried by K shares	74645120	81.4
Total number of votes	91671672	100.0
Votes per Series A share	1	
Votes per Series K share	20	

The registered share capital on 30 June 2017 totalled 20,759 thousand euro.

Olvi plc's shares received a dividend of 0.75 euro per share for 2016 (0.70 euro per share for 2015), totalling 15.6 (14.5) million euro. The dividends were paid on 10 May 2017. The Series K and Series A shares entitle to equal dividend. The Articles of Association include a redemption clause concerning Series K shares.

5. SHARE-BASED PAYMENTS

Olvi Group has share-based incentive plans for key employees. 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.

The Group has an active share-based incentive plan expiring at the end of June 2017, with one three-year performance period beginning on 1 July 2014 and ending on 30 June 2017. In accordance with the terms and conditions of the plan, rewards will be paid in Olvi plc Series A shares and partially in cash. The cash proportion is intended to cover taxes and tax-related costs arising from the rewards to the key employees. The prerequisite for receiving a reward for this performance period is that a key employee purchases the company's Series A shares up to the maximum number determined by the Board of Directors. Furthermore, entitlement to a reward is tied to the continuance of employment or service upon reward payment. From January to June 2017, accounting entries associated with the performance period from 1 July 2014 to 30 June 2017 were recognised for a total of 50.2 thousand euro.

The Group has an active share-based incentive plan for key personnel started in 2016. The performance period for the share-based incentive plan is two years. 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. Furthermore, entitlement to a reward is tied to the continuance of employment or service upon reward payment. Rewards will be paid partly in the company’s Series A shares and partly in cash in 2018. The cash proportion is intended to cover taxes and tax-related costs arising from the rewards to the key employees. The Board of Directors may decide that the share proportion be paid fully or partially in cash. The plan is directed to approximately 50 people. The rewards to be paid on the basis of the plan are in total an approximate maximum of 36,280 series Series A shares in Olvi plc and a cash payment needed for taxes and tax-related costs arising from the shares. The costs of the plan will be recognised over the performance period from 1 July 2016 to 30 June 2018. From January to June 2017, costs associated with the plan established on 24 February 2016 were recognised for a total of 369.8 thousand euro.

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

6. TREASURY SHARES

Olvi plc’s Annual General Meeting on 21 April 2017 made a decision concerning abandoned or “ghost” shares held in a joint book-entry account. The decision was that the right to a share incorporated in the book-entry system and placed in the joint account, and the rights that the share carries have been forfeited, and authorised the Board of Directors to take all measures called for by the decision. On this basis, 36,576 shares have been transferred from Olvi’s joint account to treasury shares on 18 May 2017.

Before the transfer, Olvi held 11,124 Series A shares as treasury shares. After the transfer, Olvi holds 47,700 Series A shares as treasury shares.

The total purchase price of treasury shares was 228,162 euro. Olvi has not acquired any treasury shares by any other means during the review period. Treasury shares held by the company itself are ineligible for voting.

Series A shares held by Olvi plc as treasury shares represented 0.23 percent of all shares and 0.05 percent of the aggregate number of votes. The treasury shares represented 0.28 percent of all Series A shares and associated votes.

On 21 April 2017, the General Meeting of Shareholders of Olvi plc decided to revoke any unused authorisations to acquire treasury shares and authorise the Board of Directors of Olvi plc to decide on the acquisition of a maximum of 500,000 Series A shares using distributable funds.

The Annual General Meeting also decided to revoke all existing unused authorisations for the transfer of own shares and authorise the Board of Directors to decide on the issue of a maximum of 1,000,000 new Series A shares and the transfer of a maximum of 500,000 Series A shares held as treasury shares.

7. NUMBER OF SHARES *)	1-6/2017	1-6/2016	1-12/2016
- average	20738793	20747800	20747742
- at end of period	20711108	20747684	20747684

*) Treasury shares deducted.

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

	1-6/2017	1-6/2016	1-12/2016
Trading volume of Olvi A shares	505835	511767	881172
Total trading volume, EUR 1,000	14383	12146	22162
Traded shares in proportion to all Series A shares, %	3.0	3.0	5.2
Average share price, EUR	28.42	23.73	25.17
Price on the closing date, EUR	30.64	25.25	28.00
Highest quote, EUR	32.00	27.10	28.51
Lowest quote, EUR	25.05	20.30	20.30

9. FOREIGN AND NOMINEE-REGISTERED HOLDINGS ON 30 JUNE 2017

	Book entries		Votes		Shareholders	
	qty	%	qty	%	qty	%
Finnish total	15674244	75.51	86587108	94.45	10172	99.36
Foreign total	386814	1.86	386814	0.42	56	0.55
Nominee-registered (foreign) total	96980	0.47	96980	0.11	3	0.03
Nominee-registered (Finnish) total	4600770	22.16	4600770	5.02	6	0.06
Total	20758808	100.00	91671672	100.00	10237	100.00

10. LARGEST SHAREHOLDERS ON 30 JUNE 2017

	Series K	Series A	Total	%	Votes	%
1. Olvi Foundation	2363904	890613	3254517	15.68	48168693	52.54
2. The Estate of Hortling Heikki *)	903488	103280	1006768	4.85	18173040	19.82
3. The Estate of Hortling Kalle Einari	187104	25248	212352	1.02	3767328	4.11
4. Hortling Timo Einari	165824	36308	202132	0.97	3352788	3.66
5. OP Corporate Bank plc, nominee register		2153674	2153674	10.37	2153674	2.35
6. Hortling-Rinne Laila Marit	102288	3380	105668	0.51	2049140	2.24
7. Nordea Bank AB (publ), Finnish Branch, nominee reg.		1781568	1781568	8.58	1781568	1.94
8. Ilmarinen Mutual Pension Insurance Company		849218	849218	4.09	849218	0.93
9. Varma Mutual Pension Insurance Company		828075	828075	3.99	828075	0.90
10. Skandinaviska Enskilda Banken AB (publ) Helsinki branch, nominee register		613572	613572	2.96	613572	0.67
Others	9648	9741616	9751264	46.98	9934576	10.84
Total	3732256	17026552	20758808	100.00	91671672	100.00

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

11. PROPERTY, PLANT AND EQUIPMENT

EUR 1,000

	1-6/2017	1-6/2016	1-12/2016
Opening balance	196239	185240	198258
Additions	9646	23217	19750
Deductions and transfers	-1155	-879	-3769
Depreciation	-9159	-8450	-17452
Exchange rate differences	-3656	-4521	-548
Total	191915	194607	196239

12. CONTINGENT LIABILITIES

EUR 1,000

	30 June 2017	30 June 2016	31 Dec 2016
Pledges and contingent liabilities			
For own commitments	2659	2352	1886
Leasing and rental liabilities:			
Due within one year	1450	1307	1540
Due within 1 to 5 years	1865	1465	1396
Due in more than 5 years	2	3	2
Leasing and rental liabilities total	3317	2775	2938
Other liabilities	2000	2000	2000

13. CALCULATION OF FINANCIAL RATIOS

In the summary of financial indicators (page 1), the Group presents figures directly derived from the consolidated income statement: net sales, operating profit and profit for the period, the corresponding percentages in proportion to net sales, as well as the earnings per share ratio. (Earnings per share = Profit belonging to parent company shareholders / Average number of shares during the period, adjusted for share issues).

In addition to the consolidated financial statements prepared in accordance with IFRS, Olvi Group presents Alternative Performance Measures that describe the financial development of its business and provide a commensurate overall view of the company’s profitability, financial position and liquidity.

The Group has applied the ESMA (European Securities and Markets Authority) new guidelines on Alternative Performance Measures that entered into force on 3 July 2016 and defined APMs as described below.

As an APM supporting net sales, the Group presents sales volumes in millions of litres. Sales volume is an important indicator of the extent of operations generally used in the industry.

The definition of gross margin is operating profit plus depreciation and impairment.

Gross capital expenditure consists of total expenditure on fixed assets, including the effect of any corporate acquisitions.

Equity per share = Shareholders' equity held by parent company shareholders / Number of shares at end of period, adjusted for share issues

Equity to total assets, % = 100 * (Shareholders' equity held by parent company shareholders + non-controlling interests) / (Balance sheet total)

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