ALTIA

2016
Annual Review

Contents

* Part of the Financial Statements.

We have renewed our Annual Review

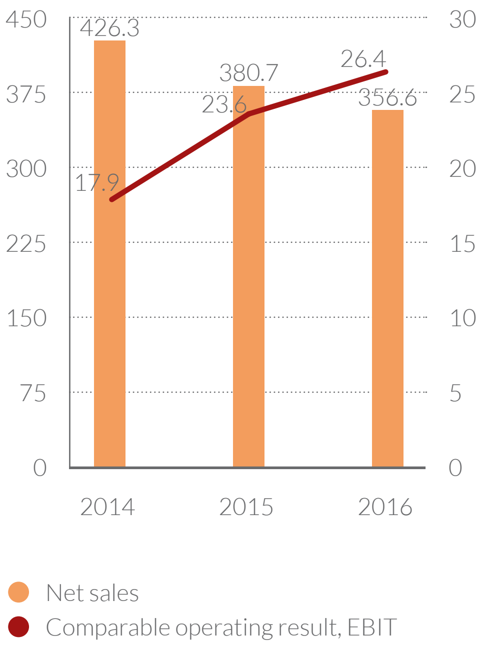
The Annual Review includes the Board of Directos' Report, Audited Financial Statements, Corporate Governance Statement, Remuneration Statement and Auditor's report.

Note disclosures are split into sections and accounting principles have been moved to the relevant part of the notes.

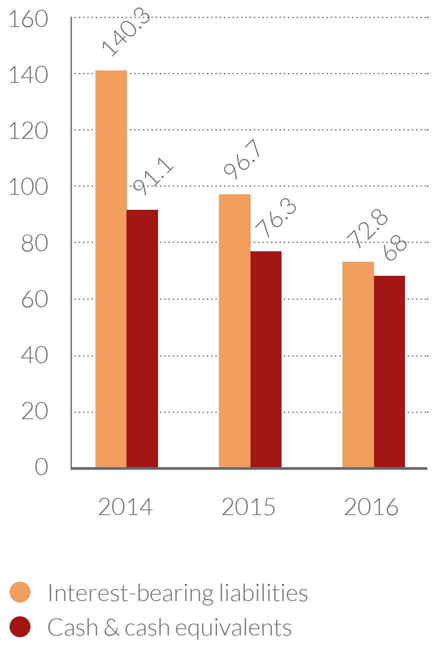
Key ratios of the Altia Group

	2016	2015	2014
Net sales, EUR million	356.6	380.7	426.3
Operating result, EUR million	46.3	25.3	-18.6
(% of net sales)	13.0	6.6	-4.4
Comparable operating result, EBIT, EUR million	26.4	23.6	17.9
(% of net sales)	7.4	6.2	4.2
Profit before taxes, EUR million	43.5	26.3	-20.4
(% of net sales)	12.2	6.9	-4.8
Result for the period, EUR million	34.6	21.0	-18.1
(% of net sales)	9.7	5.5	-4.3
Return on equity (ROE), %	20.5	13.7	-11.2
Return on invested capital (ROI) %	14.5	8.6	-4.0
Comparable return on capital employed (ROCE) %	9.1	8.1	5.5
Equity ratio, %	43.8	36.6	28.7
Gearing, %	2.5	12.0	34.2
Employees on average	829	879	987

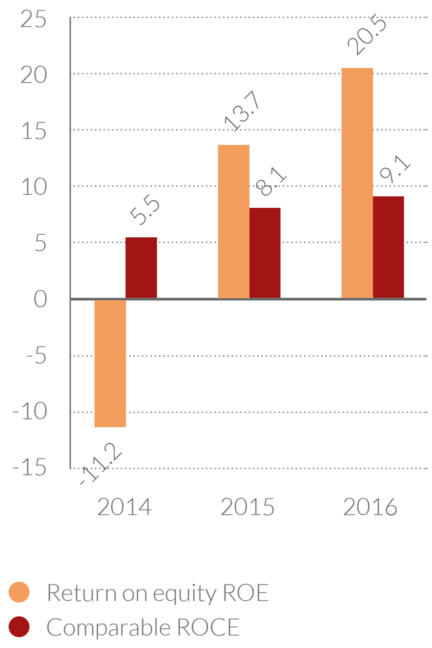
NET SALES AND COMPARABLE OPERATING RESULT, EBIT, EUR million



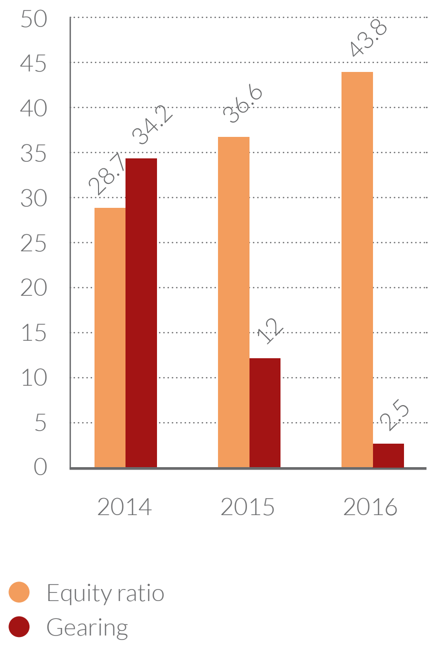
INTEREST-BEARING LIABILITIES AND CASH & CASH EQUIVALENTS, EUR million



RETURN ON EQUITY AND COMPARABLE ROCE, %



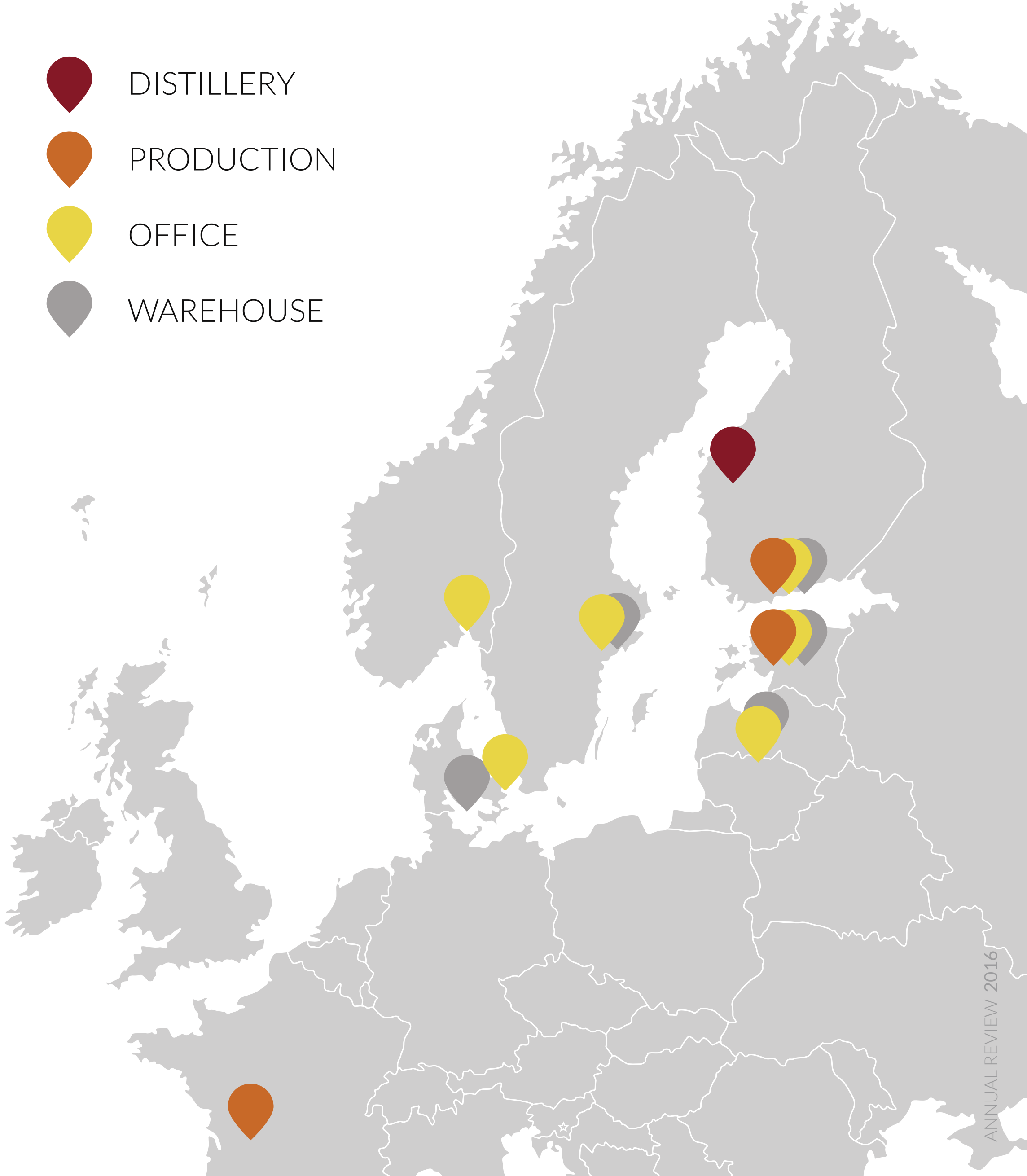
EQUITY RATIO AND GEARING, %

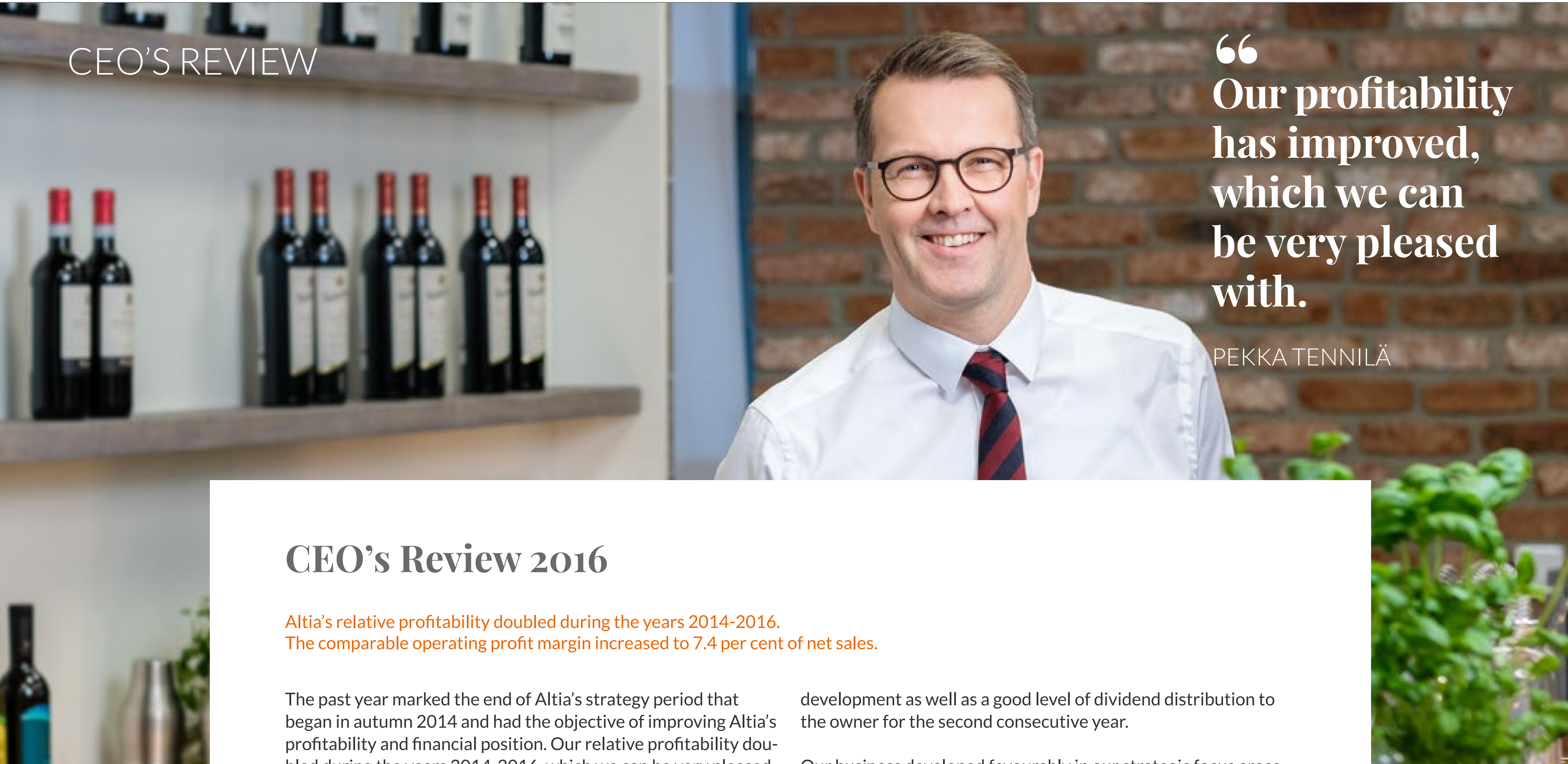


Altia in Brief

Altia is a leading wine and spirits company offering quality brands in the Nordic and Baltic countries. Altia produces, markets, sells, imports and exports alcoholic beverages. Sustainability is a crucial business factor for us. We want to enhance a modern, responsible Nordic drinking culture. We have crystallised our purpose as a company: ***Let's drink better***.

- Our business model is based on offering a strong portfolio of our own brands and a versatile range of international partner brands as well as providing customers services, which utilise our production, packaging and logistics capacity.
- In addition to the production, export and import of alcoholic beverages, our business operations include industrial products and services.
- We have a strong market position in our home markets, which include Finland, Sweden, Norway, Denmark, Estonia, Latvia and travel retail.
- We export alcoholic beverages to nearly 30 countries, most of which are in Europe. Products are also exported to Asia, North America, the Caribbean and the Middle East.
- Our head office is located in Helsinki, Finland. We have a distillery in Koskenkorva village in Western Finland, bottling plants in Rajamäki village in South Finland and Tabasalu municipality in Estonia, as well as warehouse facilities and offices in our home markets. We are also a significant cognac house with production and aging cellars in Cognac, France.
- Our most significant clients are the Nordic alcohol retail monopolies, international alcoholic beverage companies, alcoholic beverage wholesalers, restaurants, travel retailers, grocery stores, importers operating in export markets as well as domestic industrial clients.





CEO's Review 2016

Altia's relative profitability doubled during the years 2014-2016.
The comparable operating profit margin increased to 7.4 per cent of net sales.

The past year marked the end of Altia's strategy period that began in autumn 2014 and had the objective of improving Altia's profitability and financial position. Our relative profitability doubled during the years 2014-2016, which we can be very pleased with. In 2016, our comparable operating profit margin increased to 7.4 per cent of net sales. This is the highest number achieved during Altia's current structure. Our comparable operating profit grew to EUR 26.4 million, which further strengthens our statement of financial position and enables investments in business development as well as a good level of dividend distribution to the owner for the second consecutive year.

Our business developed favourably in our strategic focus areas, both in our own core brands as well as in our key partner brands. At the same time, our total net sales declined, as expected, due to factors including the lower volume of industrial contract services and planned changes to our wine portfolio. We continued to focus on value creation and were able to improve absolute profitability year-on-year across all of our own product categories.

In 2016, we focused on our core brands and key partners in close cooperation with our customers. The Koskenkorva Vodka brand renewal, launched in late spring, was successful and opened up new export opportunities, such as Koskenkorva Vodka being listed in the selection of the retail chain Marks & Spencer in the United Kingdom as well as favourable sales development in Russia.

"We summarised Altia's purpose, Let's Drink Better.

We continued to make strong investments in product development. In the Aquavit category, we successfully launched a new lower-alcohol product in the form of O.P. Anderson Petronella. In the mulled wine category, we carried out a renewal of the Blossa product family, including the launch of non-alcoholic product varieties, and we successfully increased our absolute sales as well as our market share in the category. In Estonia, we increased our sales, boosted by the renewal of Saaremaa vodka, while in Denmark, we achieved growth through the expansion of the Brøndums product family.

Focusing on core businesses played a central role throughout the recently concluded strategy period. In 2016, we sold the Koskenkorva feed processing business to A-rehu and restructured energy production and distribution at the Rajamäki plant.

As an important element of Altia's strategy, we continued our determined efforts to enhance the efficiency of our cost structure and achieved EUR 20 million in cost savings during the strategy period. At the same time, we launched investment projects to develop operational efficiency, quality and flexibility as well as to support growth opportunities. We used a record quantity of barley at the Koskenkorva plant: over the course of 2016 we used a total of 192.2 million kilogrammes of Finnish barley, more than ever before in the plant's history. We also reduced the Koskenkorva plant's CO_2 emissions by 42 per cent with the help of the plant's own bioenergy power plant and increased the energy self-sufficiency of steam production to 56 per cent.

As part of our updated strategy, we summarised Altia's purpose, Let's Drink Better. We want to build and co-create a new, positive and responsible drinking culture.

Altia's updated strategy is focused on profitable growth. We will strengthen our Nordic core brands, grow our wine business and expand into new sales channels. We will pursue a long-term improvement in the results of our operations through the continuous renewal of our offering and operating methods.

Our professional and motivated personnel played a key role in building our strategy. Our personnel are an important factor in ensuring Altia's competitiveness and implementing the strategy. I am particularly pleased by the fact that the results of our annual personnel survey improved for the second consecutive year.

I would like to express my warmest thanks for the successful year we had in 2016 to our customers and partners and, above all, the entire Altia team.

Pekka Tennilä,
CEO

OUR STRATEGY

Altia wants to support and co-create the development of a new, modern and responsible drinking culture.

Let's drink better

Megatrends

Digitalisation
Sustainability
Health consciousness
Transparency
Real authenticity
Progressive innovation

Strengthen our strategic partnerships

Build partners with strong brands and innovation

Strengthen our core Nordic brands

Build brand equity, innovate, engage and expand

Fund and enable the growth

Execute a step change in wines

Launch smart premium products and innovative packaging & concepts

Expand into new sales channels

Grow export business, retail and e-commerce

Our vision

We are the drinks company that understands consumers and shapes the market to grow share.
We create sustainable profit growth by continuously renewing our offering and ways of working.

Board of Directors' report for the period 1 January–31 December 2016

Altia's profitability continued to improve in 2016 in spite of net sales being lower than in the previous year. The comparable operating result improved to EUR 26.4 (23.6) million, which is 7.4% (6.2%) of net sales. The IFRS operating result was EUR 46.3 (25.3) million due to changes in deferred supplementary pension obligations and sales of assets. The Group's net sales totalled EUR 356.6 million, which is 6.3% lower than in the previous year (EUR 380.7 million). The decrease in net sales was particularly attributable to lower contract manufacturing volumes, but it was also due to the continued measures to consolidate the product portfolio as well as unfavourable changes in exchange rates.

Altia's statement of financial position and the indicators related to it continued to strengthen. Comparable return on capital employed (ROCE) increased to 9.1% (8.1%). Interest-bearing debt decreased to EUR 72.8 (96.7) million and Altia's gearing was only 2.5% (12.0%). This means that Altia's net debt was close to zero at the end of the year. The equity ratio improved further, to 43.8% (36.6%).

The Board of Directors proposes to the Annual General Meeting that a total dividend of EUR 10,428,400 be distributed for the financial year 2016 (EUR 10,428,400 for the financial year 2015).

Altia Group's 2016 financial statements are prepared in accordance with IFRS. Comparative information is based on corresponding figures for 2015 (figures in backets), unless otherwise stated.

Operating environment 2016

Total market growth in Altia's main markets has remained weak. Consumers prefer increasingly lower alcohol volume beverages. Currently in Finland and Sweden there is an on-going debate about alcohol legislation, unrecorded import and related side-effects. In Finland the overall reform of the Alcohol Act, which is under preparation, is expected to clarify industry regulation.

In Estonia, past and future increases in alcohol taxation have opened a significant market on the Latvian side of the border. The cross-border trade between Denmark, Sweden and Germany is estimated to have declined slightly due to the implementation of border controls.

The following table illustrates the trends in the total sales of alcoholic beverages in Finland, Sweden and Norway. The figures are based on the sales volumes by litre published by the monopolies (Alko, Systembolaget and Vinmonopolet).

Development of total sales of alcoholic beverages in the monopoly markets (% change compared to the previous year)	2016 %	2015 %
Finland, total sales	-0.5	-2.8
Spirits	-1.3	-3.1
Wine	-0.2	-2.5
Sweden, total sales	0.9	0.1
Spirits	1.0	2.2
Wine	0.9	-0.1
Norway, total sales	0.7	-0.8
Spirits	1.0	-0.6
Wine	0.6	-1.3

In **Finland**, the modest decline in sales that began in the autumn continued until the end of the reporting period. In terms of product groups, the decline was particularly visible in fortified wines and bitters. Gins, dark rums as well as sparkling and rosé wines continued to grow.

In **Sweden**, total sales continued to grow. Red wines continued to decline not only in absolute volume, but also in their relative share compared to the fastest-growing product groups, white and sparkling wines. The sales of rosé wines were higher than in the comparison period. As in Finland, the fastest-growing product groups among spirits were gins and dark rums. Liqueur sales continued to grow.

In **Norway**, total sales turned to growth. The exception to the growth in the spirits category were grape distillates, the sales of which fell by 5.6% from the previous year. In the light wines category, sparkling wines saw a strong growth of nearly 20%. Red wine sales continued to decline slightly.

Strategy

Strategy 2014–2016

In September 2014, Altia announced its strategy which extended to the end of 2016. The focus of the strategy was on improving the company's financial position, business operations and profitability. In accordance with the strategy, Altia's focus during the strategy period was on strengthening its core brands and key partnerships, value creation, sales channel development and the continuous improvement of efficiency.

The company made progress towards these objectives during the strategy period. The company's relative profitability (profit margin) improved from 3.7% to 7.4% in 2014–2016. Altia has a strong statement of financial position and the company had close to zero net debt at the end of 2016. According to Altia's view, this creates a solid foundation for future growth opportunities. Altia has strengthened its own core brands and successfully increased their sales and profitability in a challenging market environment. The sales of Altia's key partner brands have also increased as a result of stronger cooperation with partners.

Altia's net sales declined as expected during the strategy period for two reasons. The volume of the partner business has declined following the company's streamlining of its product portfolio since 2014. The net sales of industrial services decreased, mainly due to the discontinuation of contract services at the Svendborg plant in Denmark. Both of the aforementioned measures are in line with the company's strategy of focusing on its core operations.

Value creation was one of the key themes of the 2014–2016 strategy period. Altia was successful in value creation, particularly with respect to product renewals, product positioning and brand building, and with the help of innovation and supply chain efficiency. The company's profitability has improved across all of its categories of own products.

During the strategy period, Altia streamlined its market functions and organisation to better serve its customers and partners as well as react faster to the changing needs of customers and consumers. The company has also invested in brand building, innovation and the development of sales operations and sales channels.

Improving efficiency was a significant element of Altia's strategy for 2014–2016. Efficiency improvement and cost reduction measures achieved cost savings in excess of EUR 20 million during the strategy period. In balance sheet management, the company achieved its capital efficiency target. In addition to improving its management of working capital, the company sold non-core assets during the strategy period.

Strategy update

Through its operations, Altia wants to promote a responsible Nordic drinking culture. This idea is expressed in the company's purpose: ***Let's Drink Better***. Altia strives to be a beverage company that pursues growth in market share through strong consumer insight and market development.

Altia's strategy has five key focus areas: 1) Strengthening Nordic core brands, 2) Executing a step change in wines, 3) Strengthening strategic partnerships, 4) Expanding into new sales channels, and 5) Funding and enabling the growth.

Significant events during the review period

Expansions in partner brands business

In March, Altia and Brown-Forman renewed their agreement on the import and distribution of Brown-Forman's core brands in Sweden, Finland and Norway. Under the agreement, Altia will continue as Brown-Forman's exclusive representative in retail and HoReCa sales in these countries.

In October, Altia expanded its cooperation with Distell International by becoming the exclusive representative of Distell's Scotch whiskies in retail and HoReCa sales in Finland, Sweden, Norway and Denmark and in Travel Retail in Northern Europe.

Acquisitions and divestments

In April, Altia sold its feed processing business at the Koskenkorva plant to A-Rehu. The transaction allows the Koskenkorva plant to focus on the production of grain spirit and starch as well as the development of innovative products refined from domestic barley. Altia continues to supply the raw material for animal feed to A-Rehu, who processes it to produce the finished products.

In September, Altia reorganised the steam distribution at the Rajamäki plant area by selling its steam distribution network and signing new steam delivery agreements. This also released Altia from its obligation to buy the steam power plant in the area at the end of the lease period.

Enhancing online services

Altia enhanced its online services in 2016. In the spring, the company launched a new website, www.altiaindustrial.com, for industrial customers, as well as folkofolk.se, a new website aimed at consumers in Sweden. The corresponding consumer website in Finland, Viinimaa.fi, was redesigned. In the summer, Altia launched its first online store, World of Aquavit. World of Aquavit is an online store that serves European countries except Finland, Sweden, Norway and Iceland, where the retail sales of alcoholic beverages are carried out by monopolies.

Koskenkorva Vodka brand renewal

Altia carried out a brand renewal for Koskenkorva Vodka in early 2016. The brand renewal included a complete renewal of the Koskenkorva bottle design, marketing concept and flavour variants. Koskenkorva's export distribution was expanded later in the year when the retail chain Marks & Spencer launched the renewed Koskenkorva Vodka in its 130 stores.

Production arrangements

In June, Altia established a long-term production arrangement with Unimedic AB regarding the production of Swedish Aquavits in Sweden. Altia and Unimedic invested in a new production plant where the Swedish Aquavits and spiced spirits produced by Altia will be manufactured.

In May, Altia and Walsh Whiskey Distillery signed a cooperation agreement that ensures Altia the availability of high-quality raw materials for whiskey. The agreement covers the production, maturing and storage of Irish malt and grain whiskey.

Investment in innovation and product development, Nordic Spirits Lab

In 2016, Altia introduced a new kind of joint Nordic platform for experimental cooperation and innovation. The Nordic Spirits Lab platform brings together brand experts, bartenders, business strategists, designers, artists, inventors and researchers to develop new ideas, technologies, experiences and products for the beverage industry.

Responsibility

For Altia, responsibility is both a strategic priority and a key success factor in business. The aim of Altia's efforts in the area of responsibility is to build sustainable long-term business for Altia.

Altia wants to promote a modern and responsible Nordic drinking culture in its operating countries. The company has summarised its mission as Let's Drink Better. Better drinking can be interpreted as, for example, a drinking culture that is of a higher quality, moderate in quantity, more social, more environmentally friendly or lighter.

Altia's responsibility efforts are guided by four cornerstones of responsibility: Altia & Customers, Altia & Society, Altia & Environment and Altia & Employees. The cornerstones are based on Altia's strategy, stakeholder expectations, the company's own operating principles and codes of conduct, as well as the Business Social Compliance (BSCI) principles, which in turn are based on international agreements.

The company will discuss its responsibility efforts in 2016 in more detail in a separate Responsibility Report.

Financial performance

Altia Group's net sales totalled EUR 356.6 million, which is EUR 24.1 million (6.3%) less compared to the previous year (EUR 380.7 million). The decrease in net sales was largely attributable to the discontinuation of contract services at the Svendborg plant in Denmark. Net sales were also reduced by previously implemented changes in the feed processing business as well as the effects of barley price on sales prices in the starch and feed business. The sales of alcoholic beverages were slightly lower than in the previous year, mainly due to strategic changes to the product portfolio. Exchange rates also had a negative effect on net sales.

Other operating income was EUR 12.6 (10.0) million. Other income in the reporting period included proceeds from the sale of fixed assets to the amount of EUR 4.3 (2.7) million. Other operating income included income primarily from the sales of steam, energy and water amounting to EUR 3.7 (3.4) million, and rental income of EUR 0.9 (0.7) million.

Employee benefit expenses totalled EUR 36.6 (54.7) million. Year 2016 reported employee benefit expenses were affected by changes in the deferred supplementary pension obligation pursuant to IFRS standards (IAS 19). In conjunction with changes to statutory pension security, Altia switched from the voluntary defined benefit pension insurance that was ended in the beginning of 1994 to a defined contribution system. At the same time, the company discontinued annual index-based increases and decided to implement a significant one-time increase in pension benefits instead. Following these changes, Altia no longer has any deferred pension obligations based on Finnish supplementary pensions under IFRS standards (IAS 19). As a result, the employee benefits expenses for 2016 were EUR 16.4 million lower. Employee benefit expenses include EUR 41.1 (42.7) million of wages and salaries. Accrual for annual bonuses, including social expenses amounted to EUR 3.0 (3.6) million.

Other operating expenses amounted to EUR 74.8 (79.1) million. The IFRS operating result was EUR 46.3 (25.3) million and the profit margin was 13.0% (6.6%). The comparable operating result was EUR 26.4 (23.6) million, which is 7.4% (6.2%) of net sales.

The items affecting comparability were as follows:

EUR million	2016	2015
Comparable operating result (EBIT)	**26.4**	**23.6**
Change in deferred pension obligations , IFRS (IAS 19)	16.3	-
Restructuring costs	-0.6	-1.0
Sale of assets	4.2	2.7
Total items affecting comparability	**19.9**	**1.7**
Operating result	**46.3**	**25.3**

The sales of assets affecting comparability comprised proceeds from the sale of non-core assets as well as real estates. Restructuring costs were related to non-recurring employee benefit expenses and, in the comparison period, also to strategic changes to the product portfolio.

Net financial expenses decreased to EUR 2.2 (2.8) million due to reduction in interest-bearing debt.

The Group's share of profits in associated companies and joint ventures amounted to EUR -0.6 million (3.8). The result includes impairment of EUR 3.0 million recognised on the shares of joint venture in conjunction with the reclassification of assets according to IFRS 5.

Taxes for the reporting period were EUR 9.0 (5.2) million, which corresponds to an effective tax rate of 20.6% (20.0%). More detailed information on Altia's tax footprint is provided in the separate Responsibility Report.

The profit for the financial year showed a significant improvement and amounted to EUR 34.6 (21.0) million.

The assumptions related to defined benefit pension plans under IFRS (IAS 19) were updated with respect to inflation and interest rates at the end of the reporting period. The remeasurement of pension plans had an effect of EUR -0.4 (5.8) million on comprehensive income and equity.

Financing, liquidity and statement of financial position

Net cash flow from operating activities totalled EUR 29.4 (34.8) million. The amount of receivables sold at the end of the reporting period was at EUR 85.5 (91.4) million.

The Group's liquidity reserve comprised a revolving credit facility of EUR 50.0 million as well as overdraft facilities of EUR 20.0 million. Both were unused on 31 December 2016. Altia Group's liquidity position was good throughout the reporting period.

Interest-bearing debt decreased to EUR 72.8 (96.7) million. The Group's interest-bearing net debt amounted to EUR 4.7 (20.4) million at year-end, and gearing was 2.5% (12.0%). The equity ratio was 43.8% (36.6%).

The consolidated statement of financial position total decreased to EUR 438.6 (466.7) million. This was primarily due to the amortisation of loans and the reduction of pension liability.

Capital expenditure (investments)

Gross capital expenditure totalled EUR 8.7 (11.3) million.
Capital expenditure during the reporting period was primarily related to the renewal of the Rajamäki plant and the development of information systems. Capital expenditure in the comparison period was primarily related to the modernisation of the old power plant at the Koskenkorva plant as well as the improvements made in operating efficiency at the Rajamäki plant.

Production

In 2016, the Rajamäki alcoholic beverages plant produced 60.9 (64.4) million litres of spirits and wine, while the Tabasalu plant in Estonia produced 4.8 (5.0) million litres.

The Koskenkorva plant used a record quantity, 192.2 (190.6) million kilos of Finnish barley. The barley was used to produce 22.5 (22.6) million kilos of grain spirit, 57.5 (55.3) million kilos of starch and 55.4 (60.3) million kilos of feed. The Koskenkorva plant hit a new record in annual production volume for the third consecutive year.

The manufacturing volume of Altia's production plant in Cognac, France, was 1.0 (1.3) million litres.

Research and development activities

The Group's research and development expenditure amounted to EUR 3.6 (3.4) million and was related to the product development of alcoholic beverages.

Group management

In 2016, Altia Group's Executive Management Team consisted of:

- Mr. Pekka Tennilä, CEO
- Mr. Michael Bech-Jansen, SVP, Commercial Operations
- Mr. Janne Halttunen, SVP, Partner Brands
- Ms. Kirsi Lehtola, SVP, Human Resources, from 1 April 2016
- Mr. Matti Piri, CFO
- Ms. Kirsi Puntila, Marketing Director, Regional Brands, from 1 July 2016
- Mr. Hannu Tuominen, SVP, Industrial Services and Supply Chain

Personnel

In 2016, Altia Group employed on average 829 (879) persons. On 31 December 2016, Altia Group employed 797 (842) persons, of whom 448 (470) were employed in Finland, 125 (131) in Sweden, 30 (40) in Denmark, 32 (31) in Norway, 58 (60) in Latvia, 80 (84) in Estonia, and 24 (26) in France.

The decrease in personnel was primarily due to the discontinuation of contract manufacturing in Denmark, the restructuring of Altia's IT functions and the divestment of the feed processing business.

Altia conducted its annual personnel survey in late 2016. The objective of the survey is to provide a basis for open and constructive dialogue and to agree on measures for developing the work community further. The results of the survey improved by five percentage points compared to the previous year.

Employees participated in strategy work in workshops, determining behaviours that promote the success of the strategy in day-to-day work. This dialogue became a joint frame of reference to guide daily practices. In addition, Altia organised Altia Networker courses to improve matrix work and cooperation skills. Project culture was promoted by providing training for employees who participate in product development projects.

All Altia employees regularly participate in development discussions. At development discussions, a personal development plan is created for each employee that defines the most significant development measures with regard to competence development and motivation.

Incentive programmes

Altia's salaried and senior salaried employees and management participate in the annual performance bonus program of Altia Group. The potential annual bonus is based on both the Group's and its business units' targets approved by the Board of Directors, as well as on personal targets. Bonuses are paid either once a year or more frequently as an annual bonus or sales bonus. Workers participated in a production bonus system. The production bonuses were based on the targets of each production unit.

The result for the period includes a performance bonus accrual amounting to EUR 3.0 (3.6) million. Based on the result for 2015, annual performance bonuses amounting to EUR 3.4 (1.3) million, including social expenses, were paid in 2016. Sales commissions totalling EUR 0.2 (0.4) million were paid during the year. Production bonuses totalling EUR 0.4 (0.5) million were included in the result for the period.

Health, safety and environment

Altia's health and safety management system has been certified in accordance with OHSAS 18001. The certificate covers the Koskenkorva plant, the Rajamäki alcoholic beverage plant and the technical ethanol business operations, as well as the head office operations in Helsinki.

Occupational health and safety

Altia's goal is to reduce absences caused by sickness and accidents. To achieve this goal, measures to be taken during the year were defined for different locations. Specific action programmes have also been prepared for the plants and logistics centres that are not covered by the certification.

The accident frequency and sickness absence rates are monitored in all of Altia's operating countries. In 2016, the sickness absence rate was 3.2% (3.0%). The accident frequency (the number of accidents per one million working hours) for accidents requiring at least one day of absence was 8 (2015: 12). There were no fatal work-related accidents in 2016 (2015: 0).

The environment and energy efficiency

Environmental management systems at the Koskenkorva plant, the Rajamäki alcoholic beverage plant, the technical ethanol unit and the Helsinki head office have been certified in accordance with the ISO 14001 standard. Environmental systems are developed by means of regular internal and external audits. The most significant environmental impacts of Altia's plants consist of energy consumption, water consumption, waste water and waste generation. Altia aims to mitigate its environmental impacts through annually determined measures, the effectiveness of which is monitored by means of environmental indicators.

Energy saving measures are a major development area for the company both in terms of profitability and environmental responsibility. Altia made a commitment to reducing energy consumption by 9% at its plants in Finland by the end of 2016, using 2005 as the baseline, based on the voluntary energy efficiency agreement of the Confederation of Finnish Industries and the State of Finland. The energy saving measures under the agreement achieved a reduction of 14.4% compared to the energy consumption level of 2005. Altia joined the new energy efficiency agreement for the period 2017–2025.

Clean groundwater is a key raw material for producing alcoholic beverages. Protecting groundwater areas and ensuring water quality are essential for Altia. Water consumption relative to production decreased at the Koskenkorva and Tabasalu plants in 2016, but increased at the Rajamäki plant. The Rajamäki plant has invested in improving the level of production hygiene, which has increased the use of water for purposes such as washing. Efforts to reduce waste water were successful at both the Koskenkorva and Rajamäki plants, and the environmental load on waterways was reduced.

The waste generated at Altia's plants mainly consists of various packaging materials, which are almost fully utilised by waste recipients as material or energy. The average waste reutilisation rate for the Rajamäki, Koskenkorva and Tabasalu plants was 99.5% in 2016.

Altia is a significant buyer of domestic barley in Finland. The barley used by the Koskenkorva distillery is 100% sourced in Finland. Approximately 80% of the barley purchased by Altia is produced by contract farmers. Altia encourages its contract farmers to promote sustainable agriculture as part of frameworks such as the BSAG commitment aimed at protecting the Baltic Sea, which was established in 2015.

The Koskenkorva bioenergy power plant, which began operations in January 2015, uses barley husk as its primary fuel. The bioenergy power plant helped the Koskenkorva plant area achieve a 56% self-sufficiency rate in steam production in the reporting period. During the bioenergy power plant's use, carbon dioxide emissions have decreased by 42% compared to 2014. Altia has obtained a preliminary permit to use the ash from the bioenergy power plant as fertiliser, which enables the use of the ash as fertiliser on fields, also in groundwater areas.

Altia's annual Responsibility Report contains more detailed information on the current status and development of Altia's health, safety and environmental matters.

Significant risks and uncertainties and risk management

Altia Plc's Board of Directors has confirmed the Group Risk Management Policy. Risk management is aimed at supporting the implementation of Altia Group's strategy, the identification of risks and methods for reducing the probability and impacts of risks, as well as ensuring business continuity. Risks may arise from internal or external events.

For the purpose of reporting and risk assessment, risks are divided into five categories: strategic and business-related risks, risks related to operations and processes, damage risks, financing risks and compliance risks. The Board of Directors quarterly assesses these key risks of the Group and the measures aimed at reducing their probability.

During the review period, the Group updated its crisis communication guidelines and paid particular attention to the integration of operations and risk management. In the future, attention will also be paid to the development of continuity plans.

A more detailed description of the risk management process is provided in the Corporate Governance Statement. Financial risk management is discussed in Note 4.1 to the financial statements, including a more detailed description of the effects on operations of market risks, such as currencies, commodity prices, interest rates, liquidity risks and credit risks.

There have been no significant changes in the near future risks of Altia Group's operations compared to the risks disclosed in the financial statements of 2015. The most significant uncertainties in the company's operations relate to the overall economic development and its impacts on consumption, as well as the effects of alcohol taxes and legislation on consumer behaviour. Surprising and unanticipated production and delivery problems constitute the significant short-term operational risks, as well as rapid and significant changes in raw material prices, especially in respect of barley.

Group structure

No changes took place in the Group structure in 2016.

Shares

Altia Plc's shares comprise A and L series shares. At the end of the financial year 2016, there were 35,960,000 A shares and 25,003 L shares. All shares carry equal voting and financial rights. All L shares are held by the company.

Altia Plc is fully owned by the State of Finland.

Financial performance of parent

The net sales of the parent company totalled EUR 189.6 (198.5) million. Operating profit was EUR 8.0 (8.0) million. The result for the reporting period includes an impairment loss amounting to EUR 2.1 million, recognised on the shares in the Norway subsidiary.

The parent company's net financial income was EUR 5.8 (5.7) million. Financial income in the reporting period included dividends from subsidiaries amounting to EUR 5.4 (6.1) million. Profit for the period amounted to EUR 10.1 (8.4) million.

Annual General Meeting, Board of Directors and Auditors

The Annual General Meeting of Altia Plc was held on 29 March 2016. The Annual General Meeting approved the company's and the Group's financial statements for the financial year 2015. The members of the Board of Directors and the CEO were discharged from liability for the financial year 1 January–31 December 2015. The Annual General Meeting adopted the proposal of the Board of Directors to distribute a dividend of EUR 0.29 per share. The dividend was paid in April 2016.

Authorised public accountants PricewaterhouseCoopers Oy was appointed as Altia Plc's auditor, with Ylva Eriksson, APA, as the principal auditor.

The Annual General Meeting re-elected the following members to the Board of Directors of Altia Plc: Ms. Sanna Suvanto-Harsaae (Chairman), Ms. Annikka Hurme (Vice Chairman), Mr. Kim Henriksson, Ms. Minna Huhtaniska, Mr. Kasper Madsen and Mr. Jarmo Kilpelä. Mr. Kai Telanne was elected to the Board of Directors as a new member.

In the constitutive meeting held after the Annual General Meeting, the Board of Directors appointed Sanna Suvanto-Harsaae as Chairman of the Human Resources Committee, with Annikka Hurme and Jarmo Kilpelä as members. Kim Henriksson was appointed Chairman of the Audit Committee, with Minna Huhtaniska and Sanna Suvanto-Harsaae as members. The Board also evaluated the independence of its members. All of the Board members are deemed independent of the company. Board member Jarmo Kilpelä is employed by the Finnish Government Ownership Steering Department in the Prime Minister's Office. Other members of the Board are independent of the company's shareholder.

Board of Directors' proposal on dividend distribution

According to the financial statements on 31 December 2016, the parent company's distributable funds amount to EUR 100,696,754.34, including profit for the period of EUR 10,084,959.74.

There have been no significant changes to the parent company's financial position after the end of the financial year. The company's liquidity is good and the proposed dividend distribution does not risk the company's solvency according to the view of the Board of Directors.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.29 per share be paid for the financial year 2016, totalling EUR 10,428,400.

Events after the reporting period

Michael Bech-Jansen, SVP, Commercial Operations, resigned from the company on 15 January 2017.

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, passenger import and changes in alcohol taxation and regulations. 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. Raw material prices and currencies are expected to remain volatile.

Outlook for the year 2017

Unfavorable development in the net sales of alcoholic and other beverages is expected to be stabilised or turn to moderate growth.

Comparable operating result and relative profitability are expected to improve from the year 2016.

Helsinki, 8 March 2017

Altia Plc
Board of Directors

Key ratios of the group

		2016	2015	2014
Income statement				
Net sales	EUR million	356.6	380.7	426.3
Comparable EBITDA	EUR million	40.8	38.0	35.5
(% of net sales)	%	11.5	10.0	8.3
Operating result	EUR million	46.3	25.3	-18.6
(% of net sales)	%	13.0	6.6	-4.4
Comparable operating result (EBIT)	EUR million	26.4	23.6	17.9
(% of net sales)	%	7.4	6.2	4.2
Result before taxes	EUR million	43.5	26.3	-20.4
(% of net sales)	%	12.2	6.9	-4.8
Statement of financial position				
Cash and cash equivalents	EUR million	68.0	76.3	91.1
Total equity	EUR million	192.2	171.0	143.9
Interest-bearing liabilities	EUR million	72.8	96.7	140.3
Non-interest-bearing liabilities	EUR million	173.6	199.0	217.2
Invested capital	EUR million	265.0	267.7	284.2
Profitability				
Return on equity (ROE)	%	20.5	13.7	-11.2
Return on invested capital (ROI)	%	14.5	8.6	-4.0
Comparable Return on capital employed (ROCE)	%	9.1	8.1	5.5
Financing and financial position				
Interest-bearing net debt	EUR million	4.7	20.4	49.3
Gearing	%	2.5	12.0	34.2
Equity ratio	%	43.8	36.6	28.7
Net cash flow from operating activities	EUR million	29.4	34.8	74.8
Share-based key ratios				
Earnings/share	EUR	0.96	0.58	-0.50
Equity/share	EUR	5.34	4.75	4.00
Personnel				
Number of personnel on average		829	879	987

RECONCILIATION OF ALTERNATIVE KEY FIGURES TO IFRS FIGURES

EUR million	2016	2015	2014
Items affecting comparability			
Change in deferred pension obligations , IFRS (IAS 19)	16.3	-	-
Restructuring costs	-0.6	-1.0	-5.5
Impairment loss	-	-	-31.4
Sales of assets	4.2	2.7	0.5
Total items affecting comparability	**19.9**	1.7	-36.4
Comparable EBITDA			
Operating result	46.3	25.3	-18.6
Less:			
Depreciation, amortisation and impairment	14.5	14.4	49.0
Total items affecting comparability	-19.9	-1.7	5.1
Comparable EBITDA	**40.8**	38.0	35.5
% of Net sales	11.5	10.0	8.3
Comparable EBIT			
Operating result	46.3	25.3	-18.6
Less:			
Total items affecting comparability	-19.9	-1.7	36.4
Comparable EBIT	**26.4**	23.6	17.9
% of Net sales	7.4	6.2	4.2

Formulas for calculation of key ratios

Comparable operating result (EBIT)	=		Operating result - items affecting comparability
Comparable EBITDA	=		Operating profit + depreciation, amortisation and impairment - items affecting comparability
Cash and cash equivalents	=		Cash at hand and in bank + financial securities
Invested capital	=		Total equity + interest-bearing liabilities
Return on equity (ROE), %	=	100 x	Result for the period / Total equity average *
Return on invested capital (ROI), %	=	100 x	Result for the period + interest expenses / (Total equity + interest-bearing liabilities average) *
Comparable Return on capital employed (ROCE), %	=	100 x	Comparable operating result (EBIT) / (Total assets - current liabilities average) *
Equity ratio, %	=	100 x	Total equity / Total assets - advances received
Gearing, %	=	100 x	Interest-bearing liabilities - cash and cash equivalents / Total equity
Earnings/share	=		Result for period attributable to shareholders of the parent company / Share-issue adjusted averate number of shares during the period
Equity/share	=		Equity attributable to shareholders of the parent company / Share-issue adjusted number of shares at the end of period
Dividend/share	=		Dividend distribution for period / Number of shares (basic) at the end of period

* 12- month rolling average

Altia presents alternative performance measures as additional information to financial measures presented in the consolidated income statement, consolidated statement of financial position 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.

Altia presents comparable operating result and comparable EBITDA which have been adjusted with material items outside of ordinary course of business to improve comparability between periods. Comparable operating result and comparable EBITDA are presented as complementing measures to the measures included in the consolidated income statement because, in ALTIA's view, they increase understanding of results of operations. Also key figures for result, statement of financial position, profitability and financing and financial position are presented as complementary key figures, because, in Altia's view, they are useful measures of Altia's ability to obtain financing and service its debts.

Alternative performance measures should not be viewed in isolation or as a substitute to the IFRS financial measures. All companies do not 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.

Consolidated statement of comprehensive income

EUR million	Note	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
NET SALES	**1.1.1.**	**356.6**	**380.7**
Other operating income	1.1.	12.6	10.0
Change in inventories of finished goods and work in progress		-1.7	-0.6
Materials and services		-195.3	-216.6
Employee benefit expenses	1.2.	-36.6	-54.7
Depreciation, amortisation and impairment	1.3.	-14.5	-14.4
Other operating expenses	1.4.	-74.8	-79.1
		-321.1	-364.9
OPERATING RESULT		**46.3**	**25.3**
Financial income	3.1.	1.3	0.8
Financial expenses	3.1.	-3.4	-3.6
Share of profit in associated companies and joint ventures		-0.6	3.8
RESULT BEFORE TAXES		**43.5**	26.3
Income taxes	6.1.	-9.0	-5.2
RESULT FOR THE PERIOD		**34.6**	**21.0**
OTHER COMPREHENSIVE INCOME:			
Items that will never be reclassified to profit or loss			
Remeasurements of defined benefit liability plans	2.5.	-0.4	5.8
Related tax	6.1.	0.1	-1.2
Total		-0.4	4.6
Items that may be reclassified to profit or loss			
Cash flow hedges		0.1	-0.0
Share of other comprehensive income in associated companies and joint ventures		0.0	-0.1
Foreign currency translation differences	3.6.	-2.7	1.5
Other changes		-0.0	0.0
Related tax	6.1.	-0.0	0.0
Total		-2.6	1.5
Other comprehensive income for the period, net of tax		-2.9	6.1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**31.6**	**27.1**
Result for the period attributable to:			
Shareholders of the parent company		34.6	21.0
		34.6	21.0
Total comprehensive income attributable to:			
Shareholders of the parent company		31.6	27.1
		31.6	27.1
Earnings per share based on result attributable to the shareholders of the parent company (in euros) (basic/diluted):	3.6.	0.96	0.58

The notes are an integral part of the consolidated financial statements.

Consolidated statement of financial position

EUR million	Note	31 Dec 2016	31 Dec 2015
ASSETS			
Non-current assets			
Goodwill	2.1.	83.1	84.4
Other intangible assets	2.1.	36.7	40.7
Property, plant and equipment	2.2.	70.0	74.6
Investments in associated companies and joint ventures	5.4.	-	14.9
Available-for-sale financial assets	3.2.1.	0.8	0.8
Other receivables	3.2.2.	0.3	0.5
Deferred tax assets	6.1.	4.6	10.7
Total non-current assets		195.6	226.5
Current assets			
Inventories	2.3.	96.3	101.2
Trade receivables and other receivables	2.4.	63.8	59.1
Current tax assets		1.4	3.5
Cash and cash equivalents	3.2.3.	68.0	76.3
Total current assets		229.6	240.2
Non-current assets held for sale	5.3.	13.4	-
TOTAL ASSETS		**438.6**	**466.7**
EQUITY AND LIABILITIES			
Share capital		60.5	60.5
Share premium fund		0.0	0.0
Hedging reserve		-1.4	-1.6
Translation differences		-12.3	-9.6
Retained earnings		145.4	121.7
Equity attributable to shareholders of the parent company	3.6.	192.2	171.0
Total equity		**192.2**	**171.0**
Non-current liabilities			
Deferred tax liabilities	6.1.	20.7	23.2
Interest-bearing financial liabilities	3.3.1.	64.9	88.4
Pension obligations	2.5.	1.8	21.6
Other liabilities	2.6.	-	4.9
Total non-current liabilities		87.4	138.1
Current liabilities			
Interest-bearing financial liabilities	3.3.1.	7.8	8.3
Trade payables and other payables	2.6.	144.1	147.0
Current tax liabilities		2.2	2.4
Total current liabilities		154.1	157.6
Liabilities related to assets held for sale	5.3.	4.9	-
Total liabilities		**246.4**	**295.7**
TOTAL EQUITY AND LIABILITIES		**438.6**	**466.7**

The notes are an integral part of the consolidated financial statements.

Consolidated statement of cash flows

EUR million	Note	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
CASH FLOWS FROM OPERATING ACTIVITIES:			
Proceeds from sales		351.4	390.9
Proceeds from other operating income		8.3	7.3
Payments for other operating expenses		-325.4	-356.8
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE FINANCIAL ITEMS AND TAXES		34.3	41.4
Interests paid and payments for other financial expenses		-2.7	-3.7
Interests received and other financial income from operating activities		0.8	1.1
Income taxes paid		-2.9	-3.9
NET CASH FLOW FROM OPERATING ACTIVITIES (A)		**29.4**	**34.8**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of property, plant and equipment and intangible assets		-8.7	-11.3
Proceeds from sale of property, plant and equipment and intangible assets	1.1.2.	4.5	1.0
Acquisition of other shares		-0.0	-
Proceeds from sale other investments		-	1.7
Repayment of loan receivables	3.2.2.	0.2	0.2
Dividends received		1.0	1.0
NET CASH FLOW USED IN INVESTING ACTIVITIES (B)		**-3.1**	**-7.4**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Changes in commercial paper program		-	-13.0
Proceeds from non-current borrowings		-	30.0
Repayment of non-current borrowings	3.3.1.	-22.5	-60.2
Dividends paid and other distribution of profits	3.6.	-10.4	-
NET CASH FLOW FROM FINANCING ACTIVITIES (C)		**-32.9**	**-43.2**
INCREASE+ / DECREASE- (A+B+C) IN CASH AND CASH EQUIVALENTS		**-6.6**	**-15.8**
CASH AND CASH EQUIVALENTS AT 1 JAN		76.3	91.1
Effect of exchange rate fluctuations on cash held	.	-1.6	1.0
CASH AND CASH EQUIVALENTS AT 31 DEC	3.2.3	**68.0**	**76.9**
CASH AND CASH EQUIVALENTS			
Cash at hand and in bank		68.0	73.9
Cash equivalents		-	2.4
TOTAL CASH AND CASH EQUIVALENTS		**68.0**	**76.3**

The notes are an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

Equity attributable to shareholders of the parent company EUR million	Note	Share capital	Share premium	Hedging reserve	Translation differences	Treasury shares	Retained earnings	Total	Total equity
Equity at 1 January 2015		60.5	0.0	-1.5	-10.1	-0.1	95.1	143.9	143.9
Total comprehensive income									
Result for the period		-	-	-	-	-	21.0	21.0	21.0
Other comprehensive income (net of tax)									
Cash flow hedges		-	-	-0.0	-	-	-	-0.0	-0.0
Foreign currency translation differences	3.6.	-	-	-	0.5	-	1.0	1.5	1.5
Remeasurements of defined benefit liability plans	2.5.	-	-	-	-	-	4.6	4.6	4.6
Other changes		-	-	-	-	-	-0.0	-0.0	-0.0
Total comprehensive income for the period		-	-	0.0	0.5	-	26.6	27.1	27.1
Equity at 31 December 2015		**60.5**	**0.0**	**-1.6**	**-9.6**	**-0.1**	**121.7**	**171.0**	**171.0**
EQUITY AT 1 JANUARY 2016		**60.5**	**0.0**	**-1.6**	**-9.6**	**-0.1**	**121.7**	**171.0**	**171.0**
Total comprehensive income									
Result for the period		-	-	-	-	-	34.6	34.6	34.6
Other comprehensive income (net of tax)									
Cash flow hedges		-	-	0.1	-	-	-	0.1	0.1
Foreign currency translation differences	3.6.	-	-	-	-2.7	-	-0.0	-2.7	-2.7
Remeasurements of defined benefit liability plans	2.5.	-	-	-	-	-	-0.4	-0.4	-0.4
Other changes		-	-	-	-	-	0.0	0.0	0.0
Total comprehensive income for the period		**-**	**-**	**0.1**	**-2.7**	**-**	**34.2**	**31.6**	**31.6**
Transactions with the owners									
Dividend distribution		-	-	-	-	-	-10.4	-10.4	-10.4
EQUITY AT 31 DECEMBER 2016		**60.5**	**0.0**	**-1.4**	**-12.3**	**-0.1**	**145.5**	**192.2**	**192.2**

The notes are an integral part of the consolidated financial statements.

Notes to the consolidated financial statements

Accounting policies for the consolidated financial statements

General basis of preparation is described below. Accounting principles closely related to a specific note are attached to the relevant note. The Group focuses on describing accounting policies applied in Altia and avoids repeating the actual text of the standard unless Altia considers it particularly important to the understanding of the note´s content.

Refer to the table below to see which notes, accounting principles and IFRS standards are related.

Accounting principle	Note	Nr.	IFRS
Revenue recognition, Operating result	Operating result	1.	IAS 18
Provisions	Provisions	2.7.	IAS 37
Employee benefits	Non-current employee benefit obligations, Pension	2.5.	IAS 19
Property, plant and equipment	Property, plant and equipment	2.2.	IAS16, IAS 36
Inventories	Inventories	2.3.	IAS 2
Leases	Other operating expenses	1.4.	IAS 17
	Property, plant and equipment	2.2.	
Goodwill	Goodwill and other intangible assets	2.1.	IAS38, IFRS3
Intangible assets	Goodwill and other intangible assets	2.1.	
Financial assets	Financial assets	3.2.	IAS 39, IFRS 7
	Financial assets and liabilities- classification and fair value	3.4.	
Cash and cash equivalents	Cash and cash equivalents	3.2.3.	IAS 39, IFRS 7
Financial liabilities	Financial assets and liabilities- classification and fair value	3.4.	IAS 39, IFRS 7
Derivative contracts and hedge accounting	Financial assets and liabilities- classification and fair value	3.4.	IAS 39, IFRS 7
	Derivatives and hedge accounting	3.5.	
Consolidation principles of subsidiaries	Subsidiaries	5.2.	IFRS10
Non-controlling interest and transactions with non-controlling interest	Subsidiaries	5.2.	IFRS10
Non-current assets held for sale and discontinued operations	Non-current assets held for sale	5.3.	IFRS 5
Associates and joint ventures	Associated companies and joint ventures	5.4.	IFRS 11
Income and deferred taxes	Income taxes	6.1.	IAS 12

Corporate information

Altia Plc is an international alcoholic beverage service company that operates in the Nordic countries, Estonia, Latvia and France producing, marketing, selling and distributing both own and partner brands. The company distils barley spirit from domestic barley for the basis of its beverages. The production plants are located in Finland and Estonia, and aging and production of cognac in France. Altia has high-quality brands of its own and international brands. In addition, the company represents international brands from all over the world. Altia's business also includes industrial products such as starch and feed, technical ethanol and contract services.

Altia's customers include alcohol retail monopolies, alcoholic beverage wholesale outlets, restaurants, grocery stores, travel trade and importers in the export markets. The company is owned by the State of Finland.

Altia Plc is the parent company of Altia Group, domiciled in Helsinki, Finland. The registered address of the parent company is Kaapeliaukio 1, FI-00180 Helsinki, Finland. Copies of the consolidated financial statements are available online at www.altiagroup.com or at the Group administration at Kaapeliaukio 1, FI-00180 Helsinki, Finland.

Altia Plc's Board of Directors has approved these financial statements for publication in its meeting on 8 March 2017. According to the Finnish Limited Liability Companies Act, shareholders have the right to approve or reject the financial statements in the Annual General Meeting held after the publication of the financial statements. The Annual General Meeting also has the right to make a decision to amend the financial statements.

Basis of preparation

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) complying with the SIC and IFRIC interpretations in force and approved by EU on 31 December 2016. Notes to the consolidated financial statements also comply with the requirements of the Finnish Accounting Act and Limited Liability Companies Act.

New and amended standards applied in 2016 and future periods are described in note 5.5.

The consolidated financial statements 2016 has been prepared on a historical cost basis, unless financial assets recognised at fair value through profit and loss, non-current assets held for sale and liabilities related to assets classified as held for sale. The consolidated financial statements are presented in thousands of euros (annual report in millions of euros). The figures are rounded up or down, due to which the sums of figures may deviate from the sum totals presented. Key figures are calculated using precise/unrounded figures. In the financial statements, a figure of EUR 0.0 million indicates that the absolute value of the figure is less than EUR 50,000. If the figure is EUR 0, it is shown as a hyphen.

Accounting policies requiring management judgement and key sources of estimation uncertainty

In preparing the financial statements, the Group management makes judgements concerning the selection and application of accounting policies. This particularly applies to cases in which the valid IFRS standards allow for alternative methods of recognition, measurement or presentation.

Estimates made in the preparation of the financial statements, and related assumptions, are based on the management's best knowledge on the closing date of the reporting period. Consequently, the realised results can differ from these estimates. Possible changes in estimates and assumptions are recognised when estimates and assumptions are corrected.

The Group's most significant area in which the management has exercised judgement is related to impairment testing (Note 2.1.). Other critical future assumptions and anticipated uncertainties at the reporting date, which pose a significant risk of resulting in material changes in the carrying amounts of assets and liabilities within the next financial year, are related to employee benefits (Note 2.5.) and deferred taxes (Note 6.1.).

1. Operating result

1.1 Revenues from operations

Revenue recognition

Net sales are comprised of the fair values determined on the basis of the consideration received or to be received for products or services sold less discounts given, indirect taxes, excise tax, deposit and recycling fees and exchange rate differences.

Revenue from the sale of products is recognised after the significant risks and rewards of ownership of the sold products have been transferred to the buyer, and the Group retains neither a managerial involvement to the degree usually associated with ownership nor effective control of those goods. Usually this means that revenue is recognised upon delivery of goods in accordance with agreed terms of delivery. Revenue from the sale of services is recognised at the time of delivery of services.

1.1.1 Sales revenue

The most significant income flows are generated by the sale of own products and partner brands. In addition, income flows are generated by contract manufacturing, as well as the sale of industrial products, such as starch, feed and technical ethanol. Adjustments to sales and obligations to repurchase certain products are taken into account in the revenue recognition phase. The uncertainty related to income is taken into account as credit loss provisions.

The amount of excise tax deducted from sales revenue is significant. The amounts of sales including tax and excise taxes are presented below:

EUR million	2016	2015
Sales revenues deducted with revenue adjustments	819.8	849.6
Excise tax	-463.2	-468.9
NET SALES	**356.6**	**380.7**
Tax share of sales revenues, %	54.9%	53.6%

1.1.2 Other operating income

EUR million	2016	2015
Gains on sale of property, plant and equipment and intangible assets	4.3	1.0
Gains on sale of available-for-sale financial assets	-	1.7
Rental income	0.9	0.7
Income from sale of energy, water, steam and carbon dioxide	3.7	3.4
Other income	3.6	3.2
TOTAL	**12.6**	**10.0**

Other operating income includes EUR 4.2 million of sales of fixed assets, which affect comparability between periods.

1.2. Employee benefit expenses

EUR million	2016	2015
Wages and salaries	41.1	42.7
Pension expenses		
Defined contribution plans	5.5	6.0
Defined benefit plans	-16.2	0.4
Other social expenses	6.1	5.6
TOTAL	**36.6**	**54.7**

In Altia, the total salary of personnel consists of fixed pay, allowances, short and long-term incentives, fringe benefits and other personnel benefits.

The Group has recognised the total amount of incentives EUR 3.0 (3.6) million. Employee benefit expenses include change in deferred pension liability EUR -16.4 million and personnel related restructuring costs EUR 0.6 (1.0) million euros, whic affect comparability between periods.

Average number of personnel during the period	2016	2015
Workers	328	360
Clerical employees	501	519
TOTAL	**829**	**879**

More information on the Group's pension plans is presented in Note 2.5.

Information on management remuneration is presented in Note 6.3. Related party transactions as well as in a separate remuneration statement.

1.3. Depreciation, amortisation and impairment

EUR million	2016	2015
Depreciation and amortisation by asset categories		
Intangible assets		
Intangible rights	5.3	5.4
Other intangible assets	0.3	0.2
TOTAL	**5.6**	**5.6**
Property, plant and equipment		
Buildings	3.1	3.0
Machinery and equipment	5.3	5.2
Machinery and equipment, acquired through finance leases	0.4	0.5
Other tangible assets	0.0	0.0
TOTAL	**8.9**	**8.8**

Group depreciation methods and depreciation periods are described in note 2.1. Goodwill and other intangible assets and in note 2.2. Property, plant and equiment.

1.4. Other operating expenses

EUR million	2016	2015
Losses on sales and disposals of property, plant and equipment and intangible assets	0.8	0.5
Rental expenses	6.8	7.4
Marketing expenses	16.1	16.5
Travel and representation expenses	3.0	3.2
Outsourcing services	7.4	7.8
Repair and maintenance expenses	6.0	8.2
Cars and transport services	1.0	0.9
Energy expenses	9.2	10.3
IT expenses	4.7	4.7
Variable sales expenses	11.5	11.9
Other expenses	8.4	7.8
TOTAL	**74.8**	**79.1**
Auditor's fees included in other operating expenses		
Audit fees	0.3	0.3
Tax consultation	0.0	0.2
Other fees	0.1	0.0
TOTAL	**0.4**	**0.4**

Rental expenses include leases treated as operating lease, when the lessor retains the risks and rewards of ownership.
Payments made under operating lease are recognised as expenses on a straight-line basis over the lease term.

1.5. Research and development expenditures

Operating result includes research and development expenditures amounting to EUR 3.6 (3.4) million. The cost of net sales in 2016 was 1.0 % (0.9 %).

2. Operative assets and liabilities

2.1. Goodwill and other intangible assets

Intangible assets other than goodwill are recorded at historical costs and depreciated over their useful lives. Intangible assets include goodwill, intangible rights, prepayments and other intangible assets.

Goodwill

Goodwill arising on the acquisition of a subsidiary is recognised as the excess of the aggregate of the consideration transferred, the amount of non-controlling interests and any previously held equity interest in the acquiree, over the Group's share of the fair value of the net assets acquired. Goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but is tested annually for impairment.

For the purpose of impairment testing, goodwill is allocated to the groups of cash-generating units (CGU) that are expected to benefit from the business combinations in which the goodwill was generated. Impairment testing is described more in detail later. Goodwill related to associated companies and joint ventures is included in the carrying amounts of the respective investments.

Other intangible assets

Other intangible assets include intangible rights, other intangible assets and prepayments. Intangible assets such as trademarks, patents and IT-software, with finite useful lives, are recognised in the statement of financial position at the original acquisition cost less accumulated depreciation and possible impairment and amortised on a straight-line basis over the estimated useful life.

The estimated useful lives of intangible assets are as follows:

Trademarks	10–15 years
IT-development and software	3–5 years
Other intangible assets	5–15 years

The subsequent costs related to the other intangible asset are capitalised if the future economic benefits exceed the originally assessed standard of performance. All other expenditure is recognised as an expense as incurred.

Recognition of amortisation on an intangible assets is discontinued when the asset is no longer in use or classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Expenditure on research activities is recognised in profit or loss in the period in which it is incurred. The Group has no projects related to the development activities of new products or processes qualifying for the identifiability and other criteria regarding capitalisation in IAS 38 Intangible Assets

Accounting for emission allowances is described in Note 6.2. Emission allowances are presented as off-balance sheet items.

Goodwill and other intangible assets

EUR million	Intangible rights	Other intangible assets	Prepayments	Goodwill	Total
Acquisition cost at 1 January 2016	140.2	11.1	0.9	144.2	296.3
Additions	0.4	0.2	2.4	-	2.9
Disposals	-1.9	-0.7	-0.2	-	-2.8
Effect of movement in exchange rates	-1.9	0.0	-	0.5	-1.3
Transfers between items	1.3	0.1	-1.4	-	0.1
Acquisition cost at 31 December 2016	138.1	10.7	1.7	144.7	295.1
Accumulated amortisation and impairment losses at 1 January 2016	-101.0	-10.4	-	-59.8	-171.2
Amortisation	-5.3	-0.3	-	-	-5.6
Accumulated amortisation on disposals and transfers	1.4	0.7	-	-	2.1
Effect of movement in exchange rates	1.2	-0.0	-	-1.8	-0.6
Accumulated amortisation and impairment losses at 31 December 2016	-103.7	-10.0	-	-61.6	-175.3
Carrying amount at 1 January 2016	**39.1**	**0.7**	**0.9**	**84.4**	**125.0**
Carrying amount at 31 December 2016	**34.4**	**0.7**	**1.7**	**83.1**	**119.8**
Acquisition cost at 1 January 2015	137.8	11.0	1.5	150.5	300.8
Additions	0.1	0.0	1.2	-	1.2
Disposals	-0.0	-	-	-	-0.0
Effect of movement in exchange rates	0.6	-0.0	-	-6.3	-5.7
Transfers between items	1.7	0.0	-1.8	-	-0.1
Acquisition cost at 31 December 2015	140.2	11.1	0.9	144.2	296.3
Accumulated amortisation and impairment losses at 1 January 2015	-95.4	-10.2	-	-67.2	-172.8
Amortisation	-5.4	-0.2	-	-	-5.7
Accumulated amortisation on disposals and transfers	0.0	-	-	-	0.0
Effect of movement in exchange rates	-0.2	0.0	-	7.4	7.2
Accumulated amortisation and impairment losses at 31 December 2015	-101.0	-10.4	-	-59.8	-171.2
Carrying amount at 1 January 2015	**42.4**	**0.9**	**1.5**	**83.3**	**128.0**
Carrying amount at 31 December 2015	**39.1**	**0.7**	**0.9**	**84.4**	**125.0**

The value of intangible rights mainly consists of trade marks which are obtained in connection with acquisitions or purchased separately. The most significant trademarks contained in the capitalised value are for example Renault, Larsen, Xanté, Blossa, Chill Out, Explorer, Grönstedts, Bröndums and 1-Enkelt. Other intangible rights are mainly computer software.

Impairment testing

Book value of assets are assessed to determine whether there are any impairment at least at the end of each financial year. If any evidence of impairment emerges, the asset's recoverable amount is estimated. The recoverable amount is determined on the basis of value in use. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. The impairment loss is immediately recognised in profit or loss and the estimated useful life of the asset in question is reassessed when an impairment loss is recognised. The recoverable amounts of goodwill and intangible assets not yet available for use are estimated annually. The need for recognising an impairment loss is assessed at cash-generating unit level. This level is essentially independent from other units with separate cash flows.

The impairment loss is reversed if there has been such a positive change in the estimates used to determine the recoverable amount of the asset or cash-generating unit that recoverable amount of the asset will increase the book value of asset. Impairment losses are only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised. An impairment loss on goodwill is never reversed.

The preparation of calculations for the impairment testing of goodwill requires estimates regarding the future. The management's estimates and related critical uncertainties are related to future cash flows and the discount rates used.

Impairment testing of goodwill

Allocation of goodwill

Goodwill is allocated to cash-generating units (CGU). In line with Altia's management system, a cash-generating unit is typically a country-specific sales unit or group thereof.

Goodwill has been allocated to three CGUs. A CGU-specific summary (book values) is presented in the table below:

Goodwill / CGU, EUR million	31 Dec 2016	%	31 Dec 2015	%
Markets Finland	44.7	53.8%	44.7	53.0%
Markets Sweden	35.4	42.6%	36.7	43.5%
Other Markets	2.9	3.5%	2.9	3.5%
TOTAL	**83.1**	**100.0%**	**84.4**	**100.0%**

Impairment testing

The key variables in impairment testing are operating profit margin and discount rate.

The goodwill allocated to the Group's cash-generating units is tested for impairment annually or when there is reason to assume that the carrying amount has exceeded the recoverable amount, with the carrying amount compared to the recoverable amount in the testing. The annual impairment testing was carried out at 31 October 2016. At the time of testing, the companies did not have intangible assets with indefinite useful lives other than goodwill.

The cash flow estimates used are based on CGU-specific financial plans for the following year approved by the Group's management. The forecasted cash flows for a longer term than this have been estimated by using an annual growth rate estimate of 1.0%. In the view of the management, these growth estimates represent the development of business operations in the longer term pursuant to the forecasts.

The market-specific WACC estimates were updated for testing at 31 October 2016 based on market-specific references. Management makes assumptions regarding the development of variables other than WACC based on internal and external views of the industry's history and future. The forecasted period applied for the calculations covers five years, beyond which the cash flow projections are extrapolated using a constant market-specific growth rate estimate. The weighted average costs of capital used as discount rates for the cash flow estimates are presented in the enclosed table:

USED PRE-TAX DISCOUNT RATE %

%	2016	2015
Markets Finland	7.0%	7.3%
Markets Sweden	7.1%	7.7%
Other Markets	7.0%	7.9%

The estimated average operating profit margins used in the calculations are presented in the enclosed table:

PROJECTED AVERAGE OPERATING PROFIT %

%	2016	2015
Markets Finland	17.2%	18.1%
Markets Sweden	11.0%	11.4%
Other Markets	6.8%	5.7%

The impairment testing did not indicate any signs of impairment. Also, no impairment losses were recognised in the comparison period.

Sensitivity analysis of impairment testing

A sensitivity analysis was conducted in connection with the impairment testing, changing the CGU-specific operating results +/- 3 percentage points and discount rates by -2.5 – + 3 percentage points. Based on the sensitivity analysis, the probability of impairment losses of goodwill was very low.

If the Other Markets cash generating unit's operating profit margin, as a percentage of net sales, decreased by 5.9 percentage points or WACC increased by 8.0 percentage points, the recoverable amount would equal the carrying amount.

2.2. Property, plant and equipment

Property, plant and equipment

Tangible assets mainly consist of manufacturing and warehouse buildings, land and machinery and equipment related to alcoholic beverage industry. Property, plant and equipment are measured at historical cost less accumulated depreciation and possible impairment losses. If parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items. The subsequent costs related to the items of property, plant and equipment are capitalised only if the future economic benefits exceed the originally assessed standard of performance. All other expenditure, for example ordinary maintenance and repair costs, are recognised as an expense as incurred. The borrowing costs directly attributable to the acquisition or construction of a qualifying asset are capitalised as a part of the cost of that asset when it is probable that they will generate future economic benefits and the costs can be measured reliably. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Depreciation is recognised on a straight-line basis over the estimated useful lives of items of property, plant and equipment. Land is not depreciated.

Government grants, for example grants received from the State, are recognised in profit or loss in the same period in which the related expenses are recognised. Grants that compensate the Group for the acquisition of property, plant and equipment are deducted from the carrying amount of the asset in question. Depreciation on such an asset is determined based on the carrying amount.

Investment properties are properties held by the Group in order to earn rental income or for capital appreciation. Investment properties are measured at cost less accumulated depreciation and impairment losses. Fair values of investment properties are determined based on a valuation carried out by an external property valuer.

The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	10–40 years
Machinery and equipment	10 years
Other tangible assets	3–10 years

The estimated useful lives and residual values are reviewed at each financial year-end, and if they differ substantially from the previous estimates, the depreciation periods are adjusted accordingly. Impairment loss is recognised in profit or loss to the extent the assets carrying value exceeds its recoverable amount.

Assets held for sale are valued immediately before classification the lower of the carrying amount or fair value less cost to sell. Depreciation of an item of property, plant and equipment is discontinued if the item is classified as being held for sale in accordance with IFRS 5.

Gains and losses on the disposals of property, plant and equipment are included in other operating income or expenses. Significant gains or losses on sales of tangible assets is adjusted when calculating comparable operating profit.

Financial leasing

Lease contracts of property, plant and equipment, in which Altia assumes substantially all the risks and rewards of ownership are classified as finance leases. An asset leased through a finance lease is recognised in property, plant and equipment based on its nature and measured at the lower of its fair value and present value of the minimum lease payments at the inception of the lease term. The respective finance lease liabilities, less finance charges, are included in other non-current interest-bearing financial liabilities. Financial expenses are allocated to lease periods generating equal interest rate for each remaining period. An asset acquired through a finance lease is depreciated over the shorter of the asset´s useful life and the lease term.

Property, plant and equipment

EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Prepayments and assets under construction	Total
Acquisition cost at 1 January 2016	4.8	116.4	156.9	0.8	3.0	281.9
Additions	-	0.1	0.8	0.0	4.9	5.8
Disposals	-	-1.7	-40.3	-	-	-42.1
Effect of movement in exchange rates	0.0	0.0	-0.1	0.0	-0.0	-0.1
Transfers between items	0.0	1.6	3.7	0.0	-5.4	-0.1
Acquisition cost at 31 December 2016	4.8	116.4	120.9	0.8	2.5	245.4
Accumulated depreciation and impairment losses at 1 January 2016	-1.8	-83.2	-122.2	-0.1	-	-207.3
Depreciation	-	-3.1	-5.8	-0.0	-	-8.9
Accumulated depreciation on disposals and transfers	-	1.6	39.2	-	-	40.8
Effect of movement in exchange rates	-0.0	-0.0	0.1	-	-	0.0
Accumulated depreciation and impairment losses at 31 December 2016	-1.8	-84.7	-88.8	-0.1	-	-175.4
Carrying amount at 1 January 2016	3.0	33.2	34.7	0.7	3.0	74.6
Carrying amount at 31 December 2016	**3.0**	**31.8**	**32.1**	**0.6**	**2.5**	**70.0**
Acquisition cost at 1 January 2015	4.8	110.8	156.2	0.8	13.9	286.4
Additions	-	0.7	1.2	0.0	8.3	10.1
Disposals	-0.0	-0.4	-14.2	-	-	-14.7
Effect of movement in exchange rates	-0.0	-0.0	0.0	0.0	-	-0.0
Transfers between items	0.0	5.4	13.8	0.0	-19.1	0.1
Acquisition cost at 31 December 2015	4.8	116.4	156.9	0.8	3.0	281.9
Accumulated depreciation and impairment losses at 1 January 2015	-1.8	-80.5	-130.2	-0.1	-	-212.6
Depreciation	-	-3.0	-5.7	-0.0	-	-8.8
Accumulated depreciation on disposals and transfers	-	0.4	13.7	-	-	14.1
Effect of movement in exchange rates	0.0	0.0	0.0	-	-	0.0
Accumulated depreciation and impairment losses at 31 December 2015	-1.8	-83.2	-122.2	-0.1	-	-207.3
Carrying amount at 1 January 2015	**3.0**	**30.2**	**26.0**	**0.6**	**13.9**	**73.8**
Carrying amount at 31 December 2015	**3.0**	**33.2**	**34.7**	**0.7**	**3.0**	**74.6**

Land and water areas includes investment properties with book value of EUR 0.0 million in 2016 (0.0 in 2015).
Investment properties are measured based on the cost model. At Dec 31, 2016 the fair value of investment properties is EUR 2.8 million (EUR 2.8 million at Dec 31, 2015).

FINANCE LEASES

Property, plant and equipment include assets acquired under finance lease as follows:

EUR million	2016	2015
Machinery and equipment		
Acquisition cost at 31 December	1.5	7.3
Accumulated depreciation at 31 December	-1.2	-5.8
CARRYING AMOUNT AT 31 DECEMBER	**0.3**	**1.5**

During financial period 2016 Altia has reorganised the steam distribution in the Rajamäki plant area by selling its steam distribution network and making new steam delivery agreements. At the same time, Altia was released of its duty to buy the steam power plant at the end of the contract period. The steam power plant was included in finance lease of machinery and equipment at the comparison period.

2.3. Inventories

Inventories are measured at the lower of cost and net realisable value. Self-manufactured products are measured at standard prices, except cognac products, which are measured at weighted average cost. Fixed production costs are allocated to the cost of own production.

Raw materials, supplies and trading goods are measured at weighted average cost. Semi-finished products are measured at weighted average cost, except semi-finished products produced in Estonia, which are measured at standard prices. Repacked trading goods are measured at standard cost in repacking plant.

The cost of finished products and work in progress includes raw materials, direct labour costs, other direct costs as well as an allocable proportion of variable procurement and production costs and fixed overheads in case of finished products, determined based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

INVENTORIES

EUR million	2016	2015
Materials and supplies	51.6	54.2
Work in progress	12.3	13.7
Finished goods	13.9	14.1
Goods	18.4	18.9
Advance payments	0.2	0.3
TOTAL	**96.3**	**101.2**

Write-downs of inventories amounting to EUR 1.8 (2.4) million were recognised in the Group companies during the reporting period.

2.4. Trade receivables and other receivables (current)

Trade receivables are carried at original invoiced amount less any impairment losses. The assessment of doubtful receivables and need to recognise an impairment loss is based on objective evidence of potential non-recovery of a single asset. Examples of this kind of evidence resulting in impairment include significant financial difficulties of the debtor, likelihood that the debtor will enter bankruptcy or other financial reorganisation as well as the notable and continuous neglect of payment due dates. An impairment loss is recognised immediately in profit or loss.

Sold trade receivables are derecognised from the statement of financial position as soon as the receivable is sold and the price has been received. At the time of sale, the Group derecognises the trade receivable as the contractual rights to these cash flows expire and all the related substantial risks and rewards have been transferred outside the Group. The costs related to the sold receivables are recognised in Other financial expenses.

TRADE RECEIVABLES AND OTHER RECEIVABLES

EUR million	2016	2015
Trade receivables	58.5	53.3
Accrued income	2.2	2.2
Receivables on derivative instruments	0.8	0.5
Other receivables	2.4	3.2
TOTAL	63.8	59.1

At the end of the reporting period the sold trade receivables amounted to EUR 85.5 (91.4) million. Trade receivables from associated companies and joint ventures are presented in note 6.3.

AGEING ANALYSIS OF TRADE RECEIVABLES

EUR million	2016	2015
Trade receivables not past due	53.8	47.6
Trade receivables past due 1–90 days	4.5	5.2
Trade receivables past due over 90 days	0.1	0.5
TOTAL	58.5	53.3

The impairment losses recognised on trade receivables during the reporting period amounted to EUR 0.1 (0.1) million.

2.5. Non-current employee benefit obligations

Pension plans

Pension plans are classified as either defined contribution plans or defined benefit plans.

Contributions to defined contribution pension plans are recognised through profit or loss in the periods during which the services are rendered by the employees. The Group has no legal or constructive obligation to make additional payments if the party receiving the payments is not able to perform the pension benefits in question. All other plans that do not meet these conditions are classified as defined benefit plans.

Defined benefit plans are financed with payments to pension insurance companies. The obligation in respect of defined benefit pension plans is calculated using the projected unit credit method separately for each plan. Pension expenses are recognised in periods during which services are rendered by employees participating the plan according to actuarial calculations prepared by qualified actuaries. The amount recognised as a defined benefit liability or asset comprises the net total of the following items: the present value of the defined benefit obligation and the fair value of the plan assets. The discount rate used to determine the present value of the defined benefit obligation is the yield on high quality corporate or government bonds with a similar maturity to that of the pension obligation.

Current service cost and the net interest on net defined benefit liability is recognised in profit or loss. The pension expense is disclosed under the employee benefit expenses and the net interest is disclosed under financial items. Items arising from the remeasurement of net defined benefit liability are recognised in other comprehensive income during the period in which they occur.

Past service cost is expensed at the earlier of the following dates: when the plan amendment or curtailment occurs or when the entity recognises related restructuring costs or termination benefits.

Management's estimates and critical uncertainties:

Measurement of defined benefit pension obligation and plan assets is based on the actuarial assumptions made by management. These include e.g. the discount rate used in calculating the present value of the obligation, future salary and pension level, expected return on plan assets and the turnover of personnel included in the plan. Changes in the actuarial assumptions, as well as differences between expected and realised values result in actuarial gains and losses.

Group's pension arrangements

The Group operates various pension plans in accordance with local conditions and practices in different countries. In the Finnish companies, statutory pension obligations (TyEL) are arranged through insurance companies, when the TyEL plan is a defined contribution plan. The defined contribution plans are applied also in other countries and the foreign subsidiaries manage their pension plans in accordance with local legislation and established practice.

The Group has defined benefit pension plans for supplementary pension in Norway and France. In Finland Altia switched from the voluntary defined benefit pension to a defined contribution system in the end of 2016.

In defined benefit pension plans, the amount of the pension benefit at retirement is calculated on the basis of salary, years of service and life expectancy. The Norwegian and French pension plans cover only few employees, thus the related pension liabilities are not material for the Group. The Finnish supplementary pensions, which was changed in the end of 2016, mainly concern pensions already begun and paid-up policies, for which the company's obligation is mainly limited to costs related to the increases in index.

Change in Altia's defined benefit pension plan in 2016

Altia Plc has had a defined benefit pension plan for supplementary pensions continuing the pension coverage provided by the Alko Pension Fund, which was closed at the beginning of 1994. As there were significant amendments to the statutory employee pension coverage, Altia and employees' representatives reviewed the supplementary pension coverage together and decided to propose to the Board of Directors of Altia that supplementary pensions earned by 1 January 2017 be fixed and the insurance changed into a defined contribution plan. At the same time, it was agreed that Altia will no longer fund future annual index increases to pensions. Until now, the supplementary pensions have followed the employee pension index so that Altia has annually paid the insurance contribution required for the increases. In recent years, the increases in the employee pension have remained relatively low (0.39% in 2015 and 0% in 2016). Altia's Board of Directors decided that instead of the increase based on the employee pension index, the supplementary pensions will be increased by 4.5% on 1 January 2017, and after this lump-sum compensation the pensions will be increased in accordance with the increase decision made annually by the insurance company. Following the arrangement, Altia no longer has any deferred pension obligations based on Finnish supplementary pensions under IFRS standards (IAS 19), and therefore Altia's result includes an item amounting to EUR 16.4 million affecting comparability. The cash flow effect from the arrangement amounted to EUR -4.1 million in 2016. The effect on result is presented in Note 1.2 Employee benefit expenses.

DEFINED BENEFIT PENSION LIABILITY IN THE STATEMENT OF FINANCIAL POSITION

EUR million	2016	2015
Present value of unfunded obligations	1.6	1.4
Present value of funded obligations	-	93.9
Fair value of plan assets	-	-74.0
Taxes, Norway	0.2	0.2
NET PENSION LIABILITY IN THE STATEMENT OF FINANCIAL POSITION	**1.8**	**21.6**

DEFINED BENEFIT PENSION EXPENSE IN PROFIT OR LOSS

EUR million	2016	2015
Change in deferred pension liability, IFRS (IAS 19)	16.5	-
Current service cost	-0.3	-0.4
Net interest	-0.5	-0.5
Tax effect, Norway	-0.0	-0.0
Pension expenses recognised in profit or loss, profit (+), loss (-)	**15.7**	**-0.8**
Items of other comprehensive income:		
Remeasurements		
Return on plan assets, excluding interest income and interest expense	10.5	-9.4
Gain (loss) related to changes in demographic assumptions	-	2.1
Gain (loss) related to changes in financial assumptions	-4.1	8.4
Experience adjustment - gain (loss)	-6.9	4.6
Indexation reserve change	-	-
Tax effect, Norway	0.0	0.1
TOTAL COMPREHENSIVE INCOME	**-0.4**	**5.8**

CHANGES IN PENSION OBLIGATION AND FAIR VALUE OF PLAN ASSETS IN THE STATEMENT OF FINANCIAL POSITION

Present value of the obligation, EUR million	2016	2015
Obligation at 1 January	95.6	114.3
Service cost	0.3	0.4
Interest cost	2.0	1.9
Benefits paid	-5.9	-5.7
Exchange differences	-0.2	-0.4
Remeasurement gains (-) and losses (+)	11.3	-15.1
Change in deferred pension liability, IFRS (IAS 19)	-101.5	-
Tax effect, Norway	0.2	0.2
OBLIGATION AT 31 DECEMBER	**1.8**	**95.6**

Fair value of plan assets, EUR million	2016	2015
Fair value of plan assets at 1 January	74.0	87.0
Interest income	1.5	1.4
Contributions paid by employer to the plan	-5.9	0.5
Return on plan assets, excluding items recognised in interest expense	10.5	-9.4
Benefits paid	4.9	-5.6
Change in deferred pension liability, IFRS (IAS 19)	-85.0	-
FAIR VALUE OF PLAN ASSETS AT 31 DECEMBER	**-**	**74.0**

SIGNIFICANT ACTUARIAL ASSUMPTIONS

	2016	2015
Finland		
Discount rate	1.8%	2.1%
Future pension growth	1.5%	1.8%
Future salary growth	2.8%	2.8%
Insurance companies' reimbursement assumption	0.0%	0.0%
Norway		
Discount rate	2.1%	1.5%
Future pension growth	2.0%	2.0%
Future salary growth	3.8%	3.8%

The weighted average duration of the obligation is 13 years.

SENSITIVITY ANALYSIS, IMPACT ON DEFINED BENEFIT OBLIGATION AND PLAN ASSETS

2016 Assumption	Change in assumption	Change in obligation EUR million	Change in obligation, %
Discount rate	+0.5%	-0.1	-5.4%
Growth rate of pensions	+0.5%	0.1	5.9%
Growth rate of salaries	+0.5%	0.0	0.0%
Change in mortality rate	1 year in life expectancy	0.1	4.7%

2015 Assumption	Change in assumption	Change in obligation EUR million	Change in plan assets EUR million	Change in obligation, %	Change in plan assets, %
Discount rate	+0.5%	-5.1	-4.2	-5.4%	-5.8%
Growth rate of pensions	+0.5%	5.6	0.0	6.0%	0.0%
Growth rate of salaries	+0.5%	0.2	0.0	0.3%	0.0%
Change in mortality rate	1 year in life expectancy	3.7	2.5	4.0%	3.5%
Insurance companies' reimbursement	+0.5%	0.0	4.0	0.0%	5.5%

2.6. Trade payables and other payables

EUR million	2016	2015
Current		
Trade payables	28.0	28.9
Accruals for wages and salaries and social security contributions	3.5	4.1
Other accrued expenses	15.0	16.4
Derivative liabilities	2.2	2.6
Excise tax	57.8	58.4
VAT liability	28.6	27.9
Other liabilities	8.9	8.6
TOTAL	**144.1**	**147.0**
Non-current		
Other liabilities	-	4.9

In the financial statement 31.12.2016 the joint venture Roal Oy is classified as assets held for sale. The long-term debt related to this is classified as a liability related to the asset held for sale. The non-current assets held for sale are presented in Note 5.3.

2.7. Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated. The amount recognised as provision is the management's best estimate of the costs required to settle the existing obligation at the end of the reporting period. If part of the obligation may potentially be compensated by a third party, the compensation is recognised as a separate asset when it is virtually certain that the compensation will be received.

A provision for restructuring is recognised when a detailed restructuring plan has been prepared, and the implementation of the plan has either been commenced or the plan has been announced to those who are affected.

There were no provisions in the statement of financial position at 31 December 2016 nor 31 December 2015.

3. Financial items and capital structure

3.1. Financial income and expenses

FINANCIAL INCOME

EUR million	2016	2015
Interest income		
Financial assets at fair value through profit or loss	0.1	0.1
Loans and receivables	0.1	0.1
Available-for-sale financial assets	0.0	0.0
Derivatives under hedge accounting	-	0.0
Total interest income	**0.3**	**0.3**
Foreign exchange gains		
Financial assets at fair value through profit or loss	0.8	0.1
Loans and receivables	0.2	0.3
Total foreign exchange gains	**0.9**	**0.4**
Dividend income		
Available-for-sale financial assets	0.1	0.1
Total dividend income	**0.1**	**0.1**
TOTAL FINANCIAL INCOME	**1.3**	**0.8**

Foreign exchange differences arising from trade receivables and trade payables amounting to EUR -0.1 (-0.0) million and from currency derivatives amounting to EUR 0.8 (0.7) million are included in operating profit.

FINANCIAL EXPENSES

EUR million	2016	2015
Interest expenses		
Financial liabilities at fair value through profit or loss	0.1	0.1
Financial liabilities at amortised cost	1.1	1.6
Derivatives under hedge accounting	0.4	0.7
Other interest expenses, pension liability	0.5	0.5
Total interest expenses	**2.1**	**2.8**
Foreign exchange losses		
Financial assets at fair value through profit or loss	0.8	0.1
Loans and receivables	0.1	0.2
Total foreign exchange losses	**0.9**	**0.2**
Other financial expenses		
Other financial expenses	0.6	0.7
Ineffective portion of commodity derivatives under hedge accounting	-	0.2
Other commodity derivatives	-0.1	-0.3
Total other financial expenses	**0.5**	**0.6**
TOTAL FINANCIAL EXPENSES	**3.4**	**3.6**

Interest expenses include finance lease related interest expenses amounting to EUR 0.1 (0.1) million.

3.2. Financial assets

The Group's financial assets are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. Classification is made upon initial recognition based on the purpose of use of the asset. The basis of classification is reassessed at each reporting date. Fair values of the financial assets and their classification in more detail are described in Note 3.4.

All purchases and sales of financial instruments are recognised on the trade date, which is the date when the Group commits to purchase or sell a financial instrument. Financial assets are recognised in the statement of financial position at original cost which equals their fair value at the acquisition date. If the asset in question is not measured at fair value through profit or loss, transaction costs are included in the original cost of the financial asset.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or the Group transfers all the substantial risks and rewards related to the financial asset outside the Group. Financial assets are included in non-current items of the statement of financial position when their maturity is over 12 months, excluding derivative instruments, which are always recognised in the current items of the statement of financial position.

3.2.1. Available-for-sale financial assets

EUR million	2016	2015
Unquoted shares	0.8	0.8

3.2.2. Other receivables

EUR million	2016	2015
Capital loan receivable	0.3	0.5

3.2.3. Cash and cash equivalents

Cash and cash equivalents comprise cash at hand, cash in bank as well as other highly liquid investments with maturities of three months or less on the acquisition date.

EUR million	2016	2015
Cash at hand and in bank	68.0	73.9
Cash equivalents	-	2.4
TOTAL	**68.0**	**76.3**

3.3. Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or loss and financial liabilities at amortised cost. Financial liabilities are initially measured at fair value and recognised net of transaction costs, with the exception of items measured at fair value through profit or loss. Fair values of the financial liabilities and their classification in more detail are described in Note 3.4.

A financial liability (or a part of it) is not derecognised until the obligation specified in the contract is discharged or cancelled or expires. A financial liability is classified as current, unless the Group has an unconditional right to defer the settlement of the liability for at least 12 months after the end of the reporting period, with the exception of derivative instruments that are always recognised in current items in the statement of financial position.

3.3.1. Interest-bearing financial liabilities

EUR million	2016	2015
Non-current		
Loans from financial institutions	64.8	87.2
Finance lease liabilities	0.1	1.2
Total	**64.9**	**88.4**
Current		
Loans from financial institutions	7.5	7.5
Finance lease liabilities	0.3	0.8
Total	**7.8**	**8.3**

Interest-bearing non-current loans from financial institutions are measured at amortised cost using the effective interest method.

GROUP'S INTEREST-BEARING FINANCIAL LIABILITIES MATURE AS FOLLOWS

2016, EUR million	2017	2018	2019	2020
Loans from financial institutions (nominal value)	7.5	35.0	-	30.0
Finance lease liabilities	0.3	0.2	0.0	-
Total	**7.8**	**35.2**	**0.0**	**30.0**

2015, EUR million	2016	2017	2018	2019	2020
Loans from financial institutions (nominal value)	7.5	7.5	50.0	-	30.0
Finance lease liabilities	0.7	0.7	0.7	0.1	-
Total	**8.2**	**8.2**	**50.7**	**0.1**	**30.0**

GROUP'S NON-CURRENT INTEREST-BEARING FINANCIAL LIABILITIES BY CURRENCY ARE AS FOLLOWS

EUR million	2016	2015
EUR	64.9	88.4

THE WEIGHTED AVERAGE EFFECTIVE INTEREST RATES (P.A.) OF THE GROUP'S LIABILITIES AT 31 DECEMBER:

%	2016	2015
Loans from financial institutions, EUR	1.7%	1.5%

THE WEIGHTED AVERAGE INTEREST RATES OF THE GROUP'S FINANCE LEASE LIABILITIES AT 31 DECEMBER:

%	2016	2015
Finance lease liabilities	1.6%	2.6%

GROUP'S CURRENT INTEREST-BEARING FINANCIAL LIABILITIES BY CURRENCY ARE AS FOLLOWS

EUR million	2016	2015
EUR	7.8	8.3

GROUP'S FINANCE LEASE LIABILITIES MATURE AS FOLLOWS

EUR million	2016	2015
Total amount of minimum lease payments		
Less than one year	0.2	0.7
More than one and less than five years	0.2	1.6
Total minimum lease payments	**0.5**	**2.3**
Present value of minimum lease payments		
Less than one year	0.3	0.8
More than one and less than five years	0.1	1.2
Total present value of minimum lease payments	**0.5**	**2.0**
Future finance charges	-0.0	-0.2
TOTAL FINANCE LEASE LIABILITIES	**0.5**	**2.0**

3.4. Classification and fair values of financial assets and liabilities

Financial assets

Financial assets recognised at fair value through profit or loss

This category includes financial assets held for trading purposes or otherwise designated as financial assets recognised at fair value through profit or loss by Altia Group. Derivative instruments held for hedging purposes, but not qualifying for the criteria of hedge accounting, are classified in this category. Items in this category are initially recognised at fair value and subsequently measured at the fair value of each reporting date, which is the market bid price at the end of the reporting period determined based on public price quotations in active markets. Realised and unrealised gains and losses arising from changes in fair values are recognised in profit or loss in financial items in the period in which they are incurred if they relate to hedging of financial items. If derivative instruments relate to hedging of commercial items (foreign currency denominated purchases and sales), the realised and unrealised gains and losses are recognised in profit or loss and included in operating profit.

Loans and other receivables

Loans and receivables arise when money, goods or services are delivered to a debtor, and they are included in current or non-current financial assets in accordance with their maturity. In Altia, non-current receivables include loan receivables and other receivables with the maturity of over one year. Current receivables include trade receivables as well as cash and cash equivalents presented under current financial assets. Receivables are measured at amortised cost when the related payments are fixed or determinable and the instruments are not quoted in financial markets. The exchange rate differences of intra-group foreign currency denominated receivables are presented within financial items in the foreign exchange differences of the Loans and receivables category.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets which are either designated in this category or not classified in any other category of financial assets. These are included in non-current assets, unless they are intended to be held less than 12 months from the end of the reporting period, in which case they are included in current assets. Financial assets in this category are measured at fair value determined by using quoted market prices and rates at the end of the reporting period. The Group's available-for-sale financial assets are unquoted shares for which fair values cannot be reliably measured, and they are measured at the lower of original cost and probable value. Their carrying amounts correspond to their fair values at the reporting date. The Group estimates at each reporting date whether there is objective evidence of impairment of an available-for-sale financial asset. Impairment losses for which there is objective evidence are immediately recognised in profit or loss. For example, a significant or long-term decrease in fair value below the original cost of an asset can be regarded as objective evidence of impairment.

Financial liabilities

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include derivatives held for hedging purposes but not qualifying for hedge accounting. Financial liabilities in this category are measured at fair value, which is determined based on price quotations in active markets at the reporting date. Realised and unrealised gains or losses arising from the changes in fair values are recognised through profit or loss in the financial items as incurred.

Financial liabilities at amortised cost

This category includes the Group's external loans from financial institutions, commercial paper loans as well as trade payables. These financial liabilities are measured at amortised cost using the effective interest method. When loans are paid off or refinanced, the related unamortised costs are recognised in financial expenses. Group overdrafts in use are included in current interest-bearing financial liabilities. In addition, Altia has a revolving credit facility and the related fee is amortised on a straight-line basis in other financial expenses during the term of the facility.

The exchange rate differences arising from foreign currency denominated loans from financial institutions are disclosed under financial items. The exchange rate differences of intra-group foreign currency denominated loans are presented within financial items in the foreign exchange differences of the category Financial liabilities at amortised cost.

The fair values of loans from financial institutions and commercial paper loans are determined based on future cash flows discounted with market interest rate at the reporting date adjusted with Altia's credit risk premium. At the reporting date, the carrying amounts of the loans are considered to equal their fair values because of the exceptionally low level of market interest rates. The fair values of finance lease liabilities are based on discounted future cash flows. The discount rate is the corresponding interest rate on similar lease contracts.

Derivative instruments

Derivatives are included in financial assets and liabilities at fair value through profit or loss when they do not meet the criteria of hedge accounting pursuant to IAS 39. These derivatives are recognised at fair value on the trade date and they are subsequently measured at fair value at the reporting date. Derivative instruments and hedge accounting are described in Note 3.5.

The fair values of derivatives equal to the amount that the Group would have to pay or it would receive from the termination of the derivative contract at the reporting date. The fair values of forward exchange contracts are determined by using the market prices at the reporting date. The fair values of interest rate derivatives are determined by discounting the related future cash flows. The valuation of commodity derivatives is determined based on the fair values received from the financial markets.

The following table presents the fair values and the carrying amounts in the consolidated statement of financial position for each financial instrument by classes:

2016 EUR million	Note	Derivatives, hedge accounting	Financial assets/ liabilities at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities at amortised cost	Carrying amounts of items in the statement of financial position	Fair value
Financial assets								
Non-current financial assets								
Unquoted shares	3.2.1.	-	-	-	0.8	-	0.8	0.8
Loan receivables	3.2.2.	-	-	0.3	-	-	0.3	0.3
Current financial assets								
Trade and other receivables	2.4.	-	-	59.7	-	-	59.7	59.7
Trade and other receivables/Derivative instruments								
Forward exchange contracts	2.4.	0.3	0.4	-	-	-	0.7	0.7
Commodity derivatives	2.4.	0.0	-	-	-	-	0.0	0.0
Cash and cash equivalents	3.2.3.	-	-	68.0	-	-	68.0	68.0
TOTAL		**0.3**	**0.4**	**128.0**	**0.8**	**-**	**129.6**	**129.6**
Financial liabilities								
Non-current financial liabilities								
Interest-bearing liabilities	3.3.1.	-	-	-	-	64.9	64.9	64.9
Current financial liabilities								
Interest-bearing liabilities	3.3.1.	-	-	-	-	7.8	7.8	7.8
Trade and other payables	2.6.	-	-	-	-	28.7	28.7	28.7
Trade and other payables/Derivative instruments								
Interest rate derivatives	2.6.	1.9	-	-	-	-	1.9	1.9
Forward exchange contracts	2.6.	0.3	0.0	-	-	-	0.4	0.4
TOTAL		**2.2**	**0.0**	**-**	**-**	**101.5**	**103.7**	**103.7**

2015 EUR million	Note	Derivatives, hedge accounting	Financial assets/ liabilities at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities at amortised cost	Carrying amounts of items in the statement of financial position	Fair value
Financial assets								
Non-current financial assets								
Unquoted shares	3.2.1.	-	-	-	0.8	-	0.8	0.8
Loan receivables	3.2.2.	-	-	0.5	-	-	0.5	0.5
Current financial assets								
Trade and other receivables	2.4.	-	-	55.1	-	-	55.1	55.1
Derivative instruments / Forward exchange contracts	2.4.	0.4	0.0	-	-	-	0.5	0.5
Cash and cash equivalents	3.2.3.	-	-	76.3	-	-	76.3	76.3
TOTAL		**0.4**	**0.0**	**131.8**	**0.8**	**-**	**133.1**	**133.1**
Financial liabilities								
Non-current financial liabilities								
Interest-bearing liabilities	3.3.1.	-	-	-	-	88.4	88.4	88.4
Current financial liabilities								
Interest-bearing liabilities	3.3.1.	-	-	-	-	8.3	8.3	8.3
Trade and other payables	2.6.	-	-	-	-	29.9	29.9	29.9
Trade and other payables/Derivative instruments								
Interest rate derivatives	2.6.	1.5	-	-	-	-	1.5	1.5
Forward exchange contracts	2.6.	0.2	0.0	-	-	-	0.3	0.3
Commodity derivatives	2.6.	0.6	0.2	-	-	-	0.8	0.8
TOTAL		**2.4**	**0.2**	**-**	**-**	**126.6**	**129.2**	**129.2**

Due to short maturity fair value of trade receivables and other current receivables and liabilities equal to their balance sheet value.

3.5. Derivative instruments and hedge accounting

When the Group applies IAS 39 hedge accounting to foreign currency, interest rate and electricity derivatives, the effective portion of the fair value change is recognised in other comprehensive income and presented within equity in the hedging reserve.

When hedge accounting is applied

In Altia, cash flow hedging is applied to part of the interest rate, foreign currency and electricity derivatives based on case-by-case assessment. In cash flow hedging, the Group is hedging against changes in cash flows related to a specific asset or liability recognised in the statement of financial position or to a highly probable future business transaction. Hedge accounting is a method of accounting with the purpose to allocate one or several hedging instruments so that their fair value changes offset in full or partly the changes in fair value or cash flow arising from the hedged risk in profit or loss during the period, for which the hedge is designated. In the beginning of the hedging arrangement, Altia documents the relationship between each hedging instrument and hedged item, as well as the objectives of risk management and the strategy in engaging in hedging. The effectiveness of hedging instruments is tested both prospectively and retrospectively. Effectiveness means the ability of a hedging instrument to offset the changes in the fair value of the hedged item or changes in the cash flows of the hedged transaction attributable to the hedged risk. The hedging relationship is regarded to be highly effective if the realised results of the hedging instrument offset the changes in the cash flows of the hedged item by 80–125 percent. Hedge accounting is discontinued when the criteria for hedge accounting is no longer met.

The gains and losses arising from fair value changes of derivative contracts, to which hedge accounting is applied, are presented in congruence with the hedged item. The effective portion of the unrealised changes in the fair value of derivatives designated and qualifying as cash flow hedges are recognised in other comprehensive income and presented in the hedging reserve in equity. The ineffective portion is immediately recognised in profit or loss. The cumulative gain or loss in equity on derivative instruments related to commercial items is recognised in profit or loss as an adjustment to purchases or sales simultaneously with the hedged item in the period in which the hedged item affects profit or loss. Realised gain or loss on electricity derivatives is included in operating profit in electricity procurement expenses. When a hedging instrument designated as a cash flow hedge expires, is sold or no longer meets the criteria of hedge accounting, the gain or loss accumulated in equity is recognised through profit or loss.

When hedge accounting is not applied

The accounting for gains and losses arising from fair value measurement is dependent on the purpose of use of the derivative. In Altia, the changes in the fair values of derivative instruments are immediately recognised in profit or loss in operating profit if the derivative in question is related to hedging of commercial cash flows (purchases and sales) and hedge accounting is not applied. The fair value changes of other derivative instruments are immediately recognised in profit or loss in financial items if hedge accounting is not applied. Derivatives, to which hedge accounting is not applied, are acquired to minimise the profit and/or cash flow effects related to business operations or financing.

Changes in the premium on forward contracts and time value of options are always recognised through profit or loss. Thus hedge accounting is not applied to these items, even if hedge accounting is applied to the derivative instrument in question.

NOMINAL VALUES OF DERIVATIVE INSTRUMENTS

EUR million	2016	2015
Derivative instruments designated for cash flow hedging		
Interest rate derivatives	20.0	20.0
Forward exchange contracts	26.7	30.6
Commodity derivatives, electricity	3.0	3.6
	0.1 TWh	0.1 TWh
Derivative instruments, non-hedge accounting		
Forward exchange contracts	52.9*)	8.4

*) Total 43.7 million euros in nominal value relate to hedging internal deposits in currency to parent company amounting the same. These deposits are made in order to mitigate the effects of the banks' negative deposit rates.

The table below presents the classification of financial instruments. The levels 1–3 of fair value hierarchy reflect the significance of inputs used in determining the fair values. In level one, fair values are based on public quotations of identical financial instruments. In level two, the inputs used in determining the fair values are based on quoted market rates and prices observable for the asset or liability in question directly (i.e. price) or indirectly on discounted future cash flows. Fair values of other financial assets and liabilities in level two reflect their carrying value. In level three, the fair values of assets and liabilities are based on inputs that are not based on observable market data for all significant variables, and instead are, to a significant extent, based on management estimates and their use in generally accepted measurement models. The reported fair value level is based on the lowest level of input information that is significant in determining the fair value.

FINANCIAL ASSETS, FAIR VALUE

EUR million	2016	2015
LEVEL 2		
Financial assets at fair value through profit or loss		
Forward exchange contracts	0.4	0.0
Derivatives, hedge accounting		
Forward exchange contracts	0.3	0.4
Interest rate derivatives	0.1	-
LEVEL 3		
Available-for-sale financial assets		
Unquoted shares	0.8	0.8

FINANCIAL LIABILITIES, FAIR VALUE

EUR million	2016	2015
LEVEL 2		
Financial liabilities at fair value through profit or loss		
Forward exchange contracts	0.0	0.0
Commodity derivatives	0.1	0.2
Derivatives, hedge accounting		
Forward exchange contracts	0.3	0.2
Interest rate derivatives	1.9	1.5
Commodity derivatives	-	0.6

Positive and negative fair values of unrealised derivatives and their net amount are presented below. The master netting agreements in respect of derivatives do not meet the criteria for offsetting in the statement of financial position owing to legally enforceable right not existing currently.

Net positions, EUR million:	2016	2015
Derivative assets:		
Fair value, gross	0.7	0.5
Fair value, under netting agreements	-0.2	-0.1
Fair value, net	0.6	0.4
Derivative liabilities:		
Fair value, gross	2.2	1.8
Fair value, under netting agreements	-0.2	-0.1
Fair value, net	2.1	1.7

In accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, Altia classified Roal Oy and the advance payment it received from its divestment as an asset held for sale and related liability. In connection with reclassification, fair values were measured for them as a non-recurring event. The asset available for sale consists of shares in Roal Oy, the carrying amount of which before reclassification was EUR 16.4 million and for which the company recognised an impairment loss of EUR 3.0 million in connection with reclassification. The management's estimate of the expected selling price less costs of selling is EUR 13.4 million. The advance payment received from the sale of the shares is measured at nominal value, which is equal to fair value of the advance payment.

Non-current assets held for sale are presented in Note 5.3.

3.6. Equity

Share capital

Altia Plc's share capital, paid in its entirety and registered in the trade register, was 60,480,378.36 euros at the end of 2015 and 2016. Share capital consists of A and L shares. At the end of the financial period 2015 and 2016 there were 35,960,000 A shares and 25,003 L shares. All shares have the same voting and financial rights. All L serie shares are held by the parent company.

Share premium fund

Portion of payments received for share subscriptions were recognised in the share premium reserve in accordance with the terms and conditions of the share issue before the new Limited Liability Companies Act entered into force in 2006.

Hedging reserve

The hedging reserve includes the fair value changes of derivative instruments used for cash flow hedging for effective hedges.

Translation differences

Translation differences comprise all foreign exchange differences arising from the translation of the foreign subsidiaries' financial statements, as well as from the translation of goodwill and the fair value adjustments to assets and liabilities arisen from the acquisition of these companies. The Group's translation differences amounted to EUR -12.3 million at 31 December 2016 (EUR -9.6 million in 2015).

Earnings per share

Earnings per share is calculated by dividing the result for the period attributable to the shareholders of the parent company by the weighted average number of shares during the reporting period.

	2016	2015
Result attributable to the shareholders of the parent company, EUR million	34.6	21.0
Weighted average number of shares (1,000 pcs)	35,985	35,985
Basic and diluted earnings per share (EUR)	0.96	0.58

Dividend

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.29 per share to be paid for the financial year 2016, totaling EUR 10,428,400. The Annual General Meeting held on 29 March 2016 set a dividend 0.29 EUR per share for 2015.

ALTIA PLC´S DISTRIBUTABLE UNRESTRICTED EQUITY

EUR million	31 Dec 2016	31 Dec 2015
Retained earnings	101.0	92.6
Distribution of dividends	-10.4	-
Profit for the period	10.1	8.4
TOTAL DISTRIBUTABLE UNRESTRICTED EQUITY	**100.7**	**101.0**

4. Financial and capital risk

4.1. Financial risk management

Financial risk management principles

The aim of financial risk management is to ensure the Group's financial stability and availability of sufficient financing options in different market situations. In addition, the aim is to support the business operations to identify business-related financial risks and their management, and to hedge against material financial risks.

The Group is exposed to various market risks. Changes in these risks affect the company's assets, liabilities and anticipated transactions. The risks are caused by changes in interest rates, currencies and commodity market prices. Selected derivative instruments can be used to manage the risks resulting from these market risks. Altia mainly hedges against risks that impact the Group's cash flow, and, if deemed appropriate, also certain foreign currency denominated items in the statement of financial position. Derivatives are solely used to hedging against the above-mentioned risks. The principles of IAS 39 hedge accounting are applied to certain interest rate, foreign exchange as well as electricity derivatives. Financial risk management is executed as part of the Group's risk management, according to the Risk Management Principles approved by the Board of Directors. Altia's principles aiming towards financial, credit and operational continuity form the basis for financial risk management.

Risk management process

Special process features related to financing are described below in connection with the descriptions of market, liquidity and credit risks. The financial risk exposure is regularly reported to the Audit Committee and Altia's Board of Directors. The most significant principle decisions concerning risk management are made by the company's Board of Directors.

As part of the financial risk management principles, Altia's Board of Directors has approved a list of financial instruments, in which the accepted instruments, their purpose and the person who decides on their use have been specified for different types of financial risks.

Financial risk management organisation

Financial matters are reported regularly to the Group management. On a case-by-case basis, the Board of Directors processes all substantial financial matters, such as the Group's internal and external loan arrangements.

Tasks and responsibilities regarding Altia's financial operations and financial risk management are described in the financial risk management principles. The Group Treasury is responsible for securing financing, identifying risks and, if required, executing hedging transactions with external counterparties. The business units and subsidiaries are responsible for managing the risks associated with their own operations and forecasting cash flows.

Risk concentrations

Altia carefully analyses the financial risks and risk concentrations related to its operations. Risk concentrations identified as a result of this assessment are described in connection with the descriptions of market and credit risks.

Market risk

Altia defines market risk as a risk where the fair values of financial instruments or future cash flows fluctuate as a result of changes in market prices. The most significant market risks for the Group are currency risk, interest rate risk and price risks.

1. Currency risk

Altia is exposed to currency risks resulting from export and import, intra-group trade across borders of the euro-area, as well as internal loans and investments in foreign subsidiaries. The objective of the Group's currency risk management is to limit the uncertainties associated with foreign exchange rates and their effect on the Group's profit, cash flows and statement of financial position.

Transaction risk
Transaction risk is caused by foreign currency denominated items in the statement of financial position and future cash flows: import, export and capital flows. Transaction risk management aims to hedge the Group's profit against the effects of changes in foreign exchange rates.

The objective is to hedge 60-80% of highly probable commercial cash flows. The average hedging ratio has remained at the target level. Hedging transactions are executed with forward exchange contracts or options during the following 12 months at the most, predominantly following the pricing periods of customers. Altia may apply cash flow hedge accounting to foreign exchange derivatives. Intra-group loan arrangements are hedged by 100% and hedge accounting is not applied to these arrangements.

In the table below, the Group's net currency position is presented. The net currency risk has been taken into account in the table if the transaction currency is other than the company's functional currency.

TABLE 1: THE GROUP'S NET CURRENCY POSITION AT 31 DECEMBER

The net currency position resulting from the financial instruments in accordance with IFRS 7, EUR million	2016	2015
EUR-SEK	-11.8	-19.1
EUR-NOK	-2.7	0.2
EUR-USD	5.4	4.7
EUR-AUD	2.4	2.1

The Group's net currency position at 31 December including also the hedged commercial cash flows , EUR million	2016	2015
EUR-SEK	1.6	2.4
EUR-NOK	-0.1	1.1
EUR-USD	0.6	-0.3
EUR-AUD	0.2	0.1

The currency position resulting from the financial instruments in accordance with IFRS 7 consists of trade receivables, trade payables, cash and cash equivalents, the Group's internal and external loans and derivative instruments. Forecasted commercial cash flows are also taken into account in the Group's net currency position and accounted for in amounts corresponding to those of the derivatives aligned to them.

Translation risk
Translation risk is mainly caused by the parent company's foreign currency denominated net investments in foreign subsidiaries, which cause a translation difference in equity in the Group's statement of financial position upon consolidation. The Group Treasury regularly analyses the translation risk and reports any material issues to the management. The most significant net investments are denominated in the Swedish and Norwegian kroner. The translation risk has not been hedged.

2. Interest rate risk
The objective of interest rate risk management is to minimise the impact of fluctuations arising from interest rate changes on the Group's profit. At 31 December 2016 the loans were divided as follows:

- The EUR 7.5 million portion of the loan matures in December 2017. The interest rate on the loan has been fixed on three-month market rate. These interest payments are not hedged.
- The EUR 35.0 million portion of the loan matures in December 2018 after an additional repayment of 15.0 million euros was effected in April 2016 to then 50.0 million loan amount. The interest rate on the loan is based on three-month market rate. Altia has hedged these interest payments to fixed interest rate by using an interest rate derivative amounting to EUR 20 million. Hedge accounting principles are applied to this interest rate derivative. The hedge has been regarded as effective.
- The EUR 30.0 million loan matures in April 2020. Prepayments are allowed before the final due date. The interest rate on the loan has been fixed on three –month market rate. Currently these interest payments are not hedged.

The maximum amount under Altia's domestic commercial paper program is EUR 100 million. The nominal amount of the issued commercial papers amounted to EUR 0 million at 31 December 2016 (EUR 0.0 million at 31 December 2015).

Altia's frame agreement for sale of trade receivables amounts to maximum EUR 145 million. The sold trade receivables are derecognised at the time of trade with no obligation to repurchase. The related costs are recognised in other financial expenses. The trade receivables are current receivables and the related interest rate risk is not hedged. The amount of the sold trade receivables was EUR 85.5 million at 31 December 2016 (EUR 91.4 million at 31 December 2015).

3. Price risk associated with commodities

Barley

In 2016, Altia used approximately 192.2 million kilos of Finnish barley to produce ethanol and starch. The availability of high-quality domestic barley is ensured with contract cultivation and cooperation with grain growers and grain handling companies. The market price of barley fluctuates significantly year by year as a result of various factors that affect the Finnish barley supply and demand and is therefore considered a significant risk for Altia. The price risk has not been hedged with derivative instruments.

Electricity

Strong increase in the market price of electricity is a significant risk for Altia. The risk is managed by following Altia's principles for electricity procurement. These principles determine the hedging limits, within which the electricity price risk is hedged. The hedges are done with OTC-derivatives of Nasdaq OMX Oslo ASA. The hedging service for electricity procurement has been outsourced.

At the end of 2016, the hedging ratio for deliveries for the next 12 months was 68.3% (80.7% in 2015), in line with the set targets. In 2016, the average hedging ratio was 78.9%.

Cash flow hedge accounting in accordance with IAS 39 is applied to the hedges against electricity price risk, and hedge effectiveness is tested quarterly. The ineffective portion at the end of 2016, EUR -0.1 million (EUR 0.2 million in 2015) is recognised within financial costs.

Altia purchases its electricity straight from the Nord Pool Spot markets as a delivery tied to the spot price of the Finnish price area.

4. Sensitivity to market risks

The following table describes the sensitivity of the Group's profit and equity (before taxes) to changes in electricity prices, foreign exchange rates and interest rates. When Altia applies hedge accounting, the sensitivity is directed at equity. When hedge accounting is not applied, the sensitivity is recognised as a potential impact on profit or loss.

The sensitivity to foreign exchange rate changes is calculated from the net currency position resulting from financial instruments. The effect of increase in market rates on the Group's profit is determined from net interest expenses. The effect on equity is calculated taking into account the changes in the market values of the interest rate swap.

TABLE 2: SENSITIVITY ANALYSES

Sensitivity of financial instruments to market risks (before taxes) in accordance with IFRS 7, EUR million	2016		2015	
	Income statement	Equity	Income statement	Equity
+/-10% electricity	-	+/-0.3	+/-0.1	+/-0.2
+/-10% change in EUR/NOK exchange rate	+/-0.3		+/-0.0	
+/-10% change in EUR/SEK exchange rate	+/-1.2		+/-1.9	
+/-10% change in EUR/USD exchange rate	-/+0.5		-/+0.5	
+/-10% change in EUR/AUD exchange rate	-/+0.2		-/+0.2	
+1%-points parallel shift in interest rates	-0.5	+1.3	-0.8	+1.3

Liquidity risk

In order to manage the liquidity risk, Altia continuously maintains sufficient liquidity reserves, which at the end of 2016 comprised Group's EUR 20 million overdraft facility and a EUR 50 million revolving credit facility. The revolving credit facility matures in December 2018. More detailed information on the Group's external loans is provided in the interest rate risk section.

TABLE 3: LIQUIDITY RESERVES

Cash and cash equivalents and unused committed credit limits, EUR million	2016	2015
Cash and cash equivalents	68.0	76.3
Overdraft facilities	20.0	20.0
Revolving credit line	50.0	60.0
TOTAL	138.0	156.3

TABLE 4: MATURITIES OF FINANCIAL LIABILITIES

		Cash flows 2017			Cash flows 2018			Cash flows 2019 -		
Contractual payments on financial liabilities 2016 (EUR million)	**Carrying value**	**Fixed rate**	**Variable rate**	**Re-payment**	**Fixed rate**	**Variable rate**	**Re-payment**	**Fixed rate**	**Variable rate**	**Re-payment**
Non-derivative:										
Loans from financial institutions	-73.9	-	-0.5	-7.5	-	-0.5	-35.0	-	-0.4	-30.0
Finance lease liabilities	0.5	-	-	0.3	-	-	0.2	-	-	0.0
Trade payables	-28.0	-	-	-28.0	-	-	-	-	-	-
Derivative:										
Currency derivatives, hedge accounting										
Inflow	26.5	-	-	26.6	-	-	-	-	-	-
Outflow	-26.6	-	-	-26.6	-	-	-	-	-	-
Currency derivatives, non-hedge accounting										
Inflow	52.9	-	-	52.9	-	-	-	-	-	-
Outflow	-52.5	-	-	-52.5	-	-	-	-	-	-
Interest rate derivatives, hedge accounting	-1.9	-0.3	-	-	-0.3	-	-	-1.3	-	-
Commodity derivatives, hedge accounting	0.0	-	-	0.0	-	-	0.0	-	-	0.0
TOTAL	**-102.8**	**-0.3**	**-0.5**	**-34.8**	**-0.3**	**-0.5**	**-34.8**	**-1.3**	**-0.4**	**-29.9**

		Cash flows 2016			Cash flows 2017			Cash flows 2018 -		
Contractual payments on financial liabilities 2015 (EUR million)	**Carrying value**	**Fixed rate**	**Variable rate**	**Re-payment**	**Fixed rate**	**Variable rate**	**Re-payment**	**Fixed rate**	**Variable rate**	**Re-payment**
Non-derivative:										
Loans from financial institutions	-98.1	-	-0.8	-7.5	-	-0.7	-7.5	-	-1.6	-80.0
Finance lease liabilities	2.3	-	-	0.7	-	-	0.7	-	-	0.8
Trade payables	-28.9	-	-	-28.9	-	-	-	-	-	-
Derivative:										
Currency derivatives, hedge accounting										
Inflow	30.5	-	-	30.5	-	-	-	-	-	-
Outflow	-30.2	-	-	-30.2	-	-	-	-	-	-
Currency derivatives, non-hedge accounting										
Inflow	8.4	-	-	8.4	-	-	-	-	-	-
Outflow	-8.4	-	-	-8.4	-	-	-	-	-	-
Interest rate derivatives, hedge accounting	-1.5	-0.2	-	-	-0.2	-	-	-1.1	-	-
Commodity derivatives, hedge accounting	-0.8	-	-	-0.5	-	-	-0.2	-	-	-0.2
TOTAL	**-126.8**	**-0.2**	**-0.8**	**-35.9**	**-0.2**	**-0.7**	**-7.0**	**-1.1**	**-1.6**	**-79.4**

Credit risk

The objective of Altia's credit risk management is to minimise the losses if one of the Group's counterparties fails to meet its obligations. The principles of credit risk management are described in the Group's credit policy.

Credit risks are caused by a counterparty not fulfilling its contractual payment obligations or the counterparty's credit rating changing in a manner that affects the market value of the financial instruments it has issued.

The maximum amount of credit risk is equal to the carrying amount of the Group's financial assets. No significant risk concentrations relate to trade receivables. The aim is to minimise credit risks by active credit management and by taking into account customers' credit rating when determining the payment term of invoices.

4.2. Capital risk management

The target of Altia's capital management is to secure an effective capital structure that offers the company a continuous access to the capital markets despite the volatility of the industry. Although Altia does not have a public rating, the company aims to obtain a capital structure comparable to that of other companies in the industry that have investment rating. The Board of Directors monitors the Group's capital structure regularly.

Altia monitors its capital based on gearing (the ratio of interest-bearing net liabilities to equity). Interest-bearing net liabilities consist of the loans less cash and cash equivalents. The current level of gearing is distinctly lower than the limit determined in the Group's loan terms.

During the business cycle, the company's net gearing is likely to fluctuate, and the objective is to retain a sufficiently strong capital structure to secure the Group's financing needs. Gearing at 31 December 2016 and 31 December 2015 were as follows:

TABLE 5: GEARING

Gearing as of 31 December (EUR million)	2016	2015
Interest-bearing liabilities	72.8	96.7
Cash and cash equivalents	68.0	76.3
Interest-bearing net liabilities	4.7	20.4
Total equity	192.2	171.0
Gearing 31 December	**2.5 %**	**12.0 %**

5. Consolidation

5.1. General consolidation

Consolidation

Consolidation, consolidation method and classification of ownership interests depends on whether the Group has power to control or jointly control the entity or have significant influence or other interests in the entity. When the Group has power to control the entity, it is consolidated as a subsidiary according to principles described in Note 5.2. Subsidiaries. When the Group has joint control or significant influence over an entity but does not have power to control, entity is accounted for by using the equity method according to principles set in Note 5.4. Associated companies and joint ventures. If the Group does not have power to control nor significant influence in the entity, its ownership interests are classified as Financial assets available for sale and accounted for according to principles described in Note 3.2.1.

Foreign currency items

The consolidated financial statements are presented in euro, which is the functional and presentation currency of the parent company. Transactions in foreign currencies are translated to euro at average foreign exchange rates published by the European Central Bank on banking days. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to euro at the average exchange rates prevailing at that date. Foreign currency differences arising on translation are recognised in profit or loss. Foreign exchange gains and losses related to purchases and sales are recognised in the respective items and included in operating profit. Foreign currency gains and losses arising from loans denominated in foreign currencies are recognised in financial income and expenses.

Income and expenses for the statements of comprehensive income of foreign subsidiaries that operate outside the eurozone are translated using the average rates of the European Central Bank's exchange rates at the end of the month. The statements of financial position of foreign subsidiaries are translated using the average exchange rates ruling at the reporting date. Foreign currency differences arising on the translation of profit or loss for the period with different exchange rates in the statement of comprehensive income and in the statement of financial position are recognised in other comprehensive income and included in translation differences in equity. Changes in translation differences are recognised in other comprehensive income.

In the consolidated financial statements, exchange rate differences arising from the translation of foreign currency denominated loans to foreign subsidiaries, which form a part of net investments in foreign companies, are recognised in other comprehensive income and included in translation differences within equity.

Translation differences arising from elimination of the cost of foreign subsidiaries and from translation of the foreign subsidiaries' post-acquisition profits and losses are recognised in other comprehensive income and presented as a separate item within equity. Goodwill and the fair value adjustments to the carrying amounts of assets and liabilities of foreign units arising on acquisition are accounted for as assets and liabilities of the respective foreign units, which are translated to euro at the exchange rates prevailing at the reporting date. If these foreign units are entirely or partly disposed of, related exchange rate differences are recognised in profit or loss as part of the gain or loss on disposal.

5.2. Subsidiaries

Subsidiaries consolidation principles

Consolidated financial statements of Altia include the parent company, Altia Plc, and all subsidiaries. Subsidiaries are all those in which the parent company exercises control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of acquired subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All business combinations are accounted for by using the acquisition method. The consideration transferred and the identifiable assets acquired and liabilities assumed in the acquired company are measured at fair value of the acquisition date. The amount exceeding purchase price which is fair value of net assets is recorded as goodwill.

All acquisition-related costs, with the exception of costs to issue debt or equity securities, are expensed. The consideration transferred does not include any transactions accounted for separately from the acquisition. Any contingent consideration is recognised at fair value at the acquisition date and it is classified as either liability or equity. Contingent consideration classified as a liability is measured at fair value at each reporting date and any resulting gain or loss is recognised in profit or loss.

Intra-group transactions, receivables, liabilities and unrealised gains, as well as the distribution of profits within the Group are eliminated in preparing the consolidated financial statements. Unrealised losses are not eliminated if the loss in question results from impairment.

The Group had no non-controlling interests at the end of the reporting period 2016 or comparison period 2015.

Altia Plc had 23 subsidiaries at the end of the reporting period (23 subsidiaries at 31 December 2015).

Subsidiaries	Parent company's share of ownership (%)	Group's share of ownership (%)	Country of incorporation
A-Beverages Oy	100.00	100.00	Finland
Altia Eesti AS	100.00	100.00	Estonia
Altia Denmark A/S	100.00	100.00	Denmark
Altia Holding Sweden AB	100.00	100.00	Sweden
SIA Altia Latvia	100.00	100.00	Latvia
Altia Norway AS	100.00	100.00	Norway
Altia Sweden AB	-	100.00	Sweden
Altia Sweden Services AB	-	100.00	Sweden
Alpha Beverages Oy	100.00	100.00	Finland
Best Buys International AS	100.00	100.00	Norway
BevCo AB	-	100.00	Sweden
Bibendum AB	-	100.00	Sweden
Bibendum AS	100.00	100.00	Norway
ExCellar Oy	100.00	100.00	Finland
Harald Zetterström oy/ab	100.00	100.00	Finland
Interbev AS	100.00	100.00	Norway
Larsen SAS	100.00	100.00	France
Philipson & Söderberg AB	-	100.00	Sweden
Prime Wines Oy	100.00	100.00	Finland
Premium Wines AS	100.00	100.00	Norway
Ström AS	100.00	100.00	Norway
Vinuversum AB	-	100.00	Sweden
Oy Wennerco Ab	100.00	100.00	Finland

5.3. Non-current assets held for sale

Non-current assets held for sale

Non-current assets (or disposal groups) and assets and liabilities related to discontinued operations are classified as for sale if they are expected to be recovered primarily through sale rather than through continuing use. Classification as held for sale requires that the following criteria are met: the sale is highly probable, the asset is available for immediate sale in its present condition subject to usual and customary terms, the management is committed to the sale and the sale is expected to be completed within one year from the date of classification. Non-current assets held for sale and assets related to discontinued operations are principally measured at the lower of carrying amount and fair value less the costs to sell, and the recognition of depreciation and amortisation is discontinued.

A discontinued operation is a separate major line of business or geographic area of operations that has been disposed of or classified as for sale. The company had no items to classify as discontinued operations at the end of the reporting and comparison period.

Altia is preparing the sale of it's enzyme business joint venture Roal Oy.
Altia has 50% investment in Roal Oy. The joint venture's other owner is ABF Overseas Ltd.

Assets and liabilities related to Roal Oy are presented as non-current assets held for sale in 2016 financial statements. The Group had no non-current assets held for sale in 2015.

NON-CURRENT ASSETS HELD FOR SALE

EUR million	2016	2015
Assets classified as held for sale		
Investments	13.4	-
TOTAL	**13.4**	**-**
Liabilities related to assets classified as held for sale		
Advance payment	4.9	-
TOTAL	**4.9**	**-**

5.4. Associated companies and joint ventures

Associated companies are all entities over which the Group accompanies a shareholding of over 20% of voting rights or otherwise has significant influence, but not control. Altia has an investment in an associated company Palpa Lasi Oy.

A joint arrangement is an arrangement of which two or more parties have contractually agreed joint control which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint arrangement is either a joint operation or a joint venture. Altia has an interest in Roal Oy, in which the Group has rights to the net assets of the company based on the contractual relationship. The interest in Roal Oy is accounted for as a joint venture. The Group has no joint arrangements classified as joint operations.

Associated companies and joint ventures are consolidated by using the equity method. Under the equity method, the investment is initially recognised at cost and subsequently adjusted with the change in the net assets of the investee after the acquisition date, consistent with the ownership interest of the Group. After the acquisition the Group's share in the associated company's or joint venture's profit and loss for the period is separately disclosed after operating result. If the Group's share in the associated company's or joint venture's loss exceeds the carrying amount of the investment, the investment is recognised at zero value in the consolidated statement of financial position and the loss exceeding the carrying amount is not consolidated, unless the Group has committed to fulfil the company's obligations. An investment in an associated company and a joint venture includes goodwill arisen on acquisition.

The Group's share in changes in the associated company's or joint venture's other comprehensive income is recognised in consolidated other comprehensive income.

Results from the transactions between the Group and its associates and joint ventures are recognised only to the extent of unrelated investor's interests in the associates and joint ventures. Unrealised gains generated in transactions between the Group and its associated companies or joint ventures are eliminated based on the Group's share of ownership. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. In case of such indications, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and their carrying value. The impairment is recognised in share of results in associated companies and joint ventures.

Financial Statements of associated companies and joint ventures have been changed where necessary to correspond with the accounting policies adopted by the Group. If financial statements for the period are not available, the share of the profit is included in the consolidated financial statements based on the preliminary financial statements or latest available information.

ASSOCIATED COMPANIES AND JOINT VENTURES

%	2016 Share of ownership	2015 Share of ownership
Roal Oy, Finland	50.00	50.00
Palpa Lasi Oy, Finland	25.53	25.53

Roal Oy engages enzyme business. The joint venture's other owner is ABF Overseas Ltd.
Palpa Lasi Oy engages in the recycling and re-use of glass beverage packages.

INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES

EUR million	2016	2015
At 1 January	14.9	12.1
Share of profit for the period	-0.6	3.8
Dividends received	-0.9	-0.9
Reclassification	-13.4	-
Other changes	0.0	-0.1
AT 31 DECEMBER	**-**	**14.9**

Joint venture Roal Oy is classified as held for sale in year 2016 consolidated financial statements.
Share of profit for the period includes EUR -3.0 million impairment recognised on Roal Oy.
Non-current assets held for sale are presented in Note 5.3.
Related party transactions with associated companies and joint ventures are presented in Note 6.3.

FINANCIAL SUMMARY OF ASSOCIATED COMPANIES AND JOINT VENTURES *

EUR million	2016	2015
Assets	5.8	72.5
Liabilities	8.9	46.3
Net assets	-3.1	26.2
Net sales	69.0	73.4
Profit for the period	5.4	7.3

* Because of reclassification to assets held for sale assets and liabilities of Roal Oy are not included in 2016 assets and liabilities. In net sales and profit for the period Roal Oy is included.

5.5. Adoption of new or amended IFRS standards and interpretations applicable

Of the amendments to IFRS standards that became effective during the financial year 2016, other than the amendment to IAS 1 Presentation of Financial Statements: Disclosure Initiative had no significant impact on Altia's financial statements. In accordance with the change of the standard, Altia has changed the structure of its financial statements so that the general basis of preparation is reported at the beginning of the notes, while accounting principles related closely to a specific note are presented as part of the note in question.

Adoption of new or amended IFRS standards and interpretations applicable in future reporting periods

Altia has not yet adopted the following new and amended standards and interpretations already issued by the IASB. The Group will adopt them as of the effective date of each standard and interpretation or, if the date is other than the first day of the reporting period, from the beginning of the subsequent reporting period.

- Under IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018), revenue is recognised in such a way that it reflects the delivery of the promised goods or services to the customer, and in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 includes a five-step model for recognising revenue from contracts with customers. Revenue is recognised as control of the good or service is passed to the customer in the amount to which the company expects to be entitled for the goods or services in question. The standard includes extensive disclosure requirements concerning the company's customer contracts, performance obligations of the contracts and substantial estimates. IFRS 15 replaces existing revenue guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The Group has made a preliminary assessment of the effects of the new standards on the reporting of the financial statements. The preliminary estimate is based on investigations reviewing the company's most significant sales contracts, revenue recognition practices and practices of recording adjustments to sales, which were analysed against the requirements of the new standard. According to the preliminary estimate, the amendment to the standard has not an essential effect on the recognition principles in use, as adjustments to sales, such as discounts and sales bonuses, are already recorded upon recognition. Any repurchase obligations are deducted from net sales and presented as liabilities in the statement of financial position. The number of notes to the financial statements will increase, and these must be updated to correspond to the effects of the standard.

- IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2018): the standard includes revised guidance on the recognition and measurement of financial instruments and a new model based on credit losses for assessing the impairment of financial assets. The standard also includes new general hedge accounting requirements. IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Altia intends to adopt the standard on the required effective date. The effect of the amendment is expected to concern mainly the notes to the financial statements concerning financial instruments.
- IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019): Under IFRS 16, all leases are presented in the lessee's statement of financial position. The lessee recognises a right-of-use asset in the statement of financial position based on the lessee's right to use the asset in question and a lease liability based on its obligation to pay rent. The standard therefore has effects on the statement of financial position and the ratios based on it, such as gearing. Compared to the treatment of other lease contracts pursuant to IAS 17, the standard changes both the allocation of expenses and the total amount of expenses recognised during each financial year. Altia intends to adopt the standard on the required effective date. No decision has yet been made on the transition method. The Group has begun a preliminary assessment of the effects of the standard on the financial statements. The amendment to the standard will increase the company's statement of financial position value with new assets and liabilities recognised in the statement of financial position. These increases are mainly premises and vehicles of other lease contains. Furthermore, the adoption of the standard will have effects on key ratios and change the nature of expenses recognised for the financial year, as IFRS 16 replaces rent expense with the depreciation of the fixed asset item and interest expenses due to the lease liability, reported as part of financial expenses.

Other forthcoming amendments to IFRS standards and IFRIC interpretations that the Group is aware of are not assessed to have a material impact on Altia's consolidated financial statements.

6. Other notes

6.1. Income taxes

The Group's income tax expense recognised through profit or loss comprises current tax based on taxable income for the period, any adjustments to tax payable in respect of previous periods and deferred taxes. Current income tax based on taxable income is calculated according to the local tax regulations of each Group company.

Tax effects related to transactions or other events recognised in profit or loss are recognised in profit or loss. If the taxes relate to items of other comprehensive income or transactions or other events recognised directly in equity, income taxes are recognised within the respective items. The Group's share of profit or loss in associated companies and joint ventures is reported as calculated from the net profit and thus including the income tax effect.

Deferred tax assets and liabilities are principally recognised for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The most significant temporary differences arise from property, plant and equipment and intangible assets, carry forward of unused tax losses and fair value allocations on acquisitions. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax liabilities are recognised in full. Deferred taxes are calculated using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax is recognised for foreign subsidiaries undistributed earnings only when related tax effects are probable.

Accounting policies requiring management judgement and key sources of estimation uncertainty

Utilising deferred tax assets related to tax losses requires management to make expectations of future performance of operations. The deferred tax asset recognised on tas losses is recognised based on management estimate on future taxable income.

INCOME TAXES

EUR million	2016	2015
Current income tax expense	4.7	3.3
Adjustments to taxes for prior periods	0.1	0.4
Deferred taxes:		
Origination and reversal of temporary differences	4.1	1.5
Impact of changes in tax rates	0.0	-0.0
TOTAL	**9.0**	**5.2**

Change in Altia's defined benefit pension plan impacted as a deferred tax expense of EUR 4.2 million. Change in pension arrangement is described in Note 2.5.

THE RECONCILIATION OF THE TAX EXPENSE RECOGNISED IN PROFIT OR LOSS AND THE TAX EXPENSE CALCULATED USING ALTIA GROUP'S DOMESTIC CORPORATE TAX RATE (20.0%):

EUR million	2016	2015
Result before taxes	43.5	26.3
Income tax using the parent company's tax rate	8.7	5.3
Effect of tax rates of subsidiaries in foreign jurisdictions	-0.2	-0.0
Tax-exempt income	-0.1	-0.0
Non-deductible expenses	0.2	0.2
Utilisation of previously unrecognised tax losses	-0.0	-0.0
Adjustments to taxes for prior periods	0.1	0.4
Share of profit in associated companies and joint ventures, net of tax	0.1	-0.8
Effect of changes in tax rates	0.0	-0.0
Current period losses for which no deferred tax asset was recognised	0.2	0.5
Deferred taxes from losses and temporary differences not recognised in earlier periods	-0.0	-0.3
TAX EXPENSE IN PROFIT OR LOSS	**9.0**	**5.2**

INCOME TAX RECOGNISED IN OTHER COMPREHENSIVE INCOME

2016 EUR million	Before tax	Tax	Net of tax
Cash flow hedges	0.1	-0.0	0.1
Share of other comprehensive income in associated companies and joint ventures	0.0	-	0.0
Translation differences	-2.7	-	-2.7
Remeasurements of defined benefit liability	-0.4	0.1	-0.4
Other changes	-0.0	-	-0.0
TOTAL	**-3.0**	**0.1**	**-2.9**

2015 EUR million	Before tax	Tax	Net of tax
Cash flow hedges	-0.0	0.0	-0.0
Share of other comprehensive income in associated companies and joint ventures	-0.1	-	-0.1
Translation differences	1.5	-	1.5
Remeasurements of defined benefit liability	5.8	-1.2	4.6
Other changes	0.0	-	0.0
TOTAL	**7.3**	**-1.2**	**6.1**

DEFERRED TAX ASSETS AND LIABILITIES:

Change in deferred tax assets and liabilities during 2016 EUR million	1 Jan 2016	Recognised in profit or loss	Recognised in other comprehensive income	Exchange rate differences	31 Dec 2016
Deferred tax assets:					
Tax losses	1.1	-0.9	-	0.0	0.2
Fixed assets	4.2	-0.8	-	0.0	3.4
Pension benefits	4.4	-4.2	0.1	0.0	0.3
Internal margin of inventories	0.1	-0.0	-	-0.0	0.1
Recognised in hedging reserve	0.4	-	-0.0	-0.0	0.4
Other temporary differences	0.5	-0.3	-	0.0	0.2
TOTAL	**10.7**	**-6.2**	**0.1**	**0.0**	**4.6**
Deferred tax liabilities:					
Depreciation in excess of plan and voluntary provisions	4.5	0.8	-	0.0	5.2
Recognised in hedging reserve	0.0	-	0.0	0.0	0.0
Fair value allocation on acquisitions	5.2	-1.9	-	-0.1	3.2
Deductable goodwill depreciation	10.8	0.0	-	-0.3	10.5
Other temporary differences	2.7	-1.0	-	0.0	1.7
TOTAL	**23.2**	**-2.1**	**0.0**	**-0.4**	**20.7**

Change in deferred tax assets and liabilities during 2015 EUR million	1 Jan 2015	Recognised in profit or loss	Recognised in other comprehensive income	Exchange rate differences	31 Dec 2015
Deferred tax assets:					
Tax losses	1.9	-0.7	-	-0.0	1.1
Fixed assets	4.7	-0.5	-	-0.0	4.2
Pension benefits	5.6	0.0	-1.2	-0.0	4.4
Internal margin of inventories	0.1	0.0	-	-0.0	0.1
Recognised in hedging reserve	0.4	-	-0.0	-	0.4
Other temporary differences	1.2	-0.6	-	0.0	0.5
TOTAL	**13.9**	**-1.9**	**-1.2**	**-0.0**	**10.7**
Deferred tax liabilities:					
Depreciation in excess of plan and voluntary provisions	3.3	1.2	-	-0.0	4.5
Recognised in hedging reserve	0.1	-	-0.1	-0.0	0.0
Fair value allocation on acquisitions	5.7	-0.6	-	0.1	5.2
Deductable goodwill depreciation	10.1	0.5	-	0.2	10.8
Other temporary differences	4.1	-1.4	-	-0.0	2.7
TOTAL	**23.3**	**-0.3**	**-0.1**	**0.2**	**23.2**

No deferred tax liability has been recognised for the undistributed profits of foreign subsidiaries, as such earnings can be distributed without any tax consequences. At 31 December 2016, the Group had EUR 8.2 (7.2) million of unused tax losses for which no deferred tax asset was recognised. EUR 2.3 million of these temporary differences have unlimited expiry, EUR 5.9 million expire in 8 years. Altia management estimates these losses arise in subsidiaries which have neither indication of future taxable income nor other convincing evidence that tax losses can be utilised and deferred tax asset be recognised in the statement of financial position.

6.2. Collaterals, commitments and contingent assets and liabilities

COLLATERALS AND COMMITMENTS

EUR million	2016	2015
Collaterals given on behalf of Group companies		
Mortgages	18.5	18.5
Guarantees	8.0	8.5
Total collaterals	**26.5**	**27.0**
Other commitments		
Operating lease obligations		
Less than one year	5.0	6.6
Between one and five years	12.2	12.8
More than five years	2.5	4.9
Total operating lease obligations	19.8	24.3
Other commitments	26.1	25.5
Total commitments	**45.9**	**49.8**
TOTAL COLLATERALS AND COMMITMENTS	**72.4**	**76.8**

Collaterals given on behalf of group companies are all regulatory obligations.
Operating lease obligations consists of office, cars and forklift rental commitments.
Other commitments are mainly purchase commitments for wines and cognacs

Assets not recognised in the statement of financial position, emission allowances

The Group participates in the European Union emission trading scheme, where it has been granted a certain number of carbon dioxide emission allowances for a certain period of time, free of charge. Altia Plc discloses its carbon dioxide emission allowances granted free of charge on net basis. Following from this, the Group does not recognise in the statement of financial position the granted emission allowances, nor the obligation to deliver allowances corresponding to the realised emissions. The Group does not recognise income or expenses arising from emission allowances through profit or loss when the emission allowances granted are sufficient to cover the obligation to deliver allowances corresponding to the amount of emissions made. If the realised emissions exceed the granted emission allowances, the obligation arising from the excess emissions is recognised at fair value as a liability in the statement of financial position at the reporting date. If the realised emissions fall below the granted emission allowances, the difference is not recognised in the statement of financial position but it is disclosed in the notes to the financial statements, measured at fair value.

Altia´s actual emissions are below the emission allowances granted. The following table presents changes in allowances for financial years 2016 and 2015, as well as their fair values:

Emission allowances, kilotons	2016	2015
Emission allowances received	28.0	28.5
Excess emission allowances from the previous period	37.4	39.6
Adjustments related to prior year's estimates	-0.0	-0.0
Realised emissions	-26.2	-30.7
EMISSION ALLOWANCES AT 31 DECEMBER	**39.2**	**37.4**
Fair value of emission allowances at 31 December, EUR million	0.2	0.3

The emission allowances received during year 2016 and the realised emissions are estimates, which will be adjusted during the spring 2017. Altia continues to operate within the emission trading system for the trading period 2013–2020.

6.3. Related party transactions

Altia Group related party companies include the subsidiaries, associated companies and joint ventures. The subsidiaries are presented in Note 5.2 and associated companies and joint ventures in Note 5.4. Related party transactions include such operations that are not eliminated in the Group´s consolidated financial statements.

Related party also include the Board of Directors, the CEO, the members of the Executive Management Team and their family members, as well as the State of Finland which owns 100 % of the shares in Altia. Transactions with those organisations in which the ownership of the State of Finland is over 50 % are treated as related party transactions.

THE FOLLOWING TRANSACTIONS HAVE TAKEN PLACE WITH RELATED PARTIES

EUR million	2016	2015
Sales of goods and services		
Associated companies and joint ventures	1.3	2.8
Other companies considered related parties	82.9	88.9
Total	**84.2**	**91.7**
Purchases of goods and services		
Associated companies and joint ventures	2.5	2.7
Other companies considered related parties	4.8	5.3
Total	**7.3**	**8.1**
Outstanding balances from sales and purchases of goods and services		
Trade receivables		
Associated companies and joint ventures	0.0	0.2
Other companies considered related parties	7.3	2.9
Trade payables		
Associated companies and joint ventures	0.3	0.3
Other companies considered related parties	0.3	0.4

Other companies considered related parties includes companies in which the ownership of the State of Finland is over 50 %.

MANAGEMENT REMUNERATION

EUR million	2016	2015
CEO		
Salaries and other short-term employee benefits	0.3	0.3
Performance bonus and the bonuses from long-term incentive plan	0.1	0.0
Total	**0.4**	**0.3**
Members of the Executive Management Team (CEO not included)		
Salaries and other short-term employee benefits	1.5	1.4
Members and deputy members of the Board of Directors	0.2	0.2

No monetary loans have been granted to the CEO or the members of the Board of Directors, nor any collaterals or commitments granted on their behalf.
The retirement age of the CEO of the parent company is 63 years.

6.4. Events after the reporting period

Michael Bech-Jansen, SVP, Commercial Operations, resigned from the company on 15 January 2017.

Parent company financial statements

Altia Plc income statement (FAS)

EUR million	Note	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
NET SALES	**1.**	**189.6**	**198.5**
Increase (+) / decrease (–) in inventories of finished goods and work in progress		-0.4	-0.4
Other operating income	2.	22.5	18.6
Materials and services			
Raw materials, consumables and goods			
Purchases during the period		-106.7	-121.5
Change in inventories		-3.4	3.8
External services		-0.1	-0.3
Total materials and services		**-110.1**	**-118.0**
Personnel expenses	3.		
Wages and salaries		-24.6	-24.9
Indirect employee expenses			
Pension expenses		-8.8	-4.9
Other indirect employee expenses		-1.6	-1.3
Total personnel expenses		**-35.0**	**-31.1**
Depreciation, amortisation and impairment losses			
Depreciation and amortisation according to plan		-11.1	-10.8
Impairment loss on non-current assets		-2.1	-
Total depreciation, amortisation and impairment losses		**-13.2**	**-10.8**
Other operating expenses	4.	-45.4	-48.8
OPERATING RESULT		**8.0**	**8.0**

EUR million	Note	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
Financial income and expenses	5.		
Income from Group companies		5.4	6.1
Income from participating interests		0.9	0.9
Income from other investments held as non-current assets			
From others		0.1	0.1
Other interest and financial income			
From Group companies		1.0	1.1
From others than Group companies		1.1	0.5
Interest and other financial expenses			
To Group companies (–)		-0.1	-0.2
To others than Group companies (–)		-2.6	-2.7
Total financial income and expenses		**5.8**	**5.7**
RESULT BEFORE APPROPRIATIONS AND TAXES		**13.8**	**13.7**
Appropriations	6.		
Depreciation difference increase (–) /decrease (+)		-2.2	-4.8
Income taxes	7.		
Current period taxes (–)		-1.5	-0.7
Deferred taxes (–)		-0.1	0.5
Other direct taxes (–)		0.0	-0.2
Total income taxes		**-1.5**	**-0.4**
RESULT FOR THE PERIOD		**10.1**	**8.4**

Altia Plc balance sheet (FAS)

EUR million	Note	31 Dec 2016	31 Dec 2015
ASSETS			
NON-CURRENT ASSETS	8.		
Intangible assets			
Intangible rights		12.7	8.8
Other capitalised long-term expenditure		12.6	14.4
Prepayments		1.7	0.9
Intangible assets total		**26.9**	**24.1**
Tangible assets			
Land and water areas		2.5	2.5
Buildings and structures		23.4	25.5
Machinery and equipment		26.6	27.5
Other tangible assets		0.5	0.5
Prepayments and assets under construction		2.1	2.9
Tangible assets total		**55.1**	**58.8**
Investments			
Holdings in Group companies		206.8	196.4
Participating interests		8.0	8.0
Other shares and investments		0.8	0.8
Investments total		**215.7**	**205.3**
TOTAL NON-CURRENT ASSETS		**297.7**	**288.1**

EUR million	Note	31 Dec 2016	31 Dec 2015
CURRENT ASSETS			
Inventories	9.		
Materials and supplies		18.4	21.7
Work in progress		12.1	13.5
Finished goods		10.1	9.1
Advance payments		-	0.1
Inventories total		**40.6**	**44.4**
Non-current receivables	10.		
Receivables from Group companies		18.2	34.2
Deferred tax assets		0.7	0.9
Other receivables		0.3	0.5
Non-current receivables total		**19.2**	**35.5**
Current receivables	11.		
Trade receivables		21.8	17.0
Receivables from Group companies		14.2	13.9
Receivables from participating interest undertakings		0.0	0.2
Accrued income and prepaid expenses		2.9	1.7
Current receivables total		**38.9**	**32.8**
Cash at hand and in banks		64.0	72.1
TOTAL CURRENT ASSETS		**162.7**	**184.7**
TOTAL ASSETS		**460.4**	**472.8**

EUR million	Note	31 Dec 2016	31 Dec 2015
EQUITY AND LIABILITIES			
EQUITY	13.		
Share capital		60.5	60.5
Other reserves			
Hedging reserve		-1.3	-1.5
Retained earnings		90.6	92.6
Profit for the period		10.1	8.4
TOTAL EQUITY		**159.9**	**160.0**
APPROPRIATIONS	14.		
Depreciation difference		23.5	21.3
LIABILITIES			
Non-current	15.		
Loans from financial institutions		65.0	87.5
Liabilities to Group companies		3.3	3.3
Other liabilities		4.9	4.9
Non-current liabilities total		**73.2**	**95.7**
Current			
Loans from financial institutions		7.5	7.5
Trade payables		12.4	12.1
Liabilities to Group companies	16.	127.8	117.6
Other liabilities		40.3	41.4
Accrued expenses and deferred income	17.	15.8	17.2
Current liabilities total		**203.8**	**195.8**
TOTAL LIABILITIES		**277.0**	**291.6**
TOTAL EQUITY AND LIABILITIES		**460.4**	**472.8**

Altia Plc statement of cash flows (FAS)

EUR million	Note	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
Cash flow from operating activities:			
Proceeds from sales		181.3	199.0
Proceeds from other operating income		18.3	16.7
Payments for other operating expenses (–)		-187.9	-200.5
Cash flow from operating activities before financial items and taxes		11.8	15.3
Interests paid and payments for other financial expenses (-)		-2.5	-3.4
Interests received and other financial income from operating activities (+)		1.6	2.0
Income taxes paid (–)		-2.0	-1.1
CASH FLOW FROM OPERATING ACTIVITIES		**8.9**	**12.8**
Cash flow from investing activities:			
Acquisitions of tangible and intangible assets (–)		-6.1	-9.1
Proceeds from sale of tangible and intangible assets	2.	4.5	0.3
Loans granted		-1.3	-
Acquisitions of other investments (–)		-2.5	-0.1
Repayment of loan receivables		3.4	0.1
Proceeds from sale of other investments		-	1.7
Dividends received	5.	6.4	1.0
CASH FLOW FROM INVESTING ACTIVITIES		**4.4**	**-6.1**

EUR million	Note	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
Cash flow from financing activities:			
Repayment of commercial paper program		-	-13.0
Proceeds from current borrowings	16.	45.7	20.5
Repayment of current borrowings (–)	16.	-34.0	-
Proceeds from non-current borrowings		-	31.1
Repayment of non-current borrowings (–)	15.	-22.5	-60.2
Paid dividends and other profit distribution (–)	15.	-10.4	-
CASH FLOW FROM FINANCING ACTIVITIES		**-21.3**	**-21.7**
CHANGE IN CASH AND CASH EQUIVALENTS, INCREASE (+) / DECREASE (–)		**-8.1**	**-15.0**
Cash and cash equivalents at 1 January		**72.1**	**87.1**
Cash and cash equivalents at 31 December		**64.0**	**72.1**

Notes to Altia Plc financial statements

Accounting policies for financial statements

The financial statements of the parent company are prepared in accordance with the Finnish accounting legislation.

Altia Group's financial statements are prepared following the International Financial Reporting Standards (IFRS), and the parent company follows the Group's accounting policies when possible. Accounting policies that differ from the Group's accounting policies are presented below. Otherwise the Group's accounting policies are applied.

Pension plans

The pension plans of the parent company are arranged through pension insurance companies. Pension expenses are accrued to correspond to the performance-based salaries in the financial statements.

Cash Pool

The Group has applied the so called cash pool arrangement, which enables efficient management of the parent company's and subsidiaries' cash and cash equivalents.

Leases

All lease payments are recognised as rental expenses.

Valuation of financial instuments

Financial instuments are measured at fair value. The fair values of the financial instuments are determined by using the market prices on the closing date of the reporting period.

Hedge accounting

The company applies hedge accounting when the change in fair value is recognised in the hedging reserve under equity.

Research and development expenditure

Research and development expenditure is recognised as an annual expense as incurred.

Financial securities

Fair value changes of available-for-sale financial assets and quoted shares are recognised in the parent company.

Sale of trade receivables

The sold receivables are derecognised when the receivable has been sold and the sales price for it has been received. The related costs are recognised in other financial expenses.

Foreign exchange derivatives

The external foreign exchange transactions are performed centrally by the parent company which executes internal foreign exchange transactions with the Group companies.

Non-current liabilities

Interest expense accruals and entries in respect of the principals when applying the effective interest rate method in the consolidated financial statements are adjusted to comply with the Finnish accounting legislation.

Income taxes

The Group's accounting policies are applied to income taxes whenever possible according to the Finnish Accounting Standards.

Foreign currency denominated items

Foreign currency denominated receivables and liabilities are translated to Finnish currency at the rates of the closing date of the reporting period.

1. Net sales

EUR million	2016	2015
Net sales by business areas		
Alcohol beverages	95.7	99.6
Industrial services	88.8	96.3
Other	5.1	2.6
TOTAL	**189.6**	**198.5**
Net sales by geographic areas		
Finland	143.3	151.6
Europe	45.5	45.4
Rest of the world	0.8	1.5
TOTAL	**189.6**	**198.5**

2. Other operating income

EUR million	2016	2015
Rental income	0.9	0.7
Income from energy sales	3.7	3.4
Proceeds from disposal of non-current assets	4.2	1.9
Service income	12.0	10.3
Other income	1.7	2.4
TOTAL	**22.5**	**18.6**

3. Notes related to personnel

The average number of personnel during the reporting period	2016	2015
Workers	229	226
Clerical employees	231	236
TOTAL	**460**	**462**

EUR million	2016	2015
Fringe benefits (taxable value)	0.8	0.7
Personnel expenses include a lump-sum compensation related to supplementary pensions amounting to EUR 4.1 million. Altia's Board of Directors has decided that instead of the increase based on the employee pension index, the supplementary pensions will be increased by 4.5% on 1 January 2017, and after this lump-sum compensation the pensions will be increased in accordance with the increase decision made annually by the insurance company. More information about this is in note 2.5.		
Management remuneration		
CEO	0.4	0.3
Board members	0.2	0.2

Pension commitments of the Board and CEO

The retirement age of the CEO of the company is 63 years.

4. Other operating expenses

EUR million	2016	2015
Rental expenses	2.8	3.3
Marketing expenses	5.4	5.5
Energy expenses	8.9	9.8
Travel and representation expenses	1.1	1.1
Repair and maintenance expenses	5.0	7.3
IT expenses	4.4	4.3
Outsourcing services	3.6	4.5
Variable sales expenses	4.9	4.3
Other expenses	9.3	8.7
TOTAL	**45.4**	**48.8**
Auditor's fees		
Audit fees	0.1	0.1
Tax consultation	0.0	0.1
Other fees	0.0	0.0
TOTAL	**0.1**	**0.2**

Environmental expenses

The company's environmental expenses did not have a significant impact on the result for the period and on the financial position.

5. Financial income and expenses

EUR million	2016	2015
Dividend income		
From Group companies	5.4	6.1
From participating interest undertakings	0.9	0.9
From others	0.1	0.1
Total dividend income	**6.4**	**7.1**
Interest income		
From Group companies	1.0	1.1
From others	0.2	0.3
Total interest income	**1.3**	**1.3**
Other financial income		
From others	0.9	0.2
Total other financial income	**0.9**	**0.2**
Total financial income	**8.5**	**8.6**
Interest expenses		
To Group companies	0.1	0.2
To others	1.4	2.1
Total interest expenses	**1.5**	**2.3**
Other financial expenses		
To Group companies	-	0.0
To others	1.2	0.6
Total other financial expenses	**1.2**	**0.6**
Total financial expenses	**2.7**	**2.9**
TOTAL FINANCIAL INCOME AND EXPENSES	**5.8**	**5.7**
The following items are included in financial items of the income statement from fair value hedges:		
Other financial income		
Fair value changes of derivatives	0.6	0.0
Other financial expenses		
Fair value changes of derivatives	0.1	0.2

6. Appropriations

EUR million	2016	2015
Difference between depreciations according to plan and depreciations made in taxation		
Intangible rights	-0.5	0.0
Other intangible assets	-0.0	-0.2
Buildings and structures	0.4	0.1
Machinery and equipment	-2.1	-4.5
Other tangible assets	-0.0	-0.3
TOTAL	**-2.2**	**-4.8**

7. Income taxes

EUR million	2016	2015
Income taxes from current period	-1.5	-0.7
Income taxes from previous periods	0.0	-0.2
Change in deferred tax assets	-0.1	0.5
TOTAL	**-1.5**	**-0.4**

8. Specification of non-current assets

EUR million	2016	2015
Intangible assets		
Intangible rights		
Acquisition cost at 1 January	22.9	21.2
Additions	6.0	0.4
Disposals	-1.9	-0.0
Transfers between items	0.7	1.3
Acquisition cost at 31 December	**27.7**	22.9
Accumulated amortisation at 1 January	-14.1	-12.0
Accumulated amortisation on disposals and transfers	1.4	0.0
Amortisation for the period	-2.3	-2.1
Accumulated amortisation at 31 December	-15.1	-14.1
CARRYING AMOUNT AT 31 DECEMBER	**12.7**	**8.8**
Goodwill		
Acquisition cost at 1 January	17.6	17.6
Acquisition cost at 31 December	17.6	17.6
Accumulated amortisation at 1 January	-17.6	-17.6
Accumulated amortisation at 31 December	-17.6	-17.6
CARRYING AMOUNT AT 31 DECEMBER	**-**	**-**
Other intangible assets		
Acquisition cost at 1 January	28.1	28.1
Additions	-0.3	0.0
Disposals	-0.7	-
Transfers between items	0.4	-
Acquisition cost at 31 December	27.5	28.1
Accumulated amortisation at 1 January	-13.7	-11.8
Accumulated amortisation on disposals and transfers	0.6	-
Amortisation for the period	-1.9	-1.9
Accumulated amortisation at 31 December	-14.9	-13.7
CARRYING AMOUNT AT 31 DECEMBER	**12.6**	**14.4**

EUR million	2016	2015
Prepayments in intangible assets		
Acquisition cost at 1 January	0.9	1.4
Additions	1.7	0.8
Disposals	-0.2	-
Transfers between items	-0.7	-1.4
CARRYING AMOUNT AT 31 DECEMBER	**1.7**	**0.9**
Tangible assets		
Land and water areas		
Acquisition cost at 1 January	2.5	2.5
Disposals	-0.0	-0.0
CARRYING AMOUNT AT 31 DECEMBER	**2.5**	**2.5**
Buildings and structures		
Acquisition cost at 1 January	95.3	90.1
Additions	0.5	0.6
Transfers between items	0.2	4.7
Disposals	-1.7	-0.2
Acquisition cost at 31 December	94.2	95.3
Accumulated depreciation at 1 January	-69.8	-67.3
Accumulated depreciation on disposals and transfers	1.6	0.1
Depreciation for the period	-2.6	-2.6
Accumulated depreciation at 31 December	-70.8	-69.8
CARRYING AMOUNT AT 31 DECEMBER	**23.4**	**25.5**

EUR million	2016	2015
Machinery and equipment		
Acquisition cost at 1 January	136.0	126.0
Additions	1.4	4.4
Disposals	-33.3	-3.0
Transfers between items	2.3	8.5
Acquisition cost at 31 December	106.4	136.0
Accumulated depreciation at 1 January	-108.5	-106.9
Accumulated depreciation on disposals and transfers	33.0	2.5
Depreciation for the period	-4.3	-4.1
Accumulated depreciation at 31 December	-79.8	-108.5
CARRYING AMOUNT AT 31 DECEMBER	**26.6**	**27.5**
Other tangible assets		
Acquisition cost at 1 January	0.5	0.5
Acquisition cost at 31 December	0.5	0.5
CARRYING AMOUNT AT 31 DECEMBER	**0.5**	**0.5**
Prepayments and assets under construction		
Acquisition cost at 1 January	2.9	13.3
Additions	2.0	2.8
Transfers between items	-2.8	-13.2
CARRYING AMOUNT AT 31 DECEMBER	**2.1**	**2.9**
CARRYING AMOUNT OF MACHINERY AND EQUIPMENT USED IN PRODUCTION AT 31 DECEMBER	**25.6**	**25.8**
Investments		
Holdings in Group companies		
Acquisition cost at 1 January	345.8	339.7
Additions	12.5	6.2
Acquisition cost at 31 December	358.3	345.8
Accumulated impairment at 1 January	-149.4	-149.4
Impairment	-2.1	-
Accumulated impairment at 31 December	-151.5	-149.4
CARRYING AMOUNT AT 31 DECEMBER	**206.8**	**196.4**

EUR million	2016	2015
Participating interests		
Acquisition cost at 1 January	8.0	8.0
CARRYING AMOUNT AT 31 DECEMBER	**8.0**	**8.0**
Other shares and investments		
Acquisition cost at 1 January	0.8	0.8
Additions	0.0	-
Disposals	-	-0.0
CARRYING AMOUNT AT 31 DECEMBER	**0.8**	**0.8**

9. Inventory

There is no significant difference between the repurchase price and cost of inventories.

10. Non-current receivables

EUR million	2016	2015
Receivables from Group companies		
Loan receivables	18.2	34.2
Deferred tax assets		
Recognised in hedging reserve	0.3	0.4
Fixed assets deferred depreciations	0.4	0.5
	0.7	**0.9**
Other receivables		
Capital loan receivable	0.3	0.5
TOTAL NON-CURRENT RECEIVABLES	**19.2**	**35.5**

11. Current receivables

EUR million	31 Dec 2016	31 Dec 2015
Receivables from Group companies		
Trade receivables	7.1	7.0
Cash Pool receivables	0.3	0.4
Other receivables	4.9	5.3
Derivatives	0.3	0.1
Accrued income and prepaid expenses	1.6	1.2
Total	**14.2**	**13.9**
Receivables from participating interest undertakings		
Trade receivables	0.0	0.2
Total	**0.0**	**0.2**
Receivables from others		
Trade receivables *)	21.8	17.0
Accrued income and prepaid expenses	2.9	1.7
Total	**24.7**	**18.6**
TOTAL CURRENT RECEIVABLES	**38.9**	**32.8**
Accrued income and prepaid expenses		
Significant items in accrued income and prepaid expenses:		
Derivatives	0.7	0.5
Taxes	0.9	0.3
Others	1.3	0.9
Total	**2.9**	**1.7**

*) Does not include the sold trade receivables

12. Disclosures on fair values (financial securities)

	2016			2015		
EUR million	Fair value 31 Dec	Changes in the fair value recognised in the income statement	Changes in the fair value recognised in fair value reserve	Fair value 31 Dec	Changes in the fair value recognised in the income statement	Changes in the fair value recognised in fair value reserve
Derivative instruments						
Interest rate derivatives	-1.9	-	-1.9	-1.5	-	-1.5
Foreign exchange derivatives	0.5	0.6	-0.1	0.3	0.0	0.2
Commodity derivatives	0.0	-0.1	0.1	-0.8	-0.2	-0.6
TOTAL	**-1.3**	**0.5**	**-1.8**	**-2.1**	**-0.2**	**-1.9**

13. Equity

EUR million	31 Dec 2016	31 Dec 2015
Restricted equity		
Share capital at 1 January	60.5	60.5
Share capital at 31 December	**60.5**	**60.5**
Hedging reserve at 1 January	-1.5	-1.7
Additions and disposals	0.2	0.2
Hedging reserve at 31 December	**-1.3**	**-1.5**
Total restricted equity	**59.2**	**59.0**
Unrestricted equity		
Retained earnings at 1 January	101.0	92.6
Distribution of dividends	-10.4	-
Profit for the period	10.1	8.4
Total unrestricted equity	100.7	**101.0**
Total equity	159.9	**160.0**
Distributable unrestricted equity		
Calculation of distributable equity		
Retained earnings	101.0	92.6
Distribution of dividends	-10.4	-
Profit for the period	10.1	8.4
TOTAL DISTRIBUTABLE UNRESTRICTED EQUITY	100.7	**101.0**
Distribution of the company's share capital:		
A series shares pcs	35,960,000	35,960,000
L series shares pcs	25,003	25,003
L series shares are currently held by the company.		

14. Appropriations

EUR million	31 Dec 2016	31.12.2015
Depreciation difference		
Intangible rights	2.1	1.7
Other intangible assets	0.3	0.2
Buildings and structures	4.8	5.2
Machinery and equipment	16.3	14.2
Other tangible assets	-0.0	-0.1
TOTAL	**23.5**	**21.3**

15. Liabilities

EUR million	31 Dec 2016	31.12.2015
Non-current		
Loans from financial institutions	65.0	87.5
Liabilities to Group companies	3.3	3.3
Other liabilities	4.9	4.9
TOTAL	**73.2**	**95.7**

16. Liabilities to Group companies

EUR million	31 Dec 2016	31.12.2015
Trade payables	0.7	1.2
Liabilities to Group companies	45.7	-
Cash Pool liabilities	74.2	108.4
Derivative instruments	0.1	0.0
Other accrued expenses	7.1	7.9
TOTAL	**127.8**	**117.6**

17. Accrued expenses and deferred income

EUR million	31 Dec 2016	31 Dec2015
Significant items under accrued expenses:		
Holiday pay and other wages and salaries	6.9	6.4
Contract discount	0.3	0.3
Procurement expenses and other accrued expenses	5.9	7.7
Supplementary pension liability	0.3	0.1
Derivative instruments	2.2	2.6
TOTAL	**15.7**	**17.2**

18. Collaterals and commitments

EUR million	31 Dec 2016	31 Dec 2015
Collaterals given on behalf of the Group companies		
Mortgages	18.5	18.5
Guarantees	8.0	8.5
Total collaterals	**26.5**	**27.0**
Commitments and other contingencies		
Operating and finance lease obligations		
Not later than one year	0.8	0.6
Later than one year	1.4	1.0
Total	**2.2**	**1.6**
Lease obligations		
Not later than one year	0.8	2.3
Later than one year	3.4	4.2
Total	**4.2**	**6.5**
Other obligations		
Not later than one year	6.7	6.8
Total	6.7	**6.8**
Total commitments	**13.0**	**14.9**
TOTAL COLLATERALS AND COMMITMENTS	**39.5**	**42.0**

VAT liability for real estate investments:
The company is liable to review VAT deductions made for real estate investments completed in 2008–2016 if the use subject to VAT decreases during the review period. The maximum liability is EUR 1.6 million and the last year to review is 2025.

EUR million	31 Dec 2016	31 Dec 2015
Derivative contracts		
Electricity derivatives		
Fair value	0.0	-0.8
Nominal value	3.0	3.6
Amount (TWh)	0.1	0.1
Group's external forward exchange contracts		
Fair value	0.4	0.2
Nominal value	79.5	39.0
Group's internal forward exchange contracts		
Fair value	0.1	0.0
Nominal value	19.5	14.9
Interest rate derivatives		
Fair value	-1.9	-1.5
Nominal value	20.0	20.0
Emission allowances (kilotons)		
Emission allowances received	28.0	28.5
Excess emission allowances from the previous year	37.4	39.6
Adjustments related to prior year's estimates	-0.0	-0.0
Realised emissions	-26.2	-30.7
EMISSION ALLOWANCES AT 31 DECEMBER	**39.2**	**37.4**
Fair value of the remaining emission allowances	0.2	0.3

The received emission allowances and the realised emission of the year 2016 are estimates which will be adjusted during spring 2017 if necessary. Altia continues to operate within the emission trading system for the trading period 2013–2020.

19. Related party transactions

Related party transactions are carried out at market value. A more detailed description is provided in Group Note 6.3. Management remuneration is presented in parent company Note 3 .

Board of Directors' proposal for the distribution of profits

According to the balance sheet at 31 December 2016, Altia Plc's distributable earnings amount to EUR 100,696,754.34 including profit for the period of EUR 10,084,959.74.

No significant changes have taken place in the financial position of the parent company since the end of the financial period. The liquidity of the company is good and the proposed dividend does not, in the view of the Board of Directors, risk the solvency of the company.

The Board of Directors proposes to the Annual General Meeting a dividend of EUR 0.29 per share to be distributed, totalling EUR 10,428,400.

Signatures to the Board of Directors' Report and to the financial statements

Helsinki, 8 March 2017

Sanna Suvanto-Harsaae
chairman

Annikka Hurme

Kim Henriksson

Minna Huhtaniska

Jarmo Kilpelä

Kasper Madsen

Kai Telanne

Pekka Tennilä
CEO

The Auditor`s Note

An auditor´s report concerning the performed audit has been given to date.

Helsinki, 8 March 2017

PricewaterhouseCoopers Ab
Authorized Public Accountants

Ylva Eriksson
Authorized Public Accountant

Auditor's Report

(Translation of the Finnish Original)

To the Annual General Meeting of Altia Plc

Report on the Audit of the Financial Statements

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position and financial performance and 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 the financial statements in Finland and comply with statutory requirements.

What we have audited

We have audited the financial statements of Altia Plc (business identity code 1505555-7) for the year ended 31 December 2016. The financial statements comprise:

- the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies
- the parent company's balance sheet, income statement, statement of cash flows and notes.

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 the Financial Statements section of our report.

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

Independence

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.

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 the 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance 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.

Other Reporting Requirements

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors and in the Annual Review, but does not include the financial statements and our auditor's report thereon. We obtained the report of the Board of Directors prior to the date of this auditor's report and the Annual Review 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 the 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
- 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 information included in the report of the Board of Directors, 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.

Helsinki 8 March 2017
PricewaterhouseCoopers Oy
Authorised Public Accountants

Ylva Eriksson
Authorised Public Accountant (KHT)

Corporate Governance Statement 2016

The duties and responsibilities of Altia Plc's ("Altia" or the "company") governing bodies are determined by Finnish law as well as Altia's Articles of Association approved by the General Meeting of Shareholders and Altia's Governance Principles approved by Altia's Board of Directors.

Altia is fully owned by the State of Finland. The Ownership Steering Department of the Prime Minister's Office is responsible for ownership steering and oversight of the company. Altia's head office is located in Helsinki, Finland.

This Corporate Governance Statement has been prepared in accordance with the Finnish Corporate Governance Code 2015 published by the Securities Market Association (the "Governance Code"). This Statement is not part of the Report of the Board of Directors.

In accordance with the Government resolution of 13 May 2016 on state ownership policy, Altia complies with the Governance Code, with certain deviations. The Board of Directors of Altia has decided on the following deviations from the Governance Code. Altia deviates from Recommendation 1 (Notice of the General Meeting and Proposals for Resolutions) with regard to the proposals to be included in the notice to the General Meeting, except as provided for by law and in the Company's articles of association. Altia deviates from Recommendation 2 (Shareholders' Proposals for Issues to be addressed at the General Meeting): The Company does not publish on its internet site a date for shareholders to provide notice of issues demanded to be addressed at the General Meeting. Altia deviates from Recommendation 3 (Attendance at the General Meeting): Board members, director candidates, the managing director and the auditor attend the General Meeting as invited by the only shareholder. Altia deviates from Recommendation 4 (Archive of the General Meeting Documents): General Meeting Documents are sent to the only shareholder. Deviations from the Corporate Governance Code are based on the fact that Altia has only one shareholder. Altia also complies with the new statement by the Ministerial Committee on Economic Policy on remuneration for management of state-owned companies, as included in the Government resolution of 13 May 2016 on state ownership policy.

The information required by the Finnish Corporate Governance Code is, with the above exceptions, also available on the company's website www.altiagroup.com. An unofficial English translation of the Finnish Corporate Governance Code 2015 is available at www.cgfinland.fi.

Governing Bodies

The management of the company is the responsibility of the General Meeting of Shareholders, the Board of Directors and the CEO. The management and administration of the company are also based on the decisions of the General Meeting of Shareholders and the company.

General Meeting of Shareholders

The General Meeting of Shareholders is the ultimate decision-making authority of the company. At the General Meeting of Shareholders, the shareholder exercises its powers in accordance with the Companies Act and the Articles of Association. The General Meeting of Shareholders decides on matters that under the Companies Act and the Articles of Association are within its purview. A General Meeting of Shareholders is convened by the Board of Directors annually within six months from the end of the previous financial year. An Extraordinary Meeting of Shareholders may be convened in the manner provided for in the Companies Act. Matters on which the Annual General Meeting decides include the adoption of the financial statements, distribution of profits, discharge from liability, and election of the chairman, vice chairman and other members of the Board of Directors, and the auditor, as well as their remuneration. Decisions to amend the Articles of Association are also taken by a General Meeting of Shareholders.

The Board of Directors

The Board of Directors is responsible for the administration of the company and the appropriate organisation of its operations. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances. The Board of Directors makes decisions on the strategy, investments, organization and financial affairs of the company. The Board of Directors also ensures that good corporate governance is complied with throughout the Altia Group. The Board of Directors has approved the Corporate Governance principles of the Altia Group.

The members of the Board of Directors are elected by the General Meeting of Shareholders. According to the Articles of Association, the Board of Directors consists of no less than one and no more than five members in addition the chairman and vice chairman. The General Meeting of Shareholders elects the chairman, the vice chairman and the other members of the Board of Directors for a term expiring at the end of the next Annual

General Meeting following their election. The biographical details of the members of the Board of Directors are presented on the company's website at www.altiagroup.com.

The Board of Directors have adopted the charter of the Board of Directors, which sets fort the procedures and working principles of the Board of Directors, as well as the most important tasks and issues considered and approved by the Board of Directors. Accordingly, the Board of Directors' approves the company's strategy, financial targets, budgets, major investments and risk management principles. The Board appoints and dismisses the company's CEO. The Board of Directors considers and decides on all significant matters concerning the operations of the Altia Group and the business areas. The Board of Directors has also approved the charters of the Audit Committee and Human Resources Committee. The Board of Directors convenes in accordance with a schedule agreed in advance and also as required. The Board of Directors also receives in its meetings current information on the operations, finances and risks of the Group. Board meetings are attended by the CEO, the CFO and the General Counsel (who acts as secretary to the Board). Members of the Executive Management Team and other representatives of the company attend Board meetings at the invitation of the Board of Directors. Minutes are kept of all meetings. The Board of Directors conducts annually a self-assessment of its activities and working practices.

Diversity of the Board of Directors

In Altia, the election and composition of the Board of Directors is also guided by the principle of diversity to ensure that the company has a skilled, competent, experienced and effective Board of Directors. Diversity is an essential quality of a well-functioning Board of Directors. The Board must at all times be able to react to the requirements of Altia's business and strategic objectives, and support and challenge management in a proactive and constructive manner. A diverse composition of the Board of Directors supports and caters to the current and future needs in the successful development and growth of the company.

A diverse composition of the Board of Directors includes complementary education, competence and experience of its members in different professional fields and management of business in different development phases as well as the personal qualities of each board member, all of which add to the diversity of the Board of Directors. Diversity is also supported by relevant experience in fields and markets that are strategically significant for the company, now and in the future, by strong and relevant acumen in international environments and businesses, and by a diverse age, term of office and gender distribution.

In 2016, the Board of Directors of Altia consists of seven members, of whom all hold one or more university-level degrees. The members of the Board of Directors have international work experience in different managerial positions or have worked or are working in the Boards of Directors or in the management of listed or unlisted companies. Two members have worked or work in managerial positions in FMCG companies. Women comprise 43% of all members of the Board of Directors. In terms of age, the members of the Board of Directors are between 43 and 60 years of age. With regard to the terms of office of the members of the Board, the members have been appointed in 2010, 2011, 2012, 2013, 2015 and 2016.

Board Committees

The Board of Directors of Altia has two committees, the Audit Committee and the Human Resources Committee. The Committees do not have independent decision-making powers in relation to matters falling within the competence of the Board of Directors. The Committees are preparatory bodies that assist the Board by preparing and submitting proposals to the Board of Directors on matters within their purview. Minutes are kept of Committee meetings. The Board of Directors has approved the charters of the Committees. In its constitutive meeting, the Board of Directors appoints annually, from among its members, the members and chairman of the Audit Committee and the Human Resources Committee.

In addition to the Audit Committee and Human Resources Committee, the Board of Directors may appoint ad hoc committees for preparing specific matters. Such committees do not have Board-approved rules of procedure and the Board of Directors do not release information on their term, composition, number of meetings or the members' attendance rates.

Audit Committee

The task of the Audit Committee is to assist the Board of Directors by reviewing and preparing topics relating to control of the company's operations and financial reporting and submitting resolution proposals to the Board of Directors on to such topics. The Audit Committee's duties include monitoring the financial affairs and financial reporting of the company, monitoring the process for the reporting of the financial statements, reviewing the interim reports and financial statements and present them for approval by the Board of Directors, monitor the audit proper of the financial statements and consolidated financial statements, and monitor the effectiveness of internal controls, internal audit and risk management systems.

In addition, the duties of the Audit Committee include preparatory work on the decision on electing the auditor, the evaluation of the independence of the auditor, particularly the provision of related services to the company and carrying out other tasks assigned to it by the Board of Directors. The Audit Committee consist of at least three members.

Human Resources Committee

The Human Resources Committee assists the Board of Directors by reviewing and preparing management and personnel remuneration policies and issues related to management appointments, and making proposals on such matters to the Board of Directors. The Committee's responsibilities include reviewing, evaluating and making proposals on the remuneration structure and incentive schemes of management and the personnel of the Altia Group; monitoring the effectiveness of these systems to ensure that incentive schemes of the management promote achievement of the company's short term and long term goals and are based on personal performance; reviewing and preparing other matters relating to the remuneration of management and personnel, and submitting proposals on these to the Board; and considering and preparing appointments of top management to be decided by the Board. In addition, based on the proposal of the CEO, the Human Resources Committee proposes to the Board of Directors the appointment of members of the Executive Management Team and their remuneration, and the Committee evaluates the performance of the CEO and the members of the Executive Management Team and proposes to the Board of Director their annual remuneration (including bonuses) and other incentives. The Human Resources Committee has at least three members.

Chief Executive Officer

The Board of Directors of Altia appoints and dismisses the Chief Executive Officer (CEO), and decides on the terms of the CEO's employment. The terms and conditions of the CEO's employment are specified in a written service contract. The CEO of the company is responsible for managing, supervising and controlling the business operations of the company. The CEO is responsible for the day to day executive management of the company in accordance with the instructions and orders given by the Board of Directors. In addition, the CEO also ensures that the accounts of the company comply with Finnish law and that its financial affairs have been arranged in a reliable manner. The CEO shall provide the Board of Directors and its members with the information necessary for the performance of the duties of the Board of Directors. The CEO prepares issues for decision by the Board of Directors, develops the company in line with the targets agreed upon with the Board and ensures proper implementation of the decisions of the Board of Directors. The CEO is also responsible for ensuring that the company is managed in compliance with applicable laws and regulations. The CEO is not a member of the Board of Directors, but attends the meetings of the Board of Directors and has the right to speak at the meeting, unless the Board of Directors decides otherwise with regard to a particular subject matter.

Executive Management Team

The Executive Management Team is chaired by the CEO of Altia and comprises other senior management appointed by the Board of Directors. The Executive Management Team, chaired by the CEO, meets regularly to address matters concerning the entire Group. The Executive Management Team is not a decision-making body of the company. It assists the CEO in the implementation of Group strategy and in operational management. The Executive Management Team is responsible for managing the company's core business operations as a whole, which requires planning of various development processes, Group principles and Group practices, as well as monitoring the development of financial matters and Group business plans. The Executive Management Team convenes monthly and minutes are kept of all meetings.

Control

Internal Audit

Altia's internal auditor is in charge of internal audit. The internal auditor reports to the CEO and the Audit Committee. Internal audit monitors and evaluates the operation of processes as well as the appropriateness and effectiveness of the internal controls and the financial reporting of the company in an independent manner. The audit areas and audit plan of the internal audit are decided annually by the Audit Committee. Internal audit is implemented in accordance with the charter of the internal audit approved by the Board of Directors.

External Audit

According to the Articles of Association, the company has one auditor elected by the General Meeting of Shareholders. The auditor must be a firm of authorized public accountants. The auditor is elected annually by the Annual General Meeting for a term that expires at the end of the next Annual General Meeting following the election. The task of the auditor is to audit the consolidated financial statements, the financial statements of the parent company, the accounting of the Group and the parent company and the administration of the parent company. The company's auditor submits the auditors' report to the shareholders in connection with the annual financial statements, as required by law, and submits regular reports on its findings to the Audit Committee of the Board of Directors.

Internal control procedures and main features of risk management systems

Internal Control

The purpose of internal control is to ensure that reporting in the Altia Group is reliable and compliant, and that internal principles, policies and guidelines are followed. Internal control measures cover all Group levels and functions. Information systems are of vital importance for effective internal control. The financial performance of the Group is monitored monthly in the Executive Management Team and in the management teams of the business areas'. Each business area must ensure effective control of its own operations. The business areas and the Group Finance organization are responsible for the financial reporting processes. The Audit Committee assesses the financial reporting processes. In addition, the financial situation of the Group is also monitored in the meetings of the Audit Committee and the Board of Directors. The Audit Committee and the Board of Directors review the interim reports and financial statements before their approval and publication.

Risk Management

The objective of risk management in the Altia Group is to support the implementation of the strategy, the identification of risks and methods for reducing the probability and impacts of risks, as well as ensuring business continuity. Risks may arise from internal or external events. Altia Plc's Board of Directors has approved the Group Risk Management Policy. The Policy describes the objectives, principles and responsibilities of risk management in Altia Group and also the principles of reporting. Accordingly, the Risk Steering Group supports and co-ordinates risk management as part of the Group's planning and steering processes. It also reports the key risks to the management and the Audit Committee. The most significant risks and uncertainties are assessed annually in the Board of Directors' Report. In the Altia Group, the business areas are responsible for risk related to their operations and their identification, prevention and key mitigation means. The Group Treasury manages the financial risks according to the hedging principles defined in the Treasury Policy. The key financial risks of the Group are described in Note 4.1. Financial Risk Management to the financial statements. The Group Treasury is also responsible for administering the global insurance programs.

Corporate Governance in 2016

Annual General Meeting

The Annual General Meeting was held in Helsinki, Finland on 29 March 2016. The Annual General Meeting adopted the financial statements for the financial year 2015. The members of the Board of Directors and the CEO were discharged from liability for the financial year 2015. The Annual General meeting elected the members of the Board of Directors and the auditor. As proposed by the Board of Directors, the Annual General Meeting decided on the distribution of a dividend of EUR 0.29 per share.

The Board of Directors

The Annual General Meeting of Altia elected seven members to the Board of Directors of Altia:

- Ms. Sanna Suvanto-Harsaae, chairman, b. 1966, B.Sc. (Business Administration)
- Ms. Annikka Hurme, vice chairman, b. 1964, M.Sc. (Food Sciences), CEO
- Ms. Minna Huhtaniska, b.1974, Master of Laws (LL.M.), M.Sc. (Econ.), General Counsel
- Mr. Kim Henriksson, b. 1968, M.Sc. (Econ.), Corporate Finance Advisor
- Mr. Jarmo Kilpelä, b. 1957, M.Sc. (Econ.), Senior Financial Counsellor
- Mr. Kasper Madsen, b.1961, B.e., COO
- Mr. Kai Telanne, b. 1964, M.Sc. (Econ.), President and CEO

The Board of Directors have assessed the independence of its members. All members of the Board of Directors are independent of the company. Board member Jarmo Kilpelä holds an office with the Ownership Steering Department of the Prime Minister's Office. All other members of the Board of Directors are independent of the shareholder of the company. The Board of Directors of Altia convened 12 times in 2016, with an average attendance rate of 90.1 %.

Audit Committee

The members of the Audit Committee of the Board of Directors' are Mr. Kim Henriksson (chairman), Ms. Minna Huhtaniska and Ms. Sanna Suvanto-Harsaae. In 2016, the Audit Committee convened six times, with an average attendance rate of 88.9 %.

Human Resources Committee

The members of the Human Resources Committee of the Board of Directors are Ms. Sanna Suvanto-Harsaae (chairman), Ms. Annikka Hurme and Mr. Jarmo Kilpelä. In 2016, the Human Resources Committee convened four times and the average attendance rate of the Committee's members was 100.

Number of Board and Committee meetings in 2016 and attendance rates:

	Board	Audit Committee	Human Resources Committee
Sanna Suvanto-Harsaae	12/12	6/6	4/4
Annikka Hurme	12/12		4/4
Kim Henriksson	12/12	6/6	
Minna Huhtaniska	9/12	4/6	
Jarmo Kilpelä	10/12		4/4
Kasper Madsen	10/12		
Kai Telanne	8/9		

Chief Executive Officer

Mr Pekka Tennilä (b. 1969), M. Sc. (Business Management) serves as the CEO of Altia Plc.

Executive Management Team

In 2016, the Executive Management Team of Altia comprised the following members:

Pekka Tennilä	CEO
Michael Bech-Jansen	SVP Commercial Operations
Janne Halttunen	SVP Partner Business & Export
Kirsi Lehtola	SVP Human Resources (as of 1 April 2016)
Matti Piri	CFO
Kirsi Puntila	SVP Marketing (as of 1 July 2016)
Hannu Tuominen	SVP Industrial Services & Supply Chain

Compensation and other benefits of the Board of Directors, the CEO and the Executive Management Team

The compensation and other benefits of the Board of Directors, the CEO and the Executive Management Team are available in Altia's Remuneration Statement.

Shares and share based rights

Altia is fully owned by the State of Finland. Neither the members of the Board of Directors, the CEO, the members of the Executive Management Team nor corporations over which any of them exercise control have any shares and share-based rights in Altia or its group companies.

External Audit

PricewaterhouseCoopers Oy, a firm of Authorized Public Accountants, is Altia's auditor, with Ylva Eriksson, Authorized Public Accountants, as the principal auditor. The fees for the audit proper paid to the PwC chain in 2016 totaled EUR 0.3 million. In addition, EUR 0.1 million was paid for other consultation provided to Group companies.

Remuneration statement

Altia Plc ("Altia") is fully owned by the State of Finland. Altia complies, with certain deviations, with the Finnish Corporate Governance Code 2015 as provided by the Government Resolution on State Ownership Policy given on 13 May 2016. This Remuneration Statement is published in accordance with Corporate Governance Code. Altia Plc complies with the statement of the Ministerial Committee on Economic Policy on remuneration for management of state-owned companies, as included in the Government resolution of 13 May 2016 on state ownership policy.

A. Decision-making Procedure Concerning Remuneration

Members of the Board of Directors

The Annual General Meeting decides annually on the remuneration payable to members of the Board of Directors and its Committees for their term of office. The Company does not have a nomination committee or a shareholders' nomination board. The Chairman of the Board of Directors prepares the decision on the remuneration of the board members together with the shareholder of the company.

CEO and Other Executives

Altia's Board of Directors decides annually on Altia Group's principles of remuneration, the basis and targets for performance bonuses as well as their maximum amounts. The Board of Directors also evaluates annually the performance of the CEO and the members of the Executive Management Team, as well as decides on the total remuneration of the CEO and, at the proposal of the CEO, the members of the Executive Management Team, taking into account the recommendations of the Human Resources Committee.

The Human Resources Committee assists the Board of Directors by reviewing and preparing management remuneration matters and making proposals on such matters to the Board of Directors. The Committee's responsibilities include reviewing and evaluating the remuneration and incentive schemes of management and monitoring the effectiveness of these schemes to ensure that they promote the achievement of the company's short term and long-term goals and are based on personal performance.

According to the Companies Act, decisions concerning the issue of shares, options or other special rights entitling to shares are be made by the general meeting of shareholder or by the company's board of directors pursuant to an authorization from the general meeting. Altia has no share-based remuneration or incentive programs or option programs. The Board of Directors of Altia does not have any authorizations granted by the general meeting concerning share based remuneration.

B. Main Principles of Remuneration

Members of the Board of Directors

The Annual General Meeting of Altia held on 29 March 2016 decided that the chairman of the Board of Directors shall receive a term of office fee of 2,750 euros per month, the vice chairman a term of office fee of 1,800 euros per month and the other members of the Board of Directors a term of office fee of 1,450 euros per month. The Annual General Meeting also approved an attendance fee for meetings of the Board of Directors and its Committees. The attendance fees are 600 euros per meeting for Board members residing in Finland and 1,200 euros per meeting for Board members residing abroad. The members of the Board of Directors are not included in the company's incentive schemes. The company has not granted any loans to members of the Board of Directors, nor given guarantees on their behalf. The members of the Board of Directors have not received shares, options or other special rights entitling to shares in the company as remuneration.

CEO

The Remuneration of the CEO of Altia consists of a fixed base salary, fringe benefits, an annual incentive and a long term incentive scheme. The fixed base salary of CEO Pekka Tennilä is 308,760 euros. The retirement age of the CEO is 63 years and his pension is in accordance with the Employees' Pensions Act. The CEO does not have a supplementary pension insurance paid by the company. No signing bonus has been paid to the CEO, nor does he have a stay bonus. The CEO has a six month period of notice. If the service contract is terminated by Altia, the CEO is entitled to a severance payment corresponding to six months' salary, in addition to the salary for the notice period.

Other Executives

The Remuneration of the members of Altia's Executive Management Team consists of a fixed base salary, fringe benefits, an annual incentive and a long term incentive scheme. The retirement age and pension of the executives are in accordance with the Employees' Pensions Act. No signing bonus has been paid to the Executive Team Members, nor does they have a stay bonus. If the employment contract is terminated by Altia, the executive is entitled to a severance payment corresponding to six months' salary, in addition to the salary for the notice period.

Neither the CEO nor any of the members of the Executive Management Team have received shares, options or other special rights entitling to shares in the company as remuneration.

Annual Incentive

Altia's CEO and the members of the Executive Management Team are part of an annual incentive plan. The potential annual bonus is based on operational targets of the Group with a weight of 70 % per cent and on personal targets, with a weight of 30%. The targets are approved annually by the Board of Directors. The incentive is paid annually. The purpose of the incentive plan is to support the implementation of Altia's strategy and reward for excellent personal performance and for financial achievements of Altia. The target level of the CEO's and the Executive Management Team members' incentive for 2017 is 30% of the annual salary and the maximum level is 60% of the annual salary. The operational target for the 2017 annual incentive plan is increase in EBIT.

Long Term Incentive Scheme

The Board of Directors of Altia decided in 2012 on a long-term incentive scheme for 2012–2014. Possible bonuses for the long-term incentive scheme 2012–2014 are to be paid in three instalments during 2015–2017. No bonuses based on the long-term incentive scheme 2012–2014 will be paid during 2015 -2017.

Altia's CEO and the members of the Executive Management Team are part of a new long-term incentive scheme for 2017-2019, which has been approved by the Board of Directors. According to the plan, possible bonuses are paid during 2020-2022. The annual target bonus level is 20% of the annual salary and maximum level is 40% of the annual salary. The purpose of the long term incentive scheme is to increase shareholder value and favorable development of net sales.

The new long-term incentive scheme for 2017-2019 complements the annual bonus to create a balanced incentive structure. With the incentive schemes, management is encouraged to promote the long term financial success of the company and development of shareholder value. The strategy and development phase of the company are taken into account when determining the remuneration. The Board of Directors, assisted by the Human Resources Committee, decides on the remuneration of management and the principles and conditions of the incentive schemes, and monitors regularly the achievement of set criteria and targets.

C. Remuneration Report 2016

Members of the Board of Directors

The members of the Board of Directors received term of office fees and attendance fees in 2016 as follows:

	term of office fees / euros	attendance fees / euros	total/euros
Sanna Suvanto-Harsaae	33 000	25 200	58 200
Annikka Hurme	21 600	9 000	30 600
Kim Henriksson	17 400	20 400	37 800
Minna Huhtaniska	17 400	7 200	24 600
Jarmo Kilpelä	17 400	7 800	25 200
Kasper Madsen	17 400	10 800	28 200
Kai Telanne	14 500	4 800	19 300

CEO

The salary and other remuneration paid in 2016 to CEO Pekka Tennilä amounted to a total of 429,000 euros, comprising of:

fixed base salary	308 760 euros
fringe benefits	240 euros
annual incentive for 2015	120 000 euros
long-term incentive scheme 2012–2014	0 euros

Other Executives

The salary and other remuneration paid in 2016 to the other members of the Executive Management Team amounted to a total of 1,537,162 euros, comprising of:

fixed base salary	1 129 216 euros
fringe benefits	75 108 euros
annual incentive for 2015	332 838 euros
long-term incentive scheme 2012–2014	0 euros

Board of Directors

Board of Directors

Sanna Suvanto-Harsaae

Chairman of the Board of Directors
b. 1966, B.Sc. (Business Administration)
Independent of the company and the shareholder

Chairman of the Board of Directors since 2015, Member of the Board since 2013
Chairman of the HR Committee, Member of the Audit Committee

Key positions of trust:
- Babysam AS, Chairman of the Board
- Sunset Boulevard AS, Chairman of the Board
- Best Friend AB, Chairman of the Board
- SAS AB, Member of the Board
- Paulig Oy, Member of the Board
- Clas Ohlson AB, Member of the Board
- Upplands Motor AB, Member of the Board
- CCS Healthcare AB, Member of the Board
- Vital Pet Food AS, Chairman of the Board
- Broman Group Oy, Member of the Board

Annikka Hurme

Vice-chairman of the Board of Directors
b. 1964, M.Sc. (Food Sciences)
CEO, Valio Oy

Independent of the company and the shareholder, Vice-chairman of the Board of Directors since 2015, Member of the Board of Altia since 2010
Member of the HR Committee

Main work experience:
- Valio Oy, Director, Cheese, Butter and Powders (2012–2014)
- Valio Oy, Director, Nordic Sales and Distribution (2010–2012)
- Valio Oy, Director, Perishable Goods and Domestic Sales and Marketing (2007–2010)
- Valio Oy, Director, Marketing (2000–2007)

Kim Henriksson

Member of the Board of Directors
b. 1968, M.Sc. (Econ.)
Corporate Finance Advisor, Access Partners

Independent of the company and the shareholder, Member of the Board of Directors since 2015.
Chairman of the Audit Committee

Main work experience:
- Munksjö Group, Chief Financial Officer (2010–2015)
- Morgan Stanley, Managing Director (1999–2008, 1994–1996)
- Merita Corporate Finance, Junior Partner (1996–1999)

Minna Huhtaniska

Member of the Board of Directors
b. 1974, Master of Laws (LL.M.), M.Sc, (Econ.)
General Counsel, Valmet Automotive Oy

Independent of the company and the shareholder, Member of the Board of Directors since 2012
Member of the Audit Committee

Main work experience:
- Fazer Group, SVP Legal Affairs (2008–2013)

Board of Directors

Jarmo Kilpelä

Member of the Board of Directors
b. 1957, M.Sc. (Econ.)
Senior Financial Counsellor, Prime Minister's Office, Ownership Steering Department

Independent of the company,
Member of the Board of Directors since 2011
Member of the HR Committee

Main work experience:
- Ministry of Finance, Senior Financial Counsellor (1996–2007)
- Government Guarantee Fund, Head of Administration and Finance (1993–1996)
- Bank of Finland, Analyst (1992–1993)
- Skopbank of Finland Plc, Head of Department, Deputy Director of Department, Corporate Analyst (1981–1992)

Key positions of trust:
- Gasonia Oy, Chairman of the Board
- Governia Oy, Chairman of the Board
- VR-Group Ltd, Member of the Board
- Finavia Oyj, Member of the Board

Kasper Madsen

Member of the Board of Directors
b.1961, BSc (Chemistry), BSc (Economics), Master Brewer

Independent of the company and the shareholder, Member of the Board of Directors since 2015

Main work experience:
- Hilding Anders, COO Supply Chain (2015–2016)
- Orkla Confectionary & Snacks, SVP Supply Chain (2014)
- Boston Consulting Group, Senior Advisor (2011–2013)
- Carlsberg Breweries, SVP Supply Chain (1986–2011)

Key positions of trust:
- Unifeeder A/S, Member of the Board

Kai Telanne

Member of the Board of Directors
B. 1964, M.Sc. (Econ.)
President and CEO, Alma Media Corporation

Independent of the company and the shareholder, Member of the Board of Directors since 2016

Main work experience:
- Kustannus Oy Aamulehti: Managing Director 2001–2005
- Kustannus Oy Otsikko: Managing Director 2000–2005
- Kustannus Oy Aamulehti: Deputy Managing Director 2000–2001
- Kustannus Oy Aamulehti Marketing Director 1999–2000
- Suomen Paikallissanomat Oy: Marketing Director 1996–1999
- Kustannus Oy Aamulehti: Marketing Manager 1993–1996
- Kustannus Oy Aamulehti: Sales Manager 1991–1993
- Kustannus Oy Aamulehti: Research Manager 1990–1991
- Nokian Paperi Oy: Product Manager 1989–1990

Key positions of trust:
- Varma Mutual Pension Insurance Company, Vice-chairman
- Teleste Corporation, Board member

Executive Management Team

Executive Management Team

Pekka Tennilä

CEO (June 2014–)
b. 1969, M. Sc. in Business Management

Main work experience:
- President, Baltics, Carlsberg Group (2012–2014)
- Commercial Director, Baltics, Carlsberg Group (2011–2012)
- President & CEO, Saku Brewery, Carslberg Group (2008–2011)
- Export Director, Sinebrychoff, Carlsberg Group (2006–2008)
- Marketing Manager, Beer Portfolio, Sinebrychoff, Carlsberg Group (2001–2005)
- Business Manager Finland, Nordic Kellogg's (2000–2001)
- Brand Manager and marketing positions, Leaf Confectionery (1995-1998)

Janne Halttunen

Senior Vice President, Partner Business and Export (August 2015–)
b. 1970, M. Sc. Business Administration

Main work experience:
- Director Business Development, Managing Director Partner Brands, Altia (2013–2015)
- Managing Director, Wennerco (2009–2013)
- Director of Brand Marketing, British American Tobacco Iberia (2004–2008)
- Senior International Brand Group Manager, British American Tobacco Head Quarter U.K., (2002–2004)
- Trade Development Director, British American Tobacco Switzerland (2000–2002)
- Head of Marketing, British American Tobacco Nordic (1998–2000)

Kirsi Lehtola

Senior Vice President, HR (April 2016–)
b. 1963, Master of Laws

Main work experience:
- Head of HR OP Financial Group, Insurance and Wealth Management (2015–2016)
- Head of HR Services Stora Enso, Global People and Organisation (2013–2015)
- SVP HR Finland and Publication Paper, Stora Enso Oyj (2007–2012)
- HR and HRD Manager Varenso Oy, Varkaus Mills and Enocell Oy (2002–2007)
- Director SAMPO-GROUP, Jyväskylä region (2001–2002)
- Local Director Middle Finland Units, SAMPO Oy (1997–2001)
- Lawyer, National Pension Institute KELA, West Finland (1994–1997)

Executive Management Team

Matti Piri

Senior Vice President, CFO (2013–)
b. 1969, M. Sc. in Business Management

Main work experience:
- VP Finance & Control, Neste Oil Oyj (2011–2013)
- Acting CFO, Neste Oil Oyj (9/2012–5/2013)
- Finance Director, Austria (2010–2011), Czech/Slovakia (2007–2009) and Hungary (2005–2007), MARS Inc.
- Project Manager, South Central Europe, MARS Inc. (2004–2005)
- Financial Controller, Romania, MARS Inc. (2003–2004)
- Financial Planning Manager, Effemex Europe (2001–2003)
- Business Planning Manager, Finland/Baltics, Effemex Europe (1996–1999)
- Financial Analyst, Finland/Baltics, Effemex Europe (1994–1996)

Kirsi Puntila

Senior Vice President, Marketing (July 2016–)
b. 1970, M.Sc. in Economics

Main work experience:
- Spirits Category Director, Altia, Helsinki (2015–2016)
- Marketing Director, Altia brands, Stockholm, Altia (2014–2015)
- Global Marketing Manager, Kahlua, The Absolut Company, Stockholm (2013–2014)
- Global Marketing Manager, Absolut Flavors, The Absolut Company, Stockholm (2010–2013)
- Global Senior Brand Manager, Chivas Brothers, London (2006–2010)
- Brand Manager, Pernod Ricard Finland, Helsinki (2004–2006)
- Market Analyst, Finpro Finland Trade Center, New York (2002–2003)

Hannu Tuominen

Senior Vice President, Industrial Services and Supply Chain (2009–)
b. 1958, M.Sc. (Eng.)

Main work experience:
- Senior Vice President, Industrial Services and Production, Altia Oyj (2008–2009)
- Division Director, Vaisala Oyj (1994–2007)
- Production Director, Vaisala Oyj (1992–1994)
- Production Director, Fiskars Power Systems Oyj, (1990–1992)
- Product Marketing Manager, Fiskars Power Systems Oyj, (1988–1990)
- Business Controller, Fiskars Power Systems Oyj, (1986–1988)

ALTIA

CONTACT INFORMATION

Altia Oyj
Kaapeliaukio 1
P.O. Box 350, FI-00101 Helsinki
+358 207 013 013

www.altiagroup.com

More information on the report contents is available from:
Communications Director Petra Gräsbeck, petra.grasbeck@altiagroup.com
Communications Manager Niina Ala-Luopa, niina.ala-luopa@altiagroup.com

You can also send an e-mail to communications@altiagroup.com