ALTIA

ANNUAL REPORT 2019

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Altia in brief

ALTIA IS A LEADING NORDIC ALCOHOLIC BEVERAGE BRAND COMPANY operating in the wine and spirits markets in the Nordic and Baltic countries. We produce, import, market, sell and distribute both own and partner brand beverages. We export alcoholic beverages to approximately 30 countries in Europe, Asia and North America. We want to support the development of a modern, responsible Nordic drinking culture.

We own some of the best known and loved wine and spirits brands in the region. Our flagship brands are **Koskenkorva**, **O.P. Anderson** and **Larsen**. Other iconic Nordic brands are **Chill Out**, **Blossa**, **Xanté**, **Jaloviina**, **Leijona**, **Explorer** and **Grönstedts**, among others.

The portfolio of own brands is complemented with partner brands from global leading wine and spirits houses.

We also provide our customers with production, packaging and logistics services. In addition, by-products from the production process, such as starch, feed components and technical ethanols, are sold to industrial customers.

Sustainability is a strategic priority and a key success factor for us. We are proud to work with products that are the best choice for the environment and for the climate, promoted and consumed responsibly. Our Koskenkorva distillery is a forerunner in bio- and circular economy, making use of 100% of the Finnish barley it uses as a raw ingredient. We aim to make our production carbon-neutral by 2025.

Altia's shares are listed on Nasdaq Helsinki.

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CEO'S REVIEW
Pekka Tennilä comments on Altia's year 2019

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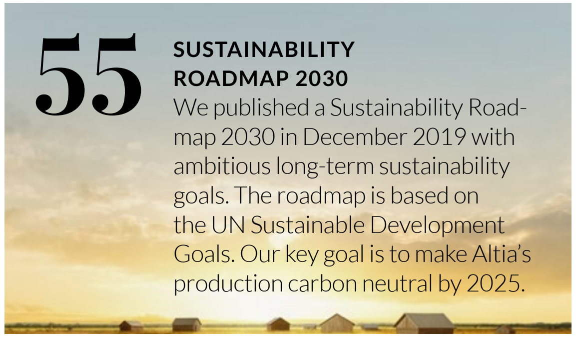
STRATEGY
Our refined strategy is built on our two core strengths. We are the Nordic distillery that masters the sustainable production of high-quality grain-based spirits, and we provide the best route-to-market through distribution and channel execution for our brands and our partners.

20

TRENDS AND INNOVATION
Innovation and consumer centricity create new growth opportunities. One of the key success factors for Altia's brands and innovations is strong professional product development.



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SUSTAINABILITY ROADMAP 2030
We published a Sustainability Roadmap 2030 in December 2019 with ambitious long-term sustainability goals. The roadmap is based on the UN Sustainable Development Goals. Our key goal is to make Altia's production carbon neutral by 2025.

HOW TO READ THIS REPORT

Altia's Annual Report 2019 consists of business overview, report by the Board of Directors, sustainability section, governance statements and financial statements.

You can navigate within the Report by scrolling down the pages or by using the hyperlinks on the top navigation and contents pages.

Menu symbol leads to this page

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Contact information Back cover

*More detailed table of contents of financial statements can be found on page 119.

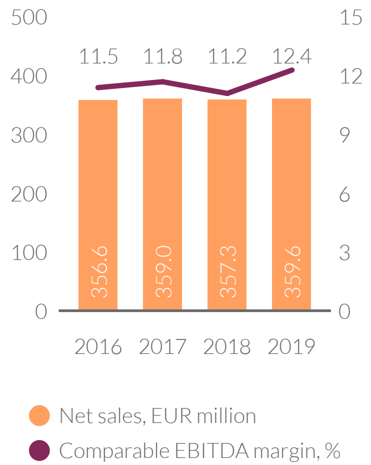
Financial key figures 2019

	2019	2018	2017
Net sales, EUR million	359.6	357.3	359.0
Comparable EBITDA, EUR million	44.8	40.0	42.4
% of net sales	12.4	11.2	11.8
EBITDA, EUR million	43.1	34.0	40.3
Comparable operating result, EUR million	26.8	25.6	28.2
% of net sales	7.5	7.2	7.8
Operating result, EUR million	25.1	19.7	26.1
Result for the period, EUR million	18.4	15.1	18.3
Earnings per share, EUR	0.51	0.42	0.51
Net debt / comparable EBITDA	0.6	1.2	1.1
Equity ratio, %	37.8	38.4	34.3
Gearing, %	19.1	31.6	34.9
Average number of personnel	682	718	762

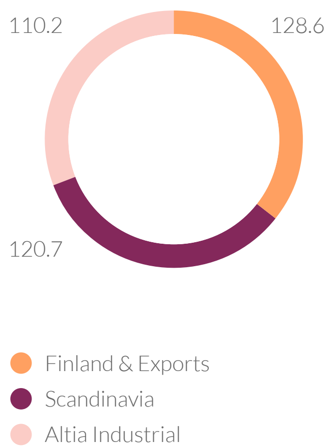
Altia has applied the IFRS 16 standard since 1 January 2019 applying the simplified approach, according to which the comparison information is not adjusted. More information on the adoption is presented on page 32.

Reconciliation of alternative key ratios to IFRS figures is presented on page 51.

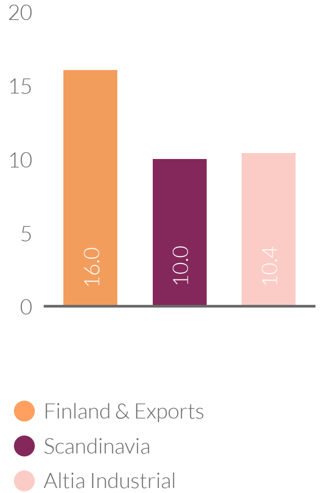
Net sales and comparable EBITDA margin



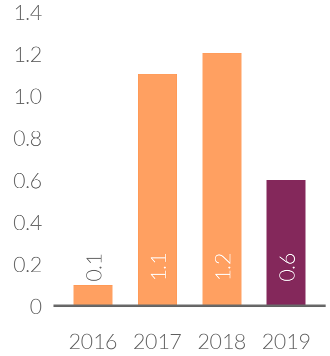
Net sales by segment
EUR million



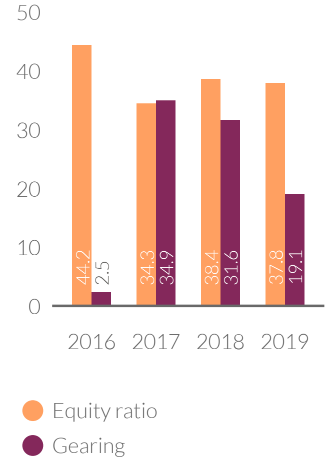
Comparable EBITDA margin by segment
%



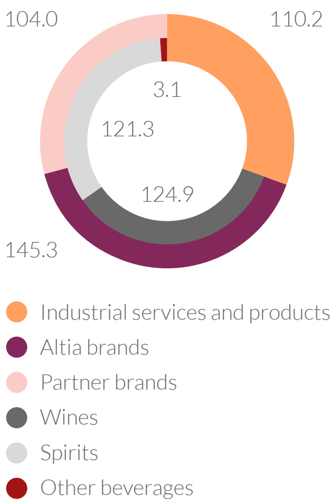
Net debt / comparable EBITDA



Equity ratio and gearing
%



Net sales by product categories
EUR million



Financial targets and dividend policy

Altia has set the following long-term financial targets:

2%

Annual net sales growth of 2 per cent over time (CAGR)

15%

Comparable EBITDA margin of 15% in the long-term

<2.5x

The Company's target is to keep reported net debt in relation to comparable EBITDA below 2.5x in long-term

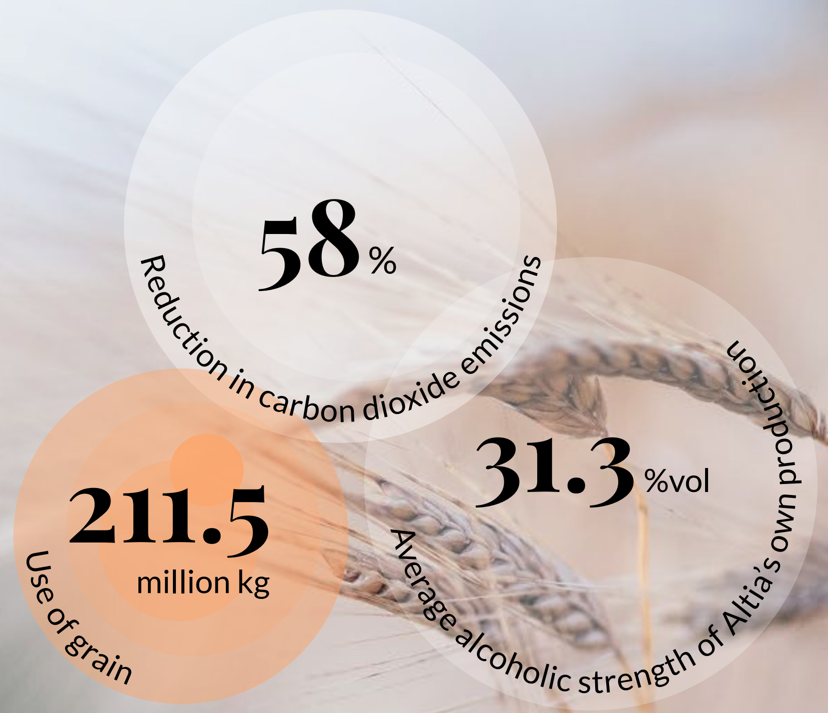
≥60%

Altia pursues an active dividend policy, and the result of the period not considered necessary to grow and develop the company will be distributed to the shareholders. According to the dividend policy, the Company targets a dividend pay-out ratio of 60% or above of the result for the period.

Altia has applied the IFRS 16 standard since 1 January 2019 applying the simplified approach, according to which the comparison information is not adjusted.
More information on the adoption is presented on page 32.

Sustainability key figures 2019

	2019	2018	2017
Produced or imported beverages (million liters)	97.0	95.1	93.8
Average alcoholic strength of Altia's own production (% vol.)	31.3	31.3	31.7
Use of grain (million kg)	211.5	211.7	206.0
Reduction in Koskenkorva CO_2 emissions compared to 2014 base year	58%	54%	56%
Average waste recycling & reutilisation rate	99.5%	99.7%	99.5%
Water use (1 000 m^3)	502.6	660.3	663.4
Sickness absence %	3.7	3.4	3.3
Number of accidents in relation to hours worked	9	12	11



CEO's review

Looking back at 2019, I am pleased to see our net sales and profitability improving. The Scandinavia segment, especially Sweden, showed strong sales and profitability improvement, supported by another successful Blossa season. We finished our sustainability roadmap, with ambitious targets set for the future.

In 2019, our net sales grew by 0.6% to EUR 359.6 (357.3) million. Net sales grew by 1.5% in constant currencies. Net sales of spirits and wine combined were at the previous year's level, and we saw slight growth in constant currencies. In the monopoly markets, our spirits sales grew in value in all three markets – Finland, Sweden and Norway. Growth in wine was driven by a strong performance in Sweden. In the Altia Industrial segment, net sales growth was driven by higher prices and good volume development in industrial products.

Koskenkorva and O.P. Anderson showing strong development

Within the Nordic core brands, especially our grain-based spirits brands such as Koskenkorva Vodka and O.P. Anderson Aquavit performed well, which I am very happy about. The good development of Koskenkorva Vodka was driven by exports and successful innovations, such as Koskenkorva Ginger. O.P. Anderson Aquavit showed good development in Sweden, supported by innovations such as a new low-alcohol ready-to-drink cocktail. In addition, we strengthened our portfolio in growing spirits categories such as gin, rum and liqueurs.

For the important Christmas season, we had a strong line-up of both traditional and novelty glöggs. Blossa had an exceptional season, driven by novelties such as Blossa Sparkling & Spices in Sweden, as well as new low-alcohol and non-alcoholic glöggs.

Other innovations launched in 2019 include Explorer Shaken Shot, a collection of four mini bottles of 15% shots, and Rum Ö, the first rum ever to be distilled and produced in Finland. We also expanded our ready-to-drink series with new launches, such as Chill Out Aperitivo.

Industrial products performing well

Altia Industrial had a positive effect on the Group's net sales, mainly driven by higher volumes in technical ethanol and feed components, as well as price increases due to high barley costs. The Koskenkorva plant ran at full capacity throughout the year and used about 212 million kilos of grain.

> "At the end of the year, we launched our Sustainability Roadmap, extending to 2030.
>
> PEKKA TENNILÄ

> **“The good development of Koskenkorva Vodka was driven by exports and successful innovations.**

We have been able to strengthen our position as a starch supplier to the paper and board industry, where fossil-based binding agents are increasingly being replaced with starch. In exports of ethanol, we won new customers in the pharmaceutical and alcoholic beverage industries.

New partners and collaborations

In May, we transferred our Denmark domestic business to Conaxess Trade Beverages, who became the exclusive distributor of Altia's brands in Denmark. We also started cooperation with Underberg in Sweden, Finland and Norway, which further strengthens our position in the bitters market.

In October, we started cooperation with the Finnish Von Elk Company start-up, known for the innovative sparkling glögg Glöet. We invested in and became a minority shareholder of the Von Elk Company. We also became the exclusive representative for Von Elk's brands in the Nordic and Baltic region. Sparkling glögg is an interesting new category, and with Glöet and our Blossa Sparking & Spices, we are in a good position to take this category forward.

During the year, we also expanded our cooperation with the Swedish premium craft gin distillery Hernö Gin. A new brand collaboration, O.P. Anderson Hernö Juniper Cask Finish, was launched in September.

Aiming for carbon-neutral production by 2025

Sustainability has long been a strategic priority and key success factor for Altia. At the end of the year, we launched our Sustainability Roadmap, extending to 2030. The roadmap is built around the circular economy and carbon-neutral production. Our key goal is to make Altia's production carbon neutral by 2025 without compensations. We are moving towards carbon neutrality by developing our own production plants, especially the Koskenkorva distillery's bioenergy power plant, and by shifting to renewable energy sources.

The Koskenkorva distillery's circular economy efforts received recognition in May when Altia was included in the list of the most interesting companies in the circular economy, compiled by the Finnish Innovation Fund Sitra. Sustainability is also at the core of our brands, such as Koskenkorva Vodka, and it guides our innovation work and packaging development. Our aim is for all our packaging to be 100% recyclable by 2025.

In 2019, we started the carbon footprint calculation of our brands, beginning with Koskenkorva Vodka. The results showed that packaging and barley cultivation carried the greatest impact. We are planning to extend the carbon footprint calculation to other brands as well, starting with O.P. Anderson Aquavit in 2020.

Refined strategy to support growth

In our annual strategy process, we have reviewed our long-term strategic focus areas and growth ambitions. The choices made in the strategy will support our profitable growth ambitions and strengthen our position as one of the most sustainable spirits companies, and a leading Nordic drinks house.

For 2020, we expect comparable EBITDA to be at the same level as or higher than in 2019 (2019: EUR 44.8 million). The continued decline in market volumes in Finland puts pressure on profitability growth. The uncertainties in global travelling impacts border trade and travel retail regionally and in Asia. Guidance assumes a normal barley price level following the 2020 harvest. Industrial services are impacted by phasing of volumes between the years

Our financial position is solid, and the Board of Directors proposes a dividend of EUR 0.42 per share to be paid for the 2019 financial year.

I would like to take this opportunity to thank our shareholders, customers and partners for their trust, and all Altia employees for their hard work and commitment during 2019.

Pekka Tennilä
CEO

Altia's year 2019

January February March April May June July

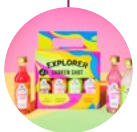
O.P. Anderson Aquavit Cocktail Lemon & Nettles
Altia launched an organic ready-to-drink aquavit cocktail, O.P. Anderson Aquavit Cocktail Lemon & Nettles, in the Swedish market. This was the world's first organic ready-to-drink aquavit cocktail.

Financial Statements Bulletin 2018
Challenging operating environment impacted 2018 results – comparable EBITDA at EUR 40 million

Koskenkorva Ginger
Altia launched a novelty liqueur, Koskenkorva Ginger in several markets. Koskenkorva Ginger, liqueur (21%) is a refreshing combination of fresh ginger and juicy citrus. It can be enjoyed as a chilled shot or mixed in drinks.

Rum Ö
Altia launched the first rum ever to be distilled and produced in Finland. Ö dark Rum is distilled in the Smakby distillery in Åland.

Koskenkorva Vodka Organic
Altia launched an organic version of Koskenkorva Vodka on the Swedish on-trade market. Later, Koskenkorva Vodka Organic was launched in other markets as well.



Explorer Shaken Shot
Altia launched Explorer Shaken Shot in Sweden. Explorer Shaken Shot is a package of four mini bottles of 15% shots with four different flavours: strawberry, rhubarb, lime and cola.

Chill Out Aperitivo
Altia launched a new addition, Chill Out Aperitivo, to the Chill Out Wine Spritzer range, in response to the growing spritzer trend around the world. Chill Out Wine Spritzer Aperitivo is a low alcoholic (5%) bittersweet wine cocktail with a bright orange colour.

Altia in a new partnership with Conaxess Trade Beverages
Altia and the Danish spirit company Conaxess Trade Beverages entered into a strategic collaboration. The partnership included transfer of Altia's Denmark domestic business to Conaxess Trade Beverages.

Q1 report:
Stable net sales development, timing of Easter and high raw material costs impacted profitability

Annual General Meeting
Altia's first Annual General Meeting as a listed company was held on 15 May in Kaapelitehdas, Helsinki.

New design for Larsen Cognac
Larsen launched a new packaging design and communication campaign. The new design and campaign aim to bring to life Larsen's heritage and personality and challenge the cognac category with its modern and colourful approach to Cognac.

Altia included in Sitra's list of the most interesting companies in the circular economy
Altia and the Koskenkorva distillery were included in the list of the most interesting companies in the circular economy compiled by the Finnish innovation fund Sitra. The Koskenkorva distillery is a forerunner in the circular economy, using 100 per cent of the barley it employs as a raw material.

Sorbus Cocktail
Altia brought a modernised low-alcohol version of the legendary rowanberry cocktail Sorbus onto the Finnish market. The new ready-to-drink Sorbus Cocktail 6.5% was launched for the summer season.

Bottle recycling campaign
Altia ran its first sustainability media campaign aimed directly at consumers. The campaign was built around bottle recycling and directed at Finland. The aim of the campaign was to increase bottle return rates, educate consumers about the ecological aspects of PET bottles and build Altia's company image as a responsible player.

August

Q2 Report :
Good net sales growth in first half, initiatives to improve profitability in progress

Larsen successful at the IWSC 2019
Both Larsen VSOP and Larsen Extra Or were awarded a Bronze medal at the International Wine and Spirit Competition 2019.

Rum Ö awarded at the IWSC 2019
Altia's novelty for 2019, Rum Ö, won a Bronze medal at the International Wine and Spirit Competition 2019. Rum Ö is the first Finnish rum to receive such recognition.

September

Introducing Blossa 19
Blossa has launched a new flavour ahead of every winter season since 2003. Each vintage has a new and unique bottle design. In 2019, Blossa headed to Hawaii with a taste of passion fruit and hibiscus flowers.

Altia calculated the carbon footprint of Koskenkorva Vodka
Most of the carbon dioxide emissions during the life-cycle of Koskenkorva Vodka derive from the product's packaging and the cultivation of the barley used as an ingredient in the vodka. The carbon footprint of Koskenkorva Vodka packaged in a glass bottle is 2.19 kg CO_2e/l, while that of Koskenkorva Vodka packaged in a PET plastic bottle is 1.60 kg CO_2e/l.

Koskenkorva successful at The Vodka Masters 2019
Koskenkorva Vodka won several medals at the renowned Vodka Masters 2019 competition. The highest of these was the Master medal received by Koskenkorva Vodka Original in the Scandinavian category. In addition to winning the Master award, Koskenkorva Vodka Original also received a gold medal in the Premium category.

October

O.P. Anderson Hernö Juniper Cask Finish
Altia and the Swedish premium craft gin distillery Hernö Gin expanded their cooperation by launching their first collaboration product. The limited-edition product, O.P. Anderson Hernö Juniper Cask Finish, is a classic O.P. Anderson Original aquavit which, in addition to the usual maturation period, has been matured for an additional two months in juniper wood barrels which previously contained Hernö Juniper Cask Gin.

Altia partners with Glöet
Altia and the Von Elk Company, known for the award-winning sparkling glögg Glöet, embarked on cooperation spanning the Nordic and Baltic countries. Altia became the exclusive representative of Von Elk's brands in the Nordic and Baltic countries, as well as in travel retail. The cooperation covers sales, marketing, distribution and product development. As part of the cooperation, Altia invested in the Von Elk Company and became a minority shareholder in the company.

Launch of Blossa Sparkling & Spices
Altia launched a new addition to the Blossa family in Sweden. Blossa Sparkling & Spices is a bubbly drink in which glögg spices are combined with sparkling wine.

ARKET and Blossa launched a co-designed special edition
Two Swedish brands that stand for Nordic design, high quality and sustainability led a collaboration during the Christmas season. ARKET + BLOSSA Glögg was organic and alcohol-free. The special edition's label was designed by the beloved illustrator, Ilon Wikland. The co-designed special edition glögg was available in seven countries in ARKET stores.

November

Q3 report
Solid net sales growth of spirits in core markets, profitability improved in Q3

O.P. Anderson wins Gold at The Speciality Masters 2019
O.P. Anderson Aquavit was awarded a Gold medal at the The Speciality Masters 2019, organised by The Spirits Business magazine. In addition, O.P. Anderson Aquavit Cocktail Lemon & Nettles was awarded a Silver medal.

Koskenkorva successful at The Liqueur Masters
Koskenkorva liqueurs won several awards at the annual Liqueur Masters, organised by the Spirits Business magazine. Koskenkorva Ginger won the highest award, the Master title in the biggest category, fruit liqueurs. In addition, Koskenkorva Salmiakki and Koskenkorva Minttu won Gold in their own categories.

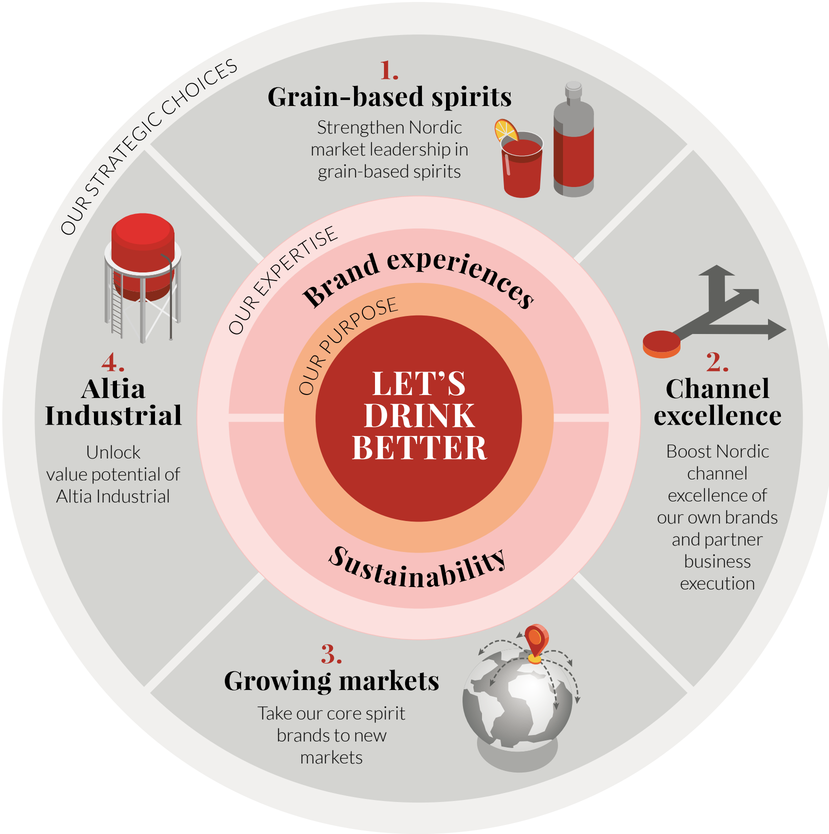
December

Launch of Sustainability Roadmap 2030
Altia published a Sustainability Roadmap extending to 2030, built around a core of the circular economy and carbon-neutral production. The roadmap's key goal is Altia's commitment to carbon-neutral production by 2025.

ALTIA'S REFINED STRATEGY

Our strategy is built on our core strenghts

We build our long-term success on our two core strenghts: we are the Nordic distillery that masters the sustainable production of high-quality grain-based spirits, and we provide the best route-to-market through distribution and channel execution for our brands and our partners.



Our markets are changing, and consumers want to make responsible choices. We believe that life is to be enjoyed, but not at the expense of the planet. That's why we create unique brand experiences and are forerunners in sustainability. We simply call this – Let's Drink Better.

The choices made in the refined strategy will support Altia's profitable growth ambitions towards its financial targets, and strengthen Altia's position as one of the most sustainable spirits companies and a leading Nordic drinks house.

To strengthen our growth, we aim to take our brands to new growing markets. We strive for carbon neutral production by 2025 and to develop more value-added products from barley.

Our purpose: Let's drink better

We want to support a development of a modern, responsible Nordic drinking culture and develop better drinking experiences. We are proud to work with products that are the best choice for the environment and for the climate, promoted and consumed responsibly.

Our expertise: Award-winning brand experiences and sustainability

Nordic brands

We build our Nordic brands with relevance and value for new generations. Our aim is to create unique brand experiences in each channel and touchpoint and to expand into new occasions, categories and segments recruiting new consumers. We want to be the innovation role-model in beverages, from the Nordics.

Sustainability

We are the forerunners in sustainability. We are committed to carbon neutral production by 2025. Further, we aim to have 100% recyclable packaging and that 10% of our portfolio is non-alcoholic and low-alc drinks. We aim for zero absences due to injuries.

Altia's refined strategy was announced in February 2020. Altia's long-term financial targets remain unchanged (page 5).
The strategy in place during 2019 is briefly presented in the Report by the Board of Directors on page 29.

Our strategic choices

We have made clear strategic choices that support Altia's profitable growth ambitions towards its financial targets.

1. Strengthen Nordic market leadership in grain-based spirits

We aim to strengthen vodka market leadership with full category view. We also aim to grow in adjacent grain-based spirits categories, such as gins, liqueurs, aquavits and RTDs, organically and through M&A.

We also focus on building consumer engagement through digital channels, such as viinimaa.fi and folkofolk.se, to create brand preference and ongoing dialogue.

M&A's would be a tool to accelerate our Nordic market leadership in grain-based spirits.

2. Boost Nordic channel excellence of our own brands and partner business execution

We enable the best route-to-market in the Nordics for our brands and for our partners. We will further develop our winning partner portfolio offering.

We aim to further strengthen sales execution across channels – monopoly, on-trade, retail and travel retail.

We also focus on leveraging digital enablers such as dynamic, data-driven marketing to drive sales in physical channels.

3. Take our core spirit brands to new markets

We aim to establish a position in selected attractive spirit-growth markets through export and M&A.

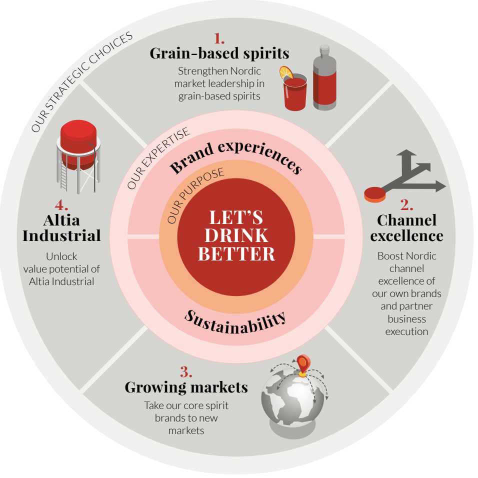
We seek well targeted acquisitions to gain market access for our core spirit brands in growing spirits markets. We aim to leverage cross-selling opportunities for our grain-based spirits in new markets.

Further we explore e-commerce opportunities and presence in digital channels and market places.

4. Unlock value potential of Altia Industrial

We differentiate through our unique sustainability profile. We also continue to improve supply chain efficiency and pursue end-to-end supply chain digitalisation.

We aim to capture the potential of more value-added industrial products of Koskenkorva distillery's side streams.



Value created: Let's Drink Better

THE KEY TRENDS SHAPING OUR BUSINESS:

Authenticity *Sustainability* *Health consciousness* *Premiumisation* *Convenience* *Digitalisation*

OUR ASSETS

OUR PEOPLE
We employ some 650 people with unique capabilities and knowhow.

OUR BRANDS
We develop and build our own brands as well as those of the partners we represent.

OUR PARTNERS
We build partnerships with our brand partners and develop relationships with suppliers.

PHYSICAL ASSETS
We have production, logistics and office sites in seven countries.

FINANCIAL CAPITAL
Altia's total assets amounted to EUR 400.2 million in 2019.

NATURAL RESOURCES
Barley, water and energy are key inputs for our activities. We utilise the resources efficiently – up to 100% in the case of barley.

OUR BUSINESS ACTIVITIES

SOURCING
We source Finnish barley, wine, other raw materials and packaging materials to produce high quality products, and purchase wines and spirits from our partners.

LOGISTICS & WAREHOUSING
We operate own logistics centres and cooperate with our suppliers and partners to ensure sustainable logistics.

DISTILLING, MATURATION & BLENDING
We have distilleries in Koskenkorva and Sundsvall, production plants in Rajamäki and Tabasalu, and production and aging cellars in Cognac.

BOTTLING & PACKAGING
We use environmentally friendly packaging materials and efficient bottling systems.

SALES & MARKETING
We sell and market our products responsibly to our customers in home and export markets.

INDUSTRIAL PRODUCTS & SERVICES
We utilise efficiently the side-streams of our production to produce a variety of end products and services.

At Koskenkorva distillery, the raw material and all the outputs are utilised fully, with no waste.

OUR PRODUCTS

WINES

SPIRITS

OTHER BEVERAGES

TECHNICAL ETHANOLS

STARCH

FEED COMPONENTS

INNOVATION & CONTINUOUS IMPROVEMENT

We continuously develop our offering and provide new products in premium, low-alcohol and non-alcohol categories. We improve our ways of working and investigate new sources of improved operational performance.

VALUE CREATED

OUR DISTILLERY: We minimize the environmental impacts of our own production and promote sustainable practices in our value chain.
- Production based on bio and circular economy
- Minimising carbon footprint
- Sustainable agriculture
- Conservation of ground water

OUR DRINK: We minimise the enviromental impacts at all stages of the product life cycle. We use more environmentally friendly PET and bag-in-box packages.
- Innovative products with high quality
- Unique and comprehensive brand portfolio, consisting of locally produced products and leading global wine and spirit brands
- Recyclable packages with lower carbon footprint

OUR SOCIETY: We are committed to promoting responsible alcohol consumption. We offer consumers transparent information and products with e.g. lower sugar or alcohol.
- Responsible drinking culture
- Supporting Finnish agriculture
- Significant tax contribution
- Transparency and good governance

OUR PEOPLE: We provide meaningful work, wellbeing at work and inspiring targets. We promote sustainable practices in our supply chain.
- Employment and salaries
- Wellbeing
- Occupational health and safety
- Responsibility in supply chain

CIRCULAR ECONOMY

Koskenkorva distillery uses 100% of the barley grain

Our award-winning distillery in the village of Koskenkorva is based on bio- and circular economy. The distillery utilises 100% of the barley grain it uses as a raw material. The distillery produces pure grain spirit for our alcoholic beverages.

In addition to grain spirit, the Koskenkorva plant produces several by-products, such as starch and raw material for feed. Even the carbon dioxide generated in the fermentation process is collected and used – for example, in greenhouse cultivation. Barley starch is used in the paper and board industries, as well as the food industry and breweries.

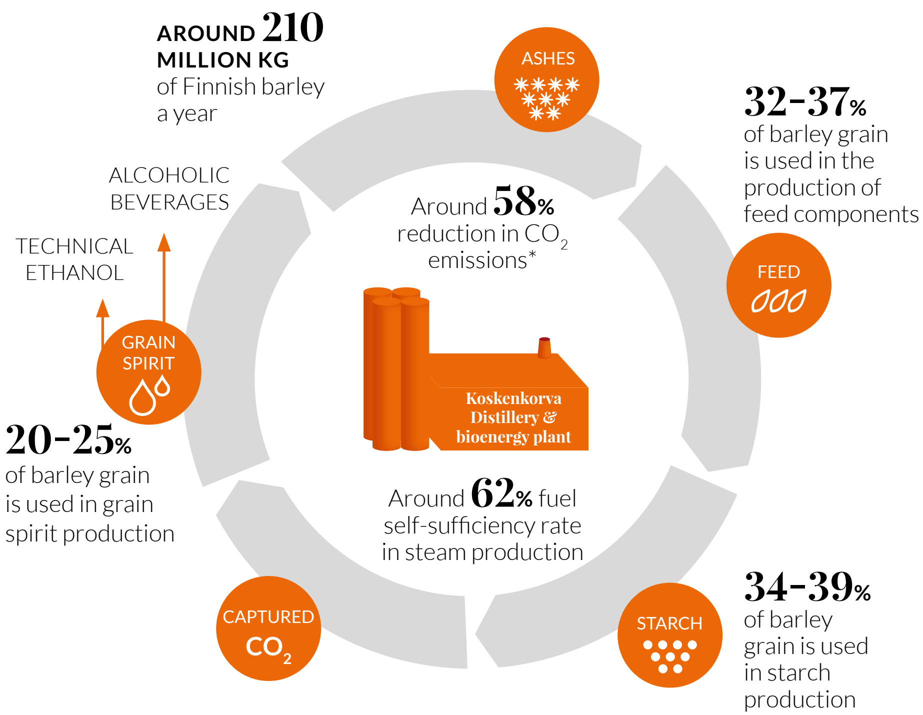
A versatile product range enables the Koskenkorva plant's unique material efficiency. The barley husk that would otherwise not be used in the plant's production is incinerated in our own bioenergy power plant, which supplies steam energy for the distillery.

The 10-megawatt bioenergy power plant has been operating at full capacity since January 2015, and it uses barley husk as its primary fuel. Barley husk is peeled in Koskenkorva's grain spirit and starch production throughout the year. In terms of technology and fuel mix, the Koskenkorva bioenergy power plant is the first of its kind in Finland.

Thanks to the bioenergy power plant and renewable fuel, the Koskenkorva distillery has been able to reduce its carbon dioxide emissions by 58% compared with the emission level in 2014. The plant's steam generation fuel self-sufficiency is 62%. To make the circular economy circle complete, ashes from the bioenergy power plant are used as fertiliser on the fields.

Altia continously explores ways to minimise its carbon footprint and aims to make its production carbon-neutral by 2025 – without carbon compensations.

CIRCULAR ECONOMY



*In comparison with 2014

SEGMENTS

Finland & Exports

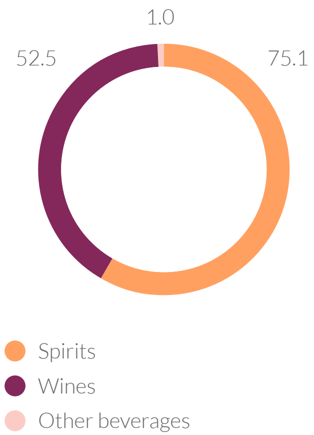
The Finland & Exports segment comprises the import, sale and marketing of wines, spirits and other beverages in Finland and the Baltics, as well as exports and travel retail.

EUR million	2019	2018	2017
Net sales	128.6	133.8	133.9
Comparable EBITDA	20.6	19.2	19.6
Comparable EBITDA, % of net sales	16.0	14.3	14.6
Average number of personnel	89	95	100

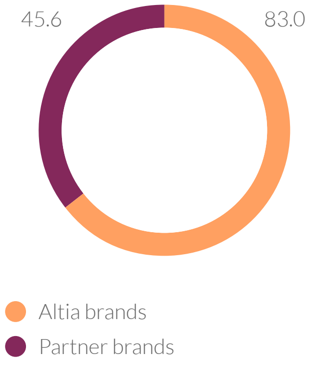
KEY OWN BRANDS:
Koskenkorva, Leijona, Jaloviina, Chill Out, Blossa, Renault, Larsen, Saaremaa

KEY FOCUS AREAS:
- Focus on innovation to launch new products in the state retail monopoly and to continue as an important partner and route-to-market
- Grow exports in key markets Russia and Asia, and capture new markets
- Grow in the Finnish grocery trade channel through innovations
- Strengthen brand positions and expand distribution in travel retail
- Continuous development of consumer-phasing digital platforms viinimaa.fi and nordicspirits.com
- Continuous evaluation of product portfolio and on-going revenue management

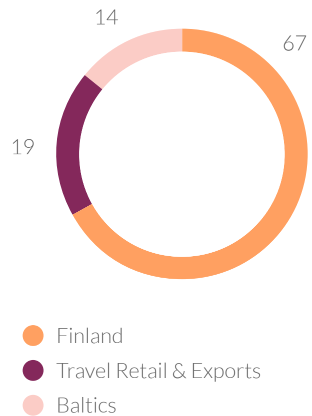
Net sales by product category
EUR million



Net sales by brand group
EUR million



Net sales by country
%



Altia has applied the IFRS 16 standard since 1 January 2019 applying the simplified approach, according to which the comparison information is not adjusted.

SEGMENTS

Scandinavia

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

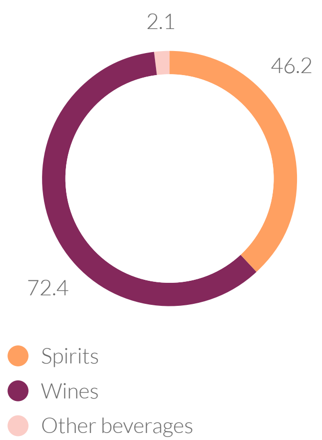
EUR million	2019	2018	2016
Net sales	120.7	117.7	123.7
Comparable EBITDA	12.1	10.1	11.5
Comparable EBITDA, % of net sales	10.0	8.6	9.3
Average number of personnel	74	85	86

KEY OWN BRANDS:
O.P. Anderson, Explorer, Grönstedts, Koskenkorva, Blossa, Chill Out, Larsen, Xanté

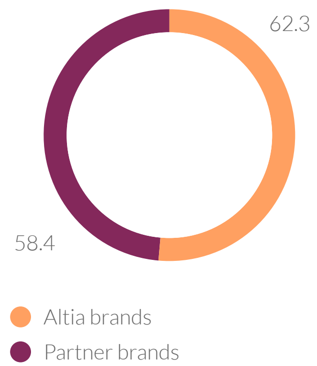
KEY FOCUS AREAS:

- Strengthen position in the growing gin, liqueur, rum and sparkling wine categories through innovations
- Continue to lead the development of sustainable products and packaging
- Strengthen brand positions and expand distribution in on-trade
- Continuous development of consumer-phasing digital platform folkofolk.se
- Continuous evaluation of product portfolio and on-going revenue management

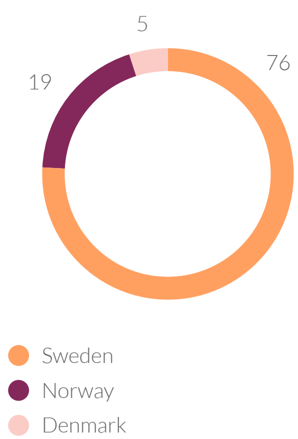
Net sales by product category
EUR million



Net sales by brand group
EUR million



Net sales by country
%



Altia has applied the IFRS 16 standard since 1 January 2019 applying the simplified approach, according to which the comparison information is not adjusted.

SEGMENTS

Altia Industrial

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

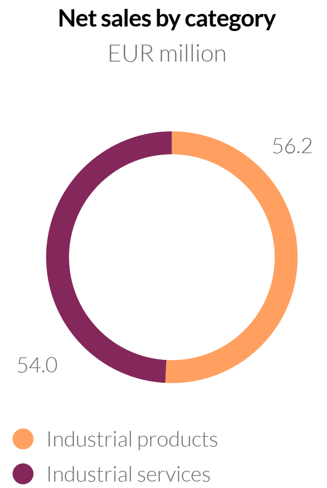
EUR million	2019	2018	2017
Net sales	110.2	105.8	101.3
Comparable EBITDA	11.4	10.9	12.5
Comparable EBITDA, % of net sales	10.4	10.3	12.3
Average number of personnel	426	426	452

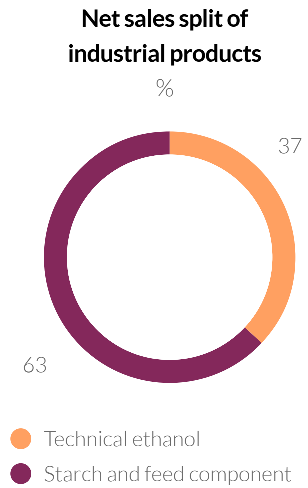
INDUSTRIAL PRODUCTS: Finnish barley is the focus of our operations and the products include barley starch, grain sprits, technical ethanols and feed components.

INDUSTRIAL SERVICES: Contract manufacturing and logistics services for leading wine and spirits companies.

KEY FOCUS AREAS:

- Customer relationships and sales growth of industrial products
- Enhancing work safety culture and implementing minimum requirements of work safety practices across all sites
- Capability improvements of wine packaging and production of low- and non -alcohol products inhouse
- Professional procurement activities across all sourcing categories
- Continuation of ERP renewal





Altia has applied the IFRS 16 standard since 1 January 2019 applying the simplified approach, according to which the comparison information is not adjusted.

OPERATING ENVIRONMENT

The Nordic wine and spirits market in brief

We have extensive experience in operating with monopolies and in regulated markets.

Altia operates in the wine and spirits markets in the Nordic and Baltic countries, as well as in travel retail in the Nordics. These constitute Altia's home market.

The wine and spirits markets in Finland, Sweden and Norway are highly regulated. The variations in regulations between these countries have an impact on national retail sales structures, advertising and pricing mechanisms.

Sales channels

In the off-trade markets in Finland, Sweden and Norway, most of the wines and spirits are sold through the state retail monopolies (Alko, Systembolaget and Vinmonopolet respectively), which form Altia's largest sales channel.

In the monopoly markets, the grocery trade is a channel for low and non-alcoholic wines and glöggs, ready-to-drink products (RTDs), beers and ciders.

In Denmark and the Baltics, the off-trade markets mainly consist of the grocery trade.

The on-trade ("HoReCa") channel plays an important role in new product launches and provides Altia with an opportunity to promote and increase customers' brand awareness as well as monitor and affect future consumer trends.

Travel retail, comprising the airline, sea and border trade, has traditionally been an important channel in the Nordic and Baltic region, due to price differences between countries caused by different alcohol tax levels and duty-free sales.

All consumer product sales outside Altia's home market are defined as exports. Altia exports alcoholic beverages to approximately 30 countries, for example, Koskenkorva Vodka to Russia and the US, Larsen Cognac to China and O.P. Anderson Aquavit to the US.

Competitive landscape

Altia competes in the wine and spirits market with global, Nordic and smaller local spirits brands and wine producers and importers. Compared to the spirits market, the wine market is fragmented, as there are several smaller producers, importers and distributors.

Market size in value and volume

The value of the Nordic wine and spirits market, including Finland, Sweden, Norway and Denmark, is estimated to be EUR 12.4 billion, and the share of spirits is about 35%, and of wine about 65%. In volume terms, spirits have reached about 77.4 million litres, with vodkas and whiskies the two largest categories. The wine market volume is about 517 million litres, with red wine the single biggest category, accounting for about half of volume.*

Market growth

During the period 2012–2018, the value of the Nordic wine and spirits market grew by 1.9%. For the period 2019–2023, the market value is estimated to grow by 3.3%.*

During the period 2012–2018, the volume growth of the Nordic wine and spirits market was 0.5%. For the period 2019–2023, the market volume growth rate is estimated at 1.1%.*

Read more about the development of wine and spirits sales in the three Nordic retail monopolies in 2019 on page 29.

*) Source: Euromonitor International Ltd. Alcoholic Drinks Data 2019 edition (May 2019). The Nordic market refers to Finland, Sweden, Norway and Denmark. Value data calculated in EUR with retail selling prices, fixed exchange rates and current prices. All growth rates are CAGR %.

Industrial business

Altia produces grain spirit at its Koskenkorva distillery. Barley starch and feed components are produced as by-products from the distillation process. The Koskenkorva distillery is the only producer of barley starch in the world.

The Koskenkorva distillery also produces technical ethanol, based partly on the share of grain spirit that is not used in the production of alcoholic beverages. The technical ethanol from the Koskenkorva distillery is further processed into technical ethanol products at Rajamäki.

Industrial customers

Technical ethanols are used in geothermal fluids and are sold to various industries – from the pharmaceutical and healthcare to the chemical and techno-chemical industries.

Barley starch is used as a binding agent in the paper and paperboard industries, as a fermentation and freshness agent in beer production, and in other food industry applications. A significant part of the barley starch is sold to the paper and paperboard industry.

Feed components are delivered on a continuous basis to A-Rehu Oy's production facility, which is located in the Koskenkorva plant's area.

Market conditions in 2019

General market demand in all industrial products in 2019 was strong, driven by the general strength of the economy. The trend in the paper and paperboard industries to replace fossil-based binding agents with starch has increased the demand for barley starch.

TRENDS & INNOVATIONS

Trends that shape our business and brands

AUTHENTICITY – In an uncertain and changing world, consumers seek what they can trust.

- Connoisseurship
- Locality, provenance and heritage
- Craftsmanship

SUSTAINABILITY – Consumers favour environmentally-friendly packaging. Recyclability is more important than ever.

- Ethical well-being
- Fairly traded
- Environmental responsibility
- Transparency

HEALTH CONSCIOUSNESS – There is an increasing demand for low and non-alcoholic, and lower sugar products. Natural ingredients have become more important than ever.

- Balanced life
- Clean culture movement
- Freshness and simplicity
- Natural ingredients

PREMIUMISATION – Consumers seek quality over quantity.

- Quality all around
- Scarcity is luxury
- Premium experiences
- Unique choices

CONVENIENCE – Smaller serving sizes and ready-to-drink solutions as well as easy to serve and share.

- On-demand
- Easy access
- Convenient packaging

TRENDS & INNOVATIONS

Innovation and consumer centricity create new growth opportunities

Altia highly appreciates the role of continuous renewal and innovation in its operations. Innovation is a way of working that delivers new solutions and experiences, creating value for the business, the consumer and the future. Our ambition is to be the innovation role-model in beverages, from the Nordics. Our innovation strategy was refreshed in 2019, setting the path for future development.

Sustainability plays an ever-increasing role in every aspect of our brand and innovation work. It is strongly grounded in the Nordic values of caring for people and the planet. The key drivers in our innovation strategy are the consumer experience, a creative culture and future exploration. Our objective is to use all the data and understanding needed to make well-informed, consumer-driven decisions. We provide the tools, processes and competences to find successful creative concepts. Our innovation team also provides clarity, vision and inspiration on what's to come and where the future potential could be.

In addition to innovations for the existing brands, we strengthened our performance in other growing spirits categories in 2019. A number of exciting new gin, liqueur, rum and ready-to-drink concepts saw the daylight and were introduced to our customers.

Strong in-house innovation expertise

One of the key success factors for Altia's brands and innovations is strong professional product development.

Convenience, premiumisation, boldness and sustainability drive our packaging decisions. Our sustainable PET and bag-in-box solutions stand out on the shelves, and communicate our values and the essence of our products.

Altia's liquid development team has state-of-the-art distillate-based development capabilities. The team closely follows consumer trends, continuously introducing lower alcohol and non-alcoholic options, as well as creating lower sugar alternatives. Another fundamental element of our product development is our strong in-house design team, which translates the brand ambitions into concrete, relevant and suitable design solutions.

OUR BRANDS

We create unique brand experiences

Altia's strategy is to build our strong Nordic brands with relevance and value for new generations. We own some of the best-known and loved wine and spirits brands in the region. Our aim is to create unique brand experiences for consumers in each channel and touchpoint. Digitalisation has improved the efficiency of marketing activation.

2019 was a year of focus and strengthening the foothold of Altia's flagship brands: Koskenkorva Vodka, O.P. Anderson Aquavit and Larsen Cognac. We also continued to develop our regionally and locally relevant brands such as Chill Out wines, Blossa glögg and Xanté liqueur, as well as Leijona and Jaloviina in Finland and Explorer and Grönstedts in Sweden.

Our own brand portfolio is complemented by partner brands from leading global wine and spirits houses. Having a wide brand assortment allows us to play across categories and price points to provide a complete and competitive portfolio for our customers.

We actively investigate and manage our portfolio to stay relevant and unique. In 2019, we identified interesting opportunities in growing categories, such as gins, liqueurs and rums. The Finnish grocery trade has opened an interesting new channel to portray ready-to-drink variants and further extend our brand portfolios. With profound consumer and innovation insights, we were able to launch a full pipeline of new concepts under our existing brands and identify new opportunities.

The consumer is the number one compass that steers all our activities. We understand the Nordic consumer and their needs. Every development project is guided by strong consumer insight, whether it is innovation and product development or the marketing of our brands. Increased consumer involvement in concept development, testing and analysing the relevance of our actions have given strategic depth to our actions.

KOSKENKORVA
LARSEN COGNAC
O.P. ANDERSON
CHILL OUT
BLOSSA
JALOVIINA
EXPLORER
LEIJONA
XANTÉ
GRÖNSTEDTS

OUR BRANDS

Our flagship brands

KOSKENKORVA

Koskenkorva is a classic vodka made from nature's best ingredients. Koskenkorva has been distilled in the village of Koskenkorva since 1953. We use the northernmost grown barley, pure unfiltered groundwater and continuous distillation, which make for the product's unique style. Koskenkorva has won several awards at international industry competitions.

Sustainability is at the core of the Koskenkorva brand and the spearhead in innovation. Koskenkorva distillery is a forerunner in the bio- and circular economy. We want Koskenkorva to be the world's most sustainable vodka.

In 2019, one of the most exciting new launches was Koskenkorva Ginger, which was co-created with our consumers. Koskenkorva Vodka Organic was also well received by the Swedish restaurant community.

LARSEN COGNAC

Larsen Cognac is a combination of the open-minded and courageous Scandinavian spirit and the craftmanship and expertise of French Cognac connoisseurs. The history of the brand began with a young Norwegian adventurer, Jens Reidar Larsen. We want to challenge the status quo of the Cognac industry, and explore new and surprising ways of consuming Cognac. Our Cognac has a unique identity and style, just as Jens Reidar always intended.

In 2019, Larsen saw a new look and feel that was well received across the markets. Audacity, curiosity and innovation shine through the new premium design. The new range was first launched in travel retail. To showcase the importance of cask to the cognac, we introduced Larsen Coopers to attract brown spirit drinkers more used to rum and whiskies. Larsen Coopers offers aromas of vanilla, grilled bread and toffee.

O.P. ANDERSON

Aquavit is an exciting, very Nordic, spirits category. The bartender community sees it as an exquisite cocktail ingredient. O.P. Anderson is the oldest and leading aquavit brand in Sweden, and it is taking promising steps elsewhere in the Nordics and in carefully chosen export markets. Although O.P. Anderson is associated with tradition, it is the modern take on the brand that makes it so exciting.

In 2019, we continued the successful journey, building the brand with leading Nordic bartenders. An innovation collaboration with the award-winning super premium craft gin Hernö has sparked interest amongst gin enthusiasts.

ALTIA AS AN INVESTMENT

Key investment highlights

Market leader in the Nordic wine and spirits market through our own and partner brands

- Our Nordic brands are among the best-known wine and spirits brands in the region
- We also distribute the wine and spirits brands of about 150 partners
- With our portfolio of both our own and partner brands, we have a leading market position in wine and spirits in the stable and profitable Nordic market
- We have extensive experience of operating with the state retail monopolies in Finland, Sweden and Norway
- We have strong innovation capabilities to respond to market trends
- Best-in-class route-to-market and sales channel execution capabilities make us an ideal partner for leading global wine and spirits houses

Integrated operating model enables competitive advantages and sustainability

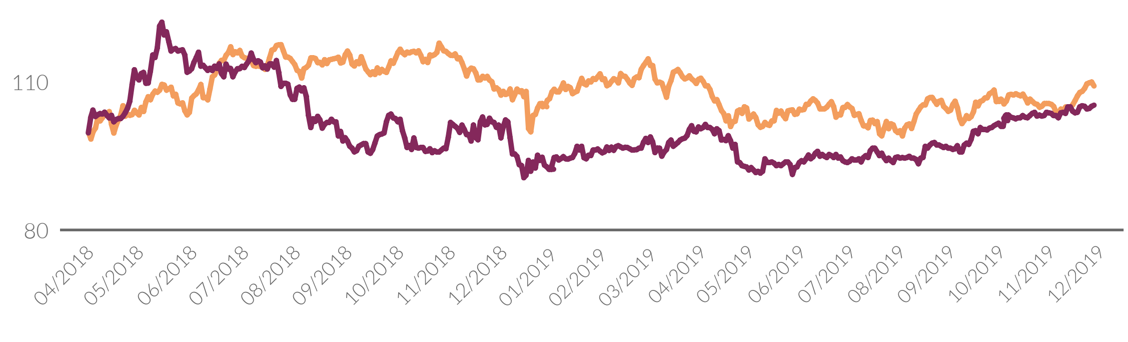
- The Koskenkorva distillery's operations are based on the bio- and circular economy
- Sustainability roadmap: Our goal is to make production carbon neutral by 2025
- A versatile product range and high material efficiency – 100% of the grain is utilised
- Industrial products includes technical ethanol, starch and feed components
- Industrial services includes contract manufacturing and logistics services for leading wine and spirits companies
- Shared and combined operations and resources lead to economies of scale and full capacity utilisation

Stable and diversified revenue streams and attractive dividend policy

- A significant part of our net sales comes through the state retail monopolies in Finland, Sweden and Norway.
- About one third of Group net sales comes from industrial (B2B) customers. The Altia Industrial segment includes Industrial services and Industrial products
- We focus on continuous profitability improvement, well-controlled capital expenditure and efficient working capital management. This supports a stable cash flow generation that enables an attractive dividend policy.
- Our solid financial position enables future growth through expansion into new markets and/or brand acquisitions to further strengthen our Nordic brand portfolio.

Share price development

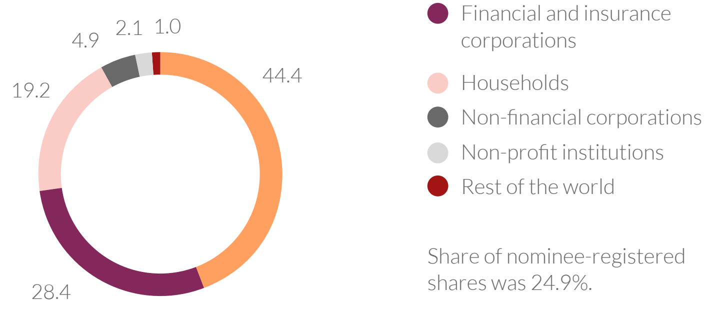
Share quotations, index 100 = 23.3.2018



Source: Nasdaq Helsinki

Ownership structure 31 Dec 2019
Shareholders by sector

% of shares



Share of nominee-registered shares was 24.9%.

Source: Euroclear Finland

ALTIA AS AN INVESTMENT

Information for shareholders

Annual General Meeting

Altia's Annual General Meeting (AGM) will be held on Wednesday, 25 March 2020 at 4:00 pm in Helsinki at Finlandia Hall (address: Mannerheimintie 13 e, entrances M1 and K1).

Participation

Instructions for those wishing to attend the AGM are given in the notice to the meeting which is available on Altia's website.

Dividend proposal

The Board of Directors proposes to the AGM that a dividend of EUR 0.42 per share be distributed for the financial period ending 31 December 2019.

Important dates related to the 2020 AGM and dividend payment

13 March	Record date of the AGM
20 March	Registration period ends
25 March	Annual General Meeting
26 March	Proposed ex-dividend date
27 March	Proposed record date for dividend payment
3 April	Proposed dividend payment date

Financial information in 2020

13 February	Financial Statements Bulletin 2019
Week 10	Annual Report 2019
29 April	Business Review for January–March 2020
19 August	Half-Year Report for January–June 2020
6 November	Business Review for January–September 2020

Altia applies a silent period of 30 days before the publication of financial statements, half-yearly reports and interim reports.

Updated information about Altia, the financial calendar and investor relations' contact information can be found at altiagroup.com/investors. Investor Relations contacts can be found on the website.

Key information about Altia's share

Market:	Nasdaq Helsinki Ltd.
Sector:	Food & Beverage/ Consumer goods
Trading code:	ALTIA
ISIN code:	FI4000292438
Listing date:	23 March 2018

	2019
Market cap:	**EUR 296 million**
High:	**EUR 8.22**
Low:	**EUR 7.08**
Closing:	**EUR 8.18**

ESG KEY FIGURES

	2019	2018	2017	2016	2015
Environment					
Use of grain (million kg)	211.5	211.7	206.0	192.2	190.7
Reduction in Koskenkorva CO_2 emissions compared to 2014 base year	58 %	54 %	56 %	42 %	35 %
Self-sufficiency in steam production at Koskenkorva due to own bio power plant	62 %	60 %	65 %	56 %	46 %
Average waste recycling & reutilisation rate	99.5 %	99.7 %	99.5 %	99.5 %	98.4 %
Water use (1 000 m^3)	502.6	660.3	663.4	1136	1045.8
Social					
Produced or imported beverages (million litres)	97.0	95.1	93.8	90.0	95.5
Average alcoholic strength of Altia's own production (% vol.)	31.3	31.3	31.7	31.6	31.7
Number of launches of low or non-alcoholic drinks	24	13	-	-	-
Sickness absence %	3.7	3.4	3.3	3.2	3.0
Number of accidents in relation to hours worked (lost time injury frequency without commuting)	9[1]	12[1]	11	8	12
Gender diversity, total headcount	42 %	42 %	42 %	42 %	41 %
Governance					
Gender diversity, Board of Directors	43 %	43 %	43 %	50 %	50 %
Gender diversity, Executive Management Team	29 %	29 %	29 %	29 %	29 %
Board meeting attendance rate (average %)	93.5 %	94.1 %	92.4 %	90.1 %	91.3 %
Board independence					
Independent of the company	7/7	7/7	7/7	6/6	6/6
Independent of shareholders	6/7	6/7	6/7	5/6	5/6

[1] Lost time injury frequency figures reported from 2018 without commuting

Gender diversity = the percentage of female directors/executives/employees relative to male colleagues in the same groups
Board independence = number of independent (as defined by CG statement) board members

Report by the Board of Directors

Report by the Board of Directors 2019

Altia is a leading Nordic alcoholic beverage brand company operating in the wine and spirits markets in the Nordic countries, Estonia and Latvia. Altia produces, imports, markets, sells and distributes both own and partner brand beverages. Altia has also production in Cognac, France. Further, Altia exports alcoholic beverages to approximately 30 countries.

In 2019, Altia's net sales in constant currencies grew by 1.5% driven by Scandinavia and Altia Industrial segments. In the monopoly markets, Altia's spirit sales value grew in all three markets: Finland, Sweden and Norway. The growth in wine was driven by a strong performance in Sweden. In the Altia Industrial segment net sales growth was driven by higher prices and good volume development in industrial products. In 2019, Altia's net sales totalled EUR 359.6 million.

In 2019, cash flow was strong and Altia's financial position strengthened further. In line with Altia's dividend policy, the Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.42 per share be paid for the financial year 2019.

KEY RATIOS

	2019	2018	2017
Net sales, EUR million	359.6	357.3	359.0
Comparable EBITDA, EUR million	44.8	40.0	42.4
% of net sales	12.4	11.2	11.8
EBITDA, EUR million	43.1	34.0	40.3
Comparable operating result, EUR million	26.8	25.6	28.2
% of net sales	7.5	7.2	7.8
Operating result, EUR million	25.1	19.7	26.1
Result for the period, EUR million	18.4	15.1	18.3
Earnings per share, EUR	0.51	0.42	0.51
Net debt / comparable EBITDA	0.6	1.2	1.1
Average number of personnel	682	718	762
Comparable EBITDA without IFRS 16 impact, EUR million	41.0	-	-
Net debt/comparable EBITDA without IFRS 16 impact	0.4	-	-

Market development in 2019

Nordic monopoly market

In the Nordic monopolies in 2019, spirits and wine volumes were flat at 0.1%. Sweden is the largest monopoly market and accounts for 39% of spirits and 63% of wine volumes. In 2019, the spirits volumes in the Swedish monopoly exceeded those of the Finnish monopoly. Spirits volumes in the Nordic monopolies grew by 1.0% driven by the good development in Sweden. Wine volumes were flat at -0.1%. The slight decline was driven by the declining wine volumes in Finland.

The table below illustrates the trends in the sales of wine and spirits in the retail monopolies in Finland, Sweden and Norway. The figures are based on sales volumes by litre published by the retail monopolies (Alko, Systembolaget and Vinmonopolet).

DEVELOPMENT OF WINE AND SPIRITS SALES VOLUMES IN THE NORDIC RETAIL MONOPOLIES

% change compared to previous year	2019	2018
Nordic monopolies in total	**+0.1**	**+0.8**
Spirits	+1.0	-0.5
Wine	-0.1	+0.8
Finland, total sales	**-2.9**	**-3.3**
Spirits	-2.1	-3.6
Wine	-3.2	-3.2
Sweden, total sales	**+1.0**	**+2.1**
Spirits	+3.9	+2.7
Wine	+0.7	+2.0
Norway, total sales	**+0.4**	**+1.5**
Spirits	+1.6	+0.1
Wine	+0.2	+1.7

Source: Based on sales volumes by litre published by Alko, Systembolaget, Vinmonopolet.

Finland

In 2019, the Finnish retail monopoly's spirits and wine sales volumes declined by 2.9% compared with previous year.
Spirits volumes were down by 2.1%. Volumes in the large vodka and spirits ('viina') category were down mainly driven by the unflavoured vodkas. This category is the main reason for the total decline of the spirits category. Grape spirits volumes also continued to decline. Those categories growing were gin, liqueurs and whiskies. Rum volumes were at previous year's level. In wine, volumes were down by 3.2%, with the large red and white wine categories both declining. Growth was seen only in rosé wines, champagne and mild mulled wines (glöggs).

Sweden

In 2019, the Swedish retail monopoly's spirits and wine volumes grew by 1.0% compared with previous year.

The spirits category grew by 3.9%. Out of the spirit categories gin, rum, liqueurs, whisky and bitters grew strongly. Vodka and grape spirits show good growth, but aquavit declined. The wine category grew by 0.7%. Red and white wines showed slight growth. Sparkling wine grew strongly with, for example, the new sparkling mulled wine (glögg) contributing to growth. Volumes of rosé wines and traditional glöggs declined (sparkling glöggs are categorised within sparkling wine).

Norway

In 2019, the Norwegian retail monopoly's spirits and wine volumes grew by 0.4% compared with previous year.
Spirits volumes grew by 1.6%. Gin, liqueurs, aquavit, rum, whisky and vodka grew, but grape spirits declined. The wine category was flat at 0.2%. With red and white wines at previous year's level, and rosé wines declining, the slight improvement was driven by growth in sparkling wine.

Strategy and financial targets in 2019

The core of Altia's strategy in 2019 was to deliver profitable growth through the five strategic streams:

- Grow Nordic core brands
- Execute a step change in wines
- Strengthen strategic partnerships
- Channel expansion and development
- Fund and enable growth - Efficiency and performance initiatives.

To support the abovementioned organic strategic streams, Altia has continued an active brand portfolio management, which includes potential selective acquisitions and/or divestments.

Financial targets

Altia has set the following long-term financial targets:

- Comparable EBITDA margin of 15% in the long-term
- Annual net sales growth of 2 per cent over time (CAGR)
- The target is to keep reported net debt in relation to comparable EBITDA below 2.5x in long-term

Dividend policy

Altia pursues an active dividend policy, and the result of the period not considered necessary to grow and develop the Company will be distributed to the shareholders. According to the dividend policy, the Company targets a dividend pay-out ratio of 60% or above of the result for the period.

Key events in 2019

Successful innovations

Annually, Altia launches about 100 innovations and novelties under its own brands. Below is a selection of innovation highlights from 2019.

Altia launched a novelty liqueur, Koskenkorva Ginger in several markets. At the Spirits Business magazine's annual Liqueur Masters, Koskenkorva Ginger won the Master title in the largest category, fruit liqueurs. Altia launched an organic version of Koskenkorva Vodka first on the Swedish on-trade market and later in other markets.

Larsen Cognac saw a new look and feel in 2019. The new range with a premium design was first launched in travel retail. A novelty, Larsen Coopers, was introduced to attract brown spirit drinkers more used to rum and whiskies. Larsen VSOP and Larsen Extra Or were successful at the IWSC 2019.

Altia launched an organic ready-to-drink aquavit cocktail on the Swedish market. This was the first organic aquavit ready-to-drink cocktail in the world, and it was awarded with a Silver medal at the Specialty Masters 2019. Altia further strengthened its partnership with the Swedish premium craft gin distillery Hernö Gin by launching the first product in a collaboration under the O.P. Anderson Aquavit brand.

Altia launched the first ever rum that is distilled and produced in Finland. The dark Rum Ö is distilled in the Smakby distillery in Åland. Rum Ö was successful at the IWSC 2019.

The Blossa glögg range was extended with non- and low-alcoholic and low sugar glöggs for the grocery trade channel, and with a sparkling glögg for the Swedish monopoly.

Altia made a number of low-alcoholic ready-to-drink launches in the Finnish grocery trade channel under the Chill Out, Leijona and Koskenkorva brands.

New strategic partnerships

In May, Altia transferred its Danish domestic market business to Conaxess Trade Beverages. Conaxess Trade Beverages gained exclusive right to the distribution and marketing of Altia's brands in Denmark's domestic market. Altia continues to operate the border trade between Denmark, Sweden and Germany.

In September, Altia announced the investment in the Von Elk Company whereby Altia became a minority shareholder in the company and the exclusive distributor in the Nordic and Baltic region of the innovative and award-winning sparkling glögg, Glöet. Glöet strengthens Altia's brand portfolio and position in the new category of sparkling glöggs.

New exports markets

In 2019, Altia expandend into two new export markets: Ukraine and Slovakia.

Industrial products

In 2019, Altia made good progress in exports of ethanol to customers in the pharmaceuticals and alcoholic beverage industries.

The trend in the paper and paperboard industries to replace fossil-based binding agents with starch has increased the demand for barley starch. Altia has been able to strengthen its position as a starch supplier to the paper and paperboard industry.

Initiatives to reach long-term financial targets

In February, Altia communicated about further initiatives to reach the long-term financial targets. The initiatives focused on sales growth, revenue management, supply chain efficiencies, procurement savings and overall organisational efficiency.

Sustainability roadmap

In December, Altia published its Sustainability Roadmap extending to 2030. The roadmap's key goal is Altia's commitment to carbon-neutral production by 2025.

Financial review

Seasonality

There are substantial seasonal fluctuations in the consumption of alcoholic beverages impacting net sales and cash flow of Altia. The company typically generates large amounts of its revenue and cash flow during the fourth quarter of the year, whereas the first quarter of the year is significantly lower. In addition, excise taxes related to the high season at the end of the year are paid in January, resulting in large cash outflows at the beginning of the year.

Net sales

In 2019, Altia's reported net sales grew by 0.6% to EUR 359.6 (357.3) million. The headwind from the weak SEK continued, and in constant currencies, net sales grew by 1.5% compared to previous year. Net sales growth was driven by the Altia Industrial and Scandinavia segments. Net sales of the Finland & Exports segment declined from previous year.

In 2019, net sales of spirits and wine remained at previous year's level, and in constant currencies growth was 1.5%. Due to partner portfolio changes in other beverages, the overall net sales of beverages were slightly below previous year's level. In constant currencies, net sales of beverages grew by 0.4% from previous year.

Net sales of spirits declined by 2.2% to EUR 121.3 (124.0) million. Altia's spirit sales grew in all monopoly markets, but the decline was driven by exports. The earlier announced business transfer in Denmark impacts comparability of net sales.

Net sales of wine grew by 2.2% to EUR 124.9 (122.2) million. Growth was driven by the Scandinavia segment. In the Finland & Exports segment, wine sales declined following declining wine market volumes.

In Altia Industrial, net sales grew by 4.2% to EUR 110.2 (105.8) million. Growth was driven by price increases following the high barley price and higher volumes in industrial products.

Profitability and result for the period

In 2019, comparable EBITDA, i.e. EBITDA excluding items affecting comparability (IAC), was EUR 44.8 (40.0) million, which is 12.4% (11.2%) of net sales. Comparable EBITDA, without the impact of adopting IFRS 16, was EUR 41.0 million. Items affecting comparability totalled EUR -1.7 (-6.0) million and were mainly related to a closed voluntary pension scheme. Reported EBITDA was EUR 43.1 (34.0) million.

The efficiency initiatives and implemented price adjustments during the year supported

NET SALES BY SEGMENT

EUR million	2019	2018	Change, %
Finland & Exports	128.6	133.8	-3.9
Scandinavia	120.7	117.7	2.6
Altia Industrial	110.2	105.8	4.2
TOTAL	**359.6**	**357.3**	**0.6**

NET SALES BY PRODUCT CATEGORY

EUR million	2019	2018	Change, %
Spirits	121.3	124.0	-2.2
Wine	124.9	122.2	2.2
Other beverages	3.1	5.3	-40.6
Industrial products and services	110.2	105.8	4.2
TOTAL	**359.6**	**357.3**	**0.6**

COMPARABLE EBITDA BY SEGMENT

EUR million	2019	2018
Finland & Exports	20.6	19.2
Scandinavia	12.1	10.1
Altia Industrial	11.4	10.9
Other	0.7*	-0.3
TOTAL	**44.8**	**40.0**
% net sales	12.4	11.2

Other segment: rental costs have been moved under depreciation according to IFRS16 standard.

COMPARABLE EBITDA BY SEGMENT WITHOUT IFRS 16 IMPACT

EUR million	2019	2018
Finland & Exports	20.4	19.2
Scandinavia	11.5	10.1
Altia Industrial	9.6	10.9
Other	-0.5	-0.3
TOTAL	**41.0**	**40.0**
% net sales	11.4	11.2

ITEMS AFFECTING COMPARABILITY

EUR million	2019	2018
Comparable EBITDA	**44.8**	**40.0**
Net gains or losses from business and assets disposals	0.1	0.4
Cost for closure of business operations and restructurings	-0.2	-1.1
Major corporate projects		
Costs related to the closed voluntary pension scheme	-1.6	-0.7
Costs related to a planned stock exchange listing	-	-4.6
Total items affecting comparability	**-1.7**	**-6.0**
EBITDA	**43.1**	**34.0**

the improvement in profitability. Profitability was negatively affected by the increased cost of barley during the first nine months of the year. In addition, the weak SEK impacted profitability negatively during the whole period.

Other operating income amounted to EUR 7.6 (7.4) million, including proceeds of sales of fixed assets of EUR 0.0 (0.5) million; income from the sales of emission allowances of EUR 0.8 (0.4) million; income from the sales of mainly steam, energy and water of EUR 3.4 (3.4) million, and rental income of EUR 1.3 (1.4) million.

Employee benefit expenses totalled EUR 45.9 (49.9) million, including EUR 34.2 (37.9) million in wages and salaries. Of the employee benefit expenses, EUR 1.8 (3.8) million have been classified as items affecting comparability (IAC) in the comparable EBITDA calculation.

Other operating expenses amounted to EUR 65.0 (73.9) million. In addition to efficiency initiatives, the IFRS 16 implementation decreased other operating expenses by EUR 3.8 million in 2019 being reported as depreciations. In 2018, other operating expenses included items affecting comparability, related to the initial public offering, amounting to EUR 2.7 million.

Net financial expenses amounted to EUR 2.2 (2.3) million. The share of profit in associates and income from interests in joint operations totalled EUR 1.6 (1.2) million.

Taxes for the reporting period were EUR 6.2 (3.6) million corresponding to a tax rate of 25.1% (19.1%). The increase in the tax rate is related to a tax provision related to the outcome of the tax audit in France and to Denmark where no deferred tax asset was booked related to the loss from the restucturing in spring 2019.

The result for the period amounted to EUR 18.4 (15.1) million, and earnings per share were EUR 0.51 (0.42).

IMPACT OF IFRS 16 ON SELECTED KEY FIGURES

	2019
Comparable EBITDA, EUR million	44.8
Net debt, EUR million	28.9
Net debt/comparable EBITDA	0.6
Equity ratio, %	37.8
Gearing, %	19.1
Comparable EBITDA without IFRS 16 impact, EUR million	41.0
Net debt without IFRS 16 impact, EUR million	18.4
Net debt/comparable EBITDA, without IFRS 16 impact	0.4
Equity ratio without IFRS 16 impact, %	38.8
Gearing withouth IFRS 16 impact, %	12.1

Impact of IFRS 16

The reporting period 1 January to 31 December 2019 includes the adoption of the IFRS standard as of 1 January 2019.

The IFRS 16 standard had a positive effect of EUR 3.8 million on comparable EBITDA, a negative effect of EUR 3.7 million on depreciation, and a negative effect of EUR 0.1 million on financial expenses. On the consolidated balance sheet on 31 December 2019, the amount of asset items based on rights of use was EUR 10.4 million, the amount of long-term lease liabilities is EUR 7.1 million and the amount of short-term lease liabilities is EUR 3.4 million.

In the cash flow statement, cash payments for the capital portion of the lease liability are presented under financing activities, and the interest portion of the lease liability is presented in cash flows from operating activities. Previously, all operating lease payments were presented in cash flows from operating activities. This had a positive effect of EUR 3.8 million on the Group's cash flows from operating activities and a negative effect of EUR 3.7 million on its cash flows from financing activities in January-December 2019.

Cash flow, balance sheet and investments

In 2019, net cash flow from operations totalled EUR 52.6 (6.5) million. The solid improvement in cash flow is driven by the changes in net working capital. Towards the end of the year, the inventory levels normalised with positive contribution from all segments and across most of the inventory categories with a key contributor being barley. Also accounts receivables improved across the segments and accounts payables improved from optimisation. In addition to net working capital, also the reported result contributed positively to the cash flow from operations as well as the implementation of IFRS 16 standard where the capital portion of the lease liabilities were moved to financing cash flow. Receivables sold amounted to EUR 76.7 (80.2) million at the end of the period.

The Group has a revolving credit facility of EUR 60.0 (60.0) million, of which EUR 0.0 (0.0) million was in use at the end of the reporting period. The nominal value of commercial papers issued amounted to EUR 0.0 (0.0) million at the end of the reporting period. Altia Group's liquidity position was good throughout the review period.

At the end of the reporting period, the Group's net debt amounted to EUR 28.9 (47.4) million. Gearing was 19.1% (31.6%), and the equity ratio was 37.8% (38.4%). The reported net debt to comparable EBITDA ratio was 0.6 (1.2). The implementation of the IFRS 16 standard increased the net debt position by EUR 10.5 million and the net debt to comparable EBITDA ratio would have been 0.4 times without the IFRS 16 implementation.

The total in the consolidated balance sheet was EUR 400.2 (390.4) million at the end of the period.

In 2019, gross capital expenditure totalled EUR 6.8 (7.7) million. Capital expenditure was related to a number of safety and replacement investments, and the development of information systems at the Koskenkorva plant.

BALANCE SHEET KEY FIGURES

	2019	2018
Reported net debt / comparable EBITDA	0.6	1.2
Borrowings, EUR million	82.6	89.4
Net debt, EUR million	28.9	47.4
Equity ratio, %	37.8	38.4
Gearing, %	19.1	31.6
Capital expenditure, EUR million	-6.8	-7.7
Total assets, EUR million	400.2	390.4

Business review

Finland & Exports

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

EUR million	2019	2018	Change, %
Net sales, EUR million	128.6	133.8	-3.9
Comparable EBITDA, EUR million	20.6	19.2	7.3
Comparable EBITDA, % of net sales	16.0	14.3	
Without IFRS 16 impact:			
Comparable EBITDA, EUR million	20.4	19.2	6.3
Comparable EBITDA, % of net sales	15.8	14.3	
Average number of personnel	89	95	

EUR million	2019	2018	Change, %
Spirits	75.1	78.1	-3.9
Wine	52.5	54.2	-3.1
Other beverages	1.0	1.5	-31.9
TOTAL	**128.6**	**133.8**	**-3.9**

Net sales

In 2019, net sales in the Finland & Exports segment were EUR 128.6 (133.8) million, down by 3.9% from previous year.

In Finland, the overall market volumes in the monopoly channel were lower than previous year. In spirits, the implemented price adjustements have balanced off the lower monopoly volumes, and Altia's spirits sales in value grew. Wine sales have declined following the decline in market volumes. In the grocery trade, sales grew, following new product launches. In the Baltic region, net sales were above previous year's level as a result of good development in both domestic and border trade following excise tax changes at the beginning of H2 2019. Travel retail and exports were below previous year's level. Partner portfolio changes and the lower number of Swedish passengers due to the weak SEK impacted travel retail negatively. Exports of vodka to Russia has continued a good development, while Cognac sales to China continued at a lower level due to last year's pipe-filling. Additionally, the protests in Hong Kong continued to impact local sales. The decline in other beverages is related to partner portfolio changes in 2018.

Comparable EBITDA

In 2019, comparable EBITDA was EUR 20.6 (19.2) million, which equals a comparable EBITDA margin of 16.0% (14.3%). Comparable EBITDA without the IFRS 16 impact was EUR 20.4 (19.2) million, which equals a comparable EBITDA margin of 15.8% (14.3%).

The improvement in profitability compared to previous year is related to an overall improvement in profitability in Finland, including implemented price adjustments, and the good development in the Baltic region. Exports and the decline of wine sales have negatively impacted profitability.

Business events

In June, Altia ran its first sustainability media campaign aimed directly at consumers. The campaign was built around bottle recycling and initially directed to Finland.

Larsen Cognac saw a new look and feel in 2019. During the summer, the new range with a premium design was first launched in travel retail.

In September, Altia announced the investment in the Von Elk Company, whereby Altia became a minority shareholder in the company and the exclusive distributor in the Nordic and Baltic region of the innovative and award-winning sparkling glögg, Glöet. Glöet strengthens Altia's brand portfolio and position in the new category of sparkling glöggs.

In exports, Altia opened two new markets: Ukraine and Slovakia.

Scandinavia

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

EUR million	2019	2018	Change, %
Net sales, EUR million	120.7	117.7	2.6
Comparable EBITDA, EUR million	12.1	10.1	19.2
Comparable EBITDA, % of net sales	10.0	8.6	
Without IFRS 16 impact:			
Comparable EBITDA, EUR million	11.5	10.1	13.2
Comparable EBITDA, % of net sales	9.5	8.6	
Average number of personnel	74	85	

EUR million	2019	2018	Change, %
Spirits	46.2	45.9	0.6
Wine	72.4	68.0	6.5
Other beverages	2.1	3.8	-44.0
TOTAL	**120.7**	**117.7**	**2.6**

Net sales

In 2019, the Scandinavia segment's net sales were EUR 120.7 (117.7) million, up by 2.6% from previous year. The weak SEK continued to have a negative impact on reported net sales. In constant currencies, net sales grew by 5.3%.

In Sweden, both spirits and wine sales grew in 2019. In spirits, growth was supported by the growing spirits market volumes, but also by implemented price adjustments and new partners. In wine, the key growth driver is the new partner portfolio from last year and also strong Blossa sales. In Norway, spirits sales have developed positively but this has not offset the negative impact from declining wine sales and partner portfolio changes.

Comparable EBITDA

In 2019, comparable EBITDA was EUR 12.1 (10.1) million, which equals a comparable EBITDA margin of 10.0% (8.6%). Comparable EBITDA without the IFRS 16 impact was EUR 11.5 (10.1) million which equals a comparable EBITDA margin of 9.5% (8.6%).

The improvement in profitability is related to an overall profitability improvement, new partner brands and price adjustments. The weak SEK continued to impact profitability negatively.

Business events

In the second quarter, Altia completed the transfer of the Danish domestic business to Conaxess Trade Beverages. Conaxess Trade Beverages gained the exclusive right to distribute and market Altia brands in Denmark's domestic market.

In May, Altia started its collaboration with Underberg AG in Sweden to further strengthen Altia's position in the bitters market.

During the year, Altia has deepened its collaboration with the Swedish premium craft gin distillery Hernö Gin. As a result, Altia introduced O.P. Anderson Hernö Juniper Cask Finish.

Altia Industrial

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

EUR million	2019	2018	Change, %
Net sales, EUR million	110.2	105.8	4.2
Comparable EBITDA, EUR million	11.4	10.9	4.2
Comparable EBITDA, % of net sales	10.4	10.3	
Without IFRS 16 impact:			
Comparable EBITDA, EUR million	9.6	10.9	-12.1
Comparable EBITDA, % of net sales	8.7	10.3	
Average number of personnel	426	426	

Net sales

In 2019, Altia Industrial's net sales were EUR 110.2 (105.8) million, up by 4.2% from previous year. Growth is driven both by higher prices compared to previous year due to the high cost of barley and volumes. Volume development has been strong in ethanol and feed components.

Comparable EBITDA

In 2019, comparable EBITDA was EUR 11.4 (10.9) million, which equals a comparable EBITDA margin of 10.4% (10.3%). Comparable EBITDA without the IFRS 16 impact was EUR 9.6 (10.9) million, which equals a comparable EBITDA margin of 8.7% (10.3%).

Profitability was negatively impacted by the high cost of barley, Group internal organisational changes, and increased logistics costs in Sweden.

Production volumes and key projects

During 2019, the Rajamäki alcoholic beverage plant in Finland produced 65.8 (64.7) million litres of spirits and wine.

The Koskenkorva plant was running at full capacity during the period and 212 (212) million kilos of grain were used at the plant. The planned maintenance shutdown in August slightly affected the total consumption of grain.

Grain spirit production was 22.2 (22.0) million kilos including technical ethanols, starch production was 65.1 (68.9) million kilos, and feed component production was 65.6 (62.2) million kilos.

During the period, a number of safety and replacement investments were carried out, and a new ERP system at the Industrial products business unit, including the Koskenkorva distillery, was deployed successfully.

In 2019, Altia made good progress in exports of ethanol to customers in the pharmaceuticals and alcoholic beverage industries.

The trend in the paper and paperboard industries to replace fossil-based binding agents with starch has increased the demand for barley starch. Altia was able to strengthen its position as a starch supplier to the paper and paperboard industry.

Research and development activities

The Group's direct research and development expenditure amounted to EUR 2.3 (3.3) million and was related to the product development of alcoholic beverages.

Governance

Corporate Governance and Remuneration Statement

Altia's Corporate Governance Statement and the Remuneration Statement for 2018 were published together with the Report by the Board of Directors on 22 March 2019 and are available on the company website.

Annual General Meeting 2019

Altia's Annual General Meeting (AGM) was held in Helsinki on 15 May 2019. The meeting adopted the financial statements and discharged the members of the Board of Directors and the CEO from liability for the 2018 financial year. The AGM also approved the proposal by the Board of Directors to pay a dividend of EUR 0.38 per share for the 2018 financial year.

Board of Directors and Board Committees

Based on the proposals of the Shareholders' Nomination Board, the AGM approved the number of members of the Board of Directors as seven. The AGM also re-elected Sanna Suvanto-Harsaae as Chairman of the Board, Kai Telanne as Vice Chairman and Kim Henriksson, Tiina Lencioni, Jukka Ohtola and Torsten Steenholt as members of the Board. Anette Rosengren was elected as a new member.

The term for the members of the Board of Directors lasts until the end of the next Annual General Meeting.

Based on the proposal by the Shareholders' Nomination Board, the AGM decided that the remuneration to the members of the Board of Directors during the next term consists of a monthly term of office fee as follows:

- EUR 4 000 per month, Chairman
- EUR 2 500 per month, Vice Chairman
- EUR 2 000 per month, member

In addition to the monthly fee, the members of the Board of Directors receive a meeting fee for the Board of Directors and Board Committee meetings of EUR 600 per meeting for Board members residing in Finland and EUR 1 200 per meeting for Board members residing abroad. Travel expenses are reimbursed in accordance with the company's travel policy.

Altia's Board of Directors held its organising meeting after the Annual General Meeting and elected the members of the Audit and Human Resources Committees as follows:

- Audit Committee: Kim Henriksson (Chairman), Tiina Lencioni and Sanna Suvanto-Harsaae
- Human Resources Committee: Sanna Suvanto-Harsaae (Chairman), Kai Telanne and Jukka Ohtola

The Board of Directors has assessed that all members of the Board of Directors are independent of the company. Furthermore, all members of the Board of Directors, with the exception of Jukka Ohtola, are independent of the company's major shareholders. Jukka Ohtola is a member of the Board of Directors of Valtion Kehitysyhtiö Vake Oy and holds an office in the Ownership Steering Department of the Finnish Prime Minister's Office and is therefore not independent of the company's major shareholders.

Auditor

In accordance with the recommendation by the Audit Committee, the Annual General Meeting 2019 re-elected PricewaterhouseCoopers Oy as the company's auditor for a term ending at the close of the next Annual General Meeting. PricewaterhouseCoopers Oy has informed the company that Authorised Public Accountant Ylva Eriksson will continue as the auditor-in-charge. The meeting decided that the auditor's fees would be paid against an invoice approved by the company.

Shareholders' Nomination Board

In October, Altia announced that its three largest registered shareholders (shareholder register maintained by Euroclear Finland Ltd as per 2 September 2019) have nominated the following representatives to the Shareholders' Nomination Board:

- Pekka Hurtola, the Ownership Steering Department in the Prime Minister's Office
- Hanna Kaskela, Varma Mutual Pension Insurance Company
- Annika Ekman, Ilmarinen Mutual Pension Insurance Company

In its organising meeting on 2 October 2019 the Nomination Board elected Pekka Hurtola as its Chairman. The Chairman of Altia's Board of Directors, Sanna Suvanto-Harsaae acts as an expert member in the Nomination Board.

Group structure

The Group's plan is to simplify its current group structure. The plan is to merge all Altia Oyj's Finnish subsidiaries excluding Oy Wennerco Ab to Altia Oyj and merge all Swedish subsidiaries to Altia Sweden AB. The merger plans have been registered. The mergers are planned to take place on or about 30 April 2020.

Chief Executive Officer and Group Management

Niklas Nylander started as Altia's Chief Financial Officer (CFO) on 1 January 2019. There were no other changes in the Executive Management Team (EMT) during the period. On 31 December 2019, the EMT consisted of the following members:

- Pekka Tennilä, CEO
- Janne Halttunen, SVP, Scandinavia
- Kari Kilpinen, SVP, Finland & Exports
- Kirsi Lehtola, SVP, HR
- Niklas Nylander, CFO
- Kirsi Puntila, SVP, Marketing
- Hannu Tuominen, SVP, Altia Industrial

SECTOR DISTRIBUTION 31 DEC 2019

Sector	Number of shares	% of shares
Public sector	16 052 550	44.4
Financial and insurance corporations	10 281 865	28.4
Households	6 929 009	19.2
Non-financial corporations	1 756 759	4.9
Non-profit institutions	757 763	2.1
Rest of the world	362 539	1.0
TOTAL	**36 140 485**	**100.0**

Source: Euroclear Finland

Altia's share

Altia's shares are listed on the Nasdaq Helsinki. All shares carry one vote and have equal voting rights. The trading code of the shares is "ALTIA", and the ISIN code is FI4000292438.

Share capital and share

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

Shareholders and share trading

At the end of December 2019, Altia had 17 911 registered shareholders, and 8 986 556 shares representing 24.9% of the total number of shares were nominee-registered. During 2019, the highest share price was EUR 8.22 and the lowest EUR 7.08. In total, 5 856 465 shares were traded on Nasdaq Helsinki. The closing price of Altia's share on 30 December 2019 was EUR 8.18, and the market capitalisation was approximately EUR 296 million.

Flagging notifications

In 2019, Altia was informed of the following changes in ownership:

- On 7 February 2019, the State of Finland transferred as an equity contribution-in-kind 13 097 481 shares in Altia Plc to Valtion kehitysyhtiö Vake Oy, which is a company fully owned by the State of Finland and thereby fully controlled by the State of Finland.
- On 7 February 2019, Lazard Asset Management LLC notified of exceeding the threshold of 5% with a holding of 5.34% of which 2.40% are shares with voting rights attached.

Management's ownership

On 31 December 2019, the members of the Board of Directors, the CEO and the members of the Executive Management Team, including their controlled corporations, owned a total of 98 631 shares corresponding to 0.27% of the total number of shares.

DISTRIBUTION BY SIZE OF HOLDING 31 DEC 2019

Number of shares	Number of shareholders	% of shareholders	Number of Shares	% of shares
1-100	5 655	31.6	420 119	1.2
101-500	8 929	49.9	2 274 048	6.3
501-1000	2 056	11.5	1 507 780	4.2
1001-5000	1 058	5.9	2 018 277	5.6
5001-10000	110	0.6	785 671	2.2
10001-50000	72	0.4	1 541 612	4.3
50001-100000	13	0.1	985 100	2.7
100001-500000	11	0.1	2 045 485	5.7
500001-& above	7	0.0	24 562 393	68.0
TOTAL	**17 911**	**100.0**	**36 140 485**	**100.0**

Source: Euroclear Finland

LARGEST SHAREHOLDERS 31 DEC 2019

	Shareholder	Number of shares	% of shares
1	Valtion Kehitysyhtiö Vake Oy	13 097 481	36.2
2	Varma Mutual Pension Insurance Company	1 550 000	4.3
3	Ilmarinen Mutual Pension Insurance Company	973 300	2.7
4	OP-Finland Small Firms Fund	579 516	1.6
5	Veritas Pension Insurance Company Ltd.	420 000	1.2
6	FIM Fenno Sijoitusrahasto	181 931	0.5
7	Mandatum Life Insurance Company Limited	165 076	0.5
8	Säästöpankki Kotimaa	150 000	0.4
9	Sijoitusrahasto Taaleritehdas Arvo Markka Osake	150 000	0.4
10	Säästöpankki Pienyhtiöt	149 424	0.4
TOTAL		**17 416 728**	**48.2**
Nominee-registered shares		8 986 556	24.9

Source: Euroclear Finland

Authorisations, option and share-based incentive programmes

During 2019, Altia did not have share option programmes. Altia's CEO, the members of the Executive Management Team and selected key employees are part of a share based, long-term incentive scheme. Altia did not have authorisations for share repurchases or share issues and did not hold any own shares during the period.

Personnel

In 2019, Altia Group had an average of 682 (718) employees. On 31 December 2019, Altia Group had 632 (678) employees, of whom 381 (402) were in Finland, 110 (114) in Sweden, 4 (19) in Denmark, 21 (28) in Norway, 31 (32) in Latvia, 60 (61) in Estonia, and 25 (22) in France.

In May 2019, Altia transferred the domestic business in Denmark to Conaxess Trade Beverages, and employees working in the business were transferred to Conaxess Trade Beverages as old employees. Implementation of the Scandinavian segment's restructuring was completed. These arrangements aimed to renew ways of working as well as simplifying the organisational structure. The decrease in the number of the Group's personnel was primarily due to reorganisations, non-replacement, or other internal career arrangements. Altia supported the affected employees by offering outplacement or training support.

In 2019, safety culture was boosted by initiating a comprehensive Human Factor programme at the Rajamäki plant. The idea of the programme is to lift the safety culture from individualist to systemic, and therefore enhance an understanding of the requirements of the changing environment. A digital marketing training programme was organised for the marketing organisation, and smart work training programmes were organised for the whole salaried personnel about prioritising and time management. The Altia Tasting personnel survey was conducted in January-February 2019. The survey provided accurate tools for managers to develop their leadership. The key development areas based on the survey were improving leadership skills, making development opportunities more visible and increasing top management visibility.

Incentive programmes

Short-term and long-term incentives

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

Altia's CEO, the members of the Executive Management Team and selected key employees are part of a long-term incentive scheme.

Based on the result for 2019, no annual performance bonuses were paid. Other bonuses totalled EUR 0.5 (0.5) million.

Share-based incentive scheme

Altia's CEO, the members of the Executive Management Team and selected key employees are part of a share-based, long-term incentive scheme. The objectives of the share-based long-term incentive scheme are to align the interests of Altia's management and key employees with those of the Company's shareholders and, thus, to promote shareholder value creation in the long term, and to commit the management and key employees to achieving Altia's strategic targets as well as the retention of Altia's valuable key resources. The scheme complements a balanced incentive structure.

The scheme consists of annually commencing individual performance share plans (PSP), each with a three-year performance period, followed by the payment of the potentially earned share reward. The commencement of each individual plan is subject to a separate Board approval.

The first plan (PSP 2019–2021) commenced in the beginning of 2019 and the potential share reward thereunder will be paid in the spring of 2022, provided that the performance targets set by the Board of Directors are achieved. The potential reward will be paid in listed shares of Altia. Those eligible to participate in the first plan are approximately 20 individuals.

If all the performance targets set for PSP 2019–2021 are fully achieved, the aggregate maximum number of shares to be paid based on this first plan is approximately 250 000 shares.

Sustainability

In 2019, Altia was nominated as one of the most inspiring circular economy companies by Sitra, the Finnish Innovation Fund. Altia was chosen due to the bio and circular economy achievements at the Koskenkorva distillery.

Sustainability has for long been a strategic priority and key success factor for Altia and as of 2020 it is an integral part of Altia's refined company strategy. The aim of the company's responsibility efforts is to build a sustainable long-term business. Altia also wants to promote a modern and responsible Nordic drinking culture. This target is summarised in the company's purpose, Let's Drink Better.

Altia has been following a group level corporate responsibility action plan for 2018–2020. The action plan progressed as planned in 2019 at the same time, when a new long-term Sustainability Roadmap was built. In December 2019, Altia published its new Sustainability Roadmap 2030, with long-term goals 10 years ahead, as well as ambitious, numerical targets, based on United Nations Sustainable Development Goals. The key goal is that Altia will aim to have carbon neutral production in 2025, without using compensations.

Altia's new sustainability roadmap has four focus areas, which also include the cornerstones of the previous plan: Our Distillery, Our Drink, Out Society and Our People. The focus ares are based on four selected United Nations Sustainable Development Goals (SDGs), Altia's purpose and strategy, stakeholder expectations, the company's own operating principles and codes of conduct, as well as the amfori BSCI Code of Conduct, which in turn is based on key international agreements protecting workers' rights. Altia has joined the amfori BSCI initiative and aims to annually increase the traceability and transparency of product and raw material supply chains.

More details can be found in the Non-Financial Statement published in connection with the Report by the Board of Directors and in the Annual Report's dedicated section on Sustainability.

Health, safety and environment

Occupational health and safety

Occupational safety is a vital part of Altia's corporate responsibility. Altia aims to reduce the number of accidents, absences caused by accidents and sickness absences. To achieve these goals, various occupational safety targets were set and related actions were conducted across different Altia sites during 2019.

In 2019, the sickness absence, excluding commuting rate was 3.7% (3.4%). The accident frequency (the number of accidents per one million working hours) for accidents requiring at least one day of absence was 9 (12). There were no fatal work-related accidents in 2019 (0).

The environment and energy efficiency

Altia's work with environmental matters focuses on minimising the environmental impacts generated by Altia's own operations. The most significant environmental impacts of Altia's operations are energy consumption, water consumption, waste water quality, waste generation and the non-quality costs generated from scrapped raw materials, packaging materials and end products. Environmental indicators have been defined to support the reduction of these impacts. Annual targets and related actions were defined for different locations.

Organic loading of wastewater decreased at Rajamäki and increased at Koskenkorva plants during the reporting period. At Koskenkorva, wastewater calculation include also A-Rehu's amount. A-Rehu operates on Koskenkorva plant area. Water consumption relative to production increased at Rajamäki and decreased at Tabasalu and Koskenkorva. The average waste utilization rate for the Altia production sites in Rajamäki, Koskenkorva and Tabasalu, was 99.5% in 2019 (99.7%).

The bioenergy power plant at Koskenkorva, which uses barley husks as its primary fuel, has enabled the Koskenkorva plant to reduce its carbon dioxide emissions and achieve a 62% self-sufficiency rate in fuels for steam production in the reporting period. The bioenergy power plant has been operating at full capacity since January 2015. The use of renewable fuel has reduced the Koskenkorva plant's carbon dioxide emissions by 58% in 2019 compared to the base year 2014 level.

Energy efficiency achieved through various energy saving measures is a major development area for the company both in terms of profitability and environmental responsibility. Altia is committed to the Finnish energy efficiency agreement for the period of 2017–2025, with the target to reduce energy consumption by 10% by the year 2025, compared to the base year 2014. As part of the new Sustanability Roadmap, Altia has also committed to 100% renewable energy by 2025. In 2019, energy use relative to production volume decreased at the Rajamäki plant and increased at the Koskenkorva plant.

Risks and risk management

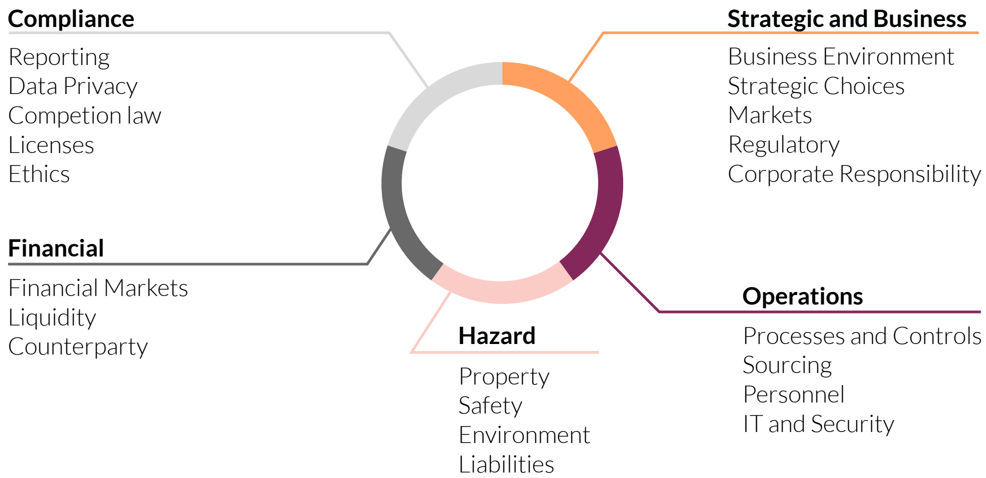
Risk management

Altia's risk management aims to support the realisation of the company's strategy, risk identification, and means to reduce the likelihood and impact of risk materialisation, as well as to safeguard business continuity. Risks may be the result of an internal or external event. The Group's risk management policy has been approved by Altia Plc's Board of Directors.

The risk management policy describes the goals, principles and responsibilities of Altia's risk management and the related reporting principles. In line with this, the risk management steering group supports and coordinates risk management as part of the Group's planning and control processes and reports key risks to the company's management and Audit Committee. The most significant risks and uncertainties are assessed yearly in the Report of the Board of Directors.

Altia's business areas are responsible for risks related to their operations, as well as for their identification, prevention and key limitation methods. The Group's finance department manages financial risks according to the hedging principles defined in the company's financial policy. The management principles of the Group's most significant financial risks are described in more detail in the Notes to the Consolidated Financial Statements, under

ALTIA'S RISK CHART



section 4.1. Financial risk management. The finance department is also responsible for insurance programmes that cover the entire Group.

Altia's risk management process is based on the ISO 31000 standard and also includes ERM components, as applicable. The Corporate Governance Statement includes information on the risk management process.

Most significant risks and uncertainties

For reporting and risk assessment purposes, risks are categorised into five classes: strategic and business risks, operational and process-related risks, damage risks, financial risks and compliance risks. The Board of Directors assesses these central risks and the measures aiming to reduce the likelihood of their materialisation every three months.

Strategic and business risks relate to decision-making, resource allocation, management systems and the capacity to respond to changes in the operating environment (Strategy period: long-term, 3–5 years). Responsibility risks related to business operations are described in the Non-Financial Statement published in connection with the Report by the Board of Directors.

Operational risks concern the implementation

Risk	Description	Risk management
Raw material price risk	The availability of domestic barley and its market price has a significant impact on the profitability of Altia's business.	Altia ensures the availability of barley with contract farming and the price of barley in cooperation with farmers and grain companies.
Risks related to customers and consumer demand	Our customers in Altia's market areas include Nordic retail monopolies, wholesalers who sell alcohol, restaurants, retail stores, travel retail, international wine and spirits companies and importers operating in the export markets. The wide customer base provides Altia with diverse opportunities for the long-term development of customer cooperation.	A strong market position, efficient industrial processes, good quality and well-known brands improve Altia's chances to manage the risk.
	Changes in consumer behaviour may, in the long term, shift the emphasis in the demand for Altia's products between different product categories.	Changes in consumption patterns and the need to adjust operations are prepared for by investing in consumer-driven product development.
Product safety risks	As a wine and spirits company, one major risk is ensuring the quality and safety of the raw materials and finished goods through the supply chain.	Altia employs modern methods to ensure the safety of production processes and to eliminate various microbiological, chemical and physical hazards. In ensuring product safety, Altia complies with the operating methods required by food safety management and quality certificates.
Damage risks	Altia has production facilities in Finland, Estonia and France. A fire or other unforeseen event may interrupt the operations of a production facility.	All of our production facilities have insurance policies for material damage and the interruption of operations in the Group's insurance programme. Key production facilities are subject to a risk survey every 1–2 years. Continuity plans serve to limit any possible loss of profits.
Financial risks	The key risks related to finance in Altia's operations are currency transaction and translation risks, interest rate risks and refinancing and liquidity risks.	Financial risk management aims to mitigate any impact that price fluctuations and other uncertainties in the financial markets have on operating results, the balance sheet and cash flow and to ensure sufficient liquidity. The management principles of the Group's most significant financial risks are described in more detail in the Notes to the Consolidated Financial Statements, under section 4.1. Financial risk management.
Compliance	Key compliance risks in Altia's operations relate to the breach of laws and regulations and decisions by authorities concerning reporting, permits and licenses, marketing of alcoholic beverages, competition law and processing of personal data.	Altia aims to manage compliance risks and ensure ethically sustainable business practices with guidance and regular training. Compliance risk management aims to avoid sanctions, consequences and official investigations and decisions that may damage the company's profitability, business continuity and reputation.

of strategy and day-to-day business operations. Such risks include deviations in processes, systems and conduct (Budget period: short-term, 1–2 years).

Damage risks are errors, malfunctions and accidents occurring within Altia or its operating environment, resulting in damage or loss.

Financial risks pertain to changes in market prices, the short- and long-term adequacy of financial assets and the ability of counterparties to meet their financial obligations.

Compliance risks involve violations of laws and permits as well as ethically sustainable business practices applicable to the company's operations and industry. The risk table on the previous page contains a summary of key uncertainties with an either positive or negative effect on Altia's operations.

Price risk associated with commodities

Barley

In 2019, Altia consumed approximately 212 (212) million kilos of Finnish grain to produce ethanol and starch. The availability of high-quality domestic barley is ensured through contract cultivation and cooperation with farmers and grain handling companies. The market price of barley fluctuates significantly year by year as a result of several factors that affect Finnish barley supply and demand. The price of barley is therefore considered to be a significant risk for Altia during the financial year. The price risk has not been hedged against with derivative instruments.

Electricity

A 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 against. The hedges are executed with the OTC-derivatives of Nasdaq OMX Oslo ASA.

The hedging service for electricity procurement has been outsourced.

At the end of 2019, the hedging ratio for deliveries for the next 12 months was 53.7% (64.1%), in line with the set targets. In 2019, the average hedging ratio was 66.0% (68.0%).

Cash flow hedge accounting in accordance with IFRS 9 is applied to the hedges against electric-ity price risk, and hedge effectiveness is tested quarterly. All hedging was effective in 2019 as that was in 2018.

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

Sensitivity to market risks

The table above 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.

SENSITIVITY OF FINANCIAL INSTRUMENTS TO MARKET RISKS (BEFORE TAXES) IN ACCORDANCE WITH IFRS 7

EUR million	2019 Income statement	2019 Equity	2018 Income statement	2018 Equity
+/-10% electricity	-	+/-0.2	-	+/-0.3
+/-10% change in EUR/NOK exchange rate	-/+0.0	+/-0.2	-/+0.1	+/-0.2
+/-10% change in EUR/SEK exchange rate	-/+0.2	+/-1.8	-/+0.2	+/-2.2
+/-10% change in EUR/USD exchange rate	-/+0.0	-/+0.2	-/+0.1	-/+0.4
+/-10% change in EUR/AUD exchange rate	-/+0.0	-/+0.2	-/+0.0	-/+0.2
+/-1%-points change in interest rates	-0.5	+0.4	-0.5	+0.6

Note: +10% increase in EUR/SEK exchange rate would have an EUR -0.2 million effect in income statement. Other risks with same principle.

The sensitivity to foreign exchange rate changes is calculated from the net currency position resulting from financial instruments.

The total group floating rate liability position consists of floating rate liabilities EUR 70.0 (75.0) million and floating leg of interest rate swap EUR 20.0 (20.0) million which is netting the interest rate risk.

An increase of one percentage point in interest rates would have an effect of EUR -0.5 (-0.5) million on the income statement. The effect of the increase in market interest rates on the Group's profit is determined by net interest expenses.

Short-term risks and uncertainties

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. Unexpected and unforeseen disruptions in production and deliveries form the major short-term risks related to operations, as well as sudden and significant changes in prices of raw materials, especially related to barley.

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.

Outlook for 2020

Market outlook

The development of the Group's business operations and profitability are affected by the competitive environment, the overall economic outlook and changes in alcohol taxation and regulation. Uncertainty related to changes in consumer buying behaviour and consumer demand continues. Also, overall fluctuations of direct product costs affect the Group's profitability.

Seasonality

There are substantial seasonal fluctuations in the consumption of alcoholic beverages impacting the net sales and cash flow of Altia. The company typically generates large amounts of its revenue and cash flow during the fourth quarter of the year, whereas the first quarter of the year is significantly lower. In addition, excise taxes related to the high season at the end of the year are paid in January, resulting in large cash outflows at the beginning of the year.

Guidance

The continued decline in market volumes in Finland puts pressure on profitability growth. The uncertainties in global travelling impacts border trade and travel retail regionally and in Asia. Guidance assumes a normal barley price level following the 2020 harvest. Industrial services are impacted by phasing of volumes between the years.

The comparable EBITDA is expected to be at the same level as or higher than in 2019 (2019: EUR 44.8 million).

Financial calendar 2020

The Annual Report 2019 including the financial statements, Board of Directors' report, Auditor's report, the Corporate Governance statement and the remuneration statement will be published in English and Finnish on Altia's website during week 10 (the week starting on 2 March).

Altia Plc will publish financial reports in 2020 as follows:

- 29 April: Business Review for January-March 2020
- 19 August: Half-Year Report for January-June 2020
- 6 November: Business Review for January-September 2020

Annual General Meeting 2020

Altia Plc's Annual General Meeting (AGM) 2020 is planned to be held on 25 March 2020 in Helsinki. The notice to and instructions for the AGM are published on Altia's website.

Dividend proposal

According to the financial statements on 31 December 2019, the parent company's distributable funds amount to EUR 96 936 582.11 including profit for the period of EUR 38 585 786.54.

There have been no significant changes to the parent company's financial position after the end of the financial year.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.42 per share be paid for the financial year 2019.

Events after the period

On 29 January, the proposals by the Shareholders' Nomination Board to the Annual General Meeting were announced. The Nomination Board proposes that the number of members of the Board of Directors would be seven and that of the present members Tiina Lencioni, Jukka Ohtola, Anette Rosengren, Torsten Steenholt and Sanna Suvanto-Harsaae would be re-elected and that Jukka Leinonen and Jyrki Mäki-Kala would be elected as new members.

Further, the Nomination Board proposes that the remuneration to be paid to the members of the Board of Directors during the next term would consist of a monthly term of office fee as follows: EUR 4 000 per month, Chairman; EUR 2 500 per month, Vice Chairman; EUR 2 000 per month, member. In addition to the monthly fee, the Board members would receive a meeting fee for the Board of Directors and Board Committee meetings of EUR 600 per meeting for Board members residing in Finland and EUR 1 200 per meeting for Board members residing abroad. Travel expenses would be reimbursed in accordance with the company's travel policy.

In addition, the Nomination Board proposes to amend the Charter of the Shareholders' Nomination Board so that the three largest shareholders shall be determined on the first banking day of June each year (currently determined on the first banking day of September each year).

Helsinki, 12 February 2020
Altia Plc
Board of Directors

Non-financial statement

Introduction

Corporate responsibility has for long been a strategic priority and key success factor for Altia and as of 2020 it is an integral part of Altia's company strategy. The aim of the company's responsibility efforts is to build sustainable long-term business. With its new Sustainability Roadmap 2030 and the key goal of carbon-free production Altia wants to add to the national and international efforts of mitigating climate change. Altia also wants to promote a modern and responsible Nordic drinking culture. This target is summarised in the company's purpose, Let's Drink Better. Better drinking can be interpreted as, for example, a drinking culture that is of a higher quality, moderate in quantity, lighter, more social or more environmentally friendly.

Altia has reported on the company's responsibility efforts for ten years in accordance with the model for corporate responsibility reporting for state-owned companies[1] and the Global Reporting Initiative (GRI) guidelines.

This non-financial statement describes, in accordance with the Finnish Accounting Act, Altia's approach to the management of environmental, social and employee matters, as well as matters related to respect for human rights and anti-corruption and bribery, in its operations.

More detailed information about our responsibility work is provided in a separate section on Sustainability in Annual Report.

Business model

Altia's business model is based on offering a strong portfolio of its own brands and a versatile range of international partner brands, as well as providing services to its customers utilising the company's production, packaging and logistics capacity. In addition, by-products from the production process are sold to industrial customers in other industries. The integrated operating model creates significant economies of scale in sourcing, production and distribution, and allows the company to take advantage of its shared operations – such as consumer research, innovation, product development and overall know-how – and use its centralised support functions efficiently. The Business Overview section contains a description of how Altia creates value.

Environmental matters

a. Policies and ways of working (including due diligence)

Altia's work on environmental matters focuses on minimising the environmental impacts of the company's own operations. Altia aims for high material and resource efficiency and develops products and their packaging with a view to achieving a lower environmental impact. In addition, necessary measures are taken to protect the groundwater resources used as an ingredient in Altia's products.

The environmental aspects relevant to the company are assessed at three-year intervals. In the assessment conducted in 2018, energy consumption, water consumption, wastewater and its quality, as well as waste generation, were identified as the most significant environmental aspects. Environmental key performance indicators and annual reduction targets were defined to support the reduction of these impacts. Plant-specific targets and the actions necessary to achieve the targets are set annually, and progress is monitored monthly with the help of the indicators.

The standards, policies and principles relevant to Altia's environmental work include:

- Altia Code of Conduct
- Altia Quality, Safety and Environmental Principles
- ISO14001 Environmental Management System standard; the certification covers Altia's operations in Finland

b. Principal risks and their management

Environmental risks are assessed regularly as part of the assessment of Altia's environmental impacts and of Altia Group's risk management.

The principal risks identified include possible leaks to the soil or waterways (including groundwater areas), overruns of the wastewater quality limits in Altia's environmental permits, and the costs related to maintaining compliance with increasingly strict environmental regulations as well as the fines and sanctions resulting from any non-compliance with the said regulations.

The risks are managed through various measures, including the maintenance of an environmental management system in accordance with the ISO14001 standard, regular monitoring of wastewater quality, ownership of land in groundwater areas and monitoring legislative developments.

c. Outcome and KPIs

Altia's long-term work with circular economy at the Koskenkorva distillery was noted as Sitra selected Altia to their list of most inspiring circular economy companies.

[1] Government Resolution on State Ownership Policy 3 November 2011, Annex 3

KPI	2019	2018	2017
Energy efficiency (MWh/ m^3 of product or tonne of barley)	Koskenkorva: 0.63 Rajamäki and Tabasalu: 0.27	Koskenkorva: 0.63 Rajamäki and Tabasalu: 0.31	Koskenkorva: 0.63 Rajamäki and Tabasalu: 0.28
Water efficiency (m^3/m^3 of product or tonne of barley)[1]	Koskenkorva: 1.49 Rajamäki and Tabasalu: 1.65	Koskenkorva: 2.26 Rajamäki and Tabasalu: 1.61	Koskenkorva: 2.28 Rajamäki and Tabasalu: 1.46
Quality of wastewater (kg COD/m^3 of product or tonne of barley)[2]	Koskenkorva: 3.37 Rajamäki and Tabasalu: 2.29	Koskenkorva: 3.10 Rajamäki and Tabasalu: 3.35	Koskenkorva: 2.23 Rajamäki and Tabasalu: 2.92
Average rate of recycling and reutilisation	99.5 %	99.7 %	99.5 %
Monetary value of fines and number of non-monetary sanctions	0	0	0

[1] Monitoring of the KPI for water efficiency was discontinued at the beginning of 2018 at the Rajamäki plant of the Industrial Products unit, because the KPI is not material for the operations.
[2] The KPI for the quality of wastewater is not monitored at the Tabasalu plant.

In Finland, Altia has joined the voluntary Energy Efficiency Agreement, the other parties of which are the Ministry of Economic Affairs and Employment, industry associations and companies. With the agreement, Altia commits to reducing its energy consumption by 10% by 2025, compared to the base year 2014. Energy consumption relative to production decreased at the Rajamäki plant and increased at Koskenkorva in 2019.

The limit values for wastewater loads are specified in Altia's environmental permits. Organic loading of wastewater decreased at Rajamäki and increased at Koskenkorva in 2019. The average monthly biological oxygen demand (BOD) in wastewater didn't exceed the monthly average permit limit. The daily BOD limit was exceeded 3 times during 2019. The results of Altia's key environmental indicators are summarised in the table above and discussed in more detail under Our Distillery section on Sustainability.

The bioenergy power plant at the Koskenkorva plant enabled Altia to reduce the Koskenkorva plant's carbon dioxide emissions by 58 % in 2019, compared to 2014. The plant's fuel self-sufficiency in steam production was 62 % in 2019.

Social and employee matters

Consumer and product related matters

a. Policies and ways of working (including due diligence)

Product safety is a top priority for Altia, and the company continuously improves the quality of raw materials and final products. Altia markets its products responsibly and in compliance with applicable marketing laws and provides consumer information in accordance with applicable regulations.

The key processes related to product quality and safety have been defined and the relevant instructions are maintained in Altia's management system. Key performance indicators regarding quality, targets included, have been set they are monitored on a monthy basis. The KPIs concern quality costs, customer feedback and the proportions of deviating batches. Plant-specific targets and the actions necessary to achieve those targets are furthermore set annually, and progress is monitored monthly with the help of the indicators.

Altia wants to build responsible drinking culture. Given that the company's own employees are in a key position for driving the change, Altia has an employee alcohol policy in place. The policy is applicable to all Altia employees and everyone working on Altia's production sites or in its offices.

Altia's Rajamäki plant has international Fair Trade and Fair for Life certifications. Alti Brunna has also Fair for Life certification.

The Koskenkorva distillery, the Rajamäki alcoholic beverage plant and the distillery in Sundsvall are certified for organic production.

The standards, policies and principles relevant to the safety, quality, marketing and consumption of Altia's products include:

- Altia Code of Conduct
- ISO9001 Quality Management standard; the certification covers Altia's operations in Finland as well as the Tabasalu plant in Estonia
- ISO22000 Food Safety Management standard; the certification covers Altia's Rajamäki plant
- Altia Quality, Safety and Environmental Principles
- Altia Marketing Guidelines
- Altia Employee Alcohol Policy

b. Principal risks and their management

The risks are assessed as part of quality and safety risk assessments and as part of Altia Group's risk management. The principal risks identified include failure to comply with hygiene requirements, lack of consistency in the quality of products, any contamination of products, as well as defects in raw materials or packaging. Such incidents can lead to product recalls or make the company subject to legal claims. As the alcohol business is highly regulated, stricter regulation regarding the marketing and advertising of alcoholic beverages or their taxation, for example, could have an impact on the company's operations.

To manage risks of this type, Altia maintains quality and food safety management systems in accordance with international standards. Quali-

KPI	2019	2018	2017
Amount of income taxes paid and excise taxes collected	EUR 435 million The full tax footprint is available in the section on Sustainability	EUR 454.2 million The full tax footprint is available in the section on Sustainability	EUR 425.6 million The full tax footprint is available in the section on Sustainability

ty is monitored continuously during production by means of line inspections and testing, as well as the analysis of end products. Instructions and process are maintained in view of possible recalls and situations are practised regularly by way of phantom testing. Applicable legislation and any developments therein are reviewed regularly.

c. Outcome and KPIs

Altia's Rajamäki plant was audited to receive the FSSC 22000 food safety certificate in December 2019 and the certificate is expected to be granted in beginning of 2020. During the reporting year, the company arranged training for employees. Altia has also specified instructions and processes for food fraud mitigation and food defence. Plant-specific targets and the actions necessary to achieve those targets are set annually and progress is monitored monthly with the help of the indicators.

Altia's tax footprint is significant compared to company net sales, due to excise duty.

Employee matters

a. Policies and ways of working (including due diligence)

Altia is committed to building a culture with a motivating and supportive working environment based on safety, openness, equality and trust. The company values diversity and promotes equal treatment and equal opportunities. Altia maintains a continuous dialogue with its employees by sharing information and engaging the employees and respects the freedom of association and the right to collective bargaining. All Altia employees are expected to respect each other's rights to fair treatment and to act in accordance with the Altia Behaviours. These are Renew Bravely, Show Direction, Build Success Together and Implement!

Altia wants to ensure safe and healthy working conditions for all its employees. The goal is to reduce sickness absences, the number of accidents and the number of absences caused by accidents. Plant-specific targets and the actions necessary to achieve those targets are set annually, and progress is monitored monthly by way of key performance indicators. Targets are also set and action plans prepared for operating locations that are not within the scope of the OHSAS 18001:2007 certification.

The standards, policies and principles relevant to employee matters include:

- Altia Code of Conduct
- Altia Behaviours
- OHSAS 18001:2007 Occupational Health and Safety Management standard; the certification covers Altia's operations in Finland
- Altia Quality, Safety and Environmental Principles
- amfori BSCI Code of Conduct

b. Principal risks and their management

The risks are assessed as part of Altia Group's risk management. The principal risks relate to Altia's ability to recruit, develop, motivate and retain the right know-how and succeed in daily leadership, the maintenance of good collaboration practices with employees and their unions, as well as the occurrence of accidents. To manage the risks, Altia develops its employer value proposition, recruitment and retention, conducts the employee satisfaction survey Altia Tasting on an annual basis, maintains frequent collaboration with unions, and maintains an occupational health and safety management system in accordance with the OHSAS 18001 standard.

c. Outcome and KPIs

One of the key focus areas in personnel development in 2019 was work safety. Safety culture was boosted by initiating a comprehensive Human Factor program at Rajamäki plant. The idea of the programme is to lift the safety culture from individualist to systemic and therefore enhance understanding the requirements of the changing environment. The plan is to continue this initiative in other plants during 2020 and 2021.

Altia's annual Altia Tasting employee survey was organised in January 2019. The survey

KPI	2019	2018	2017
Sickness absence, % (reference to GRI standard)	3.7	3.4	3.3
Accident absence rate without commuting, LTIF (reference to GRI standard)	9[1]	12[1]	11
Accident absence, % (reference to GRI standard)	0.07	0.07	0.29
Number of accidents	11[1]	15[1]	16

[1] 2018 and 2019 LTIF and number of accidents is reported without commuting.

provided managers with precise results for the development of their leadership. The most important development targets uncovered in the employee survey related to the communication of opportunities for competence development, the development of leadership skills and the visibility of the executive management. Several measures were carried out during the year to develop these areas, e.g. the initiative to define together with our managers how the good leadership should look like, improving the quality of development discussion by modifying the discussion format based on feedback collected from employees, and putting focus on EMT's participation in employee events.

The results of the indicators for occupational health and safety are presented in the table above. There were no fatal work-related accidents during the year.

Respect for human rights

a. Policies and ways of working (including due diligence)

Altia is committed to respecting and promoting human rights and international labour standards in accordance with the United Nation's (UN) Universal Declaration of Human Rights and the key conventions of the International Labour Organization (ILO). Altia also expects the same from its suppliers, partners and subcontractors.

KPI	2019	2018	2017
Share of purchases from risk countries as identified in amfori BSCI risk country classification	2 %	3 %	4 %
Number of grievances related to human rights reported through the whistleblowing channel	0	0	0

The whistleblowing channel was launched in October 2017, due to which the first full year figure concerns 2018.

Altia's most relevant human rights impacts are related to the sourcing of wines, spirits and raw materials. In 2017, Altia joined amfori BSCI and amfori BSCI's Sustainable Wine Programme to develop responsible sourcing. As a participant Altia is committed to furthering the principles of the amfori BSCI Code of Conduct in its supply chains. The code of conduct's principles are based on key international agreements and frameworks such as ILO conventions and declarations, the UN Guiding Principles on Business and Human Rights, as well as OECD guidelines for multinational enterprises.

Altia's due diligence process is developed continuously. It is currently composed of mapping the supply chains of Altia's products and their components, using a questionnaire to gather information about Altia's suppliers' and partners' responsibility work, contractual obligations as well as participation in and utilisation of the tools offered by amfori BSCI, including third party audits. Altia has a whistleblowing channel open to all stakeholders, maintained by an independent third party.

The standards, policies and principles relevant to Altia's work with human rights matters include:

- Altia Code of Conduct
- amfori BSCI Code of Conduct
- Altia Code of Conduct for Suppliers and Subcontractors

b. Principal risks and their management

The principal risks are related to Altia's business relationships and primarily concern the wine, spirits and raw material supply chains where these extend to countries with a higher risk of possible violations of international labour standards. In addition, Altia's customers have demands for social compliance within the supply chains, and any violation of such demands by Altia's suppliers, sub-suppliers or partners could lead to situations where a customer stops any further deliveries of a product. The risks are managed with the due diligence process explained above.

c. Outcome and KPIs

6 amfori BSCI audits (full audits or follow-up audits) were conducted at Altia's suppliers, partners or their sub-suppliers in 2019 (21 in 2018).

Anti-corruption and -bribery matters

a. Policies and ways of working (including due diligence)

Altia has zero tolerance towards bribery and corruption. The company is committed to operating fairly and to not offering improper benefits to any party. Altia also expects its representatives, consultants, agents, subcontractors and other business partners to unconditionally refrain from corruptive behaviour when performing services for Altia or on its behalf. Altia does not support, either directly or indirectly, political parties or organisations. Nor does the company participate in financing election campaigns of individual candidates.

Altia published its new Code of Conduct is 2018. The Altia Code of Conduct describes the company's commitment to ethical business conduct. The cornerstones of the Altia Code of Conduct are *Our employees*, *Our business* and *Our integrity*. Every Altia employee is familiar-

KPI	2019	2018	2017	2016
Communication and training on anti-corruption policies (reference to GRI standard)	Online course on Altia's Anti-Bribery and -Corruption Policy organised for the entire personnel. Internal communication on ethical business conduct.	Online course on the Altia Code of Conduct organised for the entire personnel	The relevant employees at Altia were provided with online training	N/A
Number of anti-corruption and bribery incidents reported through the whistleblowing channel	0	0	0	N/A

ised with the Altia Code of Conduct, including the company's anti-bribery and corruption activities, with the help of an online course.

Altia has a whistleblowing channel maintained by an independent third party. The channel is open to all Altia employees and external stakeholders. All concerns raised, whether through the channel or through other means, are investigated in accordance with an established process to ensure accuracy, anonymity and fairness.

The standards, policies and principles relevant to anti-corruption and -bribery matters include:

- Altia Code of Conduct
- Anti-Bribery and Corruption Policy
- Whistleblowing channel

b. Principal risks and their management

The risks are assessed as part of Altia Group's risk management. The principal risks associated with anti-corruption and bribery matters include a reputational risk caused by any act of corruption or bribery, especially related to Altia's key persons and business partners. Given that the alcohol business is often a regulated business, obtaining and maintaining the necessary licenses and permits are associated with a risk of corruption or bribery, especially in countries with a high corruption index. The risks are managed through contractual obligations, third party due diligence inspections concerning suppliers and distributors, where necessary, as well as internal training on the Altia Anti-Bribery and Corruption Policy.

c. Outcome and KPIs

In 2019, Altia arranged an online course on Altia's Anti-Bribery and -Corruption Policy to its entire personnel. The whistleblowing channel has been in use since 2017. No reports were submitted through the whistleblowing channel in 2019. The first full-year figures on reports received through the whistleblowing channel were available in 2018.

Key ratios of the Group

		2019	2018	2017	2016	2015
Income statement						
Net sales	EUR million	359.6	357.3	359.0	356.6	380.7
Comparable EBITDA	EUR million	44.8	40.0	42.4	40.8	38.0
(% of net sales)	%	12.4	11.2	11.8	11.5	10.0
EBITDA	EUR million	43.1	34.0	40.3	60.8	39.7
Comparable operating result (EBIT)	EUR million	26.8	25.6	28.2	26.4	23.6
(% of net sales)	%	7.5	7.2	7.8	7.4	6.2
Operating result	EUR million	25.1	19.7	26.1	46.3	25.3
Result before taxes	EUR million	24.6	18.6	25.0	45.0	23.4
Result for the period	EUR million	18.4	15.1	18.3	36.1	18.1
Items affecting comparability	EUR million	-1.7	-6.0	-2.1	19.9	1.7
Balance sheet						
Cash and cash equivalents	EUR million	64.2	42.0	52.4	68.0	76.3
Total equity	EUR million	151.2	150.1	136.8	191.3	168.6
Borrowings	EUR million	82.6	89.4	100.1	72.8	96.7
Invested capital	EUR million	233.8	239.5	236.9	264.0	265.3
Profitability						
Return on equity (ROE)	%	12.2	10.5	11.1	20.0	11.6
Return on invested capital (ROI)	%	8.5	7.0	8.0	14.4	7.6
Financing and financial position						
Net debt	EUR million	28.9	47.4	47.7	4.7	20.4
Gearing	%	19.1	31.6	34.9	2.5	12.1
Equity ratio	%	37.8	38.4	34.3	44.2	36.7
Net cash flow from operating activities	EUR million	52.6	6.5	37.6	29.4	34.8
Net debt/comparable EBITDA		0.6	1.2	1.1	0.1	0.5

		2019	2018	2017	2016	2015
Share-based key ratios						
Earnings / share (Basic and diluted)	EUR	0.51	0.42	0.51	1.00	0.50
Equity / share	EUR	4.18	4.15	3.80	5.32	4.69
Dividend per share	EUR	0.42[1]	0.38	-	-	-
Dividend/earnings	%	82.6[1]	91.2	-	-	-
Effective dividend yield	%	5.1[1]	5.4	-	-	-
Price/Earnings		16.1	17.0	-	-	-
Closing share price on the last day of trading	EUR	8.18	7.07	-	-	-
Highest	EUR	8.22	9.50	-	-	-
Lowest	EUR	7.080	7.015	-	-	-
Market value of shares at the end of period	EUR million	295.6	255.5	-	-	-
Number of shares outstanding at the end of period		36 140 485	36 140 485	35 960 000	35 960 000	35 960 000
Personnel						
Average number of personnel		682	718	762	829	879
Impact of IFRS 16 on selected key figures						
Comparable EBITDA without IFRS 16 impact	EUR million	41.0	-	-	-	-
Net debt without IFRS 16 impact	EUR million	18.4	-	-	-	-
Equity ratio without IFRS 16 impact	%	38.8	-	-	-	-
Gearing without IFRS 16 impact	%	12.1	-	-	-	-

[1] Board's proposal

RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES (APM) TO IFRS FIGURES AND ITEMS AFFECTING COMPARABILITY (IAC)

EUR million	2019	2018
Items affecting comparability		
Net gains or losses from business and assets disposals	0.1	0.4
Cost for closure of business operations and restructurings	-0.2	-1.1
Major corporate projects		
Costs related to the closed voluntary pension scheme	-1.6	-0.7
Costs related to stock exchange listing	-	-4.6
Total items affecting comparability	**-1.7**	**-6.0**
Comparable EBITDA		
Operating result	25.1	19.7
Less:		
Depreciation, amortisation and impairment	17.9	14.4
Total items affecting comparability	1.7	6.0
Comparable EBITDA	**44.8**	**40.0**
% of net sales	12.4	11.2
Comparable EBITDA without IFRS 16 impact		
Comparable EBITDA	44.8	-
Less:		
IFRS 16 impact to EBITDA	3.8	-
Comparable EBITDA without IFRS 16 impact	**41.0**	**-**
Comparable EBIT		
Operating result	25.1	19.7
Less:		
Total items affecting comparability	1.7	6.0
Comparable EBIT	**26.8**	**25.6**
% of net sales	7.5	7.2

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

Alternative performance measures should not be viewed in isolation or as a substitute 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.

The alternative performance measures are unaudited.

THE DEFINITIONS AND REASONS FOR THE USE OF FINANCIAL KEY INDICATORS

Key figure	Definition	Reason for the use
Operating margin, %	Operating result / Net sales	Operating result shows result generated by the operating activities.
EBITDA	Operating result before depreciation and amortization	EBITDA is the indicator to measure the performance of the Group.
EBITDA margin, %	EBITDA / Net sales	
Comparable operating result	Operating result excluding items affecting comparability	Comparable EBITDA, comparable EBITDA margin, comparable operating result and comparable operating margin are presented in addition to EBITDA and operating result to reflect the underlying business performance and to enhance comparability from period to period. Altia believes that these comparable performance measures provide meaningful supplemental information by excluding items outside normal business, which reduce comparability between the periods.
Comparable operating margin, %	Comparable operating result / Net sales	
Comparable EBITDA	EBITDA excluding items affecting comparability	Comparable EBITDA is an internal measure to assess performance of Altia and key performance measure at segment level together with net sales.
Comparable EBITDA margin, %	Comparable EBITDA / Net sales	Comparable EBITDA margin is also one of Altia's financial targets. Comparable EBITDA is commonly used as a base for valuation purposes outside the Company and therefore important measure to report regularly.
Items affecting comparability	Material items outside normal business, such as net gains or losses from business and assets disposals, impairment losses, cost for closure of business operations and restructurings, major corporate projects including direct transaction costs related to business acquisitions, voluntary pension plan change and costs related to other corporate development.	
Comparable EBITDA without IFRS 16 impact	Comparable EBITDA – IFRS 16 impact	Comparable EBITDA without IFRS 16 impact improves comparability to previous years.
Invested capital	Total equity + Borrowings	Base for ROI measure.
Return on equity (ROE), %	Result for the period / Total equity (average of reporting period and comparison period)	This measure can be used to evaluate how efficiently Altia has been able to generate results in relation to the equity of the Company.
Return on invested capital (ROI), %	(Result for the period + Interest expenses) / (Total equity + Non-current and current borrowings) (average of reporting period and comparison period)	This measure is used to evaluate how efficiently Altia has been able to generate net results in relation to the total investments made to the Company.
Borrowings	Non-current borrowings + Current borrowings	Net debt is an indicator to measure the total external debt financing of the Group.
Net debt	Borrowings + Non-current and current lease liabilities - Cash and cash equivalents	
Net debt without IFRS 16 impact	Borrowings – Cash and cash equivalents	Net debt without IFRS 16 impact improves comparability to previous years.

Key figure	Definition	Reason for the use
Gearing, %	Net debt / Total equity	Gearing ratio helps to show financial risk level and it is a useful measure for management to monitor the level of Group's indebtedness. Important measure for the loan portfolio.
Gearing without IFRS 16 impact, %	Net debt without IFRS 16 impact / Total equity	Gearing without IFRS 16 impact, % improves comparability to previous years.
Equity ratio, %	Total equity / (Total assets – Advances received)	Equity / assets ratio helps to show financial risk level and it is a useful measure for management to monitor the level of Group's capital used in the operations.
Equity ratio without IFRS 16 impact, %	Total equity / (Total assets – Right-of-use assets – Advances received)	Equity ratio without IFRS 16 impact, % improves comparability to previous years.
Net debt / Comparable EBITDA	Net debt / Comparable EBITDA	The level of Net debt / Comparable EBITDA is one of Altia's financial targets.
Net debt / Comparable EBITDA without IFRS 16 impact	Net debt without IFRS 16 impact / Comparable EBITDA without IFRS 16 impact	Net debt / Comparable EBITDA without IFRS 16 impact improves comparability to previous years.
Earnings / share	Result for the period attributable to shareholders of the parent company/Share-issue adjusted 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	
Dividend / earnings %	Dividend/share / Earnings/ share	
Effective dividend yield %	Dividend/share / Price of share at the end of the accounting period	
Price / earnings	Price of share at the end of accounting period / Earnings/share	
Market value of outstanding shares	The number of shares at the end of accounting period x the price of the share at the end of accounting period.	

Sustainability

Sustainability Roadmap 2030

We believe life is to be enjoyed, but not at the expense of our planet. That's why we are forerunners in sustainability. We are proud to work with products that are the best choice for the environment and for the climate, promoted and consumed responsibly.

Sustainability is a strategic priority and key success factor for Altia, built on a long-term basis. Our aim is to support the development of a modern and responsible Nordic drinking culture. From February 2020, sustainability is also included in the refined company strategy.

To emphasise our long-term commitment to sustainability, we published a Sustainability Roadmap 2030 in December 2019 with ambitious numeric long-term goals. The new roadmap highlights circular economy and carbon neutral operations at the core of our sustainability efforts. Altia's company purpose, Let's Drink Better, gives the base and framework for our sustainability work, based on which the new roadmap is built on.

Our Sustainability Roadmap is divided into four focus areas: Our Distillery, Our Drink, Our Society and Our People. The roadmap is based on the United Nations Sustainable Development Goals (UN SDGs) and built on further developing our own operations rather than emission compensation measures.

Reporting of our sustainability work for 2019

In 2019, we continued the work started in 2018 to implement our responsibility programme for 2018–2020. The key development focus in 2019 was on building Altia's sustainability roadmap and long-term targets. For 2019, our sustainability work is still reported against the same goals as in 2018 (see pages 90-95). From 2020 onwards, Altia will start reporting along the focus areas in our new Sustainability Roadmap.

Sustainable development goals

The United Nation's sustainable development goals (2015–2030) are 17 overall goals and 169 specific targets internationally agreed upon that aim to act as a blueprint for governments, businesses and civil society to achieve sustainable development. They are a universal call to action to end poverty, protect the planet, and ensure that all people enjoy peace and prosperity. In 2019, Altia reviewed its impact on all of the 17 goals, choosing a set of goals we feel we have the greatest positive impact on: SDG 3 Good health; SDG 6 Clean water; SDG 12 Responsible consumption and production and SDG 13 Climate Action. However, it should be noted that all of the SDGs are interrelated, overlap and impact each other.

Altia will annually report its progress towards contributing to these goals. Each focus area also contributes to selected UN SDGs. The table below shows how Altia's Sustainability Roadmap interacts and helps achieve our priority SDGs.

UN SDGs 2030	Altia Sustainability Roadmap 2030 contribution to UN SDGs	
	Altia Sustainability Roadmap focus areas	**Altia Sustainability Roadmap goals**
2. GOOD HEALTH AND WELLBEING **Ensure healthy lives and promote well-being for all at all ages.** • Strengthen the prevention and treatment of substance abuse, including narcotic drug abuse and harmful use of alcohol.	**OUR DRINK** **OUR PEOPLE** **OUR SOCIETY**	• By 2030 we will offer increased amount of responsible and conscious choises for consumer (low alc, non-alc, organic, less sugar) • We will annually decrease the average alcoholic content of our own production • We will participate in initiatives promoting responsible drinking, such as Talk about alcohol • It is imperative that Altia is a safe and inspiring place to work and a trusted partner for our suppliers and clients • We strive to increase the well-being of our employees and provide equal opportunities for professional growth • We will increase transparency and ensure high level of corporate responsibility in our supply chain
6. CLEAN WATER AND SANITATION **Ensure access to water and sanitation for all.** • By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity • Protection of clean water • Safe treatment of wastewater	**OUR DISTILLERY**	• We preserve the pure natural groundwater of our Rajamäki site • By 2025, we will decrease the amount of our wastewater by 20%
12. RESPONSIBLE CONSUMPTION AND PRODUCTION **Ensure sustainable consumption and production patterns.** • By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses • By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse	**OUR DRINK** **OUR SOCIETY**	• Our strong brands act as a tool to tell the consumers true stories of our sustainability journey • By 2030, we will offer increased amount of responsible and conscious choices for consumers (low alc, non-alc, organic, less sugar) • By 2025, all our packaging is 100% recyclable • By 2030, we have reduced the CO_2 footprint of our packaging by 35%
13. CLIMATE ACTION **Take urgent action to combat climate change and its impacts.** • Integrate climate change measures into national policies, strategies and planning	**OUR DISTILLERY** **OUR DRINK**	• Our own operations will be carbon neutral by 2025, without carbon compensation • We will continuously increase circular thinking in all of our operations • We promote carbon farming practices amongst our direct contract farmers • By 2023, 100% of our electricity will come from renewable sources • By 2030, we have reduced the CO_2 footprint of our packaging by 35%

SUSTAINABILITY MANAGEMENT

Steering of Altia's sustainability work

Our sustainability work is guided by Altia's purpose and strategy, the expectations of our stakeholders, our business principles, four of the UN's Sustainable Development Goals (SDGs) selected by us, and by the ethical principles of amfori BSCI, which are based on international conventions and to which we are committed.

Sustainability at Altia has been incorporated into the entire company's refined strategy, published in February 2020. In December 2019, Altia also published a new Sustainability Roadmap, which sets ambitious sustainability goals for the company extending to 2030. Altia's sustainability is managed on the basis of these two documents.

In 2019, the progress of Altia's sustainability work was discussed regularly in Altia's corporate responsibility work group, whose 14 members comprehensively represented the different business areas. With the new Sustainability Roadmap, the work group will be re-formed according to four focal areas. In both the old and new models, the corporate responsibility work group is responsible for the programme's progress according to its goals, and regularly reports to Altia's Executive Management Team.

Each member of the Executive Management Team is accountable for the responsibility topics and sustainability pertaining to their own organisation as part of Altia's corporate strategy.

Concrete measures and indicators pursuant to the Sustainability Roadmap have been integrated in the annual operational plans of each business area, approved by the Executive Management Team. The implementation of these measures is monitored in the business areas' respective management teams and in Altia's corporate responsibility work group.

The progress of sustainability work in line with the Sustainability Roadmap is monitored with the help of various meters and indicators. These include environmental meters from waste volumes to the consumption of water and energy, accident frequency rates and sickness absence percentages, as well as personnel surveys. Altia's Director of Communications and Sustainability is in charge of the development and reporting pertaining to Altia's sustainability and the coordination of the responsibility work.

Further information: Materiality analysis (p. 61)

ALTIA'S STAKEHOLDERS

Stakeholder dialogue

We highly value our stakeholders' views on sustainability and on how companies should try to come up with solutions to our common challenges related to the climate or our drinking culture. Our choices and concentration on various focal areas of sustainability are guided by a materiality analysis.

Our stakeholders' perceptions of our sustainability are of the utmost importance to us. Views of our stakeholders are among the key drivers in developing and prioritising our operations related to corporate responsibility. We also want to communicate our operations to our stakeholders openly and transparently through various communication channels.

In addition to interaction through various communication channels in the course of normal business operations, we regularly ask our stakeholders about their perceptions of our responsibility. The most recent survey was conducted in 2018 and was used as input in updating our materiality analysis. The survey was conducted in two parts. A web-based survey was directed at Altia's private shareholders. Additionally, a number of one-to-one interviews were held with institutional investors.

Based on the findings, the materiality assessment and focal areas of Altia's corporate responsibility cornerstones applied in 2019 were amplified. In 2019, we drew up a new Sustainability Roadmap 2030, which is based on the same materiality assessment, including the perspectives of investors.

Responsibility discussions during the reporting period focused strongly on climate. The responsibility of businesses in terms of climate change mitigation has gained prominence alongside governments' environmental policies and the consumption and lifestyle choices made by individuals.

Altia actively participates in discussion on social media channels such as Twitter. We also continued the development of our communication channels by launching, in December 2019, responsibility pages constructed according to the new Sustainability Roadmap under the group website.

Consumers expect companies to be increasingly active in responsibility matters. In 2019, Altia surveyed consumers' views on responsibility and its significance with regard to alcoholic beverages in Finland and Sweden with a qualitative community survey. Altia's Cheers! developer community remained active in 2019, during which more than 12 consumer insight projects were conducted.

Altia's own employees are important stakeholders for the company, also in terms of the sustainability discussion. In May, the company held an in-house event in Stockholm for some 140 Altia employees. The seminar's theme was sustainability, which was reviewed from a variety of perspectives. One of the speakers at the event was marketing and sustainability professional and writer **Thomas Kolster**.

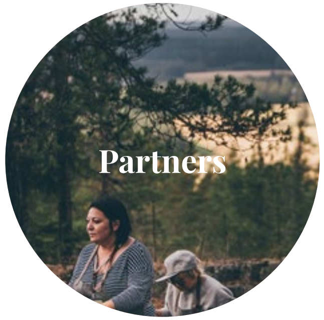
Altia participates widely in the activities of industry organisations. Altia is active in working groups of the Finnish Food and Drink Industries' Federation, the Association of Finnish Alcoholic Beverage Suppliers (SAJK) and the Swedish Spirit and Wine Suppliers Association (SVL) which cover also responsibility-related issues. These organisations also offer regular opportunities for discussing matters related to the industry's responsibility with various authorities and decision-makers.

Altia's main stakeholders, their expectations and our engagement channels are presented in the following table.

ALTIA'S STAKEHOLDERS

Altia's stakeholder interaction

Altia's main stakeholders, their expectations and our engagement channels are presented in the table below.

STAKEHOLDER	 Owners and investors	 Political decision-makers, public authorities	 Business customers	 Employees	 Partners
EXPECTATIONS	• economic contribution • sustainable growth • risk management, corporate governance, transparency • reducing environmental impacts • responsible supply chain • responsibility towards employees	• compliance with laws and regulations • reducing environmental impacts • responsible supply chain • responsibility towards employees	• cooperation and responsibility towards customers • product quality and safety • supporting responsible drinking culture • responsible marketing and sourcing • reducing environmental impacts	• responsibility towards employees • product quality and safety • advocating responsible alcohol consumption and responsible marketing • reducing environmental impacts	• advocating responsible alcohol consumption • responsible marketing • consumer and market understanding • cooperation and partnership
ENGAGEMENT CHANNELS	• direct contacts and meetings • investor fairs and events, seminars • annual general meetings • financial reporting and conference calls/webcasts • external communications, stock exchange releases, website	• reporting • direct contacts • audits • external communications	• direct contacts • digital channels • customer training • requests for quotation and contracts • customers' own sustainability reporting platforms • fairs and other events	• internal communications • training • development discussions • cooperation procedures • team practices and procedures	• meetings and direct contacts • reporting • requests for quotation and contracts • fairs and other events

Stakeholder interaction

STAKEHOLDER	 Contract farmers	 Suppliers of raw materials and packaging materials	 Media	 Consumers	 Non-governmental organisations
EXPECTATIONS	• using Finnish raw materials and keeping production in Finland • paying a fair price for the barley	• reducing environmental impacts • using domestic/local raw materials • product quality and safety • good cooperation and continuity in supplier relations • responsible sourcing	• product quality and safety • advocating responsible consumption • reducing environmental impacts • transparency • corporate governance	• advocating responsible consumption and preventing underage drinking • responsible marketing • product quality and safety • responsibility in the value chain • reducing environmental impacts	• advocating responsible alcohol consumption • product quality and safety • reducing environmental impacts • responsible raw materials
ENGAGEMENT CHANNELS	• meetings, fairs, events and other direct contacts • newsletters • farmer extranet • Carbon Action pilot project	• meetings, fairs, events and other direct contacts • reporting • requests for quotations and contracts	• external communications • direct contacts • events • press releases • social media • company website	• products and marketing • external communications • consumer surveys • fairs and other events • consumer feedback	• external communications • reporting • events • direct contacts

Materiality analysis

In 2018, we updated our corporate responsibility materiality analysis to better reflect our investors' views and expectations of our sustainability. This was done by conducting both a web-based survey to private shareholder groups, being open to other stakeholder groups, and interviewing a number of institutional investors. The materiality analysis process also included a robust desktop study of global megatrends and trends related to the development of responsibility in the alcohol industry. For details on this process, please see our Annual Report 2018.

Results

The megatrends driving Altia's sustainabity work were identified as health and wellbeing, circular economy and climate change. The key focus areas of Altia's corporate responsibility based on our stakeholder views were:

- Product quality and safety
- Responsible marketing
- Conserving groundwater
- Occupational health and safety
- Transparency and good governance
- Responsibly produced raw materials
- Climate change (energy and fossil CO_2 emissions)
- Circular economy
- Sustainable packaging

The results of the analysis were key drivers in developing our previous corporate responsibility programme 2018–2020. Our new Sustainability Roadmap 2030 is built on these same material aspects. However, the topics are re-grouped under our new focus areas of Our Distillery, Our Drink, Our Society and Our People.

Material topic	Boundary [1]	Management approach
Quality and safety of Altia's products	Altia, partners, raw material suppliers	• ISO22000 Food Safety Management System[2] • ISO9001 Quality Management System[3] • Altia Quality Safety and Environment Principles
Responsibly produced and traceable raw materials	Altia, partners, raw material suppliers	• ISO22000 Food Safety Management System • Altia Quality Safety and Environment Principles • amfori BSCI Code of Conduct • amfori BSCI risk country classification • Altia Code of Conduct for Suppliers and Subcontractors
Balanced product portfolio aligned with responsible consumption trends	Altia, partners, customers, raw material suppliers	• ISO9001 Quality Management System • Altia research and development • Annual consumer insight projects
Responsible marketing	Altia	• Altia Marketing Principles
Transparency and good governance	Altia	• Finnish Corporate Governance Code 2015 • Altia's tax strategy • Market Abuse Regulation (MAR) • Securities Market Act • Rules of the Exchange • Finnish Corporate Governance Code 2015 • Guidelines for Insiders (Nasdaq Helsinki) • Guidelines by FIN-FSA • Accounting Act
Energy consumption and CO_2 emissions	Altia	• ISO14001 Environmental Management System[4] • Energy efficiency agreement • Altia Quality Safety and Environment Principles
Sustainable and resilient agriculture	Altia, farmers	• ISO14001 Environmental Management System • ISO9001 Quality Management System
Conserving groundwater	Altia	• Finnish laws and regulations • Water abstraction permit • Land ownerships • Control of operations of owned land • ISO14001 Environmental Management System
Sustainable packaging	Altia, partners, raw material suppliers	• ISO9001 Quality Management System • ISO14001 Environmental Management System • Fairtrade • Fair for Life • Altia packaging development
Well-being of employees	Altia	• Altia Tasting
Employee development and good leadership	Altia	• Altia Tasting
Occupational health and safety	Altia	• OHSAS18001 Occupational Health and Safety Management System

[1] The boundary indicates whether the aspect is material within the company or outside the company.
[2] The certification covers Altia's Rajamäki plant.
[3] The certification covers Altia's operations in Finland (The Koskenkorva plant, the Rajamäki plant and the technical ethanol unit, and the functions at the Helsinki headquarters) and the Tabasalu plant.
[4] The certification covers Altia's operations in Finland.

Our Sustainability Roadmap 2030

We believe life is to be enjoyed, but not at the expense of our planet. That's why we are forerunners in sustainability. We are proud to work with products that are the best choice for the environment and for the climate, promoted and consumed responsibly. The new roadmap is divided into four focal areas of sustainability: Our Distillery, Our Drink, Our Society, Our People.

Our Distillery

212	Million kg of Finnish grain
1 400	Farmers
62 %	Of steam produced by own biopower plant at Koskenkorva distillery
58 %	Reduction in CO_2 emissions at Koskenkorva from 2014
24 %	Reduction in use of water
99.5 %	Average waste utilisation rate

MISSION

Our award-winning distillery is exemplary in the bio and circular economy. We continously explore ways to minimise our carbon footprint – without carbon compensations. We also create less waste, maximise efficiency and conserve natural resources, including the pure, unfiltered ground water used in our beverages.

OUR DISTILLERY

This focus area includes all of Altia's sustainability goals related to environmental responsibility. In particular, our environmental efforts include reducing our emissions (scope 1 and 2), improving energy efficiency, investing in green technology, water protection and saving measures related to our pure ground water, particularly in Rajamäki, and promoting carbon farming practices amongst our farmers.

Our material efficient distillery symbolises our approach to the environment and this is, in fact, why we chose to name our work in environmental sustainability as "Our Distillery". Our Koskenkorva distillery is a pioneer of the circular economy, using 100 per cent of the barley it employs as a raw material. The barley husks which would not be used otherwise in the plant's production are incinerated in Altia's own bioenergy power plant, which produces steam energy for the distillery's needs. This, in turn, has also helped us to achieve our energy consumption reduction target contained in our energy efficiency agreement and led to a 50% reduction in the Koskenkorva plant's carbon dioxide emissions since 2014. In addition, all side streams of the distillery are put into use – even ashes are used as fertiliser. Find out more about our circular economy approach on our website.

In 2019, Altia and its Koskenkorva distillery were included on the list of the most interesting circular economy companies compiled by the Finnish future fund Sitra.

The main SDGs this focus area impacts are SDG 6 on clean water and sanitation and SDG 13 on climate action. Regarding SDG 6, our work relates specifically to target 6.4 on the *efficient use of water and sustainable withdrawals.*

GOALS

- Our own operations will be carbon neutral by 2025. The baseline of fossil CO_2 emissions is 26 852.44 tons in 2018.
- By 2023, 100% of our electricity will come from renewable sources.
- By 2025, we will decrease the amount of wastewater by 20%. The baseline of wastewater is 291 880 m^3 in 2018.
- We will increase circular thinking in all of our operations.
- We will preserve the pure natural groundwater of our Rajamäki site.
- We will promote carbon farming practices amongst our contract farmers by providing our direct contract farmers with relevant training by 2025.

Altia's environmental impacts

Altia's environmental impacts are mainly related to our own production at the Koskenkorva and Rajamäki plants in Finland and at the Tabasalu plant in Estonia. Our most significant environmental impacts are related to energy consumption, water consumption, wastewater and the generation of waste. The production volumes and the related environmental impacts of Altia's plant in Cognac, France are smaller than those of the production plants mentioned above. The most significant environmental impacts of the Cognac plant are related to energy consumption.

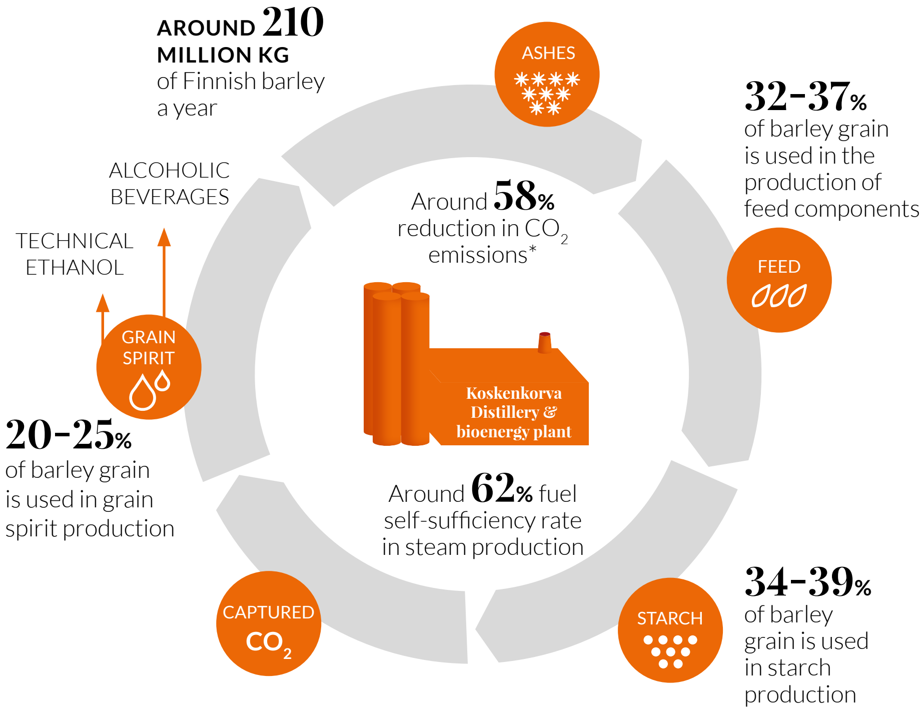
In 2019, Altia bottled a total of around 70.2 (70) million litres of alcoholic beverages and wines. Our largest production plant, the Rajamäki alcoholic beverage plant, bottled 65.8 million litres of alcoholic beverages and wines in 2019 (64.7 million litres in 2018).

Altia is a significant buyer of domestic barley in Finland. In 2019, Altia bought 211.5 (211.7 in 2018) million kilos of Finnish grain for its Koskenkorva distillery, including 208.7 million kilos of barley, mainly from 1 400 farmers. This represents around 12% (15%) of the total barley crop in 2019 in Finland and 33 % of the barley sold in Finland during marketing year 2018/2019. The barley was used to produce 22.2 (22.0) million kilos of grain spirit, 65.1 (68.9) million kilos of starch and 65.6 (62.2) million kilos of feed components. The Koskenkorva plant operates in line with the principles of the circular economy, and all its production is used either internally or by Altia's customers.

Altia has been cooperating with Baltic Sea Action Group (BSAG) since 2015 and committed to promote the sustainability of the farming methods used in its beverage production. As part of the Baltic Sea commitment, Altia and selected contract growers participate in the Carbon Action pilot project of the BSAG, the Finnish Meteorological Institute and Sitra. The Carbon Action project studies how climate change and the eutrophication of the Baltic Sea can be controlled by storing carbon in the soil through more effective farming practices. The selected contract farmers participate in the pilot by assigning part of their field area to the study, during which information is collected about the impact of farming practices on the soil. The research project runs for five years. Altia cooperates with contract farmers to promote sustainable farming practices and improve material efficiency to continuously reduce the environmental impacts of its production operations.

Altia improves the efficiency of its logistics operations by combining the transport of its own products with that of its partners' products and by operating close to its customers.

CIRCULAR ECONOMY



*In comparison with 2014

USE OF MATERIALS AND RAW MATERIALS

	2019	2018	2017
Liquids			
Liquid raw material, beverages (m³)	68,313	66,181	68,935
Liquid raw material, technical products (m³)	22,900	17,517	15,600
Materials			
Grain (t)	211,509	211,700	206,000
Packaging materials (t)	38,203	34,209	34,367
Raw materials for products (t)	4,113	4,345	4,213
Trading products			
Liquids (m³)	25,316	25,331	24,840
Packaging materials (t)	8,174	8,822	9,535

Our policies and operating methods

Altia's Koskenkorva plant, Rajamäki alcoholic beverage plant and Rajamäki Industrial Products unit – as well as its support functions and sales and marketing unit at its headquarters in Helsinki – have environmental management systems that are certified to meet the ISO 14001 standard. Altia's plant in Tabasalu, production plant in Cognac and logistics centre in Brunna comply with local environmental laws and regulations. All Altia's locations comply with its quality, safety and environmental principles.

Environmental management systems are further developed through internal and external audits. Energy and environmental aspects are taken into account in production processes and their planning, and in investments related to production. Key environmental aspects are discussed regularly at executive management meetings. Employees' environmental awareness is increased and maintained through environmental goals, internal communication and environmental audits.

Altia's environmental goals

Altia's key environmental aspects are determined during assessments carried out every three years. In the assessment conducted in 2018, energy consumption, water consumption, wastewater load and waste generation were identified as the most significant aspects. Five environmental goals have been determined in order to reduce Altia's most significant environmental impacts. Their achievement is monitored using environmental indicators, with annual reduction targets for each unit. The achievement of environmental goals is monitored on a monthly basis. Measures necessary for meeting environmental targets are determined annually for each production plant, and these targets are included in their environmental programmes. Altia had the following environmental goals for 2019:

- Reducing its wastewater load
- Reducing its energy consumption
- Reducing its water consumption
- Reducing the volume of waste material
- Cutting costs arising from production lost

CASE

Sustainable cultivation methods are being tested in the fields of Altia's contract farmers

The Carbon Action initiative strives to enhance sustainable soil management and carbon farming. The pilot stage started last summer in the fields of selected contract farmers who grow barley for Altia. The five-year project is designed to find out what kind of cultivation practices could help to store more carbon in the soil.

Read more about the Carbon Action initiative:
altiagroup.com/sustainability/sustainability-cases

Environmental performance

Energy efficiency

Energy consumption relative to production decreased at the Rajamäki plant and increased at Koskenkorva in 2019.

Most of the energy used in Altia's production operations is consumed by the Koskenkorva plant, which uses around 133 GWh of energy per year. Most of this is used in the distillation process and the manufacture of starch. The Rajamäki plant consumes around 27 GWh of energy per year, mainly for heating buildings.

In 2017, Altia joined the voluntary Energy Efficiency Agreement for the period 2017–2025. The parties to the agreement include Finnish ministries, industry associations and individual companies. During the new agreement period, Altia aims to reduce its energy consumption by 10% by 2025 compared with 2014.

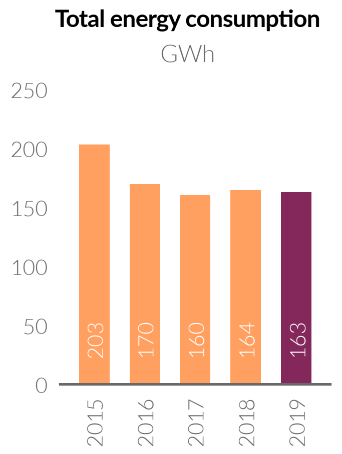
Altia's energy efficiency measures are based on its own targets and the results of the energy efficiency reviews conducted at the Koskenkorva and Rajamäki plants in 2015. Unit survey was made in Koskenkorva plant 2019.

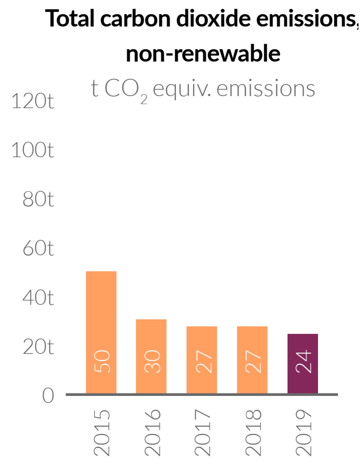
Most of the energy used by the Koskenkorva distillery is generated by Altia's bioenergy power plant, which has been operating at full capacity since January 2015. The biopower

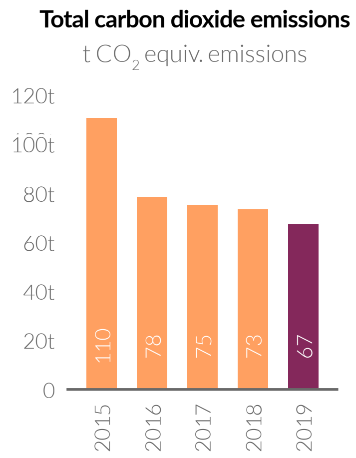
The table below presents the environmental performance of Altia's production plants in terms of its selected indicators in 2017–2019.

Environmental target	2019 Koskenkorva[1]	2019 Rajamäki and Tabasalu	2018 Koskenkorva[1]	2018 Rajamäki and Tabasalu	2017 Koskenkorva	2017 Rajamäki and Tabasalu
Reducing energy consumption (MWh per m^3 of product or tonne of barley)	0.79 (0.63)	0.27	0.78 (0.63)	0.31	0.63	0.28
Reducing water consumption (m^3 per m^3 of product or tonne of barley)	1.88 (1.49)	1.65[2]	2.82 (2.26)	1.61[1]	2.28	1.46
Improving wastewater quality (kg COD per m^3 of product or tonne of barley)[3]	4.24 (3.37)	2.29	3.86 (3.10)	3.35	2.23	2.92
Reducing the volume of waste material (kg per m^3 of product)[3]	-	47.80	-	52.06	-	44.83

[1] At Koskenkorva target figures in 2018 and 2019 are counted against tonne of product. In brackets corresponding figure counted againsa tonne of grain, which is comparable with 2017 figures.
[2] The water consumption indicator for the Rajamäki plant of the Industrial Products unit has not been monitored since the beginning of 2018, as the indicator is not material to the operations.
[3] The wastewater quality indicator is not monitored at the Tabasalu plant.
[4] The waste volume indicator is not monitored at the Rajamäki and Koskenkorva plants of the Industrial Products unit, as it is not material to the units in question.







plant uses barley husks as its primary fuel. Other fuels include biomass from grains, fusel alcohols, peat and fuel oil. Ashes from the bio-power plant have been approved for fertiliser use, meaning that unprocessed ashes can be used in fields even in groundwater areas.

Water consumption and the protection of groundwater areas

Altia's water consumption decreased by 24% during the reporting period. Reduction in water consumption was mainly due to technology investment at Koskenkorva plant, helping to reduce cooling water usage.

Altia uses water as a key raw material for its products and in the fermentation process, cooling and the cleaning of production lines and facilities.

The water used in Altia's products is unprocessed groundwater from Rajamäki. It meets the quality requirements without chemical or mechanical treatment. Water quality is examined regularly by sending samples for analysis to an external laboratory. Altia uses less than 10% of the groundwater formed in the groundwater area each month.

Altia protects water quality by monitoring groundwater quality and surface levels, owning land in groundwater areas and affecting land use, and by means of conservation areas. In addition, Altia takes care of its land areas with partners and local parties. Altia owns 1,100 hectares of land – equal to 1,500 football fields – in the Rajamäki area, including two protected swamp areas (144 hectares and 7.5 hectares). Its operations have no negative effect on the swamp areas.

In 2019, an extensive investment in chemical protective basins was continued at the Rajamäki plant, involving the replacement of protective basins in the field tank area.

Wastewater quality management

Altia's waste water volume grew by 21% during the reporting period. The increase was due to more frequent process washes and maintenance break of a distillation tower, which required extensive washes.

Wastewater quality at Koskenkorva and Rajamäki is monitored on a daily basis by measuring chemical oxygen demand from samples. The limit values for wastewater loads are specified in Altia's environmental permits.

Organic loading of wastewater decreased at Rajamäki and increased at Koskenkorva in 2019. At the Rajamäki plant, the decrease was mainly related to decrease of filtration of mulled wines and replacement with pasteurisation. For this reason, the average monthly biological oxygen demand (BOD) in wastewater didn't exceed the monthly average permit limit. The daily BOD limit was exceeded 3 times during 2019.

Wastewater from production operations at Koskenkorva is pre-treated and wastewater from the Rajamäki plant is treated before it is delivered to municipal wastewater treatment plants. At Tabasalu, wastewater is collected in tanks and transported to a municipal treatment plant.

During the reporting period, no consequences were imposed on Altia for violations of permit limits or environmental laws and regulations.

The wastewater treatment of Rajamäki plant was further improved in 2019 by renewing neutralisation method and adding a new biological treatment to reduce organic load of wastewater.

RECYCLING AND OTHER REUSE AT ALTIA'S PRODUCTION PLANTS, %

	Recycling and other reuse, %		
Unit	**2019**	**2018**	**2017**
Koskenkorva	99.9%	99.9%	99.9%
Rajamäki	98.6%	98.6%	95.3%
Tabasalu	81.3%	82.0%	87.8%
Average	**99.5%**	**99.7%**	**99.5%**

Waste recycling and reuse

Altia seeks to reduce waste by reducing the amount of packaging material requiring disposal. Almost all the waste generated at Altia's plants is reused as materials or energy. During the reporting period, the average waste utilisation rate at Rajamäki, Tabasalu and Koskenkorva was 99.5 %.

ENVIRONMENTAL FIGURES 2019

	2019	%-change from 2018	2018	2017
Grain consumption (million kg)	**211.51**	-0.1 %	211.68	205.90
Fuel consumption/direct energy consumption				
Natural gas (GWh), direct1, non-renewable	**0.98**	-5.8 %	1.04	1.27
Indirect energy consumption				
Steam (GWh), indirect2, non-renewable	**36.70**	-4.5 %	38.43	32.38
Steam (GWh), indirect2, renewable	**59.00**	-20.8 %	74.46	77.28
Electricity (GWh), indirect2, non-renewable	**43.25**	2.6 %	42.14	42.11
Steam (GWh), indirect2, renewable	**3.87**	-40.8 %	6.53	5.30
District heating (GWh), indirect2, non-renewable	**0.09**	-7.3 %	0.10	0.10
District heating (GWh), indirect2, renewable	**1.69**	3.5 %	1.64	1.62
Greenhouse gases, direct and indirect				
CO_2 equivalent emissions / non-renewable (t), direct1	**193.52**	-5.5 %	204.86	250.48
CO_2 equivalent emissions / non-renewable (t), indirect2	**24273.46**	-8.9 %	26,647.58	26,600.83
CO_2 equivalent emissions / renewable (t), direct1	**13380.00**	-4.1 %	13,954.00	15,185.00
CO_2 equivalent emissions / renewable (t), indirect2	**28821.38**	-11.3 %	32,477.69	33,116.17
Significant emissions into the air				
VOC emissions (t)	**8.30**	-11.2 %	9.35	8.31
Particle emissions into the air (t)	**3.60**	0.3 %	3.59	4.37
Water and wastewater				
Water consumption (1,000 m^3)	**502.56**	-23.9 %	660.29	663.39
Wastewater volume (1,000 m^3)	**353.08**	21.0 %	291.88	265.55
Waste (t)				
Hazardous waste	**11.56**	-56.6 %	27.00	23.07
Landfill waste	**38.56**	0.5 %	38.38	103.30
Reused waste				
Reuse for energy	**13759.80**	-13.0 %	15,815.83	18,429.69
Other reuse	**4238.27**	-0.5 %	4,261.03	6,572.75

[1] Direct energy use refers to energy used in the company's own production operations or energy production, such as burning non-renewable fuels.
[2] Indirect energy use refers to purchased energy that has been produced outside the reporting company but is used to produce energy for the company's immediate needs.

About the calculation methods used in the tables:

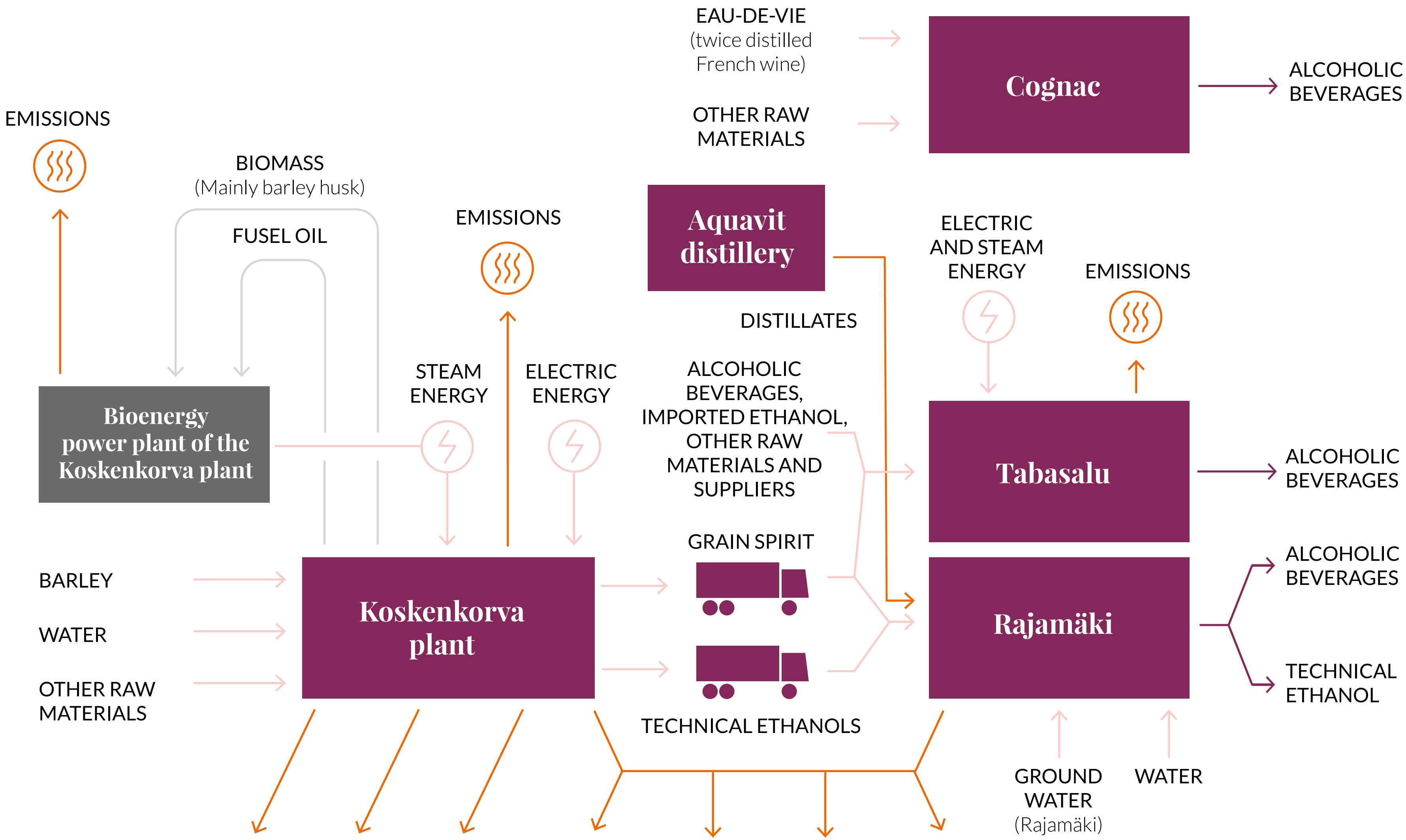
With regard to office locations, except for Oslo and Copenhagen, only electricity consumption and the corresponding emissions, as well as water consumption, are reported.

With regard to logistics centres, electricity consumption and district heating and the corresponding emissions, as well as water consumption and wastewater volume, are reported.

As to Koskenkorva plant, the figures for water consumption and the amount of wastewater include all the operations in the plant area; this also applies to energy consumption, with the exception of A-Rehu.

The indicators for emissions cover Altia's operations and emissions arising from the production of purchased energy. The indicators for waste only include Altia's own operations.

Material flows



Our Society

EUR 435 million	Excise and income taxes
EUR 213 million	Value of purchased raw materials, goods and services
12%	Share of barley crop 2019 in Finland
97 million litres	Imported and produced beverages
3.6 million litres	Organic products sold
24	Low or non-alcoholic products launched
31.3%	Average alcohol percentage of own production

MISSION

We promote a modern drinking culture where our beverages are enjoyed responsibly. We enable consumers to make conscious, sustainable and healthier choices and provide transparent content information of our products. We take a serious stance towards alcohol abuse and support the regulation of alcoholic beverages.

OUR SOCIETY

This focus area includes the sustainability goals related to the development of our product portfolio as well as enhancing a responsible Nordic drinking culture.

Altia wants to play a responsible role in society and we want to support the health trend that sees people drinking less, drinking better, or not drinking at all. This is why we are lowering the alcohol content of our products, including more low-alcoholic and non-alcoholic products in our offering, and reducing the amount of sugar we use in our drinks. We will also include information on energy intake and ingredients on our products so that our consumers can make choices that are right for them. This focus area also includes the responsible marketing of our products and participating in initiatives to reduce the harmful effects of alcohol abuse.

This focus area mainly impacts SDG 3 on good health and SDG 12 on responsible consumption and production. Under SDG 3, our work relates particularly to the target 3.5: *Strengthen the prevention and treatment of substance abuse, including narcotic drug abuse and harmful use of alcohol.*

GOALS

- We will provide products and information to support responsible enjoyment.
- By 2030, 10% of our product portfolio will be low alcohol or non-alcoholic drinks. The baseline level in 2018 is 6.6%.
- By 2030, we have decreased the sugar content of our products by 10%. The baseline in 2018 is 2.0 Mkg sugar used.
- By 2030, 10% of our product portfolio will be organic. The baseline in 2018 is 6.6%.
- We will decrease the annual average alcoholic content of our own production. The baseline in 2018 is 31.3%.
- By 2030, 100% of our spirits will have energy intake and ingredients. Baseline in 2018: no information on energy intake or ingredients.
- By 2030, 100% of our products will have responsible drinking guidance available. Baseline in 2018 is 30%.
- We will participate in initiatives promoting responsible drinking, such as Talk about alcohol.

Health trend driving development

Altia wants to support the development of a modern and responsible Nordic drinking culture in our operating countries in accordance with our purpose, Let's Drink Better. We want to provide consumers with transparent information about our drinks and products, that makes it easier to make responsible choices. Examples of such products are milder drinks, non-alc drinks, low-sugar, locally produced, traceable, organic and vegan products.

During the reporting period, we conducted a research on consumers in Finland and Sweden to learn about how consumers see responsibility in accordance with alcoholic products. We learned that consumers believe that sustainable production of alcohol should include e.g. organic products, clean ingredients, local or domestic production, recyclable packaging and minimising carbon footprint.

In 2019 we introduced 17 low-alcohol and 7 non-alcoholic products. We increased the litres sold of organic products and launched seven own organic novelties. We decreased the alcohol level of seven existing spirit products in Finland. In average, the alcohol percentage all our own products remained the same as year before, 31.3%.

Altia used in 2019 1.9 (2.0) million kilos of sugar, supporting our new goal to decrease use of sugar with 10% by 2030. We also launched one white and one red Blossa Glögg with no sugar added.

We have included on our consumer web sites information about our vegan drinks. We also received a certificate, that our cognacs are vegan. During the reporting period we launched new vegan products, such as Xanté Coconut Cream & Pear, a vegan cream liqueur.

We are committed to the Altia Employee Alcohol Policy, an alcohol consumption policy applicable to all Altia employees and anyone working at Altia's production sites or offices. The policy affirms our commitment to responsible alcohol consumption, lists the situations at work where alcohol may be consumed as part of certain tasks – for example product development or quality analysis – and provides information about the support offered if there is reason to suspect irresponsible alcohol use.

We market our products responsibly and in compliance with applicable marketing laws. We continued to add responsibility statements to labels and in marketing materials. The statement is most often in the form of a link to an EU or national industry website providing information about the responsible consumption of alcohol.

To support a responsible drinking culture, we continued to support the Talk about alcohol program in Finland and Sweden. In Sweden we participated in providing the program an additional financing to ensure it's continuation.

Our approach to human rights issues and the key outcomes in 2019 are described in more detail in the Non-Financial Statement, page 47.

Altia's role in society

Altia's business operations have a significant impact on various areas of society.

- In 2019 (2018) Altia paid excise and income taxes to society EUR 435.0 million (EUR 454.2 million). Excise taxes are not included in Altia's reported net sales.
- Share of excise and income taxes paid in Finland was EUR 230.5 million (EUR 243.9 million).
- Altia paid salaries, commissions and other indirect costs to its employees by EUR 45.9 million (EUR 49.9 million).
- Altia bought raw material, goods and services from local and international suppliers for EUR 213.1 million (EUR 206.8 million).
- Altia purchased Finnish grain mainly from 1,400 farmers for EUR 38.7 million (EUR 40.8 million).
- Altia received revenues of EUR 359.6 million (EUR 357.3 million) from the sales of alcoholic beverages as well as industrial services, feed components, starch, technical ethanol and carbon dioxide.
- Altia made investments to develop its business operations for EUR 6.8 million (EUR 7.7 million).
- The shareholders were paid dividends in 2019 13.7 million (none).

Altia's tax strategy

Altia Plc is a responsible taxpayer in all its operating countries (Finland, Sweden, Norway, Denmark, Estonia, Latvia, and France). In addition, the company aims to promote the Group's strategic development and support business operations, as well as ensure their proper implementation also from the tax perspective. The management of tax-related matters is centralized at the Group level, where tax-related decisions are made. In ambiguous situations, the Group consults tax advisors and verbal or written guidance may be sought from the tax authorities to clarify tax practices.

It is important for the company to comply with all applicable local and international laws and regulations in paying, collecting, remitting, and reporting taxes. The principle is to pay taxes in the country in which the income is earned. Altia Plc does not operate in tax havens as defined by the OECD[1], and the company does not practice tax planning aimed at artificially decreasing the taxable profit of the Group or an individual operating country.

As regards transfer pricing, the company complies with local laws and the OECD transfer pricing guidelines. The arm's-length principle is applied to intra-group transactions relating to products, services, intellectual property rights and financing.

Altia pays and remits several different taxes, with the excise tax being the most important. Excise taxes are not included in the company's reported net sales. In addition to income tax, the taxes paid by Altia include employer contributions and real estate taxes. In addition to the excise tax, the most important taxes remitted by Altia include value-added tax, withholding taxes deducted from wages and salaries, and taxes at source.

Altia Plc follows the guidelines issued by the Finnish Ownership Steering Department in the Prime Minister's Office for country-by-country tax reporting of state-owned companies. A summary of taxes and contributions, in accordance with the guidelines, is published as a part of annual report. The summary is based on information collected from the Group's accounting systems and includes the material taxes and contributions grouped by tax type.

Pursuant to the guidelines, Altia applies the materiality principle in its tax reporting. Accordingly, country-specific information on taxes is presented for Finland and Sweden. They constitute the company's main markets, with approximately 80% of its net sales coming from these two countries. Altia's other operating countries (Norway, Denmark, Estonia, Latvia, and France) do not meet the materiality threshold of 10% of consolidated net sales for countries to be reported on separately and are therefore presented collectively.

CASE

Talk about alcohol programme aims at preventing alcohol use in youth

World Health Organization (WHO) has called on governments to reduce the harmful use of alcohol by 10% by 2025. The behaviour of new generations plays a crucial role in the development of a responsible modern drinking culture and the reduction of harmful alcohol use. Altia promotes the development of young people's responsible alcohol consumption and delayed experimentation with alcohol through a school programme. The Talk about alcohol programme, based on studies and research, is available for secondary and upper secondary students in Finland and Sweden.

Read more about the Talk about alcohol programme:
altiagroup.com/sustainability/sustainability-cases

[1] According to the OECD, a tax haven is a country or jurisdiction that imposes nominal taxes or no taxes at all, is not willing to participate in international exchange of information, does not require companies registered in them to actually engage in business operations in their area, and is lacking in transparency.

ALTIA'S TAX FOOTPRINT

DATA FOR THE FINANCIAL YEAR 2019

	Data for the financial year 2019				Data for the financial year 2018			
	TOTAL	Finland	Sweden	Other countries	**TOTAL**	**Finland**	Sweden	Other countries
Taxes paid for the financial year, EUR million								
Income taxes	3.1	1.3	1.5	0.3	8.0	3.6	3.4	0.9
Real estate taxes	0.1	0.2	-0.2	-	0.3	0.2	0.1	0.1
Employer contributions	10.9	7.2	3.2	0.5	11.1	7.6	3.3	0.1
Taxes collected for the financial year, EUR million								
Value added taxes, sales	234.4	126.8	73.8	33.8	229.6	116.94	72.2	40.4
Value added taxes, purchases	77.3	45.3	22.3	9.7	79.0	44.82	21.4	12.8
Excise taxes	431.9	229.2	130.8	71.9	444.3	239.2	131.1	74.0
Payroll taxes	9.6	6.2	1.8	1.7	11.9	7.6	2.0	2.3
Any other taxes (incl. withholding taxes)	1.1	0.1	0.9	0.1	1.0	0.0	0.9	0.0
Net sales by country, EUR million	**408.3**	**241.1**	**101.6**	**65.6**	**411.0**	**239.3**	**95.0**	**76.6**
Profit/loss before taxes by country, EUR million (local)		**43.8**	**85.7**	**1.8**		**18.6**	**2.8**	**2.6**
Personnel by country*	**632**	**381**	**110**	**141**	**678**	**402**	**114**	**162**

The table contains the most significant taxes and tax-like fees, which the company is liable to pay or collect in accordance with the local legislation.
Other countries' (Norway, Denmark, Estonia, Latvia and France) figures are presented collectively, because individually they do not meet the materiality threshold of 10 percent of consolidated net sales.

*Situation on December 31, 2019

Our Drink

43 000 Kg	Of glass gathered in St Petersburg for recycling
40%	Recyclable PET bottles
90%	Return rate of PET bottles
2.19 KgCO_2e/liter	Carbon footprint of Koskenkorva Vodka in glass bottle
1.60 KgCO_2e/liter	Carbon footprint of Koskenkorva Vodka in PET bottle

MISSION

At Altia, we take pride in the quality of our offering, which includes our own brands and those of our selected partners. We carefully review and minimize the environmental impacts at all stages of production and invest in creating renewable, recyclable and lighter packaging. We are forerunners in packaging with lower carbon footprint, such as PET and bag-in-boxes.

OUR DRINK

This focus area includes our packaging development and the sustainability goals of our Nordic core brands, through which our sustainability work is manifested. Our strong brands act as a tool for presenting consumers with true stories of our sustainability journey.

We are committed to reducing our negative impacts on the environment throughout the whole life cycle of all of our products. In addition to our ambitious goals for carbon neutrality and 100% recyclable packages, each of our Nordic core brands have their own specific sustainability goals. We also aim to increase our offering of responsible products and follow the responsible sourcing principles of amfori.

Some of the most noticeable achievements under this focus area in 2019 include calculating the carbon footprint of Koskenkorva Vodka. This analysis showed that the majority of carbon dioxide emissions during the lifecycle of Koskenkorva Vodka derive from the product's packaging and from the cultivation of the barley used as an ingredient in the vodka. In contrast, the energy efficient Koskenkorva distillery's proportion of the carbon footprint is relatively small. This analysis helps us focus our efforts on where we can have the biggest impact. In the future, we are also planning to conduct similar calculations for our other products. In 2019, we also launched a communications campaign to encourage the recycling of our smallest PET bottles.

The main SDGs this focus area impacts are SDG 3 focusing on good health, SDG 12 focusing on responsible consumption and production and SDG 13 focusing on climate action. Under SDG 12, our work relates specifically to targets 12.4 and 12.5:

- *By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses.*
- *By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.*

GOALS

The common 2030 sustainability goals for our brands:

- By 2025, all our packaging is 100% recyclable.
- By 2030, we will strive for carbon neutrality.
- By 2030, we will offer an increased amount of responsible and conscious choices for consumers.
- We will strive for sustainable and transparent sourcing through amfori.

Our core brands' 2030 sustainability ambitions:

- Koskenkorva: Koskenkorva to be the world's most sustainable vodka.
- O.P. Anderson Aquavit: O.P Anderson to be the first zero waste aquavit.
- Blossa: Blossa to be the first climate neutral winter drink brand.
- Chill Out: Chill Out to be the most recyclable lifestyle wine brand.

The 2030 sustainability goals for our packaging:

- By 2025, all our packaging is 100% recyclable.
- By 2030, we have reduced the CO_2 footprint of our packaging by 35%.
- We will actively communicate to improve the return rates of both our bottle and bag-in-box packages in all our home markets.

Quality, better choices and transparent information

We want to provide consumers transparent information and assortment that facilitates making of responsible choices.

With over 1 600 members, Altia's Cheers! developer community provides the opportunity for an active and agile dialogue with consumers. Sustainability is an topic of increasing interest and consumers find carbon footprint important element in responsible production of drinks.

Altia did the first carbon footprint calculation of its product in 2019, starting from flagship export brand Koskenkorva Vodka. The calculation revealed that biggest effect comes from agriculture and packaging. When in PET bottle instead of glass, the footprint was significantly lower. Read more of the case.

Also authenticity, transparency and craft have become important features of sustainability, as have the ethical and responsible value chain, starting with production.

We ensure the safety of our drinks used in moderation and continuously improve the quality of raw materials and final products. We use ingredients and raw materials that are produced responsibly and transparently.

We have expanded our selection of ethically certified products in recent years.

Quality monitoring applies to beverages produced and bottled at the Rajamäki plant. The Rajamäki alcoholic beverage plant is committed to continually maintain consumer confidence in its products through the development and implementation of food safety systems and practices. Food safety is the responsibility of all employees who have a direct influence on ingredients, packaging, manufacturing, storage and the transport of products.

During the reporting period, quality training was provided to employees. Quality control also continued at Altia's plants in Koskenkorva, Tabasalu and Cognac during the reporting year.

We want to contribute to the enhancement of wellbeing and to ensure ethical behaviour in our value chain through Fair Trade. Altia's Rajamäki plant has the international Fairtrade and Fair for Life certifications. The Fair for Life certification covers Altia's operational sites in Rajamäki, Finland and in Brunna, Sweden. The Koskenkorva distillery, the Rajamäki alcoholic beverage plant and the distillery in Sundsvall are certified for organic production.

The criteria of Fairtrade and Fair for Life and the organic certification set requirements for all operators in the Altia organic and ethically certified product supply chain. Long-term business relations and cooperation with producers are the starting point for Altia, and all the parties involved in the supply chain of organic, Fairtrade and Fair for Life wine commit to this. All companies involved in the supply chain are certified, from the vineyards or farms all the way to the packaging of the finished products. Meeting the organic, Fairtrade and Fair for Life criteria and the traceability of the raw materials throughout the supply chain is monitored by the certification bodies.

Concerning the use of responsibly produced raw materials, we frequently send our corporate social responsibility questionnaire to the suppliers of ingredients for Altia's proprietary brands and implement Altia's Code of Conduct for Suppliers and Subcontractors, which states our minimum expectations of our suppliers with regard to responsible conduct.

Driving packaging with lower carbon footprint

Packaging plays a major role in reducing environmental impacts, as Altia bottles up to 70 million litres of beverages per year. Packaging design at Altia is guided by sustainable development: the company aims to minimise the carbon footprint of packaging and the amount of waste and to maximise the recyclability of packaging. At the Rajamäki plant, for instance 100% of plastic bottles are recyclable.

Altia is continuously looking for new materials and alternatives to reach lower carbon footprints. Practical measures are yearly reducing the weight of glass and PET bottles, avoiding excessive packaging and increasing the use of recycled materials in packaging. We have also transferred from multi-material packaging – such as plastic bottles with aluminium caps – to a combination of PET bottles and plastic capsules, which are easier to recycle. This already includes 97% of PET bottles at all Altia company and 100% of PET bottles at Altia's Rajamäki plant.

Altia promotes environmentally lighter packaging types, such as PET bottles, bag-in-boxes and lower weights glass bottles. A study made by the Nordic monopolies shows that bag-in-box is very climate friendly packaging with carbon footprint of 70g CO_2e/l. If looking at bottles, carbon footprint of PET bottle is 245g CO_2e/l when that of a glass bottle is 675g CO_2e/l. The lower carbon footprint of PET is due to the lower weight, one tenth of an average glass bottle, and of less energy-intensive production than that of glass.

PET bottles are also easy to recycle, and their return rate in Altia's main market areas is 90%. Altia organised in 2019 a consumer campaign in Finland to improve the recycling of small, flask size PET bottles. These handy packaging are often used outdoors and end up to regular waste bin instead of recycling, resulting to lower return rates. The campaign improved the return rate of Altia's small PET bottles with an average of 8% (read more of the case).

The use of PET bottles in Altia's packaging category has grown yearly, and they account for approximately 40% of all our consumer packages. Glass bottles too have their uses and are subject to development work as well, particularly in terms of reducing carbon footprint with design innovations and co-operation with suppliers.

Altia has also worked to reduce secondary materials usage more than 200 000 kg annually from 2015. Average secondary package material weight reduction is 48% from 2015 to 2019. Key steps have been material efficiency, optimising of secondary box and increasing sustainable sources, such as recycled paper, for paperboard.

As part of Altia's Sustainability Roadmap 2030 and packaging strategy, Altia's long-term goals include making all its packaging 100% recyclable and removing unnecessary packaging material. In addition, the aim is to reduce the use of fossil raw materials in plastic bottles and increase the use of recycled material in glass bottles.

CASE

Increasing the recycling rate of PET plastic bottles

In the summer of 2019, Altia carried out its first responsibility campaign aimed directly at consumers. The campaign was built around bottle recycling. Circular economy lies at the core of Altia's responsibility and sustainability programme, and the circulation of PET plastic bottles is an important part of it. When returned, a PET bottle is one of the most ecological packaging alternative for liquids, thanks to its recyclability and low carbon footprint.

Read more about the campaign and bottle recycling:
altiagroup.com/sustainability/sustainability-cases

CASE

Altia leads the way in glass recycling in St. Petersburg

Altia's Zero Waste sustainability programme, which is central to the Koskenkorva Vodka brand, has proven successful in St. Petersburg, Russia. In 2020, the programme will be expanded to Moscow. As part of the programme, Altia recycled 43 tonnes of glass bottles collected from client restaurants and bars in 2019.

Read more about the Zero Waste programme:
altiagroup.com/sustainability/sustainability-cases

CASE

Koskenkorva Vodka's carbon footprint: Packaging and barley cultivation carry the greatest impact

Altia calculated the carbon footprint of Koskenkorva Vodka in 2019. The majority of carbon dioxide emissions during the life-cycle of Koskenkorva Vodka derive from the product's packaging and from the cultivation of the barley used as an ingredient in the vodka. The energy-efficient Koskenkorva distillery's proportion of the carbon footprint is relatively small. The carbon footprint of Koskenkorva Vodka packaged in a glass bottle is 2.19 kg CO_2e/litre, while that of Koskenkorva Vodka packaged in a PET plastic bottle is 1.60 kg CO_2e/litre.

Read more about Koskenkorva Vodka's carbon footprint:
altiagroup.com/sustainability/sustainability-cases

Our People

682	Employees on average
11.3 years	Average duration of employment
9	Lost-time injury frequency (LTIF)
14	Total recordable injury frequency (TRIF)
3.7%	Sickness absence percentage
12	Co-determination negotiations
6	Social responsibility audits
2%	Share of purchases from amfori BSCI risk countries

MISSION

It is imperative that Altia is a trusted partner for our suppliers and clients and a safe, enjoyable and inspiring place to work. We respect human rights, strive to increase the well-being of our employees and provide opportunities for professional growth.

OUR PEOPLE

This focus area concentrates on the safety and wellbeing of our employees as well as the people in our supply chain.

Our people make us the company that we are. Thus, we want to ensure the wellbeing of all our employees and offer equal opportunities for their professional development. We take occupational health and safety very seriously and have strict policies and procedures in place so that everyone can feel safe working at Altia. We work together with amfori to audit at-risk countries and do our part to improve social conditions along with our supply chain.

In 2019, we established Altia's leadership principles and communicated about this internally. Our safety culture was stepped up especially at our Rajamäki plant where we started a project to include also human factors in the development of the safety culture.

This focus area mainly impacts SDG3 related to good health and wellbeing.

GOALS

- By 2030, Altia will have zero absence due to injuries (lost time injury frequency, LTIF = 0). The starting level in 2018 is 12.
- To reach this, we will annually increase the number of our safety observations to 3 per person. The starting level is 1.2 per person in 2018.
- By 2030, Altia is among the top 25% of companies in working life quality. This is measured by the Brilliant Engagement Survey benchmark data.
- By 2022, 100% of Altia's direct sourcing partners from risk countries are audited by amfori. The starting level is 87% in 2018.

CASE

Assessment of human factors included in the development of occupational safety

Occupational safety is a key part of Altia's responsibility work. Altia's safety work took a step forward in 2019 when what are referred to as human factors – i.e. factors having an impact on an individual's actions, such as tiredness, workload or the flow of information – began to be accounted for as part of occupational safety. The Human Factor Development Programme, to be carried out in cooperation with the Finnish Institute of Occupational Health, adopts a broader perspective into occupational accidents and the promotion of occupational safety and aims to broaden the entire way of thinking about safety matters.

Read more about the occupational safety at Altia: altiagroup.com/sustainability/sustainability-cases

> **“At Altia, we want to build a working community in which our employees feel well and can perform their work safely. We believe that the engagement of our employees leads to the success of the company.**

Recognising that each employee contributes to the atmosphere of the working community, we take pride in our relaxed company culture, which allows everyone to be themselves. Personnel development planning is an essential part of Altia's strategy process.

Enhancing safety and working life quality

Safety culture was boosted by initiating a comprehensive Human Factor programme at Rajamäki plant. The idea of the programme is to lift the safety culture from individualist to systemic, and therefore enhance understanding the requirements of the changing environment. The programme is carried out in co-operation with the Finnish Institute of Occupational Health. Altians from Rajamäki and Koskenkorva plants participated in the programme, and a Human Factor tool was created for Altia. The programme will be implemented and extended to other plants in 2020 and 2021.

A Digital Accelerator program was conducted for marketing professionals. The program covered e.g. such topics as customer centric marketing, data driven marketing, technology and platforms. Self-leadership and time management was enhanced via smart work trainings where participants were challenged to think about their own working habits and were introduced to new techniques and tools to cope with multiple priorities.

The Altia Tasting personnel survey was conducted in January. The survey provided managers with accurate tools to develop their leadership. The key development areas based on the survey were improving leadership skills, making development opportunities more visible and increasing top management visibility. Several actions were implemented during the year to improve in these areas, e.g. the initiative to define together with our managers how the good leadership should look like, improving the quality of development discussions by modifying the discussion format based on feedback collected from employees, and putting focus on Executive Management Team's participation in employee events.

All Altia employees participate in performance discussions regularly. During the performance discussions, a personal development plan is prepared for each employee defining the most significant measures to develop competence and motivation. In 2019, the performance discussions focused especially on creating comprehensive development plans.

The basis for promoting the equal treatment and well-being of employees is part of Altia's Business Principles and Altia Behaviours.

The goal of the work towards equality and equal opportunities is to identify and prevent discrimination, and to promote gender equality and equal opportunities. Altia's equality and equal opportunities plans and policies describe principles and measures intended to enhance gender equality and equal opportunities among personnel.

Taking care of one's own and colleagues' safety and well-being is part of daily operations, and it is included in the company's local action plans. Altia offers occupational healthcare to employees in all operating countries through healthcare services, medical expenses insurance or health checks in accordance with local agreements and legislation.

Remuneration and incentives

Altia's short-term incentives form part of employees' total compensation and benefits package. The purpose of the incentives is to support the implementation of Altia's strategy, reward people for excellent personal performance and achieve the financial objectives of the Altia Group and its business units. Altia's salaried employees, senior salaried employees and management participate in this annual performance bonus programme. The potential annual bonus is based on the targets of both the Group and its business units, as well as on personal targets. Bonuses are paid either once a year or more frequently as an annual bonus or sales bonus. Workers participate in a production bonus system. The production bonuses are based on each production unit's targets.

Altia's CEO, the members of the Executive Management Team and selected key employees are part of the share based, long-term incentive scheme. The long-term incentive scheme complements a balanced incentive structure. Participants are encouraged to promote the long-term financial success of the company and commit to achieving Altia's strategic targets for the development of the shareholder value as well as retain Altia's valuable key resources.

In addition to financial rewards, Altia strives to develop other forms of incentive. These include thanking and giving positive feedback, celebrating accomplishments, sharing best practices, involving key talents in strategy and development work, as well as offering small tokens of appreciation in recognition of good work.

More information about Altia's remuneration policies, including paid remuneration, can be found in the Remuneration Statement, page 111.

Actions to prevent sickness absences and accidents

Altia's occupational health and safety system has been certified in accordance with the OHSAS 18001:2007 standard. The certificate covers the Koskenkorva plant, the operations at Rajamäki and the head office functions in Helsinki. Altia received the approval of ISO 45001:2018 Occupational health and safety management systems in early 2020.

The objectives of the occupational health and safety system include the reduction of sickness absences and accidents and the absences the latter cause. To highlight the importance of occupational health and safety, action plans have also been created for those Altia operating locations that are not in the scope of the certification (Tabasalu plant, the Cognac plant and the Brunna logistics centre). To achieve the objectives, key performance indicators have been set. Actions completed at various sites include, for example, the implementation of a work safety e-learning course, the implementation of a new tool for near-miss reports, the updating of the occupational and health risk evaluation process and the management of safety walks. Altia has launched also four minimum requirements covering: Personnel safety equipment, External craftsmen, Chemical handling and Working on hights. The implementation of these minimum requirements is ongoing in all sites.

In Rajamäki Beverage Plant has been started a long term pilot project Human Factor. Many other improvements concerning production facilities and equipment were also made during the reporting year.

Accident frequency and sickness absences are monitored in all Altia's operating countries. Since 2018, the key performance indicators monitored have also included the number of accidents and near-miss cases. In 2019, the sickness absence percentage* was 3.7 percent (3.4% in 2018). The Swedish logistics centre in Brunna had the highest rates at 7.2 (6.9), and the Copenhagen office had the lowest rate at 0.7 (0.7). The accident absence rate** for accidents requiring at least one day of absence was 9 (12 in 2018), without commuting accidents. Like the previous year, the Rajamäki plant had the highest number of accidents. The Rajamäki plant continued to develop the identification of hazards and risks, and to implement immediate corrective measures. Occasional accidents occurred at other locations (Cognac, Koskenkorva, Stockholm and Tabasalu). There were no fatal work-related accidents in 2019.

Changes in personnel

In 2019, Altia Group had an average of 682 (718) employees. On 31 December 2019, Altia Group had 632 (678) employees, of whom 381 (402) were in Finland, 110 (114) in Sweden, 4 (19) in Denmark, 21 (28) in Norway, 31 (32) in Latvia, 60 (61) in Estonia, and 25 (22) in France.

In May 2019, Altia transferred the domestic business in Denmark to Conaxess Trade Beverages, and employees working in the business were transferred to the company as old employees. Implementation of the Scandinavian segments restructuring was completed. These arrangements aimed at renewing ways of working as well as simplifying the organisational structure. The decrease in the number the Group's personnel was primarily due to reorganisations, non-replacement or other internal career arrangements. Altia supported the affected employees by offering outplacement or training support.

People in our supply chain

We acknowledge our wider impact on value chains and work within the acknowledged framework of amfori BSCI to further respect and promote the importance of human rights and key international labour standards. We

* The number of sickness-related absence hours per working hours x 100%

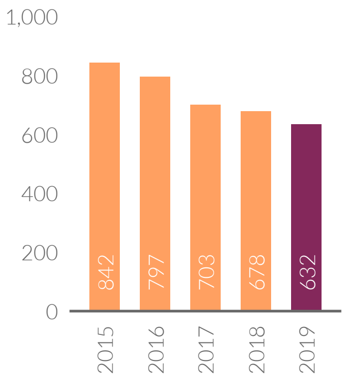
** The number of accidents leading to at least one day's absence per million working hours without commuting accidents.

aim to annually increase the traceability and transparency of product and raw material supply chains.

Although Altia has itself been an amfori BSCI member since 2017, we have, as a supplier to amfori BSCI participants, implemented the principles of the amfori Code of Conduct since 2012. By becoming a full participant, we have been able to enhance our opportunities and capabilities of developing long-term responsibility work and transparency in our supply chain.

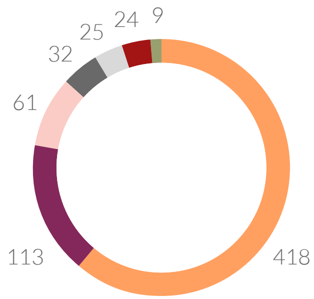
In 2019 six auditions were conducted to Altia's suppiers. The suppliers audited during the reporting period where producers of rum and wine based in South-America and Central America e.g. Chile, Guatemala and Guyana. The main deviations found, were linked to a need to improve management systems to fully implement amfori BSCI code of conduct, organisation of workforce to avoid excessive overtime situations during peak seasons and an overview of business partners and their level of alignment with amfori BSCI code of conduct.

Development of the number of personnel 2015–2019
Persons



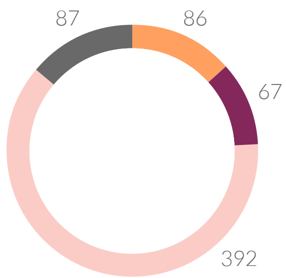
Average age of personnel: 44 years
Situation at the end of the year

Average number of personnel by country 2019
Persons



- Finland
- Sweden
- Estonia
- Latvia
- Norway
- France
- Denmark

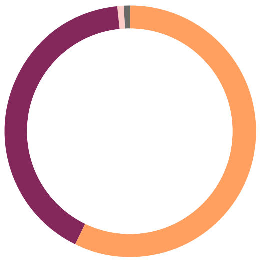
Personnel by segment 2019
Persons



- Finland & Exports
- Scandinavia
- Altia Industrial
- Other*

*Group functions
Situation at the end of the year

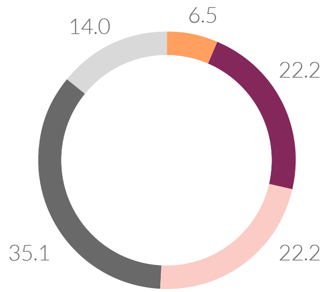
Type of employment 2019
%



Permanent 98.4
- Men 58.2
- Women 41.8

Fixed-term 1.6
- Men 60.0
- Women 40.0

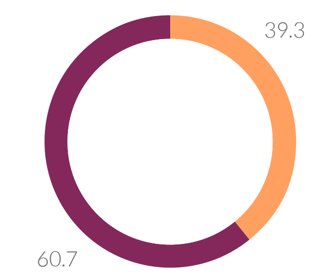
Duration of employment
%



- Less than 1 year
- 1–4 years
- 5–9 years
- 10–20 years
- Over 20 years

Personnel by group 2019

%

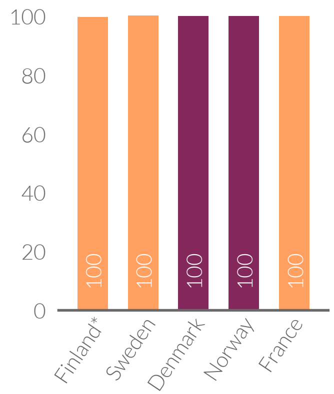


Workers

Salaried and senior-salaried employees

Percentage of employees covered by collective agreements

%



Covered by collective agreements

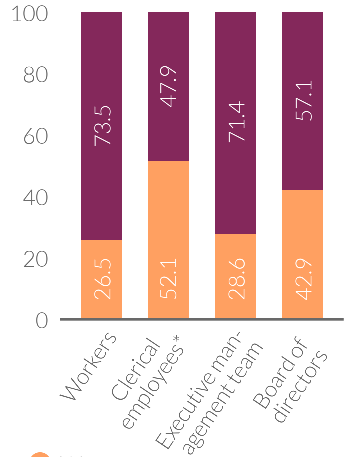
Not covered by collective agreements

Estonia and Latvia are not included because in these countries there are no collective agreements.

*Excluding CEO

Gender distribution

%



Women

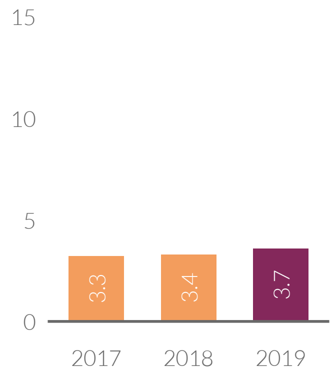
Men

*Does not include EMT members

Situation at the end of the year

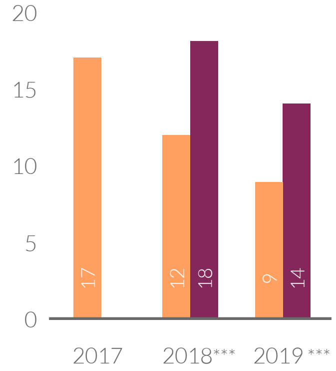
Sickness absences

%



The number of sickness related absence hours per working hours x 100%

Accident absence rate



Lost Time Injury Frequency (LTIF)*

Total Registered Injury Frequency (TRIF)**

*Lost Time Injury Frequency, meaning the ratio of number of accidents resulting in at least one day absence to million working hours. Excluding commuting.

**Total Registered Injury Frequency, reported from 2018 onwards. Excluding commuting.

***2018 and 2019 reported without commuting.

Altia Sustainability Programme 2019

In 2019, we have carried out Altia's Responsibility and Sustainability Programme for 2018-2020. At the same time, Altia has been creating a new, long-term programme, Sustainability Roadmap 2030, which was implemented in January 2020.

In the past fiscal year, Altia has been using a corporate responsibility programme that was prepared for 2018-2020. Its most important measures have been included in the operational planning of each business unit. Altia's corporate responsibility work group has reviewed this progress regularly and has reported the results to the Executive Management Team.

The sustainability programme has been based on Altia's strategy, the purpose of Altia's operation, the four cornerstones of Altia's corporate responsibility, analysis of industry trends and drivers, earlier operating programmes on responsibility, as well as the views of Altia's Executive Management Team, the corporate responsibility work group, and other key personnel.

Core development efforts in 2019

The year's most significant focus was on creating long-term responsibility goals for Altia. Over 40 Altia employees took part in determining these responsibility goals as part of five different work groups and a steering team that have been active for nearly a year.

Altia's Sustainability Roadmap 2030 was published in December 2019 and will be implemented in early 2020. The new roadmap came into force one year before the end of the previous programme's period. It includes the elements of the previous responsibility programme, as well as long-term ambitious numeric goals, which are based on United Nations Sustainable Development Goals.

In 2019, the focus of our responsibility work was occupational safety, according to plan.

Safety awareness has been improved in particular at the Rajamäki alcoholic beverage plant, which is the location in which we have our largest number of personnel.

In 2019, we also started working on carbon footprint calculations for Altia products, as per our responsibility programme. The first product we ran this calculation on was Koskenkorva Vodka. These figures show us valuable information on the carbon footprint of Koskenkorva Vodka during its whole lifecycle, and shows us the way for future responsibility and sustainability work.

One of the goals of the programme for 2019 was the consumer campaign to increase the recycling rate for small PET plastic bottles. This campaign was held in summer 2019, and succeeded in raising the recycling rate by an average of 8%.

In our responsibility and sustainability work, we also focused on the views and expectations of new shareholders.

Altia's responsibility action programme 2018–2020

Altia & Customers

- Continue work on and increase communication about Altia's Let's Drink Better aim.
- Continue work with product safety & quality for different product categories.
- Continue work to increase traceability in the value chain.
- Balance the product portfolio with responsible and sustainable consumption trends and set targets.
- Highlight corporate responsibility in Altia brand stories.

Altia & Society

- Maintain good cooperation with stakeholders related to responsible and sustainable drinking culture.
- Continue work to increase transparency and traceability in the supply chain.
- Progress according to targets set for amfori BSCI audit coverage.
- Utilise efficiently the tools and resources provided by amfori BSCI and continue the development of Altia's responsible sourcing processes.

Altia & Environment

- Continue work on reduction of energy usage and CO_2 emissions.
- Continue work on sustainable and efficient packaging strategy, for example by reducing overpacking, using more recycled and recyclable materials and using lighter packaging.
- Investigate solutions for reducing or reutilising waste alcohol from production.
- Continue work in optimising logistics to minimise Altia's CO_2 footprint.
- Continue energy saving operations according to targets set in the energy efficiency agreement.
- Continue cooperation with BSAG and contract farmers to promote sustainable agriculture.
- Protect Rajamäki's pure groundwater.
- Continue work to improve the quality of wastewater.

Altia & Employees

- Continue the wide and versatile occupational health and safety work to enhance a safety culture aiming for zero accidents.
- Enhance leadership and organisational culture based on annual Altia Tasting results.
- Enhance employee health and wellbeing through concrete initiatives, for example work ergonomics.
- Promote a happy and productive workplace.

- Incorporate the views and expectations of new shareholders in Altia's corporate responsibility programme.
- Enhance communication of Altia's corporate responsibility efforts through various communication channels, both internally and externally.
- Continue the integration of corporate responsibility-related risks more systematically in the Altia Group risk management process.

Sustainability – objectives, actions and progress

Altia & Customers

Objective 2018–2020	Actions 2019	Progress 2019
Continue work to ensure the quality and safety of Altia's products, including low- and non-alcoholic products.	• Develop the food safety and quality certification status of Altia's own production plants.	• Altia's Rajamäki plant was audited to receive the FSSC 22000 food safety certificate. in December 2019 and the certificate is expected to be granted in beginning of 2020. • Quality training was organized for employees. • Altia specified instructions and processes for food fraud mitigation and food defence.
Continue work to ensure traceability and responsibility in the value chain of raw materials and products.	• Continue work with suppliers and partners to ensure products and raw materials are produced responsibly. • Continue work with the amfori BSCI initiative. • Continuously develop the traceability of products.	• 80% of Altia's direct risk country suppliers have a social responsibility certificate. • A Supplier Code of Conduct has been included whenever contracts have been updated • Volume of organic products increased: 3.6 million litres in 2019 (3.2). • Volume (in litres sold) of Fairtrade products increased by 8% compared with 2018.
Keep product portfolio aligned with responsible and sustainable consumption trends.	• Develop operations and product portfolio to respond to the demand for organic, low alcohol and certified products.	• In 2019 Altia launched seven new organic products. • In 2019 Altia launched seven non-alcoholic products. • In 2019 Altia launched 17 new low-alcoholic products.

Altia & Society

Objective 2018–2020	Actions 2019	Progress 2019
Continue responsible marketing in compliance with applicable laws, regulations and industry codes in each operating country	• Responsibility statements were used in marketing communications.	• Marketing guidelines, principles and processes are in place. • Responsibility statements have been added where applicable.
Advocate a responsible and sustainable drinking culture in consultation with stakeholders	• We gave an extra financing to Talk about alcohol education program in Sweden.	• Altia continued to participate in industry cooperation to advocate responsible drinking.
Generating economic value added	• Altia continues to implement its strategy, developing its business and aiming to improve profitability, productivity and flexibility.	• In 2019, Altia employed 682 persons, of whom 381 worked in Finland. • Income taxes amounted to EUR 3.1 million and excise taxes paid on products sold by Altia totalled EUR 431.9 million. • Altia used 211.5 million kilograms of Finnish grain including 208.7 million kg of barley: this represents around 12% (15%) of the total barley crop in 2019 in Finland and 33 % of the barley sold in Finland during marketing year 2018/2019 which is about 15% percent of the total Finnish barley harvest.
Respect and promote responsibility, transparency and traceability in the supply chain.	• Altia efficiently utilises the tools and resources provided by amfori BSCI and continues to develop its responsible supply chain processes.	• Altia has progressed according to target concerning amfori BSCI audit coverage in countries classified as risk countries. • 6 (21) full amfori BSCI audits or follow up audits were conducted at Altia's suppliers, partners or their sub-suppliers. • Amfori BSCI audits were conducted in 2019 in the Altia supply chain in Chile, Guatemala and Guyana. • The share of purchases from risk countries as identified by the amfori BSCI risk country classification was 2% (3%).

Altia & Employees

Objective 2018–2020	Actions 2019	Progress 2019
Continue the wide and versatile occupational health and safety work to enhance safety culture towards zero accidents. Safety culture and good safety practices should be more visible and known to all employees.	• Enhancing the safety culture at Altia sites, with a focus on the Rajamäki plant.	• Human Factor programme initiated in Rajamäki. • First aid trainings were organised in Finland and in Estonia.
Enhance a new leadership and organisational culture (authentic, open dialogue, self-leadership)	• Altia Tasting engagement survey used as a basis for enhancing leadership & culture. • Defining good leader expectations for managers at Altia.	• Action planning discussions in all teams based on Altia Tasting results. • Dialogue on good leader expectations kicked off via a participative virtual platform. • Smart work trainings to improve self-leadership and time management skills. • Regular manager info sessions on topical people matters.
Enhance employee health and well-being through concrete initiatives, for example, relating to work ergonomics and a happy productive workplace.	• Focus on work ergonomics and healthy choices.	• Ergonomic improvements were sought based on sites' needs. • Well-being lectures and events conducted in major sites. • Thanking culture boosted with company-wide thanking relay.

Altia & Environment

Goals for 2018–2020	Measures in 2019	Progress in 2019
Reducing energy consumption and carbon dioxide emissions	• In 2017, Altia joined the voluntary Energy Efficiency Agreement for the period 2017–2025. Altia aims to reduce its energy consumption by 10% by 2025 compared with 2014.	• Energy consumption relative to production decreased at the Rajamäki plant and increased at the Koskenkorva plant in 2019. • Total energy consumption remained on the same level year-on-year. • Thanks to its bioenergy power plant, the Koskenkorva plant is 62 % self-sufficient in fuel for steam production. Its carbon dioxide emissions have decreased by 58 % since 2014.
Reducing water consumption and improving wastewater quality	• Altia will continue to implement measures to reduce water consumption and improve wastewater quality.	• Altia's absolute water consumption decreased with 24% year-on-year. • Water consumption relative to production increased at Rajamäki and decreased at Tabasalu. • At Koskenkorva, water consumption per tonne of grain decreased. • Waste water amount increased with 21%. • Organic loading of wastewater decreased at Rajamäki and increased in Koskenkorva during the reporting period. • The daily BOD limit was exceeded 3 times during 2019 in Rajamäki and 2 times in Koskenkorva.
Continuing the work to protect groundwater at Rajamäki	• Altia protects water quality by monitoring groundwater quality and surface levels, owning land in groundwater areas and affecting land use, and by means of conservation areas.	• In 2019, an extensive investment in chemical protective basins was continued at the Rajamäki plant, involving the replacement of protective basins in the field tank area.
Reducing waste and improving recycling	• Altia seeks to reduce packaging material waste.	• During the reporting period, the average waste utilisation rate at Rajamäki, Tabasalu and Koskenkorva decreased to 99.5% (99.7%).
Promoting sustainable agriculture	• Altia will continue to cooperate with farmers and the Baltic Sea Action Group.	• Altia is committed to promote the sustainability of the farming methods used in its beverage production.
Developing more sustainable packaging	• Altia is continuously exploring new opportunities to improve the recyclability of packaging, reduce its carbon footprint, increase its use of recycled materials and use lighter packaging	• Altia uses partially or totally recycled glass in 75% of packaging. • Altia's recycled glass usage rate was around 50 % for coloured glass, depending on the colour, and around 10 % for flint glass, depending on the type of glass. • The amount of lighter weight and lower carbon footprint PET bottles increased with 1 million pieces and we launched two new PET bottle models. • The weight of glass was reduced in Larsen Cognac by 5–20%. • Altia replaced aluminium bottle capsules with a combination of PET bottles and plastic capsules, which are easier to recycle. 97% of PET bottle capsules are made from plastic.

Reporting framework

Description of the reporting

Altia is publishing its corporate responsibility data for 2019 as part of the 2019 Annual Report, in the section on corporate responsibility. The 2019 Corporate Responsibility Report is the company's twelfth such annual report. The report is published on the company's website once every calendar year in both Finnish and English.

For the third time, Altia is also publishing a non-financial statement which provides an overview of the company's approach to environmental, social, employee and human rights issues, as well as anti-corruption and bribery matters, in accordance with the EU Directive regarding the disclosure of non-financial and diversity information. The non-financial statement is published as part of the Report by the Board of Directors.

The previous report, for 2018, was published on 22 March 2019.

Scope of corporate responsibility reporting

The corporate responsibility section of the 2019 Annual Report contains general and material information about the economic, social and environmental impact of Altia's operations between 1 January 2019 and 31 December 2019. Altia reports on its corporate responsibility in accordance with the Core option of the Global Reporting Initiative (GRI) 2016 Standards. The reporting contains the GRI Standard sections on general disclosure and management approach as well as the standard clauses pertaining to Altia's material environmental, social and economic clauses. The indicators concerning environmental and responsibility matters in the supply chain are presented more comprehensively than the GRI Core option. The GRI Index illustrates the correspondence between the contents of the corporate responsibility section and the GRI Standards.

If not otherwise stated, information on corporate responsibility and the related material indicators are disclosed for the entire Altia Group.

Altia and the environment

Regarding environmental responsibility, the reported targets and indicators focus on the environmental impact of Altia's own operations at the Koskenkorva, Rajamäki, Tabasalu and Cognac plants, as these plants generate most of Altia's environmental impact.

Altia reports Scope 1 and Scope 2 greenhouse gas (GHG) emissions. Altia calculates the annual CO_2 emission reduction compared with the previous reporting year as well as with the base year, 2014. The base year has been chosen in accordance with the construction and start-up of the Koskenkorva bioenergy power plant. Scope 1 emissions are direct emissions generated by Altia's own production. Scope 2 emissions are indirect emissions derived from energy bought from external sources and used in the company's operations.

Altia generates no other direct greenhouse gas emissions except for carbon dioxide (CO_2) emissions. CO_2 emissions from purchased energy have been calculated by multiplying the energy consumption by the emission factor corresponding with its production (kg CO_2/MWh). The following sources for emission factors have been used in the calculations:

- Steam: local suppliers
- Electricity: Finland's Energy Authority
- District heating: local district heating suppliers
- Natural gas: 55.04 CO_2 t/TJ

In addition to GHG emissions, Altia reports volatile organic compound (VOC) emissions and particle emissions into the air. Altia's own operations generate no other emissions into the air.

Altia and its employees

All indicators relating to employees were extended in 2017 to also cover operations in Cognac, France. Therefore, figures for accident rates, sickness absences and the type and duration of employment relationships are not comparable with the corresponding figures reported in 2016. 2018 and 2019 accident rates are reported without commuting. Employee data sources are composed of Altia's global HR, local payroll and reporting systems, and do not include assumptions.

The calculation methods applied, and any differences and restatements compared with the corporate responsibility reporting of previous years, are described as part of specific charts and tables where relevant.

Assurance

No external assurance has been applied to the Corporate Responsibility Report.

GRI content index

This report contains Standard Disclosures from the GRI Sustainability Reporting Guidelines.

Code	GRI content	Location	Reported fully ● partly ◖	Comments
General Disclosures				
Organisational profile				
102-1	Name of the organisation	Cover page, p. 1	●	
102-2	Activities, brands, products and services	Altia in brief, p. 2, Value created, p. 13, Segments, pp. 15–17, Brands, pp. 22-23	●	
102-3	Location of headquarters	Corporate governance, p. 105, 111	●	
102-4	Location of operations	Altia in brief, p. 2	●	
102-5	Ownership and legal form	Corporate governance, p. 105	●	
102-6	Markets served	Altia in brief, p. 2, Segments, pp. 15-17, Operating environment, pp. 18–19, Board report, p. 27-31	●	
102-7	Scale of the organisation	Financial Key Figures, pp. 4–5, Segments, pp. 15–17, Business Review, pp. 34–36, Personnel p. 39, Key ratios of the Group, pp. 49–50, Our People, p. 83, 86	●	
102-8	Information on employees and other workers	Personnel, p. 39, ESG Key figures, p. 26, Our people, pp. 88–89, GRI index	◖	No substantial work performed by non-employees nor is there seasonal variation in employment. Figures not disaggregated by gender or region. Number of temporary and part-time employees is not substantial, and part of the employees with temporary contracts are local summer interns at Rajamäki.
102-9	Supply chain	Material flows, p. 71, Value created, p. 13	●	
102-10	Significant changes to the organisation and its supply chain	Board report, pp. 27–32, 38	●	
102-11	Precautionary Principle or approach	Board report, pp. 40–42, Our distillery, pp. 65–69	●	
102-12	External initiatives	Board report, pp. 44–48, Steering of Altia's responsibility work, p. 57	●	
102-13	Membership of associations	Stakeholder dialogue, p. 58, GRI index	●	Altia companies in Finland, Sweden, Norway, Denmark, Estonia and Latvia are members in local alcohol industry associations. Altia is also a member of BNIC, the cognac producer’s association.

Code	GRI content	Location	Reported fully ● partly ◖	Comments
Strategy				
102-14	Statement from senior decision-maker	CEO's review, pp. 7–8	●	
102-15	Key impacts, risks, and opportunities	Value created p. 13, Trends and innovations, p. 20, Risks and risk management, pp. 40–42, Non-financial statement, pp. 44–48, Sustainability roadmap, p. 55, Materiality analysis, p. 61, Environmental impacts, p. 66, Role in society, p. 75, Our drink, p. 79, Our people, p. 84, Case, p. 82	●	
Ethics and integrity				
102-16	Values, principles, standards, and norms of behavior	Altia in brief, p. 2, CEO review, pp. 7–8, Strategy, p. 11, Value created, p. 13	●	
102-17	Mechanisms for advice and concerns about ethics	Board report, pp. 47–48	●	
Governance				
102-18	Governance structure	Corporate governance, pp. 105–110	●	
102-20	Executive-level responsibility for economic, environmental, and social topics	Corporate responsibility, p. 57	●	
102-22	Composition of the highest governance body and its committees	Board of directors, pp. 114–115	●	
102-23	Chair of the highest governance body	Board of directors, p. 114	●	
102-24	Nominating and selecting the highest governance body	Corporate governance statement, pp. 105–109	●	
102-26	Role of highest governance body in setting purpose, values, and strategy	Corporate governance statement, pp. 105–109	●	
102-32	Highest governance body's role in sustainability reporting	GRI index	●	The report is approved by the Board.
102-35	Remuneration policies	Corporate governance, pp. 111–113, GRI index	●	Occupational safety-related targets have been included in the Altia management incentive scheme for the operations and sites where occupational safety plays a significant role.
Stakeholder engagement				
102-40	List of stakeholder groups	Stakehodler dialogue, pp. 58–60	●	
102-41	Collective bargaining agreements	ESG key figures, p. 26, Our people, p. 89	●	
102-42	Identifying and selecting stakeholders	GRI index	●	Altia has defined the company stakeholder groups which the company impacts and/or the stakeholder groups that may impact Altia's operations. These are explained in more detail in the stakeholder section of this report.
102-43	Approach to stakeholder engagement	Stakeholder dialogue, p. 58, Stakeholder interaction, pp. 59–60	●	
102-44	Key topics and concerns raised	Stakeholder interaction, pp. 59–60	●	

Code	GRI content	Location	Reported fully ● partly ◖	Comments
Reporting practice				
102-45	Entities included in the consolidated financial statements	Consolidation, pp. 161–164	●	
102-46	Defining report content and topic Boundaries	Materiality analysis, pp. 61–62, Reporting framework, p. 96	●	
102-47	List of material topics	Materiality analysis, pp. 61–62	●	
102-48	Restatements of information	GRI index	●	No restatements in 2019.
102-49	Changes in reporting	Sustainability roadmap, pp. 55–56, Materiality analysis, pp. 61–62	●	
102-50	Reporting period	Reporting framework, p. 96	●	
102-51	Date of most recent report	Reporting framework, p. 96	●	
102-52	Reporting cycle	Reporting framework, p. 96	●	
102-53	Contact point for questions regarding the report	Contact information, back cover	●	
102-54	Claims of reporting in accordance with the GRI Standards	Reporting framework, p. 96, GRI index	●	This report has been prepared in accordance with GRI Standards: Core option.
102-55	GRI content index	GRI index, pp. 97–103	●	
Management Approach				
103-1	Explanation of the material topic and its Boundary	Materiality analysis, pp. 61–62	●	
103-2	The management approach and its components	Sustainability roadmap, pp. 55–56, Steering of Altia's responsibility work, p. 57, Materiality analysis, p. 62, Our distillery, pp. 64–68, Our society, pp. 72–76, Our drink, pp. 78–82, Our people, pp. 83–87, Altia Responsibility and Sustainability programme, pp. 90–95	◖	We are aiming to give full disclosure in future reports.
103-3	Evaluation of the management approach	Steering of Altia's responsibility work, p. 57, Stakeholder dialogue, p. 58, Stakeholder interaction, pp. 59–60, Altia Responsibility and Sustainability Programme, pp. 90–95, Reporting framework, p. 96	◖	We are aiming to give full disclosure in future reports.
Economic Standards				
GRI 201: Economic performance				
201-1	Direct economic value generated and distributed	Our society, pp. 72–77, Board report, p. 45, Financial statements, pp. 122–124, 130–131, 141-142, 181	●	

Code	GRI content	Location	Reported fully ● partly ◖	Comments
GRI 205: Anti-corruption				
205-2	Communication and training about anti-corruption policies and procedures	Board report, pp. 47–48	●	All Altia business partners sign the Altia Supplier Code of Conduct and the amfori BSCI Code of Conduct as part of their agreement. Both include anti-corruption clauses. Altia expect its representatives, consultants, agents, subcontractors and other business partners to unconditionally refrain from corrupt behaviour while undertaking services for Altia or on its behalf.
205-3	Confirmed incidents of corruption and actions taken	Board report, p. 48	●	No reported incidents in 2019.
Environmental Standards				
GRI 301: Materials				
301-1	Materials used by weight or volume	Use of material and raw materials table, p. 66	◖	We are currently drafting our packaging strategy and will soon be communicating the share of used renewable and non-renewable materials.
GRI 302: Energy				
302-1	Energy consumption within the organization	Environmental figures, p. 70, Reporting framework, p. 96	●	
302-4	Reduction of energy consumption	Board report, pp. 40, 44, Environmental performance, p. 68	●	
GRI 303: Water and effluents				
303-1	Interactions with water as a shared resource	The environment and energy efficiency, p. 40, Non-financial statement, pp. 44–45, Materiality analysis, p. 62, Our distillery, p. 65, Environmental goals, p. 67, Environmental performance, pp. 68–69, Material flows, p. 71, Altia & environment, p. 95	●	
303-2	Management of water discharge-related impacts	Non-financial statement, pp. 44–45, Our distillery, p. 65, Wastewater quality management, p. 69, Altia & environment, p. 95	●	
303-4	Water discharge	Wastewater quality management, p. 69	◖	
303-5	Water consumption	Environmental figures, p. 70, GRI index	●	Altia has no impact on water storage, nor does it take in water in water stress areas. Altia complies with the water intake amounts set by the authorities and regularly measures and follows up groundwater surface levels.
GRI 305: Emissions				
305-1	Direct (Scope 1) GHG emissions	Environmental figures 2019, p. 70, Altia & environment, p. 95, Reporting framework, p. 96	◖	Altia reports Scope 1 and Scope 2 GHG emissions. We plan to start communicating our Scope 3 emission in the near future. Total base year (2014) emissions 85209.84 t. Planning for full disclosure in the near future.

Code	GRI content	Location	Reported fully ● partly ◖	Comments
305-2	Energy indirect (Scope 2) GHG emissions	Environmental figures 2019, p. 70, Altia & environment, p. 95, Reporting framework, p. 96	◖	Altia reports Scope 1 and Scope 2 GHG emissions. We plan to start communicating our Scope 3 emission in the near future. Total base year (2014) emissions 85209.84 t. Planning for full disclosure in the near future.
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	Environmental figures 2019, p. 70	◖	In addition to GHG emissions, Altia reports VOC emissions and particle emissions. Altia operations generate no other air emissions.
GRI 306: Effluents and waste				
306-2	Waste by type and disposal method	Sustainability key figures, p. 6, The environment and energy efficiency p. 40, ESG key figures, p. 26, Environmental performance, p. 68, Waste recycling and reuse, p. 69, Environmental figures, p. 70	◖	
306-3	Significant spills	GRI index	●	No spills during the reporting year 2019.
306-4	Transport of hazardous waste	GRI index	◖	Altia reports its hazardous waste volumes. Altia's hazardous waste is transported according to applicable national legislative requirements to local hazardous waste handling companies with the required permits for processing hazardous waste.
GRI 307: Environmental compliance				
307-1	Non-compliance with environmental laws and regulations	Environmental performance, p. 69	●	During the reporting period, no consequences were imposed on Altia for violations of permit limits or environmental laws and regulations.
GRI 308: Supplier environmental assessment				
308-2	Negative environmental impacts in the supply chain and actions taken	People in our supply chain, p. 87	●	Altia discloses information related to the annual number of amfori BSCI audits conducted in the Altia supply chain in general. Out of the six audits of Altia's suppliers conducted in 2019, none of the findings related to significant environmental impacts.
Social Standards				
GRI 403: Occupational health and safety				
403-1	Occupational health and safety management system	Employee matters, p. 45, Our people, p. 86, GRI index	●	Altia has certified the voluntary OHSAS management system at its main production sites in Finland to highlight the importance of safety within the company. Other production sites follow the same safety requirements. The management system covers all on-site employees and workers.
403-2	Hazard identification, risk assessment, and incident investigation	Our people, pp. 84–86, Board report, pp. 45–47, GRI index	●	Altia has a process, procedures and frequent training for employees and workers to identify work-related hazards and assess risks in order to minimise them.

Code	GRI content	Location	Reported fully ● partly ◖	Comments
403-3	Occupational health services	Our People, pp. 85–86, GRI index	●	All Altia employees are covered by health services, according to local legislation. The quality of the service is reviewed by HR and employees can easily reach the health services through the service provid-ers vast geographical scope.
403-4	Worker participation, consultation, and communication on occupational health and safety	Our People, pp. 85–86, GRI index	●	Workers frequently participate in consultation and communication concerning occupational health and safety through health and safety committees, sur-veys, observation and near-miss reporting systems, as well as frequent occupational health and safety meetings. The health and safety committee meets at Altia-level biannually, and at plant level quarterly. The plant manager participates in meeting to ensure decisions are implemented.
403-5	Worker training on occupational health and safety	Our People, pp. 85–86, GRI index	●	Altia injury reporting covers all employees, workers and those working on Altia premises who are not Altia employees.
403-6	Promotion of worker health	Our people, p. 85	●	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Employee matters, p. 45	●	
403-9	Work-related injuries	Our people, p. 85, Employee matters, pp. 45–46, GRI index	◖	The most common work-related injuries include slipping, wounds and contusions. Wea re reviewing the possibility to report in more detail. We will review the possibilities for full disclosure on this topic.
GRI 404: Training and education				
404-1	Average hours of training per year per employee	GRI index	●	Systematic gathering of information for the whole group has been in place since 2017. Based on em-ployees' own reports, average training amounted to 3 hours per employee in 2019.
404-2	Programs for upgrading employee skills and transition assistance programs	Our People, pp. 85–86	◖	
404-3	Percentage of employees receiving regular performance and career development reviews	Our People, pp. 85–86	●	

Code	GRI content	Location	Reported fully ● partly ◖	Comments
GRI 405: Diversity and equal opportunity				
405-1	Diversity of governance bodies and employees	Our People, pp. 85–86 & 88–89, Governance statement, pp. 105–110	●	
GRI 414: Supplier social assessment				
414-2	Negative social impacts in the supply chain and actions taken	People in our supply chain, p. 87, GRI index	●	Altia discloses information related to the annual number of amfori BSCI audits conducted in the Altia supply chain. All audit results and implementation of remediation plans are carefully monitored. Altia carefully monitors the share of purchases from amfori BSCI classified risk countries. Altia frequently monitors the responsibility policies and practices of its supply chain by sending out a CSR questionnaire to its own suppliers. No significant negative impacts have been identified.
GRI 415: Public policy				
415-1	Political contributions	GRI index	●	Altia does not support, whether directly or indirectly, political parties, organisations or individual candidates.
GRI 416: Customer health and safety				
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	GRI index	●	There were three recalls during the reporting period. There were no incidents of non-compliance regarding health and safety impacts of products.
GRI 417: Marketing and labelling				
417-3	Incidents of non-compliance concerning marketing communications	GRI index	●	None in 2019.

Corporate Governance

Corporate Governance Statement 2019

This Corporate Governance Statement of Altia Plc is issued for the financial year 2019. 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 listed on the Official List of Nasdaq Helsinki. Altia's head office is located in Helsinki, Finland.

This Corporate Governance Statement has been prepared in accordance with the Finnish Corporate Governance Code 2020 published by the Securities Market Association (the "Governance Code"). This Statement is not part of the Board of Directors' Report. Altia complies with all Recommendations of the Governance Code.

The information required by the Finnish Corporate Governance Code is also available on the company's website www.altiagroup.com. An unofficial English translation of the Finnish Corporate Governance Code 2020 is available at www.cgfinland.fi/en.

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. The General Meeting of Shareholders adopts the company's remuneration policy and remuneration report in accordance with the provisions of the Companies Act. 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 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 to 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 of Directors monitors and evaluates transactions between the company and its related parties, and how agreements and other legal acts between the company's and its related party meet the requirements of ordinary course of business and customary terms. The Board of Directors 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. The Board of Directors decides on the diversity principles.

Shareholders' Nomination Board

The Shareholders' Nomination Board prepares annually proposals concerning the composition, election and remuneration of the members of the Board of Directors.

Pursuant to the charter of the Nomination Board approved by the General Meeting of Shareholders, the Nomination Board consists of three physical persons nominated by the three largest shareholders. The Chairman of the Board acts as an expert member in the Nomination Board. The Chairman of the Board is not a member of the Nomination Board and does not have voting rights. The term of the members of the Nomination Board ends on the appointment of the following Nomination Board. The members of the Nomination Board are not entitled to remuneration from the company based on their membership unless otherwise decided by the General Meeting of Shareholders.

The main duty of the Nomination Board is to ensure that the Board and its members represent a sufficient level of expertise, knowledge and competence for the needs of the company and have the possibility to devote sufficient amount of time to attend their duties as members of the Board. The Nomination Board shall pay attention to achieving a good and balanced gender distribution and diversity balance on the Board considering the competence of the Board as a whole. The Nomination Board shall in its work consider the diversity principles of the company.

The Nomination Board has the power and authority to prepare and to present a proposal to the General Meeting of Shareholders concerning the number of members and composition of the Board of Directors; and the remuneration of the members of the Board of Directors and the Board committees as well as seek prospective successor candidates for the members of the Board of Directors.

The Nomination Board shall submit its proposals to the Board of Directors at the latest on 31 January each year. The Proposals of the Nomination Board will be disclosed by a release by the company and included in the notice to the General Meeting of Shareholders. The Chairman of the Nomination Board presents the proposals at the General Meeting of Shareholders.

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 of Directors 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 the 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 charters 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 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 presenting them to the Board of Directors for approval, monitoring the audit proper of the financial statements and consolidated financial statements, and monitor the effectiveness of internal controls, internal audit and risk management systems. The Audit Committee also assists the Board in fulfilling its oversight responsibilities with regard to monitoring and assessing how agreements and other legal acts between the company's and its related party meet the requirements of ordinary course of business and customary terms. 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 non-audit 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 preparing the company's remuneration policy and remuneration report, reviewing and preparing management and personnel remuneration 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 schemes to ensure that they 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 of Directors; and considering and preparing appointments of top management to be decided by the Board of Directors.

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 Directors their annual remuneration 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 of Directors 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 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 the meetings. The Board of Directors have approved the charter of the Executive Management Team.

Control

Internal Audit

The Board of Directors appointed BDO as Internal Auditor of Altia. The internal auditor reports to the chairman of 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. The auditor must be a firm of authorised 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.

Related Party Transactions

The Board has defined the principles for monitoring and evaluating related party transactions. The company evaluates and monitors transactions concluded between the company and its related parties and ensures that any conflicts of interest are taken into account appropriately in the decision-making process of the company. The company keeps a list of related parties.

Approval of related party transactions in the ordinary course of business and on customary commercial terms is subject to the company's normal approval policies and processes. Approval of a related party transaction that is not in the ordinary course of business or not on customary terms is subject to Board approval.

The company's finance and legal functions monitor related party transactions as a part of the company's normal reporting and control procedures and reports related party transactions to the Audit Committee. The Audit Committee regularly evaluates the reported related party transactions and the appropriateness of the company's process and policies on related party transactions. Information on transactions concluded between the company and its related parties is disclosed, as required, annually in the notes to the company's consolidated financial statements. Material related party transactions are disclosed in accordance with Chapter 8, section 1a of the Securities Markets Act.

Internal control procedures and main features of risk management systems

Internal Control

Internal control ensures that the company's business objectives can be achieved. Through efficient control, deviations from objectives can be prevented or detected as early as possible, so that corrective measures can be taken. The purpose of internal control is to ensure the profitability, efficiency, continuity and freedom from disruptions of operations and that the Group's financial and operating reporting both externally and internally is reliable and compliant, and that internal principles, policies and guidelines are followed.

Further, the internal control ensures compliance with laws and agreements. Internal control measures cover all Group levels and functions. Information systems are of vital importance for effective internal control. The planning of the control measures begins with the definition of business objectives and the identification and assessment of the risks that threaten the objectives. Control measures are targeted based on risks, and control measures are selected as appropriate so as to keep the risks under control.

The Board of Directors and the CEO are responsible for organising 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 organisation are responsible for the financial reporting processes. The Audit Committee assesses the financial reporting processes and internal controls. In addition, the financial situation of the Group is also monitored in the meetings of the Audit Committee and the Board of Directors.

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. The Board has approved the Group Risk Management Policy, which describes the objectives, principles and responsibilities of risk management in the 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 regularly reports the key risks to the management and the Audit Committee. The Board regularly discusses the Group's most significant risks and uncertainties and reports them to the market annually in the Board of Directors' Report. The business areas are responsible for risks 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 company's Internal Audit evaluates the efficiency of the company's risk management system.

Insider Administration

In its insider administration, the company follows the Guidelines for Insiders issued by Nasdaq Helsinki complemented by the company's own Insider Policy adopted by the Board of Directors. The company maintains its own insider registers. The company does not have permanent insiders. Persons in managerial positions are prohibited to conduct transactions (on their own account or for the account of a third party), directly or indirectly, in the financial instruments of the company during a closed period of 30 calendar days before the announcement of each of the quarterly financial reports or the year-end report (financial statements release). The company applies the closed period after the end of each calendar quarter until the day after the announcement of the interim report or financial statements release, as the case may be (the ”Closed Window”). The Closed Window shall, however, always include at least 30 calendar days immediately preceding the announcement of the interim report or financial statements release, as the case may be, and the day of publication of such report. The prohibition is in force regardless of whether such a person holds any inside information at that time. A project specific insider register is also maintained when required by law or regulations. Project specific insiders are prohibited from trading in the company's securities until the termination of the project. Persons in managerial positions (and their closely associated persons) are obligated to report transactions in the company's financial instruments in line with applicable EU and domestic laws and regulations. The Board, the CEO and the members of the Executive Management Team are designated as persons with an obligation to disclose their transactions.

Corporate Governance in 2019

Annual General Meeting

The 2019 Annual General Meeting of Altia held on 15 May 2019 adopted the financial statements for the financial year 2018. The members of the Board of Directors and the CEO were discharged from liability for the financial year 2018. The Annual General meeting elected the members of the Board of Directors and the auditor. The Annual General Meeting approved the proposal by the Board of Directors to pay a dividend of EUR 0.38 per share for the financial year 2018.

The Board of Directors

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

- Ms Sanna Suvanto-Harsaae, chairman, b. 1966, B.Sc. (Business Administration)
- Mr Kai Telanne, vice chairman b. 1964, M.Sc. (Econ.), President and CEO
- Mr Kim Henriksson, b. 1968, M.Sc. (Econ.), CFO
- Ms Tiina Lencioni, b. 1971, Master of Laws (LL.M.) 2.Staatsexamen/Assessor iuris. (Germany), General Counsel
- Mr Jukka Ohtola, b.1967, M.Sc. (Econ.), CEFA, Ministerial Adviser
- Ms Anette Rosengren, b. 1966, B.Sc. (Marketing & Marketing Management), Managing Director
- Mr Torsten Steenholt, b. 1969, M.Sc. (Pharmacy), M.Sc. (Chemical Research), Master Brewer, EVP

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 Jukka Ohtola is a member of the Board of Directors of State Business Development Company Vake Oy and 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 shareholders of the company. The Board of Directors of Altia convened eleven times in 2019, with an average attendance rate of 93.5%.

Diversity of the Board of Directors

In 2019, the Board of Directors of Altia consisted of seven members, of whom all hold 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. In 2019, the gender distribution in the Board of Directors was well balanced with three women and four men. In terms of age, the members of the Board of Directors are between 48 and 55 years of age. With regard to the terms of office of the members of the Board of Directors, the members have been appointed in 2013, 2015, 2016, 2017, 2018 and 2019.

NUMBER OF BOARD AND COMMITTEE MEETINGS IN 2019 AND ATTENDANCE RATES:

	Board	Audit Commitee	Human Resources Committee
Sanna Suvanto-Harsaae	11/11	10/10	3/3
Kai Telanne	10/11		3/3
Kim Henriksson	10/11	10/10	
Annikka Hurme (member until 15.5.2019)	4/5		1/2
Tiina Lencioni	10/11	9/10	
Jukka Ohtola	11/11		3/3
Anette Rosengren (member as of 15.5.2019)	6/6		
Torsten Steenholt	10/11		

Audit Committee

The members of the Audit Committee of the Board of Directors are Mr Kim Henriksson (chairman), Ms Tiina Lencioni and Ms Sanna Suvanto-Harsaae. In 2019, the Audit Committee convened ten times, with an average attendance rate of 97%.

Human Resources Committee

The members of the Human Resources Committee of the Board of Directors are Ms Sanna Suvanto-Harsaae (chairman), Mr Jukka Ohtola, Mr Kai Telanne and Ms Annikka Hurme (until 15 May 2019). In 2019, the Human Resources Committee convened three times and the average attendance rate of the Committee's members was 91%

Chief Executive Officer

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

Executive Management Team

In 2019, the Executive Management Team of Altia comprised the following members:

- Mr Pekka Tennilä, CEO, b. 1969, M. Sc. (Business Management)

- Mr Janne Halttunen, SVP Scandinavia, b. 1970, M. Sc. (Business Administration)
- Mr Kari Kilpinen, SVP Finland & Exports, b. 1963, MBA, Bachelor of Hospitality Management
- Ms Kirsi Lehtola, SVP Human Resources, b. 1963, Master of Laws
- Mr Niklas Nylander, CFO, b. 1973, M.Sc. (Economics)
- Ms Kirsi Puntila, SVP Marketing, b. 1970, M.Sc. (Economics)
- Mr Hannu Tuominen, SVP Altia Industrial, b. 1958, M.Sc. (Eng.)

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 paid in 2019 are disclosed in Altia's Remuneration Statement prepared in accordance with the Corporate Governance Code 2015. A Remuneration Report pursuant to the Corporate Governance Code 2020 on the materialised remuneration of the Board of Directors and the CEO will be presented by the Board of Directors to the Annual General Meeting annually starting from 2021.

Shares and share based rights

At the end of 2019, the number of issued shares of Altia was 36 140 485.

The shareholdings of the members of the Board of Directors, the CEO, and the members of the Executive Management Team, and the corporations over which they exercise control, which they exercise control as the end of 2019, are presented in the following table.

None of the members of the Board of Directors, the CEO, or the members of the Executive Management Team nor corporations over which any of them exercise control have any share-based rights in Altia or its group companies.

Shareholders' Nomination Board

On 2 October 2019, the company announced that its three largest registered shareholders (shareholder register maintained by Euroclear Finland Ltd as per 2 September 2019) have nominated the following representatives to the Shareholders' Nomination Board:

- Mr Pekka Hurtola, the Ownership Steering Department in the Prime Minister's Office
- Ms Annika Ekman, Ilmarinen Mutual Pension Insurance Company
- Ms Hanna Kaskela, Varma Mutual Pension Insurance Company

The Nomination Board elected Mr Pekka Hurtola as its Chairman. The Chairman of Altia's Board of Directors, Sanna Suvanto-Harsaae acts as an expert member in the Nomination Board.

MANAGEMENTS' SHAREHOLDINGS

		# of shares on 31.12.2019
Pekka Tennilä	CEO	32 604
Niklas Nylander	CFO	0
Janne Halttunen	SVP, Scandinavia	9 300
Kari Kilpinen	SVP, Finland & Exports	10 856
Kirsi Lehtola	SVP, HR	5 100
Kirsi Puntila	SVP, Marketing	6 666
Hannu Tuominen	SVP, Altia Industrial	9 600
TOTAL		**74 126**
% OF TOTAL SHARES		**0.21%**
Altia total # of shares		36 140 485

BOARD OF DIRECTOR'S SHAREHOLDINGS

		# of shares on 31.12.2019
Sanna Suvanto-Harsaae	chairman	3 908
Kai Telanne	vice chairman	716
Kim Henriksson	member	11 551
Nokkila Konsult & Förvaltnings AB*		5 250
Tiina Lencioni	member	430
Jukka Ohtola	member	
JPO Capital Oy*		200
Anette Rosengren	member	1 200
Torsten Steenholt	member	1 250
TOTAL		**24 505**
% OF TOTAL SHARES		**0.07%**

* controlled corporation

External Audit

PricewaterhouseCoopers Oy, a firm of Authorised Public Accountants, is Altia's auditor, with Ylva Eriksson, Authorised Public Accountants, as the principal auditor. The fees for the audit proper paid to PwC in 2019 totaled EUR 0.3 million. In addition, EUR 0.2 million was paid for non-audit services provided to Altia Group companies.

Remuneration Statement

Altia Plc ("Altia" or "company") is listed on the official list of Nasdaq Helsinki Ltd. Altia's head office is located in Helsinki, Finland. This Remuneration Statement is given in accordance with the requirements of the Finnish Corporate Governance Code 2015.

A Remuneration Report pursuant to the Corporate Governance Code 2020 on the materialised remuneration of the Board of Directors and the CEO will be presented by the Board of Directors to the Annual General Meeting annually starting from 2021.

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's Shareholders' Nomination Board, which consists of the three largest shareholders, prepares for the Annual General Meeting proposals on the number of members of the Board of Directors, the composition of the Board of Directors as well as the remuneration of the members of the Board of Directors and its Committees. The Nomination Board submits its proposals the latest on 31 January each year. The proposals of the Nomination Board are disclosed by a release by the company and included in the notice to the General Meeting of Shareholders.

The Chairman of the Nomination Board presents the proposals at the General Meeting of Shareholders.

CEO and other executives

Altia's Board of Directors decides annually on Altia Group's principles of remuneration, the basis and targets for performance incentives as well as their maximum amounts. The Board of Directors also annually evaluates 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 Board of Directors, assisted by the Human Resources Committee, decides on management remuneration schemes and their terms, and monitors regularly the achievement of set criteria and targets.

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.

Share-based incentive schemes and authorisations of the Board

According to the Companies Act, decisions concerning the issue of shares, options or other special rights entitling to shares are made by the General Meeting of Shareholders or by the company's Board of Directors pursuant to an authorisation from the General Meeting of Shareholders. The Board of Directors of Altia has not been authorised by the General Meeting of Shareholders concerning the issue of shares, options or other special rights entitling to shares. Altia has no option schemes. For further information on share-based incentive schemes, please refer to section B. of this Remuneration Statement.

B. Main principles of remuneration

Members of the Board of Directors

The remuneration of the members of the Board of Directors of Altia consists of monthly term of office fee and an attendance fee per meeting. 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. The 2019 Annual General Meeting of Altia decided that the chairman of the Board of Directors receives a term of office fee of 4 000 euros per month, the vice chairman a term of office fee of 2 500 euros per month and the other members of the Board of Directors a term of office fee of 2 000 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 objectives of the remuneration of the CEO and Other Executives

The objectives of the remuneration and incentive schemes for the CEO and member of the Executive Management Team are to align the interests of Altia's management with those of the company's shareholders and, thus, to promote shareholder value creation in the long term, and to commit the management, short term and long term, to achieving Altia's financial and strategic targets, the retention of Altia's valuable key resources, and reward for excellent personal performance as well as for the financial success of Altia. The strategy and development phase of the company are considered when determining the remuneration.

Remuneration of the CEO

The remuneration of the CEO of Altia consists of a fixed base salary, fringe benefits, an annual incentive and long-term incentive schemes. The yearly fixed base salary of CEO Pekka Tennilä is 323 697 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 months 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.

Remuneration of 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 long-term incentive schemes. 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 do 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.

Altia's Incentive Schemes

Annual incentive

Altia's CEO and the members of the Executive Management Team are part of an annual incentive plan. The potential annual incentive is based on operational targets of the Group with a weight of 70% and on personal targets with a weight of 30%. The targets are approved annually by the Board of Directors. The potential incentive award is paid annually. The target level of the CEO's and the Executive Management Team members' incentive for 2019 is 30% of the annual salary and the maximum level is 60% of the annual salary. The operational target for the 2019 annual incentive plan was the improvement of comparable EBITDA.

Long-term incentive schemes

Altia's long-term incentive schemes complement the annual incentive to create a balanced incentive structure.

Long-term incentive scheme 2017–2019

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

New share-based long-term incentive scheme

The Board of Directors of Altia Plc has in February 2019 decided on the establishment of a new share-based long-term incentive scheme for the management and key employees of Altia Group. The incentive scheme consists of annually commencing individual performance share plans (PSP), each with a three-year performance period, followed by the payment of the potentially earned share reward. The commencement of each individual plan is subject to a separate Board approval.

The First Plan 2019–2021

The first plan within the structure, PSP 2019–2021, commenced as of the beginning of 2019. Eligible to participate in PSP 2019–2021 are approximately 20 individuals, including the CEO and other members of the Executive Management Team. Potential rewards under the plan will be paid in the spring of 2022, provided that the performance targets set by the Board of Directors are achieved. The potential reward will be paid in listed shares of Altia Plc. The performance targets based on which the potential share reward under PSP 2019–2021 are paid are the relative total shareholder return of Altia's share and earnings per share (EPS). If all the performance targets set for PSP 2019–2021 are fully achieved, the aggregate maximum number of shares to be paid based on this first plan is approximately 250 000 shares. This number of shares represents a gross earning, from which the applicable payroll tax is withheld, and the remaining net value is paid to the participants in shares. The Board of Directors anticipates that no new shares will be issued based on the share-based incentive scheme and that the scheme will, therefore, not have a dilutive effect on the registered number of the company's shares. According to the terms of the incentive scheme, the combined amount of variable compensation paid to an individual participant in any given year, including the long-term incentive scheme and the short-term incentive scheme, may not exceed 120% of the individual's annual gross base salary.

The Second Plan 2020–2022

The second plan within the structure, PSP 2020–2022, commences as of the beginning of 2020. Eligible to participate in PSP 2020–2022 are approximately 25 individuals, including the CEO and other members of the Executive Management Team. Potential rewards under the plan will be paid in the spring of 2023, provided that the performance targets set by the Board of Directors are achieved. The potential reward will be paid in listed shares of Altia Plc.

The performance targets based on which the potential share reward under PSP 2020–2022 are paid are the relative total shareholder return of Altia's share and earnings per share. If all the performance targets set for PSP 2020–2022 are fully achieved, the aggregate maximum number of shares to be paid based on this second plan is approximately 271 000 shares. This number of shares represents a gross earning, from which the applicable payroll tax is withheld, and the remaining net value is paid to the participants in shares. The Board of Directors anticipates that no new shares will be issued based on the share-based incentive scheme and that the scheme will, therefore, not have a dilutive effect on the registered number of the company's shares. According to the terms of the incentive scheme, the combined amount of variable compensation paid to an individual participant in any given year, including the long-term incentive scheme and the short-term incentive scheme, may not exceed 120% of the individual's annual gross base salary.

Share ownership recommendation

Altia applies a share ownership recommendation to the CEO and other members of its Executive Management Team. According to this recommendation each member of the Executive Management Team is expected to retain in her/his ownership at least half of the net shares received under the share-based incentive schemes of Altia until the value of his/her share ownership in Altia corresponds to at least her/his annual gross base salary.

C. Remuneration report 2019

Members of the Board of Directors

The members of the Board of Directors received term of office fees and attendance fees in 2019 as follows:

	term of office fees/ euros	attendande fees/ euros	total/ euros
Sanna Suvanto-Harsaae	42 375	28 800	71 175
Kai Telanne	26 850	7 800	34 650
Kim Henriksson	21 525	24 000	45 525
Annikka Hurme*	3 000	6 525	9 525
Tiina Lencioni	21 525	11 400	32 925
Jukka Ohtola	21 525	8 400	29 925
Anette Rosengren**	15 000	7 200	22 200
Torsten Steenholt	21 525	12 000	33 525

* until 15 May 2019
** as of 15 May 2019

CEO and Other Executives

Remuneration of the CEO in 2019

The salary and other remuneration paid in 2019 to CEO Pekka Tennilä amounted to a total of 337 737 euros, as follows:

Fixed base salary	323 697 euros
Fringe benefits	14 040 euros
Annual incentive for 2018	0 euros

Remuneration of Other Executives in 2019

The salary and other remuneration paid in 2019 to the members of the Executive Management Team (other than the CEO) amounted to a total of 1 187 477 euros, as follows:

Fixed base salary	1 137 753 euros
Fringe benefits	49 724 euros
Annual incentive for 2018	0 euros

Board of Directors

At year-end unless otherwise stated

Sanna Suvanto-Harsaae

CHAIRMAN OF THE BOARD OF DIRECTORS

b. 1966, B.Sc. (Business Administration)

Independent of the company and the shareholders

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

Key positions of trust:

- BoConcept AB, Chairman of the Board
- Babysam AS, Chairman of the Board
- TCM AS, Chairman of the Board
- Nordic Pet Care Group AS, Chairman of the Board
- Footway AB, Chairman of the Board
- Paulig Oy, Chairman of the Board
- Isadora AB, Chairman of the Board
- SAS AB, Member of the Board
- Broman Group Oy, Member of the Board

Kai Telanne

VICE CHAIRMAN OF THE BOARD OF DIRECTORS

b. 1964, M.Sc. (Econ.)

President and CEO, Alma Media Corporation

Independent of the company and the shareholders

Vice chairman of the Board of Directors since 2018
Member of the Board of Directors since 2016
Member of the HR Committee

Key positions of trust:

- Varma Mutual Pension Insurance Company, Deputy Chairman of the Board
- Teleste Corporation, Member of the Board
- Tampere Chamber of Commerce and Industry, Member of the Board

Kim Henriksson

MEMBER OF THE BOARD OF DIRECTORS

b. 1968, M.Sc. (Econ.)

Chief Financial Officer, EQT AB

Independent of the company and the shareholders

Member of the Board of Directors since 2015
Chairman of the Audit Committee

Tiina Lencioni

MEMBER OF THE BOARD OF DIRECTORS

b. 1971, Master of Laws (LL.M.)
2. Staatsexamen/Assessor iuris. (Germany)

Marimekko Corporation, General Counsel

Independent of the company and the shareholders

Member of the Board of Directors since 2017
Member of the Audit Committee

Key positions of trust:

- Business Practice of Helsinki Chamber of Commerce, Member of the Board

Jukka Ohtola

MEMBER OF THE BOARD OF DIRECTORS

b. 1967, M.Sc. (Econ.), CEFA

Prime Minister's Office, Ministerial Adviser

Member of the Board of State Business Development Company Vake Oy and holds an office with the Ownership Steering Department of the Prime Minister's Office.

Member of the Board of Directors since 2018
Member of the HR Committee

Key positions of trust:

- Motiva Oy, member of the Board
- State Business Development Company Vake Oy, member of the Board

Anette Rosengren

MEMBER OF THE BOARD OF DIRECTORS

b. 1966, B. Sc.
Marketing and Marketing Management

Managing Director Nordics, Philip Morris International

Independent of the company and the shareholders

Member of the Board of Directors since 2019

Key positions of trust:

- Greenfood Group, Member of the Board

Torsten Steenholt

MEMBER OF THE BOARD OF DIRECTORS

b. 1969, M.Sc. (Pharmacy), M.Sc. (Chemical Research), Master Brewer

Chr. Hansen, EVP, Global Operations

Independent of the company and the shareholders

Member of the Board of Directors since 2017

Key positions of trust:

- CO-RO A/S, Member of the Board

Executive Management Team

At year-end unless otherwise stated

Pekka Tennilä

CEO

b. 1969, M.Sc. (Business Management)

CEO since 2014, member of Executive Management Team since 2014, joined Altia in 2014.

Main work experience:

Previously, he served as the Chief Executive Officer, Baltics at Carlsberg Group, and has also held other managerial positions at Carlsberg Group.

Key positions of trust:

- Member of the Board of Raisio Plc
- Member of the Board of Finnish Food and Drink Industries' Federation (ETL)
- Member of the Board of Marketing Finland

Janne Halttunen

SVP, SCANDINAVIA

b. 1970, M.Sc. (Business Administration)

SVP, Scandinavia since 2017, member of Executive Management Team since 2015, joined Altia in 2009.

Main work experience:

He joined Altia in 2009 as the Managing Director of Oy Wennerco Ab. Previously, he served as the Company's Senior Vice President, Partner Business and Export; as the Director, Business Development; Managing Director, Partner Brands, as well as a member of the Board of Directors of Craft & Cask Ltd. In addition, he has held several managerial positions at British American Tobacco.

Kari Kilpinen

SVP, FINLAND & EXPORTS

b. 1963, MBA,
Bachelor of Hospitality Management

SVP, Finland & Exports since 2017, member of Executive Management Team since 2017, joined Altia in 1997.

Main work experience:

He has served as the Director of Altia Finland since 2009.

Key positions of trust:

- Board member of The Association of Finnish Alcoholic Beverage Suppliers (SAJK)

Kirsi Lehtola

SVP, HR

b. 1963, Master of Laws

SVP, HR since 2016, member of Executive Management Team since 2016, joined Altia in 2016.

Main work experience:

Previously, she served as HR Director, Insurance and Wealth Management at OP Financial Group as well as Head of HR, Group HR Services, and Senior Vice President, HR, Publication Paper and Finland at Stora Enso Oyj. She has also been a member in the Advisory Committee of Forest Industry Federation.

Niklas Nylander

CFO

b. 1973, M.Sc. in Economics

CFO since 2019, member of Executive Management Team since 2019, joined Altia in 2019.

Main work experience:

He has previously worked as a CFO at Sponda Plc. Prior to that, he made an extensive career within the Tamro Group holding several leading finance positions within the Tamro Group as well as different Nordic business units.

Kirsi Puntila

SVP, MARKETING

b. 1970, M.Sc. in Economics

SVP, Marketing since 2016, member of Executive Management Team since 2016, joined Altia in 2014.

Main work experience:

Previously, she served as the Spirits Category Director of Altia and the Marketing Director, Altia Brands, Stockholm. She has also served as the Global Marketing Manager (Kahlua and Absolut Flavors) of The Absolut Company (Pernod Ricard S.A).

Key positions of trust:

- Board member of Vapo Oy

Hannu Tuominen

SVP, ALTIA INDUSTRIAL

b. 1958, M.Sc. (Eng.)

SVP, Altia Industrial (previously Industrial Services and Supply Chain) since 2009, member of Executive Management Team since 2008, joined Altia in 2008.

Main work experience:

He served as an Interim CEO of Altia from November 2013 to May 2014. Previously he served Vaisala Corporation as Production Director and Division Director in 1992–2007. In addition, he has held several managerial positions at Fiskars Oyj.

Key positions of trust:

- Board member of Roal Oy

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CONSOLIDATED INCOME STATEMENT

EUR million	Note	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2018
NET SALES	1.1.	**359.6**	**357.3**
Other operating income	1.3.	7.6	7.4
Materials and services	1.4.	-213.1	-206.8
Employee benefit expenses	1.5.	-45.9	-49.9
Other operating expenses	1.6.	-65.0	-73.9
Depreciation, amortisation and impairment	1.7.	-17.9	-14.4
OPERATING RESULT		**25.1**	**19.7**
Finance income	3.1.	3.5	3.5
Finance expenses	3.1.	-5.7	-5.8
Share of profit in associates and joint ventures and income from interests in joint operations		1.6	1.2
RESULT BEFORE TAXES		**24.6**	**18.6**
Income tax expense	6.1.	-6.2	-3.6
RESULT FOR THE PERIOD		**18.4**	**15.1**
Result for the period attributable to:			
Owners of the parent		18.4	15.1
Earnings per share for the result attributable to owners of the parent, EUR			
Basic and diluted	3.4.	0.51	0.42

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Note	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2018
Result for the period		18.4	15.1
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations		-0.2	0.0
Related income tax	6.1.	0.0	-0.0
Total		**-0.2**	**-0.0**
Items that may be reclassified to profit or loss			
Cash flow hedges		-1.3	0.4
Translation differences	3.4.	-2.4	-3.5
Income tax related to these items	6.1.	0.3	-0.1
Total		**-3.5**	**-3.2**
Other comprehensive income for the period, net of tax		-3.6	-3.2
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**14.8**	**11.9**
Total comprehensive income attributable to:			
Owners of the parent		14.8	11.9

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

CONSOLIDATED BALANCE SHEET

EUR million	Note	31 Dec 2019	31 Dec 2018
ASSETS			
Non-current assets			
Goodwill	2.1.	80.1	80.7
Other intangible assets	2.1.	25.2	29.6
Property, plant and equipment	2.2.	60.9	64.6
Right-of- use assets	2.3.	10.4	-
Investments in associates, joint ventures and interests in joint operations	5.3.	8.8	7.9
Financial assets at fair value through other comprehensive income	3.2.1.	1.4	1.4
Deferred tax assets	6.1.	0.9	0.8
Total non-current assets		**187.7**	**185.1**
Current assets			
Inventories	2.4.	92.0	99.6
Contract assets	2.5.	0.2	0.2
Trade and other receivables	2.6.	54.4	60.9
Current tax assets		1.6	2.5
Cash and cash equivalents	3.2.1.	64.2	42.0
Total current assets		**212.4**	**205.3**
TOTAL ASSETS		**400.2**	**390.4**

EUR million	Note	31 Dec 2019	31 Dec 2018
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent	3.4.		
Share capital		60.5	60.5
Invested unrestricted equity fund		1.2	1.2
Fair value reserve		0.6	0.6
Legal reserve		0.1	-
Hedge reserve		-1.0	0.0
Translation differences		-22.1	-19.6
Retained earnings		111.9	107.3
Total equity		**151.2**	**150.1**
Non-current liabilities			
Deferred tax liabilities	6.1.	16.7	16.8
Borrowings	3.2.2.	76.1	82.7
Lease liabilities	3.2.2.	7.1	-
Employee benefit obligations	2.7.	1.4	1.3
Total non-current liabilities		**101.3**	**100.8**
Current liabilities			
Borrowings	3.2.2.	6.5	6.7
Lease liabilities	3.2.2.	3.4	-
Provisions	2.9.	-	0.5
Trade and other payables	2.8.	134.7	131.4
Contract liabilities	2.5.	0.5	0.6
Current tax liabilities		2.5	0.4
Total current liabilities		**147.6**	**139.5**
Total liabilities		**249.0**	**240.3**
TOTAL EQUITY AND LIABILITIES		**400.2**	**390.4**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	Note	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
CASH FLOW FROM OPERATING ACTIVITIES			
Result before taxes		24.6	18.6
Adjustments			
Depreciation, amortisation and impairment	1.7.	17.9	14.4
Share of profit in associates and joint ventures and income from investments in joint operations	5.3.	-1.6	-1.2
Net gain on sale of non-current assets	1.3.	-0.0	-0.5
Finance income and costs	3.1.	2.2	2.3
Other adjustments		-0.8	0.8
		17.7	15.7
Change in working capital			
Change in inventories, increase (-) / decrease (+)		7.4	-5.5
Change in contract assets, trade and other receivables, increase (-) / decrease (+)		5.3	-7.4
Change in contract liabilities, trade and other payables, increase (+) / decrease (-)		3.8	-4.3
Change in working capital		16.5	-17.2
Interest paid	3.1.	-1.6	-1.4
Interest received	3.1.	0.2	0.1
Other finance income and expenses paid	3.1.	-1.7	-1.4
Income taxes paid	6.1.	-3.1	-8.0
Financial items and taxes		-6.1	-10.6
NET CASH FLOW FROM OPERATING ACTIVITIES		**52.6**	**6.5**

EUR million	Note	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment and intangible assets	2.1.,2.2.	-6.8	-7.7
Proceeds from sale of property, plant and equipment and intangible assets	1.3.	0.1	0.6
Investments in associated companies and joint ventures		-0.2	-
Repayment of loan receivables	3.2.	-	0.9
Interest received from investments in joint operations	5.3.	0.9	0.9
Dividends received	3.1.	-	0.1
NET CASH FLOW FROM INVESTING ACTIVITIES		**-6.0**	**-5.2**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from borrowings	3.2.2.	-	20.0
Repayment of borrowings	3.2.2.	-6.5	-30.7
Repayment of lease liabilities	3.2.2.	-3.7	-
Dividends paid and other distributions of profits	3.4.	-13.7	-
Share issue, personnel offering		-	1.2
NET CASH FLOW FROM FINANCING ACTIVITIES		**-23.9**	**-9.5**
CHANGE IN CASH AND CASH EQUIVALENTS		**22.7**	**-8.2**
Cash and cash equivalents at the beginning of the period		42.0	52.4
Translation differences on cash and cash equivalents		-0.5	-2.2
Change in cash and cash equivalents		22.7	-8.2
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3.2.3.	**64.2**	**42.0**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity attributable to owners of the parent EUR million	Note	Share capital	Invested unrestricted equity fund	Fair value reserve	Legal reserve	Hedge reserve	Translation differences	Retained earnings	Total equity
Equity at 1 January 2018		**60.5**	**-**	**0.6**	**-**	**-0.3**	**-16.0**	**92.0**	**136.8**
Change in accounting principle		**-**	**-**	**-**	**-**	**-**	**-**	**0.1**	**0.1**
Equity at 1 January 2018, restated		**60.5**	**-**	**0.6**	**-**	**-0.3**	**-16.0**	**92.1**	**136.9**
Total comprehensive income									
Result for the period		-	-	-	-	-	-	15.1	15.1
Other comprehensive income (net of tax)									
Cash flow hedges		-	-	-	-	0.3	-	-	0.3
Translation differences	3.4.	-	-	-	-	-	-3.5	0.0	-3.5
Remeasurements of post-employment benefit obligations	2.7.	-	-	-	-	-	-	-0.0	-0.0
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**0.3**	**-3.5**	**15.1**	**11.9**
Transactions with owners									
Share issue		-	1.2	-	-	-	-	-	1.2
Share based payment, personnel offering		-	-	-	-	-	-	0.1	0.1
Total transactions with owners		**-**	**1.2**	**-**	**-**	**-**	**-**	**0.1**	**1.4**
EQUITY AT 31 DECEMBER 2018		**60.5**	**1.2**	**0.6**	**-**	**0.0**	**-19.6**	**107.3**	**150.1**
Equity at 1 January 2019		**60.5**	**1.2**	**0.6**	**-**	**0.0**	**-19.6**	**107.3**	**150.1**
Total comprehensive income									
Result for the period		-	-	-	-	-	-	18.4	18.4
Other comprehensive income (net of tax)									
Cash flow hedges		-	-	-	-	-1.0	-	-	-1.0
Translation differences	3.4.	-	-	-	-	-	-2.5	0.1	-2.4
Remeasurements of post-employment benefit obligations	2.7.	-	-	-	-	-	-	-0.2	-0.2
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**-1.0**	**-2.5**	**18.3**	**14.8**
Transactions with owners									
Dividend distribution		-	-	-	-	-	-	-13.7	**-13.7**
Share based payment		-	-	-	-	-	-	0.1	**0.1**
Total transactions with owners		**-**	-	-	-	-	-	-13.6	**-13.6**
Transfer to reserve		**-**	**-**	**-**	**0.1**	**-**	**-**	**-0.1**	**0.0**
EQUITY AT 31 DECEMBER 2019		**60.5**	**1.2**	**0.6**	**0.1**	**-1.0**	**-22.1**	**111.9**	**151.2**

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

Notes to the consolidated financial statements

GENERAL INFORMATION

Information on Altia

Altia Plc (the "Company") together with its' subsidiaries (the "Group", "Altia Group" or "Altia") is an international alcoholic beverage service Group, which operates in the Nordic countries, Estonia, Latvia and France producing, marketing, selling and distributing both own and partner brands. Altia 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, importers in the export markets and industrial customers.

Altia Plc, the parent company of Altia Group, is domiciled in Helsinki, Finland. Altia Plc is a Finnish publicly listed company. Altia's shares are listed in Nasdaq Helsinki Ltd. The registered address of the 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's headquarters at Kaapeliaukio 1, FI-00180 Helsinki, Finland.

Altia Plc's Board of Directors has approved these financial statements for publication in its meeting on 12 February 2020. 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 for the year ended 31 December 2019 are prepared in accordance with International Financial Reporting Standards (IFRS) complying with the SIC and IFRIC interpretations in force and approved by EU on 31 December 2019. 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 2019 and future periods are described in Note 6.5.

The consolidated financial statements for the year ended 31 December 2019 are prepared on a historical cost basis, except equity investments and derivatives. The consolidated financial statements are presented in thousands of euros (Annual Reports in millions of euros). The figures are rounded to the nearest thousand, and therefore the sum of individual figures may deviate from the total presented. If the figure is EUR 0, it is shown as a hyphen.

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

Nr.	Note	Accounting principle
1.	Operating result	Revenue recognition, operating result
1.2.	Segment information	Operating segments
2.9.	Provisions	Provisions
2.7.	Employee benefit obligations	Employee benefits
2.2.	Property, plant and equipment	Property, plant and equipment
2.3.	Right-of-use assets	Leases
2.4.	Inventories	Inventories
1.6.	Other operating expenses	Leases
2.2.	Property, plant and equipment	
2.1.	Goodwill and other intangible assets	Goodwill
2.1.	Goodwill and other intangible assets	Intangible assets
3.2.1.	Financial assets	Financial assets
3.2.3.	Financial assets and liabilities- classification and fair value	
3.2.2.	Financial liabilities	Financial liabilities
3.2.3.	Financial assets and liabilities- classification and fair value	
3.3.	Derivative instruments and hedge accounting	Derivative contracts and hedge accounting
5.2.	Subsidiaries	Consolidation principles of subsidiaries
5.2.	Subsidiaries	Non-controlling interest and transactions with non-controlling interest
5.3.	Associated companies and joint arrangements	Associates and joint ventures
6.1.	Income tax expense	Income and deferred taxes

Accounting policies requiring management judgement and key sources of estimation uncertainty

The preparation of financial statements requires the use of accounting estimates, which by definition, seldom equal the actual results. In addition, management makes judgements in applying Altia's accounting policies.

Estimates made in the preparation of the financial statements, and related assumptions, are based on the management's best knowledge at the reporting date. Consequently, the realised results can differ from the estimates. Any 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 the revenue recognition (Note 1.1.) and impairment provision of trade receivables, and useful lives of intangible assets and parameters used in impairment testing (Note 2.1.), and parameters used in lease accounting. 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 deferred taxes (Note 6.1.) and uncertain tax positions.

Net sales
359.6
MEUR

1. Operating result

1.1. REVENUES FROM OPERATIONS

Revenue recognition

The revenue is recognized at an amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer. The transaction price may include variable considerations such as volume discounts, bonuses, marketing support, product returns etc. The variable considerations are estimated using the most likely value method if not yet realized in the end of reporting period. The revenue is further adjusted with indirect sales taxes, excise taxes, deposit and recycling fees and exchange rate differences relating to sales.

Typical contracts with customers include a sale of goods to a customer with only one performance obligation. In contract services the contracts essentially include a single performance obligation, being a series of distinct services such as contract manufacturing, customer services and logistics. The revenue recognition occurs at a point in time, when the control of the goods is transferred to the customer according to the delivery terms. Revenue from the sale of services is recognised at the time of delivery of services.

The most significant revenue flows are generated by the sale of own products and partner brands. In addition, revenues 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.

In partner supplier agreements, which entitle Group to distribute partners' products, Altia acts as a principal towards the end customer having control over the product, discretion in establishing prices and owning the inventory. Accordingly, revenue recognised is the gross amount to which Altia is entitled to in these product sales.

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	2019	2018
Sales revenues deducted with revenue adjustments	791.5	801.6
Excise tax	-431.9	-444.3
NET SALES	**359.6**	**357.3**
Tax share of sales revenues, %	54.6 %	55.4 %

1.2. SEGMENT INFORMATION

Description of segments and principal activities

Altia reports its business operations under the following segments: Finland & Exports, Scandinavia and Altia Industrial. Finland & Exports and Scandinavia segments comprise importing, sale and marketing of wine, spirits and other beverage product categories. Within the Finland & Exports segment the Company operates in Finland, the Baltics and travel retail channels and conducts exports. Scandinavia segment represents the Company's operations in Sweden, Norway and Denmark. Altia Industrial segment comprises the Company's production of ethanol, starch and feed as well as contract services. These segments comprise both Altia's operating and reportable segments.

The Board of Directors of Altia has been determined as the Company's current chief operative decision maker, and the reportable segments are based on the Altia's operating structure and internal reporting to the CODM used to assess the performance of the segments. For internal reporting purposes, reporting on the segment profit is based on an internal measure of a comparable EBITDA derived as follows:

- Net sales and direct segment expenses reported within the Comparable EBITDA segment profit measure are measured on an accrual basis and reported under the same accounting principles as in the consolidated accounts.
- Expenses allocated to the segments related to shared function costs or business support services expenses comprise costs such as centralized marketing costs, IT infrastructure related costs, shared support services, headquarter costs including finance and treasury, communication, legal and human resource related costs as well as certain warehousing and service fees. For internal reporting purposes these cost allocations are based on budgeted amounts and variances from budgeted amounts are presented under column "Unallocated and adjustments" and can result in either incurred overruns or savings compared to budgeted amounts. All of these variances are not allocated to the segments for internal reporting purposes.
- The unallocated and adjustments column represents in addition to the budget variances, certain unallocated headquarter costs.

Segment net sales and results

The following tables set out the segment net sales and Comparable EBITDA as well as the reconciliation of the Comparable EBITDA to the group's operating result:

	1 Jan - 31 Dec 2019				
EUR million	Finland & Exports	Scandinavia	Altia Industrial	Unallocated and adjustments	Group
Net sales, total	129.0	121.4	149.7		400.1
Net sales, Internal	-0.4	-0.7	-39.4		-40.5
Net sales, external	**128.6**	**120.7**	**110.2**		**359.6**
Comparable EBITDA without IFRS 16 impact	20.4	11.5	9.6	-0.5	41.0
IFRS16 impact	0.2	0.6	1.8	1.2	3.8
Comparable EBITDA	20.6	12.1	11.4	0.7	44.8
Items affecting comparability[1]					-1.7
EBITDA					**43.1**
Depreciation, amortisation and impairment					-17.9
OPERATING RESULT					**25.1**

	1 Jan–31 Dec 2018				
EUR million	Finland & Exports	Scandinavia	Altia Industrial	Unallocated and adjustments	Group
Net sales, total	134.4	118.6	149.8		402.8
Net sales, Internal	-0.6	-0.9	-44.0		-45.5
Net sales, external	**133.8**	**117.7**	**105.8**		**357.3**
Comparable EBITDA	19.2	10.1	10.9	-0.3	40.0
Items affecting comparability[1]					-6.0
EBITDA					**34.0**
Depreciation, amortisation and impairment					-14.4
OPERATING RESULT					**19.7**

[1] Items affecting comparability comprise of material items incurred outside normal business, such as net gains or losses from business and assets disposals, impairment losses, cost for closure of business operations and restructurings, major corporate projects including direct transaction costs related to business acquisitions, voluntary pension plan change and costs related to other corporate development. Gains on sale of property, plant and equipment and intangible assets are presented in Note 1.3 and employee costs related to restructuring in Note 1.5.

Other entity-wide disclosures

Net sales by geography

Net sales broken down by the location of Altia entity for the years ended 31 December 2019 and 2018 were as follows:

EUR million	2019	2018
Finland	211.7	205.4
Sweden	97.2	90.7
Norway	22.6	23.5
Estonia	9.3	8.7
Latvia	10.1	9.8
Denmark	2.8	11.7
Other countries	5.9	7.5
NET SALES, TOTAL	**359.6**	**357.3**

In Finland & Exports segment, net sales of EUR 74.9 million (2018: EUR 77.4 million) were derived from a single external customer. In Scandinavia segment, net sales of EUR 81.8 million (2018: EUR 75.4 million) were derived from a single external customer. In Altia Industrial segment, net sales of EUR 43.7 million (2018: EUR 42.5 million) were derived from a single external customer. No other single external customer represented more than 10 per cent or more of Altia's total net sales for the years ended 31 December 2019 or 2018.

Net sales by product category

Net sales broken down by product category for the years ended 31 December 2019 and 2018 were as follows:

EUR million	2019	2018
Spirits	121.3	124.0
Wine	124.9	122.2
Other beverages	3.1	5.3
Industrial products and services	110.2	105.8
NET SALES BY PRODUCT CATEGORY, TOTAL	**359.6**	**357.3**

Non-current assets by geography

The total of non-current assets other than financial instruments and deferred tax assets broken down by the location of the assets as at 31 December 2019 and 2018 were as follows:

EUR million	2019	2018
Finland	110.6	112.5
Sweden	48.2	44.0
Norway	0.5	0.0
Estonia	2.2	2.3
Latvia	0.2	0.2
Denmark	5.9	6.5
Other countries	9.0	9.4
NON-CURRENT ASSETS BY GEOGRAPHY, TOTAL	**176.6**	**174.9**

1.3. OTHER OPERATING INCOME

Other operating income mainly includes gains on the disposal of non-current assets, income from sale of energy, water, steam and carbon dioxide, gains on sale of emission allowances, rental income and related non-core business service income and contract termination fees.

EUR million	2019	2018
Gains on sale of property, plant and equipment and intangible assets	0.0	0.5
Gains on sale of emission allowances	0.8	0.4
Rental income	1.3	1.4
Income from sale of energy, water, steam and carbon dioxide	3.4	3.4
Other income	2.0	1.6
TOTAL	**7.6**	**7.4**

1.4. MATERIALS AND SERVICES

EUR million	2019	2018
Raw materials, consumables and goods		
Purchases during the period	200.8	210.1
Change in inventories	7.6	-5.1
Scrapping and obsolescence and revaluation	3.2	0.0
External services	1.6	1.8
TOTAL	**213.1**	**206.8**

Materials and services consist of cost of material, such as barley, wine, different spirit, liquids, ground water as well as other ingredients needed for a variety of different drinks, packaging materials, production costs, changes in inventories, scrapping and obsolescence costs and external services such as logistics and warehousing.

1.5. EMPLOYEE BENEFIT EXPENSES

EUR million	2019	2018
Wages and salaries	34.2	37.9
Pension expenses		
Defined contribution plans	7.1	7.1
Share -based payments	0.1	-
Other social expenses	4.4	4.9
TOTAL	**45.9**	**49.9**

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

The group has recognised the total amount of incentives EUR 0.4 million (2018: EUR 1.6 million) in the form of cash bonuses. Employee benefit expenses include personnel related restructuring costs of EUR 0.2 million (2018: EUR 1.0 million). The group has recognized the total amount of EUR 1.6 million (2018: EUR 0.7 million) of closed voluntary pension scheme.

Average number of personnel during the period	2019	2018
Workers	272	274
Clerical employees	410	444
TOTAL	**682**	**718**

More information on the Group's pension plans is presented in Note 2.7.
Information of management remuneration is presented in Note 6.3. related party transactions.

1.6. OTHER OPERATING EXPENSES

EUR million	2019	2018
Losses on sales and disposals of property, plant and equipment and intangible assets	-	0.2
Rental expenses *)	1.6	5.7
Short-term lease expenses	0.2	-
Expenses for leases of low-value assets	0.2	-
Variable lease payments	1.2	-
Marketing expenses	12.3	13.7
Travel and representation expenses	2.7	3.0
Outsourcing services	8.9	10.5
Repair and maintenance expenses	6.8	6.9
Energy expenses	7.4	7.4
IT expenses	6.0	6.9
Variable sales expenses	12.5	12.6
Other expenses	6.9	7.1
TOTAL	**65.0**	**73.9**

Rental expenses 2019 are affected with the application of IFRS 16, which transferred most of the expenses to depreciations of right-of-use assets. Impact of IFRS 16 is described in Note 6.5.

Rental expenses 2018 included leases treated as operating lease. Payments made under operating lease were recognised as expenses on a straight-line basis over the lease term.

Auditor's fees included in other operating expenses	2019	2018
Audit fees	0.3	0.3
Tax consultation	0.0	0.0
Other fees	0.2	0.5
TOTAL	**0.5**	**0.8**

The table above presents fees to PricewaterhouseCoopers globally during the year. Non-audit fees to PricewaterhouseCoopers Oy in 2019 amounted to EUR 0.2 million.

1.7. DEPRECIATION, AMORTISATION AND IMPAIRMENT

Depreciation and amortisation by asset categories is as follows:

EUR million	2019	2018
Amortisation on intangible assets		
Trademarks	4.1	4.3
Software and other intangible assets	2.0	1.5
Total amortisation on intangible assets	**6.1**	**5.8**
Depreciation on property, plant and equipment		
Buildings	3.4	3.3
Machinery and equipment	4.7	5.0
Machinery and equipment, acquired through finance leases	-	0.2
Other tangible assets	0.0	0.0
Total depreciation on property, plant and equipment	**8.1**	**8.6**
Depreciation on right-of-use assets		
Buildings	2.5	-
Machinery	1.2	-
Total depreciation on right-of-use assets	**3.7**	**-**
TOTAL DEPRECIATION AND AMORTISATION	**17.9**	**14.4**

Group's depreciation and amortisation methods and periods are described in Note 2.1. Goodwill and other intangible assets, Note 2.2. Property, plant and equipment and Note 2.3. Leases.

1.8. RESEARCH AND DEVELOPMENT EXPENDITURES

Operating result includes research and development expenditures amounting to EUR 2.3 million (2018: EUR 3.3 million). The R&D expenditures represents 0.6% of net sales in 2019 (2018: 0.9%).

Inventories
92.0
MEUR

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, trademarks, software and other intangible assets and prepayments.

Goodwill

Goodwill arising on the business acquisition 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 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 in more detail later in this note.

Other intangible assets

Other intangible assets include intangible rights, other intangible assets and prepayments for intangible assets. Intangible assets such as patents and IT-software, with finite useful lives, are recognised in the balance sheet at the original acquisition cost less accumulated amortisation and possible impairment.

Altia's trademarks have been acquired in connection with business acquisitions and recognised originally at fair value and are subsequently amortised on a straight-line basis over the estimated useful lives.

The estimated useful lives of intangible assets are as follows:

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

The costs related to the intangible assets are capitalised if it can be demonstrated that the asset will generate the future economic benefits, the entity controls the asset and the cost of the asset can be measured reliably. All other expenditure is recognised as an expense as incurred.

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 under IFRS.

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

Critical estimates and management judgements – Useful lives of trademarks

Altia's trademarks have been acquired in connection with business acquisitions and recognised originally at fair value and are subsequently amortised on a straight-line basis over the estimated useful lives. Management has estimated the useful lives of trademarks to be in a range from 10 to 15 years. However, the actual useful life may be shorter or longer than the estimated range depending on the market trends and customer behavior.

GOODWILL AND OTHER INTANGIBLE ASSETS

EUR million	Goodwill	Trademarks	Software and other intangible assets	Prepayments	Other intangible assets total
Acquisition cost at 1 January 2019	128.0	123.8	21.8	1.7	147.3
Additions	-	0.1	0.0	1.8	2.0
Disposals	-	-0.1	-	-	-0.1
Effect of movement in exchange rates	0.3	-1.1	-0.0	-	-1.1
Transfers between items	-	-	1.6	-1.6	0.0
Acquisition cost at 31 December 2019	128.3	122.8	23.4	2.0	148.1
Accumulated amortisation and impairment losses at 1 January 2019	-47.3	-101.2	-16.5	-	-117.8
Amortisation	-	-4.1	-2.0	-	-6.1
Accumulated amortisation on disposals and transfers	-	0.1	-	-	0.1
Effect of movement in exchange rates	-0.9	0.9	0.0	-	0.9
Accumulated amortisation and impairment losses at 31 December 2019	-48.2	-104.5	-18.5	-	-123.0
Carrying amount at 1 January 2019	80.7	22.6	5.3	1.7	29.6
CARRYING AMOUNT AT 31 DECEMBER 2019	**80.1**	**18.3**	**4.9**	**2.0**	**25.2**

EUR million	Goodwill	Trademarks	Software and other intangible assets	Prepayments	Other intangible assets total
Acquisition cost at 1 January 2018	133.3	126.7	19.3	2.8	148.7
Additions	-	-	0.0	1.5	1.5
Disposals	-	-	-0.0	-	-0.0
Effect of movement in exchange rates	-5.3	-2.9	-0.0	-	-2.9
Transfers between items	-	0.1	2.5	-2.6	0.0
Acquisition cost at 31 December 2018	128.0	123.8	21.8	1.7	147.3
Accumulated amortisation and impairment losses at 1 January 2018	-51.3	-99.3	-15.1	-	-114.4
Amortisation	-	-4.3	-1.5	-	-5.8
Accumulated amortisation on disposals and transfers	-	-	0.0	-	0.0
Effect of movement in exchange rates	4.0	2.4	0.0	-	2.4
Accumulated amortisation and impairment losses at 31 December 2018	-47.3	-101.2	-16.5	-	-117.8
Carrying amount at 1 January 2018	82.1	27.4	4.2	2.8	34.4
CARRYING AMOUNT AT 31 DECEMBER 2018	**80.7**	**22.6**	**5.3**	**1.7**	**29.6**

The most significant trademarks include Renault, Larsen, Xanté, Blossa, Chill Out, Explorer, Grönstedts, Bröndums, 1-Enkelt and Arsenitch.
Software and other intangible assets 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 (a triggering event), the assets' 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.

Critical estimates and management judgements – Impairment testing:

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 the components of the recoverable amount calculation, including the discount rate, the terminal growth rate and development of the net sales and operating result, including estimated cost levels of main raw materials and energy. The discount rates reflect current assessments of the time value of money and relevant market risk premiums reflecting risks and uncertainties for which the future cash flow estimates have not been adjusted. The discount rates used, expected net sales growth rates and profitability levels, including sensitivity analyses, are stated below.

Impairment testing of goodwill

Allocation of goodwill

Goodwill is allocated to groups of cash-generating units (CGU) that represent the level on which the management monitors the goodwill.

Altia reports its business operations under the following segments: Finland & Exports, Scandinavia and Altia Industrial. Finland & Exports and Scandinavia segments comprise importing, sale and marketing of wine, spirits and other beverage product categories. Within the Finland & Exports segment the Company operates in Finland, the Baltics and travel retail channels and conducts exports. Scandinavia segment represents the Company's operations in Sweden, Norway and Denmark. Altia Industrial segment comprises the Company's production of ethanol, starch and feed as well as contract services. These segments comprise both Altia's operating and reportable segments. Goodwill is monitored by management at the level of the operating segments.

A segment-level allocation of the goodwill at 31 December 2019 and 2018 is presented below:

EUR million	2019	%	2018	%
Finland & Exports	46.7	58.3 %	46.8	58.0 %
Scandinavia	33.4	41.7 %	33.9	42.0 %
TOTAL	**80.1**	**100.0 %**	**80.7**	**100.0 %**

Impairment testing

The key assumptions in impairment testing are operating result 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 tests have been carried out on 31 October 2019 and 31 October 2018. 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 forecast 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 forecasted cash flows for a longer term than this have been estimated by using an annual growth rate estimate of -0.5%. 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 are based on external market-specific references. Management makes judgements regarding the development of assumptions other than WACC based on internal and external views of the industry's history and future.

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 %	2019	2018
Finland & Exports	6.4%	7.1%
Scandinavia	6.0%	6.8%

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

Projected average operating result %	2019	2018
Finland & Exports	13.1%	13.1%
Scandinavia	8.1%	8.7%

Based on the analyses prepared by the company, no reasonably possible change in any of the key assumptions would cause any of the tested unit's recoverable amount to decrease to be equal to its carrying amount.

2.2. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment

Property, plant and equipment mainly consist of manufacturing and warehouse buildings, land, and machinery and equipment used in 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, is recognised as an expense as incurred. 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 adjusted with the grant received.

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 valuator.

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.

Gains and losses on the disposals of property, plant and equipment are included in other operating income or expenses.

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 2019	3.0	109.5	129.8	0.8	1.5	244.6
Additions	-	0.1	0.4	-	4.3	4.8
Disposals	-	-	-1.3	-0.0	-	-1.3
Effect of movement in exchange rates	-	-0.0	-0.1	-0.0	-	-0.1
Transfers between items	-	1.8	2.4	-	-4.3	0.0
Acquisition cost at 31 December 2019	3.0	111.3	131.3	0.8	1.6	247.9
Accumulated depreciation and impairment losses at 1 January 2019	0.0	-82.4	-97.4	-0.2	-	-179.9
Depreciation	-	-3.4	-4.7	-0.0	-	-8.1
Accumulated depreciation on disposals and transfers	-	-	0.9	0.0	-	1.0
Effect of movement in exchange rates	-	0.0	0.1	-	-	0.1
Accumulated depreciation and impairment losses at 31 December 2019	0.0	-85.8	-101.1	-0.2	-	-187.0
Carrying amount at 1 January 2019	3.0	27.1	32.4	0.6	1.5	64.6
CARRYING AMOUNT AT 31 DECEMBER 2019	**3.0**	**25.6**	**30.2**	**0.6**	**1.6**	**60.9**
Acquisition cost at 1 January 2018	3.0	108.2	124.0	0.8	4.7	240.7
Additions	-	0.1	0.7	0.0	5.4	6.2
Disposals	-0.0	-0.5	-1.6	-	-	-2.1
Effect of movement in exchange rates	-	-0.0	-0.2	-0.0	-	-0.3
Transfers between items	-	1.7	6.9	-	-8.6	0.0
Acquisition cost at 31 December 2018	3.0	109.5	129.8	0.8	1.5	244.6
Accumulated depreciation and impairment losses at 1 January 2018	0.0	-79.5	-93.7	-0.1	-	-173.3
Depreciation	-	-3.3	-5.3	-0.0	-	-8.6
Accumulated depreciation on disposals and transfers	-	0.5	1.4	-	-	1.9
Effect of movement in exchange rates	-	0.0	0.1	-	-	0.2
Accumulated depreciation and impairment losses at 31 December 2018	0.0	-82.4	-97.4	-0.2	-	-179.9
Carrying amount at 1 January 2018	3.0	28.7	30.3	0.6	4.7	67.4
CARRYING AMOUNT AT 31 DECEMBER 2018	**3.0**	**27.1**	**32.4**	**0.6**	**1.5**	**64.6**

At 31 December 2018 the carrying amount of machinery and equipment included EUR 0.4 million financial leases (original acquisition value EUR 1.2 million). With transition to IFRS 16 at January 1 2019 the financial leases were derecognized from balance sheet according to exemptions allowed by the standard.

2.3. LEASES

Leases

Lease is a contract, or a part of a contract that conveys the right to use an asset for a period of time in exchange for consideration. A contract contains a lease if there is a an identified asset and the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Altia mainly acts as the lessee. The Group's leases are related to normal business operations, such as leases on facilities, warehouses, vehicles, forklifts and office technology. The new standard removes the previous distinction between operating and finance leases. In accordance with the new standard, an asset item (right of use of the leased asset) and a financial liability concerning lease payments have been recognised for most of Altia's leases.

The lease liability is measured by discounting the expected lease payments to the current value. Lease payments include fixed lease payments, expected payments related to residual value guarantees and the possible exercise price of the purchase option if the use of the option is reasonably certain. The lease period is the non-cancellable period of the lease. Any extension options are added to the lease period if it is reasonably certain that the Group will exercise such options.

Lease payments are discounted at the internal rate of return of the lease if that rate can be readily determined. If an internal rate of return cannot be readily determined, the interest rate for additional credit is used as the discount rate. The criteria used to determine the discount rate includes the class of the underlying asset, geographical location, currency, the maturity of the risk-free interest rate and the lessee's credit risk premium.

The lease liability is remeasured and adjusted against the right of used asset if the cash flow in accordance with the original terms and conditions of lease changes; for example, if the lease period changes or if the lease payments change based on a variable index or interest rate. The lease liability is divided into current and non-current liability and is presented on a separate line on the balance sheet.

Right-of-use assets are measured at acquisition cost based on the amount of the initial measurement of the lease liability. Right-of-use assets are depreciated over the lease period or their useful lives, depending on which is shorter. Right -of use assets related to buildings are depreciated in 2–6 years and right-of -use assets related to machinery and equipment are depreciated in 2–6 years.

Right-of-use assets related to tangible assets are presented on a separate line on the balance sheet.

The IFRS 16 standard includes exemptions concerning leases of less than 12 months and low-value assets. Altia treats leases with less than 12 months remaining of the lease period at the time of transition as current underlying asset items that are not recognised on the balance sheet. The selection is made based on the class of the underlying asset. Exemptions apply to all underlying asset items other than vehicles and offices, which are recognised on the balance sheet even if their remaining lease period is less than 12 months at the time of transition. Lease liabilities are not recognised for low-value assets. Altia considers assets with an acquisition cost of less than EUR 5,000 to be low-value. Finance leases included in exemptions as short-term or low value were derecognized from balance sheet. Lease expenses related to leases included in the exemptions are recognised in equal instalments over the lease period.

RIGHT-OF-USE ASSETS

EUR million	Buildings	Machinery and equipment	Total
IFRS 16 acquisition cost at 1 January 2019	8.6	2.1	10.7
Additions	2.4	1.1	3.5
Disposals	-	-0.1	-0.1
Effect of movement in exchange rates	-0.1	-0.0	-0.1
Acquisition cost at 31 December 2019	10.9	3.1	14.1
Depreciation	-2.5	-1.2	-3.7
Accumulated depreciation on disposals	-	0.0	0.0
Effect of movement in exchange rates	-0.0	-0.0	-0.0
Accumulated depreciation at 31 December 2019	-2.6	-1.1	-3.7
CARRYING AMOUNT AT 31 DECEMBER 2019	**8.4**	**2.0**	**10.4**

2.4. INVENTORIES

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	2019	2018
Materials and supplies	49.6	53.8
Work in progress	10.5	10.5
Finished goods	13.5	15.9
Goods	18.3	19.3
Advance payments	0.3	0.2
TOTAL	**92.0**	**99.6**

Altia recognised write-downs of inventories amounting to EUR 1.9 million in 2019 (2018: EUR 1.3 million).

2.5. CONTRACT ASSETS AND LIABILITIES (CURRENT)

Contract assets represent the amount which Altia has right to receive goods expected to be returned to inventory with respect to return clauses in the contracts. Contract assets are measured at the former carrying amount of the inventory less any expected costs to recover the goods and less any impairment losses.

Contract liabilities represent the amount received or receivable that is expected to be returned as a refund liability.

EUR million	2019	2018
Contract assets	0.2	0.2
TOTAL	**0.2**	**0.2**
Contract liabilities	0.5	0.6
TOTAL	**0.5**	**0.6**

2.6. TRADE AND OTHER RECEIVABLES (CURRENT)

Trade and other receivables

Trade receivables are carried at original invoiced amount less any impairment losses. An impairment loss is recognized immediately in profit and loss. Impairment provisions are recognized based on lifetime expected credit losses from trade receivables in accordance with IFRS 9. The expected credit loss model is forward looking and expected default rates are based on historical realized credit losses. The lifetime expected credit loss provision is calculated using aging of the accounts receivable and regional portfolios.

Sold trade receivables are derecognised from the balance sheet 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 finance expenses.

TRADE AND OTHER RECEIVABLES

EUR million	2019	2018
Trade receivables	48.1	55.4
Accrued income	3.2	1.7
Receivables on derivative instruments	0.4	1.6
Other receivables	2.8	2.3
TOTAL	**54.4**	**60.9**

At the end of the reporting period 2019 the sold trade receivables amounted to EUR 76.7 million (2018: EUR 80.2 million). Trade receivables from associated companies and joint arrangements are presented in Note 6.3.

AGEING ANALYSIS OF TRADE RECEIVABLES

EUR million	2019	2018
Trade receivables not past due	42.7	50.7
Trade receivables past due 1-90 days	4.8	4.4
Trade receivables past due over 90 days	0.8	0.5
Impairment losses	-0.2	-0.3
TOTAL	**48.1**	**55.4**

The realized impairment losses recognized on trade receivables during the year 2019 amounted to EUR 0.0 million (2018: EUR 0.1 million).

The loss allowance for trade receivables is based on the ageing of the accounts receivable and regional portfolios. The expected loss rate for all trade receivables is 0,1% and in addition receivables more than 120 days due are impaired with 60% expected loss rate. The receivables of the monopolies in Finland and Sweden are excluded due to the nature of the customer and related credit risk (government entities). Forward looking macro-economic information has been included in the analysis.

2.7. EMPLOYEE BENEFIT OBLIGATIONS

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 defined benefit pension plans, the amount of the pension benefit at retirement is calculated based on 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. At the end of the reporting period 2019 the defined benefit plan obligation amounted to EUR 1.4 million (2018: EUR 1.3 million).

2.8. TRADE AND OTHER PAYABLES

EUR million	2019	2018
Current		
Trade payables	25.7	25.8
Accruals for wages and salaries and social security contributions	0.9	1.1
Interest liabilities	0.3	0.3
Other accrued expenses	24.1	18.6
Derivative liabilities	1.7	1.5
Excise tax	47.0	48.8
VAT liability	27.9	27.6
Other liabilities	7.1	7.6
TOTAL	**134.7**	**131.4**

2.9. PROVISIONS

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.

PROVISIONS

EUR million	Other provisions	Total
Provision at 31 December 2018	0.5	0.5
Provisions made during the year	-	-
Provisions used during the year	-0.5	-0.5
PROVISION AT 31 DECEMBER 2019	**-**	**-**
Current	-	-
Non-Current	-	-

EUR million	Other provisions	Total
Provision at 31 December 2017	-	-
Provisions made during the year	0.5	0.5
Provisions used during the year	-	-
PROVISION AT 31 DECEMBER 2018	**0.5**	**0.5**
Current	0.5	0.5
Non-Current	-	-

Other provisions end of comparison period 2018 related to the cost on excise tax class revision of two products based on a preliminary outcome of a tax audit In Finland. The final outcome of the tax audit was positive and provision was released in full 2019.

Borrowings and lease liabilities
93.1
MEUR

3. Financial items and capital structure

3.1. FINANCE INCOME AND EXPENSES

FINANCE INCOME

EUR million	2019	2018
Interest income		
Forward points on FX-forwards	0.0	-
Loans, receivables and cash and cash equivalents	0.2	0.1
Total interest income	**0.2**	**0.1**
Foreign exchange gains		
Foreign exchange gains on FX-derivatives	0.8	1.2
Foreign exchange gains on I/C loans and cash pool accounts	2.5	2.1
Total foreign exchange gains	**3.3**	**3.3**
Dividend income		
Fair value through other comprehensive income	-	0.1
Total dividend income	**-**	**0.1**
TOTAL FINANCE INCOME	**3.5**	**3.5**

Foreign exchange differences arising from trade receivables and trade payables amounting to EUR 0.1 million (2018: EUR -0.2 million) and from currency derivatives amounting to EUR 0.9 million (2018: EUR 1.7 million) are included in operating result.

FINANCE EXPENSES

EUR million	2019	2018
Interest expenses		
Forward points on FX-forwards	-0.0	0.0
Financial liabilities at amortised cost	1.1	1.3
Derivatives under hedge accounting (Interest rate risk)	0.4	0.4
Interest expenses on lease liabilities	0.1	-
Other interest expenses, pension liability	0.0	0.0
Total interest expenses	**1.6**	**1.7**
Foreign exchange losses		
Foreign exchange losses on FX-derivatives	2.1	2.0
Foreign exchange losses on I/C loans and cash pool accounts	1.2	1.4
Total foreign exchange losses	**3.3**	**3.4**
Other finance expenses		
Other financial expenses	0.7	0.8
Total other finance expenses	**0.7**	**0.8**
TOTAL FINANCE EXPENSES	**5.7**	**5.8**

Interest expenses included finance lease related interest expenses amounting to EUR 0.1 million in 2019.

3.2. FINANCIAL ASSETS AND LIABILITIES

3.2.1 FINANCIAL ASSETS

According to IFRS 9 the classification is business model driven and there are three classes: fair value through profit and loss, amortised cost and fair value through other comprehensive income. 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.

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 balance sheet 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 balance sheet when their maturity is over 12 months.

Impairment of financial assets

The impairment model requires the recognition of impairment provision based on expected credit losses. The impairment provision is recognised based on lifetime expected credit losses from trade receivables and contract assets. More information on the impairment provision on trade receivables can be found in Note 2.6. Trade and other receivables (current).
The impairment model does not apply to financial assets measured at fair value and investments in associates and joint ventures and interests in joint operations since those are measured at fair value which already takes into account expected credit losses.

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.

Amortised cost

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. The assets in this category are held according to a business model of which objective is to collect contractual cash flows. 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 loan receivables are presented within financial items as foreign exchange differences related to loans. The exchange rate differences of foreign currency denominated trade receivables are presented in income statement as adjustments to sales.

Fair value through other comprehensive income

These 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 measured at fair value through other comprehensive income consist of unquoted shares. Unquoted shares are measured at fair value based on market approach valuation techniques using information from market transactions involving comparable assets.

Fair value through other comprehensive income

Fair value through other comprehensive income assets consisted of unquoted shares, amounting to EUR 1.4 million (2018: EUR 1.4 million).

3.2.2 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.

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.

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, loans from pension 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 finance expenses. Group overdrafts in use are included in current borrowings. In addition, Altia has a revolving credit facility and the related fee is amortised on a straight-line basis in other finance 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 stable level of market interest rates. The fair values of lease and finance lease liabilities are based on discounted future cash flows. The discount rate is internal rate of return of the lease or interest rate for additional credit.

BORROWINGS AND LEASE LIABILITIES

EUR million	2019	2018
Non-current		
Loans from financial institutions	64.8	69.8
Loans from pension institutions	11.3	12.8
Lease liabilities	7.1	-
Finance lease liabilities	-	0.2
TOTAL	**83.2**	**82.7**
Current		
Loans from financial institutions	5.0	5.0
Loans from pension institutions	1.5	1.5
Lease liabilities	3.4	-
Finance lease liabilities	-	0.2
TOTAL	**9.9**	**6.7**

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

All of the Group's non-current and current loans from financial and pension institutions were nominated in Euros as at 31 December 2019 and 31 December 2018.

The weighted average effective interest rate (p.a.) of the Group's loans from financial and pension institutions as at 31 December 2019 was 1.9% (2018: 1.9%).

The weighted average interest rate (p.a.) of the Group's lease liabilities as at 31 December 2019 was 1.2% (finance lease liabilities as at 31 December 2018: 1.2%).

NET DEBT

Movements in Net debt the year ended 31 December 2019 and 2018 are presented in the following table:

EUR million	Cash and cash equivalents	Loans from financial and pension instituti-ons (non-current)	Loans from financial and pension instituti-ons (current)	Lease liabilities (non-current)	Lease liabilities (current)	Finance lease liabilities (non-current)	Finance lease liabilities (current)	Total
Net debt as at 1 January 2019	42.0	82.5	6.5	-	-	0.2	0.2	47.4
Adoption of IFRS 16	-	-	-	7.4	3.3	-	-	10.7
Cash flows	22.7	-	-6.5	-	-3.7	-	-	-29.2
Translation differences	-0.5	-	-	-	-	-	-	0.5
Other non-cash movement	-	-6.4	6.5	-0.3	3.8	-0.2	-0.2	-0.3
NET DEBT AS AT 31 DECEMBER 2019	**64.2**	**76.1**	**6.5**	**7.1**	**3.4**	**-**	**-**	**28.9**
Net debt as at 1 January 2018	52.4	89.0	10.8	-	-	0.2	0.2	47.7
Cash flows	-8.2	-	-10.7	-	-	-	-0.2	-2.7
Translation differences	-2.2	-	-	-	-	0.0	-	2.2
Other non-cash movement	-	-6.4	6.4	-	-	0.0	0.2	0.2
NET DEBT AS AT 31 DECEMBER 2018	**42.0**	**82.5**	**6.5**	**-**	**-**	**0.2**	**0.2**	**47.4**

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 IFRS 9. 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 3.3.

The fair values of derivatives equal 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.

3.2.3. CLASSIFICATION AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

FAIR VALUES AND THE CARRYING AMOUNTS IN THE CONSOLIDATED BALANCE SHEET FOR EACH FINANCIAL INSTRUMENT BY CLASSES:

2019 EUR million	Note	Derivatives, hedge accounting	Fair value through profit or loss	Amortised cost	Fair value through other comprehensive income	Carrying amounts of items in the balance sheet	Fair value	Level
Financial assets								
Non-current financial assets								
Investments in associates and receivables from interests in joint operations		-	-	8.8	-	8.8	8.8	
Unquoted shares	3.2.1.	-	-	-	1.4	1.4	1.4	3
Current financial assets								
Trade and other receivables	2.6.	-	-	49.3	-	49.3	49.3	
Trade and other receivables/Derivative instruments								
Forward exchange contracts	2.6.	0.0	0.0	-	-	0.0	0.0	2
Commodity derivatives	2.6.	0.3	-	-	-	0.3	0.3	2
Cash and cash equivalents	4.1.	-	-	64.2	-	64.2	64.2	
TOTAL		**0.3**	**0.0**	**122.3**	**1.4**	**124.1**	**124.1**	
Financial liabilities								
Non-current financial liabilities								
Borrowings	3.2.2.	-	-	76.1	-	76.1	76.1	2
Lease liabilities	3.2.2.	-	-	7.1	-	7.1	7.1	2
Current financial liabilities								
Borrowings	3.2.2.	-	-	6.5	-	6.5	6.5	2
Lease liabilities	3.2.2.	-	-	3.4	-	3.4	3.4	2
Trade and other payables	2.8.	-	-	25.9	-	25.9	25.9	
Trade and other payables/Derivative instruments								
Interest rate derivatives	2.8.	1.2	-	-	-	1.2	1.2	2
Forward exchange contracts	2.8.	0.4	0.1	-	-	0.5	0.5	2
TOTAL		**1.6**	**0.1**	**119.0**	**-**	**120.7**	**120.7**	

2018 EUR million	Note	Derivatives, hedge accounting	Fair value through profit or loss	Amortised cost	Fair value through other comprehensive income	Carrying amounts of items in the balance sheet	Fair value	Level
Financial assets								
Non-current financial assets								
Receivables from interests in joint operations		-	-	7.9	-	7.9	7.9	
Unquoted shares	3.2.1.	-	-	-	1.4	1.4	1.4	3
Current financial assets								
Trade and other receivables	2.6.	-	-	56.6	-	56.6	56.6	
Trade and other receivables/Derivative instruments								
Forward exchange contracts	2.6.	0.1	0.1	-	-	0.2	0.2	2
Commodity derivatives	2.6.	1.3	-	-	-	1.3	1.3	2
Cash and cash equivalents	4.1.	-	-	42.0	-	42.0	42.0	
TOTAL		**1.4**	**0.1**	**106.5**	**1.4**	**109.5**	**109.5**	
Financial liabilities								
Non-current financial liabilities								
Borrowings	3.2.2.	-	-	82.7	-	82.7	82.7	2
Current financial liabilities								
Borrowings	3.2.2.	-	-	6.7	-	6.7	6.7	2
Trade and other payables	2.8.	-	-	26.0	-	26.0	26.0	
Trade and other payables/Derivative instruments								
Interest rate derivatives	2.8.	1.3	-	-	-	1.3	1.3	2
Forward exchange contracts	2.8.	0.1	0.0	-	-	0.1	0.1	2
TOTAL		**1.4**	**0.0**	**115.5**	**-**	**116.9**	**116.9**	

At the reporting date due to short maturity fair value of trade receivables and other short-term receivables and liabilities equal to their value in the balance sheet.

The table above 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 valuation techniques. The reported fair value level is based on the lowest level of input information that is significant in determining the fair value.

3.3. DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING

When the Group applies IFRS 9 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 hedge 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 balance sheet 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. IFRS 9 requires that the effectiveness of hedging instruments is tested prospectively. 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. Under IFRS 9 the hedging relationship is regarded to be highly effective when there is an economic relationship between the hedged item and the hedging instrument. Hedging ratio is defined as a relationship between the quantity of the hedging instrument and the quantity of the hedged item. 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. Forward points are included to hedging relationship. 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 hedge reserve in equity. The ineffective portion is immediately recognized in finance income or expenses 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 result in electricity procurement expenses. When a hedging instrument designated as a cash flow hedge no longer meets the criteria of hedge accounting, the gain or loss accumulated in equity is recognised through finance income or expenses.

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 finance income or expense 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 finance income or expense 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.

NOMINAL VALUES OF DERIVATIVE INSTRUMENTS

EUR million	2019	2018
Derivative instruments designated for cash flow hedging		
Interest rate derivatives	20.0	20.0
Forward exchange contracts	24.4	30.9
Commodity derivatives, electricity	1.3	1.9
	0.1TWh	0.1TWh
Derivative instruments, non-hedge accounting		
Forward exchange contracts	3.9	33.7*

*) Total EUR 29.3 million in nominal value relates to hedging internal deposits in currency to parent company amounting the same. These deposits were made in order to mitigate the effects of the banks' negative deposit rates.

EFFECTS OF HEDGE ACCOUNTING ON THE FINANCIAL POSITION AND PERFORMANCE

EUR million	EURAUD		EURUSD		EURNOK		EURSEK	
Foreign currency forwards	2019	2018	2019	2018	2019	2018	2019	2018
Carrying amount (asset)	0.0	-	-	0.0	-	0.0	-	-
Carrying amount (liability)	-	0.0	0.0	-	0.0	-	0.3	0.1
Notional amount	1.5	2.0	1.4	2.7	1.8	1.9	18.2	22.1
Maturity date	Feb-Dec 2020	Feb-Dec 2019	Feb-Jun 2020	Feb-Dec 2019	Feb-May 2020	Feb-Jun 2019	Feb-Aug 2020	Feb-Oct 2019
Hedge ratio	1:1	1:1	1:1	1:1	1:1	1:1	1:1	1:1
Change in discounted value of outstanding hedging instruments since 1 January	0.0	0.0	-0.1	0.1	-0.1	-0.1	-0.2	-0.7
Change in value of hedged item used to determine hedge effectiveness	-0.0	-0.0	0.1	-0.1	0.1	0.1	0.2	0.7

EUR million Interest rate swap	2019	2018
Carrying amount (liability)	1.2	1.3
Notional amount	20.0	20.0
Maturity date	04/2023	04/2023
Hedge ratio	1:1	1:1
Change in discounted value of outstanding hedging instruments since 1 January	-0.1	-0.1
Change in value of hedged item used to determine hedge effectiveness	0.1	0.1
Weighted average hedged rate for the year	1.99%	1.88%

EUR million Commodities – Electricity	2019	2018
Carrying amount (asset)	0.3	1.3
Notional amount	1.3	1.9
TWh	0.1	0.1
Maturity date	2020-2021	2019-2021
Hedge ratio	1:1	1:1
Change in discounted value of outstanding hedging instruments since 1 January	-1.0	1.1
Change in value of hedged item used to determine hedge effectiveness	1.0	-1.1
Weighted average hedged price EUR/MWh	23.91	15.43

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

OFFSETTING FINANCIAL ASSETS AND LIABILITIES

EUR million	2019	2018
Derivative assets:		
Fair value, gross	0.4	1.6
Fair value, under netting agreements	-0.0	-0.1
Fair value, net	0.3	1.5
Derivative liabilities:		
Fair value, gross	1.7	1.5
Fair value, under netting agreements	-0.0	-0.1
Fair value, net	1.6	1.4

3.4. 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 2019 and 2018. At the end of the financial period 2019 and 2018 there were 36,140,485 shares outstanding.

All shares issued have been paid in full. The shares have no nominal value. Each share has one vote at the Annual General meeting and equal rights to dividend and other distribution of assets. The company does not hold its own shares.

NUMBER OF SHARES

	2019	2018
Number of outstanding shares in the beginning of the financial year	36 140 485	35 960 000
Personnel offering	-	180 485
Number of outstanding shares at the end of the financial year	**36 140 485**	**36 140 485**

Invested unrestricted equity fund

The amounts paid for issued Personnel Shares in Altia's listing have been recorded as invested unrestricted equity fund.

Fair value reserve

The fair value reserve represents the change in the fair value of financial assets measured at fair value through other comprehensive income.

Legal reserve

Legal reserve represents statutory part of the foreign subsidiary's result.

Hedge reserve

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

CASH FLOW HEDGE RESERVE

EUR million	Currency forwards	Interest rate swaps	Commodities	Total hedge reserves
Opening balance 1 January 2018	**0.5**	**-1.1**	**0.3**	**-0.3**
Change in fair value of hedging instrument recognised in OCI	1.1	0.2	1.6	2.9
Reclassified from OCI to profit or loss - included in purchases/sales adjustments	-1.7	-	-	-1.7
Reclassified from OCI to financial income / expenses.	-	-0.4	-	-0.4
Reclassified from OCI to electricity purhases	-	-	-0.6	-0.6
Deferred tax	0.0	0.3	-0.3	0.0
Closing balance 31 December 2018	**-0.0**	**-1.0**	**1.1**	**0.0**
Change in fair value of hedging instrument recognised in OCI	0.5	0.2	-0.2	0.5
Reclassified from OCI to profit or loss - included in purchases/sales adjustments	-0.9	-	-	-0.9
Reclassified from OCI to financial income / expenses	-	-0.4	-	-0.4
Reclassified from OCI to electricity purhases	-	-	-0.5	-0.5
Deferred tax	0.1	0.2	-0.1	0.3
Closing balance 31 December 2019	**-0.3**	**-1.0**	**0.2**	**-1.0**

Translation differences

Translation differences comprise all foreign exchange differences arising from the translation of the foreign subsidiaries' financial statements. The Group's accumulated translation differences amounted to negative EUR 22.1 million at 31 December 2019 (31.12.2018: negative EUR 19.6 million).

Earnings per share

Basic earnings per share is calculated by dividing the result for the period attributable to owners of the parent company by the weighted average number of shares outstanding during the reporting period.

Diluted earnings per share has been calculated on the same basis as basic earnings per share except that it reflects the impact of any potential commitments the Group has to issue shares in the future. Altia has not issued any dilutive instruments during the periods presented.

EARNINGS PER SHARE

	2019	2018
Result attributable to the shareholders of the parent company, EUR million	18.4	15.1
Weighted average number of shares outstanding (1,000 pcs)	36 140	36 140
Basic and diluted earnings per share (EUR)	0.51	0.42

Dividend

The Board of Directors proposes to the Annual General Meeting that dividend of 0.42 per share be distributed for 2019. A dividend for 2018 of EUR 0.38 per share, amounting to a total of EUR 13.7 million, was decided in the Annual General Meeting on 15 May 2019. The dividend was paid on 24 May 2019.

ALTIA PLC'S DISTRIBUTABLE FUNDS

EUR million	31 Dec 2019	31 Dec 2018
Invested unrestricted equity fund	1.2	1.2
Retained earnings	70.9	56.8
Distribution of dividends	-13.7	-
Profit for the period	38.6	14.1
TOTAL DISTRIBUTABLE FUNDS	**96.9**	**72.1**

Gearing
19.1
%

4. Financial and capital risk

4.1. FINANCIAL RISK MANAGEMENT

Financial risk management principles

The aim of Altia's 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 balance sheet. Derivatives are solely used to hedging against the above-mentioned risks. The principles of IFRS 9 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 for barley and electricity.

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 balance sheet.

Transaction risk

Transaction risk is caused by foreign currency denominated items in the balance sheet and future cash flows related to sales, purchases and return of capital. 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 for 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.

The two tables below present the Group's net currency position, first on the basis of financial instruments recorded on the balance sheet and secondly including on a net basis also the estimated future foreign currency net cash flows. 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.

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	2019	2018
EUR-SEK	-16.4	-19.7
EUR-NOK	-1.6	-0.8
EUR-USD	2.7	4.5
EUR-AUD	1.7	2.1

The Group's net currency position at 31 December including also the hedged commercial cash flows EUR million	2019	2018
EUR-SEK	1.8	2.4
EUR-NOK	0.3	1.1
EUR-USD	0.3	0.6
EUR-AUD	0.2	0.1

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 balance sheet 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 2019 the total nominal amount of loans was EUR 82.8 million (2018: 89.3) and was divided as follows:

- The EUR 15.0 million loan matures in January 2022 with annual EUR 5 million instalments. The interest rate on the loan is based on three –month market rate. Currently these interest payments are not hedged.
- The EUR 55.0 million portion of the loan matures in January 2023. 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 12.8 million pension loan matures in January 2028. The interest rate is fixed for the whole loan period.

The maximum amount under Altia's domestic commercial paper program is EUR 100 million. There were no issued commercial papers at 31 December 2019 and 2018.

Altia's maximum limit for sale of trade receivables amounts to EUR 145 million and is approved by Board of Directors. 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 76.7 million at 31 December 2019 (2018: 80.2 million).

3. Price risk associated with commodities

Barley

In 2019, Altia used approximately 212 (212) million kilos of Finnish grain to produce ethanol and starch. The availability of high-quality domestic barley is ensured with contract cultivation and co-operation 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.

Cash flow hedge accounting in accordance with IFRS 9 is applied to the hedges against electricity price risk, and hedge effectiveness is tested quarterly. The hedged risk is the euro dominated sourcing of electricity in Finland. To hedge the risk system priced, Finnish price area and price area derivative is used. With system priced derivatives is hedged Nordic electricity price and with price area derivative is hedged the price difference between Finnish price area and system price.

At the end of 2019, the hedging ratio for deliveries for the next 12 months was 53.7.% (2018: 64.1%), in line with the set targets. In 2019 the average hedging ratio was 66.0% (68.0%). All hedging was effective in 2019 as it was in 2018.

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, interest and foreign exchange 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.

TABLE 2: SENSITIVITY ANALYSES

Sensitivity of financial instruments to market risks (before taxes) in accordance with IFRS 7 EUR million	2019 Income statement	 Equity	2018 Income statement	 Equity
+/-10% electricity	-	+/-0.2	-	+/-0.3
+/-10% change in EUR/NOK exchange rate	-/+0.0	+/- 0.2	-/+0.1	+/-0.2
+/-10% change in EUR/SEK exchange rate	-/+0.2	+/-1.8	-/+0.2	+/-2.2
+/-10% change in EUR/USD exchange rate	-/+ 0.0	-/+0.2	-/+0.1	-/+0.4
+/-10% change in EUR/AUD exchange rate	-/+ 0.0	-/+0.2	-/+0.0	-/+0.2
+1%-points parallel shift in interest rates	-0.5	+0.4	-0.5	+0.6

+10 % increase in EUR/SEK exchange rate would have an EUR -0.2 million effect in income statement. Other risks with same principle.

At the end of 2019 the total group floating rate liability position consists of floating rate liabilities EUR 70.0 million (2018: EUR 75.0 million) and floating leg of interest rate swap EUR 20 million (2018: EUR 20.0 million) which is netting the interest rate risk.

Liquidity risk

In order to manage the liquidity risk, Altia continuously maintains sufficient liquidity reserves, which at the end of 2019 comprised Group's EUR 10 million overdraft facility and a EUR 60 million revolving credit facility. At the end of December 2019 no revolving credit facility was in use (2018: EUR 0.0 million). The revolving credit facility matures in January 2023. 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	2019	2018
Cash and cash equivalents	64.2	42.0
Overdraft facilities	10.0	10.0
Revolving credit line	60.0	60.0
TOTAL	**134.2**	**112.0**

TABLE 4: MATURITIES OF FINANCIAL LIABILITIES

Contractual payments on financial liabilities 2019 EUR million	Total contractual cash flows	Cash flows 2020			Cash flows 2021			Cash flows 2022–		
		Fixed rate	Variable rate	Re-payment	Fixed rate	Variable rate	Re-payment	Fixed rate	Variable rate	Re-payment
Non-derivative:										
Loans from financial institutions[1]	-72.2	-	-0.7	-5.0	-	-0.7	-5.0	-	-0.8	-60.0
Loans from pension institutions[2]	-13.4	-0.1	-	-1.5	-0.1	-	-1.5	-0.4	-	-9.8
Lease liabilities	-10.5	-	-	-3.4	-	-	-3.0	-	-	-4.1
Trade payables	-25.7	-	-	-25.7	-	-	-	-	-	-
Derivative:										
Currency derivatives, hedge accounting										
Inflow	24.2	-	-	24.2	-	-	-	-	-	-
Outflow	-24.6	-	-	-24.6	-	-	-	-	-	-
Currency derivatives, non-hedge accounting										
Inflow	3.9	-	-	3.9	-	-	-	-	-	-
Outflow	-3.9	-	-	-3.9	-	-	-	-	-	-
Interest rate derivatives, hedge accounting	-1.2	-0.4	-	-	-0.4	-	-	-0.5	-	-
Commodity derivatives, hedge accounting	-0.3	-	-	-0.2	-	-	-0.1	-	-	-
TOTAL	**-123.8**	**-0.5**	**-0.7**	**-36.3**	**-0.5**	**-0.7**	**-9.6**	**-0.9**	**-0.8**	**-73.9**

[1] Loans from financial institutions mature 2022 and 2023
[2] Loans from pension institutions mature 2028

TABLE 4: MATURITIES OF FINANCIAL LIABILITIES

Contractual payments on financial liabilities 2018 EUR million	Total contractual cash flows	Cash flows 2019			Cash flows 2020			Cash flows 2021–		
		Fixed rate	Variable rate	Re-payment	Fixed rate	Variable rate	Re-payment	Fixed rate	Variable rate	Re-payment
Non-derivative:										
Loans from financial institutions[1]	-77.9	-	-0.8	-5.0	-	-0.7	-5.0	-	-1.4	-65.0
Loans from pension institutions[2]	-15.1	-0.2	-	-1.5	-0.1	-	-1.5	-0.5	-	-11.3
Finance lease liabilities	-0.4	-	-	-0.2	-	-	-0.2	-	-	0.0
Trade payables	-25.8	-	-	-25.8	-	-	-	-	-	-
Derivative:										
Currency derivatives, hedge accounting										
Inflow	30.9	-	-	30.9	-	-	-	-	-	-
Outflow	-30.8	-	-	-30.8	-	-	-	-	-	-
Currency derivatives, non-hedge accounting										
Inflow	33.7	-	-	33.7	-	-	-	-	-	-
Outflow	-33.6	-	-	-33.6	-	-	-	-	-	-
Interest rate derivatives, hedge accounting	-1.3	-0.3	-	-	-0.3	-	-	-0.7	-	-
Commodity derivatives, hedge accounting	-1.3	-	-	-0.9	-	-	-0.4	-	-	-0.1
TOTAL	**-121.7**	**-0.5**	**-0.8**	**-33.2**	**-0.5**	**-0.7**	**-7.1**	**-1.2**	**-1.4**	**-76.4**

[1] Loans from financial institutions mature 2022 and 2023
[2] Loans from pension institutions mature 2028

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 supports the profitable growth of the operations. 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 borrowings and lease liabilities 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. At 31 December 2019 and 31 December 2018 the gearing ratio was as follows:

TABLE 5: GEARING

Gearing as of 31 December EUR million	2019	2018
Borrowings	82.6	89.4
Lease liabilities	10.5	-
Cash and cash equivalents	64.2	42.0
Net debt	28.9	47.4
Total equity	151.2	150.1
GEARING AT 31 DECEMBER	**19.1%**	**31.6%**

5. Consolidation

5.1. GENERAL CONSOLIDATION PRINCIPLES

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 principles set in Note 5.3. Associated companies, joint ventures and interests in joint operations. If the Group does not have power to control nor significant influence in the entity, its ownership interests are classified as Financial assets at fair value through other comprehensive income 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 result. Foreign currency gains and losses arising from loans denominated in foreign currencies are recognised in finance 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 balance sheet 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 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 at the acquisition date. The amount exceeding the aggregate of the consideration transferred, the amount of non-controlling interests and any previously held equity interest in the acquiree, over the fair value of the net assets acquired 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 31 December 2019 or 31 December 2018.

Altia Plc had 23 subsidiaries at the end of the reporting period (23 subsidiaries at 31 December 2018).

	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	Sweden
SIA Altia Latvia	100.00	100.00	Latvia
Altia Norway AS	100.00	100.00	Norway
Altia Sweden AB	100.00	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. ASSOCIATED COMPANIES AND JOINT ARRANGEMENTS

Associated companies

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.

Associated companies 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 profit and loss for the period is separately disclosed after operating result. If the Group's share in the associated company's loss exceeds the carrying amount of the investment, the investment is recognised at zero value in the consolidated balance sheet 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 includes goodwill arisen on acquisition. The Group's share in changes in the associated company's other comprehensive income is recognised in consolidated other comprehensive income.

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

Financial statements of associated companies 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.

Joint arrangements

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 through a receivable in Roal Oy based on the contractual relationship with the other party to the joint operation. The interest in Roal Oy is accounted for as a joint operation.

Joint ventures are consolidated by using the equity method. Altia has an investment in a joint venture Von Elk Company.

ASSOCIATED COMPANIES AND JOINT ARRANGEMENTS

	2019 Share of ownership %	2018 Share of ownership %
Roal Oy, Finland	50.00	50.00
Palpa Lasi Oy, Finland	25.53	25.53
Von Elk Company Oy, Finland	20.00	–

Roal Oy engages enzyme business. The joint operation's other owner is ABF Overseas Ltd. Altia has joint control over Roal but the option right held by the other shareholder represents in substance a receivable with a fixed rate of return and Altia does not have a right to 50% of the net assets until the option lapses. Accordingly, the interest is classified as a joint operation with Altia accounting for its share of assets as a receivable with the annual minimum dividend accounted for as interest income. The receivable amounted to EUR 7.6 million as at 31 December 2019 and 31 December 2018.

Palpa Lasi Oy engages in the recycling and re-use of glass beverage packages.
Von Elk Company is a Finnish family enterprise which engages in alcoholic beverage business.

INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES

EUR million	2019	2018
At the beginning of the period	0.3	-
Additions	0.2	-
Share of result for the period	0.7	0.3
At the end of the reporting period	1.2	0.3

FINANCIAL SUMMARY OF ASSOCIATED COMPANIES AND JOINT VENTURES

EUR million	2019	2018
Assets	8.8	7.6
Liabilities	4.9	6.3
Net assets	3.9	1.3
Net sales	18.5	18.3
Result for the period	2.6	2.8

Related party transactions with associated companies and joint arrangements are presented in Note 6.3.

6. Other notes

6.1. INCOME TAX EXPENSE

Income tax expense

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 tax expense is 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 business combinations. 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.

Deferred tax assets and liabilities are set off when they are levied by same taxing authority and Altia has legally enforceable right to set off the balances.

Critical estimates and management judgements – Deferred tax assets

Judgment is required in assessing whether deferred tax assets are recognised on the balance sheet. Deferred tax assets are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These future cash flow estimates depend on estimates of future sales volumes, price levels of main raw materials, capital expenditure and other components affecting profitability of the operations. These estimates and assumptions are subject to risk and uncertainty, hence it is possible that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised on the balance sheet and the amount of any other tax losses and temporary differences not yet recognised. Altia's ability to generate taxable profit is also subject to general economic, financial, competitive, legislative and regulatory factors that are beyond its control. If Altia generates lower future taxable profits than what management has assumed in determining the amounts of the recognised deferred tax assets, the assets would become impaired, either partly or in full. Accordingly, amounts recognised in balance sheet could potentially be reversed through profit and loss. Changes in circumstances may also result in recognition of deferred tax assets for tax losses not yet recognised as an asset.

Uncertain tax positions

The tax positions are evaluated in periodically by the management to identify the situations in which tax regulation is subject to interpretation. Based on the evaluation uncertain tax positions are recognized when it is more likely than not that certain tax position will be challenged by tax authorities. The impact of the uncertainty is measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty.

INCOME TAX EXPENSE

EUR million	2019	2018
Current income tax expense	5.3	3.8
Adjustments to taxes for prior periods	0.7	0.2
Deferred taxes:		
Origination and reversal of temporary differences	0.2	0.0
Impact of changes in tax rates	-	-0.4
TOTAL	**6.2**	**3.6**

The reconciliation of the tax expense recognised in profit and loss and the tax expense calculated using Altia Group's domestic corporate tax rate (20.0%):

EUR million	2019	2018
Result before taxes	24.6	18.6
Income tax using the parent company's tax rate	4.9	3.7
Effect of tax rates of subsidiaries in foreign jurisdictions	-0.0	0.3
Tax-exempt income	-0.2	-0.3
Non-deductible expenses	0.2	0.1
Utilisation of previously unrecognised tax losses	-	-0.0
Adjustments to taxes for prior periods	0.7	0.2
Share of profit in associated companies, net of tax	-0.1	-0.1
Effect of changes in tax rates	-	-0.4
Tax on undistributed earnings	0.1	-0.0
Other items	0.6	0.0
TAX EXPENSE IN PROFIT OR LOSS	**6.2**	**3.6**

INCOME TAX RECOGNISED IN OTHER COMPREHENSIVE INCOME

2019 EUR million	Before tax	Tax	Net of tax
Cash flow hedges	-1.3	0.3	-1.0
Translation differences	-2.4	-	-2.4
Remeasurements of post-employment benefit obligations	-0.2	0.0	-0.2
TOTAL	**-3.9**	**0.3**	**-3.6**

2018 EUR million	Before tax	Tax	Net of tax
Cash flow hedges	0.4	-0.1	0.3
Translation differences	-3.5	-	-3.5
Remeasurements of post-employment benefit obligations	0.0	-0.0	-0.0
TOTAL	**-3.1**	**-0.1**	**-3.2**

DEFERRED TAX ASSETS AND LIABILITIES

Change in deferred tax assets and liabilities during 2019: EUR million	1 Jan 2019	Recognised in profit or loss	Recognised in other comprehensive income	Exchange rate differences	31 Dec 2019
Deferred tax assets:					
Tax losses	0.1	-0.1	-	0.0	0.0
Fixed assets	2.0	-0.3	-	0.0	1.7
Pension benefits	0.3	-0.0	0.0	0.0	0.3
Provisions	0.1	-0.1	-	-	0.0
Internal margin of inventories	0.1	0.0	-	-0.0	0.1
Recognised in hedge reserve	0.0	-	0.2	-0.0	0.3
Other temporary differences	0.1	0.1	-	0.0	0.2
Total deferred tax assets	**2.7**	**-0.5**	**0.3**	**0.0**	**2.5**
Offset against deferred tax liabilities	-1.9				-1.6
Net deferred tax assets	**0.8**				**0.9**
Deferred tax liabilities:					
Fixed assets	5.2	-0.0	-	-0.0	5.2
Recognised in hedge reserve	0.0	-	-0.0	0.0	0.0
Fair value allocation on acquisitions	2.1	-0.4	-	-0.0	1.7
Deductable goodwill depreciation	9.7	0.0	-	-0.1	9.6
Undistributed profits of foreign subsidiaries	1.7	0.1	-	-	1.8
Other temporary differences	0.0	-	-	-	0.0
Total deferred tax liabilities	**18.8**	**-0.3**	**-0.0**	**-0.1**	**18.3**
Offset against deferred tax assets	-1.9				-1.6
Net deferred tax liabilities	**16.8**				**16.7**

DEFERRED TAX ASSETS AND LIABILITIES

Change in deferred tax assets and liabilities during 2018: EUR million	1 Jan 2018	Recognised in profit or loss	Recognised in other comprehensive income	Exchange rate differences	31 Dec 2018
Deferred tax assets:					
Tax losses	0.3	-0.2	-	-0.0	0.1
Fixed assets	2.4	-0.4	-	-0.0	2.0
Pension benefits	0.3	0.0	-0.0	-0.0	0.3
Provisions	-	0.1	-	-	0.1
Internal margin of inventories	0.1	0.0	-	-0.0	0.1
Recognised in hedge reserve	0.1	-	-0.1	-	0.0
Other temporary differences	0.2	-0.0	-	-0.0	0.1
Total deferred tax assets	**3.3**	**-0.4**	**-0.1**	**-0.0**	**2.7**
Offset against deferred tax liabilities	-2.3				-1.9
Net deferred tax assets	**1.0**				**0.8**
Deferred tax liabilities:					
Fixed assets	5.2	-0.0	-	-0.0	5.2
Recognised in hedge reserve	0.0	-	0.0	-0.0	0.0
Fair value allocation on acquisitions	2.7	-0.5	-	-0.1	2.1
Deductable goodwill depreciation	10.4	-0.4	-	-0.3	9.7
Undistributed profits of foreign subsidiaries	1.7	-0.0	-	-	1.7
Other temporary differences	0.0	-0.0	-	-	0.0
Total deferred tax liabilities	**20.0**	**-0.9**	**0.0**	**-0.4**	**18.8**
Offset against deferred tax assets	-2.3				-1.9
Net deferred tax liabilities	**17.7**				**16.8**

At 31 December 2019, the Group had EUR 1.6 million (2018: EUR 1.0 million) of tax loss carry forwards for which no deferred tax was recognised. EUR 0.9 million of these temporary differences expire in three years and EUR 0.6 million have unlimited expiry. 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 balance sheet.

Altia Oyj's fully owned French subsidiary Larsen SAS has been undergoing a regular audit by the local tax authorities. In December 2019 the company received the tax assessment decision regarding the outcome of the audit resulting in a tax claim amounting to EUR 1.1 million relating to the mark-up used in the transfer pricing for products sold to other Group companies. Based on the tax assessment the company has accrued for the tax claim in the 2019 financial statements.

Altia Group will however submit its counter arguments against the claim and should the French authorities maintain its position, Altia Group will proceed through the Mutual Agreement Procedure (MAP) with the aim to eliminate a potential double taxation related to the increased mark-up in France which is to be deducted in the tax jurisdictions where the Altia Group companies buying the products have been operating. Altia has recorded a EUR 0.4 million tax receivable in respect of the potential MAP application.

6.2. COLLATERALS, COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES

EUR million	2019	2018
Collaterals and commitments		
Collaterals given on behalf of Group companies		
Mortgages	18.5	18.5
Guarantees	5.9	5.3
TOTAL COLLATERALS	**24.4**	**23.8**
Other commitments		
Operating lease obligations		
Less than one year	0.2	3.9
Between one and five years	0.1	9.3
More than five years	-	0.5
Total operating lease obligations	0.3	13.6
Other commitments	20.8	15.5
TOTAL COMMITMENTS	**21.1**	**29.1**

Collaterals given on behalf of Group companies all relate to commitments to authorities.
Operating lease obligations consists mainly of laptops.

Other commitments include mainly purchase obligations of wine and cognac.

Assets not recognized in the balance sheet, 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 balance sheet 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 balance sheet at the reporting date. If the realised emissions fall below the granted emission allowances, the difference is not recognised in the balance sheet 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 2019 and 2018, as well as their fair values:

Emission allowances, kilotons	2019	2018
Emission allowances received	26.4	26.9
Excess emission allowances from the previous period	30.6	45.6
Adjustments related to prior year's estimates	-0.0	0.0
Sold emission allowances	-33.0	-20.0
Realised emissions	-20.0	-21.9
EMISSION ALLOWANCES AT 31 DECEMBER	**4.0**	**30.6**
Fair value of emission allowances at 31 December, EUR million	0.1	0.7

The emission allowances received during year 2019 and the realised emissions are estimates, which will be adjusted during the spring 2020. Altia continues to operate within the emission trading system for the trading period 2013–2020.

6.3. RELATED PARTY TRANSACTIONS

The Company's related parties include the subsidiaries, associated companies, joint ventures and joint operations. The subsidiaries are presented in Note 5.2. and associated companies, joint ventures and joint operations in Note 5.3. 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 entities controlled or jointly controlled by these persons. Also, entities that are controlled or jointly controlled by, or are associates of the State, are related parties of Altia. Altia has applied the exemption to report only material transactions with the government related entities. Transactions with related parties are entered into on market terms. Altia has related party transactions on a continuous basis with its major customer Alko. Transactions with Alko have been presented below under Other companies considered related parties.

THE FOLLOWING TRANSACTIONS HAVE TAKEN PLACE WITH RELATED PARTIES

EUR million	2019	2018
Sales of goods and services		
Associates, joint ventures and joint operations	0.8	0.9
Other companies considered related parties	76.5	79.2
TOTAL	**77.3**	**80.1**
Purchases of goods and services		
Associates, joint ventures and joint operations	1.9	2.8
Other companies considered related parties	1.2	1.3
TOTAL	**3.2**	**4.1**
Outstanding balances from sales and purchases of goods and services		
Trade receivables		
Associates, joint ventures and joint operations	-	0.1
Other companies considered related parties	0.9	3.2
Trade payables		
Associates, joint ventures and joint operations	0.2	0.3
Other companies considered related parties	0.1	0.0

MANAGEMENT REMUNERATION

EUR million	2019	2018
CEO		
Salaries and other short-term employee benefits	0.3	0.3
Performance bonus and the bonuses from long-term incentive plan	-	0.3
Pension benefits	0.1	0.1
TOTAL	**0.4**	**0.7**
Members of the Executive Management Team (CEO not included)		
Salaries and other short-term employee benefits	1.2	1.9
Pension benefits	0.2	0.3
TOTAL	**1.4**	**2.2**
Members and deputy members of the Board of Directors	0.3	0.3

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. SHARE-BASED PAYMENTS

The Group has share-based incentive plan which is settled in shares and in cash. The granted shares are measured at fair value at a grant date and are recognized as personnel expenses over the vesting period with corresponding increase in equity. Non-market conditions are not included in fair value of share-based instruments but in the number of instruments that are expected to vest. At each reporting period closing date, the estimates about number of instruments are revised and the impact is recognized in income statement. Also share-based payments to be paid in cash are classified as paid by equity and recognized in equity measured at fair value at grant date.

The Board of Directors of Altia Plc has decided on the establishment of a new share-based long-term incentive scheme for the management and key employees of Altia Group. The objectives of the share-based long-term incentive scheme are to align the interests of Altia's management and key employees with those of the Company's shareholders and, thus, to promote shareholder value creation in the long term, and to commit the management and key employees to achieving Altia's strategic targets as well as the retention of Altia's valuable key resources.

PSP 2019-2021 performance period started in the beginning of 2019 and the potential share reward will be paid in spring 2022 in Altia shares. The performance targets based on which the potential share reward under PSP 2019-2021 will be paid are the relative total shareholder return (relative TSR) of Altia's share and earnings per share (EPS). Approximately 20 individuals are included into the plan.

If all the performance targets set for PSP 2019–2021 are fully achieved, the aggregate maximum number of shares to be paid based on the plan is approximately 250 000 Altia shares. This number of shares represents a gross earning, from which the applicable payroll tax is withheld, and the remaining net value is paid to the participants in shares.

The combined amount of variable compensation paid to an individual participant any given year, including the long-term incentive scheme and the short-term incentive scheme, may not exceed 120% of the individual's annual gross base salary.

If the individual's employment with Altia Group terminates before the payment date of the share reward, the individual is, as a main rule, not entitled to any reward based on the plan.
Altia applies a share ownership recommendation to the members of its Executive Management Team. According to this recommendation each member of the Executive Management Team is expected to retain in his/her ownership at least half of the net shares received under the share-based incentive schemes of Altia until the value of his/her share ownership in Altia corresponds to at least his/her annual gross base salary.

Share-based incentives during the period 1.1.2019-31.12.2019	
Plan	Long-term incentive Plan 2019–2024
Type	Share
Instrument	Performance period 2019–2021
Grant date	28/02/2019
Beginning of earning period	01/01/2019
End of the earning period	31/12/2021
Vesting date	31/03/2022
Vesting conditions	Relative TSR and EPS
Maximum contractual life, years	3.25
Remaining contractual life, years	2.25
Number of persons at the end of reporting year	18
Payment method	Cash and equity
Changes during period:	**Performance period 2019–2021**
01/01/2019	
Outstanding in the beginning of the period	0
Changes during period	
Granted	219 000
Forfeited	0
31/12/2019	
Outstanding at the end of the period	219 000

Fair-value determination	
Valuation parameters for instruments granted during period	
Share price at grant, €	7.54
Share price at the reporting period end, €	8.18
Expected dividends, €	1.17
Risk free rate, %	-0.29
Fair value, €	1 395 030

EUR million	2019	2018
Effect of share -based incentives on the result		
Expenses for the financial year, share based payments paid in equity	0.0	-
Expenses for the financial year, share based payments paid in cash	0.1	-
TOTAL	**0.1**	**-**

6.5. ADOPTION OF NEW OR AMENDED IFRS STANDARDS AND INTERPRETATIONS

Altia has adopted new accounting standards issued by the International Accounting Standards Board, IFRS 16, Leases, effective on January 1, 2019.

IFRS 16 Leases

Altia has applied the new IFRS 16 Leases standard since 1 January 2019.

Altia applies the simplified approach, according to which the comparison information is not adjusted. The new standard mainly affects the accounting treatment applied by the lessees. As a result of the new standard, nearly all leases are recognised on the balance sheet. Altia mainly acts as the lessee. The Group's leases are related to normal business operations, such as leases on facilities, warehouses, vehicles, forklifts and office technology. The new standard removes the previous distinction between operating and finance leases. In accordance with the new standard, an asset item (right of use of the leased asset) and a financial liability concerning lease payments have been recognised for most of Altia's leases.

The lease liability is measured by discounting the expected lease payments to the current value. Lease payments include fixed lease payments, expected payments related to residual value guarantees and the possible exercise price of the purchase option if the use of the option is reasonably certain. The lease period is the non-cancellable period of the lease. Any extension options are added to the lease period if it is reasonably certain that the Group will exercise such options.

Lease payments are discounted at the internal rate of return of the lease if such a rate can be readily determined. If an internal rate of return cannot be readily determined, the interest rate for additional credit is used as the discount rate.

The lease liability is remeasured and adjusted against the right-of-use asset if the cash flow in accordance with the original terms and conditions of lease changes; for example, if the lease period changes or if the lease payments change based on a variable index or interest rate. The lease liability is divided into current and non-current liability and is presented on a separate line on the balance sheet.

Right-of-use assets are measured at acquisition cost based on the amount of the initial measurement of the lease liability. Right-of-use assets are depreciated over the lease period or their useful lives, depending on which is shorter.

Right-of-use assets related to tangible assets are presented on a separate line on the balance sheet.

The IFRS 16 standard includes exemptions concerning leases of less than 12 months and low-value assets. Altia treats leases with less than 12 months remaining of the lease period at the time of transition as current underlying asset items that are not recognised on the balance sheet. The selection is made based on the class of the underlying asset. Exemptions apply to all underlying asset items other than vehicles and offices, which are recognised on the balance sheet even if their remaining lease period is less than 12 months at the time of transition. Lease liabilities are not recognised for low-value assets. Altia considers assets with an acquisition cost of less than EUR 5,000 to be low-value. Finance leases included in exemptions as short-term or low value were derecognized from balance sheet. Lease expenses related to leases included in the exemptions are recognised in equal instalments over the lease period.

The criteria used to determine the discount rate includes the class of the underlying asset, geographical location, currency, the maturity of the risk-free interest rate and the lessee's credit risk premium.

At the time of transition, on 1 January 2019, a right-of-use asset item of EUR 10.7 million was recognised on the opening consolidated balance sheet, in addition to EUR 7.1 million in long-term lease liabilities and EUR 3.6 million in short-term lease liabilities.

RECONCILIATION OF LEASE LIABILITIES AND OPERATING LEASE COMMITMENTS ON TRANSITION

EUR million	
Operating lease commitments 31December 2018	13.6
Discounting effect	-0.5
Exempted from recognition	-0.2
Leases not yet commenced but to which Altia is committed	-2.5
Other changes	0.3
TOTAL	**10.7**

The weighted average incremental borrowing rate applied to lease liabilities on January 2019 was 1.14%.

The IFRS 16 standard affects many of Altia's reported key figures. The adoption of the standard also affects net debt, which includes financial liabilities and lease liabilities. Gearing will increase, and the equity ratio will decrease. The adoption of the standard does not have a negative effect in terms of the company's financial covenants. On the cash flow statement, the cash flows from operating activities are higher than before because the share of lease liability repayments of all payments is classified as financing activities. Only the share of the interest expense of all payments continues to be presented in cash flows from operating activities.

The reporting period 1 January to 30 December 2019 includes the adoption of the IFRS standard as of 1 January 2019. The IFRS 16 standard had a positive effect of EUR 3.8 million on the comparable EBITDA, a negative effect of EUR 3.7 million on depreciation, and a negative effect of EUR 0.1 million on financial expenses. On the consolidated balance sheet on 31 December 2019, the amount of asset items based on rights of use is EUR 10.4 million, the amount of long-term lease liabilities is EUR 7.1 million and the amount of short-term lease liabilities is EUR 3.4 million. In the cash flow statement, cash payments for the capital portion of the lease liability are presented under financing activities, and the interest portion of the lease liability is presented in cash flows from operating activities. Previously, all operating lease payments were presented in cash flows from operating activities. This had a positive effect of EUR 3.8 million on the Group's cash flows from operating activities and a negative effect of EUR 3.7 million on its cash flows from financing activities in January–December 2019.

IFRIC 23

IFRIC 23 clarifies the recognition and measurement requirements In IAS 12 Income taxes, when there is uncertainty over income tax treatment. Altia has adopted the interpretation 1.1.2019 and it had no impact on opening balance of 1.1.2019.

6.6. EVENTS AFTER THE REPORTING PERIOD

On 29 January, the proposals by the Shareholders' Nomination Board to the Annual General Meeting were announced. The Nomination Board proposes that the number of members of the Board of Directors would be seven and that of the present members Tiina Lencioni, Jukka Ohtola, Anette Rosengren, Torsten Steenholt and Sanna Suvanto-Harsaae would be re-elected and that Jukka Leinonen and Jyrki Mäki-Kala would be elected as new members.

Further, the Nomination Board proposes that the remuneration to be paid to the members of the Board of Directors during the next term would consist of a monthly term of office fee as follows: EUR 4 000 per month, Chairman; EUR 2 500 per month, Vice Chairman; EUR 2 000 per month, member. In addition to the monthly fee, the Board members would receive a meeting fee for the Board of Directors and Board Committee meetings of EUR 600 per meeting for Board members residing in Finland and EUR 1 200 per meeting for Board members residing abroad. Travel expenses would be reimbursed in accordance with the company's travel policy.

In addition, the Nomination Board proposes to amend the Charter of the Shareholders' Nomination Board so that the three largest shareholders shall be determined on the first banking day of June each year (currently determined on the first banking day of September each year).

Parent Company Financial Statements

ALTIA PLC INCOME STATEMENT (FAS)

EUR million	Note	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
NET SALES	1.	208.7	205.3
Increase (+) / decrease (–) in inventories of finished goods and work in progress		-1.8	-0.1
Other operating income	2.	18.4	20.0
Materials and services			
Raw materials. consumables and goods			
Purchases during the period		-121.2	-128.9
Change in inventories		-3.9	5.3
External services		-0.1	-0.1
Total materials and services		**-125.1**	**-123.6**
Personnel expenses	3.		
Wages and salaries		-22.5	-23.8
Indirect employee expenses			
Pension expenses		-6.0	-5.8
Other indirect employee expenses		-0.7	-0.9
Total personnel expenses		**-29.2**	**-30.6**
Depreciation, amortisation and impairment losses			
Depreciation and amortisation according to plan		-11.8	-11.6
Total depreciation, amortisation and impairment losses		**-11.8**	**-11.6**
Other operating expenses	4.	-46.2	-50.5
OPERATING RESULT		**13.0**	**8.9**

EUR million	Note	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Finance income and expenses	5.		
Income from Group companies		27.7	6.7
Income from participating interests		0.9	0.9
Income from other investments held as non-current assets			
From others		-	0.1
Other interest and finance income			
From Group companies		0.3	0.4
From others than Group companies		3.0	3.3
Interest and other finance expenses			
To Group companies		-0.2	-0.1
To others than Group companies		-4.7	-5.4
Total finance income and expenses		**26.9**	**6.0**
RESULT BEFORE APPROPRIATIONS AND TAXES		**39.9**	**14.8**
Appropriations	6.		
Depreciation difference increase (–) /decrease (+)		1.1	1.0
Group contribution		-	-0.0
Income tax expense	7.		
Current period taxes		-2.4	-1.7
Deferred taxes		-0.1	0.1
Other direct taxes		0.1	-0.1
Total income taxes		**-2.5**	**-1.7**
RESULT FOR THE PERIOD		**38.6**	**14.1**

ALTIA PLC BALANCE SHEET (FAS)

EUR million	Note	31 Dec 2019	31 Dec 2018
ASSETS			
NON-CURRENT ASSETS	8.		
Intangible assets			
Intangible rights		10.0	12.0
Other capitalised long-term expenditure		6.2	7.7
Prepayments		2.0	1.7
Intangible assets total		**18.1**	**21.4**
Tangible assets			
Land and water areas		2.4	2.4
Buildings and structures		21.0	21.9
Machinery and equipment		26.1	27.8
Other tangible assets		0.5	0.5
Prepayments and assets under construction		1.5	1.5
Tangible assets total		**51.6**	**54.2**
Investments			
Holdings in Group companies		206.8	206.8
Participating interests		8.2	8.0
Other shares and investments		0.8	0.8
Investments total		**215.9**	**215.7**
TOTAL NON-CURRENT ASSETS		**285.6**	**291.3**

		31 Dec 2019	31 Dec 2018
CURRENT ASSETS			
Inventories	9.		
Materials and supplies		17.9	21.8
Work in progress		10.3	10.3
Finished goods		9.8	11.6
Advance payments		0.1	-
Inventories total		**38.1**	**43.7**
Non-current receivables	10.		
Receivables from Group companies		14.8	15.8
Deferred tax assets		0.6	0.5
Non-current receivables total		**15.4**	**16.3**
Current receivables	11.		
Trade receivables		26.7	25.3
Receivables from Group companies		113.0	12.2
Receivables from participating interest undertakings		0.1	0.1
Other receivables		0.0	0.0
Accrued income and prepaid expenses		3.2	3.6
Current receivables total		**143.1**	**41.3**
Cash at hand and in banks		61.0	40.6
TOTAL CURRENT ASSETS		**257.6**	**141.9**
TOTAL ASSETS		**543.2**	**433.2**

ALTIA PLC BALANCE SHEET (FAS)

EUR million	Note	31 Dec 2019	31 Dec 2018
EQUITY AND LIABILITIES			
Equity	13.		
Share capital		60.5	60.5
Invested unrestricted equity fund		1.2	1.2
Hedge reserve		-0.9	0.0
Retained earnings		57.1	56.8
Profit for the period		38.6	14.1
TOTAL EQUITY		**156.6**	**132.6**
Appropriations	14.		
Depreciation difference		**20.5**	**21.6**
Provisions			
Other provisions		-	**0.5**
Liabilities			
Non-current	15.		
Loans from financial institutions		65.0	70.0
Loans from pension institutions		11.3	12.8
Liabilities to Group companies		2.0	1.8
Deferred tax liabilities		-	0.0
Other liabilities		4.9	4.9
Non-current liabilities total		**83.2**	**89.5**
Current			
Loans from financial institutions		5.0	5.0
Loans from pension institutions		1.5	1.5
Trade payables		13.1	10.4
Liabilities to Group companies	16.	208.4	117.7
Other liabilities		37.2	39.2
Accrued expenses and deferred income	17.	17.8	15.3
Current liabilities total		**283.0**	**189.1**
TOTAL LIABILITIES		**366.2**	**278.6**
TOTAL EQUITY AND LIABILITIES		**543.2**	**433.2**

ALTIA PLC STATEMENT OF CASH FLOWS (FAS)

EUR million	Note	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
CASH FLOW FROM OPERATING ACTIVITIES			
Result before taxes		41.0	15.8
Adjustments			
Depreciation, amortisation and impairment		11.8	11.6
Gain/loss from disposal of property, plant and equipment and intangible assets		-0.0	-0.5
Finance income and costs		-26.9	-6.0
Change in depreciation difference		-1.1	-1.0
Other adjustments		-0.5	0.6
		-16.7	**4.8**
Change in working capital			
Change in inventories, increase (-) / decrease (+)		5.6	-5.2
Change in trade and other receivables, increase (-) / decrease (+)		-0.1	-7.2
Change in trade and other payables, increase (+) / decrease (-)		1.3	-1.9
Change in working capital		6.7	-14.3
Interest paid		-1.5	-1.5
Interest received		0.5	0.7
Other finance income and expenses paid		-0.6	-0.6
Income taxes paid		-0.9	-3.2
Financial items and taxes		-2.5	-4.5
NET CASH FLOW FROM OPERATING ACTIVITIES		**28.6**	**1.7**
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment and intangible assets		-5.9	-7.0
Proceeds from sale of property, plant and equipment and intangible assets	2.	0.0	0.5
Investments in participating interest companies		-0.2	-
Repayment of loan receivables		1.0	2.0
Dividends received	5.	0.9	7.8
NET CASH FLOW FROM INVESTING ACTIVITIES		**-4.2**	**3.3**

EUR million	Note	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from current borrowings	16.	17.9	6.9
Repayment of current borrowings	16.	-1.6	-20.7
Proceeds from non-current borrowings		-	20.0
Repayment of non-current borrowings	15.	-6.5	-21.3
Dividends paid and other distributions of profits	13.	-13.7	-
Share issue, personnel offering		-	1.2
Group contributions paid		-0.0	-
NET CASH FLOW FROM FINANCING ACTIVITIES		**-3.9**	**-13.8**
CHANGE IN CASH AND CASH EQUIVALENTS		**20.5**	**-8.8**
Cash and cash equivalents at the beginning of the period		40.6	49.4
Change in cash and cash equivalents		20.5	-8.8
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**61.0**	**40.6**

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.

Non-current assets and depreciations

Non-current assets are recognised in the balance sheet at acquisition cost less depreciations. The depreciation periods for non-current assets are:

Trademarks	10–15 years
IT- development and software	3–5 years
Buildings and structures	10–40 years
Machinery and equipment	10 years
Other tangible assets	3–10 years

Holdings in Group companies and other shares and investments included in non-current assets are measured at acquisition cost or fair value, if lower.

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. 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.

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.

Financial Derivatives

Fair value measurement compliant with Chapter 5, section 2a of the Accounting Act is applied to the accounting treatment of financial derivatives.

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. These derivatives are recognised at fair value on the trade date and they are subsequently measured at fair value at the reporting date. The fair values of derivatives equal the amount that Altia Plc 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.

All derivatives for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy level 1–3. The levels 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 valuation techniques.

The fair values of the financial instruments are determined by using the market prices on the closing date of the reporting period.

Hedge accounting

The parent company applies hedge accounting when the change in fair value is recognised in the hedge reserve under equity. In Altia Oyj, 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, Altia Oyj is hedging against changes in cash flows related to a specific asset or liability recognised in the balance sheet or to a highly probable future business transaction. In the beginning of the hedging arrangement, company 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. 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 when there is an economic relationship between the hedged item and the value of the hedging instrument and the value of the hedged item moves to the opposite direction due to same risk. 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 the hedge reserve in equity. The ineffective portion is immediately recognised in profit or loss in finance income or expense.

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 result 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 either as an adjustment to purchases or sales when hedging is effective or as finance income or expense when hedge accounting criteria is not met.

Research and development expenditure

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

Financial securities

Financial securities are recognised at acquisition cost or lower.

Receivables

Receivables are measured at acquisition cost or probable value, if lower.

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.

Non-current financial liabilities

Non-current financial liabilities are recognised at acquisition cost.

Income taxes

Income taxes in the income statement include taxes calculated for the financial year based on Finnish tax legislation, adjustments to taxes in previous financial years and the change in deferred taxes.

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	2019	2018
Net sales by business areas		
Alcohol beverages	105.0	100.7
Industrial services	103.4	102.8
Other	0.3	1.8
TOTAL	**208.7**	**205.3**
Net sales by geographic areas		
Finland	157.0	154.9
Europe	50.3	49.3
Rest of the world	1.4	1.0
TOTAL	**208.7**	**205.3**

2. OTHER OPERATING INCOME

EUR million	2019	2018
Rental income	1.1	1.0
Income from energy sales	3.4	3.4
Proceeds from disposal of non-current assets	0.0	0.5
Service income	11.6	13.3
Other income	2.4	1.8
TOTAL	**18.4**	**20.0**

3. NOTES RELATED TO PERSONNEL

EUR million	2019	2018
Wages and salaries	22.5	23.8
Pension expenses	6.0	5.8
Other social expenses	0.7	0.9
TOTAL	**29.2**	**30.6**

EUR million	2019	2018
Fringe benefits (taxable value)	0.7	0.7

The average number of personnel during the reporting period	2019	2018
Workers	210	209
Clerical employees	208	218
TOTAL	**418**	**427**

Management remuneration, EUR million	2019	2018
CEO	0.3	0.6
Board members	0.3	0.3

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	2019	2018
Rental expenses	2.0	2.2
Marketing expenses	5.9	6.2
Energy expenses	7.2	7.2
Travel and representation expenses	1.1	1.3
Repair and maintenance expenses	6.0	6.2
IT expenses	5.6	6.4
Outsourcing services	5.4	6.8
Variable sales expenses	5.5	5.7
Other expenses	7.4	8.6
TOTAL	**46.2**	**50.5**
Auditor's fees		
Audit fees	0.2	0.1
Tax consultation	0.0	0.0
Other fees	0.2	0.5
TOTAL	**0.4**	**0.6**

Environmental expenses

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

5. FINANCE INCOME AND EXPENSES

EUR million	2019	2018
Dividend income		
From Group companies	27.7	6.7
From participating interest undertakings	0.9	0.9
From others	-	0.1
Total dividend income	**28.6**	**7.8**
Interest income		
From Group companies	0.3	0.4
From others	0.2	0.1
Total interest income	**0.5**	**0.4**
Other finance income		
From others	2.7	3.3
Total other finance income	**2.7**	**3.3**
TOTAL FINANCE INCOME	**31.9**	**11.5**
Interest expenses		
To Group companies	0.2	0.1
To others	1.4	1.6
Total interest expenses	**1.6**	**1.7**
Other finance expenses		
To others	3.3	3.8
Total other finance expenses	**3.3**	**3.8**
TOTAL FINANCE EXPENSE	**4.9**	**5.5**
TOTAL FINANCE INCOME AND EXPENSES	**26.9**	**6.0**
The following items are included in finance items of the income statement from fair value hedges:		
Other finance income		
Fair value changes of derivatives	-0.0	0.1

6. APPROPRIATIONS

EUR million	2019	2018
Difference between depreciations according to plan and depreciations made in taxation:		
Intangible rights	0.1	-0.3
Other intangible assets	-	-0.0
Buildings and structures	0.8	0.7
Machinery and equipment	0.2	0.6
Other tangible assets	-0.0	-0.0
TOTAL	**1.1**	**1.0**

7. INCOME TAX EXPENSE

EUR million	2019	2018
Income taxes from current period	-2.4	-1.7
Income taxes from previous periods	0.1	-0.1
Change in deferred tax assets	-0.1	0.1
TOTAL	**-2.5**	**-1.7**

8. SPECIFICATION OF NON-CURRENT ASSETS

EUR million	2019	2018
Intangible assets		
Intangible rights		
Acquisition cost at 1 January	32.7	30.1
Additions	0.1	0.9
Disposals	-	-0.0
Transfers between items	1.5	1.7
Acquisition cost at 31 December	**34.3**	**32.7**
Accumulated amortisation at 1 January	-20.7	-17.5
Accumulated amortisation on disposals and transfers	-	0.0
Amortisation for the period	-3.7	-3.2
Accumulated amortisation at 31 December	-24.3	-20.7
CARRYING AMOUNT AT 31 DECEMBER	**10.0**	**12.0**
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	24.3	24.3
Additions	-	0.0
Acquisition cost at 31 December	**24.3**	**24.3**
Accumulated amortisation at 1 January	-16.6	-15.0
Amortisation for the period	-1.6	-1.6
Accumulated amortisation at 31 December	-18.2	-16.6
CARRYING AMOUNT AT 31 DECEMBER	**6.2**	**7.7**
Prepayments in intangible assets		
Acquisition cost at 1 January	1.7	2.8
Additions	1.8	0.6
Transfers between items	-1.5	-1.7
CARRYING AMOUNT AT 31 DECEMBER	**2.0**	**1.7**

EUR million	2019	2018
Tangible assets		
Land and water areas		
Acquisition cost at 1 January	2.4	2.5
Disposals	-	-0.0
CARRYING AMOUNT AT 31 DECEMBER	**2.4**	**2.4**
Buildings and structures		
Acquisition cost at 1 January	95.9	94.8
Additions	1.1	1.0
Transfers between items	0.7	0.6
Disposals	-	-0.5
Acquisition cost at 31 December	**97.8**	**95.9**
Accumulated depreciation at 1 January	-74.0	-71.8
Accumulated depreciation on disposals and transfers	-	0.5
Depreciation for the period	-2.7	-2.7
Accumulated depreciation at 31 December	-76.8	-74.0
CARRYING AMOUNT AT 31 DECEMBER	**21.0**	**21.9**
Machinery and equipment		
Acquisition cost at 1 January	116.2	110.1
Additions	1.3	3.0
Disposals	-0.0	-1.0
Transfers between items	0.8	4.0
Acquisition cost at 31 December	**118.3**	**116.2**
Accumulated depreciation at 1 January	-88.4	-85.1
Accumulated depreciation on disposals and transfers	0.0	0.8
Depreciation for the period	-3.8	-4.1
Accumulated depreciation at 31 December	-92.2	-88.4
CARRYING AMOUNT AT 31 DECEMBER	**26.1**	**27.8**
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	1.5	4.7
Additions	1.5	1.5
Transfers between items	-1.5	-4.7
CARRYING AMOUNT AT 31 DECEMBER	**1.5**	**1.5**
CARRYING AMOUNT OF MACHINERY AND EQUIPMENT USED IN PRODUCTION AT 31 DECEMBER	**25.6**	**27.1**

EUR million	2019	2018
Investments		
Holdings in Group companies		
Acquisition cost at 1 January	358.3	358.3
Additions	103.2	-
Disposals	-103.2	-
Acquisition cost at 31 December	**358.3**	**358.3**
Accumulated impairment at 1 January	-151.5	-151.5
Accumulated impairment at 31 December	-151.5	-151.5
CARRYING AMOUNT AT 31 DECEMBER	**206.8**	**206.8**
Participating interests		
Acquisition cost at 1 January	8.0	8.0
Additions	0.2	**-**
CARRYING AMOUNT AT 31 DECEMBER	**8.2**	**8.0**
Other shares and investments		
Acquisition cost at 1 January	0.8	0.8
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	2019	2018
Receivables from Group companies		
Loan receivables	14.8	15.8
Deferred tax assets		
Recognised in hedge reserve	0.2	-
Provisions	-	0.1
Fixed assets deferred depreciations	0.4	0.4
Deferred tax assets total	0.6	0.5
TOTAL NON-CURRENT RECEIVABLES	**15.4**	**16.3**

11. CURRENT RECEIVABLES

EUR million	2019	2018
Receivables from Group companies		
Trade receivables	3.2	3.0
Loan receivables*	103.2	-
Cash Pool receivables	0.5	0.4
Other receivables	4.6	4.8
Derivatives	0.2	0.1
Accrued income and prepaid expenses	1.4	3.9
Total	**113.0**	**12.2**
Receivables from participating interest undertakings		
Trade receivables	0.1	0.1
Total	**0.1**	**0.1**
Receivables from others		
Trade receivables **	26.7	25.3
Other receivables	0.0	0.0
Accrued income and prepaid expenses	3.2	3.6
Total	**29.9**	**29.0**
TOTAL CURRENT RECEIVABLES	**143.1**	**41.3**

Accrued income and prepaid expenses		
Significant items in accrued income and prepaid expenses:		
Derivatives	0.4	1.6
Taxes	-	0.6
Others	2.9	1.5
Total	**3.2**	**3.6**

* relates to Group internal structural changes
** Does not include the sold trade receivables

12. DISCLOSURES ON FAIR VALUES (DERIVATIVES)

	2019			2018		
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 (level 2)	-1.2	-	-1.2	-1.3	-	-1.3
Foreign exchange derivatives (level 2)	-0.2	-0.0	-0.2	0.1	0.1	-0.0
Commodity derivatives (level 2)	0.3	-	0.3	1.3	-	1.3
TOTAL	**-1.1**	**-0.0**	**-1.1**	**0.1**	**0.1**	**0.0**

13. EQUITY

EUR million	2019	2018
Restricted equity		
Share capital at 1 January	60.5	60.5
Share capital at 31 December	**60.5**	**60.5**
Hedge reserve at 1 January	0.0	-0.4
Additions and disposals	-0.9	0.4
Hedge reserve at 31 December	**-0.9**	**0.0**
Total restricted equity	**59.6**	**60.5**
Unrestricted equity		
Invested unrestricted equity fund	1.2	1.2
Retained earnings at 1 January	70.9	56.8
Distribution of dividends	-13.7	-
Profit for the period	38.6	14.1
Total unrestricted equity	**96.9**	**72.1**
TOTAL EQUITY	**156.6**	**132.6**
Distributable unrestricted equity		
Calculation of distributable equity		
Invested unrestricted equity fund	1.2	1.2
Retained earnings	70.9	56.8
Distribution of dividends	-13.7	-
Profit for the period	38.6	14.1
TOTAL DISTRIBUTABLE UNRESTRICTED EQUITY	**96.9**	**72.1**
Company's share capital:		
Number of shares outstanding at the end of the period	36 140 485	36 140 485

14. APPROPRIATIONS

EUR million	2019	2018
Depreciation difference		
Intangible rights	2.6	2.7
Other intangible assets	0.1	0.1
Buildings and structures	2.7	3.5
Machinery and equipment	15.1	15.3
Other tangible assets	-0.0	-0.0
TOTAL	**20.5**	**21.6**

15. LIABILITIES

EUR million	2019	2018
Non-current		
Loans from financial institutions	65.0	70.0
Loans from pension institutions	11.3	12.8
Liabilities to Group companies	2.0	1.8
Deferred tax liabilities	-	0.0
Other liabilities	4.9	4.9
TOTAL	**83.2**	**89.5**

16. LIABILITIES TO GROUP COMPANIES

EUR million	2019	2018
Trade payables	0.7	1.3
Liabilities to Group companies*	103.2	29.3
Cash Pool liabilities	102.1	84.3
Derivative instruments	0.0	0.1
Other accrued expenses	2.4	2.8
TOTAL	**208.4**	**117.7**

* relates to Group internal structural changes

17. ACCRUED EXPENSES AND DEFERRED INCOME

EUR million	2019	2018
Significant items under accrued expenses:		
Holiday pay and other wages and salaries	5.1	5.4
Contract discount	0.7	0.5
Procurement expenses and other accrued expenses	9.6	7.9
Taxes	0.8	-
Derivative instruments	1.7	1.5
TOTAL	**17.8**	**15.3**

18. COLLATERALS AND COMMITMENTS

EUR million	2019	2018
Collaterals given on behalf of the Group companies		
Mortgages	18.5	18.5
Guarantees	5.9	5.3
TOTAL COLLATERALS	**24.4**	**23.8**
Commitments and other contingencies		
Operating and finance lease obligations		
Not later than one year	0.6	0.6
Later than one year	0.7	0.5
Total	**1.2**	**1.1**
Lease obligations		
Not later than one year	0.6	0.7
Later than one year	0.8	1.4
Total	**1.5**	**2.1**
Other obligations		
Not later than one year	5.1	3.6
Total	**5.1**	**3.6**
TOTAL COMMITMENTS	**7.8**	**6.8**

VAT liability for real estate investments

The company is liable to review VAT deductions made for real estate investments completed in 2011–2019 if the use subject to VAT decreases during the review period. The maximum liability is EUR 1.3 million and the last year to review is 2028.

Derivative contracts EUR million	2019	2018
Electricity derivatives		
Fair value	0.3	1.3
Nominal value	1.3	1.9
Amount (TWh)	0.1	0.1
Parent company's external forward exchange contracts		
Fair value	-0.4	0.1
Nominal value	28.3	64.6
Parent company's internal forward exchange contracts		
Fair value	0.2	0.0
Nominal value	13.8	18.9
Interest rate derivatives		
Fair value	-1.2	-1.3
Nominal value	20.0	20.0

Emission allowances (kilotons)	2019	2018
Emission allowances received	26.4	26.9
Excess emission allowances from the previous year	30.6	45.6
Adjustments related to prior year's estimates	-0.0	0.0
Sold emission allowances	-33.0	-20.0
Realised emissions	-20.0	-21.9
EMISSION ALLOWANCES AT 31 DECEMBER	**4.0**	**30.6**
Fair value of the remaining emission allowances, EUR million	0.1	0.7

The received emission allowances and the realised emission of the year 2019 are estimates which will be adjusted during spring 2020 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. More information about related party transactions is presented in Group Note 6.3. Management remuneration is presented in Altia Plc Note 3.

Board of Directors' proposal for the distribution of profits

According to the balance sheet at 31 December 2019, Altia Plc's distributable earnings amount to EUR 96,936,528.11 including profit for the period of EUR 38,585,786.54.

There have been no significant changes to the parent company's financial position at the end of the financial year.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.42 per share be paid for the financial year 2019.

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

Helsinki, 12 February 2020

Sanna Suvanto-Harsaae
Chairman

Anette Rosengren

Kim Henriksson

Tiina Lencioni

Torsten Steenholt

Kai Telanne

Jukka Ohtola

Pekka Tennilä
CEO

The Auditors' Note

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

Helsinki, 12 February 2020

PricewaterhouseCoopers Oy
Authorised Public Accountants

Ylva Eriksson
Authorised Public Accountant

Auditor's Report (Translation of the Finnish Original)

To the Annual General Meeting of Altia Oyj

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.

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

What we have audited

We have audited the financial statements of Altia Oyj (business identity code 1505555-7) for the year ended 31 December 2019. 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

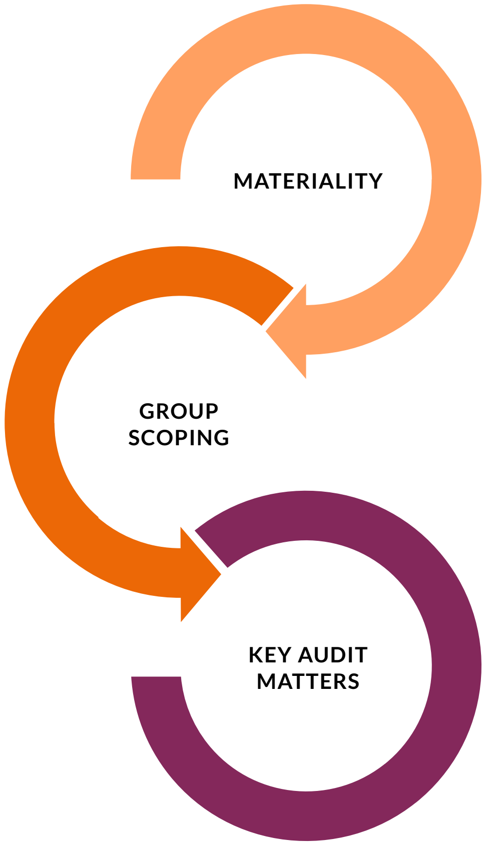
We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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.

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 1.6 to the Financial Statements.



Our Audit Approach

Overview

MATERIALITY

- Overall group materiality: € 3.5 million

GROUP SCOPING

- The group audit included the parent company and all significant subsidiaries covering the vast majority of net sales, assets and liabilities.

KEY AUDIT MATTERS

- Revenue recognition
- Valuation of inventories

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall group materiality	€ 3.5 million
How we determined it	1% of net sales
Rationale for the materiality benchmark applied	The group's result has been volatile over the last few years and the profitability has been impacted e.g. by fluctuations in barley prices. Therefore, we chose net sales as the benchmark because it provides a consistent year-on-year basis for determining materiality. In addition, it is a benchmark against which the performance of the group is commonly measured by users. We used 1 % of net sales, which is within the range of acceptable quantitative materiality thresholds in auditing standards.

How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of the group, the accounting processes and controls, and the size, complexity and risks of individual subsidiaries. Altia Group has operations in the Nordic countries, Baltics and France. The main accounting areas for subsidiaries in the Nordic countries are handled centrally in Finland.

We performed group audit procedures on all significant account balances covering the vast majority of the group's net sales, assets and liabilities. In addition, we performed analytical procedures at group level of the remaining balances.

Key Audit Matters

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

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Revenue recognition Refer to note 1.1 in the consolidated financial statements Altia's revenue flows are generated by the sale of own products and partner brands, contract manufacturing and sale of industrial products. The transaction price may include variable considerations such as volume discounts, bonuses, marketing support and product returns. Due to a variety of contractual terms, the calculation of period's variable components is a complex accounting area that include management judgement. We have accordingly considered the risk that revenue is not recorded in the correct period to be a key audit matter.	Our audit procedures included e.g. the following: • We gained an understanding of the nature of the revenue flows and different contractual terms used. • We compared the accounting treatment of a sample of sales transactions and variable consideration to the terms of underlying contracts. • We assessed the Group's accounting policies over revenue recognition. • We tested a sample of sales transactions against incoming cash. • We tested a sample of sales invoices recorded in December 2019 and January 2020 to evaluate that revenue had been recognised in the right period. • For selected revenue and accounts receivable balances we obtained customer confirmations.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Valuation of inventory Refer to note 2.4 in the consolidated financial statements Inventory forms a significant part of the Group's assets, amounting to EUR 92,0 million as of 31 December 2019. Inventories are measured at the lower of cost and net realisable value. Self-manufactured products are measured at standard prices or weighted average cost. Fixed production costs are allocated to the cost of own production. Management exercises judgement and applies assumptions when estimating the need for an obsolescence provision. This includes identification of slow moving and seasonal products, changes in product portfolio and consideration of sales forecasts. Given the factors described above, we have considered valuation of inventory to be a key audit matter.	Our audit procedures included e.g. the following: • We gained an understanding of the controls established in relation to inventory valuation. • We assessed the adequacy of the obsolescence provision and checked adherence to the Group's accounting policy. • We tested, on a sample basis, the accuracy of cost for self-manufactured products by comparing the actual production costs to market and other price data. • We tested a sample of inventory items to confirm whether they are held at the lower of cost and net realisable value, through comparison to vendor invoices and sales prices. • For a sample of warehouses, we attended the physical stock-take counting or reconciled third party confirmations with the accounting records.

We have no key audit matters to report with respect to our audit of the parent company financial statements.
There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the consolidated financial statements or the parent company financial statements.

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 a 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 to 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 about 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 with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Appointment

We were first appointed as auditors by the annual general meeting on 29 March 2016. Our appointment represents a total period of uninterrupted engagement of 4 years.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report and the Annual Report is expected to be made available to us after that date.
Our opinion on the financial statements does not cover the other information.
In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to 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 other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 12 February 2020

PricewaterhouseCoopers Oy
Authorised Public Accountants

Ylva Eriksson
Authorised Public Accountant (KHT)

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