



# ALKO GROUP

---

FINANCIAL STATEMENTS AND REPORT  
OF THE BOARD OF DIRECTORS  
FINANCIAL YEAR 1 JAN-31 DEC 2017

# FINANCIAL STATEMENTS 1 JAN–31 DEC 2017

---

## CONTENTS

Report of the Board of Directors	3
Balance Sheet	9
Consolidated Cash Flow Statement	10
Alko Inc. Income Statement and Balance Sheet	11
Alko Inc. Cash Flow Statement	12
Notes	13
Key figures	27
The Board of Directors' proposal on the distribution of profit	28
Auditor's report	28
Statement by the Supervisory Board	29

# Report of the Board of Directors

In 2017, Alko had the sole right to engage in the retail sales of drinks containing more than 4.7 per cent alcohol by volume. The company's operations and sole right to engage in the retail sale of such alcoholic beverages are based on social and health policy goals to reduce the harmful societal effects of alcohol.

Our strategic objectives are to provide the best customer experience and best work, be a responsible player in the community, and operate efficiently.

62 (60) per cent of Finns consider the restrictions imposed by alcohol policy to be suitable or would like to see tighter restrictions, while 32 (32) per cent would like to relax the restrictions.

60 (62) per cent of Finns think that Alko is a good method of limiting the harmful effects of alcohol consumption. 78 per cent of Finns think Alko has been highly or quite successful in its customer service. When it comes to responsibility, 83 per cent are of the opinion that Alko has achieved its objectives very or quite well.

This information comes from Kantar TNS Oy and the National Institute for Health and Welfare's annual Opinions on Alcohol Policy survey, which has been carried out since 1984. The results were published in February 2018.

## KEY FIGURES

	2017	2016	2015
Net sales, EUR million	1,174.8	1,162.7	1,158.9
Net sales excluding alcohol tax, EUR million	596.5	582.6	572.7
Operating profit, EUR million	52.6	46.6	49.7
Income tax on ordinary operations, EUR million	-10.5	-9.5	-10.1
Profit for financial year, EUR million	40.7	38.3	40.2
Income from ordinary operations, EUR million	40.7	38.3	40.2
Return on equity, %	50.4	49.6	51.7
Equity ratio, %	31.9	29.6	30.3
Balance sheet total, EUR million	271.2	256.3	256.4
Gross investments in fixed assets, EUR million	7.9	7.4	4.7
Average number of personnel during the financial year	2,401	2,385	2,415
Salaries and fees for the financial year, EUR million	70.1	70.5	76.4

Alko's net sales including alcohol tax totalled EUR 1,174.8 (1,162.7) million. Net sales excluding alcohol tax were EUR 596.5 (582.6) million. Growth in sales of higher-quality products and a moderate rise in the general price level contributed to this rise in net sales.

Operating profit came to EUR 52.6 (46.6) million, representing 4.5 (4.0) per cent of net sales including alcohol tax. Fixed costs totalled EUR 152.1 (155.1) million.

Alko's result improved on the previous year due to net sales growth. Fixed costs decreased, with the greatest fall being seen in other operating costs. Alko continued to invest in the development of its store network and multichannel customer service.

Financial income and expenses amounted to EUR -1.4 (1.2) million, which included EUR 1.5 million in property depreciation. Profit for the financial year was EUR 40.7 (38.3) million, which was better than budgeted.

The balance sheet total came to EUR 271.2 (256.3) million, which was up on the previous year, mainly thanks to growth in cash and cash receivables.

The equity ratio came to 31.9 (29.6) per cent.

The company's total investments amounted to EUR 7.9 (7.4) million.

Investments mainly focused on the development of the store network and strategic projects such as developing Alko's IT system environment.

## TAXATION AND PRICES

There were no changes in the excise tax on alcoholic beverages in 2017. The excise tax on alcoholic beverages was raised by an average of 10 per cent at the beginning of 2018.

Alko's retail sales prices rose by 0.6 per cent during the year in response to price increases made by our suppliers. Prices were changed in February, June and October.

## SALES TREND

According to a Kantar TNS Oy survey, travellers' private imports of alcohol declined by 18.8 per cent on 2016 when translated into pure alcohol. The National Institute for Health and Welfare will publish alcohol consumption statistics on its Internet site ([www.thl.fi](http://www.thl.fi)) in April 2018.

Total sales by volume in Alko stores amounted to 93.2 (93.5) million litres, representing a year-on-year decrease of 0.3 per cent.

The sales by volume of spirits decreased by 1.1 per cent and brewery products by 0.7 per cent. Sales by volume of mild wines rose by 0.1 per cent.

Product group	Sales in 2017, millions of litres	Sales in 2016, millions of litres	Year-on-year change, millions of litres	Year-on-year change, per cent
Vodkas and spirits	13.8	13.9	-0.1	-0.7
Other spirits	7.6	7.6	0	0.3
Fortified wines	2.8	3.0	-0.2	-6.3
Red wines	24.2	24.5	-0.3	-1.2
White wines	21.4	21.2	0.3	1.2
Sparkling wines	5.6	5.4	0.2	3.9
Rosé wines	1.1	1.0	0.1	7.3
Other mild wines	1.7	1.9	-0.2	-8.4
Ciders	0.7	0.7	-0.0	-0.3
Long drinks	5.8	5.6	0.2	2.9
Beers	8.2	8.5	-0.3	-3.2
Non-alcoholic beverages	0.4	0.5	-0.0	-2.8
Total	93.2	93.5	-0.3	-0.3
Total, converted to pure alcohol	15.6	15.7	-0.1	-0.4

## BEST CUSTOMER EXPERIENCE

At the end of 2017, Alko had a total of 355 (353) stores and an online store. Our store network was supplemented by 60 (66) order pick-up points. 57.3 (57.7) million customer visits were made to Alko stores.

According to the Finland Today national customer feedback survey, Alko has been providing the best customer experience since 2012, and we retained our place as number one in the retail trade in 2017 as well. Alko's overall score was 8.52 (8.55). The survey compared Alko not only to retail chains but also to 30 Finnish service companies. In this group, comprising all surveyed companies, Alko had the second most satisfied customers after libraries.

We continued to develop our digital services. These include the Alko online store, where customers can order any available product from our selection for collection at any Alko store or pick-up point. Our online store had just under 40,000 registered users at the end of 2017.

## PRODUCTS

Alko's product range featured beverages from 70 (69) countries. Beverages were purchased from 195 (197) domestic importers or manufacturers, and from 348 (276) foreign suppliers.

A total of 8,615 (6,451) different products were sold by Alko during 2017.

Alko lists new products for sale on a weekly basis. In 2017, we listed 1,051 (1,090) new products in our standard selection (including seasonal products and special editions) and 1,955 (765) in our sale-to-order selection. Alko also sells 120 (94) alcohol-free beverages and a range of accessories.

## MAJOR RESPONSIBILITY OBJECTIVES AND RESULTS

Alko has drafted a report on responsibility in accordance with Directive 2014/95/EU of the European Parliament and of the Council. The report has been drafted voluntarily.

The most important subareas of responsibility at Alko are responsible alcohol sales, environmental responsibility, responsibility in the supply chain and personnel.

Based on research evidence, alcohol pricing and restricting access through an alcohol monopoly are the most effective ways to prevent the harmful effects of alcohol. Alko sells alcohol responsibly, communicates about the harmful effects of alcohol on society and health, and cooperates with research institutes and associations in the social and healthcare sector.

The company implements the United Nations' Sustainable Development Goals, to which Finland is committed. The primary objectives of Alko's environmental responsibility are to reduce energy consumption and waste generation by 2020.

All of Alko's suppliers in its supply chain have committed to compliance with Amfori BCSI's ethical operating principles. We provide our partners with training, workshops and events to develop competence, and also audit producers in countries of origin.

Committed and competent staff are a critical success factor in Alko's responsible and excellent customer service.

## Responsibility management

Responsibility is Alko's strategic focal area. We set annual targets for both responsible operations and their development, and also measure our success in achieving them. We implement responsible operating methods in all of our operations.

The responsibility steering group handles responsibility development projects and measures. The Executive Vice President, Communication chairs this steering group, and makes progress and action reports to Alko's Management Team. The leader of each business unit and support function bears responsibility for operative management.

The Board of Directors regularly reviews responsibility issues that are prepared by the Board's Alcohol Policy Committee. The Supervisory Board approves an action plan for preventing the harmful effects of alcohol for one calendar year at a time. The President & CEO reports on overall responsibility management to Alko's General Meeting.

Alko engages in close cooperation in environmental issues and both the traceability and ethicality of the supply chain with the alcohol monopolies of Sweden, Norway, Iceland and the Faroe Islands.

## Company-level objectives and results

Alko's responsibility performance is measured among the general public with the responsibility score of T-Media Oy's Confidence and Reputation survey. The 2017 result saw a year-on-year decline and fell short of the target. The survey does not give any obvious answers for this fall in Alko's score for responsibility. Alko will be conducting a more in-depth survey of the factors influencing perceptions of Alko's responsibility during spring 2018.

	2017	2017 Target	2016	2015
Confidence and Reputation survey, responsibility factor	3.31	3.46	3.42	3.51

## Prevention of the harmful effects of alcohol

Checking age limits, suspected cases of intoxication and suspected handovers of alcohol to minors form part of Alko's responsible customer service and tangible means of preventing the harmful effects of alcohol at the individual level. Alko measures the success of these checks using a Mystery Shopping survey. Mystery shopping is a research method based on observation, in which professional test customers do business with a company as ordinary customers requiring service.

### Targets and results

In age-limit checks, 4.6 million customers showed proof of their legal age. 0.67 million checks of suspected intoxication and 0.39 million checks of suspected handovers were also carried out. The Mystery Shopping result was 95 per cent, exceeding the target. We have therefore already succeeded in our objective to raise our Mystery Shopping success rate in age-limit supervision from 91 to 95 per cent by 2020.

Alko cooperates with a variety of organisations and associations to prevent the harmful effects of alcohol. Alko continued its Clearly Good Work and In the Company of Children programmes in 2017. Two of the major projects in our Clearly Good Work programme were Let's Talk About Intoxicants in the Workplace (coaching for supervisors implemented in collaboration with the A-Clinic Foundation) and a calculation on preventative substance abuse work (implemented in collaboration with the Finnish Association for Substance Abuse Prevention EHYT and Aalto University). One of the highpoints in the In the Company of Children programme was the You Are Not Alone seminar, whose theme was the harmful effects of alcohol abuse on family and loved ones. Performances of Fragile, a play depicting alcoholism in the family, also continued in theatres and schools around Finland. These programmes will also continue in 2018.

	2017	2017 Target *)	2016	2015
Age-limit checks, million	4.6		3.8	3.7
Suspected cases of intoxication, thousand	670		635	634
Suspected cases of handover, thousand	395		345	311
Mystery Shopping age-limit checks	95 %	92 %	91 %	90 %

\*store-specific targets

## Environment

Alko's environmental work is based on our environmental policy. The most significant environmental impacts in our supply chain arise from the manufacture of packaging, the cultivation of ingredients, energy consumption in the beverage industry, and emissions. The Nordic alcohol monopolies' joint environmental study was published in June 2017. On the basis of this study, we have been developing joint operating methods relating to environmental impacts in the supply chain, and a shared strategic action plan was completed in February 2018. Our goal is to find new operating methods and tools to reduce the environmental impact of our supply chain and provide our customers with more information about the environmental impact of products. We must take legislation on anti-competitive practices and the impartiality requirement related to Alko's position into consideration when defining and adopting environmental requirements. In cooperation with goods suppliers and other Nordic alcohol monopolies, we seek to find operating methods and tools to promote sustainable development in years to come.

Last year, we expanded the environmental information available for our selection to cover vegan products, products with a certificate of sustainable development, natural wines, and wines in lightweight glass bottles of max 420 grams. Our aim is to increase the amount of available environmental information about beverage production over the coming years.

Environmental efforts in Finland are guided by the objectives and responsibilities specified in the ISO 14001 environmental management system. Alko's ISO 14001 certificate was updated to version ISO 14001:2015 in January 2017, and the first follow-up audits were conducted in November 2017. During 2017, we prepared an environmental information system for introduction in our store network. The new system went online at the beginning of February 2018, and will enable us to monitor electricity consumption and recycling at Alko stores.

### Environmental risks

The greatest environmental risks in the industry are changes in environmental conditions that stem from climate change and may impact the primary production of ingredients in Alko's supply chain. The most significant of these are increased temperatures during the growing season and worsening droughts in areas already suffering from critical water shortages. These include wine-producing regions such as South Africa, California and southern Italy. Climate change has also increased the unpredictability of weather during the growing season.

In 2017, early summer frost and exceptionally heavy rains caused harvest losses in important French wine regions such as Bordeaux. The industry is also subject to local, producer-specific environmental risks, mainly in relation to the use of pesticides in primary production and their indirect, long-term harmful effects on local ecosystems and communities.

### Targets and results

Our target is to reduce electricity consumption in our store network by 10 per cent and the resulting carbon dioxide emissions by 50 per cent (compared to 2017). We also want to make a 10 per cent reduction in the volume of packaging waste in our stores by cooperating with our suppliers to change transport packaging practices.

The estimated total power consumption of Alko shops, regional offices and the head office was estimated at 11.6 GWh in 2017. In 2017, Alko purchased a total of 5,050.7 MWh of renewable electrical energy whose origin has been certified as specified in the Act on Verification and Notification of Origin of Electricity. This accounted for about 47.5 per cent of Alko's total electricity consumption. We will halve our carbon dioxide emissions in 2018-2020 by both saving electricity and increasing our use of green electricity products.

	2017	2017 target*	2016	2015
Total electricity consumption (Estimated total power consumption of Alko shops, regional offices and the head office)	11.6 GWh		12 GWh	13.0 GWh
<b>Alko stores sent a variety of materials for recycling or reuse in 2017, including auxiliary process substances such as:</b>				
Cardboard waste (The total volume covers only the cardboard waste sent via Alko's own return transport, that is, 125 out of 355 stores.)	1,115.6 tons		1,005 tons	840 tons
Pallet plastic (This figure covers all 355 stores.)	146.1 tons		132 tons	108 tons
Inner bags from boxed wines	3.7 tons		3.6 tons	3 tons

\*No environmental targets were set for 2017. Our target is to reduce electricity consumption in our store network by the end of 2020 by 10 per cent and the resulting carbon dioxide emissions by 50 per cent (compared to 2017). We also want to make a 10 per cent reduction in the volume of packaging waste in our stores.

### Best work

2017 was a year of renewal and learning within our organisation. In early 2017, we restructured our sales organisation so that stores now work together in store groups. At the same time, we changed the roles of our store supervisors. Store managers are now service managers, and each manager is responsible for 1-5 stores.

Alko's HR processes and services are established and developed in cooperation with personnel representatives. We follow a policy of continual collective negotiation with staff. We monitor developments in our employee experience using the Pulse questionnaire. Our key objective is to maintain our employee experience at a good level.

Our staff develop their skills in a variety of ways, such as online courses, on-the-job learning, and traditional classroom teaching. There were an average of five (4.0) training days per employee. Training seeks to give sales personnel up-to-date information about our products and service concepts, thereby supporting the development of an even better customer experience.

Alko had 2,646 (2,655) employees at the end of 2017. In terms of computational work-years, the work done by full-time and part-time employees totalled 1,870 (1,856) work-years. Alko had an average of 2,401 (2,385) employees during 2017. Alko employed 581 men and 1,666 women in 2017.

At Alko, we monitor our personnel breakdown by gender, age, and duration of employment contract. We also monitor personnel turnover (voluntary vs other) and employment contract types (fixed-term vs permanent).

There is a lot of variation in our payroll, as Alko recruits seasonal workers on fixed-term contracts. At the end of last year, 54 per cent of employees were part-time, 22 per cent were full-time and 24 per cent were on fixed-term contracts. Alko does not use leased labour. Staff working hours are planned on the basis of customer flows and are mainly weighted towards seasons and other customer flow peaks.

All personnel are covered by a strategic incentive scheme. The scheme has indicators to measure a number of perspectives – responsibility, customers, personnel and efficiency – and guides the successful implementation of Alko's strategy through teamwork.

Salaries and incentives paid to staff totalled EUR 70.1 (70.5) million. Staff and management will be paid EUR 2.3 (2.8) million in incentives for 2017, inclusive of personnel-related expenses. This represents 2.7 (3.2) per cent of personnel costs.

	2017	2017 target	2016	2015
Personnel Motivation Index	4.08	4.12	4.09	4.16
Voluntary turnover	10.10%	<10%	8.72%	5.90%
Total absences due to sickness	4.61%	<4.30%	4.33%	4.07%
Accidents at work	112	110	113	113
TyEL pay grade and forecast for the following 2 years	5		5	5
Retirement age (retirement pensions)	60.7	60	61	59.8
No. of personnel/No. of supervisors (stores)				
-all	17.5	16-18	-	-
-permanent	12.8	12-15	8.8	8.3

Alko invests in occupational safety, risk prediction, and occupational healthcare. We monitor dangerous situations and the number of accidents, including any subsequent sick leave. We use health and safety data to draw up measures that will enable us to proactively support our staff's wellbeing to the best of our ability.

### Respecting human rights

Alko is committed to respecting all internationally recognised human rights. We published a human rights commitment in December 2017. We assess our activities in relation to the UN's Guiding Principles on Business and Human Rights.

All Alko suppliers must sign a covenant in which they agree to comply with Amfori BSCI's ethical operating principles for supply chains. To support this, we updated our e-learning responsibility training, with the aim of ensuring a sufficient understanding of the practical impacts of ethical principles. These ethical principles are based on international agreements and covenants, and include the following: the right to freedom

of association and collective bargaining, fair and legal remuneration, occupational health and safety, protection for young workers, banning bonded labour, ethical business, banning discrimination, decent working hours, banning child labour, promoting steady employment, and environmental protection.

Suppliers must also complete Alko's e-learning course on responsibility and Amfori BSCI.

### Human rights risks

The most significant human rights risks identified in the alcoholic beverage industry's international supply chain relate to the primary production of ingredients and seasonal labour. Agricultural harvests are very labour intensive, and the use of leased labour is very common in certain regions. Problems identified in the industry include ambiguous management practices, exceeding statutory working hours, and compromising on occupational health and safety. Seasonal workers in particular are subject to violations of human rights and labour rights. With regard to Alko's operations, the high risk regions for wine production are South Africa, Chile, Argentina, and Mediterranean coastal regions. For other product products, the human rights violations identified in sugar cane cultivation are currently one of Alko's focal points.

### Targets and results

By 2020, we want to ensure that two thirds of the beverage volume purchased from high-risk countries has been audited by Amfori BSCI or otherwise certified for responsibility (for example, Fair Trade, Fair for Life, For Life).

Alko commissioned 16 inspections, that is, audits in 2017. In 2017, audits focused on South Africa, where we will also perform further audits during 2018. Another new focal area will be the Mediterranean, and in particular production areas in Southern Italy.

South Africa, a six-month responsible procurement project, is still ongoing. This project provides suppliers with induction on consistent and adequate working methods to prevent human rights violations.

Alko and the other Nordic alcohol monopolies use some of the same goods suppliers, and thus audits by the other monopolies support efforts to ensure and develop responsibility in Alko's supply chain. The most common areas for development detected in the conducted audits were deficiencies in occupational health and safety. Overtime work exceeding the legal maximums is also regrettably common, especially during the harvest season. Four zero-tolerances cases (as specified in Amfori BSCI's protocol) came to light in Alko's supply chain in 2017. All of these cases related to the inappropriate treatment of workers. Zero-tolerance cases are by nature flagrant violations or negligence that require immediate intervention. These are handled with regular follow-up measures but to an accelerated schedule.

Alko's 2018 targets involve increasing transparency in the supply chain, developing our partners' expertise, and more active cooperation with stakeholders, in order to ensure the effectiveness of our responsible procurement model and increase dialogue and interaction. In Alko's operating model, it is critical to ensure that beverage suppliers take adequate measures to minimise human rights risks.

	2017	2017 Target	2016	2015
Amfori BSCI audits	16	23	17	21

By 2020, we want to ensure that two thirds of the beverage volume purchased from high-risk countries has been audited by Amfori BSCI or otherwise certified for responsibility.

### Anti-bribery and corruption

All personnel have received training in Alko's business principles, which have been approved by the Board of Directors. Our business principles guide each and every Alko employee in accordance with the current val-

ues and principles for responsible operations that have been approved by Alko's management. The Board of Directors approves Alko's business principles and any amendments to them on an annual basis. In accordance with its business principles, Alko personnel may not accept or give any direct or indirect gifts or benefits that could be considered as bribery or corruption. Alko requires every employee to comply with and promote its business principles. Any instances of non-compliance should be reported to the supervisor, the supervisor's immediate supervisor, or the internal audit function. The company does not have a separate system for reporting non-compliance.

In order to safeguard equality in our cooperation with suppliers, a set of rules has been drawn up for dealings between procurement personnel and suppliers, and likewise for dealings between Alko stores and suppliers.

In 2017, there were no ongoing legal cases or investigations into non-competitive behaviour involving Alko.

## SHARES AND SHAREHOLDERS

The Government owns Alko's entire share capital (10,000,000 shares).

## GOVERNANCE

On 4 May 2017, Alko's Annual General Meeting elected Harri Sailas, M.Sc. (Econ.), as Chair of the Board and Director General Kirsi Varhila, M.Sc. (Pol.Sc.), as Vice-Chair of the Board. The Annual General Meeting also elected the following members: Director General Juhani Eskola, MD, PhD; Director Kristiina Hannula, MSc. (Sports Science); Kuisma Niemelä, MA; Ulrika Romantschuk, EVP, Communications & Branding, BA (Political Science); and Jarmo Väisänen, Lic.Soc.Sc.

Personnel representatives Mikko Eronen and Riina Väntsi attended the meetings of the Board of Directors without the right to vote.

The Board of Directors has three committees, namely the Auditing, Personnel and Alcohol Policy Committees.

KPMG Oy, a firm of Authorised Public Accountants, was appointed as the company's auditor, with Lasse Holopainen, Authorised Public Accountant, as chief auditor.

## RISK MANAGEMENT

Alko's Board of Directors is responsible for the company's risk management policy and monitors its implementation. The President & CEO, together with the Management Team, ensures compliance with Alko's risk management policy and the appropriate organisation of risk management.

At Alko, risk management means analysing and managing threats related to its activities in a systematic and anticipatory way. Risks have been classified into strategic, operational, economic and accident risks.

The Management Team regularly assesses risks that may impact on its future development and profitability. Named persons are then assigned to manage these risks by defining preventative measures and ensuring their implementation. The most critical risks are:

- Changes in the Alcohol Act may have a significant impact on the company's operations.
- Changes in alcohol tax may affect travellers' private imports of alcoholic beverages, thereby impacting on Alko's sales trend and profitability.
- Responsible customer service forms a central part of Alko's operations, for example, not selling alcohol to minors or intoxicated people. Any deviations from this policy will result in a temporary closure of the store in question.
- The company's business is based on efficient and reliable information systems. Any malfunctions in these information systems or their incompatibility with business demands can cause business interruptions.
- Responsibility risks in the procurement chain for alcoholic beverages may damage the company's reputation as a responsible player.

## EVENTS AFTER THE END OF THE FINANCIAL PERIOD

Parliament ratified the new Alcohol Act in late 2017, and the Act came into force in two phases on 1 January 2018 and 1 March 2018. At the turn of the year, daily consumer goods stores were permitted to sell strong beers, ciders and long drinks containing up to 5.5 per cent alcohol by volume. As from the beginning of March, Alko stores can be open from Monday to Friday until 21:00. In addition, the stores can now serve customers on Easter Saturday from 9:00 to 18:00 and on both Christmas Eve and Midsummer's Eve from 9:00 to 12:00.

Changes to the percentage limits for alcoholic beverages that can be sold in grocery stores are expected to have a negative impact on sales of Alko's brewery beverages. However, estimates indicate that the changes brought by the new Alcohol Act will not have any impact on the coverage of our store network.

The prevailing health and wellbeing trends, consumers' confidence in their own finances, and travellers' private imports all affect alcohol sales in Finland. Travellers' private imports from Estonia fell due to increases in alcohol taxation implemented by the Estonian government.

Alko will continue to develop its store network to meet a variety of customer needs. We will also continue to develop our digital services and refurbish our stores in line with our updated store concept.

## THE BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFITS

The Board proposes that EUR 383,052.31 be transferred from the other equity fund to the unrestricted equity fund to cover the costs of improving wellbeing at work.

The parent company's distributable funds at 31 December 2017 totalled EUR 67,501,120.96 (EUR 56,415,591.23), of which EUR 40,702,477.42 (EUR 38,308,944.97) is profit for the financial year.

The Board proposes that the company's distributable funds be used as follows:

	EUR
• distributed as a dividend	32,000,000.00
• to be retained under equity	35,501,120.96
Distributable funds, 31 December 2017	67,501,120.96

No substantial changes have taken place in the company's financial situation since the end of the financial year. Alko's liquidity is good and, in the Board's opinion, will not be jeopardised by the proposed distribution of profits.

Helsinki, 21 March 2018

Board of Directors



# Consolidated income statement and balance sheet

## ALKO GROUP

INCOME STATEMENT, FAS	EUR million	Note	1 JAN–31 DEC 2017	1 JAN–31 DEC 2016
<b>NET SALES</b>			<b>1,174.8</b>	1,162.8
Other operating income		2.1	1.7	2.1
Materials and services		2.2	-971.8	-963.1
Personnel costs		2.4	-86.6	-87.6
Depreciation and write-downs		2.6	-8.3	-7.2
Other operating expenses		2.8	-56.9	-59.6
<b>OPERATING PROFIT</b>			<b>53.0</b>	47.3
Financial income and expenses		2.9, 2.10	-1.4	1.2
<b>PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES</b>			<b>51.6</b>	48.6
Income taxes		2.11	-10.6	-9.6
<b>PROFIT/LOSS FOR FINANCIAL YEAR</b>			<b>41.0</b>	39.0

BALANCE SHEET, FAS	EUR million		31 DEC 2017	31 DEC 2016
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Intangible assets		3.1, 3.4	5.2	7.5
Tangible assets		3.2, 3.5	40.5	38.7
Investments		3.3, 3.6	4.1	5.6
<b>NON-CURRENT ASSETS</b>			<b>49.8</b>	51.8
<b>CURRENT ASSETS</b>				
Inventories		4.3	71.3	73.2
Non-current receivables		4.4	1.7	1.6
Deferred tax assets			0.7	0.8
Current receivables		4.6	23.1	21.9
Cash and cash equivalents		4.1	127.0	109.1
<b>CURRENT ASSETS</b>			<b>223.8</b>	206.5
<b>ASSETS</b>			<b>273.7</b>	258.4
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
<b>SHAREHOLDERS' EQUITY</b>				
Share capital			16.8	16.8
Other funds			2.2	2.2
Retained profit			27.0	18.0
Profit/loss for financial year			41.0	39.0
<b>SHAREHOLDERS' EQUITY</b>		5.1	<b>87.0</b>	75.9
<b>OBLIGATORY PROVISIONS</b>		6.1	<b>0.0</b>	0.0
<b>LIABILITIES</b>				
Deferred tax liability			1.4	1.4
Current non-interest-bearing liabilities		7.2	185.3	181.0
<b>LIABILITIES</b>			<b>186.7</b>	182.4
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			<b>273.7</b>	258.4

FAS=Finnish Accounting Standards



# Cash flow statement, FAS

## ALKO GROUP

CASH FLOW STATEMENT, FAS	EUR million	2017	2016
<b>CASH FLOW FROM OPERATIONS</b>			
Profit/loss for financial year		41.1	39.1
<b>ADJUSTMENTS:</b>			
Depreciation and write-downs		8.3	7.2
Capital gains (-) and losses (+) on non-current assets		0.2	-0.9
Financial income and expenses		1.4	-1.2
Income taxes		10.5	9.5
Cash flow before change in working capital		61.5	53.6
<b>CHANGE IN WORKING CAPITAL:</b>			
Increase(-)/decrease(+) in inventories		1.9	-7.1
Increase (-) /decrease (+) in current non-interest-bearing accounts receivable		-2.7	-2.1
Increase (+) /decrease (-) in current non-interest-bearing liabilities		4.2	4.1
Change in provisions			-1.5
Cash flow from operations before financial items and taxes		64.9	47.0
Interest paid on operations		-0.1	0.0
Dividends received from operations		0.0	0.0
Interest received from operations		0.3	1.1
Other financial items from operations		0.0	0.0
Direct taxes paid		-9.2	-12.0
<b>CASH FLOW FROM OPERATIONS</b>		<b>55.9</b>	<b>36.2</b>
<b>CASH FLOW FROM INVESTMENTS</b>			
Investments in tangible and intangible assets		-8.1	-8.5
Income from the surrender of tangible and intangible assets		0.1	0.3
Divested shares in associated companies		0.1	
Income from the surrender of other investments		0.0	0.8
<b>CASH FLOW FROM INVESTMENTS</b>		<b>-8.0</b>	<b>-7.4</b>
<b>CASH FLOW FROM FINANCIAL OPERATIONS</b>			
Dividends paid		-30.0	-40.0
<b>CASH FLOW FROM FINANCIAL OPERATIONS</b>		<b>-30.0</b>	<b>-40.0</b>
<b>CHANGE IN FINANCIAL POSITION</b>			
Financial resources at the beginning of the year		109.1	120.3
Change in financial position		18.0	-11.3
Financial resources at the end of the year		127.0	109.1

FAS=Finnish Accounting Standards

# Income statement and balance sheet

## ALKO INC.

INCOME STATEMENT, FAS	EUR million	Note	1 JAN–31 DEC 2017	1 JAN–31 DEC 2016
<b>NET SALES</b>			<b>1,174.8</b>	1,162.7
Other operating income		2.1	1.7	2.1
Materials and services		2.2	-971.8	-963.1
Personnel costs		2.4	-86.6	-87.6
Depreciation and write-downs		2.6	-8.3	-7.0
Other operating expenses		2.8	-57.2	-60.5
<b>OPERATING PROFIT</b>			<b>52.6</b>	46.6
Financial income and expenses		2.9, 2.10	-1.4	1.2
<b>PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES</b>			<b>51.2</b>	47.8
Income taxes		2.11	-10.5	-9.5
<b>PROFIT/LOSS FOR FINANCIAL YEAR</b>			<b>40.7</b>	38.3
<b>BALANCE SHEET, FAS</b>	<b>EUR million</b>		<b>31 DEC 2017</b>	<b>31 DEC 2016</b>
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Intangible assets		3.1, 3.4	5.2	7.5
Tangible assets		3.2, 3.5	11.9	10.3
Investments		3.3, 3.6	31.2	32.8
<b>NON-CURRENT ASSETS</b>			<b>48.4</b>	50.6
<b>CURRENT ASSETS</b>				
Inventories		4.3	71.3	73.2
Non-current receivables		4.4	1.7	1.6
Current receivables		4.6	23.0	21.8
Cash and cash equivalents		4.1	126.9	109.0
<b>CURRENT ASSETS</b>			<b>222.9</b>	205.7
<b>ASSETS</b>			<b>271.2</b>	256.3
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
<b>SHAREHOLDERS' EQUITY</b>				
Share capital			16.8	16.8
Other funds			1.8	2.2
Retained profit			26.8	18.1
Profit/loss for financial year			40.7	38.3
<b>SHAREHOLDERS' EQUITY</b>		5.1	<b>86.1</b>	75.4
<b>OBLIGATORY PROVISIONS</b>		6.1	<b>0.0</b>	
<b>LIABILITIES</b>				
Current non-interest-bearing liabilities		7.2	185.1	180.9
<b>LIABILITIES</b>			<b>185.1</b>	180.9
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			<b>271.2</b>	256.3

FAS=Finnish Accounting Standards

# Cash flow statement, FAS

## ALKO INC.

CASH FLOW STATEMENT, FAS	EUR million	2017	2016
<b>CASH FLOW FROM OPERATIONS</b>			
Profit/loss for financial year		40.7	38.3
<b>ADJUSTMENTS:</b>			
Depreciation and write-downs		8.3	7.0
Capital gains (-) and losses (+) on non-current assets		0.2	-0.9
Financial income and expenses		1.4	-1.2
Income taxes		10.5	9.5
Cash flow before change in working capital		61.1	52.6
<b>CHANGE IN WORKING CAPITAL:</b>			
Increase(-)/decrease(+) in inventories		1.9	-7.1
Increase (-) /decrease (+) in current non-interest-bearing accounts receivable		-2.6	-2.2
Increase (+) /decrease (-) in current non-interest-bearing liabilities		4.2	4.2
Change in provisions		0.0	-1.5
Cash flow from operations before financial items and taxes		64.6	46.1
Interest paid on operations		-0.1	0.0
Dividends received from operations		0.0	0.0
Interest received from operations		0.3	1.1
Other financial items from operations		0.0	0.0
Direct taxes paid		-9.2	-12.0
<b>CASH FLOW FROM OPERATIONS</b>		<b>55.6</b>	<b>35.2</b>
<b>CASH FLOW FROM INVESTMENTS</b>			
<b>INVESTMENTS IN TANGIBLE AND INTANGIBLE ASSETS</b>			
Income from the surrender of tangible and intangible assets		0.1	0.2
Divested shares in associated companies		0.1	
Income from the surrender of other investments		0.0	0.8
<b>CASH FLOW FROM INVESTMENTS</b>		<b>-7.8</b>	<b>-6.4</b>
<b>CASH FLOW FROM FINANCIAL OPERATIONS</b>			
Dividends paid		-30.0	-40.0
<b>CASH FLOW FROM FINANCIAL OPERATIONS</b>		<b>-30.0</b>	<b>-40.0</b>
<b>CHANGE IN FINANCIAL POSITION</b>			
Financial resources at the beginning of the year		109.0	120.2
Change in financial position		17.9	-11.2
Financial resources at the end of the year		126.9	109.0

FAS=Finnish Accounting Standards

# Notes to the accounting principles used in the consolidated financial statements

## ACCOUNTING PRINCIPLES AND SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENT

The Alko Group consists of the parent company Alko Oy (Business ID: 1505551-4) and four subsidiaries in the form of real estate companies: Puolangan Keskus (50.48%), Raahen Asemakatu 12 (57.9%), Vuokseniskan Harjulanrinne (73.08%) and Kiinteistö Oy Arkadiantalo (100%).

The Consolidated Financial Statements include Kiinteistö Oy Arkadiantalo. The other subsidiaries and associated companies have no material effect on the Group's result or financial position.

## INTERNAL SHAREHOLDINGS

The Consolidated Financial Statements have been prepared using the purchase method. Depreciation is carried out according to the depreciation plan for non-current assets.

## INTER-COMPANY TRANSACTIONS AND MARGINS

The Group's internal transactions, unrealised margins on internal deliveries, inter-company receivables and payables, and internal profit distribution are eliminated.

## MINORITY INTERESTS

There are no minority interests.

## COMPARABILITY OF THE FINANCIAL STATEMENTS

The financial statements are comparable.

## VALUATION PRINCIPLES

### Net sales

Net sales include excise taxes.

### Fixed asset valuation

Fixed assets are stated at cost minus accumulated planned depreciation. Planned depreciation has been calculated on a straight-line basis over the useful life of the item in question. Depreciation begins from the month when the item was first used. The depreciation plan is the same as in the previous year. Depreciation periods:

	years
Buildings	25–40
Structures	20
Machinery and equipment (purchased before 2009)	7
Machinery and equipment (purchased in or after 2009)	5
Transport equipment	5
Computer hardware	3
Computer software	3–5
Renovation of store premises	5

### Valuation of inventories

Inventories have been valued at their average price. Store inventories include excise duty. Inventories for the central warehouse in Voutila, Vantaa exclude excise duty.

### Valuation of financial assets

Financial securities are valued at the acquisition cost or, if lower, at the likely price of surrender.

### Items denominated in foreign currencies

Any receivables and liabilities denominated in foreign currencies are converted into euros at the rate on the last day of the financial year.

# Notes to the income statement, FAS

EUR million	ALKO GROUP		ALKO INC.	
	1 JAN-31 DEC 2017	1 JAN-31 DEC 2016	1 JAN-31 DEC 2017	1 JAN-31 DEC 2016
<b>2.1 OTHER OPERATING INCOME</b>				
Rental income	1.4	0.9	1.4	0.9
Other operating income	0.4	0.4	0.4	0.4
Profit on the sale of fixed assets	0.0	0.8	0.0	0.8
Total other operating income	1.7	2.1	1.7	2.1
<b>2.2 MATERIALS AND SERVICES</b>				
Purchases during the financial period	-965.0	-968.4	-965.0	-968.4
Increase/decrease in inventories	-2.2	7.0	-2.2	7.0
Materials, consumables and supplies	-967.2	-961.4	-967.2	-961.4
Outsourced services	-4.6	-1.7	-4.6	-1.7
Total materials and services	-971.8	-963.1	-971.8	-963.1
<b>2.3 AVERAGE NUMBER OF PERSONNEL DURING THE FINANCIAL YEAR</b>				
	1,870	1,856	1,870	1,856
<b>2.4 PERSONNEL COSTS</b>				
Wages, salaries and remuneration	-70.1	-70.5	-70.1	-70.5
Pension expenses	-13.3	-12.5	-13.3	-12.5
Other personnel-related expenses	-3.2	-4.6	-3.2	-4.6
Total personnel costs	-86.6	-87.6	-86.6	-87.6

Alko personnel whose employment contract started before 31 December 1991 are covered by the supplementary pension system. Their retirement age is 61 years and their pensions are 66 per cent of their salaries.

On 31 Dec 2017, the OP-Life group pension insurance taken out by the parent company had an additional insurance fund of EUR 20.5 million (EUR 18.9 million).

This fund can be used as insurance against supplementary pension index increases and other obligations.

<b>2.5 SALARIES, REMUNERATION AND BENEFITS PAID TO MANAGEMENT</b>				
President & CEO	0.4	0.5	0.4	0.5
Board of Directors	0.2	0.2	0.2	0.2
Supervisory Board's fees and remuneration	0.0	0.0	0.0	0.0
Total salaries, remuneration and benefits paid to Management	0.6	0.7	0.6	0.7

Incentive bonuses are included in salaries on an accrual basis.

At the end of 2017, some Management Team members belonged to the supplementary pension benefit scheme. One member of the Management Team had a defined-benefit group pension arrangement with a retirement age of about 61 years, depending on years of service, and a pension amounting to 66 per cent of salary. Two members of the Management Team had defined-contribution group pension arrangements with an annual payment of 10 per cent of the annual salary excluding bonuses. The pensions of four Management Team members are determined by TyEL and they do not belong to the supplementary pension fund.

<b>2.6 DEPRECIATION AND WRITE-DOWNS</b>				
Depreciation according to plan	-8.3	-7.2	-8.3	-7.0
Depreciation according to plan on non-current assets and goodwill	-8.3	-7.2	-8.3	-7.0
Reversed impairment on non-current asset items	0.0	0.0	0.0	0.0
Total depreciation and write-downs	-8.3	-7.2	-8.3	-7.0

<b>2.7 AUDITOR'S FEES</b>				
KPMG Oy Ab				
Auditing	0.0	0.0	0.0	0.0
Other fees	0.0	0.0	0.0	0.0
Total auditor's fees	0.1	0.0	0.1	0.0

# Notes to the income statement, FAS

EUR million	ALKO GROUP		ALKO OY	
	1 JAN-31 DEC 2017	1 JAN-31 DEC 2016	1 JAN-31 DEC 2017	1 JAN-31 DEC 2016
<b>2.8 OTHER OPERATING EXPENSES</b>				
Rents	-19.4	-19.2	-20.3	-23.2
Voluntary personnel-related expenses	-1.2	-1.2	-1.2	-1.2
Capital losses on non-current assets	-0.2	0.1	-0.2	0.1
Support given	-0.1	-0.9	-0.1	-0.9
Energy	-1.1	-1.1	-1.2	-1.2
Work outfits and equipment	-2.6	-2.8	-2.6	-2.8
Construction and repair services	-0.9	-2.1	-0.9	-2.1
IT services	-13.2	-10.0	-13.2	-10.0
Transport	0.0	-1.6	0.0	-1.6
Other outsourced services	-6.1	-7.2	-6.1	-7.2
Communications and marketing	-3.0	-3.0	-3.0	-3.0
Telecommunications	-1.7	-1.6	-1.7	-1.6
Credit card commissions and cash handling	-4.1	-3.7	-4.1	-3.7
Other expenses	-3.2	-5.3	-2.5	-2.2
<b>Total other operating expenses</b>	<b>-56.9</b>	<b>-59.6</b>	<b>-57.2</b>	<b>-60.5</b>

## FINANCIAL INCOME AND EXPENSES

<b>2.9 FINANCIAL INCOME AND EXPENSES</b>				
Dividends from others	0.0	0.0	0.0	0.0
Income from holdings	0.0	0.0	0.0	0.0
Other interest and financial income from others	0.3	1.2	0.2	1.2
Other financial income	0.3	1.2	0.2	1.2
<b>Total financial income</b>	<b>0.3</b>	<b>1.2</b>	<b>0.3</b>	<b>1.2</b>
<b>2.10 FINANCIAL EXPENSES</b>				
Impairment on investments in non-current assets	-1.5		-1.5	
Other financial expenses	-0.1	0.0	-0.1	0.0
<b>Total other interest and financial expenses</b>	<b>-1.6</b>	<b>0.0</b>	<b>-1.6</b>	<b>0.0</b>
<b>Total financial expenses</b>	<b>-1.6</b>	<b>0.0</b>	<b>-1.6</b>	<b>0.0</b>
<b>Total financial income and expenses</b>	<b>-1.3</b>	<b>1.2</b>	<b>-1.3</b>	<b>1.2</b>
Profit/loss from exchange rates	0.0	0.0	0.0	0.0
<b>Total profit/loss from exchange rates</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>2.11 DIRECT TAXES</b>				
Income tax on operations	-10.5	-9.5	-10.5	-9.5
Changes in deferred tax liabilities and assets	0.0	-0.1		
<b>Income tax on operations</b>	<b>-10.6</b>	<b>-9.6</b>	<b>-10.5</b>	<b>-9.5</b>

# Notes to the balance sheet

## 3 Non-current assets

EUR million	ALKO GROUP		ALKO INC.	
	31 DEC 2017	31 DEC 2016	31 DEC 2017	31 DEC 2016
<b>3.1 INTANGIBLE ASSETS</b>				
Other capitalised expenditures	3.9	3.1	3.9	3.1
Advance payments on intangible assets	1.3	4.4	1.3	4.4
Total intangible assets	5.2	7.5	5.2	7.5
<b>3.2 TANGIBLE ASSETS</b>				
Land and water areas	13.9	13.9	0.0	0.0
Buildings and structures	14.5	14.5	0.0	0.0
Machinery and equipment	11.9	10.1	11.9	10.1
Other tangible assets	0.0	0.2	0.0	0.2
Advance payments for ongoing acquisitions	0.2	0.0	0.0	0.0
Total tangible assets	40.5	38.7	11.9	10.3
<b>3.3 INVESTMENTS</b>				
Holdings in Group companies	0.1	0.4	27.2	27.5
Holdings in associated companies	0.9	1.8	0.9	1.8
Other shares and holdings	3.1	3.5	3.1	3.5
Total investments	4.1	5.6	31.2	32.8
Total non-current assets	49.8	51.8	48.4	50.6



# Notes to the balance sheet

## 3.4 Intangible assets

### ALKO GROUP

Intangible assets 2016	EUR million	Other capitalised expenditures	Advance payments	Total
Acquisition cost, 1 January		19.1	1.0	20.1
Increase		0.1	3.4	3.5
Transfers between items		0.0	0.0	0.0
Acquisition cost, 31 December		19.2	4.4	23.5
Accumulated depreciation, 1 January		-13.2	0.0	-13.2
Depreciation for the financial year		-2.9	0.0	-2.9
Accumulated depreciation, 31 December		-16.1	0.0	-16.1
<b>Book value, 31 December</b>		<b>3.1</b>	<b>4.4</b>	<b>7.5</b>

Intangible assets 2017	EUR million	Other capitalised expenditures	Advance payments	Total
Acquisition cost, 1 January		19.2	4.4	23.5
Increase		0.3	1.7	2.0
Decrease		0.0	-0.1	-0.1
Transfers between items		4.6	-4.7	-0.1
Acquisition cost, 31 December		24.1	1.3	25.4
Accumulated depreciation, 1 January		-16.1	0.0	-16.1
Depreciation for the financial year		-4.1	0.0	-4.1
Accumulated depreciation, 31 December		-20.2	0.0	-20.2
<b>Book value, 31 December</b>		<b>3.9</b>	<b>1.3</b>	<b>5.2</b>

### ALKO INC.

Intangible assets 2016	EUR million	Other capitalised expenditures	Advance payments	Total
Acquisition cost, 1 January		19.1	1.0	20.1
Increase		0.1	3.4	3.5
Transfers between items		0.0	0.0	0.0
Acquisition cost, 31 December		19.2	4.4	23.5
Accumulated depreciation, 1 January		-13.2	0.0	-13.2
Depreciation for the financial year		-2.9	0.0	-2.9
Accumulated depreciation, 31 December		-16.1	0.0	-16.1
<b>Book value, 31 December</b>		<b>3.1</b>	<b>4.4</b>	<b>7.5</b>

Intangible assets 2017	EUR million	Other capitalised expenditures	Advance payments	Total
Acquisition cost, 1 January		19.2	4.4	23.5
Increase		0.3	1.7	2.0
Decrease			-0.1	-0.1
Transfers between items		4.6	-4.7	-0.1
Acquisition cost, 31 December		24.1	1.3	25.4
Accumulated depreciation, 1 January		-16.1	0.0	-16.1
Depreciation for the financial year		-4.1	0.0	-4.1
Accumulated depreciation, 31 December		-20.2	0.0	-20.2
<b>Book value, 31 December</b>		<b>3.9</b>	<b>1.3</b>	<b>5.2</b>

# Notes to the balance sheet

## 3.5 Tangible assets

### ALKO GROUP

Tangible assets 2016	EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Total
Acquisition cost, 1 January		13.9	15.2	66.4	0.2	95.8
Increase		0.0	1.1	3.9	0.0	5.1
Decrease		0.0	-0.1	-0.3	0.0	-0.5
Advance payments		0.0	0.0	0.0	0.0	0.0
Acquisition cost, 31 December *		13.9	16.3	70.0	0.2	100.4
Accumulated depreciation, 1 January		0.0	-1.5	-56.1	0.0	-57.6
Accumulated depreciation on decreases and transfers		0.0	0.0	0.3	0.0	0.3
Depreciation for the financial year		0.0	-0.2	-4.1	0.0	-4.3
Accumulated depreciation, 31 December		0.0	-1.7	-59.9	0.0	-61.6
<b>Book value, 31 December</b>		13.9	14.5	10.1	0.2	38.7

Tangible assets 2017	EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Total
Acquisition cost, 1 January		13.9	16.3	70.0	0.2	100.4
Increase		0.0	0.0	5.9	0.0	5.9
Decrease		0.0	0.0	0.0	-0.2	-0.3
Advance payments		0.0	0.0	0.0	0.2	0.2
Transfers between items		0.0	0.0	0.1	0.0	0.1
Acquisition cost, 31 December *		13.9	16.3	75.9	0.2	106.3
Accumulated depreciation, 1 January		0.0	-1.7	-59.9	0.0	-61.6
Accumulated depreciation on decreases and transfers		0.0	0.0	0.0	0.0	0.0
Depreciation for the financial year		0.0	0.0	-4.1	0.0	-4.1
Accumulated depreciation, 31 December		0.0	-1.7	-64.0	0.0	-65.7
<b>Book value, 31 December</b>		13.9	14.5	11.9	0.2	40.5

\*) Acquisition cost does not include upward value adjustments

# Notes to the balance sheet

## 3.5 Tangible assets

### ALKO INC.

Tangible assets 2016	EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Total
Acquisition cost, 1 January		0.0	0.1	66.4	0.2	66.7
Increase		0.0	0.0	3.9	0.0	3.9
Decrease		0.0	0.0	-0.3	0.0	-0.3
Acquisition cost, 31 December *		0.0	0.1	70.0	0.2	70.3
Accumulated depreciation, 1 January		0.0	-0.1	-56.1	0.0	-56.2
Accumulated depreciation on decreases and transfers		0.0	0.0	0.3	0.0	0.3
Depreciation for the financial year		0.0	0.0	-4.1	0.0	-4.1
Accumulated depreciation, 31 December		0.0	-0.1	-59.9	0.0	-60.0
<b>Book value, 31 December</b>		0.0	0.0	10.1	0.2	10.3

Tangible assets 2017	EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Total
Acquisition cost, 1 January		0.0	0.1	70.0	0.2	70.3
Increase		0.0	0.0	5.9	0.0	5.9
Decrease		0.0	0.0	0.0	-0.2	-0.3
Transfers between items		0.0	0.0	0.1	0.0	0.1
Acquisition cost, 31 December *		0.0	0.1	75.9	0.0	76.0
Accumulated depreciation, 1 January		0.0	-0.1	-59.9	0.0	-60.0
Accumulated depreciation on decreases and transfers		0.0	0.0	0.0	0.0	0.0
Depreciation for the financial year		0.0	0.0	-4.1	0.0	-4.1
Accumulated depreciation, 31 December		0.0	-0.1	-64.0	0.0	-64.1
<b>Book value, 31 December</b>		0.0	0.0	11.9	0.2	11.9

\*) Acquisition cost does not include upward value adjustments

# Notes to the balance sheet

## 3.6 Investments

### ALKO GROUP

Investments 2016	EUR million	Holdings in Group companies	Holdings in associated companies	Other shares and holdings	Total
Acquisition cost, 1 January		0.9	2.1	3.7	6.7
Decrease		0.0	0.0	-0.1	-0.1
Acquisition cost, 31 December		0.9	2.1	3.6	6.6
Accumulated write-downs and capital adjustments, 1 January		-0.5	-0.3	-0.2	-0.9
Accumulated write-downs on decreases and transfers		0.0	0.0	0.0	0.0
Accumulated depreciation, 31 December		-0.5	-0.3	-0.2	-0.9
<b>Book value, 31 December</b>		<b>0.4</b>	<b>1.8</b>	<b>3.5</b>	<b>5.6</b>

Investments 2017	EUR million	Holdings in Group companies	Holdings in associated companies	Other shares and holdings	Total
Acquisition cost, 1 January		0.9	2.1	3.6	6.6
Increase		0.0	0.0	0.0	0.0
Decrease		0.0	-0.2	0.0	-0.2
Acquisition cost, 31 December		0.9	1.9	3.6	6.4
Accumulated write-downs and capital adjustments, 1 January		-0.5	-0.3	-0.2	-0.9
Accumulated write-downs on decreases and transfers		0.0	0.1	0.0	0.1
Accumulated depreciation		-0.3	-0.8	-0.4	-1.5
Accumulated depreciation, 31 December		-0.8	-1.0	-0.5	-2.3
<b>Book value, 31 December</b>		<b>0.1</b>	<b>0.9</b>	<b>3.1</b>	<b>4.1</b>

### ALKO INC.

Investments 2016	EUR million	Holdings in Group companies	Holdings in associated companies	Other shares and holdings	Total
Acquisition cost, 1 January		28.0	2.1	3.7	33.8
Decrease		0.0	0.0	-0.1	-0.1
Acquisition cost, 31 December		28.0	2.1	3.6	33.7
Accumulated write-downs and capital adjustments, 1 January		-0.5	-0.3	-0.2	-0.9
Accumulated write-downs on decreases and transfers		0.0	0.0	0.0	0.0
Accumulated depreciation, 31 December		-0.5	-0.3	-0.2	-0.9
<b>Book value, 31 December</b>		<b>27.5</b>	<b>1.8</b>	<b>3.5</b>	<b>32.8</b>

Investments 2017	EUR million	Holdings in Group companies	Holdings in associated companies	Other shares and holdings	Total
Acquisition cost, 1 January		28.0	2.1	3.6	33.7
Increase		0.0	0.0	0.0	0.0
Decrease		0.0	-0.2	0.0	-0.2
Acquisition cost, 31 December		28.0	1.9	3.6	33.6
Accumulated write-downs and capital adjustments, 1 January		-0.5	-0.3	-0.2	-0.9
Accumulated write-downs on decreases and transfers		0.0	0.1	0.0	0.1
Accumulated depreciation		-0.3	-0.8	-0.4	-1.5
Accumulated depreciation, 31 December		-0.8	-1.0	-0.5	-2.3
<b>Book value, 31 December</b>		<b>27.2</b>	<b>0.9</b>	<b>3.1</b>	<b>31.2</b>

\*) Acquisition cost does not include upward value adjustments

# Notes to the balance sheet

## 3.7 SHARES

### ALKO INC.

	Parent company holding, %	Percentage of shareholders' equity EUR 1,000	Shareholders' equity	Number of shares	Nominal value EUR/share	Shares/holdings Nominal value 31/12/2017 EUR 1,000, total	Book value 31/12/2017 EUR 1,000	Profit/loss according to the latest Financial Statements EUR 1,000
<b>HOLDINGS IN GROUP COMPANIES</b>								
Kiinteistö Oy Arkadiankatu, Helsinki	100.00		19,912,055.48				26721	359
Kiinteistö Oy Puolangan Keskus, Puolanka	50.48	188	372,141.52	275	56.00	15	25	0
Kiinteistö Oy Raahen Asemakatu 12, Raahе	57.90	253	436,678.44	14,476	17.00	246	80	0
Kiinteistö Oy Vuoksenniskan Harjulanrinne, Imatra	73.08	689	942,517.90	7,308	0.30	2	120	-7
<b>TOTAL HOLDINGS IN GROUP COMPANIES</b>		1,129					26,946	
<b>HOLDINGS IN PARTICIPATING INTEREST COMPANIES</b>								
Kiinteistö Oy Enon Kauppakeskus, Eno	37.00	170	458,280.20	259	5.05	1	28	2
Asunto Oy Juvan Myllynkerä, Juva	31.50	152	483,163.95	3,150	0.25	1	50	6
Kaavin Yrittäjätalo Oy, Kaavi	23.20	93	399,733.68	348	16.82	6	36	-19
Kiinteistö Oy Kaivolankulma, Puumala	36.37	106	291,818.08	2,515	67.28	169	35	0
Kiinteistö Oy Kannuksen Torinkulma, Kannus	46.03	331	719,132.06	2,900	1.68	5	70	0
Kiinteistö Oy Mantsintie 1-3, Ilomantsi	28.19	109	387,843.46	311	50.46	16	50	1
Kiinteistö Oy Nilsianportti, Nilsia	31.49	449	1,425,674.14	1,606	16.82	27	90	0
Asunto-osakeyhtiö Pieksälä, Pieksämäki	26.82	176	656,481.12	54,800	1.68	92	50	18
Kiinteistö Oy Saarijärven Paavonaukio, Saarijärvi	29.58	225	759,140.12	392	168.19	66	70	0
Asunto Oy Sandelsinkatu 4, Helsinki	24.85	30	122,039.79	6,835	0.34	2	251	-48
Kiinteistö Oy Savitaipaleen Torinkulma, Savitaipale	23.00	184	798,439.86	2,300	0.34	1	45	14
Kiinteistö Oy Urpala, Rantasalmi	36.88	293	795,068.75	2,950	0.34	1	50	-4
Kiinteistö Oy Äänekosken Torikatu 5, Äänekoski	36.29	314	864,194.10	450	16.82	8	40	0
<b>TOTAL HOLDINGS IN PARTICIPATING INTEREST COMPANIES</b>		2,631					865	

# Notes to the balance sheet

	Parent company holding, %	Percentage of shareholders' equity EUR 1,000	Shareholders' equity	Number of shares	Nominal value EUR/share	Shares/holdings Nominal value 31/12/2017 EUR 1,000, total	Book value 31/12/2017 EUR 1,000
<b>OTHER SHARES AND HOLDINGS</b>							
Asunto Oy Helsinginkatu 15, Helsinki	17.73			1,773	1.68	3	434
Kiinteistö Oy Karakeskus, Kouvola	4.60			5,013	0.17	1	7
Kiinteistö Oy Keritori, Kerimäki	9.76			332	1.68	1	63
Kiuruveden Linja-autoaseman Kiinteistö Oy, Kiuruvesi	14.99			2,514	16.82	42	60
Kiinteistö Oy Kolarin Ylläs Chalets VII				122			244
Kontulan Ostoskeskus Oy, Helsinki	9.46			745	68.62	51	673
Asunto Oy Nilsin Tahkivuori Chalets B				1,805			178
Kiinteistö Oulun Kirkkokatu 14, Oulu	1.43			500	16.82	8	17
Kiinteistö Oy Paltamon Tervahamina, Paltamo	10.00			1,000	1.68	2	35
Kiinteistö Oy Pyhäsalmen Liiketalo, Pyhäsalmi	16.00			288	1.68	0	60
Savonlinnan Linja-autoasema Oy, Savonlinna	10.47			1,540	168.19	259	50
Kiinteistö Oy Siilinjärven Torikalla, Siilinjärvi	19.22			36,520	0.17	6	135
Tahko Golf Club Aoy, A 597							9
Tahko Golf Club Aoy, A 1044							9
Kiinteistö Oy Tampereen Hämeenpuisto 27b, Tampere	1.56			440	17.00	283	38
Asunto Oy Vuorimiehenkatu 33, Helsinki	15.41			4,445	16.82	75	228
Kiinteistö Oy Ämmänkievari, Suomussalmi	1.36			3,915	16.82	66	10
Vierumäki Golf Garden Oy							488
Vierumäki Golf Garden Oy							38
Vierumäki Chalets							298
Luoston Huolto Oy	1.87			28	8.41	0	3
Luottokunta				1			0
Suomen Palautuspakkaus Oy	12.50			150			25
Total other shares and holdings						797	3,103
Other non-itemised shares and holdings (in telephone companies)							0
<b>TOTAL OTHER SHARES AND HOLDINGS</b>							<b>3,103</b>
<b>TOTAL SHARES</b>							<b>30,914</b>

# Notes to the balance sheet

## 4 Current assets

EUR million	ALKO GROUP		ALKO INC.	
	31 DEC 2017	31 DEC 2016	31 DEC 2017	31 DEC 2016
<b>4.1 CASH AND CASH EQUIVALENTS</b>				
Store cash registers	13.0	13.6	13.0	13.6
Commercial papers	0.0	2.0	0.0	2.0
Bonds	22.4	30.4	22.4	30.4
Funds	31.9		31.9	
Bank accounts	59.7	63.1	59.5	63.0
Total cash and cash equivalents	127.0	109.1	126.9	109.0
<b>4.2 DIFFERENCE IN THE MARKET AND BOOK VALUES OF BONDS</b>				
Market value of financial securities	22.7	30.5	22.7	30.5
Book value of financial securities	22.4	30.4	22.4	30.4
Difference	0.3	0.0	0.3	0.0
<b>4.3 INVENTORIES</b>				
Finished products and goods	70.4	72.6	70.4	72.6
Advance payments on inventories	0.9	0.6	0.9	0.6
Total inventories	71.3	73.2	71.3	73.2
<b>4.4 OTHER NON-CURRENT RECEIVABLES</b>				
Other	1.7	1.6	1.7	1.6
Total other non-current receivables	1.7	1.6	1.7	1.6
<b>4.5 CURRENT RECEIVABLES FROM GROUP COMPANIES</b>				
Current prepaid expenses and accrued income				
Total current receivables from Group companies				
<b>4.6 NON-CURRENT RECEIVABLES</b>				
Accounts receivable	19.7	18.4	19.7	18.3
Current receivables (from others)	3.3	3.4	3.3	3.4
Other	1.3	0.1	1.3	0.1
Total current receivables	24.3	21.9	24.3	21.8
<b>CURRENT RECEIVABLES</b>	<b>24.3</b>	<b>21.9</b>	<b>24.3</b>	<b>21.8</b>
<b>4.7 MAJOR ITEMS IN PREPAID EXPENSES AND ACCRUED INCOME</b>				
KELA compensation for occupational health care	0.6	1.1	0.6	1.1
Employer insurance contributions	0.8	0.6	0.8	0.6
Interest receivables	0.2	0.4	0.2	0.4
License and maintenance fees for 2018	0.1	0.1	0.1	0.1
Other prepaid expenses and accrued income	0.4	0.0	0.4	0.0
Total	2.1	3.4	2.0	3.4



# Notes to the balance sheet

## 5 Shareholders' equity

### 5.1 Statement of change in shareholders' equity

#### ALKO GROUP

Change in shareholders' equity 2016	EUR million	Share capital	Other funds	Profit funds	Total
<b>EQUITY, 1 JAN</b>		16.8	2.6	57.5	77.0
Distribution of dividend				-40.0	-40.0
Transfers between items, fund for wellbeing at work			-0.4	0.4	0.0
Profit for financial year				39.0	39.0
<b>TOTAL EQUITY, 31 DEC 2016</b>		16.8	2.2	57.0	75.9

Change in shareholders' equity 2017	EUR million	Share capital	Other funds	Profit funds	Total
<b>EQUITY, 1 JAN</b>		16.8	2.2	57.0	75.9
Distribution of dividend				-30.0	-30.0
Transfers between items, fund for wellbeing at work			-0.4	0.4	0.0
Profit for financial year				39.0	39.0
<b>TOTAL EQUITY, 31 DEC 2017</b>		16.8	1.8	66.3	84.9

#### ALKO INC.

Change in shareholders' equity 2016	EUR million	Share capital	Other funds	Profit funds	Total
<b>EQUITY, 1 JAN</b>		16.8	2.6	57.7	77.1
Distribution of dividend				-40.0	-40.0
Transfers between items, fund for wellbeing at work			-0.4	0.4	0.0
Profit for financial year				38.3	38.3
<b>TOTAL EQUITY, 31 DEC</b>		16.8	2.2	56.4	75.4

Change in shareholders' equity 2017	EUR million	Share capital	Other funds	Profit funds	Total
<b>EQUITY, 1 JAN</b>		16.8	2.2	56.4	75.4
Distribution of dividend				-30.0	-30.0
Transfers between items, fund for wellbeing at work			-0.4	0.4	0.0
Profit for financial year				40.7	40.7
<b>TOTAL EQUITY, 31 DEC</b>		16.8	1.8	67.5	86.1

### 5.2 Distributable earnings

EUR million	ALKO GROUP		ALKO INC.	
	31 DEC 2017	31 DEC 2016	31 DEC 2017	31 DEC 2016
Retained profit			26.4	17.7
Profit/loss for financial year			40.7	38.3
Transfer from other funds			0.4	0.4
Total adjustments			0.4	0.4
Distributable earnings			67.5	56.4

# Notes to the balance sheet

## 6. Obligatory provisions

EUR million	ALKO GROUP		ALKO OY	
	31 DEC 2017	31 DEC 2016	31 DEC 2017	31 DEC 2016
<b>6.1 OBLIGATORY PROVISIONS</b>				
Rent liability for vacant premises	0.0	0.0	0.0	0.0
Total	0.0	0.0	0.0	0.0

## 7. Liabilities

EUR million	ALKO GROUP		ALKO INC.	
	31 DEC 2017	31 DEC 2016	31 DEC 2017	31 DEC 2016
<b>7.1 CURRENT LIABILITIES TO GROUP COMPANIES</b>				
Accounts payable to Group companies			0.1	0.0
<b>7.2 CURRENT LIABILITIES</b>				
Accounts payable	154.9	149.7	154.8	149.6
Accrued expenses and deferred income	19.1	19.8	19.0	19.8
Other liabilities	11.3	11.5	11.2	11.5
Advances received	0.0	0.0	0.0	0.0
Total	185.3	181.0	185.1	180.9
<b>CURRENT LIABILITIES</b>	<b>185.3</b>	<b>181.0</b>	<b>185.1</b>	<b>180.9</b>
<b>7.3 MAJOR ITEMS IN ACCRUED EXPENSES AND DEFERRED INCOME</b>				
Accrual of salaries, including social insurance costs	18.0	18.4	18.0	18.4
Accrual of employer insurance contributions	0.0	0.4	0.0	0.4
Accrual of income tax	0.1	0.0	0.1	0.0
Accrual of bank charges and credit card commissions	0.6	0.5	0.6	0.5
Deliveries from abroad	0.2	0.1	0.2	0.1
Invoices to be recognised in next financial period	0.1	0.3	0.1	0.3
Other current accrued expenses and deferred income	0.2	0.0	0.1	0.0
Total	19.1	19.8	19.0	19.8

# Notes to the balance sheet

## 8 Other notes

Securities given, contingencies and other liabilities

Other securities given

EUR million	ALKO GROUP		ALKO INC.	
	31 DEC 2017	31 DEC 2016	31 DEC 2017	31 DEC 2016
<b>8.1 LEASING LIABILITIES</b>				
Payable the following year	0.9	1.1	0.9	1.1
Payable later	1.3	0.5	1.3	0.5
Total	2.2	1.6	2.2	1.6
<b>8.2 RENT LIABILITIES</b>				
Payable the following year	13.3	13.3	13.3	13.3
Payable later	1.3	1.7	1.3	1.7
Total	14.6	15.0	14.6	15.0

# Key figures

	ALKO GROUP					ALKO INC.				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Net sales, EUR million	1,174.8	1,162.8	1,159.0	1,180.0	1,175.3	1,174.8	1,162.7	1,158.9	1,179.8	1,175.0
Operating profit, EUR million	53.0	47.3	48.8	50.4	49.1	52.6	46.6	49.7	50.5	49.4
Proportion of net sales, %	4.5	4.1	4.2	4.3	4.2	4.5	4.0	4.3	4.3	4.2
Profit before extraordinary items, voluntary provisions and income taxes	51.6	48.6	49.5	51.2	50.2	51.2	47.8	50.4	51.3	50.6
Proportion of net sales, %	4.4	4.2	4.3	4.3	4.3	4.4	4.1	4.3	4.3	4.3
Return on equity, %	50.4	51.0	51.0	53.7	48.9	50.4	49.6	51.7	53.8	53.0
Return on investment, %	64.2	63.5	64.1	67.2	64.7	65.4	62.1	64.8	67.3	70.6
Equity ratio, %	31.8	29.4	29.8	30.3	27.8	31.9	29.6	30.3	30.5	27.9
Current ratio	1.2	1.1	1.2	1.1	1.1	1.2	1.1	1.2	1.1	1.1
Gross investments in fixed assets, EUR million	8.1	8.5	4.8	6.1	6.9	7.9	7.4	4.7	6.0	6.9
Proportion of net sales, %	0.7	0.7	0.4	0.5	0.6	0.7	0.6	0.4	0.5	0.6
Average number of personnel during the financial year	2,401	2,385	2,415	2,527	2,610	2,401	2,385	2,415	2,527	2,610

## FORMULAS FOR THE INDICATORS

**Return on equity, %** 
$$\frac{(\text{Profit before extraordinary items} - \text{Income taxes on ordinary operations}) \times 100}{\text{Equity (average*)}}$$

**Return on investment, %** 
$$\frac{(\text{Profit before extraordinary items} + \text{financial expenses for liabilities}) \times 100}{\text{Balance sheet total (average*)} - \text{non-interest-bearing liabilities (average*)}}$$

**Equity ratio, %** 
$$\frac{\text{Equity} \times 100}{\text{Balance sheet total} - \text{Advances received}}$$

**Current ratio** 
$$\frac{\text{Inventories} + \text{Financial assets}}{\text{Current liabilities}}$$

\*) Average figures have been calculated as the average of beginning and end of the reporting period.

# The Board of Directors' proposal on the distribution of profit

The proposal is to transfer EUR 383,052.82 from the other equity fund to the unrestricted equity fund to cover the costs of improving wellbeing at work.

The parent company's distributable funds at 31 December 2017 totalled EUR 67,501,120.96 (EUR 56,415,591.23), of which EUR 40,702,477.42 (EUR 38,308,944.97) is profit for the financial year.

The Board proposes that the company's distributable funds be used as follows:

- distributed as a dividend	32,000,000.00	EUR
- to be retained under equity	35,501,120.96	EUR
	<hr/>	
	67,501,120.96	EUR

No substantial changes have occurred in the company's financial position since the end of the financial year. The company's liquidity is good and, in the Board's opinion, will not be jeopardised by the proposed distribution of profits.

## Signatures for financial statements and report by the Board of Directors

21st of March, 2018

Board of Directors

Harri Sailas  
Chair

Kirsi Varhila

Juhani Eskola

Kristiina Hannula

Kuisma Niemelä

Ulrika Romantschuk

Jarmo Väisänen

Leena Laitinen  
President & CEO

## Auditor's Report

A report has been given today on the audit carried out.

21st of March, 2018

KPMG Oy Ab  
Firm of Authorised Public Accountants

Lasse Holopainen  
Authorised Public Accountant

# Statement by the Supervisory Board

The Supervisory Board of Alko Inc. has studied the company's financial statements and auditors' report for 2017 and proposes to the 2017 Annual General Meeting that the company income statement and balance sheets for the 2017 financial year be approved. The Supervisory Board agrees with the Board of Directors' proposal for disposal of the profits.

Helsinki, 22nd of March, 2018

Vesa-Matti Saarakkala  
Chairman

Anna-Maja Henriksson  
Vice Chairman

Tuula Haatainen  
member

Susanna Huovinen  
member

Osmo Kokko  
member

Pauli Kiuru  
member

Ulla Parviainen  
member

Aino-Kaisa Pekonen  
member

Pekka Puska  
member

Juha Rehula  
member

Päivi Räsänen  
member

Sari Sarkomaa  
member



**CONTACT**

**Alko Inc.**

PO Box 99, 00101 HELSINKI  
Street Address: Arkadiankatu 2  
Business Identity Code 1505551-4  
Domicile Helsinki  
firstname.surname@alko.fi

+358 20 711 11, Mon-Fri 8 a.m-4 p.m