

SITOWISE HOLDING I OY  
Linnoitustie 6  
02600 ESPOO  
Business ID 2767842-8

# SITOWISE HOLDING I OY

## FINANCIAL STATEMENTS

1 January 2018 – 31 December 2018

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The financial statements must be kept until at least December 31, 2028.

The accounting documents of the financial year must be kept until at least December 31, 2024.

## REPORT OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR 1 Jan. –31 Dec. 2018

## STRONG GROWTH IN NET SALES – PROFITABILITY AMONG THE BEST IN THE SECTOR

**Sitowise in brief**

Sitowise is an expert company with more than 1,400 employees. The company provides its customers with a full range of built environment services from planning to expert and digital services. Sitowise is the largest Finnish-owned design and consulting company in the construction sector, the leading expert in diversified urban projects, and a pioneer in data-driven management and data modelling. The strongest project expertise in the sector and a wide-ranging, high-quality service offering enables the creation of solutions for a sustainable and smart living environment.

Sitowise was established on 31 December 2017, when an infrastructure and a house-building consulting company, Sito Oy and Wise Group Finland Oy, merged as a result of ownership arrangements. The company has accumulated experience and expertise in Finnish construction sector of more than 40 years.

Starting from the beginning of 2018, Sitowise Group operates in the following business areas:

- 1) Infrastructure: design and consultancy services for infrastructure and living environment developers
- 2) Buildings: extensive advisory services for new-build and renovation sites in the house-building sector
- 3) Project management: comprehensive project management services for the design, start-up, implementation and maintenance of construction projects
- 4) Smart City: cost-efficient asset management and mobility processes with digital services.

The Group operates close to its customers at 19 offices around Finland. It also has offices in Norway, Estonia, Latvia and Poland.

In 2018, the Group's net sales and profitability developed positively. The number of personnel grew strongly both organically and through acquisitions, and the Group invested in the creation of the new Sitowise and a common corporate culture.

In autumn 2018, the company's strategy was updated for 2019–2022, with the company aiming to be the most responsible partner in building a sustainable living environment. The financial targets set for 2022 are EUR 200 million net sales and the best profitability in the industry.

The company aims to achieve IPO readiness during 2020.

*Last year's corresponding figure in parentheses.*

**January–December 2018 – pro forma**

- Net sales EUR 135.2 (112.3) million – growth 20.4%
- Net sales by business area:
  - Buildings EUR 61.6 (53.1) million – growth 15.9%
  - Infrastructure EUR 45.7 (37.9) million – growth 20.5%
  - Project management EUR 12.6 (12.3) million – growth 2.5%
  - Smart City EUR 10.5 (6.6) million – growth 59.1%
- EBITDA EUR 16.9 (14.2) million – growth 18.9%
- Operating profit EUR 14.6 (12.7) million – growth 14.6%
- Equity ratio 29.3% (39%)
- Net debt EUR 40.2 (34.7) million – change 15.8%
- Number of personnel at the end of the financial period 1,454 (1,228) – growth 18.4%

**Key figures – pro forma and reported**

EUR thousand	Pro forma 1–12/2018	Pro forma 1–12/2017	Change	Reported 1–12/2018	Reported *) 1–12/2017	Change
Net sales	135,241	112,332	20.4%	128,611	94,927	35.5%
EBITDA	16,853	14,170	18.9%	10,684	11,536	-7.4%
EBITDA (%)	12.5%	12.6%		8.3%	12.2%	
Operating profit **)	14,600	12,739	14.6%	8,577	10,199	-15.9%
Operating profit %	10.8%	11.3%		6.7%	10.7%	
Number of employees ***)				1,454	1,228	18.4%
Equity ratio (%)				29.3%	39.0%	
Net debt				40,245	34,749	15.8%

In the financial period 1 January–31 December 2017, Sito Oy and its subsidiaries were acquired by the Group in March, and the financial period is therefore not comparable with the financial period 1 January–31 December 2018.

\*\*) Excluding amortisation of goodwill

\*\*\*) At the end of the financial period

Net sales (EUR thousands)	Pro forma 1–12/2018	Pro forma 1–12/2017	Change	Reported 1–12/2018	Reported *) 1–12/2017	Change
Buildings	61,584	53,135	15.9%	59,537	49,124	21.5%
Infrastructure	45,673	37,902	20.5%	41,970	28,849	45.5%
Project Management	12,617	12,311	2.5%	12,617	10,426	21.0%
Smart City	10,468	6,581	59.1%	10,061	4,709	113.6%
Other	4,899	2,403	103.9%	4,426	1,820	134.2%
<b>Total</b>	<b>135,241</b>	<b>112,332</b>	<b>20.4%</b>	<b>128,611</b>	<b>94,927</b>	<b>35.5%</b>

The pro forma figures include all the Group companies and acquired companies, as if they had been part of the Group throughout the financial period in which they were acquired. Non-recurring expenses related to corporate and structural arrangements have been adjusted for EBITDA, totalling approximately EUR 1.0 (0.9) million. The pro forma figures do not include discontinued operations. In addition, the 2018 EBITDA was also adjusted for the capital gain generated from the sale of shares of associated companies.

**The development of the business****Continuing operations (core business)**

The Group's business developed favourably during the financial period. Pro forma net sales grew by more than 20%, of which organic growth accounted for more than 9%. Acquisitions played again an important role in the increase of top line. In 2018, a total of eight M&A transactions were carried out in Finland, the largest of which was Dimenteq Oy, a company specialising in information system services using spatial data. In addition, Sitowise's holding in the Latvian company DWG increased to 55%. Towards the end of the year, Sitowise sold its 45% holding in Geotek Oy and acquired its design business.

Both the billing rate and the order backlog remained at a high level throughout the financial period.

The number of multidisciplinary projects and close cooperation between business areas increased further, strengthening the ability to respond to changes in market situations and the increasing size and complexity of construction projects.

The projects in the **Buildings** business area covered a wide range from heritage buildings and protected sites (museums, churches) and from cultural buildings (theatres, libraries) to landmark tower blocks and

hospitals important for the well-being of society. In 2018, the share of new design of residential buildings remained at a high level and the share of real estate development projects grew significantly compared to the previous years.

The share of specialist services increased further in areas such as ecological construction, construction health, moisture management, acoustics, fire technology and surface treatment technology. The digital know-how of Sitowise's Smart City business area together with the expertise of the Buildings business area is an excellent basis for developing new solutions for renovation deficit. The customer-oriented service attitude and the operating model aiming at continuous development have created long-term customer relationships and enabled, among other things, the share of industrial projects being increased.

For the **Infrastructure** business area, 2018 was a period of strong growth. The business managed to obtain extensive and varied design projects and to recruit a large number of new specialists in different areas of expertise. The framework agreements of municipalities and cities in the Helsinki Metropolitan Area and other growth centres form a significant part of the work in the Infrastructure business area. Recently, however, the share of the private sector has been growing as implementation models have diversified and construction companies have been more active as the engines of projects. The company was able to increase the number of urban development projects in accordance with its strategy.

The **Project management** business area, which started its operations in 2018 after an organisational change, carried out extensive project management and construction projects for private, institutional, municipal and government sector customers developing buildings, infrastructure and the living environment. In 2018, the focus was on improving profitability and harmonising operations in line with the strategy. The project management and construction volumes remained high, especially in the Helsinki metropolitan area. Infrastructure Project Management grew especially in rock engineering. Maapörssi Oy's operations were increased by integrating it into the soil projects of the Circular Economy business sector. Significant new contracts were acquired in the design and contract management of telecommunications networks. The order backlog developed positively and was at a good level at the end of the year.

As a result of the organisational change, 2018 was the first year of operations for the **Smart City** business area. The business area grew significantly in the first half of the year, when Dimenteq Oy became a part of the business operations through an M&A transaction. In 2018, the focus was on improving profitability, but at the same time investments were made in developing new system/platform-based products in accordance with the strategy. The forerunner position in the consultation for mobility services, transport, logistics and traffic information was systematically developed, and pilots anticipating and utilising the transformation of traffic were actively sought. Growth was also generated organically. The order backlog remained at a good level throughout the year.

Sitowise signed several new framework agreements with both new and existing customers during the financial period. The largest projects for the year included, for example, Jokeri Light Rail, Traffic Census, the Espoo–Salo direct rail line, Tripla, Pyynikin Trikoo and RAID-e, that is, information system development for the maintenance management of the rail network. In addition, there was ongoing work related to design projects, feasibility studies and digital services, with various business units and departments involved separately and jointly.

In December, the Board of Directors approved the updated 2019–2022 strategy for the company. The updated strategy takes greater account of the future opportunities that digitalisation and corporate responsibility offer for Sitowise. The company's strategic vision is to be "The most responsible partner in building a sustainable living environment", with the financial targets being EUR 200 million net sales and the best profitability in the industry.

There are three spearhead projects in the updated strategy: 'Commercial Excellence', 'Building Sitowise's Corporate Culture' and 'The Most Effective Way to Operate'. The courage to develop and to innovate together with our customers is vital in an ever-changing field of operation, where Sitowise's exceptional ability to cooperate and its partner network provide a strong starting point for success.

## Discontinued non-strategic operations

In 2017–2018, the company has participated in a dredging contracting project in Lithuania through its subsidiary Sito Rakennuttajat Oy as part of a joint venture. This project is not part of the Group's core business and it will not be continued. The figures reported for the project in the financial period include net sales of EUR 0.25 (0.6) million, an operating loss of EUR 3.3 (0.0) million and financial expenses amounting to EUR 2.7 (0.0) million.

## Group structure

The Group's parent company, Sitowise Holding I Oy, started its operations on 15 August 2016. The company operated until 19 April 2017 as Wise Group Holding I Oy. Sitowise Holding I Oy does not engage in operational activities; all business is carried out by its subsidiaries. Intera Fund III Ky and about 150 key employees have holdings in Sitowise Holding I Oy.

The company's main operational subsidiary in Finland is Sitowise Oy. Sitowise Holding II Oy owns 100% of Sitowise Oy. Sitowise Holding I Oy in turn owns 100% of Sitowise Holding II Oy.

The Group also included the Finnish subsidiaries Helimäki Akustikot Oy, HS-Tec Oy (acquired 6/2018), Kon-Ins Oy (acquired 11/2018), Maapörssi Oy, SiltaExpert Oy (acquired 12/2018), Sito Rakennuttajat Oy and Wise Group Consulting Oy, as well as the foreign subsidiaries AS DWG, Sitowise AS and Sitowise Consulting Oü.

Of the Group's subsidiaries, Dimenteq Oy (acquired 2/2018), Instaro Oy and Sito Liikkumispalvelut Oy were merged with Sitowise Oy on 31 December 2018. On 14 December 2018, the Board of Directors of Sitowise Oy approved a plan for merging HS-Tec Oy and Kon-Ins Oy with Sitowise Oy. The planned registration date for the merger is 31 May 2019.

At the end of the financial year, the Group also owned a holding in Smaragdus Oy and Sito Poland Ltd. The holding in Geotek Oy was sold during the financial year.

## Shares and share issues

The company's A1, A2, P1 and P2 shares differ in respect of the rights and obligations related to them, as provided for in section 6 of the Articles of Association. The company's shares are subject to a redemption clause in accordance with section 9 of the Articles of Association.

On 31 December 2018, the company has the following shares:

Share type	31 Dec. 2018	Change	31 Dec. 2017
A1	471,506	0	471,506
A2	767,061	17,890	749,171
P1	11,048,627	807,105	10,241,522
P2	8,858,160	-120,546	8,978,706
<b>Total</b>	<b>21,145,354</b>	<b>704,449</b>	<b>20,440,905</b>

Directed share issues were organised during the financial year in connection with acquisitions and when key employees were invited to become partners.

## Governance and organisation

During the financial period, Markus Väyrynen served as the company's CEO and Heidi Karlsson as CFO.

The Board of Directors of Sitowise Holding I Oy consisted of Aki Ojanen as Chair and Kimmo Anttalainen, Pekka Eloholma, Janne Näränen, Elina Piispanen, Tomi Terho and Rauli Ylimäki as ordinary members. Aki Ojanen resigned on 30 November 2018, at which point Pekka Eloholma was elected Chair of the Board.

As of 18 December 2018, the Board consists of Pekka Eloholma (Chair), Janne Näränen, Elina Piispanen, Tomi Terho and Rauli Ylimäki.

KPMG Oy, an audit firm, was elected as the auditor for the company and Turo Koila, APA, as the principal auditor.

## **Personnel**

In the financial period, the Group's average number of employees was 1,290 (1,092). At the end of the financial period, the Group had 1,454 employees (1,228). Acquisitions contributed for 85 persons of the growth. Women accounted for 33% of all personnel, while men accounted for 67%.

The personnel satisfaction survey was renewed in autumn 2018 and implemented with a completely new type of survey model (Siqni). Consequently, no comparison figures are available. Of the personnel, 79% responded to the survey, with the index indicating total employee satisfaction being 72. The second index measured through the survey, the Employee Net Promoter Score (eNPS), was 32. Both results are good.

Sitowise offers further education and qualification opportunities to its personnel e.g. the Sitowise Institute gives training in the building construction sector. The personnel consisting of highly skilled professionals have created at Sitowise a working environment that strongly promotes development. The company's own training system enables it to respond to the shortage of qualified professionals in the industry and to offer versatile career development opportunities to the personnel. The first "class" of the NextGen trainee program brought enthusiastic young talent to the company. The development of the employees' skills and their commitment are at a high level, which is one of the most important cornerstones for an expert organisation.

## **Corporate responsibility**

During the financial period, the Board of Directors approved the results of the development project launched during the previous strategy period to be used as the starting point for Sitowise's corporate responsibility work. The framework of the corporate responsibility programme worked on during the financial period consists of three focus areas: employee well-being, community well-being and customer well-being. In connection with the strategy update, the elements of corporate responsibility were also strongly incorporated in the company's strategy.

As part of the corporate responsibility programme, the Code of Conduct and the corporate responsibility programme key performance metrics were worked upon.

## **Research and development**

Research and development activities are carried out as internal development projects. The most significant investments have focused on software development and data modelling.

## **Risks and uncertainties in the near future**

Due to the personnel-intensive nature of Sitowise's service operations, the most important consideration is to maintain a stable order backlog with a good profit margin. The Group seeks to manage a sufficient

order backlog through its wide and comprehensive customer network, diverse work orders and continuous monitoring of the order backlog.

The main risk to operations is still posed by strong competition, which is reflected in employee availability and retention. Other risks include the large size of projects and tight schedules with sanctions. Competition risks are managed through careful pricing, developing a thorough understanding of the projects and their complexity for which tenders are submitted, and competing on quality rather than price.

Project size and schedule risks are controlled through quality and risk management reviews and by complying with the procedures set out in an ISO-certified management system. Investments are continuously made in development and expertise.

There are no currency risks related to the operations and the Group has no currency-based loans. The Group's financing and liquidity are solid due to a financing agreement and the positive cash flow from operations. The Group's financial management is responsible for managing the Group's financial risks and for maintaining sufficient liquidity.

### **Outlook for 2019**

RAKSU, a group that is led by the Ministry of Finance and that studies economic trends in construction, estimated in its report published on 6 February 2019 that construction will decrease from its high level this year and next year. In particular, residential construction and new-build construction will decrease, but other construction is also expected to decrease. However, the market for the construction of healthcare buildings and schools will continue to be active this year and next year.

The volume of renovations is expected to increase further in 2019. The renovation of residential buildings is increasing more strongly than the repairing of other buildings.

According to a report published by Taloustutkimus Oy on 15 January 2019, 'Finland vs. Sweden, comparison 2018–2029', the investments in the Finnish transport system during the government term 2016–2019 have amounted to approximately EUR 600 million on an annual basis. According to an estimate published on 13 September 2018 by the Finnish Transport Infrastructure Agency (formerly the Finnish Transport Agency), the value of investments will decrease from the current level over the next few years. The expenditure framework for investments is approximately EUR 450 million for the period 2020–2023.

The demand for digital services is expected to increase. Large cities and other real estate and infrastructure owners are inviting for tenders for asset management systems and consulting, and there is also a growing need for information management solutions for projects. The cost saving pressures in municipal passenger transport, the cost saving requirements related to companies' logistics costs and the gradual realisation of the opportunities offered by digitalisation provide potential for market growth.

In the current financial period, the company expects net sales and EBITDA to increase from the previous year. Access to skilled personnel remains as the main challenge.

The development of the company will continue in accordance with the updated strategy. Comprehensive service offering, strong order book, long-term customer relationships and extensive framework agreements create a good basis for the current year.

In line with the strategy, M&A transactions will be considered in both design and consultancy services as well as digital services. The possible expansion into other Nordic countries is also being actively explored.

**Board of Director's proposal on the distribution of non-restricted equity**

The parent company's profit for the financial period is EUR 4,876,579.83 and the company's distributable funds total EUR 34,301,194.65. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 633,164.33 be paid to P1 shares for the financial period ended 31 December 2018.

**Events after the financial period**

On 3 January 2019, Sitowise Oy acquired 100% of the shares of Insinööritoimisto LVI-Insinöörit Oy, an engineering company based in Kuopio and specialising in HVAC design.

Markus Väyrynen's term as CEO ended on 25 February 2019. The search for a new CEO outside the company was started. In addition to his own duties, Pekka Eloholma, Chair of the Board of Directors, takes over the CEO duties during the transitional period starting from 25 February 2019. Jannis Mikkola and Timo Palonkoski, the heads of the company's two largest business areas, were appointed Executive Vice Presidents as of 25 February 2019. Executive Vice President Aki Puska will move on to new challenges outside Sitowise Group on 1 April 2019.

On 1 March 2019, Sitowise Oy acquired 100% of the shares of Yhtyneet Insinöörit Oy, an Espoo-based company specialising in electrical design.

Based on an external audit conducted in 2018, Sitowise Oy and Sito Rakennuttajat Oy were granted the ISO9001 Quality Management Systems and ISO14001 Environmental Management Systems certifications in March 2019.

Espoo 28 March 2019

SITOWISE HOLDING I OY  
BOARD OF DIRECTORS



**SITOWISE HOLDING OY**  
**Business ID 2767842-8**

***Income statement***

	Notes	Group		Parent company	
		1 Jan.-31 Dec. 2018	1 Jan.-31 Dec. 2017 (*)	1 Jan.-31 Dec. 2018	1 Jan.-31 Dec. 2017
<b>NET SALES</b>	2	<b>128 611 371,48</b>	<b>94 927 091,77</b>	<b>0,00</b>	<b>0,00</b>
Other operating income	3	1 267 304,06	1 533 276,40	0,00	0,00
Materials and services	4	-17 552 686,37	-8 583 786,65	0,00	0,00
Personnel expenses	5.2	-80 412 862,88	-59 114 112,91	0,00	0,00
Depreciation and amortisation	6	-11 049 564,89	-8 610 421,10		
Planned depreciation		-2 107 015,89	-1 336 967,84	0,00	0,00
Amortisation of goodwill		-8 942 549,00	-7 273 453,26	0,00	0,00
Other operating expenses	7	-21 228 897,64	-17 227 003,69	-1 275,06	-212,01
Share of profit from associated companies		393 225,09	95 715,00	0,00	0,00
<b>OPERATING PROFIT (LOSS)</b>		<b>27 888,85</b>	<b>3 020 758,82</b>	<b>-1 275,06</b>	<b>-212,01</b>
Financial income and expenses	8	-5 113 979,32	-2 216 016,57	-947 998,45	-811 990,78
<b>RESULT BEFORE TRANSFERS AND TAXES</b>		<b>-5 086 090,47</b>	<b>804 742,25</b>	<b>-949 273,51</b>	<b>-812 202,79</b>
<b>Transfers</b>					
Group contributions	9	0,00	0,00	6 778 943,00	0,00
Income taxes	10	-1 645 191,79	-1 658 145,62	-953 089,66	0,00
Minority interest		-27 290,06	19 995,70	0,00	0,00
<b>RESULT FOR THE FINANCIAL PERIOD</b>		<b>-6 758 572,32</b>	<b>-833 407,67</b>	<b>4 876 579,83</b>	<b>-812 202,79</b>

(\* In the financial period 1 January–31 December 2017, Sito Oy and its subsidiaries were acquired by the Group and it is therefore not comparable with the results for the financial period 1 January–31 December 2018.

**SITOWISE HOLDING I OY**  
**Business ID 2767842-8**

***Balance sheet***

		Group		Parent company	
	Notes	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
<b>Assets</b>					
<b>NON-CURRENT ASSETS</b>					
Intangible assets	11.1	5 385 212,98	3 671 201,62	0,00	0,00
Goodwill		67 132 783,20	65 769 846,95	0,00	0,00
Tangible assets	11.2	2 378 576,79	2 264 449,82	0,00	0,00
Investments					
Holdings in Group companies	12.1	0,00	2 500,00	49 860 031,88	43 704 614,08
Holdings in associated companies	12.2	485,31	1 331 034,16	0,00	0,00
Other shares and holdings	12.3	418 170,79	744 027,06	0,00	0,00
Other receivables		406 106,86	404,67	0,00	0,00
Total		824 762,96	2 077 965,89	49 860 031,88	43 704 614,08
<b>TOTAL NON-CURRENT ASSETS</b>		<b>75 721 335,93</b>	<b>73 783 464,28</b>	<b>49 860 031,88</b>	<b>43 704 614,08</b>
<b>CURRENT ASSETS</b>					
Non-current receivables	13	41 820,02	41 820,02	0,00	0,00
Current receivables	14	37 956 727,52	30 308 588,73	1 015 937,31	0,00
Cash and cash equivalents		9 279 612,13	1 680 892,71	49 000,12	3 252,88
<b>TOTAL CURRENT ASSETS</b>		<b>47 278 159,67</b>	<b>32 031 301,46</b>	<b>1 064 937,43</b>	<b>3 252,88</b>
<b>Total assets</b>		<b>122 999 495,60</b>	<b>105 814 765,74</b>	<b>50 924 969,31</b>	<b>43 707 866,96</b>
<b><i>Liabilities and shareholders' equity</i></b>					
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	15	2 500,00	2 500,00	2 500,00	2 500,00
Invested unrestricted equity fund		32 610 353,00	30 119 282,05	32 610 353,35	30 119 282,05
Retained earnings		-4 889 724,00	-1 667 221,67	-3 185 738,53	-395 758,08
Result for the financial period		-6 758 572,00	-833 407,67	4 876 579,83	-812 202,79
Translation differences		-6 150,00	3 556,17	0,00	0,00
Subordinated loan		14 145 180,00	14 145 180,00	14 145 180,00	14 145 180,00
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>35 103 587,00</b>	<b>41 769 888,88</b>	<b>48 448 874,65</b>	<b>43 059 001,18</b>
<b>MINORITY INTEREST</b>		<b>164 277,51</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>
<b>MANDATORY PROVISION</b>	16	<b>3 211 053,00</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>
<b>LIABILITIES</b>					
Non-current liabilities	17.1	41 629 988,35	33 616 662,25	0,00	0,00
Current liabilities	17.2	42 890 589,74	30 428 214,61	2 476 094,66	648 865,78
<b>TOTAL LIABILITIES</b>		<b>84 520 578,09</b>	<b>64 044 876,86</b>	<b>2 476 094,66</b>	<b>648 865,78</b>
<b>Total liabilities and shareholders' equity</b>		<b>122 999 495,60</b>	<b>105 814 765,74</b>	<b>50 924 969,31</b>	<b>43 707 866,96</b>

**Cash flow statement (EUR thousand)**

	<b>Group</b>	
	<b>1 Jan.–31 Dec. 2018</b>	<b>1 Jan.–31 Dec. 2017</b>
	(*)	
<b>Operating cash flow</b>		
Operating profit	28	3 021
Adjustments to operating profit	10 813	8 610
Change in working capital	-1 157	-3 768
Dividends received and other financial income	117	7
Interest paid and other financial expenses	-1 559	-2 642
Taxes paid	-1 667	-1 459
<b>Operating cash flow</b>	<b>6 575</b>	<b>3 770</b>
<b>Cash flow from investments</b>		
Investments in tangible and intangible assets	-1 786	-3 111
Acquired businesses	-1 537	0
Acquisition and sale of shares in subsidiaries and associated	-8 749	-42 609
Acquisition and sale of other shares	-32	0
Interest received on investments	0	148
<b>Cash flow from investments</b>	<b>-12 103</b>	<b>-45 573</b>
<b>Cash flow from financing</b>		
Direct share issue	2 491	21 241
Repurchase of own shares	-1 518	-20
Proceeds/repayments of bank loans	12 614	19 589
Dividends paid	-460	-124
<b>Cash flow from financing</b>	<b>13 127</b>	<b>40 686</b>
Change in cash and cash equivalents	7 599	-1 118
Cash and cash equivalents at the beginning of the period	1 681	2 799
<b>Cash and cash equivalents at the end of the period</b>	<b>9 280</b>	<b>1 681</b>

(\* Cash flow for the financial period 1 January–31 December 2017 has been converted into indirect form by using the direct cash flow for the Group.

## Notes to the financial statements

Copies of Sitowise Group's consolidated financial statements are available at the address Linnoitustie 6, 02600 Espoo, Finland.

### 1. ACCOUNTING PRINCIPLES

In the financial period 1 January–31 December 2017, Sito Oy and its subsidiaries were acquired by the Group and it is therefore not comparable with the results for the financial period 1 January–31 December 2018.

In the financial year 1 January–31 December 2018, the Group started to use straight-line depreciation as the depreciation method for machinery and equipment instead of the residual depreciation method that was used previously.

#### 1.2 Accounting principles used for the consolidated financial statements

The following group companies are included in the consolidated financial statements: Sitowise Holding II, Sitowise Oy, Sito Rakennuttajat Oy, Sitowise Consulting Oü, Sitowise Norge AS, Maapörssi Oy, Instaro Oy, Dimenteq Oy, Helimäki Akustikot Oy, HS Tec Oy, Kon Ins Oy, SiltaExpert Oy, AS DWG and Sito Liikkumispalvelut Oy.

Sito Poland Sp. z.o.o has not been included in the Group's consolidated financial statements.

The consolidated financial statements have been prepared using the acquisition cost method. The difference between the acquisition cost of subsidiaries and the shareholders' equity corresponding to the acquired holding is recognised as goodwill. Intra-Group transactions, receivables and liabilities have been eliminated. Minority interests have been separated from the Group's shareholders' equity and earnings, and presented as a separate item.

The associated companies have been consolidated using the equity method. The portion of the associated companies' earnings for the financial period corresponding to the Group's holding has been recognised under financial items.

The amortisation period for goodwill is 10 years, based on the income expectations for subsidiaries.

The financial statement items of the foreign subsidiary have been converted into euros using the rate on the closing date for the balance sheet items and the average rate for the period for income statement items.

#### 1.3 Valuation of fixed assets

Fixed assets have been capitalised under direct acquisition costs. The depreciation plan for machinery and equipment is straight-line depreciation over the economic service life of assets.

IT machinery and equipment	4 years
Other machinery and equipment	5 years

Straight-line depreciation over the economic service life of assets is used for intangible rights and long-term expenses, and the planned depreciation periods are as follows:

Intangible rights	3–5 years
Goodwill	10 years
Long-term expenses	5–10 years
Development expenditure	5 years

#### 1.4. Valuation of investments

Investments are valued at acquisition cost.

#### 1.5. Deferred taxes

Based on prudent accounting principles, the company has not recorded deferred tax assets.

#### 1.6 Recognition of income from projects

Invoicing for long-term projects is recognised as income on the basis of the degree of completion. Long-term projects are projects whose start and end dates fall in different financial periods. The degree of completion is defined as the ratio of the total costs accumulated by the balance sheet date in proportion to the estimated total cost of the project.

**Notes to the income statement**

	<b>Group</b>		<b>Parent company</b>	
<b>2. NET SALES</b>	<b>1 Jan.-31 Dec. 2018</b>	<b>1 Jan.-31 Dec. 2017</b>	<b>1 Jan.-31 Dec. 2018</b>	<b>1 Jan.-31 Dec. 2017</b>
<b>2.1 Net sales by business area, in thousands of euros</b>				
Buildings	59 537	49 124	0	0
Infrastructure	41 970	28 849	0	0
Project Management	12 617	10 426	0	0
Smart City	10 061	4 709	0	0
Other	4 426	1 820	0	0
	<b>128 611</b>	<b>94 927</b>	<b>0</b>	<b>0</b>
<b>3. OTHER OPERATING INCOME</b>				
Rental income	247 371	223 971	0	0
Gains on sale of fixed assets	437 889	0	0	0
Other income	22 722	701 000	0	0
Grants received	559 322	608 305	0	0
	<b>1 267 304</b>	<b>1 533 276</b>	<b>0</b>	<b>0</b>
<b>4. MATERIALS AND SERVICES</b>				
Purchases during the financial period	10 372 388	3 276 170	0	0
External services	7 180 298	5 307 616	0	0
	<b>17 552 686</b>	<b>8 583 787</b>	<b>0</b>	<b>0</b>
<b>5. PERSONNEL EXPENSES AND AVERAGE NUMBER OF PERSONNEL</b>				
<b>5.1 Average number of personnel</b>				
Salaried employees	<b>1 290</b>	<b>1 092</b>	<b>0</b>	<b>0</b>
<b>5.2 Personnel expenses</b>				
Salaries and bonuses	65 908 394,08	47 994 534,02	0	0
Statutory personnel expenses				
Pension expenses	11 572 147,94	8 596 278,85	0	0
Other statutory personnel expenses	2 932 320,86	2 523 300,04	0	0
	<b>80 412 862,88</b>	<b>59 114 112,91</b>	<b>0</b>	<b>0</b>
<b>5.3 Management's salaries and bonuses</b>				
Managing Directors	<b>441 536</b>			
<b>6. DEPRECIATION AND AMORTISATION</b>				
Intangible rights	430 173			
Goodwill	247 105			
Other long-term expenses	243 169			
Machinery and equipment	1 186 569			
Total depreciation	<b>2 107 016</b>			
Amortisation of goodwill	8 942 549			
<b>Total depreciation and amortisation</b>	<b>11 049 565</b>			
<b>7. OTHER OPERATING EXPENSES</b>				
<b>Auditi fees</b>				
Statutory audit	100 534	97 966	1 042	0
Tax advice and other services	28 749	0	0	0
	<b>129 283</b>	<b>97 966</b>	<b>1 042</b>	<b>0</b>

8. FINANCIAL INCOME AND EXPENSES	Group		Group		Parent company		Parent company	
	1 Jan.-31 Dec. 2018	1 Jan.-31 Dec. 2018	1 Jan.-31 Dec. 2017	1 Jan.-31 Dec. 2017	1 Jan.-31 Dec. 2018	1 Jan.-31 Dec. 2018	1 Jan.-31 Dec. 2017	1 Jan.-31 Dec. 2017
Income from holdings in associated companies	0	0	0	0	0	0	0	0
Dividend income								
From others	0	0	0	0	0	0	0	0
Other income from investments in fixed assets	0	147 794	0	0	0	0	0	0
Income from holdings in Group companies								
Other interest income and financial income								
From Group companies	0	2 307	0	0	0	0	0	0
From others	47 963	4 354	0	0	0	0	0	0
Impairment	-98 753	0	0	0	0	0	0	0
Interest expenses								
To Group companies					0	0	0	0
To others	-2 073 161	-2 370 471	-860 498	-811 991	-860 498	-811 991	-811 991	-811 991
Other financial expenses	-2 990 028	-2 216 017	-87 500	0	-87 500	0	0	0
	<b>-5 113 979</b>	<b>-2 216 017</b>	<b>-947 998</b>	<b>-811 991</b>	<b>-947 998</b>	<b>-811 991</b>	<b>-811 991</b>	<b>-811 991</b>
<b>9. TRANSFERS</b>								
Group contributions								
Group contributions received					6 778 943	0	0	0
Group contributions paid					0	0	0	0
					<b>6 778 943</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>10. DIRECT TAXES</b>								
Income taxes paid in the financial period	-1 645 192	-1 658 146	-953 090	0	-953 090	0	0	0
Income taxes in previous financial periods		0	0	0	0	0	0	0
	<b>-1 645 192</b>	<b>-1 658 146</b>	<b>-953 090</b>	<b>0</b>	<b>-953 090</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Notes to the balance sheet

11. FIXED ASSETS	Group	Group	Parent company	Parent company
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
<b>11.1 Intangible assets</b>				
<b>Intangible rights</b>				
Acquisition cost 1 Jan	2 523 821			
Increases	805 126			
Decreases	0			
Acquisition cost 31 Dec	<u>3 328 947</u>			
Accumulated planned depreciation	<u>-1 999 460</u>			
Book value 31 Dec	1 329 487			
<b>Goodwill</b>				
Balance 1 January	1 923 823	684 920	0	0
Increases	<u>1 684 124</u>	<u>1 238 902</u>	<u>0</u>	<u>0</u>
Goodwill 31 December	3 607 947	1 923 823	0	0
Accumulated planned depreciation	<u>-422 546</u>	<u>-175 441</u>	<u>0</u>	<u>0</u>
Book value 31 Dec	3 185 401	1 748 381	0	0
<b>Goodwill on consolidation</b>				
Acquisition cost 1 Jan	73 043 300	33 481 547		
Increases	10 308 375	39 561 753		
Translation difference	<u>-9 409</u>	<u></u>	<u></u>	<u></u>
Acquisition cost 31 Dec	83 342 266	73 043 300		
Accumulated planned depreciation	<u>-16 216 002</u>	<u>-7 273 453</u>	<u></u>	<u></u>
Translation difference	<u>6 519</u>	<u></u>	<u></u>	<u></u>
Book value 31 Dec	67 132 783	65 769 847		
<b>Other long-term expenses</b>				
Acquisition cost 1 Jan	2 194 679			
Increases	<u>144 864</u>			
Acquisition cost 31 Dec	2 339 543			
Accumulated planned depreciation	<u>-1 469 218</u>			
Book value 31 Dec	870 325			
<b>Total intangible assets</b>	<b>72 517 996</b>			

11.2 Tangible assets	Group 31.12.2018	Group 31 Dec. 2017	Parent company 31 Dec. 2018	Parent company 31 Dec. 2017
<b>Machinery and equipment</b>				
Acquisition cost 1 Jan	4 953 791	3 323 149	0	0
Increases	1 305 726	1 632 312	0	0
Decreases	-4 855	-1 671	0	0
Translation difference	-184			
Acquisition cost 31 Dec	<u>6 254 478</u>	<u>4 953 791</u>	<u>0</u>	<u>0</u>
Accumulated planned depreciation	-3 911 903	-2 725 056	0	0
Translation difference	287			
Book value 31 Dec	<u>2 342 862</u>	<u>2 228 735</u>	<u>0</u>	<u>0</u>
<b>Other tangible assets</b>				
Acquisition cost 1 Jan	35 715	27 988	0	0
Increases	<u>0</u>	<u>7 727</u>	<u>0</u>	<u>0</u>
Acquisition cost 31 Dec	35 715	35 715	0	0
<b>Total tangible assets</b>	<b>2 378 577</b>	<b>2 264 450</b>	<b>0</b>	<b>0</b>

## 12. INVESTMENTS

### 12.1 Holdings in Group companies

	Parent company 31 Dec. 2018	Parent company 31 Dec. 2017
Acquisition cost	43 704 614	19 585 109
Increases	6 155 418	24 119 505
Decreases	0	
Acquisition cost	<u>49 860 032</u>	<u>43 704 614</u>

	Domicile	Holding (%)	Holding (%)
Sitowise Holding II Oy	Espoo	100	100
Sitowise Oy	Espoo	100	0
Sito Rakennuttajat Oy	Espoo	100	0
Sito Liikkumispalvelut Oy	Espoo	100 (*)	0
Sitowise AS	Oslo, Norway	94,6	0
Maapörssi Oy	Järvenpää	100	0
Wise Group Consulting Oy	Helsinki	100 (**)	0
Sitowise Consulting OU	Tallinn, Estonia	100	0
Instaro Oy	Oulu	100 (*)	0
Helimäki Akustikot Oy	Helsinki	100	0
Dimenteq Oy	Salo	100 (*)	0
HS Tec Oy	Kangasala	100	0
AS DWG	Latvia	55	0
Kon-Ins Oy	Raisio	100	0
Siltaexpertit Oy	Pornainen	100	0

(\* Merged with Sitowise Oy on 31 December 2018)

(\*\* Not included in the consolidated financial statements)

### 12.2 Holdings in associated companies

Acquisition cost	1 331 034	391 223	0	0
Increases	0	844 096	0	0
Decreases	-1 723 774	0	0	0
Share of income from associated companies	393 225	95 715	0	0
Total changes	<u>-1 330 549</u>	<u>939 811</u>	<u>0</u>	<u>0</u>
Investments in associated companies on the balance sheet	<b>485</b>	<b>1 331 034</b>	<b>0</b>	<b>0</b>
	Holding (%)	Holding (%)	Holding (%)	Holding (%)
Sito Poland Ltd, Poland	40	40	0	0
AS DWG, Latvia	55	25	-	-
Geotek Oy, Espoo	0	44	0	0
Smaragdus Oy, Kouvola	20 (*)	20 (*)		

(\* Not included in the consolidated financial statements)

	Group 31 Dec. 2018	Group 31 Dec. 2017	Parent company 31 Dec. 2018	Parent company 31 Dec. 2017
<b>12.3 Other investments</b>				
Acquisition cost	744 027	281 900	0	0
Increases	177 398	487 127	0	0
Decreases	-97 147	-25 000	0	0
	<u>824 279</u>	<u>744 027</u>	<u>0</u>	<u>0</u>
<b>13. NON-CURRENT RECEIVABLES</b>				
Trade receivables	1 820	1 820	0	0
Loan receivables from associated companies: Fluidit Oy	40 000	40 000	0	0
	<u>41 820</u>	<u>41 820</u>	<u>0</u>	<u>0</u>
<b>14. CURRENT RECEIVABLES</b>				
<b>Trade receivables</b>	<b>26 677 818</b>	<b>23 866 318</b>	<b>0</b>	<b>0</b>
Receivables from Group companies				
Trade receivables	0	0	0	0
Deferred charges and accrued income	0	0	1 003 525	0
Group account	0	0	0	0
Loan receivables	0	0	0	0
<b>Total</b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>1 003 525</u></b>	<b><u>0</u></b>
<b>Other receivables</b>	<b>565 207</b>	<b>248 289</b>	<b>12 412</b>	<b>0</b>
POC receivables	7 317 290	3 812 727	0	0
Expenses not attributable to the financial period	1 133 323	463 612	0	0
Income taxes	723 926	0	0	0
Other deferred charges and accrued income	1 539 164	1 917 643	0	0
<b>Total</b>	<b><u>10 713 702</u></b>	<b><u>6 193 982</u></b>	<b><u>0</u></b>	<b><u>0</u></b>
<b>TOTAL CURRENT RECEIVABLES</b>	<b>37 956 728</b>	<b>30 308 589</b>	<b>1 015 937</b>	<b>0</b>
<b>15. SHAREHOLDERS' EQUITY</b>				
<b>15.1 Changes in shareholders' equity</b>				
Share capital at the start of the period	2 500	2 500	2 500	2 500
Increase in share capital	0	0	0	0
<b>Share capital at the end of the period</b>	<b><u>2 500</u></b>	<b><u>2 500</u></b>	<b><u>2 500</u></b>	<b><u>2 500</u></b>
<b>Invested unrestricted equity fund</b>	<b>30 119 282</b>	<b>8 878 609</b>	<b>30 119 282</b>	<b>8 878 609</b>
Increase	2 491 071	21 240 673	2 491 071	21 240 673
	<b><u>32 610 353</u></b>	<b><u>30 119 282</u></b>	<b><u>32 610 353</u></b>	<b><u>30 119 282</u></b>
Retained earnings at the start of the period	-2 497 073	-1 523 482	-1 207 961	-252 018
Distribution of dividends	-459 978	-123 884	-459 978	-123 884
Repurchase of own shares	-1 517 800	-19 856	-1 517 800	-19 856
Adjustments for the previous financial year	-411 386	0	0	0
Translation differences and changes in the Group structure	-9 637	3 556	0	0
<b>Retained earnings at the end of the period</b>	<b><u>-4 895 874</u></b>	<b><u>-1 663 666</u></b>	<b><u>-3 185 739</u></b>	<b><u>-395 758</u></b>
<b>Profit/loss for the financial period</b>	<b>-6 758 572</b>	<b>-833 408</b>	<b>4 876 580</b>	<b>-812 203</b>
<b>Subordinated loan</b>	<b>14 145 180</b>	<b>14 145 180</b>	<b>14 145 180</b>	<b>14 145 180</b>
<b>Total shareholders' equity</b>	<b>35 103 587</b>	<b>41 769 889</b>	<b>48 448 875</b>	<b>43 059 001</b>
<b>15.2 Calculation of distributable assets</b>				
Invested unrestricted equity fund			32 610 353	30 119 282
Retained earnings			-3 185 739	-395 758
Profit/loss for the financial period			4 876 580	-812 203
<b>Total retained earnings</b>			<b>34 301 195</b>	<b>28 911 321</b>



Subordinated loans granted to the Group total EUR 14,145,180.00.

The loan fulfils the conditions set for a subordinated loan in Chapter 12 of the Companies Act. Principal terms of the loan:

- the loan has no due date.
- payment of principal or interest on the loan is subordinated to other debt if the borrower is dissolved or enters bankruptcy.
- the loan principal can otherwise be repaid only insofar as the company's unrestricted equity and total subordinated loans exceed, at the time of payment, the amount of the confirmed loss in the balance sheet for the last financial period or in newer financial statements.
- Interest can only be paid as permitted by unrestricted equity.
- the lender or its subsidiary has not granted and will not grant collateral for the payment of the loan or interest.
- the lender has a superior right to the company's funds than creditors of any subordinated loans the borrower may have taken out at a later date. The borrower undertakes to ensure that creditors of later subordinated loans sign an agreement concerning the aforementioned loans for the lender to which this commitment pertains.
- the interest unrecognised as expenses on the subordinated loans is EUR 0.
- capital loans are recognised as a separate item in the balance sheet.

16. MANDATORY PROVISIONS	Group 31 Dec. 2018	Group 31 Dec. 2017	Parent company 31 Dec. 2018	Parent company 31 Dec. 2017
Mandatory provision 1 Jan.	0	0	0	0
Change	3 211 053	0	0	0
<b>Mandatory provision 31 Dec.</b>	<b>3 211 053</b>	<b>0</b>	<b>0</b>	<b>0</b>

The mandatory provision is related to a Group subsidiary's project, which progress is uncertain.

## 17. LIABILITIES

### 17.1 Non-current liabilities

Loans from financial institutions	41 608 002	33 594 311	0	0
Other non-current liabilities	21 986	22 351	0	0
	<b>41 629 988</b>	<b>33 616 662</b>	<b>0</b>	<b>0</b>

The Group has no bank loans maturing after a period longer than five years.

On December 31 2018, the Group has an unused bank overdraft facility of EUR 5,000,000.

### 17.2 Current liabilities

Loans from financial institutions	7 916 666	3 325 100	0	0
Advances received	2 656 108	1 665 453	0	0
Trade payables	3 389 620	3 009 988	0	0
Liabilities to Group companies				
Trade payables	0	0	0	0
Accrued expenses and deferred income	0	0	0	0
Total	0	0	0	0
Liabilities to associated companies				
Trade payables	0	134 920	0	0
Other liabilities	7 144 880	5 936 850	13 641	0
Accrued expenses and deferred income				
Holiday pay accrual	10 093 669	7 712 360	0	0
Pension accrual	1 770 369	910 590	0	0
Accrual for accident, unemployment and group life insurance	158 764	279 202	0	0
Unpaid taxes	1 028 923	323 218	953 090	0
Social security contributions	16 229	45 615	0	0
Other accruals for personnel-related expenses	2 826 710	2 451 948	0	0
Advance billing	1 606 182	1 739 345	0	0
Interest payable	1 584 838	676 318	1 509 364	648 866
Other accrued expenses and deferred income	2 697 631	2 217 882	0	0
<b>Total</b>	<b>21 783 315</b>	<b>16 356 477</b>	<b>2 462 454</b>	<b>648 866</b>
<b>Total current liabilities</b>	<b>42 890 590</b>	<b>30 428 788</b>	<b>2 476 095</b>	<b>648 866</b>

**18. CONTINGENT LIABILITIES**

	<b>Group</b>	<b>Group</b>	<b>Parent company</b>	<b>Parent company</b>
<b>18.1 Outstanding amounts on leasing agreements</b>	<b>31 Dec. 2018</b>	<b>31 Dec. 2017</b>	<b>31 Dec. 2018</b>	<b>31 Dec. 2017</b>
Payable in the next financial period	1 064 502	1 348 821		0
Payable later	1 423 917	1 361 019		0
Total	<u>2 488 420</u>	<u>2 709 840</u>	0	0

The company has an obligation to redeem the remaining 5.4% of the shares in Sito Norge AS.

**18.3 Other contingent liabilities**

Rental liabilities	<b>40 659 323</b>	<b>15 933 598</b>	<b>0</b>	<b>0</b>
Contractual and other guarantees	<b>2 030 609</b>	<b>2 453 578</b>	<b>0</b>	<b>0</b>

**SITOWISE HOLDING I OY**  
**Business ID 2767842-8**

***Board of Directors' proposal concerning the use of profits***

The parent company has distributable funds amounting to 34,301,194.65 euros, of which the profit for the financial period is 4,876,579.83 euros.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 633,164.33 be paid on P1 shares for the financial period that ended on 31 December 2018.

***Signatures of the financial statements and the Board of Directors' report***

Espoo, 28 March 2019

Pekka Eloholma  
Chair of the Board, CEO

Janne Näränen

Elina Piispanen

Tomi Terho

Rauli Ylimäki

***Auditor's note***

A statement has been issued today on the audit performed.

Helsinki, 28 March 2019

KPMG Oy  
Audit firm

Turo Koila  
Authorised Public Accountant

**SITOWISE HOLDING I OY**  
**Business ID 2767842-8**

**List of accounting documents and materials**

Journal	in electronic form
General ledger	in electronic form
Sales ledger	in electronic form
Accounts payable ledger	in electronic form
Payroll accounting	in electronic form
Financial statements	in electronic form
Balance sheet specifications	in electronic form

Vouchers:

General ledger documents (memo vouchers)  
bank statement documents  
purchase invoices  
purchase invoice payments  
sales invoices  
sales invoice payments

Accounting has been handled electronically with Tikon accounting software.



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*This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.*

# Auditor's Report

To the Annual General Meeting of Sitowise Holding I Oy

## **Report on the Audit of the Financial Statements**

### **Opinion**

We have audited the financial statements of Sitowise Holding I Oy (business identity code 2767842-8) for the year ended 31 December, 2018. The financial statements comprise the balance sheets, the income statements, cash flow statements and notes for the group as well as for the parent company.

In our opinion, the financial statements give a true and fair view of the group's and the company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

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

### **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 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 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 the 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 company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Other Reporting Requirements**

#### **Other Information**

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors. 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 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. 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 and 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, we conclude that there is a material misstatement of the report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 28 March 2019

KPMG OY AB

TURO KOILA  
*Authorised Public Accountant, KHT*