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Financial statements 2011

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Registered office: Helsinki
Business ID: 0486406-8
PricewaterhouseCoopers Oy

Contents

Annual review

For fiscal year 1 July 2010 –
30 June 2011

Performance, financial results and financial position

The turnover of PricewaterhouseCoopers Oy exceeded that of the previous year in the fiscal year 1 July 2010 – 30 June 2011. The profitability of the company remained at the previous year's level but the budgeted turnover and profit targets were not achieved in all respects.

The turnover of the company in the fiscal year amounted to EUR 91.4 million, a rise of 5.1% from the previous year. The operating profit was EUR 2.5 million (2.6), 2.7% of turnover (3.0). The equity ratio was 31.9% (31.7) and return on equity 13.0% (13.7). The financial position of the company remained firm during the entire fiscal year, and it does not have interest-bearing liabilities.

Audit and Assurance Services constitute the largest business area of the company, and in the past fiscal year they fell slightly short of the turnover and profit targets. The company's number one position as the auditor of listed Finnish companies on the Helsinki Stock Exchange (NASDAQ OMX Helsinki) was reinforced during the fiscal year (share 36.6%; previous year 35.0%). The demand for consulting and deals grew, and the turnover and profit targets of the previous fiscal year in that business area were exceeded. The turnover of Tax Services increased from the previous fiscal year but the services failed to satisfy the profit targets. The turnover and profit from the unit focusing on Private Company Services also improved from the previous year.

Company structure

Company structure

Owned by its employees, PricewaterhouseCoopers Oy is a Finnish company with the status of an APA community.

The company does not have subsidiaries but it has an affiliate, PwC Julkistarkastus Oy, a community of Chartered Public Finance Auditors.

In addition to Helsinki, PricewaterhouseCoopers Oy operates in 19 locations in Finland: Hyvinkää, Hämeenlinna, Iisalmi, Jyväskylä, Kouvola, Kuopio, Lappeenranta, Maarianhamina, Mikkeli, Oulu, Pori, Raahe, Rovaniemi, Savonlinna, Seinäjoki, Tampere, Turku, Vaasa and Varkaus.

Changes in company structure

No changes took place in the company structure during the fiscal year 1 July 2010 – 30 June 2011.

Personnel

At the end of the fiscal year, the number of employees totalled 739 (728). Of these, 666 (658) were effective personnel and 73 (70) were absent. Part-time employees amounted to 9.3% (8.2) of the number of personnel. The average number of personnel in the fiscal year amounted to 734 (723) and the average age was 38.7 (38.2) at the end of the fiscal year. The average time of employment was 7.8 (7.5) years. Of the company's personnel, 54.3% (52.3) were women and 45.7% (47.7) were men.

Of the personnel, 601 (594) worked in Helsinki and 138 (134) in other locations. At the end of the fiscal year, 59.3% (61.3) of the personnel worked in Audit and Assurance Services, 19.1% (17.2) in Tax Services, 13.1% (12.9) in Consulting and Deals and 8.5% (8.6) in Support Services.

Salaries and incentives

Salaries and remunerations totalled EUR 49.6 million (47.7) in the fiscal year. The company has an incentive system in place in order to support and direct the working of the personnel in accordance with the strategy and to ensure a competitive reward system. The system covers the entire permanent personnel. Each year, the company management decides on the amount of bonuses to be paid, based on the achievement of targets by each business area and individual employee.

Job satisfaction

The company monitors working atmosphere by conducting an annual survey of the attitudes, values and satisfaction of the personnel. The survey also measures employees' satisfaction with their own work, the activities of the immediate supervisor and unit, and the operations of the entire company and the practical implementation of the company values. The response rate to the survey conducted in April 2011 was 66%. According to the results of the survey, there were both strengths and areas of improvement in the working atmosphere. The areas which had improved the most included awareness of the company's strategy, co-operation, balancing work and free-time, receiving feedback, corporate responsibility issues and internal training. The aspects which were in need of improvement included salary and incentives.

Occupational health and safety

The purpose of occupational health care is to ensure a healthy and safe working environment and to promote employees' health and working capacity. The main focus is on preventive health care. During the fiscal year, activities to promote employee well-being and health were planned in cooperation with the occupational health care services and the employment pension companies. For example, an occupational health care fair focusing on physical exercise and health analysis was organised. During the fiscal year, the personnel also have the opportunity to use the services of a personal trainer. Training in job satisfaction management for supervisors was also begun. Free-time sports activities were promoted by offering sports and cultural vouchers and by organising various sports events.

The average absence rate was 2.4% (2.7%) during the fiscal year. There were no serious occupational accidents during the fiscal year.

Competence development

During the past fiscal year, special attention was paid to client relationship management and client service training, and training for the improvement of managerial and supervisory skills. In the development of the professional competence of the personnel, attention was paid to the needs detected in client work and supporting business goals and competitiveness. Training at PwC is diverse and continuous. It is based on goals derived from the strategy and the needs detected in client work. The training provision of the global PwC network combined with training tailored to PwC Finland's own local needs offers opportunities for both in-depth specialisation and the comprehensive accumulation of skills.

During the fiscal year, the Performance Coaching & Development method was continued as before; it offers each employee at PwC the opportunity of an internal trainer who offers career planning and competence development advice. Performance Coaching & Development is part of PwC's leadership model, one purpose of which is to support the development and professional performance of the whole PwC personnel. In management training, a training programme based on deep leadership was launched.

During the fiscal year, each employee attended 8.2 (6.7) days of training on average.

Investments

The company's investments in tangible and intangible assets amounted to EUR 2.6 (1.8) million in the fiscal year. The majority of investments consisted of company cars, furniture and procurements for the new training centre. The proceeds in the fiscal year totalled EUR 0.5 (0.4) million.

Board, CEO and auditor

The Board of PricewaterhouseCoopers Oy has seven members. The Annual General Meeting of 23 November 2010 elected Kim Karhu, Heikki Lassila, Pekka Loikkanen, Merja Lindh, Janne Rajalahti, Juha Wahlroos and Kai Wist as members of the Board. The Annual General Meeting elected Kim Karhu, APA, as the chairman. Kim Karhu resigned from the Board and the post of chairman upon his appointment as CEO on 1 June 2011. An Extraordinary General Meeting on 24 May 2011 elected Eero Suomela, APA, in his place as a member and the Chairman of the Board.

Jan Holmberg, APA, continued as CEO of the company until 31 May 2011, following which Kim Karhu, APA, assumed the duties of CEO. The company's auditor is Tilintarkastusotava Oy, a firm of Authorised Public Accountants, with Matti Hartikainen, APA, as the principal auditor.

Shareholders and changes in share capital

The total number of the company's shares was 39,465 on 30 June 2011. The company held 5,237 shares, representing 13.3% of the total number of shares. The total number of shares is composed of one share type, and a redemption and consent clause has been included in the Articles of Association.

The Annual General Meeting of 12 November 2008 authorised the Board until further notice to decide on an issue of at most 10,000 shares. Under the authorisation, a total of 5,238 shares have been issued, of which 1,200 during the past fiscal year.

The Annual General Meeting of 23 November 2010 provided the Board with a new authorisation, effective until further notice, to decide on a directed issue of at most 10,000 shares. Under this authorisation, a total of 1,500 shares have been issued by 30 June 2011.

The company's share capital was raised twice during the fiscal year. In the first share issue, the share capital was increased by issuing 1,200 shares and by directing the new issue to the new partners appointed on 1 July 2010. The share price was the current price approved by the Annual General Meeting on 26 November 2009, EUR 351 per share. The directed new issue represented 3.2% of the share capital and the total aggregate voting rights.

The company's share capital was raised a second time at the beginning of 2011 by issuing 1,500 new shares and by directing the new share issues to partners who wished to increase their holdings to match their category. The share price was the current price approved by the Annual General Meeting on 23 November 2010, EUR 364 per share. The directed new issue represented 3.8% of the share capital and the total aggregate voting rights.

On 23 November 2010, the Annual General Meeting authorised the Board to decide on obtaining at most 10,000 shares through a directed issue. The authorisation is effective until the next Annual General Meeting, which will be held no later than on 31 December 2011, and concerns the shares of the shareholders who resign from the company while the authorisation is still valid, or transfer from Equity Partner category, or whose ownership of shares exceeds the maximum ownership under the mapping classification confirmed each year. On the basis of this authorisation, the Board of the company decided, on 30 November 2010, to acquire a total of 1,982 shares for the company at the current price approved by the Annual General Meeting of 23 November 2010, EUR 364 per share. The acquired shares represented 5.2% of the share capital and the total aggregate voting rights.

Loans to related parties
In connection with the directed issues in the fiscal year, the company has granted loans to five partners, totalling EUR 422,320, for the acquisition of their own shares. The loan periods are 10 years. The loans are repaid in equal instalments, with payments at least once a year, and the interest rate is the 12-month Euribor + 1.5 % p.a. The debtors have pledged the received shares as collateral. An extra instalment of EUR 30,000 has been paid in the fiscal year in repayment of the loans.

In addition, the amount of loans granted previously by the company for the acquisition of own shares totals EUR 629,504.34. This sum is composed of a total of 13 loans granted to 10 partners, with loan periods of three years (one loan), five years (three loans) and 10 years (nine loans). The loans are repaid in equal instalments, with payments at least once a year, and the interest rate is the 12-month Euribor + 1.5 % p.a. The debtors have pledged the received shares as collateral for the loans.

Risks and risk management
The company's main business risks are typical to the industry and associated with increasing regulation, the availability of professionally competent personnel and intensifying competition. The Board estimates business risks annually in connection with the drafting of business plans and strategy and supervises compliance with the company risk management policy. The company has prepared for hazard risks through an insurance programme.

By 30 September 2011, the company will publish a Transparency report, which contains a description of the company's risk management and quality assurance system.

Events following the fiscal year
No events have occurred after the end of the fiscal year which would have had a material effect on the company's performance.

Future outlook
In the present fiscal year, the general economic conditions are unstable, which makes it difficult to make accurate estimates. The company expects to obtain the previous year's level in turnover and results.

Distribution of profits
According to the Financial Statements, the company's assets subject to profit distribution on 30 June 2011 amount to EUR 10,824,837.23, of which the profit for the fiscal year amounts to EUR 1,780,102.31.

No material changes have occurred in the company's financial position following the end of the fiscal year, and the solvency testing based on Section 13(2) of the Limited Liability Companies Act has no effect on the amount of assets subject to profit distribution. The Board proposes to the Annual General Meeting that the distributable assets be used as follows:

EUR 40/share to be paid as dividend, i.e. 34,228 x EUR 40, total	1,369,120.00
retained earnings	9,455,717.23
	10,824,837.23

Income statement

	1.7.2010 - 30.6.2011	%	1.7.2009 - 30.6.2010	%	Change in percentage
Net sales	**91,408,694.50**	100.0	**87,007,317.07**	100.0	5.1
Other operating income	189,277.78	0.2	116,092.67	0.1	63.0
Materials and services					
External services	7,937,431.94	8.7	7,843,046.06	9.0	1.2
Personnel expenses					
Salaries and remunerations	49,574,872.09	54.2	47,702,523.53	54.8	3.9
Other personnel expenses	11,600,569.65	12.7	10,775,029.22	12.4	7.7
	61,175,441.74	66.9	58,477,552.75	67.2	4.6
Depreciation and amortisation	1,151,424.32	1.3	974,969.41	1.1	18.1
Other operating expenses	18,858,296.01	20.6	17,207,675.71	19.8	9.6
Operating profit	**2,475,378.27**	2.7	**2,620,165.81**	3.0	-5.5
Financial income and expense	121,121.09	0.1	53,387.11	0.1	126.9
Profit before appropriations and taxes	**2,596,499.36**	2.8	**2,673,552.92**	3.1	-2.9
Appropriations	-189,501.86	0.2	-107,711.78	0.1	75.9
Income taxes	-626,895.19	0.7	-765,577.07	0.9	-18.1
Profit for the fiscal year	**1,780,102.31**	1.9	**1,800,264.07**	2.1	-1.1

Balance sheet

	30.6.2011	%	30.6.2010	%
Assets				
Non-current assets				
Intangible assets	347,149.92	%	104,437.49	%
Tangible assets	3,959,900.92		3,112,875.12	
Investments	180,152.59		185,079.28	
	4,487,203.43	10.2	3,402,391.89	8.1
Current assets				
Non-current receivables	884,120.00		629,504.34	
Current receivables	28,702,508.99		24,738,607.54	
Financial securities	5,500,000.00		8,500,000.00	
Cash in hand and at bank	4,335,431.40		4,852,777.69	
	39,422,060.39	89.8	38,720,889.57	91.9
	43,909,263.82	100.0	**42,123,281.46**	100.0
Liabilities				
Shareholders' equity				
Share capital	915,260.00		915,260.00	
Share issue premium	2,270,353.71		2,270,353.71	
Invested non-restricted equity fund	3,251,638.00		2,284,438.00	
Retained earnings	5,793,096.92		6,066,224.02	
Profit for the fiscal year	1,780,102.31		1,800,264.07	
	14,010,450.94	31.9	13,336,539.80	31.7
Accumulated appropriations	450,315.81	1.0	260,813.95	0.6
Liabilities				
Non-current liabilities	155,155.00		161,103.00	
Current liabilities	29,293,342.07		28,364,824.71	
	29,448,497.07	67.1	28,525,927.71	67.7
	43,909,263.82	100.0	**42,123,281.46**	100.0

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