Annual report and financial statements 2019

pwc

Registered office in Helsinki
Business ID 0486406-8
PricewaterhouseCoopers Oy

Contents

Annual report

Operations during the financial period

Owned by its employees, PricewaterhouseCoopers Oy (PwC Finland) is a Finnish company designated officially as an auditor of the public accounts community. PwC Finland's services range from consulting, deals, tax consulting and legal services to auditing and other assurance services. We have operations throughout Finland. We are part of the global PwC network, through which our experts, numbering more than 276,000, serve clients in 157 countries.

Financial position, financial results and investments

The positive trend in PwC Finland's financial position continued throughout the last financial period. Compared to the previous period, the company's revenue increased by almost 9% to EUR 163.8 million.

Both revenue and profitability increased in all business areas. The revenue of Auditing and other assurance services, our largest business area, increased by 3%. The revenue of tax consulting and legal services grew by 8% and that of consulting and deals by as much as 25% from the previous year.

During the financial period, the average number of employees increased by 11% to 1,227 employees. Correspondingly, staff costs inclusive of performance bonuses increased by 10% to EUR 101.2 million.

Operating profit for the past financial period was EUR 15.8 (15.5) million, comprising 9.6% (10.3) of the turnover. Equity ratio was 28.5% (35.4) and return on equity was 71.7% (64.8). Our financial position remained solid throughout the financial period. PwC Finland has no interest-bearing liabilities.

Investments in tangible and intangible assets during the financial period amounted to EUR 1.5 (1.3) million. Investments focused primarily on furniture and equipment.

The key figures for the 2017 financial period concern the entire PwC Finland group. In the 2018 and 2019 financial periods, the company no longer formed a group.

Company structure and changes thereto

The company sold its shares in its affiliate PwC Julkistarkastus Oy on 31 May 2019, and the company no longer has subsidiaries or affiliates. No other changes took place in the company structure.

Staff and competence development

As a professional services firm, the competence, motivation and wellbeing of the staff are key success factors of our company. The last financial period was the third in our four-year strategy period. One of our strategic goals is to be the best employer for our experts. In accordance with our strategy, we focus on developing our employees' professional skills by training supervisors and developing wellbeing at work.

During the last financial period, we participated in the Great Place to Work survey for the third time and achieved fifth place in the category for large employers in recognition of our comprehensive focus on wellbeing at work.

We also map employee satisfaction through monthly surveys and annual global employee surveys conducted within the entire PwC Network. During the last financial period, the People Engagement Index, according to the network's metrics, was 77% (73%).

All permanent employees are covered by the remuneration scheme tied to company-specific and individual objectives. The company's management decides on the amount and payment criteria of the annually distributed bonus.

Compared to the previous year, the total number of staff at PwC Finland increased by

Key indicators	2019	2018	2017
Revenue	**163,813,362**	150,699,063	135,234,977
Operating profit	**15,829,481**	15,473,432	12,119,817
Equity ratio	**28.5%**	35.4%	36.8%
Return on equity	**71.7%**	64.8%	54.1%

Staff	2019	2018	2017
Number of staff at the end of the financial year	**1,196**	1,119	994
Average no. of staff over financial year	**1,227**	1,108	990
Average age at the end of financial year	**35.2**	35.1	36.1
Average term of employment in years	**5.7**	6.0	6.5
Share of men of all employees	**46.0%**	45.0%	45.3%
Share of women of all employees	**54.0%**	55.0%	54.7%

6.9%, totalling 1,196 (1,119) at the end of the financial period. The average number of staff over the financial period was 1,227 (1,108), of whom 9.6% (9.6) worked part-time. At the end of the financial period, the average age of the company's staff was 35.2 (35.1) years. The average length of employment was 5.7 (6.0) years. Of the staff, 54% (55) were women and 46% (45) were men.

At the end of the financial period, 53.4% (57.9) of the staff worked in auditing and assurance services, 18.8% (18.6) in tax counselling and legal services, 19.1% (16.2) in consulting and deals, and 8.7% (8.2) in support functions and internal services.

The key figures for the 2017 financial period concern the entire PwC Finland group. In the 2018 and 2019 financial periods, the company no longer formed a group.

Company governance

According to the Articles of Association, the AGM elects the Board of Directors annually. The Board must consist of no fewer than five and no more than nine ordinary members. Until 22 October 2018, the Board of Directors consisted of Ylva Eriksson, Markku Katajisto, Jaakko Kilpeläinen, Pekka Loikkanen (chairman), Timo Takalo and Martti Virolainen.

At the AGM on 22 October 2018, Ylva Eriksson, Markku Katajisto, Jaakko Kilpeläinen, Pekka Loikkanen, Timo Takalo, Kimmo Vilske and Martti Virolainen were elected to the Board of Directors. The AGM elected Pekka Loikkanen, APA, the chairman of the Board of Directors.

Audit firm Revico Grant Thornton Oy acted as the auditor throughout the financial period, with Joakim Rehn, APA acting as the main auditor.

Mikko Nieminen, APA, continued as the company's CEO.

Shareholders and changes in share capital

On 30 June 2019, the company had a total of 36,851 shares. The total number of shares is composed of three share types, and a redemption and consent clause has been included in the articles of association.

On 22 October 2018, the AGM authorised the Board to, at its own discretion, issue up to 10,000 A shares through directed issues. By 30 June 2019, a total of 2,800 A shares had been issued under this authorisation.

There was a single A share issue in the financial period. The number of A shares was increased by issuing 2,800 shares, which were directed as a new issue to new partner and partners who wished to increase their holdings to match their mapping category. The price of the A shares was the current price approved by the annual general meeting on 22 October 2018, EUR 145 per share.

On 22 October 2018, the AGM authorised the Board of Directors to acquire, at their own discretion, up to 10,000 A shares of company stock other than in proportion to the holdings of the shareholders. The authorisation will remain in effect until the next Annual General Meeting, which will be held no later than on 31 December 2019, and concerns the shares of the shareholders who resign from the company while the authorisation is still valid, or transfer from the Equity Partner category, or whose ownership of shares exceeds the maximum ownership under the annually confirmed mapping classification. On the basis of this authorisation, a total of 1,400 A shares were acquired during the financial period. All shares held by the company were annulled by 30 June 2019.

Risk management

The company's most significant risks are typical of the company's line of business and associated with the availability of professional workforce and regulation-driven changes in markets. The Board estimates business risks annually and supervises compliance with the company's risk management policy. The company has prepared for hazard risks through an insurance programme.

By 31 October 2019, the company will publish a transparency report which will feature a description of the company's risk management and quality assurance system.

Outlook for the current financial period

The company's business has grown in all service areas, and the total revenue is expected to continue its growth during the new financial period.

Trends in the Finnish economy and particularly changes in business deal markets have a huge impact on the demand for our expert services. We face greater challenges in our own operations and those of our clients, posed by regulations and changing legislation, which require continuous development of our services, practices and staff.

Over the last year of our four-year strategy term, we will acquire and develop new resources in order to meet our clients' digitalisation and technology consultation needs and the increasing demand for risk management services particularly in the financial sector, but also in other sectors.

Distribution of profits

According to its financial statements, the company's distributable assets on 30 June 2019 amounted to EUR 16,982,277.03, of which the profit for the period comprises EUR 14,958,292.67.

No material changes have occurred in the company's financial position following the end of the financial period, 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:

Distribution of profits	
EUR 170/share distributed as dividends, a total of 36,400 × EUR 170	6,188,000.00
Amount distributed as input-based dividends	8,826,772.12
Earnings retained	1,967,504.91
Total distributable assets	**16,982,277.03**

Income statement

	1.7.2018–30.6.2019	%	1.7.2017–30.6.2018	%	Change (%)
Revenue	**163,813,362.01**	**100.0**	**150,699,063.33**	**100.0**	**8.7**
Other operating income	424,483.99	0.3	286,312.68	0.2	48.3
Materials and services					
External services	15,529,799.44	9.5	15,097,667.14	10.0	2.9
Staff expenses					
Salaries and remunerations	83,465,190.01	51.0	74,777,712.69	49.6	11.6
Other staff expenses	17,717,371.45	10.8	16,996,198.51	11.3	4.2
	101,182,561.46	61.8	91,773,911.20	60.9	10.3
Depreciation and amortisation	1,312,362.17	0.8	1,283,415.89	0.9	2.3
Other operating expenses	30,383,641.84	18.5	27,356,949.30	18.2	11.1
Operating profit	**15,829,481.09**	**9.7**	**15,473,432.48**	**10.3**	**2.3**
Financial income and expenses	252,381.54	0.2	187,611.25	0.1	34.5
Profit before appropriations and taxes	**16,081,862.63**	**9.8**	**15,661,043.73**	**10.4**	**2.7**
Appropriations	-41,560.05	0.0	-116,418.26	-0.1	-64.3
Income taxes	-1,082,009.91	0.7	-1,151,181.58	-0.8	-6.0
Profit for financial period	**14,958,292.67**	**9.1**	**14,393,443.89**	**9.6**	**3.9**

Balance sheet

	30.6.2019	%	30.6.2018	%
Assets				
Non-current assets				
Intangible assets	345,848.48	%	873,252.60	%
Tangible assets	3,271,883.20		2,627,596.54	
Investments	149,482.41		152,358.32	
	3,767,214.09	6.0	3,653,207.46	5.4
Current assets				
Non-current receivables	934,466.62		948,770.22	
Current receivables	51,765,839.95		56,115,947.02	
Cash in hand and at bank	6,347,019.96		6,678,423.03	
	59,047,326.53	94.0	63,743,140.27	94.6
	62,814,540.62	**100.0**	**67,396,347.73**	**100.0**
Liabilities				
Shareholders' equity				
Share capital	915,260.00		915,260.00	
Share issue premium	0.00		0.00	
Invested non-restricted				
Equity fund	1,025,080.71		6,667,040.71	
Retained earnings	998,903.65		1,863,100.76	
Profit for financial period	14,958,292.67		14,393,443.89	
	17,897,537.03	28.5	23,838,845.36	35.4
Accumulated appropriations	768,329.13	1.2	726,769.08	1.1
Liabilities				
Non-current liabilities	33,706.00		35,608.00	
Current liabilities	44,114,968.46		42,795,125.29	
	44,148,674.46	70.3	42,830,733.29	63.6
	62,814,540.62	**100.0**	**67,396,347.73**	**100.0**

Cash flow statement

	1.7.2018–30.6.2019	1.7.2017–30.6.2018
Cash flow from operating activities		
Profit before extraordinary items	16,082	15,661
Adjustments		
(Net) profit/loss from non-current assets	-337	-156
Depreciation and amortisation according to plan	1,312	1,283
Financial income and expenses	-252	-188
Cash flow before change in working capital	16,805	16,601
Change in working capital		
Increase (-)/decrease (+) in short-term zero-interest debtors	4,364	-10,396
Increase (-)/decrease (+) in short-term zero-interest creditors	1,992	5,788
Cash flow from operating activities before financial items and taxes	23,161	11,994
Interest paid and other financial expenses due to operations	-71	-108
Dividends received from operations	86	43
Interest received from operations	237	253
Direct taxes paid	-1,754	-82
Cash flow from operating activities (A)	**21,660**	**12,100**
Cash flow from investing activities		
Investments in tangible and intangible assets	-1,508	-1,356
Investments in financial assets	0	-3
Gains from divestments of tangible and intangible assets	416	294
Gains from divestment of financial assets	3	4
Cash flow from investing activities (B)	**-1,089**	**-1,060**
Cash flow from financing activities		
Rights issue	406	384
Acquisition of company's own shares	-1,015	-390
Return of capital from invested unrestricted equity	-6,048	0
Increase (-)/decrease (+) in loan receivables	0	-846
Increase (-)/decrease (+) in non-current loans	-2	-31
Dividends paid	-14,243	-11,123
Cash flow from financing activities (C)	**-20,902**	**-12,007**
Change in liquid assets (A+B+C) increase (+)/decrease (-)	**-331**	**-967**
Liquid assets at the start of the financial period	6,347	6,678
Liquid assets at the end of the financial period	-6,678	-7,645
Change in liquid assets	**-331**	**-967**

Notes on the financial statements of 30 June 2019

Accounting principles

Presentation of revenue and external services

According to Decision 2007/1799 of the Finnish Accounting Board, revenue is presented by recognising subcontracting of global assignments in revenue, i.e., it includes all subcontracts for which PwC Finland bears full financial responsibility. However, revenue does not include international statutory audits performed by the local PwC firm. Corresponding charges paid to foreign PwC firms for the above-mentioned subcontracted tasks are recorded as external services.

The tasks subcontracted to foreign

PwC offices incorporated in the net sales amounted to EUR 15,363,712 (EUR 14,929,433 in the previous financial period).

Valuation of fixed assets Fixed assets are valued on the basis of their current acquisition cost less accumulated depreciation according to plan.

The amount of depreciation according to plan is calculated according to the depreciation plan prepared in advance as straight-line depreciation method from the initial acquisition cost of fixed assets. Depreciation periods based on estimated useful lives are presented in the notes on the income statement.

Lease charges

Lease charges are presented in the income statement as rent payments, except for PC equipment lease charges, which are recorded as IT expenditure incorporated in other operating expenses.

Receivables and liabilities denominated in foreign currency

Receivables and liabilities denominated in foreign currency are valued on the basis of the average exchange rate on the balance sheet date.

Appropriations

Appropriations include the depreciation difference and voluntary reserves, which are presented on the balance sheet as accumulated appropriations.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are presented in the notes on the financial statements in connection with income taxes.

Notes on the income statement	2019	2018
1. Revenue per business area		
Auditing and other assurance services	87,488,482.73	85,329,149.23
Tax consulting and legal services	34,599,103.67	32,042,929.16
Consulting and Deals	41,725,775.61	33,326,984.94
Total	163,813,362.01	150,699,063.33
2. Other operating income		
Capital gains from fixed assets	77,959.24	159,385.27
Capital gains on the sale of shares	265,381.75	0.00
Other operating income	81,143.00	126,927.41
Total	424,483.99	286,312.68
3. Staff expenses		
Salaries and remunerations	83,465,190.01	74,777,712.69
Pension expenses	15,060,867.24	14,249,957.02
Other staff expenses	2,656,504.21	2,746,241.49
Total	101,182,561.46	91,773,911.20

Notes on staff and members of PwC’s bodies are presented later in Section 17.

4. Depreciation and amortisation		
Depreciation according to plan	1,312,362.17	1,283,415.89
Total	1,312,362.17	1,283,415.89

The balance sheet itemisation of changes in depreciation and depreciation difference is included in the itemisation of non-current assets and appropriations in the notes on the balance sheet.

Depreciation according to plan is based on the original acquisition costs of fixed assets and the estimated useful life. Depreciation periods according to plan are as follows:

	Years	Years
Cars, incl. accessories	5	5
IT equipment and hardware	2–3	2–3
Other machinery and equipment	8	8
IT software	4	4
Renovation expenses of rented apartments	5–7	5–7

Notes on the income statement	2019	2018
5. Financial income and expenses		
Dividends received from other investments held as non-current assets		
From affiliates	85,500.00	42,750.00
Dividends received from other investments held as non-current assets	**85,500.00**	**42,750.00**
Other interest income and financial income	**237,513.02**	**253,281.32**
Interest and other financial expenses	**70,631.48**	**108,420.07**
Financial income and expenses in total	**252,381.54**	**187,611.25**
6. Appropriations		
Depreciation difference increase (-)/decrease (+)	-41,560.05	-116,418.26
Total	-41,560.05	-116,418.26
7. Income taxes		
Income taxes from ordinary activities in the financial period (+/-)	1,082,109.91	1,376,893.71
Income taxes from ordinary activities in previous financial periods	-100.00	-225,712.13
Taxes based on PwC's taxable income	1,082,009.91	1,151,181.58
Deferred tax liability	153,665.83	145,353.82

Notes to balance sheet assets	2019	2018
8. Intangible and tangible assets		
Intangible asset		
Intangible rights		
Acquisition cost 1.7.	1,954,861.48	2,315,511.69
Increases 1.7.–30.6.	0.00	105,283.50
Decreases 1.7.–30.6.	0.00	-465,933.71
Acquisition cost 30.6.	1,954,861.48	1,954,861.48
Accumulated amortisation 1.7.	1,446,876.77	1,587,493.47
Accumulated amortisation of decreases	0.00	-465,213.84
Amortisation in the financial period	295,815.03	324,597.14
Accumulated amortisation 30.6.	1,742,691.80	1,446,876.77
Book value 30.6.	212,169.68	507,984.71
Other costs to be spread		
Acquisition cost 1.7.	2,052,269.24	2,052,269.24
Increases 1.7.–30.6.	110,062.58	0.00
Acquisition cost 30.6.	2,162,331.82	2,052,269.24
Accumulated amortisation 1.7.	1,723,558.35	1,428,933.63
Amortisation in the financial period	305,094.67	294,624.72
Accumulated amortisation 30.6.	2,028,653.02	1,723,558.35
Incomplete acquisitions 30.6.2018	0.00	36,557.00
Book value 30.6.	133,678.80	365,267.89
Decreases in the acquisition cost and accumulated amortisation of the decreases include costs to be spread written off by the beginning of the financial period.		
Intangible assets in total	**345,848.48**	**873,252.60**
Tangible assets		
Machinery and equipment		
Acquisition cost 1.7.	6,549,739.48	6,813,905.05
Increases 1.7.–30.6.	1,434,482.80	1,213,742.59
Decreases 1.7.–30.6.	-402,551.65	-1,477,908.16
Acquisition cost 30.6.	7,581,670.63	6,549,739.48
Accumulated depreciation 1.7.	3,922,142.94	4,597,933.10
Accumulated depreciation of decreases	-323,807.98	-1,339,985.04
Depreciation for the financial period	711,452.47	664,194.88
Accumulated depreciation 30.6.	4,309,787.43	3,922,142.94
Book value 30.6.	3,271,883.20	2,627,596.54
Tangible assets in total	**3,271,883.20**	**2,627,596.54**

Notes to balance sheet assets	2019	2018
9. Investments		
Participations in participating interests		
Acquisition cost 1.7.	2,875.91	2,875.91
Increases 1.7.–30.6.	0.00	0.00
Decreases (dividends for previous years) 1.7.–30.6.	-2,875.91	0.00
Acquisition cost 30.6.	0.00	2,875.91
Book value 30.6.	0.00	2,875.91
Participations in participating interests in total	**0.00**	**2,875.91**
Other shares and rights of ownership		
Acquisition cost 1.7.	149,482.41	150,805.12
Increases 1.7.–30.6.	0.00	2,881.99
Decreases 1.7.–30.6.	0.00	-4,204.70
Acquisition cost 30.6.	149,482.41	149,482.41
Book value 30.6.	149,482.41	149,482.41
Investments in total	**149,482.41**	**152,358.32**
10. Non-current receivables		
Loan receivables	846,444.44	846,444.44
Rental deposits	88,022.18	102,325.78
Total	934,466.62	948,770.22
11. Current receivables		
Trade receivables	**48,047,030.88**	**42,532,682.42**
Other receivables	**63,996.03**	**54,393.19**
Prepayments and accrued income	**3,654,813.04**	**13,528,871.41**
Current receivables in total	**51,765,839.95**	**56,115,947.02**
Material items included in the prepayments and accrued income		
Staff expenses	0.00	10,488,992.57
Other consequent payments	3,654,813.04	3,039,878.84
Prepayments and accrued income in total	**3,654,813.04**	**13,528,871.41**

Notes on the balance sheet liabilities	2019	2018
12. Shareholders' equity		
Share capital 1.7.	915,260.00	915,260.00
Share capital 30.6.	915,260.00	915,260.00
Share issue premium 1.7.	0.00	2,270,353.71
Transfer to invested unrestricted equity fund	0.00	-2,270,353.71
Share issue premium 30.6.	0.00	0.00
Invested non-restricted equity fund 1.7.	6,667,040.71	4,012,686.00
Transfer from share premium account	0.00	2,270,353.71
Return of capital from invested unrestricted equity	-6,048,000.00	0.00
Rights issue	406,040.00	384,001.00
Invested non-restricted equity fund 30.6.	1,025,080.71	6,667,040.71
Retained earnings 1.7.	16,256,544.65	13,376,707.76
Dividends paid	-14,242,617.00	-11,123,453.00
Acquisition of company's own shares	-1,015,024.00	-390,154.00
Retained earnings 30.6.	998,903.65	1,863,100.76
Profit for financial period	14,958,292.67	14,393,443.89
	15,957,196.32	16,256,544.65
Shareholders' equity in total	**17,897,537.03**	**23,838,845.36**
Distributable assets	**16,982,277.03**	**22,923,585.36**
13. Accumulated appropriations		
Depreciation difference		
Intangible rights	-15,608.62	86,041.93
Machinery and equipment	783,938.26	640,727.15
Total	768,329.64	726,769.08
14. Non-current liabilities		
Other non-current liabilities, pension liability	33,706.00	35,608.00
Total	33,706.00	35,608.00
15. Current liabilities		
Trade creditors	3,767,857.91	7,311,365.86
Other current liabilities	13,684,859.59	12,670,759.11
Accruals and deferred income	26,662,250.96	22,813,000.32
Current liabilities in total	**44,114,968.46**	**42,795,125.29**
Material items included in the prepayments and deferred income		
Staff expenses	25,591,868.47	21,002,291.12
Other consequent payments	1,070,382.49	1,810,709.20
Accruals and deferred income in total	**26,662,250.96**	**22,813,000.32**

Notes on the balance sheet liabilities	2019	2018
16. Audit fees		
Auditing	33,050.00	31,810.00
Certificates and opinions	0.00	0.00
Audit fees in total	33,050.00	31,810.00
17. Notes on staff and members of PwC bodies		
17 a. Average no. of staff	1227	1108
17 b. No. of staff by business area at the end of financial period		
Auditing and other assurance services	639	642
Tax consulting and legal services	225	206
Consulting and Deals	228	180
Support functions and internal services	104	91
Total	1196	1119
17 c. The salaries of the CEO and members of the Board of Directors subject to prepayment tax were	3,913,010.89	2,924,751.08
18. Collaterals and contingent liabilities		
Pledges and contingent liabilities		
Other collaterals:		
Pledges as collateral for rent	88,022.18	102,325.78
Total	88.022.18	102,325.78
Other liabilities		
Leasing liabilities:		
- Payments the following year	1,421,146.76	1,529,128.19
- Payments later	848,586.59	1,221,741.35
Total	2,269,733.35	2,750,869.54
	Agreement terms	Next financial period
	2019-2026	
Leasing liabilities from long-term, non-cancellable lease agreements	31,708,031.91	4,674,256.83
Client assets held	**453,164.85**	**477.73**

Signatures and auditor's note

Signatures for annual report and financial statements
Helsinki on 17 October 2019

Pekka Loikkanen
Chairman of the Board

Ylva Eriksson

Markku Katajisto

Jaakko Kilpeläinen

Timo Takalo

Martti Virolainen

Kimmo Vilske

Mikko Nieminen
CEO

Auditor's note
A report has been given today on the audit performed. Helsinki on 17 October 2019

Revico Grant Thornton Oy – Audit firm

Joakim Rehn
APA

Auditor’s report

For PricewaterhouseCoopers Oy’s Annual General Meeting

AUDIT OF FINANCIAL STATEMENTS

Conclusion

We have audited PricewaterhouseCoopers Oy’s (Business ID 0486406-8) financial statements for the financial period of 1 July 2018 to 30 June 2019. The financial statements include the balance, income statement and cash flow statement of the company, as well as additional notes.

In our conclusion, we state that the financial statements present a correct and sufficient picture of the company’s performance and financial position in accordance with the regulations concerning financial statements that are applicable in Finland and meet the statutory requirements.

Grounds for the conclusion

We have performed the audit in accordance with good auditing practice in Finland. Our obligations according to good auditing practice are described in more detail under The auditor’s obligations with regard to the audit of the financial statements. We are independent of the company in accordance with the ethical requirements that apply in Finland regarding our audit and we have fulfilled our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit’s conclusion.

Obligations of the Board of Directors and CEO with regard to the financial statements

The Board of Directors and CEO are responsible for ensuring that the financial statements give a correct and sufficient picture in accordance with the regulations concerning financial statements that are applicable in Finland and meet the statutory requirements. The Board of Directors and CEO are also responsible for such internal control which they consider necessary for the preparation of financial statements that are free from significant inaccuracies caused by malpractice or errors.

When preparing the financial statement, the Board of Directors and CEO are obliged to assess the ability of the company to continue their operations and, where appropriate, to present the facts relating to the continuity of operations and to the fact that the financial statements have been prepared based on the continuity of operations. The financial statements are prepared based on the continuity of operations, except if the company is to be dissolved or the operations are to be discontinued or there is no realistic alternative to doing so.

The auditor’s obligations with regard to the audit of the financial statements

Our goal is to reach reasonable certainty of whether the financial statements as a whole contain significant inaccuracies caused by malpractice or errors, and to provide an auditor’s report containing our conclusion. Reasonable certainty is a high degree of certainty, but this is not a guarantee that significant inaccuracies are always detected in an audit performed in accordance with good auditing practice. Inaccuracies may occur because of malpractice or errors, and are considered significant if they alone or jointly can reasonably be expected to influence the financial decisions made by users on the basis of the financial statements.

Auditing in accordance with good auditing practice includes using our professional judgment and maintaining professional scepticism throughout the audit.

Additionally:

- We recognise and assess significant risks of inaccuracies arising from malpractice or errors, plan and implement auditing practices to manage these risks and obtain sufficient and appropriate evidence as the basis for our conclusion. The risk that a significant inaccuracy caused by malpractice is not detected is greater than the risk that a significant inaccuracy caused by an error is not detected, as malpractice may be associated with collusion, forgery, intentional non-disclosure of information, presentation of incorrect information or ignoring of internal control.

- We form an understanding of the internal control relevant to the audit in order to be able to plan appropriate auditing practices, but not in order to be able to provide a statement on the effectiveness of the company's internal control.

- We assess whether the principles applied to the preparation of the financial statements are appropriate and whether the accounting estimates made by the management and the information contained therein are reasonable.

- We conclude whether it was appropriate for the Board of Directors and the CEO to prepare financial statements based on the assumption of continuity of operations, and based on the evidence we have obtained, we conclude whether there is such uncertainty related to transactions or circumstances that may give rise to significant doubt as to the ability of the company to continue to operate. If our conclusion is that there is significant uncertainty, we must ensure that the reader of the auditor's report becomes aware of the information in the financial statements associated with the uncertainty or, if the information associated with the uncertainty is not sufficient, adjust our conclusion. Our conclusion is based on the evidence we have obtained prior to presenting the auditor's report. However, future events or circumstances may result in the company being unable to continue operating.

- We evaluate the general presentation, structure and content of the financial statements, including all the information that is presented therein, and assess whether the statements reflect the business operations and transactions on which they are based in such a way that they present a correct and sufficient picture.

We communicate with the governing bodies about, for example, the planned scope and scheduling of the audit and significant findings, including any significant inadequacies of the internal control that we may identify during the audit.

OTHER REPORTING OBLIGATIONS

Other information

The Board of Directors and the CEO are responsible for other information. Other information encompasses the annual report. Our conclusion concerning the audit does not apply to other information.

It is our obligation to read the other information in connection with the audit and to assess whether the other information significantly contradicts the information that we have gained from the financial statements or during the audit, or otherwise appears to be significantly incorrect. It is also our obligation to assess whether the annual report has been written in accordance with the applicable regulations.

In our conclusion, we state that the information in the annual report and the financial statement is consistent and that the annual report has been written in accordance with applicable regulations.

If we, based on our work, reach the conclusion that there are significant inaccuracies in the annual report, we must report this. We have nothing to report on this matter.

Helsinki 17 October 2019

Revico Grant Thornton Oy – Audit firm

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