

# FINANCIAL STATEMENTS 31.12.2019



## **CONTENTS**

03      REPORT OF THE BOARD OF DIRECTORS

---

05      INCOME STATEMENT

---

06      BALANCE SHEET

---

07      CASH FLOW STATEMENT

---

08      NOTES TO THE FINANCIAL STATEMENTS

---

14      AUDITOR'S REPORT

---

# Report of the Board of Directors

## 1. DEVELOPMENT OF OPERATIONS DURING THE YEAR 2019

The main parts of RAO Nordic's business operations in 2019 have been electricity imports from Russia and selling it to Nordic electricity market in Finland and in Norway.

In 2019 RAO Nordic has delivered to Nordic market in total 7,3 TWh of physical electricity (7,5 TWh in 2018). The gross sales figure was EUR 322 million (EUR 333 million in 2018) and the operating profit is EUR 3,9 million (operating profit was EUR 3,9 million in 2018).

## 2. MAJOR EVENTS AFTER THE BALANCE SHEET DATE

There have been no events after the 31 December 2019 that may influence or have any material impact on the activities of RAO Nordic or its financial position.

## 3. Estimate of the future development

The business strategy of RAO Nordic Oy has not been changed during 2019. The focus of the company is on cross-border trading and business activities related to power interchange across the border connections between Russia and Nordic countries.

## 4. Estimation of major risks

RAO Nordic's business risks can be summarized as follows:

**1. Operating risk:** Operating risk refers to the inherent or general business risk of a company such as country risk, political risk and economic risk. General business risk refers to risks related to general business concerns of regime stability, turmoil, corruption, financial transfer, loan default, direct investment and export markets. Due to the nature of the business i.e. trading electricity which is mainly purchased from Russia, RAO Nordic's operating risk can be seen higher than moderate.

**2. Market risk:** Market risk is the risk that is incurred due to uncertainties in the market. Uncertainties may include fluctuations in raw material and production costs, demand, and pricing. Market risk is a standard risk borne by any firm involved in market driven transactions. Due to the fact that RAO Nordic trades electricity which is rather volatile commodity, RAO Nordics market risk can be seen high.

**3. Product liability/Warranty risk:** Product liability risk arises from the sale of defective products. Warranty risk refers to the risk that companies face when customers make claims against them if products and/or services are not offered according to the agreed upon terms and conditions. Due to the nature of the product and the fact that the electricity is always available, RAO Nordic's product liability / warranty risk can be seen rather low.

**4. Bad debt risk:** Bad debt risk is the risk that a supplier will not receive payment from a customer. When trading via Nord Pool Spot AS and NASDAQ OMX exchanges is concerned, the bad debt risk is regarded low. As RAO Nordic's clients are well established businesses, the bad debt risk can be seen as moderate.

**5. Foreign exchange risk:** Foreign exchange risk arises from fluctuations in currencies where a company bears costs in one currency and receives revenue in a different currency. Due to the fact that the physical electricity is almost purely purchased and sold in euro and financial trading is carried out in euro, RAO Nordic's foreign exchange risk can be seen as rather low.

## 5. Development and research activities

RAO Nordic does not have major development and research activities due to the nature of its business.

## 6. Valuation of financial instruments

The financial instruments are recognized at fair value according to the Accounting Act 5:2a §.

### Commodity risk hedging

Commodity risk hedging has been applied since the financial year 2010. The Company has partly applied hedge accounting in accordance with IFRS 9 as so-called cash flow hedge. A change in the fair value of electricity derivative hedge contract proven effective is entered directly in shareholders' equity in fair value reserve, and only after the realization of the forecast electricity purchases it is entered in the income statement as an adjustment of the hedged purchases or sales.

As at 31.12.2019 the hedge reserve fair value is EUR 5,2 million.

## 7. Key figures of the parent company RAO Nordic Oy business and its financial position. Personnel key figures of the parent company RAO Nordic Oy.

	2019 in thousands of EUR	2018 in thousands of EUR	2017 in thousands of EUR
Net turnover	322 206	332 508	169 120
Operating profit	3 914	3 871	-767
Net profit	9 711	6 866	4 421
Operating profit %	1,2	1,2	-0,5
Return on equity %	17,9	18,7	12,2
Equity to assets ratio %	86,1	54,8	85,4

	2019 in thousands of EUR	2018 in thousands of EUR	2017 in thousands of EUR
Staff cost	2 651	2 259	2 728
Average number of employees	11	11	11

## 8. RAO Nordic Group

There were no changes in the Group structure in 2019.

## 9. Environmental issues

In the past the environmental issues have had no material impact on the business as RAO Nordic and its subsidiaries have been mainly involved in the energy trading business. But being engaged in purely trading business RAO Nordic has continuously looked for potential investment projects in EU countries. Nowadays the development strategy of the Group emphasizes the green power project development, technologies that provide the highest environmental benefit.

## 10. Shares

The share capital is split as follows:

	2019	2018
The Company has one series of shares (1 vote/share)	1305 shares	1305 shares
All shares are equally entitled to distribution of dividend		

## 11. The proposal of the Board of Directors of the profit distribution

Distributable profit is EUR 47 877 302,29. Profit for the year 2019 is EUR 9 711 177,02. Board of Directors propose that dividend EUR 17 500 000,00 will be paid and remaining part of the profit EUR 30 377 302,29 will be transferred to retained earnings (loss) account.

No material changes have taken place in the company's financial position after the end of the financial year. The company's liquidity is good, and in the view of the Board of Directors the proposed distribution of profits does not endanger the financial stability.

## 12. Board of Directors, Managing Directors and Auditors

The following persons included to the Board of the company during 2019.

Alexandra Panina, Acting Head of the Trading Unit of PJSC "Inter RAO"  
 Tatiana Zaltsman, Head of Corporate Economic Planning Department of PJSC "Inter RAO"  
 Gennady Binko, Advisor to the Chairman of the Management Board of PJSC "Inter RAO"  
 Evgeny Sarymsakov, Head of International Law Department of PJSC "Inter RAO"  
 Oleg Zakataev, Managing Director of RAO Nordic Oy

Auditor has been Ernst & Young Oy and Pasi Pekkarinen as a chief auditor.

# Income statement

Currency EUR		1.1.2019 - 31.12.2019	1.1.2018 - 31.12.2018	Currency EUR		1.1.2019 - 31.12.2019	1.1.2018 - 31.12.2018
	Note			<b>OPERATING PROFIT (LOSS)</b>		<b>3 913 990.17</b>	<b>3 870 722.24</b>
<b>NET TURNOVER</b>	3.1	<b>322 201 734.41</b>	<b>332 507 513.46</b>	Financial income and expenses			
Other operating income		4 304.68	104 259.00	Income from group undertakings	3.5	5 916 000.00	3 621 000.00
Raw materials and services				Other interest and financial income			
Raw materials and consumables				From group companies	3.5	0.00	4 344.40
Purchases during the financial year		-314 458 096.68	-325 433 229.13	From others		177 555.46	30 504.32
		<b>-314 458 096.68</b>	<b>-325 433 229.13</b>	Interest and other financial expenses			
Staff expenses	3.2			For group companies	3.5	-180 712.33	-74 081.70
Wages and salaries		-2 651 160.34	-2 258 830.74	For others		-115 656.28	-586 252.28
Social security expenses						<b>5 797 186.85</b>	<b>2 995 514.74</b>
Pension expenses		-432 681.87	-335 707.16	<b>PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES</b>		<b>9 711 177.02</b>	<b>6 866 236.98</b>
Other social security expenses		-63 564.40	-45 099.71				
		<b>-3 147 406.61</b>	<b>-2 639 637.61</b>	<b>PROFIT (LOSS) FOR THE FINANCIAL YEAR</b>		<b>9 711 177.02</b>	<b>6 866 236.98</b>
Depreciation and reduction in value	3.3						
Depreciation according to plan		-8 771.36	-11 695.12				
		<b>-8 771.36</b>	<b>-11 695.12</b>				
Other operating charges	3.4	-677 774.27	-656 488.36				

# Balance sheet

Assets		31.12.2019		31.12.2018	
Currency EUR					
	Note				
<b>NON-CURRENT ASSETS</b>					
Tangible assets					
	4.1				
Machinery and equipment		26 314.00		35 085.36	
Other tangible assets		3 800.00		3 800.00	
		<b>30 114.00</b>		<b>38 885.36</b>	
Investments					
	4.2				
Holdings in group undertakings		34 678 980.12		34 678 980.12	
		<b>34 678 980.12</b>		<b>34 678 980.12</b>	
		34 709 094.12		34 717 865.48	
<b>CURRENT ASSETS</b>					
Debtors					
Long-term					
Deferred tax assets		0.00		702 654.76	
		0.00		702 654.76	
Short-term					
	4.3				
Trade debtors		1 245 778.47		4 518 899.65	
Other debtors		11 589 769.18		15 625 490.55	
Prepayments and accrued income		5 712 817.19		61 159.21	
		<b>18 548 364.84</b>		<b>20 205 549.41</b>	
Cash in hand and at banks					
		9 910 104.36		11 250 207.94	
		28 458 469.20		32 158 412.11	
		<b>63 167 563.32</b>		<b>66 876 277.59</b>	
<b>ASSETS TOTAL</b>					
<b>LIABILITIES</b>					
Currency EUR					
31.12.2019					
31.12.2018					
	Note				
<b>CAPITAL AND RESERVES</b>					
5.1					
Subscribed capital					
Subscribed capital		1 305 000.00		1 305 000.00	
		<b>1 305 000.00</b>		<b>1 305 000.00</b>	
Fair value reserve					
		5 211 302.74		-2 810 619.07	
Legal reserve					
		396.63		396.63	
Retained earnings (loss)					
		38 166 125.27		31 299 888.29	
Profit (loss) for the financial year					
		<b>9 711 177.02</b>		<b>6 866 236.98</b>	
		<b>54 394 001.66</b>		<b>36 660 902.83</b>	
<b>CREDITORS</b>					
Long-term					
Loans from credit institutions		0.00		3 305.09	
		0.00		3 305.09	
Short-term					
Trade creditors		2 026 281.29		3 017 906.99	
Amounts owed to group undertakings	5.2	5 000 000.00		26 506 474.82	
Deferred tax liabilities		1 302 825.68		0.00	
Other creditors		241 628.34		137 660.55	
Accruals and deferred income	5.3	202 826.35		550 027.31	
		<b>8 773 561.66</b>		<b>30 212 069.67</b>	
		8 773 561.66		30 215 374.76	
		<b>63 167 563.32</b>		<b>66 876 277.59</b>	
<b>LIABILITIES TOTAL</b>					

# Cash flow statement

Currency EUR	1.1.2019 - 31.12.2019	1.1.2018 - 31.12.2018
	TEUR	TEUR
Profit before tax	9 711	6 866
Depreciation	9	12
Financial items	-5 797	-2 996
	<b>3 923</b>	<b>3 882</b>
Decrease in receivable	2 361	-14 743
Decrease in payable	-1 438	-975
Increase in fair value hedge reserve	8 022	-2 811
	<b>12 868</b>	<b>-14 647</b>
Interest paid	-291	-155
Interest received	0	6
Dividends received	5 916	3 621
Income tax paid	0	0
<b>Net cash from operating</b>	<b>18 493</b>	<b>-11 175</b>
Disposal of other assets	0	9
<b>Net cash from investments</b>	<b>0</b>	<b>9</b>
Short-term borrowings	25 000	25 000
Loan repaid	-45 000	-13
Dividends paid	0	-3 654
Default fund loss/profit	177	-504
Exchange rate	-10	21
<b>Net cash from financial</b>	<b>-19 833</b>	<b>20 850</b>

Currency EUR	1.1.2019 - 31.12.2019	1.1.2018 - 31.12.2018
<b>Net increase in cash</b>	<b>-1,340</b>	<b>9 684</b>
<b>Balance 31.12.2018</b>	<b>11 250</b>	<b>1 566</b>
<b>Balance 31.12.2019</b>	<b>9 910</b>	<b>11 250</b>

# Notes to the financial statements of 31.12.2019

## Notes to the preparation of the financial statements:

### Valuation and periodization principles and methods:

The non-current assets have been stated at cost and inventories are stated at the lower of cost and realisable value by following the fifo principle and the lowest value principle of the 5 paragraph 6 § 1 moment.

The acquisition cost of the non-current property will be depreciated according to plan. The depreciation plan is determined by experience. The remainder of the acquisition cost and residual value will be depreciated during the estimated useful life.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The fair value of electricity derivatives is based on quoted electricity market prices at the closing date. Fair values of options are determined by using option valuation models. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument.

### Cash flow hedge

The effective portion of changes in the fair value of electricity derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

### Derivatives that are not accounted for under hedge accounting

Fair value changes of these electricity derivative instruments are recognized in the income statement.

### Commodity risk hedging

Commodity risk hedging has been applied during the financial year 2010. The company has partly applied hedge accounting in accordance with IFRS 9 as so-called cash flow hedge.

## Derivatives

RAO Nordic trades derivatives for the hedging of selling prices of physical import from Russia. The hedge reserve was valued at the net amount of EUR 5 211 302,74 as at 31.12.2019.

## Deferred tax

The deferred tax amount is recognised on the fair value of gross hedge reserve acknowledged to be effective at the end of each reporting period. The tax rate is Finnish corporate income tax rate 20%.

## Notes to the company which is member of the Group:

### Mother company:

PJSC "INTER RAO UES", Bolshaya Pirogovskaya str., 27/3, 119435 Moscow, Russia is the Mother Company of RAO Nordic Oy.

The copy of the Group Financial Statement of the Mother Company is available at the above mentioned address.

RAO Nordic Oy has not prepared the Group Financial Statement due to the accounting law (changed 30.12.2015) chapter 6 § 1.5.



# Notes to the financial statements of 31.12.2019

## 3.1 Notes to the revenue:

Revenues by segment of business:	31.12.2019	31.12.2018
Electricity trading	302 292 748.22	331 848 853.66
Profit from financial trading	19 908 986.19	658 659.80
	<b>322 201 734.41</b>	<b>332 507 513.46</b>

Revenues by geographical market:	31.12.2019	31.12.2018
Finland	183 187.08	290 654.70
Norway	302 985 063.46	331 558 198.96
Sweden	19 033 483.87	658 659.80
	<b>322 201 734.41</b>	<b>332 507 513.46</b>

## 3.2 Notes to the personnel:

Number of employees:	31.12.2019	31.12.2018
Number of persons the company has employed during the financial year on the average.	11	11

Staff costs:	31.12.2019	31.12.2018
Wages and salaries	2 651 160.34	2 258 830.74
Pension costs	432 681.87	335 707.16
Other social security costs	63 564.40	45 099.71
Total	<b>3 147 406.61</b>	<b>2 639 637.61</b>

## 3.3 The basis of the depreciation according to plan and changes:

Item:	useful life years	Depreciation percentage	Depreciation method
Machinery and equip.		25%	residual value depr.

## 3.4 Other operating charges

	31.12.2019	31.12.2018
Optional social expenses	79 705.30	42 673.21
Expenses of premises	92 733.24	88 077.19
Expenses of use of software, machinery and equipment	128 971.08	128 749.60
Travel expenses	18 011.82	30 134.75
Entertainment cost	13 558.77	20 108.41
Marketing expenses	5 392.27	5 850.68
Administration expenses	339 401.79	340 894.52
	<b>677 774.27</b>	<b>656 488.36</b>

## 3.5 Total income and costs from the investments in the group and affiliated companies:

	31.12.2019	31.12.2018
Financial income	5 916 000.00	3 621 000.00
Interest income	0.00	4 344.40
Interest expenses	-180 712.33	-74 081.70
	<b>5 735 287.67</b>	<b>3 551 262.70</b>

## Notes to the balance sheet assets:

## 4.1 Intangible and tangible assets

	Tangible assets Machinery and equipment	
Acquisition cost 1.1.2019		588 199.78
Additions		0.00
Disposals		0.00
<b>Acquisition cost 31.12.2019</b>		<b>588 199.78</b>
Acc depr at the beginning of the fiscal year		553 114.42
Depreciations of the fiscal year		8 771.36
Depreciations of the disposed items		0.00
<b>Acc depr at the end of the fiscal year</b>		<b>561 885.78</b>
Cost at the end of the fiscal year		588 199.78
Acc depr at the end of the fiscal year		-561 885.78
<b>Book value 31.12.2019</b>		<b>26 314.00</b>
<b>Book value 31.12.2018</b>		<b>35 085.36</b>
	31.12.2019	31.12.2018
Piece of art	3 800.00	3 800.00
Expensed small acquisitions	9 759.73	4 274.67
<b>The depreciations of the non-current assets and other tangible assets:</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
Machinery and equipment	8 771.36	11 695.12
Other intangible assets	0.00	0.00
<b>Depreciations total</b>	<b>8 771.36</b>	<b>11 695.12</b>

The total residual value of the machinery and equipment:	31.12.2019	31.12.2018
Machinery and equipment in balance sheet in total, of which the residual value is:	26 314.00	35 085.36
	26 314.00	35 085.36

## 4.2 Investments

	Group companies	
Acquisition cost 1.1.2019		34 678 980.12
Disposals		
Acquisition cost 31.12.2019		34 678 980.12
Reduction in value		
<b>Book value 31.12.2019</b>		<b>34 678 980.12</b>

	31.12.2019	31.12.2018
Name of subsidiary	UAB Inter RAO Lietuva	UAB Inter RAO Lietuva
Shareholding %	51.00%	51.00%
Equity	20 716 126.00	13 060 957.89
Net result of the reporting period	13 633 369.00	11 634 861.00

# Notes to the financial statements of 31.12.2019

## 4.3 Receivables from group companies

	31.12.2019	31.12.2018
Electricity trading receivable 31.12.2019	5 409 925.94	0.00
Loan receivables	0.00	0.00
Accrued income	0.00	0.00
	<b>5 409 925.94</b>	<b>0.00</b>

Other debtors:	31.12.2019	31.12.2018
Nasdaq futures settlement	2 231 025.30	
VAT receivables	457 426.73	645 792.65
Security deposits	8 901 317.15	14 979 697.90
	<b>11 589 769.18</b>	<b>15 625 490.55</b>

The material items in accrued short-term receivables:	31.12.2019	31.12.2018
Accrued interest receivables	0.00	0.00
Hedging assets	302 891.25	0.00
Prepayments	5 409 925.94	61 159.21
Other receivables	0.00	0.00
	<b>5 712 817.19</b>	<b>61 159.21</b>

## Notes to the hedged financial instruments:

### Derivatives

Electricity derivatives (1000e)	Fair value 31.12	Adjustments in Income Statement	Adjustments in fair value reserve
2019	303	-	303
2018	-36	-	-36

# Notes to the financial statements of 31.12.2018

## 5.1 Notes to the liabilities:

### Equity:

	31.12.2019	31.12.2018
<b>Subscribed capital</b>		
Share capital 1.1	1 305 000,00	1 305 000,00
<b>Share capital 31.12</b>	<b>1 305 000,00</b>	<b>1 305 000,00</b>
Legal reserve 1.1	396.63	396.63
<b>Legal reserve 31.12</b>	<b>396.63</b>	<b>396.63</b>
<b>Subscribed capital at the end of the fiscal year</b>	<b>1 305 396.63</b>	<b>1 305 396.63</b>
<b>Fair value reserve 1.1</b>	<b>-2 810 619.07</b>	<b>0.00</b>
Additions	8 021 921.81	
Decrease		-2 810 619.07
<b>Fair value reserve 31.12</b>	<b>5 211 302.74</b>	<b>-2 810 619.07</b>
Retained earnings 1.1	38 166 125.27	34 953 888.29
Profit distribution	0.00	-3 654 000.00
Retained earnings 31.12	38 166 125.27	31 299 888.29
Profit/loss for the fiscal year	9 711 177.02	6 866 236.98
<b>Retained earnings at the end of the fiscal year</b>	<b>47 877 302.29</b>	<b>38 166 125.27</b>
<b>Total equity</b>	<b>54 394 001.66</b>	<b>36 660 902.83</b>

	31.12.2019	31.12.2018
<b>Distributable profit</b>		
Retained earnings	38 166 125.27	31 299 888.29
Profit/loss for the fiscal year	9 711 177.02	6 866 236.98
<b>Total</b>	<b>47 877 302.29</b>	<b>38 166 125.27</b>

## 5.2 Amounts owed to group undertakings

	31.12.2019	31.12.2018
Purchase payables	0.00	1 506 474.82
Accruals	0.00	0.00
Loans	5 000 000.00	25 000 000.00
	<b>5 000 000.00</b>	<b>26 506 474.82</b>

# Notes to the financial statements of 31.12.2019

## 5.3 The material items in accrued payables

	31.12.2019	31.12.2018
Hedging liabilities	0.00	407 334.00
Salary accruals including social costs	202 826.35	142 693.31
<b>Total</b>	<b>202 826.35</b>	<b>550 027.31</b>

	31.12.2019	31.12.2018
VAT liability	180 095.26	80 067.55
Payroll tax liabilities	61 533.08	57 593.00
	<b>241 628.34</b>	<b>137 660.55</b>

Liabilities	31.12.2019	31.12.2018
	Rent of premises	Rent of premises
To be paid during the next fiscal year	44 873.54	44 402.29
To be paid within 2-5 years	0.00	0.00
	<b>44 873.54</b>	<b>44 402.29</b>
	Rent of machinery and it-programs	Rent of machinery and it-programs
To be paid during the next fiscal year	32 424.26	34 700.54
To be paid within 2-5 years	17 077.40	38 845.17
	<b>49 501.67</b>	<b>73 545.71</b>
<b>Total</b>	<b>94 375.21</b>	<b>117 948.00</b>

	31.12.2019	31.12.2018
Salaries and other compensation of managing director and members of the board:	937 820.97	778 836.98

The Members of the Board and the Managing Director do not have a separate pension plan. They will retire according to the pension law of Finland.

Auditors' fee:	31.12.2019	31.12.2018
Fee for annual audit, Ernst & Young Oy Chartered Accountants	33 050.00	13 600.00

### List of book-keeping files and storage method:

Daily book	ADP-reports
General ledger	ADP-reports
Accounts receivable	ADP-sub accounting
Accounts payable	ADP-sub accounting
Payroll accounting	ADP-sub accounting
Financial statements	Binded book
Specifications to Financial Statements	Binded book

	Receipt code	Storage
Bank receipts Nordea	11	paper receipts in folders
Sales receipts	30	paper receipts in folders
Purchase receipts	55	paper receipts in folders
Automatic VAT-postings	99	paper receipts in folders
Memorandums	90	paper receipts in folders

Financial statements must be stored not less than 10 years from the balance sheet date (PAR 2:10). The receipts of the fiscal year must be stored not less than 6 years from the end of the closing year.

# Auditor's report (Translation of the Finnish original)

## Report on the Audit of Financial Statements

To the Annual General Meeting of RAO Nordic Oy

### Opinion

We have audited the financial statements of RAO Nordic Oy (business identity code 1784937-7) for the year ended 31 December, 2019. The financial statements comprise the balance sheet, income statement, cash flow statement and notes.

In our opinion, the financial statements give a true and fair view of 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 Financial Statements section of our report. We are independent of the company 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 company's ability to continue as 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 company or cease operations, or there is no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on 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 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 company'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 company'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.

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 8.2.2019

Ernst & Young Oy  
Authorized Public Accountant Firm

Mikko Rytilahti  
Authorized Public Accountant

**raonordic**

Tammasaarenkatu 1, FI-00180 Helsinki

+358 9 773 81 000

[office@raonordic.com](mailto:office@raonordic.com)

[www.raonordic.com](http://www.raonordic.com)

Editor: Evgenia Khashchanskaya

Design: idmgroup.fi