oras invest

2018 Financial Statements

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Board of Directors' report 2018

Oras Invest, an industral owner

Oras Invest is a family company with a 73-year tradition of industrial entrepreneurship. Oras Invest focuses its ownership on industrial companies operating in the building and water industries. The aim is to create long-term, sustainable value growth by developing the companies through active Board work and close cooperation with the management and other owners.

Group structure

Oras Invest Group consists of the 100% owned subsidiary Oras Oy and the associated companies Uponor Corporation (24.6%), Kemira Oyj (18.2%) and Tikkurila Oyj (18.1%). This structure applies to the entire financial period.

Oras Group is a subgroup of Oras Invest Group. Oras Group consists of 100% owned companies in 14 European countries, with Oras Ltd as the parent company.

The financial statements of the consolidated Group have been prepared according to IFRS, International Financial Reporting Standards. The financial statements of the parent, Oras Invest Ltd, have been prepared according to FAS, Finnish Accounting Standards.

Oras Invest Group's financial performance

Oras Group is fully consolidated (100% ownership) in Oras Invest Group's financial statements and Uponor Corporation, Kemira Oyj and Tikkurila Oyj are accounted for as associated companies using the equity method.

Oras Group prepares its own consolidated financial statements. Full financial statements are available at Oras Ltd.

Oras Invest Group's liquid assets on 31 December 2018 were EUR 47.4 million (38.0). The balance sheet total was EUR 663.6 million (639.0) and shareholders' equity EUR 501.9 million (471.4).

Oras Invest Ltd net sales and operating profit

Net sales of the parent company during the financial period were EUR 0.2 million (0.1).

Oras Invest Ltd's income from dividends during the financial period was EUR 31.5 million. In 2018, the Uponor Corporation paid a dividend of EUR 0.49 per share, which means that Oras Invest Ltd received EUR 8.1 million (7.6). Kemira Oyj paid a dividend of EUR 0.53 per share, which means that total dividends from Kemira amounted to EUR 15.0 million (15.0). Tikkurila Oyj paid a dividend of EUR 0.80 per share, which means that Oras Invest Ltd received EUR 6.4 million (6.4). Oras Ltd paid a dividend of EUR 2 million (4.0) and paid EUR 1.8 million as a group contribution to Oras Invest Ltd (2.6).

Result of the parent company Oras Invest Ltd for the financial period was EUR 31.4 million (33.0).

Financial status and financing

The liquid assets of Oras Invest Ltd on 31 December 2018 were EUR 20.2 million (7.6). The balance sheet total was EUR 666.3 million (637.9). Shareholders' equity was EUR 621.0 million (592.6) and total dividends distributed was EUR 3.0 million.

The company's liquidity was good. During 2018, EUR 10 million was placed in short-term financial instruments.

At the end of 2018, the total loans of Oras Invest Ltd amounted to EUR 45.0 million (45.0). The loan to market value ratio was 4% (4%).

Net Asset Value (NAV) at the end of 2018 was EUR 634 million (892). NAV comprises the market values of holdings in Uponor, Tikkurila and Kemira and the value of Oras Group calculated as EBITDA×8 less net debt. Total Shareholder Return (TSR) for the financial period was –29% (–5%).

Changes in industrial holdings

During the year, Oras Invest acquired 1,459,000 Uponor Corporation shares. This increased ownership from 22.6% to 24.6%. No other changes in industrial holdings were made during the financial period.

R&D, environment and safety

Oras Invest Ltd is an industrial owner and does not conduct R&D or environmental activities. The activities of its industrial holdings are presented as part of the respective financial statements.

ORAS INVEST LTD KEY FIGURES FAS		2018	2017	2016
Net Sales	EUR million	0.2	0.1	0.3
Operating Profit	EUR million	–1.5	–2.2	–1.5
Profit for the Period	EUR million	31.4	33.0	28.7
Total Equity	EUR million	621.0	592.6	562.1
Balance Sheet Total	EUR million	666.3	637.9	630.1
Equity Ratio	%	93.2	92.9	89.2
Personnel, Average		4	4	4
Cash Flow	EUR million	2.7	7.5	0.0

Main events after the year-end

There were no major events after the year-end.

Oras Invest Outlook 2019

As an industrial owner, Oras Invest's outlook is directly related to the guidance published by its industrial holdings and is presented as part of the respective financial statements.

Risks

The main risks at Oras Invest Ltd arise from the long-term ownership of core investments. The high exposure to two specific industries implies that changes in market conditions may affect the profitability of the companies. The industry-specific risks are shared by four industrial holdings.

Oras Invest Ltd's ownership stakes are in companies in which the accounting currency is the euro. Thus, the currency risk in Oras Invest Ltd is indirect and arises from the international operations of each of the owned companies.

As a result of changing conditions in the financial market, it could transpire that new funding is unavailable or its cost increases.

Normal risks related to the industrial operations and product liabilities of Oras Group are covered by insurance.

There is no ongoing litigation that might result in significant liability for damages.

Shares

The share capital of the company is as follows:

		2018	2017
A shares	(1 vote/share)	217,350	217,350
B1 shares	(no votes)	36,226	36,226
B2 shares	(no votes)	36,226	36,226
B3 shares	(no votes)	36,224	36,224
B4 shares	(no votes)	36,224	36,224
B5 shares	(no votes)	24,150	24,150
B6 shares	(no votes)	24,150	24,150
B7 shares	(no votes)	24,150	24,150

The amended company bylaws and the issue of new B shares were registered on 3 August, 2017.

A shares confer an equal right to dividends. The dividend paid for B1–B7 shares will be determined separately, and the dividend/share may differ between share categories.

Dividend proposal

The Board of Directors proposes that Oras Invest Ltd distribute a EUR 13.80 dividend per share, totalling EUR 2,999,430. The balance of the profit for the year will remain in retained earnings.

No material changes have occurred in the company's financial position since the balance sheet date. The company's liquidity is good and the proposed dividend does not endanger the company's cash position.

Organisation, management and company auditors

Board of Directors: Jari Paasikivi (chairman), Robin Lawther, Ulf Mattsson, Kaj Paasikivi, Frank Stangenberg-Haverkamp and Christoph Vitzthum.

CEO: Annika Paasikivi

Auditors: Ernst & Young Oy, with Authorised Public Accountant Heikki Ilkka as the responsible auditor

Oras Group

Net sales: EUR 227.7 million (249.5)

Operating profit (EBIT): EUR 6.9 million (12.0)

Cash flow after investments: EUR –4.1 million (11.8)

Gearing: 2.4% (–2.6%)

Despite positive market activity in all Oras Group's main markets, net sales decreased by –8.7% from the previous year 2017. The decrease in net sales was mainly the result of tough price competition in the European market in lower segment products, whereas Oras Group was able to hold its position in accordance with its strategy in more advanced product segments. Net sales of Oras Group remained very close to the previous year's level in the Nordic countries.

The Group decided to strengthen its position in digitalization of the bathroom experience by acquiring a majority share of the Swiss technology company Amphiro.

Oras Group recorded net sales of EUR 227.7 million, which was 8.7% less than the previous year. The German market remains a special focus area.

The operating profit of Oras Group was EUR 6.9 million (12.0), which comprised 3.0% (4.8%) of net sales. The operating profit includes depreciation on intangible assets and other fixed assets generated by the Hansa and Amphiro acquisitions, totalling EUR 2.9 million (3.2). It also includes EUR 1.4 million expenses affecting comparability (2.1).

Manufacturing efficiency, delivery accuracy and cost structure improved. These positive impacts could only partially compensate for the reduction in net sales.

Oras Group's profit before comprehensive items for the financial period was EUR 2.4 million (8.2). The balance sheet total was EUR 231.2 million (237.5). The liquidity and balance sheet structure remain on a solid level.

Capital expenditure was EUR 5.9 million (6.9). Most capital expenditure related to new products, quality development and an increase in production capacity.

According to a mutual agreement, Dr. Markus Lengauer assumed a new role as a Board member of Oras Group and the Board of Directors appointed Kari Lehtinen as the new President and CEO of Oras Group, effective as of 1 January, 2019.

In February 2019 negotiations with Burglengenfeld factory personnel commenced regarding a proposal to shut down factory operations in 2019. The cost related to the shutdown will be estimated when negotiations are complete. If the decision to shut down the site is taken, the cost will be registered in the income statement of 2019. The management estimates that the proposed closure will have no material write-down effect on Oras Group's assets.

Construction activities in Oras Group's key markets remained at a good level in 2018 but started to show signs of weakening towards the end of the year. New build construction is expected to slow down in many of Oras Group's main markets but the number of renovations is still expected to grow in 2019.

In order to build a solid basis for further value creation, projects in various fields were started in 2018 that focus on profitability improvement. Oras Group believes that its investments in technology and innovations will take the company closer to its vision: Leading European supplier of advanced sanitary fittings. Oras Group will focus on sales and marketing activities and customer experience in order to meet future end user requirements. Professional sales channels will remain the preferred and exclusive route to market for Oras Group. Additionally, it is planned that investments in the field of production will be on a higher level than in previous years in order to keep production costs at a competitive level.

The Board of Directors proposes to the Annual General Meeting that no dividend will be distributed.

ORAS GROUP KEY FIGURES

IFRS		2018	2017	2016
Net Sales	EUR million	227.7	249.5	245.3
Operating Profit	EUR million	6.9	12.0	20.8
Profit for the Period	EUR million	2.4	8.2	15.5
Total Equity	EUR million	110.9	113.5	112.1
Balance Sheet Total	EUR million	231.2	237.5	243.3
Equity Ratio	%	48.0	47.8	46.1
Personnel, Average		1,443	1,405	1,361

Uponor Group

Net sales: EUR 1,196.3 million (1,170.4)

Operating profit (EBIT): EUR 106.7 million (95.9)

Cash flow after investments: EUR 72.7 million (42.0)

Gearing: 39.4% (43.5%)

Earnings per share: EUR 0.72 (0.83)

Despite some softening towards the end of the year, construction activity on both sides of the Atlantic was generally healthy in 2018, growing marginally from the strong levels seen in 2017.

Uponor's 2018 net sales amounted to EUR 1,196.3 million (1,170.4), a growth of 2.2% year-over-year.

Consolidated operating profit amounted to EUR 106.7 million (95.9), a clear improvement on the previous year. The operating profit margin ended at 8.9% (8.2%).

Comparable operating profit, i.e. excluding any items affecting comparability, reached EUR 99.3 million (97.2), an increase of 2.1%. The comparable operating profit margin came to 8.3% (8.3%). The total net amount of items affecting comparability was EUR 7.4 million (1.3), of which a total of EUR 4.3 million (2.8) was reported in Building Solutions – Europe (disposal gain from the divestment of Zent-Frenger, restructuring costs and ramp-down costs from Asian operations) and EUR –11.7 million (–1.5) in Uponor Infra (disposal gain from the divestment of North American business).

Building Solutions – Europe's net sales amounted to EUR 524.2 million (521.7), showing a small growth of 0.5% year-over-year. Net sales remained at quite a stable level in most countries, with the biggest growth in Finland and Spain. Net sales declined in Sweden and slightly in Germany. The segment's operating profit was EUR 31.1 million (40.0). The segment reported a decline in full-year comparable operating profit, which amounted to EUR 35.4 million (42.8). The segment's profitability was burdened by the continuing tight competitive situation together with increasing raw material prices.

Building Solutions – North America reported full-year net sales of EUR 340.5 million (328.2), a growth of 3.7%. In U.S. dollar terms, net sales were USD 401.5 million (373.2), representing a growth of 7.6%. The growth came from both the U.S. and Canadian markets. The segment's operating profit amounted to EUR 46.6 million (49.7), or USD 54.9 (56.5). The decline was due to start-up costs for the Hutchinson manufacturing facility, as well as increased raw material costs and freight rates.

Uponor Infra's net sales amounted to EUR 337.3 million (323.4), representing a growth of 4.3%, despite the divestment of North American business in August 2018. Most of this growth came from Sweden and Poland. The segment reported a good improvement in operating profit EUR 35.1 million (12.0), as well as in comparable operating profit, which reached EUR 23.4 million (10.5).

Consolidated cash flow from operations amounted to EUR 79.9 million (101.5). Uponor received full compensation for the tax claim concerning Uponor Business Solutions Oy, with an impact of EUR 11.4 million. Cash flow before financing came to EUR 72.7 million (42.0). Gross investment in fixed assets totalled EUR 54.0 million (63.4). Net investments totalled EUR 53.3 million (61.8).

In 2018, Uponor reviewed its sustainability strategy and defined four focus areas: clean water and sanitation, responsible production and consumption, climate action, as well as decent work and economic growth. The selected focus areas are those areas that have the greatest impact potential on the business, including major opportunities, and that are aligned with Uponor's business scope.

Excluding the impact of currencies, Uponor expects its net sales to reach the level of 2018 net sales, excluding the divested Uponor Infra's North American business and Zent-Frenger (EUR 1,107.7 million), and comparable operating profit to improve from the year 2018 comparable operating profit excluding the divested Uponor Infra's North American business and Zent-Frenger (EUR 83.5 million).

The Board proposes to the Annual General Meeting that a dividend of EUR 0.51 per share be distributed, totalling EUR 37.2 million. The dividend shall be paid in two instalments.

UPONOR KEY FIGURES IFRS		2018	2017	2016
Net Sales	EUR million	1,196.3	1,170.4	1,099.4
Operating Profit	EUR million	106.7	95.9	71.0
Profit for the Period	EUR million	63.2	65.4	41.9
Total Equity	EUR million	353.6	348.4	326.9
Balance Sheet Total	EUR million	786.6	865.8	767.5
Equity Ratio	%	45.1	40.5	42.8
Personnel, Average		4,074	3,990	3,869

Tikkurila Group

Net sales: EUR 561.5 million (582.4)
Operating profit (EBIT): EUR 26.5 million (19.3)
Cash flow after investments: EUR 36.3 million (4.4)
Gearing: 57.0% (50.2%)
Earnings per share: EUR 0.33 (0.24)

The economic growth in Tikkurila's key markets varied between 2% and 5% in 2018. Economic growth was strongest in Poland and remained at a relatively low level in Russia.

Tikkurila Group net sales amounted to EUR 561.5 million (582.4). Net sales decreased by 3.6% and increased by 3.1%, excluding currency effects and divestments. Unfavourable exchange rate fluctuations and the divestment of business operations in the Balkans had a negative impact on net sales. Higher sales volumes and price increases and product mix increased net sales.

Operating profit (EBIT) increased to EUR 26.5 million (19.3), which accounted for 4.7% (3.3%) of net sales. The items affecting comparability amounted to EUR 12.3 million, which mainly related to the discontinuation of the German business operations, relocation of production from Denmark and reductions in personnel.

Adjusted operating profit totalled EUR 38.8 million (28.8), corresponding to 6.9% (4.9%) of net sales. The level of fixed expenses was clearly lower than in 2017 but the higher level of raw material costs continued to have an adverse impact on margins and profitability.

SBU West's full-year net sales were EUR 381.2 million (379.8). SBU West's operating profit (EBIT) was EUR 22.7 million (16.2) and its adjusted operating profit was EUR 34.5 million (18.1). SBU West's profitability was improved by a lower fixed expense level. Variable costs were clearly higher than in the comparison period due to a further increase in raw material costs.

SBU East's full-year net sales were EUR 180.3 million (202.6). SBU East's operating profit (EBIT) was EUR 9.4 million (8.2) and its adjusted operating profit was EUR 9.9 million (15.2). SBU East's profitability weakened due to the higher raw material cost level and currency effects.

Tikkurila's financial position and liquidity remained at a good level during the review period. Cash flow from operations from January–December totalled EUR 47.6 million (18.1). Cash flow after capital expenditure totalled EUR 36.3 million (4.4) at the end of the review period.

In 2018, gross capital expenditure excluding acquisitions amounted to EUR 10.4 million (14.6).

Tikkurila's efficiency programme is aiming to generate at least EUR 30 million in savings. In 2018, Tikkurila's fixed expenses savings were EUR 30 million compared to the level in 2017, of which EUR 7 million is currency effect. The full savings will be effective by the end of 2019.

Tikkurila promotes sustainable development and takes environmental, financial and social aspects into account in its daily work, as well as in its strategic business development and when strengthening its market position. In 2018, Tikkurila continued to implement the sustainability customer promises in its business. Moreover, Tikkurila renewed the way it leads and manages company sustainability work. A new sustainability management team was set up to lead Tikkurila's strategic sustainability work.

It is estimated that economic growth will be modest during 2019 in Tikkurila's key markets. Overall, consumer confidence in Tikkurila's main markets is still expected to be at a good level. Volatility in the exchange rates is expected to continue.

In the paint and coatings markets, the share of professional and business-to-business customers will continue to rise steadily, which will affect both the sales mix and also the sales channels in certain markets. Consolidation in the paint market, as well as on the supplier and retailer side, is expected to continue. However, the rapid cost inflation of raw material and packaging material should stabilize.

Tikkurila will continue to systematically implement its efficiency programme with strict cost control, active pricing and further actions in order to improve cost competitiveness. Tikkurila plans to finalize its ongoing strategy process during the first half of 2019. Tikkurila is well positioned to provide its customers with high-quality goods and services in all sub-segments in which the company operates. Tikkurila's net sales are expected to remain at the same level as 2018 and the adjusted operating profit will continue to improve.

The Board proposes to the Annual General Meeting that a dividend of EUR 0.33 per share be distributed, totalling EUR 14.6 million. The dividend shall be paid in two instalments.

TIKKURILA KEY FIGURES

IFRS		2018	2017	2016
Net Sales	EUR million	561.5	582.4	572.0
Operating Profit	EUR million	26.5	19.3	53.1
Profit for the Period	EUR million	14.6	10.7	44.5
Total Equity	EUR million	150.1	179.5	208.6
Balance Sheet Total	EUR million	400.0	427.7	410.3
Equity Ratio	%	37.6	42.0	50.9
Personnel, Average		2,908	3,107	3,112

Kemira Group

Net sales: EUR 2,592.8 million (2,486.0)
Operating profit (EBIT): EUR 148.2 million (141.4)
Cash flow after investments: EUR 29.0 million (13.0)
Gearing: 61.7% (59.2%)
Earnings per share: EUR 0.58 (0.52)

In 2018, Kemira continued to grow, driven by higher sales prices. The growth was supported by favourable market trends in all Kemira's business areas leading to 7% organic growth for the Group.

Kemira Group net sales increased by 4% to EUR 2,592.8 million (2,486.0). Net sales in local currencies, excluding acquisitions and divestments, increased by 7% as all businesses continued to grow. Pulp & Paper segment's net sales increased by 3% to EUR 1,520.2 million (1,476.9), driven by higher sales prices and volumes. Net sales in local currencies, excluding acquisitions and divestments, increased by 6%. Industry & Water segment's net sales increased by 6% to EUR 1,072.6 million (1,009.1). Net sales in local currencies, excluding acquisitions and divestments, increased by 9% due to higher sales prices.

Operative EBIT increased by 2% to EUR 173.8 million (170.3) as higher sales prices and volumes more than offset the increase in variable costs and the negative currency impact. EBIT increased by 5% and the difference between the two is explained by items affecting comparability. Items affecting comparability within EBITDA were EUR –8.3 million (–28.9) and included organizational restructuring costs, a gain on sale, as well as positive adjustments for transaction costs. In the previous year the figure was mainly the result of organizational restructuring costs and the EUR –12.7 million settlement for the damage claim relating to the alleged old infringement of competition law in the hydrogen peroxide business from 1994–2000. Depreciation, amortization and impairments included items affecting comparability of EUR –17.3 million (0.0) related to the write-downs of production units. The write-downs formed part of the long-term polymer manufacturing optimization in Industry & Water and the decision to direct more hydrogen peroxide capacity to pulp customers in Pulp & Paper.

In Corporate responsibility, Kemira moved ahead in multiple areas. The share of net sales from products that improve customers' resource efficiency was 51% while the target is at least 50%. In safety, the Total Recordable Injury Frequency Rate per million hours (TRIF) decreased to 3.5 (3.9). Related to the climate change, Kemira's Carbon index decreased to 83 (85). In supplier management, 11 (8) assessments and audits were conducted at key suppliers. Regarding employees, the responsibility figures improved during 2018: the engagement index was 71% (67%) and leadership development activities have already increased to 1,533, while the target is 1,500 by 2020.

Cash flow from operating activities in 2018 increased to EUR 210.2 million (205.1) due to higher operative EBITDA while cash flow after investment activities increased to EUR 29.0 million (13.0), mainly due to lower capital expenditure excluding acquisitions. In 2018, capital expenditure excluding acquisitions decreased by 21% to EUR 150.4 million (190.1). Capital expenditure can be broken down as follows: expansion capex 29% (35%), improvement capex 36% (34%) and maintenance capex 35% (31%). The largest investment during the year was the expansion of CEOR polymer capacity in Botlek, Netherlands.

At the end of the period, Kemira Group's net debt was EUR 741 million (694). The equity ratio was 44% (44%), while the gearing was 62% (59%).

In 2019, Kemira expects its operative EBITDA (2018: EUR 323.1 million) to increase from the previous year on a comparable basis excluding the impact of the IFRS 16 accounting change.

The Board proposes to the Annual General Meeting that a dividend of EUR 0.53 per share be distributed, totalling EUR 81 million.

KEMIRA KEY FIGURES
IFRS

		2018	2017	2016
Net Sales	EUR million	2,592.8	2,486.0	2,363.3
Operating Profit	EUR million	148.2	141.4	147.0
Profit for the Period	EUR million	95.2	85.2	97.9
Total Equity	EUR million	1,202.5	1,172.8	1,182.9
Balance Sheet Total	EUR million	2,763.8	2,674.9	2,620.9
Equity Ratio	%	43.5	43.9	45.2
Personnel, Average		4,810	4,781	4,802

Consolidated statement of comprehensive income IFRS

Oras Invest Group (EUR 1,000)	Note	1 Jan – 31 Dec 2018	1 Jan – 31 Dec 2017
Net sales	3	227,653	249,478
Change in inventories of finished goods and work in progress		1,088	2,220
Other operating income	4	533	267
Materials and services		92,573	105,156
Personnel expenses	5	67,322	66,562
Depreciation and impairment	6	8,289	8,668
Other operating expenses		55,731	61,761
Operating profit		**5,359**	**9,818**
Financial income and expense	7	–1,685	–1,508
Share of profit of associates		31,168	30,229
Profit before tax		**34,842**	**38,539**
Income tax expense	8	–2,817	–2,153
Net profit for the period		**32,025**	**36,386**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Re-measurements on defined benefit pensions		435	954
Deferred taxes related to items that will not be reclassified to profit or loss		–123	–254
Share of other comprehensive income of associates		495	1,348
Items that may be reclassified subsequently to profit or loss:			
Change on cash flow hedges		–100	–76
Deferred taxes from other comprehensive items		20	15
Share of other comprehensive income of associates		2,689	–6,355
Exchange rate differences on translation of foreign operations		–559	331
Other comprehensive income for the period		**2,857**	**–4,037**
Total comprehensive income for the period		**34,882**	**32,349**
Profit for the period attributable to:			
Equity holders of parent company		32,025	36,386
Non-controlling interest		0	0
Total comprehensive income for the period attributable to:			
Equity holders of parent company		34,882	32,349
Non-controlling interest		0	0

Consolidated balance sheet IFRS

Oras Invest Group (EUR 1,000)	Note	31 Dec 2018	31 Dec 2017
ASSETS			
Non-current assets			
Goodwill	9	25,167	24,609
Intangible assets	9	44,126	46,454
Property, plant and equipment	10	31,499	31,047
Investments in associated companies	12	410,879	392,502
Financial assets	13	7,932	8,350
Receivables	14	309	330
Deferred tax asset	15	7,720	8,627
		527,632	**511,919**
Current assets			
Inventories	16	44,690	45,729
Accounts receivable and other receivables	17	43,868	43,362
Other financial assets	18	9,956	
Cash and non-current deposits	19	37,481	38,003
		135,995	**127,094**
Total assets		**663,627**	**639,013**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	20	6,521	6,521
Other capital reserves	20	20,212	20,201
Foreign currency translation reserve	20	–4,080	–2,638
Fair value reserve	20	1,314	–2,178
Other invested capital	20	39,000	39,000
Retained earnings	20	438,712	410,457
Total equity attributable to the owners of the parent company		**501,679**	**471,363**
Non-controlling interest	29	227	
Total equity		**501,906**	**471,363**
Liabilities			
Non-current liabilities			
Interest-bearing liabilities	23	75,000	45,000
Provisions	22	4,564	4,908
Employee benefit liabilities	21	18,596	19,408
Deferred tax liability	15	14,683	15,523
Other non-current liabilities	24	596	1,251
		113,439	**86,090**
Current liabilities			
Accounts payable and other liabilities	25	46,122	51,510
Interest-bearing liabilities	23		27,500
Provisions	22	884	1,095
Employee benefit liabilities	21	1,276	1,455
		48,282	**81,560**
Total liabilities		**161,721**	**167,650**
Total equity and liabilities		**663,627**	**639,013**

Consolidated cash flow statement IFRS

Oras Invest Group (EUR 1,000)	1 Jan – 31 Dec 2018	1 Jan – 31 Dec 2017
CASH FLOW FROM OPERATIONS		
Profit before taxes	34,842	38,539
Adjustments		
Depreciation and impairment	8,289	8,668
Financial income	–29,590	–29,053
Financial expense	1,780	1,727
Share of profit of associates	–1,685	–1,243
Unrealised exchange rate gains and losses	12	–152
Other non-cash items	–432	658
Other adjustments	–33	–57
Cash flow from operations before change in working capital	13,183	19,087
Change in trade and other non-interest bearing receivables (–/+)	–354	–95
Change in inventories (–/+)	1,039	–1,556
Change in trade and other non-interest bearing liabilities (+/–)	–5,750	3,842
Cash flow from operations before financial items and taxes	8,118	21,278
Interests paid and other financial items	–3,658	–2,949
Interests received	31	52
Dividends received	29,526	29,038
Income taxes paid	–3,815	–2,447
Cash flow from operations	**30,202**	**44,972**
CASH FLOW FROM INVESTMENTS		
Proceeds from sale of intangible and tangible assets	52	334
Investments in intangible and tangible assets	–5,913	–7,105
Investment in associate	–13,617	
Change in other non-current receivables		2
Acquisition of subsidiaries	–611	
Cash flow from investments	**–20,089**	**–6,769**
CASH FLOW FROM FINANCING		
Increase in non-current interest-bearing liabilities	30,000	
Repayment of non-current interest-bearing liabilities	–27,500	–10,000
Repayment of current interest-bearing liabilities		–22,748
Dividends paid	–2,999	–2,499
Change in other financial assets	–10,000	
Cash flow from financing	**–10,499**	**–35,247**
Net change in cash and cash equivalents	**–386**	**2,956**
Cash and cash equivalents at 1 January	38,003	35,160
Exchange rate difference on cash	–136	–113
Cash and cash equivalents at 31 December	37,481	38,003

Statement of changes in shareholders' equity, IFRS

Oras Invest Group (EUR 1,000) 2018	Balance at 1 January	Total comprehensive income for the period	Other equity distribution	Dividends paid	Non-controlling interest	Share-based incentive plans from associated companies	Transfers between reserves and other adjustments	Balance at 31 December
Share capital	**6,521**							**6,521**
Premium reserve	**12,884**							**12,884**
Invested unrestricted equity fund	**6,100**							**6,100**
Other reserves	**1,217**						11	**1,228**
Foreign currency translation reserve	**–2,638**	–1,442						**–4,080**
Fair value reserve	**–2,178**	3,492						**1,314**
Other invested capital	**39,000**							**39,000**
Retained earnings	**410,457**	32,832	–1,351	–2,999		–109	–118	**438,712**
Equity attributable to the owners of the parent company	**471,363**	34,882	–1,351	–2,999	0	–109	–107	**501,679**
Non-controlling interest	**0**				227			**227**
Total equity	**471,363**	**34,882**	**–1,351**	**–2,999**	**227**	**–109**	**–107**	**501,906**

2017	Balance at 1 January	Total comprehensive income for the period	Other equity distribution	Dividends paid	Adjustment to previous years	Share-based incentive plans from associated companies	Transfers between reserves and other adjustments	Balance at 31 December
Share capital	**6,521**							**6,521**
Premium reserve	**12,884**							**12,884**
Invested unrestricted equity fund	**6,100**							**6,100**
Other reserves	**1,204**						13	**1,217**
Foreign currency translation reserve	**9,104**	–11,742						**–2,638**
Fair value reserve	**–7,835**	5,657						**–2,178**
Other invested capital	**39,000**							**39,000**
Retained earnings	**375,971**	38,434	–1,412	–2,499	–301	279	–15	**410,457**
Equity attributable to the owners of the parent company	**442,949**	**32,349**	**–1,412**	**–2,499**	**–301**	**279**	**–2**	**471,363**
Non-controlling interest	**0**							**0**
Total equity	**442,949**	**32,349**	**–1,412**	**–2,499**	**–301**	**279**	**–2**	**471,363**

Notes to the consolidated financial statements, IFRS

1. ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Corporate information

Oras Invest Group is an international industrial group. Group's parent company, Oras Invest Ltd, is domiciled in Rauma in the Republic of Finland. Its address is: P.O.Box 40 / Isometsäntie 2, FI–26101 Rauma, Finland. The company's shares are not listed on stock exchange. Its company registration number is 1908260–8. Oras Invest board has approved the publication of these financial statements in its meeting of 26 March 2019.

Oras Invest Group consists of 100% owned Oras Group and the associated companies Uponor Corporation (24.63%), Kemira Oyj (18.20%) and Tikkurila Oyj (18.07%). Oras Group develops, manufactures and markets user-friendly, water and energy saving sanitary fittings. Biggest administration and group function units of Oras Group are in Rauma and in Stuttgart, Germany. Manufacturing units are located in Finland, Germany, Poland and Czech Republic. Sales offices are located in Nordic countries, several Middle and Southern European countries and in Eastern Europe.

Accounting principles

The consolidated financial statements for the period 1.1.2018–31.12.2018 are prepared in accordance with the International Financial Reporting Standards (IFRS) including International Accounting Standards (IAS) and their SIC and IFRIC interpretations valid on 31 December 2018. In the Finnish Accounting Act and ordinances based on the provisions of the Act, IFRS refer to the standards and to their interpretations adopted in accordance with the procedures laid down in regulation (EC) No 1606/2002 of the European Parliament and of the Council. The consolidated financial statements include also additional information required by the Finnish Accounting Act and Company's Act.

The consolidated financial statements are presented in thousands of euros (tEUR), and they are based on the historical cost convention unless otherwise specified in the accounting principles section below.

Use of estimates and judgement

The preparation of consolidated financial statements under IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities on the date of financial statements, as well as the reported amounts of income and expenses during the reporting period. The use of judgement is needed in the application of accounting policies. Although these estimates are based on the management's best knowledge of current events and actions, actual result may ultimately differ from those estimates.

Consolidation principles

Subsidiaries

The consolidated financial statements include the parent company, Oras Invest Ltd, and those companies in which Oras Invest Ltd has direct or indirect control of over 50% of the voting rights or otherwise has power to govern the financial and operating policies. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Subsidiaries acquired or established during the year are included from the time when the Group has obtained control.

Intra-group shareholdings are eliminated using the acquisition cost method. Accordingly, the assets and liabilities of an acquired company are measured at fair value on the date of acquisition. The excess of the acquisitions cost over fair value of the net assets have been recorded as goodwill. Based on the First-Time-Adoption of IFRS 1, any company acquisitions made prior to the IFRS transition date (1 January 2009) are not adjusted for IFRS. Intra-group transactions, receivables, liabilities, unrealised gains and dividends between group companies are eliminated in the consolidated financial statements. Unrealised losses are not eliminated in case of impairment.

Investment in an associate

Associated companies are entities over which the group has 20–50% of the voting rights, or over which the group otherwise exercises significant influence. Holdings in associated companies are included in the consolidated financial statements using the equity method. Accordingly, the share of the post-acquisition profits and losses of associated companies is recognised in the income statement to the extent of the group's holding in the associated companies. When the group's share of losses of an associated company exceeds the carrying amount, it is reduced to nil and any recognition of further losses ceases, unless the group has an obligation to satisfy the associated company's obligations.

Goodwill represents the excess of the cost of an acquisition over the value of the net assets of the acquired company on the date of acquisition. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

After application of the equity method, it is determined whether there is any objective evidence that the investment in the associate is impaired. If this is the case the amount of impairment is calculated as the difference between the recoverable amount of the associate and its carrying value and the amount is recognised in the "share of profit of an associate" in the income statement.

Notes to the consolidated financial statements, IFRS

Foreign currency translations

Figures for the performance and financial position of the group units are measured in the main currency of the unit's operating environment. The consolidated financial statements are in euros, which is the parent company's functional and presentation currency.

Foreign currency transactions are translated using the exchange rates on the transaction date. Outstanding receivables and payables in foreign currencies are stated using the exchange rates on the balance sheet date. Exchange rate gains and losses on actual business operations are treated as sales adjustment items or adjustment items to materials and services. Exchange rate gains and losses on financing are entered as exchange rate differences in financial income and expenses.

In the consolidated financial statements, the income statements of the Group's foreign subsidiaries are converted into euros using monthly average exchange rates quoted for the reporting period. All balance sheet items are converted into euros using exchange rates quoted on the balance sheet date. The resulting conversion difference and other conversion differences resulting from the conversion of subsidiaries´ equity are shown as separate item in the equity. Realised conversion differences in connection with the redemption of material shares in subsidiaries are recognised as income or expense in exchange rate differences in the income statement.

Exchange rate differences on translation of foreign operations as well as share of other comprehensive items of investment in an associate related to translation difference are recorded through comprehensive income in Oras Invest Group. Accordingly, foreign currency translation reserve consists of these items.

Non-current assets held for sale and discontinued operations

Non-current assets held for sale and assets related to discontinued operations are formed once the company, according to a single co-ordinated plan, decides to dispose of a separate significant business unit, whose net assets, liabilities and financial results can be separated operationally and for financial purposes. Non-current assets held for sale are shown separately in the consolidated balance sheet. Profit or loss from a discontinued operation and gains or losses on its disposal are shown separately in the consolidated income statement. Assets related to non-current assets held for sale and discontinued operations are assessed at book value, whether it is lower, at fair value less costs to sell. Depreciation from these assets has been discontinued at the date of classifying assets as non-current assets held for sale and discontinued operations. In 2018 or 2017 there were no assets held for sale or discontinued operations in Oras Invest Group.

Revenue recognition

Financial statements 2017

Sales of products are recognised as revenue once the risk and benefits related to ownership of the sold products have been transferred to the buyer, according to the agreed delivery terms, and the Group no longer has possession of, or control over, the products. Sales of services are recognised as revenue once the service has been rendered. Net sales comprise the invoiced value for the sale of good and services net of direct taxes, sales rebated and exchange rate differences.

Financial statements 2018

Oras Invest Group has applied for the first time IFRS 15 Revenue from Contracts with Customers for the period ending 31 December 2018.

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers with an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e., when control of the good or service underlying the particular performance obligation is transferred to the customer. The principles in IFRS 15 are applied using the following five steps:

1. Identify the contract(s) with a customer
2. Identify the performance obligation in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue

This accounting policy highlights the impacts of the new standard on the Group's revenue recognition as well as gives the necessary information for the user of the financial statements to understand the performance obligations, timing of revenue recognition and significant judgements made by the management.

The standard requires entities to exercise judgement, taking into consideration all the relevant facts and circumstances when applying each step of the model to contracts with customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

Management's judgements have been applied in the following areas:

- Identifying performance obligations
- Timing of revenue recognition
- Right of return
- Determination of the amount of variable consideration

These management's judgements have been further elaborated in this disclosure.

Sale of goods

Group is in the business of providing user-friendly, water and energy saving sanitary fittings. The revenue streams are mainly from sale of these goods. The Group is acting as principal in all the customer contracts as the Group provides the goods and services itself to a customer and controls the specified goods and services before they are transferred to a customer. Each good provided to the customer is distinct from the other products provided to the customer and therefore, each good is considered as a separate performance obligation.

Notes to the consolidated financial statements, IFRS

The Group recognises the revenue from the goods at a point in time. When determining the timing of revenue recognition, the Group analyses the delivery terms and customer acceptance clauses in order to define the exact timing of the control being transferred. When certain terms are met, products have a right of return, and the Group has assessed the amount on basis of historical data.

The invoicing frequency is linked to the delivery e.g. invoicing takes place when the goods have been delivered.

Variable consideration

The amount of consideration that the Group is entitled to may vary due to items of variable consideration. Relevant variable consideration for the Group includes rebates, refunds and marketing fees.

Sale of goods may typically include variable considerations such as rebates, bonuses, returns and marketing support. Rebates and bonuses are variable in nature and the Group accrues these on monthly basis. Returns are recognised and credited to customer when the criteria is met. Unconditional marketing support is recorded against the revenue. In case marketing support is conditional, it is recorded as marketing expense. The Group estimates the amount of variable consideration at the contract inception.

Other topics

Warranties: The Group generally provides warranties for general repairs of defects that exists at the time of sale, as required by law. Warranties are thus assurance-type warranties and are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Cost to obtain a contract: In general, there are no costs that the Group incurs in obtaining a contract.

Refund liabilities: A refund liability is the obligation to refund some or all the consideration received (or receivable) from the customer and it is measured at the amount that the Group ultimately expects it will have to refund to the customer. At the end of each reporting period, the Group updates its assessment on the amount of refund liabilities.

Significant financial component: The Group's contracts with customers do not include significant financing components.

Non-cash consideration: The Group's contracts with customers do not include non-cash consideration.

Research and development

Research costs are expensed as incurred and they are included in the consolidated income statement under other operating expenses. Development costs are expensed as incurred, unless the criteria for capitalising these costs as assets are met in accordance with IAS 38. Product development costs are capitalised in the balance sheet as intangible assets from the moment the product can be technically implemented, applied commercially and expected to generate future economic benefits. Capitalized development costs comprise the material, work and testing of expenditure that is the direct result of the process of completing the products for its intended use.

Depreciation and amortisation expenses are recognized from the moment the item is ready for use. Items that are not yet ready for use are tested each year for impairment. Capitalized development costs are measured after the original recognition after impairment and acquisition cost depreciation have been deducted from them. Capitalized costs are recognized as straight-line depreciation and the useful life of capitalized development costs is five years.

Employee benefits

The Group's pension schemes comply with each country's local rules and regulations. Pensions are classified as defined contribution plans or defined benefits plans. Most of the employee benefits in the Group apply defined contribution plans. Within the defined contribution plan, pension contributions are paid directly to insurance companies and once the contributions have been paid; the Group has no further payment obligations. These contributions are recognised in the income statement for the accounting period during which such contributions are made.

In addition to defined benefit pensions, the Group has other non-current employee benefits, such as long-service benefit and one off payment provision. These plans are classified as defined benefit plans. The defined benefit liability or asset, which has arisen from the difference between the present value of the obligations and the fair value of plan assets, has been entered in the statement of financial position. The obligations for defined benefit plans are based on actuarial calculations. The defined benefit obligation is measured as the present value of the estimated future cash flows using interest rates of government securities that have maturity terms approximating the terms of related liabilities or similar non-current interests. Actuarial gains or losses of defined benefit plans as well as the realized return on plan assets after deducting the net interest costs are recognized in other comprehensive income in the period in which they occur.

Operating profit

Operating profit is an income statement item, which is calculated by deducting expenses related to operating activities from net sales.

Financing costs

Financing costs are recognised in the income statement as they incur.

Income taxes

Income taxes in the consolidated income statement comprise taxes based on taxable income recognised for the period by each group company on an accrual basis, according to local tax regulations including tax adjustments from the previous periods and changes in deferred tax. Deferred tax assets or liabilities are calculated using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, using the tax rate effective on the balance sheet date. Deferred tax assets are recognised to the extent that it appears probable that future taxable profit will be available against which the temporary differences can be utilised.

Notes to the consolidated financial statements, IFRS

Intangible assets

Goodwill

Goodwill represents future economic benefits arising from assets that are not capable of being individually identified and separately recognised by the Group. Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets of the acquired company on the date of acquisition. Goodwill is not amortised, but is tested for impairment annually. Gains and losses on the disposal of a Group entity include any goodwill relating to the entity sold.

Other intangible assets

Other intangible assets include trademarks, patents, customer relationships, capitalised development costs and software licenses. Intangible assets are recognised in the balance sheet at historical costs less accumulated amortization according to the expected useful life and any impairment losses.

Property, plant and equipment

Group companies' property, plant and equipment are measured at historical cost minus accumulated depreciation and any impairment losses. Ordinary repair and maintenance costs are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the asset's carrying amount when it is probable that the Group will derive future economic benefits in excess of the originally assessed standard of performance of the existing asset.

Gains or losses on disposal, divestment or removal from use of property, plant and equipment are based on the difference between the net gains and the balance sheet value. Gains are shown under operating income and losses under other operating expenses.

Depreciation and amortization

Intangible and tangible assets are valued at acquisition cost less accumulated depreciation or amortization during the useful life of the assets and possible impairment losses. Depreciation is calculated on a straight-line basis on the acquisition cost over the asset's expected useful life as follows:

Intangible assets	3–25 years
Buildings	10–50 years
Structures	10 years
Machinery and equipment	3–12 years
Other tangible assets	10–30 years

Grants

Grants received from the Government and other sources are entered into the income statement as adjustment for expenses or shown on other operating income. Grants connected with the acquisition of intangible or tangible assets are deducted from the acquisition cost.

Impairment

The balance sheet values of assets are assessed for impairment on a regular basis. Should any indication of an impaired asset exist, the asset's recoverable amount shall be assessed. The recoverable amount is the fair value of the asset minus sales-related expenditure or a higher value in use. The value in use refers to the estimated future net cash flows, discounted at their present value, that arise from the assets in question or the unit generating cash flows. The need for impairment is examined at the level of units generating cash flows, in other words, at the lowest unit level which is largely independent of other units and the cash flows of which can be separated from other cash flows.

The impairment loss is recognised in the income statement when the book value of the asset is higher than the recoverable amount. The useful life of the asset to be depreciated is reassessed in connection with the recognition of the impairment loss. An impairment loss recognized in connection with other assets than goodwill will be reversed if there have been changes in the assessments used for determining the recoverable amount. The impairment loss to be reversed may, however, not exceed the book value the asset would have without the recognition of the impairment loss. Any impairment loss on goodwill is not reversed.

Goodwill is assessed for impairment at least annually.

The impairment tests performed did not reveal any need to recognize impairment losses. The pre-tax discount rate (WACC) used in the testing was 8.1%.

Leases

Leases in which the lessor carries the ownership-related risks and benefits are classified as operating leases. Lease payments made on the basis of operating leases are recognized in the income statement.

Oras Invest Group has no finance leases.

Inventories

Inventories are measured at acquisition cost or at net realisable value, whichever is lower. The net realisable value is the price received on the date of sale, less expense. In addition to the cost of materials and direct labour, an appropriate proportion of production overheads are included in the inventory value of finished products and work in progress.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions may be connected with such matters as restructuring operations, loss-making contracts, court cases or warranty costs. Changes in provisions are included in relevant expenses on the income statement.

Contingent assets and liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of uncertain future events not wholly within the control of the entity. Such present obligation that probably does not require a settlement of a payment obligation or the amount of which cannot be reliably measured is also considered to be a contingent liability. Contingent liabilities are disclosed in the notes to the financial statements.

Notes to the consolidated financial statements, IFRS

Cash and short-term deposits

Cash and short-term deposits include cash in hand and deposits that can be withdrawn on request.

Financial assets

Financial assets are classified as follows: amortized cost, fair value through other comprehensive income and fair value through profit and loss. Sales and purchases of financial assets are recognised at their trading date.

Fair value through profit and loss

Fair value through profit and loss include financial assets held for trading and measured at fair value. Financial assets at fair value through profit and loss have been acquired principally for the purpose of generating a profit from short-term fluctuations in market prices. Derivative instruments, for which hedge accounting is not applied, are included in financial assets at fair value through profit and loss and are recognised in the balance sheet at historical cost and valued at fair value on each balance sheet date. Fair value is determined using market prices at the balance sheet date, or the present value of estimated future cash flows. Changes in the fair value of financial assets at fair value through profit and loss, and realised and unrealised gains and losses, are included in the income statement in financial items in the period in which they occur. Fair value through profit and loss are presented under the other current assets in the balance sheet.

Amortized cost

Amortized cost items are non-derivative assets with fixed or determinable payment dates that are not quoted in the active markets or held for trading purposes. Loans and receivables are measured at amortised cost. Accounts receivable are carried at expected fair value, which is the original invoice amount less the provision made for impairment of these receivables. A provision for impairment of accounts receivable is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, the probable bankruptcy of the debtor or default in payments are considered as probable indicators for the impairment of accounts receivable. Impairment of a loan receivable is assessed with the same criteria as an impairment of accounts receivable.

Fair value through other comprehensive income

Fair value through other comprehensive income assets consist of holdings in listed and non-listed companies and investments. Fair value through other comprehensive assets are measured at fair value based on market prices on the balance sheet date, or using the net present value method of cash flows, or another revaluation model. If the fair value of a holding or investment cannot be measured reliably, it will be measured at cost. Changes in the fair value of other comprehensive income assets are recognised in the fair value reserve under shareholders' equity, taking tax consequences into account. Changes in the fair value will be re-entered from shareholders' equity into the consolidated statement of comprehensive income when the asset is disposed of or has lost its value to the extent that an impairment loss must be recognised.

Financial liabilities

Financial liabilities at fair value through profit and loss are measured at their fair value. This group includes those derivatives whose fair value is negative.

Other financial liabilities are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method. Transaction costs are included in the original book value of financial liabilities. Other financial liabilities include non-current and current interest-bearing liabilities and accounts payable.

Derivative contracts and hedge accounting

The Group uses derivative contracts to decrease currency and interest risks. Financial derivatives are used for hedging purposes and are initially recognized in the balance sheet at fair value and are subsequently re-measured at fair value on each balance sheet date. At the contract date derivatives are classified as either cash flow hedges or hedges that hedge accounting is not applied to. For derivatives, that hedge accounting is not applied to, the changes in fair value are recognized under financial items in the consolidated statement of comprehensive income. The fair values of derivatives are determined on the basis of publicly quoted market prices.

Cash flow hedging is applied to interest rate derivatives. Hedge programmes are documented according to the requirements of IFRS 9, and the efficiency of financing derivatives is tested both at the inception of, and during, the hedge.

Fair value changes of financial derivatives, which are designated as cash flow hedges, are recognized in other comprehensive income in the hedge reserve to the extent that the hedge is effective. Accumulated fair value changes in the other comprehensive income are released into the consolidated statement of comprehensive income under financial items in the period during which the hedged cash flow affects the result.

Hedge accounting is not applied to commodity derivatives.

Dividends

Dividends paid by the group are recognised for the period during which their payment is approved by the shareholders in the Annual General Meeting.

Accounting policies requiring consideration by management and essential uncertainty factors associated with estimates

Estimates and assumptions regarding the future must be made during the preparation of the financial statements, and the outcome may differ from the estimates and assumptions. Furthermore, the application of accounting principles requires consideration.

Group management needs to make decisions regarding the selection and application of accounting principles. These judgements are in particular required in those cases in which the IFRS in force provide the opportunity to choose between various accounting, valuation or presentation methods.

The estimates made in connection with preparing the financial statements reflect the management's best view at the time of the closing the accounts. These estimates are affected by historical experience and assumptions regarding future developments, which are regarded as well-founded at the time of closing the accounts. On a regular basis, the Group monitors the realisation of these estimates and assumptions through internal and external information sources. Any changes in estimates and assumptions are recognised in the financial statements for the period during which such corrections are made, and all subsequent financial periods.

Estimates have been used in determining the size of items reported in the financial statements, including, among other things, the realisability of certain asset items, such as deferred tax assets and other receivables, the economic useful life of property, plant and equipment, provisions, pension liabilities and impairment on goodwill.

From the Group's perspective, the most significant uncertainty factors are related to impairment testing on goodwill and the defined benefit-based pension obligations. The application of the related accounting policies requires the use of estimates and assumptions that also have a large impact. Uncertainty factors in connection with impairment testing on goodwill relate to the assumptions made on future cash flows and determining the discount rate. The Group's weighted average capital cost rate (WACC), is used as the discount rate in impairment tests. The book value of the defined benefit-based pension obligation is based on actuarial calculations, which in turn are based on the assumptions and estimates of a discount rate used for assessing plan assets and obligations at their current value, the expected rate of return on plan assets and developments in inflation, salary and wage levels.

Application of new IFRS standards and interpretations

New and adopted IFRSs and Interpretations in 2018:

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments standard is effective in the EU for annual periods beginning on or after 1 January 2018. New standard introduces new requirements for the classification and measurement of financial assets. The application of IFRS 9 did not have material impact on financial performance nor financial position of the Oras Invest Group but only to classification of financial assets and liabilities.

Key requirements of IFRS 9:

- All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.
- Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that quality for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required.

Classification and measurement

All financial assets and financial liabilities are to be measured on the same basis as adopted under IAS 39. According to IFRS 9 financial assets are classified in three measurement categories: fair value through other comprehensive income, at amortized cost or fair value through profit or loss instead IAS 39's four categories. The classification depends on the company's business model and cash flow characteristics in financial assets.

Notes to the consolidated financial statements, IFRS

IFRS 9 transition table, valuation classes

Financial assets	IAS 39	IFRS 9
Other shares	Financial items available for sale	Amortized cost
Financial assets	Financial items available for sale	Fair value through profit and loss
Receivables	Loans and receivables	Amortized cost
Derivative contracts	Derivative contracts under hedge accounting	Fair value through other comprehensive income
Accounts receivable and other receivables	Loans and receivables	Amortized cost
Other financial assets	Financial items available for sale	Fair value through profit and loss
Cash receivables	Loans and receivables	Amortized cost

Financial liabilities	IAS 39	IFRS 9
Interest-bearing liabilities	Loans and borrowings	Amortized cost
Derivative contracts	Fair value through profit and loss	Fair value through profit and loss
Other non-current liabilities	Loans and borrowings	Amortized cost
Other derivative contracts	Fair value through profit and loss	Fair value through profit and loss
Accounts payable and other liabilities	Loans and borrowings	Amortized cost

Hedge accounting

At the end of financial period 2018 Oras Invest Group had no derivative contracts under hedge accounting.

IFRS 15 Revenue from Contracts with Customers

Oras Invest Group has applied for the first time IFRS 15 Revenue from Contracts with Customers for the period ending 31 December 2018 using the modified retrospective application method. Based on the analysis performed by the Group, no significant changes were identified. Therefore, there are no changes impacting the comparative information and no restatements have been made in the Group's financial statements.

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 has superseded the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers with an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e., when control of the good or service underlying the particular performance obligation is transferred to the customer. The principles in IFRS 15 are applied using the following five steps:

1. Identify the contract(s) with a customer
2. Identify the performance obligation in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue

Sale of goods

Group is in the business of providing user-friendly, water and energy saving sanitary fittings. The revenue streams are mainly from sale of these goods. The Group is acting as principal in all the customer contracts as the Group provides the goods and services itself to a customer and controls the specified goods and services before they are transferred to a customer. Each good provided to the customer is distinct from the other products provided to the customer and therefore, each good is considered as a separate performance obligation.

The Group recognises the revenue from the goods at a point in time. When determining the timing of revenue recognition, the Group analyses the delivery terms and customer acceptance clauses in order to define the exact timing of the control being transferred. When certain terms are met, products have a right of return, and the Group has assessed the amount on basis of historical data.

The invoicing frequency is linked to the delivery e.g. invoicing takes place when the goods have been delivered.

The adoption of IFRS 15 did not have any impact on the performance obligations identified, determination of the transaction price or on the timing of revenue recognition.

The accounting policy applied starting 2018 is described more specific in Accounting principles for the consolidated financial statements under headline Revenue recognition.

Other new and revised IFRSs

– IFRIC 22 Foreign Currency Transactions and Advance Consideration. The interpretation addresses how to determine the date of transaction for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency. The interpretation has had no material impact on Oras Invest Group's consolidated financial statements.

Notes to the consolidated financial statements, IFRS

- Annual Improvements to IFRSs 2014–2016. Application of these amendments has had no material effect on the Group's consolidated financial statements.

Application of new and revised IFRSs in issue but not yet effective:

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. Oras Invest Group intends to adopt these standards, if applicable, when they become effective.

IFRS 16 Leases

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. It provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. When becoming effective, IFRS 16 will supersede the current guidance, including IAS 17 Leases and the related interpretations. Oras Invest Group will adopt the new standard as of 1 January 2019 using the retrospective application method which means that the comparatives will not be adjusted for the period ending 31 December 2018.

IFRS 16 replaces IAS 17 and requires that essentially all leasing contracts shall be recognized on the balance sheet. Oras Invest Group previously classified all leases as operating leases under IAS 17. Oras Invest Group will recognize a lease liability measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. In transition, 1 January 2019, Oras Invest Group measures the right-of-use asset on a lease-by-lease basis at an amount equal to lease liability. In the income statement, Oras Invest Group will recognize depreciation expenses and interest expenses instead of lease expenses.

The right-of-use assets of the Group consist mainly of real estate. In addition, there are minor right-of-use assets, such as cars and forklifts. The Group has not identified any service-type contracts that would include identified right-of-use asset.

The standard includes two practical expedients, relating to short-term leases and low value assets. Short-term leases are leases for which the lease period is 12 months or less and low value assets are leases for which the underlying asset is of low value. Oras Invest Group has decided to apply these two practical expedients and will thus not apply IFRS 16 to the short-term leases and low value assets.

In accordance with IFRS 16, the lessee shall determine the lease term as the non-cancellable period of a lease adjusted with any option to extend or terminate the lease, if the use of such an option is reasonable certain. Oras Invest Group has analyzed the expected lease term and thereby assessed whether it is reasonably certain that any options to extend or terminate the agreements will be exercised for the lease contracts. The identified lease agreements are either ongoing contracts or fixed term contracts. The management has given their most accurate estimate for the expected lease period on a contract by contract basis. The expected lease term is based on management's view of a period that can be estimated with a relative certainty. The expected lease term is supported by a contract by contract analysis of the actual expected lease term of the assets including analysis of the additional costs caused by the termination of the contract.

Under IFRS 16, the lessee values the lease liability at the inception of the contract by discounting the future minimum lease payments to the present value. The discount rate used is either the interest rate implicit in the lease or the incremental borrowing rate. Since the interest rate implicit in the lease is not readily available in most of Oras Invest Group's lease contracts, the future minimum lease payments are discounted using Oras Invest Group's incremental borrowing rate. The incremental borrowing rate is defined as the interest rate that the lessee would expect to borrow at over a similar term and with a similar security on the right-of-use asset. Oras Invest Group has determined the discount rate taking into consideration the length of the lease contract and the financial environment of the contract.

The impact of the IFRS 16 adoption on Oras Invest Group's liabilities as of 1 January 2019 is estimated to amount approximately EUR 14 million, increasing the amount of the lease liabilities and amount of right-to-use assets. Due to the adoption of IFRS 16, the Group's operating profit for 2019 will slightly improve, while its interest expense will increase.

Other new and revised IFRSs

- Amendments to IAS 19 Employee Benefit Plan Amendment, Curtailment or Settlement, effective for the accounting periods beginning on or after 1 January 2019.
- IFRIC 23 Uncertainty over Income Tax Treatments, effective for the accounting periods beginning on or after 1 January 2019.
- Amendments to IFRS 9 Prepayment Features with Negative Compensation, effective for the accounting periods beginning on or after 1 January 2019.
- Definition of Material (Amendment to IAS 1 and IAS 8), effective for the accounting periods beginning on or after 2020.
- Annual Improvements to IFRS 2015–2017, effective for the accounting periods beginning on or after 1 January 2019.

However, it is estimated that these amendments and improvements do not have significant impact on reported figures.

Notes to the consolidated financial statements, IFRS

NOTES TO CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

2. BUSINESS COMBINATIONS

The effect of business combination, tEUR	Recognised in 2018	Proforma of the financial year 2018
Net sales	283	768
EBIT	–69	1

Proforma of the financial year 2018 presents the effect of business combination if the acquisition made in 2018 had been consolidated to the consolidated financial statements since 1 January 2018.

Amphiro AG acquisition

Oras Invest Group signed on 6 July 2018 an agreement for the purchase of majority share of Swiss Amphiro AG. Amphiro develops and markets Internet of Things solutions for drinking water applications for energy and water conservation in Europe, Australia and Asia. The ownership and control have been transferred to Oras Invest Group on 6 July 2018, which is also the date of consolidation.

The acquisition cost is calculated on the basis of the Amphiro's balance sheet as per 6 July 2018 prepared, in accordance with IFRS and the Oras Invest Group's accounting principles.

The goodwill of 540 tEUR arising from the acquisition is mainly attributable to the acquired technology, future products and potential R&D synergies that will benefit the Oras business. None of the goodwill recognized is tax deductible.

Non-controlling interest (NCI) has been measured as NCI's proportionate share of net assets of the acquired entity. Purchase consideration includes earn-out model. Earn-out is based on operative and financial milestones. Fair value of the earn-out is based on agreed payments by milestone and assumed realization. Earn-out that is part of the purchase consideration is recorded as liability.

The following table summarizes the purchase consideration for Amphiro AG and the amounts of the assets acquired and liabilities recognized at the acquisition date.

Consideration, tEUR	
Cash	761
Conditional purchase price	461
Total consideration	1,222
Consideration paid in cash	761
Acquired cash and cash equivalents	–150
Cash flow effect	611

The assets and liabilities arising from the acquisition, tEUR	
Property, plant and equipment	71
Intangible assets	650
Inventories	52
Trade and other receivables	90
Cash and cash equivalents	150
Total assets	1,013
Interest-bearing liabilities	130
Trade and other liabilities	47
Deferred tax liabilities	107
Total liabilities	284
Total identifiable net assets	729
Goodwill	540

Reconciliation of goodwill from the acquisition, tEUR	
Total consideration	1,222
The share of non-controlling interests from the identifiable net assets	47
Total identifiable net assets	–729
Goodwill	540

Notes to the consolidated financial statements, IFRS

The acquisition related costs have been recorded as other operating expenses in the consolidated statement of comprehensive income for financial year 2018.

The net sales included in the consolidated statement of comprehensive income since 7 July 2018 was contributed by Amphiro AG by 283 tEUR. Amphiro AG contributed EBIT of –69 tEUR over the same period 2018.

If Amphiro AG would have been consolidated from 1 January 2018, the consolidated statement of comprehensive income would show net sales of 228,138 tEUR and EBIT 5,429 tEUR for year 2018.

During the financial year 2017 there were no business acquisitions.

(EUR 1,000)	2018	2017

3. NET SALES

Sales of goods	227,653	249,478
Total	227,653	249,478

4. OTHER OPERATING INCOME

Gains from sales of fixed assets	43	100
Rental income	3	2
Grants	6	46
Energy tax refund	443	
Other items	38	119
Total	533	267

5. EMPLOYEE BENEFITS

Salaries, wages and bonuses	55,287	53,769
Pension expenses, defined contribution plans	4,909	4,806
Pension expenses, defined benefit plans	–306	948
Other social security expenses	7,432	7,039
Total	67,322	66,562
Number of personnel		
Average number of personnel during fiscal year	1,447	1,409
Number of personnel 31 Dec		
white-collar workers	627	611
blue-collar workers	778	806
Total	1,405	1,417

6. DEPRECIATION AND AMORTISATION

Depreciation and amortization by asset category		
Trademark	1,181	1,182
Intangible rights	63	13
Other intangible assets	292	469
Customer relationships	1,596	1,596
Capitalized development costs	143	217
Buildings and structures	910	890
Machinery and equipment	4,087	4,282
Other tangible assets	17	19
Total	8,289	8,668

Notes to the consolidated financial statements, IFRS

(EUR 1,000)	2018	2017

7. FINANCIAL INCOME AND EXPENSES

(EUR 1,000)	2018	2017
Financial income		
Dividend income from others	43	52
Interest income	44	33
Exchange rate differences		59
Other financial income	66	10
Total	153	154
Financial expenses		
Interest expenses	1,370	1,281
Exchange rate differences	20	
Other financial expenses	448	381
Total	1,838	1,662
Financial income and expenses total	–1,685	–1,508

8. INCOME TAXES

(EUR 1,000)	2018	2017
Current year and previous years taxes		
Taxes based on taxable income for fiscal year	3,046	2,983
Taxes from previous fiscal years	–54	–16
Deferred taxes	–175	–814
Total	2,817	2,153
Tax reconciliation		
Profit before taxes	34,842	38,539
Share of profit of associates	31,168	30,229
	3,674	8,310
Taxes calculated at parent company's tax rate (20.0%)	735	1,662
Differing tax rates of foreign subsidiaries	115	204
Non-deductible expenditure	263	314
Tax-exempt income	–4	–282
Tax-exempt dividends	–8	–10
Change in depreciations in taxation and accounting	–48	–114
Utilization of tax losses not recognized	–45	–61
Taxes from previous fiscal years	–54	–16
Tax losses carried forward not recognized	1,510	325
Items not recognized in income statement	262	
Other items	91	131
Total	2,817	2,153
Effective tax rate %	8.09%	5.59%

Notes to the consolidated financial statements, IFRS

NOTES TO CONSOLIDATED BALANCE SHEET

9. GOODWILL AND INTANGIBLE ASSETS

2018 (EUR 1,000)	Goodwill	Trademark	Intangible rights	Other intangible assets	Customer relation-ships	Capitalized develop-ment costs	Total
Acquisition cost on 1 Jan	24,609	17,721	1,236	6,815	39,900	2,316	92,597
Conversion difference	18	3		13			34
Increases			4	275			279
Decreases							0
Acquisition	540	100	138	504			1,282
Other changes							0
Acquisition costs 31 Dec	25,167	17,824	1,378	7,607	39,900	2,316	94,192
Accumulated amortisation and impairment 1 Jan		5,025	1,182	6,371	6,783	2,173	21,534
Conversion difference				−2			−2
Amortisation		1,181	63	292	1,596	143	3,275
Impairment							0
Acquisition			92				92
Cumulative amortisation on disposals and transfers							0
Accumulated amortisation and impairment 31 Dec		6,206	1,337	6,661	8,379	2,316	24,899
Book value 1 January	24,609	12,696	54	444	33,117	143	71,063
Book value 31 December	25,167	11,618	41	946	31,521	0	69,293

2017 (EUR 1,000)	Goodwill	Trademark	Intangible rights	Other intangible assets	Customer relation-ships	Capitalized develop-ment costs	Total
Acquisition cost on 1 Jan	24,609	17,721	1,236	7,880	39,900	2,316	93,662
Conversion difference				5			5
Increases				56			56
Decreases				−1,126			−1,126
Other changes							0
Acquisition costs 31 Dec	24,609	17,721	1,236	6,815	39,900	2,316	92,597
Accumulated amortisation and impairment 1 Jan		3,843	1,169	7,022	5,187	1,956	19,177
Conversion difference				5			5
Amortisation		1,182	13	469	1,596	217	3,477
Impairment							0
Cumulative amortisation on disposals and transfers				−1,125			−1,125
Accumulated amortisation and impairment 31 Dec		5,025	1,182	6,371	6,783	2,173	21,534
Book value 1 January	24,609	13,878	67	858	34,713	360	74,485
Book value 31 December	24,609	12,696	54	444	33,117	143	71,063

Oras Invest Group acquired Hansa on 30 September 2013 and goodwill amounting to 25,359 tEUR was recognized as a result of purchase price allocation. During 2014 purchase price was adjusted and amount of goodwill as of 31 December 2014 was 24,609 tEUR. In connection of acquisition of Hansa, customer relationships and trademark value was identified.

Oras Invest Group acquired Amphiro AG on 6 July 2018 and goodwill amounting to 540 tEUR was recognized as a result of purchase price allocation. In connection of acquisition of Amphiro AG, technology intangibles and trademark value was identified.

Apart from goodwill, Oras Invest Group does not have any other intangible assets with indefinite useful lives.

According to the IFRS 3 standard, goodwill is not depreciated, but it is tested at least annually for any impairment. If a unit's carrying value does not exceed goodwill amount, impairment is booked.

Impairment test is carried out at Oras Group level as the synergies obtained from the acquisition will benefit the whole Oras Group. Cash flow forecasts related to goodwill cover a period of five years. Terminal value is calculated from the fifth year's cash flow. Cash flow forecasts are based on the strategic plans approved by the management. Key assumptions of the plans relate to growth and profitability development of the markets and the product offerings. A cash-generating unit's useful life has been assumed to be indefinite, since this unit has been estimated to impact on the accrual of cash flows for an undetermined period. The discount rate used is based on the interest rate level reflecting the average yield requirement for the cash generating unit. The discount rate (pre-tax) used was 8.1 per cent. The 2018 goodwill impairment test indicated that there was no need to record impairment.

During the financial year 2017 there were no business acquisitions.

10. PROPERTY, PLANT AND EQUIPMENT

2018 (EUR 1,000)	Land	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Acquisition cost on 1 Jan	1,976	37,590	106,047	3,101	2,071	150,785
Conversion difference	–16	–204	–381		–27	–628
Increases		54	750		4,830	5,634
Decreases		–8	–1,343			–1,351
Acquisition			477			477
Other changes		211	4,258		–4,469	0
Acquisition costs 31 Dec	1,960	37,643	109,808	3,101	2,405	154,917
Accumulated depreciation and impairment 1 Jan		28,256	88,944	2,538		119,738
Conversion difference		–111	–274			–385
Depreciation		910	4,087	17		5,014
Impairment						0
Acquisition			406			406
Cumulative depreciation on disposals and transfers		–6	–1,349			–1,355
Accumulated depreciation and impairment 31 Dec		29,049	91,814	2,555		123,418
Book value 1 January	1,976	9,334	17,103	563	2,071	31,047
Book value 31 December	1,960	8,594	17,994	546	2,405	31,499

2017 (EUR 1,000)	Land	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Acquisition cost on 1 Jan	1,948	38,403	104,303	3,101	1,228	148,983
Conversion difference	28	551	681		5	1,265
Increases		52	1,311	2	5,684	7,049
Decreases		–1,840	–4,670	–2		–6,512
Other changes		424	4,422		–4,846	0
Acquisition costs 31 Dec	1,976	37,590	106,047	3,101	2,071	150,785
Accumulated depreciation and impairment 1 Jan		28,913	88,462	2,520		119,895
Conversion difference		286	542			828
Depreciation		890	4,282	19		5,191
Impairment						0
Cumulative depreciation on disposals and transfers		–1,833	–4,342	–1		–6,176
Accumulated depreciation and impairment 31 Dec		28,256	88,944	2,538		119,738
Book value 1 January	1,948	9,490	15,841	581	1,228	29,088
Book value 31 December	1,976	9,334	17,103	563	2,071	31,047

Notes to the consolidated financial statements, IFRS

11. BOOK VALUES AND FINANCIAL ASSETS AND LIABILITIES BY ITEM GROUPS

Values 31 December 2018

Balance item	Note	Financial items at fair value through profit and loss	Amortized cost	Financial items at fair value through comprehen-sive income	Total	IFRS 7 Fair value hierarchy level
Non-current financial assets						
Other shares	13		278		278	
Financial assets	13	7,654			7,654	1
Receivables	14		309		309	
Current financial assets						
Accounts receivable and other receivables	17		43,868		43,868	
Other financial assets	18	9,956			9,956	1
Cash receivables	19		37,481		37,481	
Value by item groups		**17,610**	**81,936**	**0**	**99,546**	
Non-current financial liabilities						
Interest-bearing non-current liabilities	23		75,000		75,000	
Other non-current liabilities	24		596		596	
Current financial liabilities						
Accounts payable and other liabilities	25		46,122		46,122	
Value by item groups		**0**	**121,718**	**0**	**121,718**	

Values 31 December 2017

Balance item	Note	Financial items at fair value through profit and loss	Amortized cost	Financial items at fair value through comprehensive income	Book value	IFRS 7 Fair value hierarchy level
Non-current financial assets						
Other shares	13		278		278	
Financial assets	13	8,072			8,072	1
Receivables	14		309		309	
Derivative contracts	14			21	21	2
Current financial assets						
Accounts receivable and other receivables	17		43,362		43,362	
Cash receivables	19		38,003		38,003	
Value by item groups		**8,072**	**81,952**	**21**	**90,045**	
Non-current financial liabilities						
Interest-bearing non-current liabilities	23		45,000		45,000	
Derivative contracts	24	1,239			1,239	2
Other non-current liabilities	24		12		12	
Current financial liabilities						
Interest-bearing current liabilities	23		27,500		27,500	
Derivative contracts	25	4			4	2
Accounts payable and other liabilities	25		51,506		51,506	
Value by item groups		**1,243**	**124,018**	**0**	**125,261**	

The carrying value of financial assets and liabilities is considered to correspond to their fair value. Group's financial instruments are classified according to IFRS 7 fair value hierarchies.

Determination and Hierarchy of Fair Values

Level 1: the measure of instrument is based on quoted prices in active markets for identical assets or liabilities.

Level 2: the measure for the instrument include also other than quoted prices observable for the assets or liability, either directly or indirectly by using valuation techniques.

Notes to the consolidated financial statements, IFRS

12. INVESTMENTS IN ASSOCIATED COMPANIES

(EUR 1,000)	2018	2017
Acquisition 1 Jan	392,502	395,987
Share of profit	31,168	30,229
Dividends received	–29,483	–28,986
Share of other comprehensive income	3,184	–5,007
Share-based incentive plans from associated companies	–109	279
Increases	13,617	
Book value 31 Dec	410,879	392,502

Group's associated companies and their assets, liabilities, net sales and profit/loss

(EUR 1,000)	Assets	Liabilities	Net sales	Profit/loss	Ownership (%)
Uponor Corporation	786,600	433,000	1,196,300	63,200	24.63
Kemira Oyj	2,763,800	1,561,200	2,592,800	95,200	18.20
Tikkurila Oyj	400,000	249,800	561,500	14,600	18.07

	Closing price per share 31 Dec 2018	Total market value of the ownership 31 Dec 2018
Uponor Corporation	8.62	155,425
Kemira Oyj	9.85	278,540
Tikkurila Oyj	12.02	95,794
Total		529,759

13. OTHER NON-CURRENT FINANCIAL ASSETS

(EUR 1,000)	2018	2017
Shares	312	310
Pension plan assets	7,620	8,040
Total	7,932	8,350
Shares		
Acquisition 1 Jan	310	312
Exchange rate difference	–1	–4
Changes in value	3	2
Book value 31 Dec	312	310

Other non-current financial assets include other shares, which are booked at acquisition value since it has not been possible to determine the fair value reliably. In total these are 278 tEUR.

14. OTHER NON-CURRENT RECEIVABLES

(EUR 1,000)	2018	2017
Arrangement fee	104	99
Guarantee deposits	159	152
Interest rate derivative		21
Other non-current receivables	46	58
Total	309	330

Notes to the consolidated financial statements, IFRS

15. DEFERRED TAXES

Deferred tax asset from the tax loss carry forwards has been recognized in 2018 up to the amount that company expects them to be utilized. Tax loss carry forwards of which deferred tax asset has not been recognized amounts to 9,833 tEUR (2,225 tEUR 2017).

2018 (EUR 1,000)	1 Jan 2018	Exchange rate difference	Acquisition	Change of the period	31 Dec 2018
Deferred tax assets					
Investments in financial instruments	248			–248	0
Intangible and tangible assets	547			–9	538
Employee benefits	2,964	–16		–382	2,566
Internal margins	203			–54	149
Provisions	935	–5		–216	714
Tax losses carried forward	3,435				3,435
Other temporary differences	295	–2		25	318
Total	8,627	–23	0	–884	7,720
Deferred tax liabilities					
Accumulated depreciation difference and untaxed reserves	649			15	664
Intangible and tangible assets	14,524	5	110	–925	13,714
Investments in financial instruments	30			259	289
Other temporary differences	320	1		–305	16
Total	15,523	6	110	–956	14,683
Deferred taxes on 31 Dec 2018 net	**–6,896**	**–29**	**–110**	**72**	**–6,963**

2017 (EUR 1,000)	1 Jan 2017	Exchange rate difference	Adjustment to previous years	Change of the period	31 Dec 2017
Deferred tax assets					
Investments in financial instruments	351			–103	248
Intangible and tangible assets	659			–112	547
Employee benefits	2,869	18		77	2,964
Internal margins	277			–74	203
Provisions	557	10	81	287	935
Tax losses carried forward	3,624			–189	3,435
Other temporary differences	308	1		–14	295
Total	8,645	29	81	–128	8,627
Deferred tax liabilities					
Accumulated depreciation difference and untaxed reserves	578			71	649
Intangible and tangible assets	15,532	7		–1,015	14,524
Investments in financial instruments	53			–23	30
Other temporary differences	56			264	320
Total	16,219	7	0	–703	15,523
Deferred taxes on 31 Dec 2017, net	**–7,574**	**22**	**81**	**575**	**–6,896**

16. INVENTORIES

(EUR 1,000)	**2018**	2017
Materials and supplies	18,525	20,652
Work in progress	10,016	9,310
Finished goods	16,149	15,767
Total	44,690	45,729

Inventories are stated at the lower of cost or likely net realisable value.

Notes to the consolidated financial statements, IFRS

17. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

(EUR 1,000)	2018	2017
Accounts receivable	39,564	39,306
Other receivables	3,269	2,102
Prepayments and accrued income	1,035	1,954
Total	43,868	43,362
Prepayments and accrued income		
Personnel expenses		5
Income tax receivables	19	48
Prepayments	1,000	1,772
Other items	16	129
Total	1,035	1,954

18. OTHER FINANCIAL ASSETS

Investments in short-term financial instruments	9,956	
Total	9,956	0

19. CASH RECEIVABLES

Cash and bank accounts	37,481	38,003
Total	37,481	38,003

20. SHAREHOLDERS' EQUITY

Total number of shares:		
A shares	217,350	PCS
B1 shares	36,226	PCS
B2 shares	36,226	PCS
B3 shares	36,224	PCS
B4 shares	36,224	PCS
B5 shares	24,150	PCS
B6 shares	24,150	PCS
B7 shares	24,150	PCS
Share capital	6,520,500	EUR

On 3 August 2017, the amended company bylaws and the issue of new B shares were registered.

The company has A and B1–B7 share series. The voting right for each A share is one vote per share. B shares have no voting rights.

A serie shares confer an equal right to dividends. The dividend paid to B1–B7 shares will be determined separately, and the dividend/share may differ between the share categories.

The company does not hold its own shares.

Other capital reserve

Other capital reserves are mainly funds that have been founded with decision of shareholders' meetings or based on law.

Foreign currency translation reserve

Foreign currency translation reserve consist of exchange rate differences related to converting foreign financial statements into euros.

Other invested capital

Other invested capital includes capital loans that are classified as equity due to their terms.

Dividends

The Board of Directors proposes that Oras Invest Ltd will distribute a dividend of 13.80 euros per share, in total 2,999,430 euros, from the result of financial year 2018. Rest of the profit will be retained in the shareholders' equity.

During 2018 the dividend paid was 13.80 euros per share from the distributable funds 2017, in total 2,999,430 euros.

Notes to the consolidated financial statements, IFRS

21. EMPLOYEE BENEFIT OBLIGATIONS

The Group has a number of pension plans for its operations. The Group's pension schemes comply with each country's local rules and regulations. The Group applies defined contribution and defined benefit pension plans. Pensions are based on actuarial calculations or actual payments to insurance companies. Pension benefits are normally based on the number of working years and the salary. The amounts in the Group's balance sheet arise from Germany and Poland. In Finland, pensions are handled according to TyEL system, which is defined as a contribution pension plan.

The Group has from 2013 adopted the revised version of IAS 19.

(EUR 1,000)	2018	2017
Non-current employee benefit obligations		
Pensions – defined benefit plans	15,859	16,759
Other non-current employee benefit liability	2,737	2,649
Total	18,596	19,408
Current employee benefit obligations		
Pensions – defined benefit plans	900	829
Other current employee benefit liability	376	626
Total	1,276	1,455
Employee benefit obligations total	19,872	20,863
Amounts recognised in the balance sheet		
Present value of the obligation	19,872	20,863
Funded status		
Liability recognised in balance sheet	19,872	20,863
Amounts charged to profit and loss		
Current service cost	475	535
Interest cost	393	400
Net actuarial gain(–)/loss(+) recognised in year	146	97
Settlement or curtailment	–1,320	–84
Expense(+)/income(–) recognised in the income statement	–306	948
Re-measurements recognised in other comprehensive income		
Re-measurements recognised in other comprehensive income	–435	–954
Total	–435	–954
Changes in present value of obligation		
Opening defined benefit obligation	20,863	22,402
Exchange rate differences	–32	–84
Current service cost	475	535
Interest cost	393	400
Benefits paid	–218	–1,449
Settlement or curtailment	–1,320	–84
Actuarial gain(–)/loss(+) on obligation	146	97
Re-measurements recognized	–435	–954
Closing present value of obligation	19,872	20,863
Amounts recognised in the balance sheet		
Defined benefit pension obligations	19,872	20,863
Defined benefit pension assets		
Net asset (–) / liability (+)	19,872	20,863

Notes to the consolidated financial statements, IFRS

	2018	2017
The principal actuarial assumptions used		
Discount rate	0.0% – 2.8%	0.0% – 3.3%
Future salary increases	0.0% – 0.02%	0% – 2.5%
Probability of lump sum instead of pension payments	50% – 100%	50% – 100%
Turnover rate	0.0% – 3.39%	0% – 3.56%
Future pension increases	1.75% – 3.55%	1.75% – 3.55%

The pension plans in Poland are interpreted as other non-current employee benefits. The plans are wholly unfunded and the pension benefit obligation is recognised in the balance sheet.

22. PROVISIONS

2018 (EUR 1,000)	Warranty reserve	Restructuring provision	Other provisions	Total
Provisions at 1 Jan	4,500	374	1,129	6,003
Exchange rate difference			–1	–1
Utilised provisions		–228	–5	–233
Additions this period		312	17	329
Unused amounts reversed	–500	–130	–20	–650
Provisions at 31 Dec	4,000	328	1,120	5,448
Non-current provisions	4,000	328	236	4,564
Current provisions			884	884
Provisions total at 31 December 2018	4,000	328	1,120	5,448

2017 (EUR 1,000)	Warranty reserve	Restructuring provision	Other provisions	Total
Provisions at 1 Jan	4,165	710	113	4,988
Exchange rate difference	4			4
Utilised provisions		–284	–38	–322
Additions this period	400	119	1,054	1,573
Unused amounts reversed	–69	–171		–240
Provisions at 31 Dec	4,500	374	1,129	6,003
Non-current provisions	4,500	374	34	4,908
Current provisions			1,095	1,095
Provisions total at 31 December 2017	4,500	374	1,129	6,003

23. INTEREST-BEARING LIABILITIES

(EUR 1,000)	**2018**	2017
Non-current interest-bearing liabilities		
Loans from financial institutions	75,000	45,000
Total	75,000	45,000
Current interest-bearing liabilities		
Loans from financial institutions		27,500
Total	0	27,500
A reconciliation between the opening and closing balances of liabilities arising from financing activities		
Interest-bearing liabilities 1 Jan	72,500	105,248
Repayment of interest-bearing liabilities	–27,500	–32,748
Increase in interest-bearing liabilities	30,000	
Interest-bearing liabilities 31 Dec	75,000	72,500

Notes to the consolidated financial statements, IFRS

24. OTHER NON-CURRENT LIABILITIES

(EUR 1,000)	2018	2017
Interest rate derivative		1,239
Other non-current liabilities	596	12
Total	596	1,251

Other non-current liabilities on financial year 2018 consists mostly on share of conditional purchase price of acquisition made during the financial year.

25. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable	14,472	17,196
Accrued expenses	23,364	26,273
Derivative instruments		4
Other liabilities	8,286	8,037
Total	46,122	51,510
Accrued expenses		
Personnel expenses	6,439	7,186
Income taxes	599	1,002
Customer co-operation	13,318	13,846
Interests	124	110
Prepayments	772	1,232
Other items	2,112	2,897
Total	23,364	26,273

26. FEES OF AUDITORS'

Auditing	428	449
Other services	194	249
Total	622	698

27. OTHER RENTS

Rents to be paid on the basis of non-reversing rent agreements:		
In less than one year	3,451	3,436
1–5 years	6,950	7,084
Over 5 years	3,644	4,250
Total	14,045	14,770

28. CONTINGENT LIABILITIES

– on own behalf		
Collateral on behalf of Oras Invest Group		
Other deposits	197	346
Total	197	346
Loans secured by mortgages, pledged assets or shares		
Loans from financial institutions	75,000	72,500
Real estate mortgages	36,410	36,410
Corporate mortgages	22,106	20,424
Pledged shares at market value	171,022	252,826
Total	229,538	309,660
Contingent liabilities total	229,735	310,006

Other contingencies
Oras Invest Group has a pending claim in Germany related to old cartel case. The liability for Hansa Armaturen GmbH is estimated to be limited, and only an accrual for the legal costs is included in the balance sheet.

Notes to the consolidated financial statements, IFRS

29. NON-CONTROLLING INTERESTS

Subsidiaries are listed in the note 32 Subsidiaries and associates 31 December 2018.

Oras Invest Group's subsidiary Amphiro AG has non-controlling interest as a result of its ownership structure. Oras Invest Group has control in Amphiro AG through the 78.5 per cent direct ownership and the voting ownership by holding the Chair position in the board of directors of Amphiro AG. Amphiro AG has no subsidiaries.

	Non-controlling interest, proportion of ownership		Profit for the period attributable to non-controlling interest		Equity attributable to non-controlling interest	
	2018	2017	2018	2017	2018	2017
Amphiro AG	21.5%	–	0	–	227	–

30. TRANSACTIONS BETWEEN RELATED PARTIES

Group's related parties constitute of Group's management (board, CEO and Oras Group Management Team), subsidiaries and associate companies.

There has been no transactions between related parties in 2018 or 2017 other than normal business.

Board remuneration (EUR 1,000)	**2018**	2017
Fees to board and CEO	446	460

31. FINANCIAL RISK MANAGEMENT

Financial risk management aims to minimise the adverse effects caused by the uncertainties in financial markets to the Group's financial performance and to ensure sufficient liquidity in a cost-efficient manner.

Currency risk

Due to its international operations, the Group is exposed to currency risks arising from, for instance, currency-denominated accounts receivable and payable, intra-group transactions as well as currency-denominated financing, deposits and bank account balances. In Oras Invest Group in addition to euro, the main invoicing currencies are Norwegian krone (NOK), Polish zloty (PLN), Swedish krona (SEK), Czech koruna (CZK), US dollar (USD), Danish krone (DKK) and Russian roubles (RUB). The biggest currency risks arise from Norwegian krone, Polish zloty, Swedish krona and Russian roubles. The Group has not used derivative instruments in order to manage the sales currency risk. In addition, the Group has material purchases in USD.

Translational risks arise when the currency-denominated assets and liabilities of subsidiaries located outside the euro area are exposed to currency fluctuations when the assets and liabilities are translated into parent company's reporting currency. Translation risks have impact on result and key ratios. Where possible the Group counters the translation risk with EUR denominated loans to the subsidiary.

Interest rate and liquidity risk

Oras Invest Group companies has fixed interest rate loans and there are no interest rate derivative contracts.

Maturities of non-current interest-bearing loans are following including repayment of loan and interest on 31 December 2018:

(EUR 1,000)	2019	2020	2021	2022	2023
Loans from financial institutions	1,046	937	45,862	510	30,495

Counterparty and credit risk

The counterparty risk is related to financial instruments and has been defined as a risk that the counterparty is unable to fulfil its contractual obligations.

Group's expected credit loss is evaluated based on accounts receivable of the lifetime expected credit losses according to IFRS 9. Group has analysed individually receivables. Group's total credit loss provision is combination of individual cases provisions and evaluated expected credit loss. The simplified approach is used for evaluation. The expected amount of credit loss in each age group is based on recorded historical credit losses, in addition to which the Group has anticipated the level of credit losses to remain the same and has taken into account changes in the probability of credit losses.

The Group assess the credit quality of its customers, by taking into account their financial position, past experience and

Notes to the consolidated financial statements, IFRS

other relevant factors. When appropriate, advance payments and letters of credit are used to mitigate credit risks. Group suffered credit losses in 2018 for 99 tEUR (2017 for 113 tEUR). The maximum counterparty credit risk is the book value of accounts receivable and loan receivables on 31 December 2018.

(EUR 1,000)	2018	2017
The aging of accounts receivable		
Undue and less than 30 days due	38,606	38,242
Due 31–60 days	537	270
Due 61–90 days	241	139
Due over 90 days	180	655
Total	39,564	39,306

Counterparty risk arises also from financial transactions agreed upon with banks, financial institutions and corporates. The risk is managed by careful selection of banks and other counterparties, by counterparty specific limits. The counterparty risk of financial institutions is effectively managed with usage of overdraft credit limit facilities.

Price risk

The main risks at Oras Invest Group arise from the long-term ownership in the core investments. Oras Invest Group is exposed to raw material price risks due to copper, brass and electricity.

In order to manage risk of volatility of electricity prices, Oras Ltd has entered into commodity derivatives for years 2010–2017. Changes in fair value of the instruments are recorded through profit and loss. The Group does not apply hedge accounting for commodity derivatives.

Derivative contracts and hedge accounting

Nominal values (tEUR)	2018	2017
Interest rate derivatives		
– under hedge accounting		26,000
– not under hedge accounting		26,000

Fair values (tEUR)	2018	2017
Interest rate derivatives		
– under hedge accounting		+21
– not under hedge accounting		–1,239
Electricity derivatives		
– not under hedge accounting		–4

Oras has renewed its interest rate derivatives during 2016. Due to changes in terms of contract, the derivative has been classified not to be under hedge accounting and accordingly the fair value of interest derivative has been recognized through income statement in 2017. Other interest rate derivatives have been classified under hedge accounting. The derivative contract was terminated in Group in 2018 and Oras Invest Ltd has no open derivative contracts as of year-end 2018 or 2017.

Commodity derivatives are not under hedge accounting and the changes in fair values have been recorded in income statement, totally amounted to 4 tEUR (31 tEUR 2017).

Notes to the consolidated financial statements, IFRS

32. SUBSIDIARIES AND ASSOCIATES 31 DECEMBER 2018

Subsidiaries

Ownership by Oras Invest Ltd	domicile		Group's ownership	Oras Invest ownership
Oras Ltd	Rauma	Finland	100	100

Ownership by Oras Ltd	domicile		Group's ownership	Oras Invest ownership
Oras Armatur AS	Oslo	Norway	100	100
Oras Armatur A/S	Fredericia	Denmark	100	100
Hansa Armaturen Belgium N.V.	Herk-de-Stad	Belgium	100	100
Oras Germany GmbH	Stuttgart	Germany	100	100
Oras International Ltd	Rauma	Finland	100	100
Oras Olesno Sp.z o.o.	Olesno	Poland	100	100
Amphiro AG	Zürich	Switzerland	78.5	78.5

Ownership by Oras International Ltd	domicile		Group's ownership	Oras Invest ownership
OOO Oras RUS	Saint Petersburg	Russia	100	100
Oras Sverige AB	Stockholm	Sweden	100	100

Ownership by Oras Germany GmbH	domicile		Group's ownership	Oras Invest ownership
Hansa Armaturen GmbH	Stuttgart	Germany	100	100

Ownership by Hansa Armaturen GmbH	domicile		Group's ownership	Oras Invest ownership
Hansa Austria GmbH	Salzburg	Austria	100	100
Hansa Césko s.r.o.	Kralovice	Czech Republic	100	100
Hansa España S.A.U.	Viladecans	Spain	100	100
Hansa France S.A.R.L.	Strasbourg-Eckbolsheim	France	100	100
Hansa Italiana S.R.L.	Castelnuovo del Garda	Italy	100	100
Hansa Metallwerke GmbH	Stuttgart	Germany	100	100
Hansa Nederland B.V.	Nijkerk	The Netherlands	100	100

Associates

Ownership by Oras Invest Ltd	domicile		Group's ownership	Oras Invest ownership
Uponor Corporation	Helsinki	Finland	24.63	24.63
Kemira Oyj	Helsinki	Finland	18.20	18.20
Tikkurila Oyj	Helsinki	Finland	18.07	18.07

Parent company income statement, FAS

Oras Invest Ltd (EUR)	Note	1 Jan – 31 Dec 2018	1 Jan – 31 Dec 2017
Net sales	2	249,999.96	124,998.00
Other operating income	3	20,000.04	78,357.46
Personnel expenses	4	851,371.66	809,502.69
Depreciation	6	112,534.60	107,620.98
Other operating expenses		798,048.06	1,485,128.96
Operating profit		**–1,491,954.32**	**–2,198,897.17**
Financial income and expenses	7	31,101,988.80	32,691,820.42
Profit before appropriations and taxes		**29,610,034.48**	**30,492,923.25**
Appropriations	8	1,825,179.65	2,508,572.86
Income taxes	9	–6,878.81	–13,239.61
Profit for the financial period		**31,428,335.32**	**32,988,256.50**

Parent company balance sheet, FAS

Oras Invest Ltd (EUR)	Note	31 Dec 2018	31 Dec 2017
ASSETS			
Non-current assets			
Intangible assets	10		5.20
Tangible assets	10	1,092,341.03	1,199,730.58
Investments in Group companies	11	21,942,155.51	21,942,155.51
Other investments	12	619,078,214.89	605,460,504.44
Other non-current receivables	13	23,381.00	23,381.00
		642,136,092.43	**628,625,776.73**
Current assets			
Current receivables	14	3,883,774.48	1,673,821.13
Other financial assets	15	9,955,536.35	
Cash and cash equivalents		10,292,147.41	7,566,982.51
		24,131,458.24	**9,240,803.64**
Total assets		**666,267,550.67**	**637,866,580.37**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	16	6,520,500.00	6,520,500.00
Retained earnings	16	583,064,517.30	553,075,690.80
Profit for the year	16	31,428,335.32	32,988,256.50
		621,013,352.62	**592,584,447.30**
Accumulated appropriations	17	**16,247.49**	**41,427.14**
Liabilities			
Non-current liabilities	18	45,000,000.00	45,000,000.00
Current liabilities	18	237,950.56	240,705.93
		45,237,950.56	**45,240,705.93**
Total equity and liabilities		**666,267,550.67**	**637,866,580.37**

Parent company cash flow statement, FAS

Oras Invest Ltd (EUR 1,000)	1 Jan – 31 Dec 2018	1 Jan – 31 Dec 2017
CASH FLOW FROM OPERATIONS		
Profit before appropriations and taxes	29,610	30,493
Adjustments		
Depreciation and impairment	113	108
Financial income and expense	–31,102	–32,692
Other adjustments		–59
Cash flow from operations before change in working capital	–1,379	–2,150
Change in trade and other non-interest bearing receivables (–/+)	41	–38
Change in trade and other non-interest bearing liabilities (+/–)		19
Cash flow from operations before financial items and taxes	–1,338	–2,169
Interests paid and other financial items	–600	–628
Interests received	260	334
Dividends received	29,484	32,987
Income taxes paid	–10	–4
Cash flow from operations	**27,796**	**30,520**
CASH FLOW FROM INVESTMENTS		
Investments in intangible and tangible assets	–5	–230
Proceeds from sale of intangible and tangible assets		92
Investment in associate	–13,617	
Cash flow from investments	**–13,622**	**–138**
CASH FLOW FROM FINANCING		
Repayment of current loans		–22,748
Group contribution	1,550	2,400
Dividends paid	–2,999	–2,499
Change in other financial assets	–10,000	
Cash flow from financing	**–11,449**	**–22,847**
Net change in cash and cash equivalents	**2,725**	**7,535**
Cash and cash equivalents at 1 January	7,567	32
Cash and cash equivalents at 31 December	10,292	7,567

Parent company's notes to financial statements, FAS

1. PARENT COMPANY'S FINANCIAL STATEMENTS AND ACCOUNTING POLICIES

Oras Invest Ltd is the parent company of Oras Invest Group which includes Oras Group and associated companies Uponor, Kemira and Tikkurila.

Valuation policies

Valuation of non-current assets

Intangible and tangible assets are stated at residual of acquisition cost deducted by depreciation according to plan. The depreciation according to plan have been calculated on a straight-line basis according to the asset's estimated economical life.

The shares of Uponor Corporation and Tikkurila Oyj have been stated at the original acquisition cost based on expectations for future income. As a result of the spin off of Tikkurila Oyj, the shares of Kemira Oyj were valued at market value as per December 31, 2010.

Depreciation according to plan

Other long-term expenditure	4–10 years
Buildings	15–30years
Machinery and equipment	4–10 years

Valuation of financial assets

Other financial assets including shares in investment funds have been valued at their fair value based on Finnish Accounting Act (KPL) 5 chapter 2a §.

Pensions

Pensions are based on actual calculations or actual payments to insurance companies. White-collar employees who started their employment before 1981 are entitled to a supplementary pension. The supplementary pension contributions are paid to the insurance company Mandatum Life.

Accounting of hedging derivatives

Oras Invest Ltd has no hedging instruments on 2018 or 2017.

(EUR 1,000)

PARENT COMPANY'S NOTES FOR INCOME STATEMENT (FAS)

2. NET SALES BY MARKET AREA

(EUR 1,000)	2018	2017
EU area	250	125
Total	250	125

3. OTHER OPERATING INCOME

(EUR 1,000)	2018	2017
Gains from sales of fixed assets		58
Other	20	20
Total	20	78

Parent company's notes to financial statements, FAS

4. NOTES RELATED TO PERSONNEL AND BOARD OF DIRECTORS' WORK

(EUR 1,000)	2018	2017
Personnel expenses		
Salaries, wages and bonuses	735	692
Pension expenses	90	94
Other social security expenses	26	24
Total	851	810
Salaries paid to management and Board of Directors		
Fees to board and CEO	446	460
Number of personnel		
Average number of personnel during fiscal year	4	4
Number of personnel 31.12.	4	4

5. FEES OF AUDITORS'

(EUR 1,000)	2018	2017
Auditing	32	36
Other services	3	3
Total	35	39

6. DEPRECIATION AND VALUE ADJUSTMENTS

(EUR 1,000)	2018	2017
Depreciation by asset category		
Intangible rights		1
Buildings and structures	30	29
Machinery and equipment	68	64
Other tangible assets	15	14
Total	113	108

7. FINANCIAL INCOME AND EXPENSES

(EUR 1,000)	2018	2017
Financial income		
Dividend income, Group	2,000	4,000
Dividend income, others	29,484	28,987
Interest income	35	
Other financial income, Group	262	310
Total	31,781	33,297
Financial expenses		
Interest expenses	–600	–605
Other financial expenses	–79	
Total	–679	–605
Financial income and expenses total	31,102	32,692

8. APPROPRIATIONS

(EUR 1,000)	2018	2017
Change in depreciation difference	25	–41
Group contribution	1,800	2,550
Total	1,825	2,509

9. INCOME TAXES

(EUR 1,000)	2018	2017
Income taxes from appropriations	–360	–510
Income taxes from previous fiscal years	–1	
Income taxes from operations	354	497
Total	–7	–13

Parent company's notes to financial statements, FAS

PARENT COMPANY'S NOTES FOR BALANCE SHEET (FAS)

10. INTANGIBLE AND TANGIBLE ASSETS

2018	Intangible rights	**Intangible assets total**	Land	Buildings	Machinery and equipment	Other tangible assets	**Tangible assets total**	**Intangible and tangible assets total**
Acquisition cost on 1 Jan	981	**981**	96	732	429	338	**1,595**	**2,576**
Increases					5		**5**	**5**
Decreases							**0**	**0**
Other changes							**0**	**0**
Acquisition costs 31 Dec	981	**981**	96	732	434	338	**1,600**	**2,581**
Accumulated depreciation and impairment 1 Jan	981	**981**		90	190	115	**395**	**1,376**
Depreciation		**0**		30	68	15	**113**	**113**
Impairment							**0**	**0**
Cumulative depreciation on disposals and transfers							**0**	**0**
Accumulated depreciation and impairment 31 Dec	981	**981**		120	258	130	**508**	**1,489**
Book value 1 January	0	**0**	96	642	239	223	**1,200**	**1,200**
Book value 31 December	0	**0**	96	612	176	208	**1,092**	**1,092**

2017	Intangible rights	**Intangible assets total**	Land	Buildings	Machinery and equipment	Other tangible assets	**Tangible assets total**	**Intangible and tangible assets total**
Acquisition cost on 1 Jan	981	**981**	96	707	389	338	**1,530**	**2,511**
Increases				25	205		**230**	**230**
Decreases					–165		**–165**	**–165**
Other changes							**0**	**0**
Acquisition costs 31 Dec	981	**981**	96	732	429	338	**1,595**	**2,576**
Accumulated depreciation and impairment 1 Jan	980	**980**		61	258	101	**420**	**1,400**
Depreciation	1	**1**		29	64	14	**107**	**108**
Impairment							**0**	**0**
Cumulative depreciation on disposals and transfers					–132		**–132**	**–132**
Accumulated depreciation and impairment 31 Dec	981	**981**		90	190	115	**395**	**1,376**
Book value 1 January	1	**1**	96	646	131	237	**1,110**	**1,111**
Book value 31 December	0	**0**	96	642	239	223	**1,200**	**1,200**

Parent company's notes to financial statements, FAS

(EUR 1,000)	2018	2017

11. INVESTMENTS IN GROUP COMPANIES

Shares in Group companies 1 Jan	21,942	21,942
Shares in Group companies 31 Dec	21,942	21,942

12. OTHER INVESTMENTS

(EUR 1,000)	Ownership (%)	Ownership (number of shares)	2018	2017
Shares in associated companies				
Uponor Corporation 1 Jan	22.64%	16,571,780	149,430	149,430
Increases		1,459,000	13,617	
Uponor Corporation 31 Dec	24.63%	18,030,780	163,047	149,430
Kemira Oyj 1 Jan	18.20%	28,278,217	330,855	330,855
Kemira Oyj 31 Dec	18.20%	28,278,217	330,855	330,855
Tikkurila Oyj 1 Jan	18.07%	7,969,552	125,073	125,073
Tikkurila Oyj 31 Dec	18.07%	7,969,552	125,073	125,073
Total			618,975	605,358
Other shares				
Other shares 1 Jan			103	103
Other shares 31 Dec			103	103
Total			103	103
Shares in associated companies and other shares total			619,078	605,461

13. OTHER NON-CURRENT RECEIVABLES

Guarantee deposits	23	23
Total	23	23

14. CURRENT RECEIVABLES

Receivables, Group		
Other receivables	3,800	1,550
Accrued receivables	67	66
Receivables, non-Group		
Other receivables	3	8
Accrued receivables	14	50
Total	3,884	1,674

Parent company's notes to financial statements, FAS

15. OTHER FINANCIAL ASSETS

(EUR 1,000)	2018	2017
Investments in short-term financial instruments		
Acquisition cost	10,000	
Profit or loss recognized at fair value through profit or loss	–44	
Total	9,956	0

In accordance with its strategy, the company uses short-term financial instruments for cash management purposes. The fair values of short-term financial instruments are recognized at fair value through profit and loss in accordance with Finnish Accounting Act Chapter 5, 2a §. Short-term financial instruments are classified as hierarchy 1 level investments in accordance with Group note 11.

16. SHAREHOLDERS' EQUITY

(EUR 1,000)	2018	2017
Share capital 1 Jan	6,521	6,521
Share capital 31 Dec	6,521	6,521
Retained earnings 1 Jan	586,063	555,574
Distribution of dividends	–2,999	–2,499
Retained earnings 31 Dec	583,064	553,075
Profit for the financial period	31,428	32,988
Shareholders' equity total 31 December	621,013	592,584
Distributable funds		
Retained earnings 31 December	583,064	553,075
Profit for the financial period	31,428	32,988
Total 31 December	614,492	586,063

17. ACCUMULATED APPROPRIATIONS

(EUR 1,000)	2018	2017
Accumulated depreciation differences	16	41
Total	16	41

18. LIABILITIES

(EUR 1,000)	2018	2017
Non-current liabilities		
Liabilities, non-Group		
Loans from financial institutions	45,000	45,000
Total	45,000	45,000
Current liabilities		
Liabilities, non-Group		
Accounts payable	27	51
Other current liabilities	31	26
Accrued expenses	180	164
Total	238	241
Liabilities total	45,238	45,241
Interest-bearing liabilities		
Interest-bearing loans from financial institutions	45,000	45,000
Other interest-bearing loans from financial institutions		
Total	45,000	45,000

Parent company's notes to financial statements, FAS

(EUR 1,000)	2018	2017

19. ADDITIONAL NOTES

COLLATERAL AND CONTINGENT LIABILITIES		
Collateral on behalf of Oras Invest Ltd		
Other deposits	1	1
Total	1	1
Loans secured by mortgages or shares given as collateral on behalf of Oras Invest Ltd / Oras Invest Group		
Loans from financial institutions	45,000	45,000
Pledged shares at market value *	171,022	252,826
Total	171,022	252,826

* Also as collateral on behalf of Oras Ltd's loan amounting to 30,000 tEUR (26,000 tEUR 2017).

Collateral and contingent liabilities total	171,023	252,827

Review of accounting books and journal types

Accounting books

Daybooks and general ledgers	Compact disc
Accounts payable and accounts receivable ledgers	EDP-lists

Journal types

Purchase invoices	Compact disc
Sales invoices	Compact disc
Memo journals	Compact disc
Bank transactions	
– payments of sales invoices	Compact disc
– payments of purchase invoices	Compact disc
– other bank transactions	Compact disc

Signatures for Annual Reports

In Helsinki 26 March 2019

Annika Paasikivi

CEO

Jari Paasikivi

Chairman of the board

Robin Lawther

Ulf Mattsson

Kaj Paasikivi

Frank Stangenberg-Haverkamp

Christoph Vitzthum

Auditor's note

Audit report has been given out today.

In Helsinki 26 March 2019

Heikki Ilkka
Authorized Public Accountant

Auditor's report

(Translation of the Finnish original)

To the Annual General Meeting of Oras Invest Ltd

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Oras Invest Ltd (business identity code 1908260-8) for the year ended 31 December, 2018. The financial stateme snts comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- The consolidated financial statements give a true and fair view of the group's financial position as well as its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- The financial statements give a true and fair view of the parent 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 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 consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and 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 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 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 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 and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date.

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 identified above 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. With respect to report of the Board of Directors, 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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 26 March 2019

Ernst & Young Oy
Authorized Public Accountant Firm

Heikki Ilkka
Authorized Public Accountant