

oras invest

A vibrant, abstract splash of paint in shades of blue, orange, and purple against a white background. The paint is thick and textured, creating a dynamic, organic shape that flows from the top right towards the bottom left. The colors are bright and saturated, with some areas appearing more translucent than others. The overall effect is one of energy and movement.

**Annual
Review
2018**

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Oras Invest Ltd's Annual Review and full Financial Report 2018 are available in PDF-format in English and Finnish on the company website orasinvest.fi

Oras Invest in brief

Oras Invest is a family-owned company with over 70 years of industrial entrepreneurship tradition. Its current industrial holdings are Oras Group, Uponor, Kemira and Tikkurila. At the end of 2018 the net asset value of Oras Invest totalled EUR 634 million.

Oras Invest holdings



Aggregate key figures 2018

Net sales
EUR **4.6** billion

People
13,235

Operating in
40 countries



Vision

Oras Invest is and will remain in family ownership. We aspire to be the best owner of selected industrial companies, with long-term commitment. The companies under our ownership are the best long-term performers in their industries. They attract the most competent people and a committed owner base.

Oras Invest key figures 2018

	2018	2017
Net profit, EUR million	31.4	33.0
Shareholders' equity, EUR million	621.0	592.6
Balance sheet total, EUR million	666.3	637.9
Equity ratio	93%	93%
Gearing	4%	6%
Net asset value (NAV), EUR million	634	892
Total shareholder return (TSR)	-29%	-5%
Loan-to-value ratio	4%	4%

Building stronger ownership

The global economic environment was very nervous throughout the year 2018. Increasing volatility of the financial markets reflected the anxiety caused by potential threats of new trade barriers. While the international community rhetoric became harsher, the fundamental ability of our companies to perform in the challenging conditions remained mostly intact; despite the fact that the construction market started showing weakening signals towards the end of the second quarter.

At Oras Invest, we continued focusing on supporting the long-term strategic development of our four companies in the building and water industries. We continued as the largest owner of the listed companies Uponor, Kemira and Tikkurila, and as the 100% owner of Oras Group. Just before the year-end, we increased our ownership in Uponor by 2% points to a total of 24.6%.

For the second consecutive year, Oras Group – our 100% owned faucet company – delivered disappointing results and continues to develop in a clear turn-around mode. The performance of our listed companies was manifold. Tikkurila has undergone a significant turn-around and is showing improving performance. Both Kemira and Uponor developed steadily.

Oras Invest's year-end net asset value (NAV) declined by 29%, to EUR 634 million (EUR 892 million at the end of 2017), and the total shareholder return was -29% (-5%). We expect an incoming dividend stream of around EUR 29 million (33 million) from 2018. The drop in the expected total dividend stream to Oras Invest is the result of Tikkurila having to decrease its dividend and of the decision

“We continued focusing on supporting the long-term strategic development of our four companies in the building and water industries.”



of Oras Group not to pay a dividend at all this year. Generally, we expect our companies to be able to pay a consistently growing dividend. The decline in the net asset value comes from the lower market capitalisation values of our listed companies at year-end, especially Uponor. Oras Group's contribution to the NAV is lower than last year. Over the last 5-year period, our NAV has on average been approximately EUR 800 million and it has recovered to almost that level in early 2019. All our companies, except for Oras Group, managed to increase their intrinsic values. Oras Invest's balance sheet continued on a solid basis, with gearing

decreasing to 4% (6%) and our loan-to-value ratio, measured at year-end market values, remained at 4% (4%).

Oras Group had another difficult year, resulting in disappointing performance. Net sales dropped by –8.7% to EUR 227.7 million (249.5) while the comparable operating profit declined to EUR 11.2 million (17.4). The company continued to suffer from internal inefficiencies during 2018, but at the same time careful planning for corrective actions took place. Implementation of the transformation plan has started in 2019 with the new CEO, Kari Lehtinen, at the helm since the 1st of January. Markus Lengauer, the former CEO, continued as a board member at Oras Group and was appointed the Chairman in March 2019.

Uponor – who celebrated its 100th anniversary last year – reported net sales growth of 2.2% at EUR 1,196.3 million (EUR 1,170.4 million), despite divesting some non-core businesses. Comparable operating profit was EUR 99.3 million (97.2 million), in relative terms exactly at the same level as in the previous year. Uponor had an eventful year with several focus activities being carried out, opening a new production facility in Hutchinson, Minnesota to ensure demanded capacity for the North American markets and launching Phyn Plus, the smart water monitoring and shut-off device.

Kemira achieved a good growth of 4.3% in net sales, reaching EUR 2,592.8 million (2,486.0 million), and its comparable operating profit came to EUR 173.8 million (170.3), in relative terms a small decline compared to previous year. Both business segments – Pulp & Paper and Industry & Water – contributed to the growth, which was mainly driven by price increases. In 2018, the chemicals industry saw some significant transformative M&A activity. Kemira formed a joint venture in China to strengthen its position as a leading global supplier for the pulp & paper industry.

Tikkurila's net sales declined by –3.6% to EUR 561.5 million (582.4), but the comparable operating profit improved to EUR 38.8 million (28.2) from last year's unacceptable level of 4.9% to 6.9% of net sales. Net sales was impacted by currency development and divestments, but sales volumes grew. The fixed cost savings programme announced in 2017 is taking effect and visible in the improved operating profit. Tikkurila has focused on executing its efficiency programme encompassing several structural changes as well as a product portfolio

harmonisation. The efficiency improvements will continue in 2019 under the leadership of CEO Elisa Markula, who started in April 2018.

At Oras Invest, our focus in 2019 is on defining the steps to be taken in the medium term to become an even stronger owner for our companies in the long term. In a family company specialising in long-term industrial ownership, things do not always happen at high speed and developing the companies does not allow quick fixes at the cost of long-term value creation. We develop our companies patiently, but with a sense of urgency regarding changes in their operating environments and opportunities for opening new avenues of profitable growth.

While the external environment is getting more complex, faster and uncertain, we are keeping our own operations lean. In addition to current portfolio ownership steering, our focus in 2019 is on seeking new investment opportunities and on building our readiness to act when the right opportunity arises. Our organisation and competence base have been strengthened accordingly.

The financial period under review in this report will be the last one compiled by our long-term CFO, Tuula Ylhäinen, as she moves into a well-earned retirement this spring. A special thanks is in order for Tuula for always taking on whatever challenges she has been presented with; and for managing them with success!

An average of 13,235 people worked with our companies in 2018. I thank all of You for your commitment and hope that our companies continue to offer You meaningful challenges in the future. I would like to thank all our board and nomination board members for their continuous support and foresight, and all of our partners and stakeholders for their trust and consistency.

April, 2019



Annika Paasikivi
CEO

Growth period of several years came to an end in stock markets

In 2018, both economic growth and corporate earnings growth remained strong: in the United States, corporate earnings grew by over 20% and in Europe by over 10%. However, the long-term rise in stock markets ended and stock indices fell. In the US, the S&P 500 index return was -7% and in Europe, the Stoxx 600 index return was -14%. In Finland, the OMX Helsinki All-Share index-decreased by 8% and the dividend-adjusted return was -4%.

The development of stock prices and fixed-income markets predicts a deceleration of several years of global economic growth and corporate earnings growth in 2019 and 2020. In addition, the stock market was also affected by the increasing uncertainty caused, for example, by Brexit negotiations between the United Kingdom and the EU and the US-China trade negotiations.

Historically, a decline of about 10% in a year is still not entirely exceptional in the stock market. During this millennium, the OMX Helsinki index has fallen in six separate years.

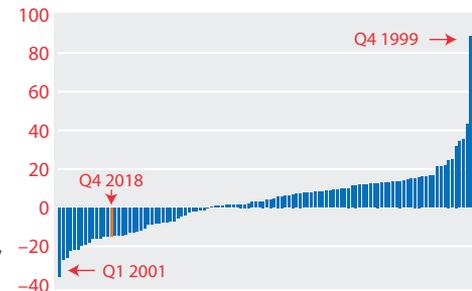
The year was also very mixed in the stock market. The peak was reached in late summer. Volatility, i.e. the fluctuation of daily returns, first grew momentarily in the early part of the year and again at the end of the year.

In the US, the weakest month of the S&P 500 index was

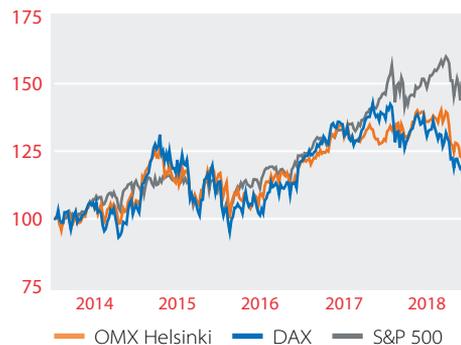
December, while the OMX Helsinki index had its weakest period in October. In the fourth quarter, the OMX Helsinki index fell by as much as 15%, making it the 15th worst quarter in the history of the index.

The share prices of cyclical companies, the ones dependent on economic growth, reacted particularly strongly in the stock market. Cyclical sectors include basic industries as well as industrial products and services. At the end of the year, the Helsinki stock market saw a steep decline, for example, in the share prices of forest industry and construction companies.

Quarterly return of the OMX Helsinki All-Share index since 1991, %



Development of stock indices in 2014–2018, indexed



The growth of Oras Invest companies continued, but the value of assets decreased

Oras Invest is an industrial owner, and each of the four companies operates either in the building or in the water industries. Geographically, the operations of the companies are concentrated in northern Europe, although both Uponor and Kemira have been able to grow also in America and Asia in recent years.

As an industrial owner, Oras Invest aims to develop the existing companies. In this respect, the owner can be partially satisfied with the development in 2018. The two largest, Uponor and Kemira, increased both net sales and operating profit. Instead, Oras Group and Tikkurila reported lower net sales and Oras Group also a

weaker result. Measures to restore growth and profitability are ongoing under the leadership of new CEOs.

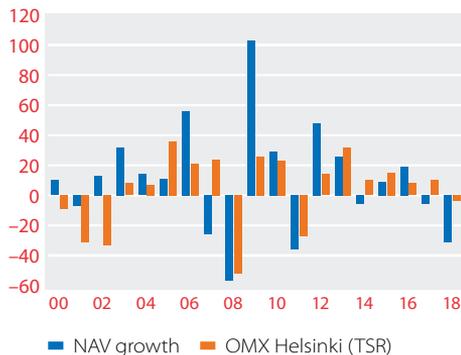
The value of Oras Invest's holdings decreased in 2018. The strongest impact was the decline in the valuation of Uponor's share – the share price declined despite the growth in earnings. NAV (*Net Asset Value*) decreased by 29%, which is the third largest decrease in value in our company's history.

Oras Invest is not an "investor" and does not in itself seek to beat share indices or bond market returns, at least in the short term. Industrial ownership and the long-term development of companies sometimes generate results only over the course of years. However, some comparisons can be made.

Despite last year's weaker development, Oras Invest's NAV has grown on average by almost 5% annually in the 2000s, significantly more than the return of the OMX Helsinki index. Additionally, the company has annually distributed dividends to its shareholders. Over the last ten years, the average return for owners has been over 9% per annum.

The challenging years for the development of the value of holdings have been the times of weak economic growth, both in absolute terms and in relation to the stock exchange's overall development. In the previous downturns, Oras Invest's NAV has decreased about 12–24 months before the bottom of the economic cycle has been reached. The companies we own are cyclical, and their business and especially valuation on the stock exchange have developed in anticipation of economic cycles.

Growth (or decrease) of Oras Invest's NAV and total shareholder return of OMX Helsinki index in the 2000, %



Oras Invest heads confidently towards new challenges and opportunities

At the beginning of 2019, share prices recovered strongly, but uncertainty in the market continues.

All Oras Invest companies have a strong market position in their selected area, a clear strategy and support for their business from several global megatrends. The balance sheets of the companies are strong, and Oras Invest's indebtedness is also at a moderate level: the ratio of net loans to gross asset value (*Loan-to-value ratio*) at the end of 2018 was about 4%.

The strong balance sheet and the cash flow generated by dividends distributed by companies enable the development and expansion of industrial ownership. We are ready and willing to support our existing companies. We can also increase our holdings, if necessary. Oras Invest acquired approximately 1.5 million Uponor shares in the stock market at the end of 2018, and our holding increased by 2 percentage points. Oras Invest also made some investments in the fixed-income market, but they rather fall into the category of liquidity management than long-term investments.

We are exploring opportunities for new ownership. Our goal is to capitalise on the strengths that make us stand out from most investors. These are exceptionally long ownership horizon and the unique industrial expertise of our network.

Oras Invest's situation is stable, and we can face the potential and likely deceleration in global economic growth building on our strong foundation and with confidence. I believe that we will face not only challenges but also opportunities, which we are able to seize as an active owner. ■

Ville Kivelä is the CIO of Oras Invest



Purpose

Oras Invest focuses its ownership on industrial companies, which operate in the building and water industries. We develop our companies through active Board work and close cooperation with the management and other owners. Our aim is to create long-term sustainable value, which we measure by the development of our net asset value.

Taking the long view, with sustainable values

By **COMMITMENT** we express our long-term commitment to our companies and stakeholders; and to our family.

By **VITALITY** we demonstrate our aim to develop the business by seeking re-generation and innovative ownership ideas.



By **ENDURANCE** we state that there is continuity and competence in our work and we are driven by sustainable value creation.

Good ownership is a value and way of life understood by Oras Invest. It requires an honest, open and responsible approach, respect for work, and fair play. As an active industrial owner, we look beyond economic fluctuations.

Vitality, commitment and endurance form the basis for Oras Invest's continuous, long-term value creation. We ensure that the companies we own are proactive and able to renew themselves. Our commitment to their long-term development is tangible. We put our competence and experience at our companies' disposal.

We take responsibility for ensuring that our companies have solid ownership structures, as well as great Boards of Directors and CEOs. These are the basic prerequisites for solid value creation and constant improvement. A company will only be able to fulfil its social responsibility if it operates profitably on a solid base and creates value.

OWNERSHIP cannot be claimed without an open and honest approach, respect for work and fair play. The responsibilities of ownership are greater than its privileges.

An active owner's strategy

In listed companies, it is our goal to be the largest owner, while in other cases we aim for majority ownership.

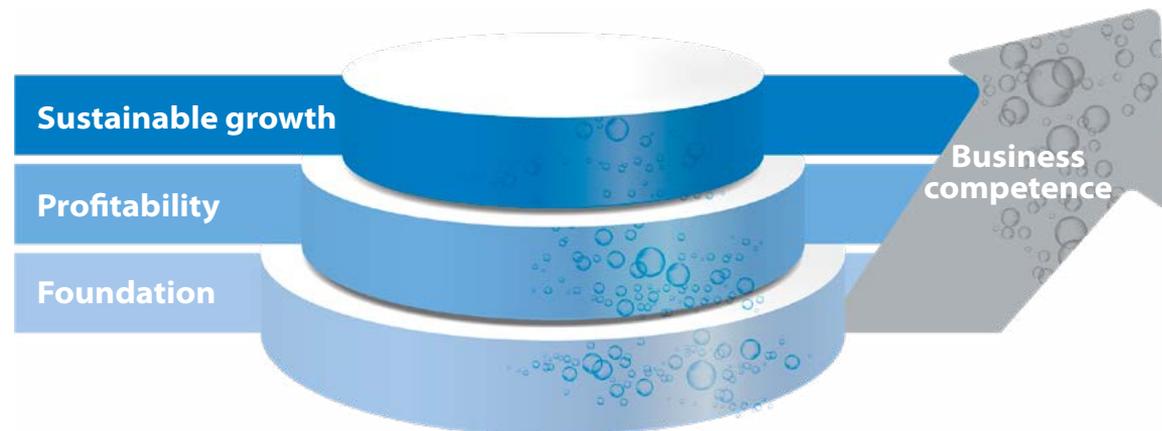
Committed ownership, long-term development and value growth are permanent factors of our strategy. We look beyond economic trends and work in close cooperation with the other owners, Boards, management and all interest groups.

Our family business background has had a strong influence in defining the nature and objectives of our company as an industrial owner. We have built a long-term commitment to our companies and want to develop them in a determined manner. Our strategy is guided by sustainable value creation throughout economic fluctuations, and when necessary, bold moves and preparation for challenging times.

To us, active industrial ownership is long-term development of the companies we own. This means continuous dialogue with the other owners of our companies and our closest stakeholders. We direct our earned dividends on growing our Net Asset Value and strengthening our balance sheet.

We strive towards value growth, which requires active work by the Boards, and constructive cooperation with the management of our companies. It is in the interest of all owners that our companies' Boards have the competence to form a clear conception of the companies' business ideas, strategies, management teams, and risks.

Basic business principles and continuous renewal



In listed companies, it is our goal to be the largest owner, while in the case of unlisted companies we aim for majority ownership.

We comply with good corporate governance practices. As an industrial owner, we are in a decision-making position and exert influence in general meetings of shareholders, Boards of Directors and nomination Boards. We participate in ensuring that the capital structures of our companies remain healthy, giving them strength for development and renewal, and for building a sustainable future.

We monitor the overall development of the building and water industries, as well as the long-term socioeconomic trends shaping the fields that our companies are active in. We assess the development opportunities and value creation abilities of our companies, while also evaluating their management's competences. ■

Oras Group – a leading supplier of advanced sanitary fittings

“ Oras Group is a significant European supplier of sanitary fittings: it is the market leader in the Nordics and a leading company in Continental Europe. The company’s mission is to make the use of water easy and sustainable and its vision is to become the leading European supplier of advanced sanitary fittings. Oras Group operates with its own staff in twenty European markets.”

Oras Invest’s
ownership
100%
Since 1945



Net sales EUR **227.7** million

Overview of 2018

The net sales of Oras Group totalled EUR 227.7 million (EUR 249.5 million). The comparable operating profit was EUR 11.2 million, or 4.9% of net sales (EUR 17.4 million and 7.0%).

The overall market situation remained positive in all markets in which Oras Group operates. In the Nordic region the market has continued to expand. The Finnish new build construction market in particular showed strong activity. The markets also grew in Norway and Denmark, but at a lower rate. The Swedish new build construction market slowed down as expected in 2018 but the total market was still good due to renovation work. In Central Europe both the German and Austrian sanitary markets were solid with only modest comparable growth.

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

Product portfolio development and consolidation continued. A positive impact was made on product quality and manufacturing processes as the result of continuous improvement. Oras Group also decided to strengthen its position in digitalization of the bathroom experience by acquiring the majority share of the Swiss technology company Amphiro AG.

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.

To reduce the complexity and improve its competitiveness, Oras Group plans to restructure its European production. In February 2019 the company announced the plan to shut down its factory operations in Burglengenfeld, Germany, in 2019. It is estimated that the proposed shutdown will have no material write-down effect on Oras Group's assets.

Future outlook

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 the company's main markets but renovation work 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. ■



facts & figures

Development of Oras Group's net sales 2014–2018

2014	EUR 258.1 million
2015	EUR 244.8 million
2016	EUR 245.3 million
2017	EUR 249.5 million
2018	EUR 227.7 million

Oras Group in brief 2018

Net sales: **EUR 227.7 million**

Comparable operating profit: **EUR 11.2 million**

Average number of personnel: **1,443**

Members of the Board: **Jari Paasikivi** (Chairman), **Annika Paasikivi** (Vice Chairman), **Nils Lüssem**, **Risto Paasikivi**, **Hannu Paitula** and **Pirjo Väliäho**

President and CEO: **Markus Lengauer** (until December 31, 2018)

orasgroup

www.orasgroup.com

www.oras.com

www.hansa.com

Uponor – providing systems & solutions for better living environments

“ Uponor is a leading international provider of systems and solutions for safe drinking water delivery, energy-efficient radiant heating and cooling, and reliable infrastructure. Uponor operates in three segments: Building Solutions – Europe, Building Solutions – North America, and Uponor Infra. These serve a variety of building markets, including residential, commercial, and industrial and civil engineering.”

Overview of 2018

Net sales of Uponor totalled EUR 1,196.3 million (EUR 1,170.4 million). The comparable operating profit was EUR 99.3 million or 8.3% of net sales (EUR 97.2 million and 8.3%).

Throughout 2018, Uponor’s key markets, Europe and North America, remained at a strong level. Uponor improved both net sales and comparable operating profit in 2018, despite the divestments of Uponor Infra’s North American business and Zent-Frenger.

Building Solutions – Europe segment continued to streamline its operational footprint in order to accelerate profitable growth, greater agility and cost efficiency. In September, Uponor divested Zent-Frenger GmbH, a leading provider of radiant ceilings in Germany. In addition, Uponor reviewed its sales office network and decided to close down its loss-making sales offices in Switzerland and Australia. Going forward, customers in these countries will be served through Uponor’s local partner network. Uponor also reviewed its European warehouse network and service models to customers and, as a result, decided to close down its own warehousing operations in France. Additionally, at the end of 2018, Uponor announced its decision to cease operations in Asia, which has been reported as part of Building Solutions – Europe. This includes operations in China, as well as sales offices in South Korea, Hong Kong and Malaysia. In 2018, net sales increased slightly in the Building Solutions – Europe segment, but operational challenges in the manufacturing facility in Virsbo, Sweden, together with increasing raw material costs, decreased profitability in 2018.



Net sales EUR **1,196.3** million

At the beginning of 2018, Uponor completed its tenth manufacturing expansion in Apple Valley, USA. Shortly afterwards, Phyn, Uponor's joint venture with Belkin International, Inc., launched its first product, Phyn Plus – an intelligent water solution – on the North American market. Phyn Plus monitors and measures fluctuations in water pressure. The product detects and alerts homeowners of changes in their normal water consumption via a mobile app. In the event of a major leakage, the device will turn off the water automatically with its built-in shut-off valve. In the second quarter, Uponor opened a manufacturing facility in Hutchinson, Minnesota and began manufacturing PEX pipe slightly ahead of schedule. Overall, the Building Solutions – North America segment increased its net sales over the year but the profitability level was burdened by the start-up costs from the Hutchinson manufacturing facility. The segment also suffered from increasing raw material costs and freight rates throughout the first half of the year, and the second half of the year was not sufficient to completely compensate for this.

Uponor Infra improved its profitability significantly in Europe. Operational improvements were notable, especially in Finland, and designed solutions sales also performed well. In August, Uponor Infra's North American business was divested, and in September, Uponor Infra Oy and Infra Pipe Solutions Ltd signed a Weholite Licensing Agreement for the continuous future production of Weholite pipes and products for the North American market.

Future outlook

Going forward, Uponor will focus on its core businesses in Europe and North America and will strive to meet the profitable growth agenda. Operational improvement initiatives will continue at all manufacturing facilities and Uponor will continue in its effort to increase its share of the commercial segment. In addition, Uponor will launch several new products for the European markets.

Excluding the impact of currencies, Uponor expects its net sales to reach the level of the year 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). ■



facts & figures

Uponor in brief 2018

Net sales: **EUR 1,196.3 million**

Comparable operating profit: **EUR 99.3 million**

Average number of personnel: **4,074**

Members of the Board: **Annika Paasikivi** (Chair), **Markus Lengauer** (Deputy Chair), **Pia Aaltonen-Forsell**, **Johan Falk**, **Casimir Lindholm** and **Eva Nygren**

President and CEO: **Jyri Luomakoski**

Oras Invest's holding in Uponor

Since 1999

Proportion of share capital: **24.6%**

Proportion of voting rights: **24.6%**

Market value of ownership: **EUR 155 million**

Uponor

www.uponor.com

Tikkurila – surfaces that make a difference

“ Tikkurila is a leading Nordic paint company with expertise that spans decades. Tikkurila develops premium products and services that provide its customers with quality that will stand the test of time and weather. The company operates in eleven countries and its 2,700 dedicated professionals share the joy of building a vivid future through surfaces that make a difference. The company is listed on Nasdaq Helsinki. Nordic quality from start to finish since 1862.”

Overview of 2018

Net sales of Tikkurila totalled EUR 561.5 million (EUR 582.4 million). The comparable operating profit was EUR 38.8 million (EUR 28.8 million) or 6.9% of net sales (4.9%).

Net sales decreased by 3.6% and increased by 3.1%, excluding currency effects and divestments. Unfavourable exchange rate fluctuations and the divestment of Balkan operations affected net sales whereas higher sales volumes, product mix and price increases positively impacted net sales. Sales volumes grew in all of the main markets, especially in Poland.

Adjusted operating profit totalled EUR 38.8 million (28.8), corresponding to 6.9% of net sales (4.9%). 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. In 2018, Tikkurila also received an insurance compensation amounting to a total of EUR 6.0 million.

Tikkurila's efficiency programme is aiming to generate at least EUR 30 million in savings. The full savings will be effective by the end of 2019.

Tikkurila offers an extensive range of products for protecting and decorating surfaces for consumers, construction and renovation professionals, designers, as well as selected industrial customers. Consumers account for approximately one half of Tikkurila's business, but the share of professionals is on the rise. Tikkurila's range of services includes colour and tinting services, painting advice, as well as expert and training services. Tikkurila supports its customers in all stages of painting in order to ensure a successful result.



Net sales EUR **561.5** million

Tikkurila's largest markets are Russia, Sweden, Finland, Poland and the Baltic countries. Tikkurila has production in seven countries and is the leading decorative paint company in all its main markets. Overall, Tikkurila's products are available in more than 40 countries.

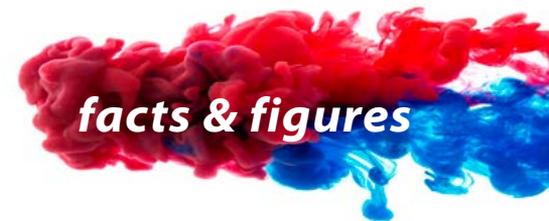
Future Outlook

It is estimated that economic growth in Tikkurila's key markets will be modest in 2019. 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 measures 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 in 2018 and the adjusted operating profit will continue to improve. ■



Tikkurila in brief 2018

Net Sales: **EUR 561.5 million**

Comparable Operating Profit: **EUR 38.8 million**

Average number of personnel: **2,908**

Members of the Board: **Jari Paasikivi** (Chairman), **Petteri Walldén** (Vice Chairman), **Harri Kerminen**, **Riitta Mynttinen**, **Pia Rudengren**,

Catherine Sahlgren and **Heikki Westerlund**

President and CEO: **Elisa Markula**

Oras Invest's holding in Tikkurila

Since 2010

Proportion of share capital: **18.1%**

Proportion of voting rights: **18.1%**

Market value of ownership: **EUR 96 million**



www.tikkurilagroup.com

Kemira – aiming to continue on a profitable growth path

“ Kemira is a global chemicals company serving customers in water-intensive industries. It provides best-suited products and expertise in order to improve its customers' product quality, process and resource efficiency. Its focus is on pulp & paper, oil & gas and water treatment.”

Overview of 2018

Net sales of Kemira totalled EUR 2,592.8 million (EUR 2,486.0 million). The comparable operating profit was EUR 173.8 million, or 6.7% of net sales (EUR 170.3 million and 6.9%).

In 2018, Kemira continued to grow, driven by higher sales prices. The growth was supported by favourable market trends in all business areas leading to a 7% organic growth for the Group. Kemira improved customer satisfaction and employee engagement while systematic improvements were made in operations in order to meet changing market dynamics. An operative EBITDA margin of 12.5% was at the same level as the previous year while the second half of the year was clearly better than the first.

Pulp & Paper demonstrated an organic growth rate of 6% in 2018, which was mainly driven by increased sales prices. The business is supported by positive market trends – such as e-commerce and a growing middle class in APAC – which increases the need for different kinds of packaging and paper material. However, the operative EBITDA margin of the business declined in 2018. In paper chemicals, i.e. process and functional chemicals, in particular, Kemira has thus far only partially succeeded in passing on increases in raw material costs.



Net sales EUR **2,592.8** million

Industry & Water demonstrated a strong organic growth rate of 9% in 2018. The North American oil & gas business recorded over 40% growth in chemical sales, which is one of the main contributors to the increase in profitability from 11.3% to 12.3% for the segment. Kemira expects Oil & Gas net sales growth to normalize in 2019 as market growth is moderating and capacity utilization is at a high level. Kemira believes that there will be long-term growth in polymer demand in North America and has therefore decided to expand polymer capacity in the US with a EUR 60 million investment. From a long-term perspective, market trends are also looking positive for water treatment as increasing regulation requires more chemical usage. For example, the EU is currently reviewing multiple directives for water treatment.

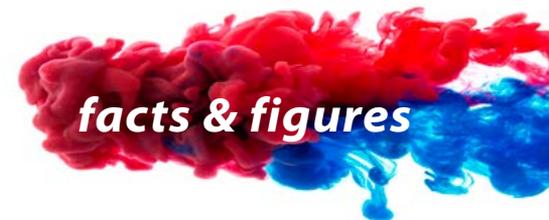
Market environment and future outlook

Both segments, Pulp & Paper and Industry & Water, operate in growing markets with a combined expected annual market growth rate of 2–3% in the long term. Kemira is aiming to achieve above-the-market growth. Market growth is driven by multiple global trends, for example:

- E-commerce drives the need for packaging material
- A growing middle class, increased standards of living and urbanization lead to higher usage of water, energy, tissue and board
- Single-use plastic products are being partially replaced, resulting in a greater demand for fibre-based products
- Regulation is increasing water treatment
- A scarcity of resources accelerates the need to produce more with less

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.

Kemira's mid- and long-term financial targets: Kemira aims at above-the-market net sales growth with an operative EBITDA margin of 15–17%. The gearing target is below 75%. ■



Kemira in brief 2018

Net sales: **EUR 2,592.8 million**

Comparable operating profit: **EUR 173.8 million**

Average number of personnel: **4,810**

Members of the Board: **Jari Paasikivi** (Chairman), **Kerttu Tuomas** (Vice Chairman), **Wolfgang Büchele**, **Shirley Cunningham**, **Kaisa Hietala** and **Timo Lappalainen**

President and CEO: **Jari Rosendal**

Oras Invest's holding in Kemira

Since 2007

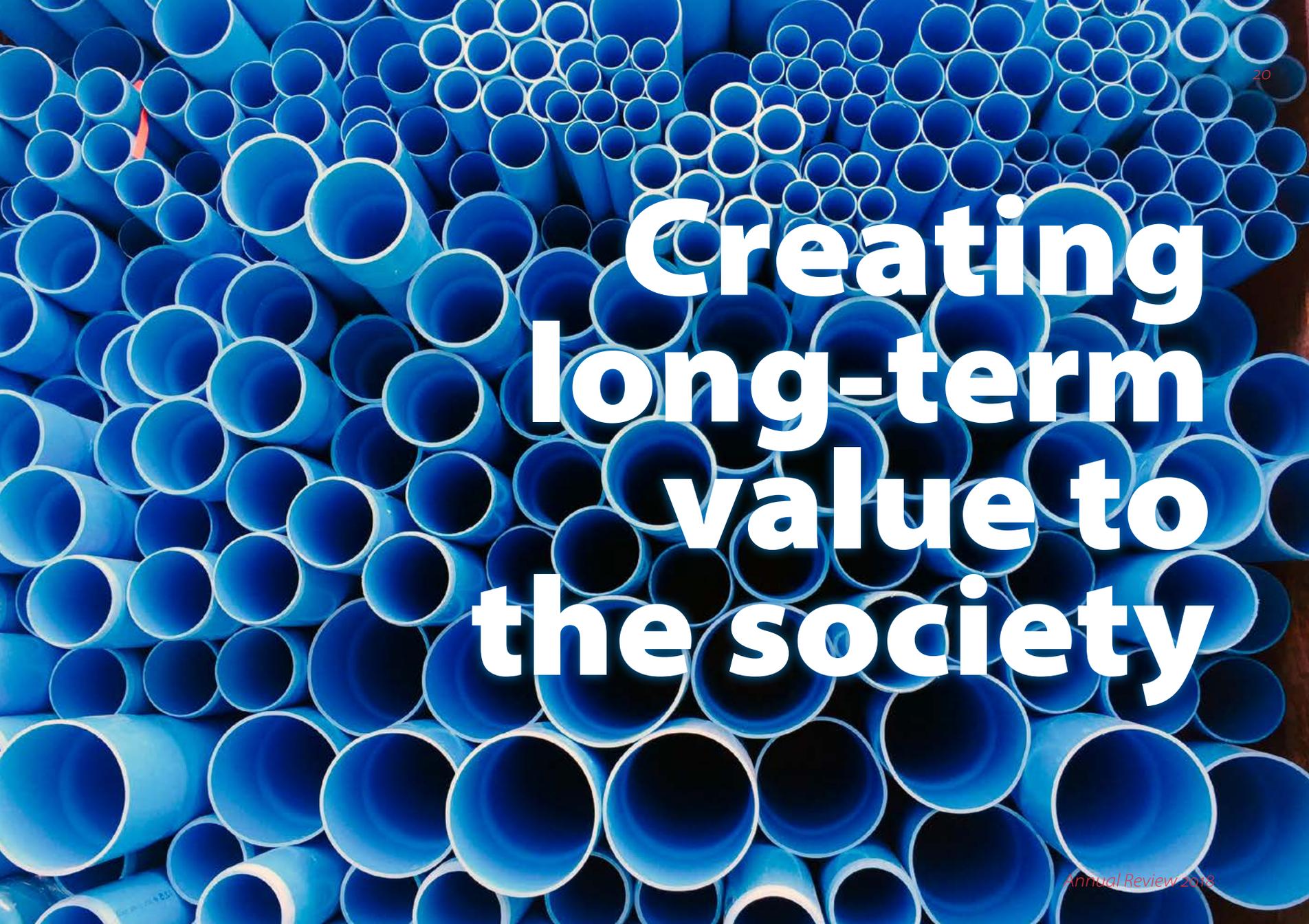
Proportion of share capital: **18.2%**

Proportion of voting rights: **18.2%**

Market value of ownership: **EUR 279 million**

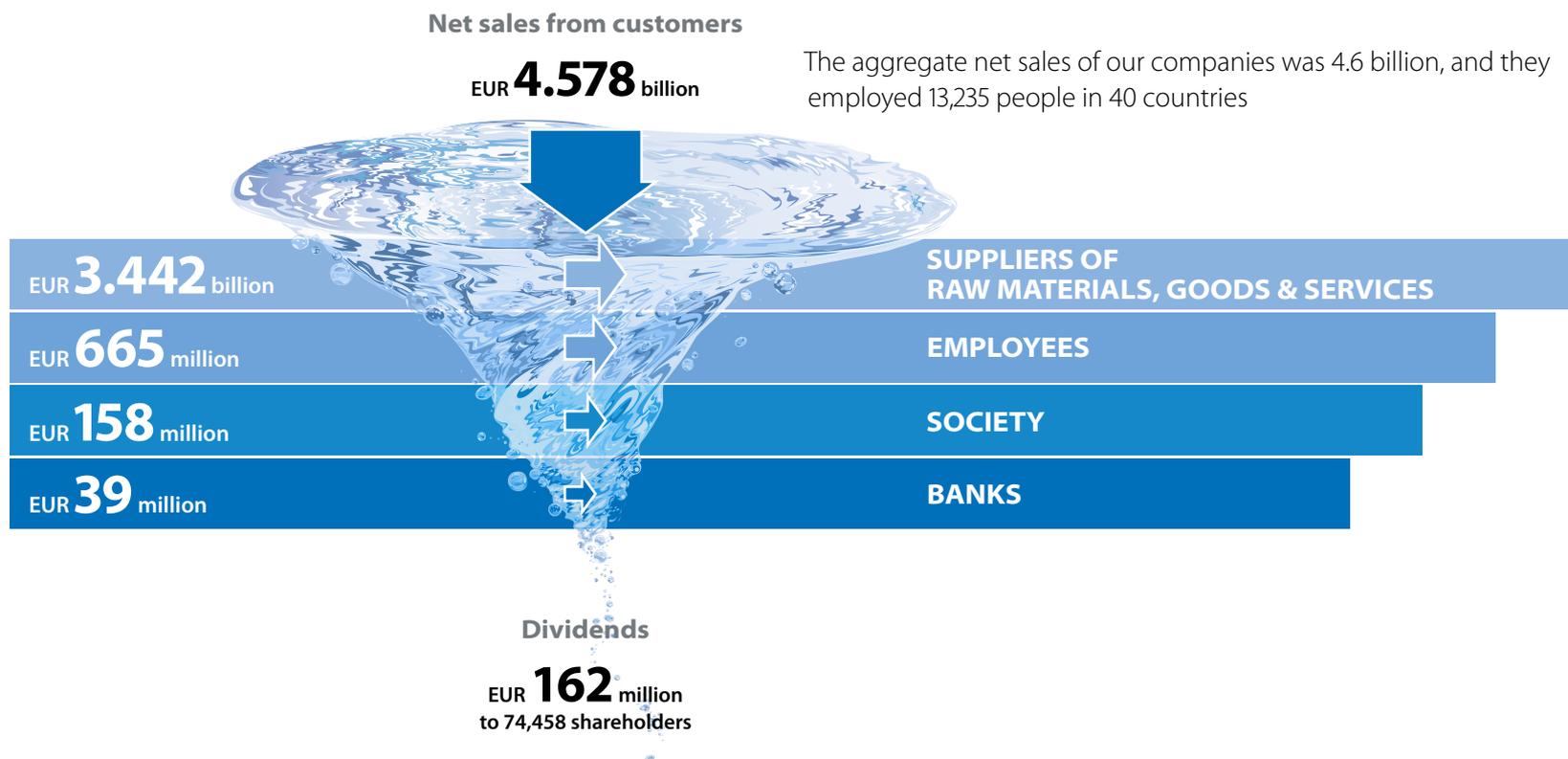
Kemira

www.kemira.com



Creating long-term value to the society

The aggregate contributions of our holdings in 2018



Summary of Financial Statements

Parent company income statement FAS

Oras Invest Ltd (EUR)	1 Jan – 31 Dec 2018	1 Jan – 31 Dec 2017
Net sales	249,999.96	124,998.00
Other operating income	20,000.04	78,357.46
Personnel expenses	851,371.66	809,502.69
Depreciation	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	31,101,988.80	32,691,820.42
Profit before appropriations and taxes	29,610,034.48	30,492,923.25
Appropriations	1,825,179.65	2,508,572.86
Income taxes	-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)	31 Dec 2018	31 Dec 2017
ASSETS		
Non-current assets		
Intangible assets		5.20
Tangible assets	1,092,341.03	1,199,730.58
Investments in Group companies	21,942,155.51	21,942,155.51
Other investments	619,078,214.89	605,460,504.44
Other non-current receivables	23,381.00	23,381.00
	642,136,092.43	628,625,776.73
Current assets		
Current receivables	3,883,774.48	1,673,821.13
Other financial assets	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

Oras Invest Ltd (EUR)	31 Dec 2018	31 Dec 2017
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	6,520,500.00	6,520,500.00
Retained earnings	583,064,517.30	553,075,690.80
Profit for the year	31,428,335.32	32,988,256.50
	621,013,352.62	592,584,447.30
Accumulated appropriations	16,247.49	41,427.14
Liabilities		
Non-current liabilities	45,000,000.00	45,000,000.00
Current liabilities	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

Oras Invest Ltd (EUR 1,000)	1 Jan – 31 Dec 2018	1 Jan – 31 Dec 2017
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

Oras Invest Ltd's Annual Review and full Financial Report 2018 are available in PDF-format in English and Finnish on the company website orasinvest.fi

Corporate Governance

Oras Invest Ltd (the Company) is a private limited company registered in Finland. The company follows good corporate governance practices based on the Finnish Companies Act and the company's Articles of Association.

The Company is the parent company of Oras Invest Group. In such capacity, it is responsible for the development of the management of the Group, prepares the Group's financial reporting and supports the Group in financial, legal and management issues.

The Group consists of a number of independent subgroups and separate companies. Decisions regarding their operations are taken by each company's own decision-making bodies. Oras Invest exercises its ownership through representatives elected by its Board of Directors in the decision making bodies of its subsidiaries, associated companies and other investments.

General Meeting of Shareholders

The highest decision-making authority in the Company is exercised by the shareholders at the General Meeting of shareholders. According to the Finnish Companies Act and the Articles of Association, the General Meeting of shareholders decides on the following issues:

- Amendments to the Articles of Association
- Adoption of the annual accounts
- Dividend distribution
- Appointment and compensation of the Owners Board members

- Appointment and compensation of the Board of Directors
- Appointment of the Company's auditor and decision on audit fees

The General Meeting also elects the Chairman of the Board of Directors and the Vice Chairman of the Board of Directors.

Owners Board

The Owners Board prepares all matters that are brought to be decided by the General Meeting and decides on all such owner matters which are not brought to the General Meeting. The Owners Board is responsible for the ownership steering of the Company and determines the long-term will and vision of the owners. The Owners Board works in close cooperation with the Company's Board of Directors.

The Owners Board consists of four (4) to seven (7) members, who elect a chairperson among themselves. Members of the Owners Board are appointed annually at the General Meeting.

The Owners Board works according to a charter, which describes the role and functions of the Owners Board in detail. The Owners Board decides on the proposal for the appointment of members to the Company's Board of Directors, which is brought to the Annual General Meeting.

Nomination Committee

The task of the Nomination Committee is to find the best possible members to the Board of Directors of the Company and to prepare the proposal regarding their remuneration.

The Owners Board elects a chairman for the Nomination Committee among its members; in addition to which the chairman of the Board of Directors will act as adviser to the Nomination Committee.

The Nomination Committee submits its proposal to the Owners Board, and the Owners Board decides on the proposal for appointment of members to the Board of Directors, to be brought to the Annual General Meeting. The Nomination Committee submits its proposal regarding matters related to remuneration to the Annual General Meeting.

The Board of Directors

In accordance with the Finnish Companies Act, the Board of Directors is responsible for the governing of the Company and the appropriate organisation of its operations. The Board's main duty is to direct the Company's strategy so as to advance the benefit of all shareholders in the long term, while taking into account the expectations of various stakeholders. The Board further monitors and supervises the executive management of the Company, and appoints and dismisses the Chief Executive Officer. The Board also oversees that the Company acts in accordance with its values.

Pursuant to the Articles of Association, the Board of Directors of the Company comprises a minimum of three (3) and a maximum of seven (7) members, appointed for a term starting at the close of the General Meeting at which they were appointed, and expiring at the close of the following Annual General Meeting. Members of the Board of Directors can also be appointed mid-term, at Extraordinary General Meetings.

The Board of Directors shall comprise of competent members with diverse expertise from various fields. At least two (2) independent members and at least one (1) owner must be appointed as members of the Board.

The Board evaluates its work on an annual basis and reports on this to the Nomination Committee.

Chief Executive Officer

The Chief Executive Officer (CEO) is appointed by the Board of Directors. The CEO plans and manages the Company's operations and is responsible for its executive management in accordance with the instructions and orders given by the Board of Directors. It is the CEO's duty to ensure that the Company's accounts are in compliance with the law and its financial affairs have been arranged in a reliable manner.

Compensation

The Nomination Committee proposes the remuneration of members of the Board of Directors. The General Meeting of shareholders shall annually decide on the

remuneration of members of the Board of Directors and the Owners Board. The Board of Directors decides on the CEO's salary and benefits and confirms the salaries and benefits of the executive committee members.

Supervision

Pursuant to the Articles of Association registered on August 3, 2017, the Company has one auditor and a deputy auditor. In case an Authorised Public Accountants Community is elected as an auditor, a deputy auditor shall not be elected. The Board of Directors proposes auditors for election to the General Meeting which appoints them annually. The auditors provide the Company's shareholders with the statutory auditor's report. Auditors' duties are regulated by statutory law and other sources.

Together with the Chief Executive Officer, the Board of Directors of the Company is responsible for arranging appropriate internal supervision. ■

Board of Directors



The Chairman
of the Board

Jari Paasikivi

Finnish citizen, M.Sc. (Econ.)

Board Memberships:

Chairman of the Board, Varma
Mutual Pension Insurance
Company, since 2017

Chairman of the Board, Kemira Oyj,
since 2014

Chairman of the Board,
Tikkurila Oyj, since 2010



Robin Lawther

American and British citizen, BA Honours (Economics), University of North Carolina at Chapel Hill, M.Sc. (Accounting & Finance), London School of Economics

Board memberships:

Member of the Board, Ashurst LLP, since 2019. Chairman Audit Committee, since 2019

Member of the Board, Oras Invest Ltd, since 2016

Member of the Board, Nordea, since 2014. Chairman Nordea Remuneration Committee, since 2017

Member of the UK Government Board, UK Government Investments, since 2014



Ulf Mattsson

Swedish citizen, B.Sc. in BA and Econ., PMD Harvard Business School

Board memberships:

Chairman of the Board, Lideta AB, since 2018

Chairman of the Board, VaccinDirekt AB, since 2018

Chairman of the Board, Eltel AB (publ.), since 2017

Member of the Board, Priveq V AB, since 2017

Member of the Board, Oras Invest Ltd, since 2014

Member of the Board, AddTech AB (publ), since 2012

Senior Advisor, PJT Partners, since 2017



Kaj Paasikivi

Finnish citizen, B.Sc. (Business Administration, Woodbury University), MBA (Helsinki School of Economics)

Board memberships:

Chairman of the Board, NextStone, since 2007

Member of the Board, Oras Invest Ltd, since 2010



Dr. Frank Stangenberg-Haverkamp

German citizen, M.Sc. (Econ.), Ph.D., University of Freiburg/Germany

Board memberships:

Chairman of the Executive Board, E. Merck KG, Darmstadt, Germany, since 2014

Chairman of the Board of Travel Asset Group Ltd, London/UK, since 2007

Chairman of the Supervisory Board, Fortas AG, Roesrath/Germany, since 2000

Member of the Board, Oras Invest Ltd, since 2012



Christoph Vitzthum

Finnish citizen, M.Sc. (Econ.)

President and CEO, Oy Karl Fazer Ab since 2013

Board memberships:

Chairman of the Board, Konecranes, since 2016

Member of the Board, Nordstjernan AB, since 2017

Member of the Board, Oras Invest Ltd, since 2013

Management



President and CEO

Annika Paasikivi

Finnish citizen,
M.Sc. Global Politics
(University of Southampton)

Board Memberships:

Chair of the Board,
Uponor Corporation, since 2018

Vice Chairman of the Board,
Oras Ltd, since 2014

Member of the Board,
Varova Oy, since 2016

Member of the Board, Directors'
Institute of Finland, since 2016



CIO

Ville Kivelä

Finnish citizen, M.Sc. (Econ.)
(Helsinki School of Economics)



Executive Assistant

Anniina Myllyperkiö

Finnish citizen, BBA (Haaga-Helia
University of Applied Sciences)





family company & industrial owner

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