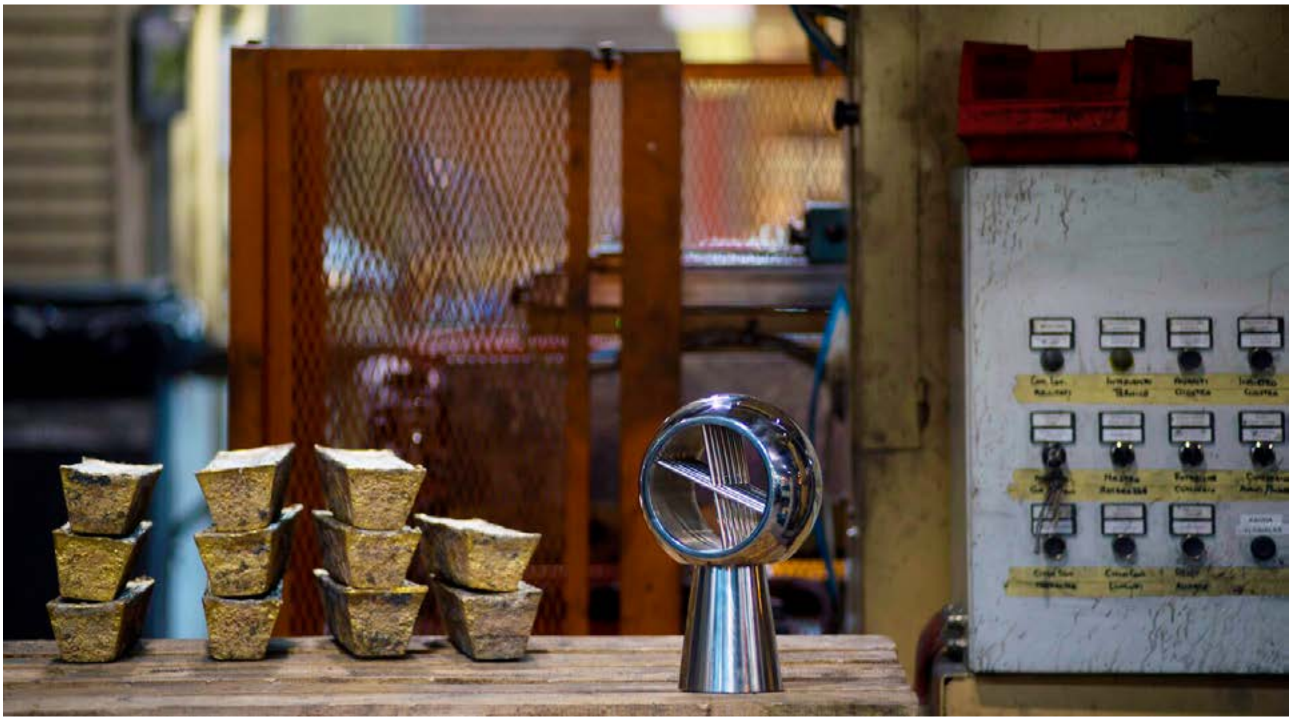
oras invest



2017 Financial Statements

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Board of Directors' report 2017

Oras Invest, an industrial owner

Oras Invest is a family company with a 72-year tradition in 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 (22.6%), Kemira Oyj (18.2%) and Tikkurila Oyj (18.1%). This structure applies for 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 (ownership 100%) 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.

The Net Asset Value (NAV) at the end of 2017 was EUR 892 million (945). NAV consists of 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 –5% (19%).

Oras Invest Group's liquid assets on December 31, 2017 were EUR 38.0 million (35.2). The balance sheet total was EUR 639.0 million (640.7) and shareholders' equity EUR 471.4 million (442.9).

Oras Invest Ltd net sales and operating result

The net sales of the parent company during the financial period were EUR 0.1 million (0.3).

Oras Invest Ltd's income from dividends during the financial period was EUR 33.0 million. During the year 2017, Uponor Corporation paid a dividend of EUR 0.46 per share, which means that Oras Invest Ltd received EUR 7.6 million (7.3). Kemira Oyj paid a dividend of EUR 0.53 per share, which entails 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 out a dividend of EUR 4 million (no dividends in 2016), and paid EUR 2.6 million as a group contribution to Oras Invest Ltd (3.9).

The results of the parent company Oras Invest Ltd for the financial period were EUR 33.0 million (28.7).

Financial status and financing

The liquid assets of Oras Invest Ltd on December 31, 2017 were EUR 7.6 million (0.03). The balance sheet total was EUR 637.9 million (630.1). Shareholders' equity was EUR 592.6 million (562.1) and the dividends distributed totalled EUR 2.5 million.

The liquidity of the company was good. During the financial period, interest-bearing loans were amortised by EUR 22.7 million.

At the end of 2017, the total loans of Oras Invest Ltd amounted to EUR 45.0 million (67.7). The loan to market value ratio was 5% (7%).

Changes in industrial holdings

There were no changes in industrial holdings during the financial period.

R&D, environment and safety

Oras Invest Ltd is an industrial owner and has no 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		2017	2016	2015
Net Sales	EUR million	**0.1**	0.3	0.3
Operating Profit	EUR million	**–2.2**	–1.5	–2.4
Profit for the Period	EUR million	**33.0**	28.7	26.3
Total Equity	EUR million	**592.6**	562.1	535.4
Balance Sheet Total	EUR million	**637.9**	630.1	630.4
Equity Ratio	%	**92.9**	89.2	84.9
Personnel, Average		**4**	4	4
Cash Flow	EUR million	**7.5**	0.0	0.0

Main events after the year-end

There were no major events after the year-end.

Oras Invest Outlook 2018

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 imply 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 where the accounting currency is the euro. Therefore, 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 on 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 are no ongoing litigations that might result in significant liabilities for damages.

Shares

The share capital of the company is as follows:

		2017	2016
A shares	(1 vote/share)	**217,350**	217,350
B1 shares	(no votes)	**36,226**	
B2 shares	(no votes)	**36,226**	
B3 shares	(no votes)	**36,224**	
B4 shares	(no votes)	**36,224**	
B5 shares	(no votes)	**24,150**	
B6 shares	(no votes)	**24,150**	
B7 shares	(no votes)	**24,150**	

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

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

Dividend proposal

The Board of Directors proposes that Oras Invest Ltd distributes a EUR 13.80 dividend per share, totalling EUR 2,999,430. The remainder 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 liquidity of the company is good and the proposed dividend does not endanger the cash position of the company.

Organisation, management and the auditors of the company

The Board of Directors: Pekka Paasikivi (chairman), Robin Lawther, Ulf Mattsson, Kaj Paasikivi, Frank Stangenberg-Haverkamp and Christoph Vitzthum.
CEO: Jari Paasikivi
Auditors: Authorised Public Accountant Mikko Järventausta (Ernst & Young Oy) and Ernst & Young Oy, with Authorised Public Accountant Minna Viinikkala as the responsible auditor.

ORAS GROUP

- Net sales: EUR 249.5 million (245.3)
- Operating profit (EBIT): EUR 12.0 million (20.8)
- Cash flow after investments: EUR 11.8 million (21.3)
- Gearing: –2.6% (2.1%)

The overall market situation remains positive in basically all markets where Oras Group was active in 2017. In the Nordic region – the main area for the Strategic Business Unit Oras – markets continued to expand, showing notable growth in Sweden. The markets also grew in Finland, Norway and Denmark, but at a lower level. In Central Europe, where the Strategic Business Unit Hansa holds a strong market position, both Germany and Austria reported solid market conditions, but market demand for sanitary goods was slightly behind demand for installation materials.

Oras Group recorded net sales of EUR 249.5 million, with growth 2% higher than the previous year. The German market, where sales were behind the targeted volumes in 2017, remains a special focus area.

The operating profit of Oras Group was EUR 12.0 million (20.8), which was 4.8% (8.5%) of net sales. The operating profit includes depreciation on intangible assets and other fixed assets, generated by the Hansa acquisition, totalling EUR 3.2 million (3.2). It also includes EUR 2.1 million expenses affecting comparability (1.2).

Oras Group's profit before comprehensive items for the financial period was EUR 8.2 million (15.5). The balance sheet total was EUR 237.5 million (243.3). The liquidity and the balance sheet structure continue to be on a solid level.

Capital expenditure was EUR 6.9 million (5.5 million). Most capital expenditure was related to new products, the development of quality and the increase in production capacity.

Building on the work of previous years, Oras Group's long-term product portfolio development and consolidation continued in 2017 as planned. The new product philosophy guided product development and a high number of new products and innovations were introduced. These strengthened the competitiveness of Oras Group among installers, as well as in the area of advanced sanitary fittings. However, an initial high order intake for new products, combined with productivity and quality challenges in production, mainly related to the ramp-up of new products, led to extended delivery times and higher production costs. These issues had a negative impact on Oras Group's profitability.

After Pekka Kuusniemi, President and CEO, decided to leave the company, the Board of Directors appointed Dr. Markus Lengauer as President and CEO of Oras Group. He took up his position on 1 November 2017.

Construction activities in Oras Group's key markets remained at a healthy level in 2017 and will provide a solid foundation for a strong pattern of demand in 2018. The company's key markets are therefore expected to grow further next year.

To build a solid basis for further profitable growth, projects in various fields have been started before switching the focus to growth. However, greater investment in sales and marketing activities is planned, which will enable the active exploitation of opportunities arising from digitalisation. Despite this, the professional sales channel will remain the preferred and exclusive route to the market. Additionally, investments in production should enable a higher degree of automation and keep production costs competitive.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 2.0 million be distributed.

ORAS GROUP KEY FIGURES IFRS		**2017**	2016	2015
Net Sales	EUR million	**249.5**	245.3	244.8
Operating Profit	EUR million	**12.0**	20.8	18.5
Profit for the Period	EUR million	**8.2**	15.5	13.7
Total Equity	EUR million	**113.5**	112.1	101.2
Balance Sheet Total	EUR million	**237.5**	243.3	236.1
Equity Ratio	%	**47.8**	46.1	42.9
Personnel, Average		**1,405**	1,361	1,394

UPONOR GROUP

- Net sales: EUR 1,170.4 million (1,099.4)
- Operating profit: EUR 95.9 million (71.0)
- Cash flow after investments: EUR 42.0 million (–31.9)
- Gearing: 43.5% (48.8%)
- Earnings per share: EUR 0.83 (0.58)

Construction activity developed favourably in 2017, supported by strong macroeconomic tailwinds. In North America and Europe, confidence on the part of both consumers and business, strong labour markets, and accommodative monetary policies drove growth across most residential and non-residential building segments.

Uponor's net sales amounted to EUR 1,170.4 million, up 7.4% year-on-year in constant currency terms.

The group's operating profit came to EUR 95.9 million, growth of 35.2% from the previous year, mainly due to transformation programme costs in 2016. Comparable operating profit reached EUR 97.2 million, up 7.2%.

Building Solutions – Europe reported an improvement in comparable operating profit, which came to EUR 42.8 million. This growth was the result of an increase in net sales and the savings achieved by the transformation programme, mainly relating to the enhanced production network. The segment's profitability was burdened by the continuing tight competitive situation, which affected both the indoor climate and plumbing markets, as well as challenges within the distribution channel.

Building Solutions – North America is briskly expanding its capacity. It is building up and training its organisation, in order to respond to growth in demand and to return capacity utilisation to a long-term sustainable level. For the above reasons, the segment's operating profit dropped slightly, and came to EUR 49.7 million. Managing the repercussions of the temporary production challenge in the spring of 2017 also had an effect on the full-year figures.

Uponor Infra reported a brisk improvement in comparable operating profit, which reached EUR 10.5 million. The main contributor to this was the North American infrastructure solutions business, which experienced a boost in net sales and an improvement in margins.

Consolidated cash flow from operations amounted to EUR 101.5 million, while cash flow after investments came to EUR 42.0 million. Gross investment in fixed assets totalled EUR 63.4 million. Net investments totalled EUR 61.8 million.

Operating in an industry with a strong influence on sustainable living, Uponor's objective is to enrich people's way of life by offering high-quality indoor climate, plumbing and infrastructure solutions that enhance the wellbeing of customers and the communities we all live and work in. Sustainability plays a key role in fulfilling this objective. Uponor embraces sustainability in its broadest form, taking account of the delicate balance between environmental stewardship, social responsibility and a commitment to long-term profitable growth. Through innovation and partnerships, Uponor is committed to long-term value creation and creating a more sustainable world that delivers the ultimate goal of shared and sustained success.

In 2017, as part of Uponor's commitment to creating a more sustainable world, Uponor completed its first materiality assessment to determine its key environmental, social, and governance (ESG) impacts and opportunities.

Uponor remains committed to, and is working hard to be at, the forefront of the digitalisation and sustainability trends in its industry, and has already launched new, unique offerings, for instance in the niche sector of smart water technology. Excluding the impact of currencies, Uponor expects its organic net sales and comparable operating profits to grow from 2018.

The Board proposes to the Annual General Meeting that a dividend of EUR 0.49 per share be distributed, totalling EUR 35.8 million. The dividend shall be paid in two instalments.

UPONOR KEY FIGURES
IFRS

		2017	2016	2015
Net Sales	EUR million	**1,170.4**	1,099.4	1,050.8
Operating Profit	EUR million	**95.9**	71.0	71.4
Profit for the Period	EUR million	**65.4**	41.9	36.9
Total Equity	EUR million	**348.4**	326.9	311.7
Balance Sheet Total	EUR million	**865.8**	767.5	707.8
Equity Ratio	%	**40.5**	42.8	44.3
Personnel, Average		**3,990**	3,869	3,842

TIKKURILA GROUP

- Net sales: EUR 582.4 million (572.0)
- Operating profit: EUR 19.3 million (53.1)
- Cash flow after investments: EUR 4.4 million (22.7)
- Gearing: 50.2% (28.1%)
- Earnings per share: EUR 0.24 (1.01)

The key economies in Tikkurila's operating area grew by approximately 2–3% in 2017. Economic growth was strong in Sweden, Finland and Poland. In Russia, the market situation stabilised and the economy entered a slight upward trend after some difficult years.

Tikkurila Group's net sales increased by 2% in 2017. Higher sales volumes increased net sales by 1%. Exchange rate fluctuations increased net sales by 3%. Changes in sales prices and the sales mix, as well as divestments, had a negative impact on net sales.

Operating profit (EBIT) totalled EUR 19.3 million (53.1), equalling 3.3% (9.3) of net sales. Items affecting comparability were approximately EUR –9.5 million during the review period. As part of the profitability boosting programme, Tikkurila somewhat reorganised its operations and divested its business activities in the Balkan area. Expenses and impairments affecting comparability were mainly related to the Balkan divestment. Adjusted operating profit totalled EUR 28.8 million (54.0), which accounts for 4.9% (9.4) of net sales. Profitability was weakened by costs being higher than in the comparison period, due to the introduction of the new ERP system and the increased costs of raw materials and packaging materials.

SBU West's full-year net sales were EUR 379.8 million (395.2). Changes in sales prices and the sales mix had a negative impact on net sales. SBU West's operating profit (EBIT) was EUR 16.2 million (45.1) and its adjusted operating profit was EUR 18.1 million (45.3). SBU West's operating profit was negatively impacted by a decline in net sales, expenses and problems related to the introduction of the new ERP system, the rise in raw material and packaging material costs, and delays in sales price increases.

SBU East's full-year net sales were EUR 202.6 million (176.8). The stronger Russian rouble, sales price increases and higher sales volumes had a positive impact on net sales. SBU East's operating profit (EBIT) was EUR 8.2 million (12.6) and its adjusted operating profit was EUR 15.2 million (13.4). Adjusted operating profit was positively affected by the increase in net sales. Items affecting comparability were EUR –6.9 million during the review period and were mainly related to the divestment of the Balkan business operations.

Tikkurila's financial position and liquidity remained at a high level during the review period, although the lower cash flow from operations has increased the amount of short-term interest-bearing debt. Cash flow from operations in January–December totalled EUR 18.1 million (42.8). Cash flow was weakened by lower profitability and costs related to implementation of new ERP. Cash flow after investments totalled EUR 4.4 million (22.7) at the end of the review period.

In 2017, gross capital expenditure excluding acquisitions amounted to EUR 14.6 million (23.3). There were no significant single investments during the review period. Investments made were mainly maintenance investments.

In the autumn of 2017, Tikkurila launched an extensive programme to boost profitability with the aim of saving at least EUR 30 million and improving cost competitiveness. As part of the programme, Tikkurila announced the divestment of its unprofitable business operations in the Balkans and Germany. In addition, the company is preparing for the optimisation of its future production and logistics network in all its operating countries.

In late 2017, Tikkurila's strategy was updated for 2018–2022. The company is committed to improving the overall user experience of its customers and its internal efficiency. Tikkurila is creating value through its customer promise: 'Nordic quality from start to finish'.

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. Sustainable development is an integral part of the updated company strategy, and tangible customer promises in this regard are being defined, in support of strategy work, alongside key business personnel. Furthermore, Tikkurila is establishing a Group-level sustainability steering team whose responsibilities will include supporting Tikkurila's business, steering the development of new products and services that are safe for the environment and health, and promoting sales, marketing and communications.

The market outlook for 2018 is relatively good, although there has been greater uncertainty in the Swedish housing market in recent months. Economic growth is anticipated to continue in Tikkurila's key markets and consumer confidence is high. The prices of raw and packaging materials should continue rising throughout the year. Some challenges may arise with respect to availability. The ongoing organisational and structural change may cause indirect costs or otherwise negatively affect the company's operations. Tikkurila's net sales are expected to remain at last year's level and adjusted operating profit should improve.

The Board proposes to the Annual General Meeting that a dividend of EUR 0.80 per share be distributed, totalling EUR 35.3 million. The dividend shall be paid in two instalments.

TIKKURILA KEY FIGURES
IFRS

		2017	2016	2015
Net Sales	EUR million	**582.4**	572.0	584.1
Operating Profit	EUR million	**19.3**	53.1	61.7
Profit for the Period	EUR million	**10.7**	44.5	41.5
Total Equity	EUR million	**179.5**	208.6	195.0
Balance Sheet Total	EUR million	**427.7**	410.3	381.4
Equity Ratio	%	**42.0**	50.9	51.1
Personnel, Average		**3,107**	3,112	3,193

KEMIRA GROUP

- Net sales: EUR 2,486.0 million (2,363.3)
- Operating profit: EUR 141.4 million (147.0)
- Cash flow after investments: EUR 13.0 million (97.8)
- Gearing: 59.2% (53.6%)
- Earnings per share: EUR 0.52 (0.60)

The year 2017 was marked by net sales growth, driven mainly by the uptake in the oil and gas markets, investments in new capacity, and operational efficiency measures. During the year, Kemira consolidated the organisation from three into two segments: Pulp & Paper and Industry & Water. The markets remained volatile, with currencies burdening net sales and higher raw material prices putting pressure on profitability. Despite these turbulent circumstances – including hurricanes, snowstorms and the shortage of some relevant raw materials – Kemira was able to grow its business and improve its operative EBITDA in 2017, the second half of the year clearly being better than the first.

In 2017, Kemira Group's net sales increased by 5% to EUR 2,486.0 million (2,363.3) as sales volumes grew, mainly due to the recovery in the North American oil & gas business. Net sales in local currencies, excluding acquisitions and divestments, increased by 6%. Comparable operating profit was EUR 170.3 million (170.1) as higher operative EBITDA was offset by increased depreciation and amortisation. The comparable operating profit margin was 6.9% (7.2%). Items affecting comparability were EUR –28.9 million (–23.1), mainly resulting from the organisational restructuring costs and the EUR 12.7 million settlement for a damages claim relating to the alleged old infringement of competition law in the hydrogen peroxide business during 1994–2000. In the previous year, items affecting comparability were mainly related to the restructuring of manufacturing plants and the integration of an acquisition. EPS decreased to EUR 0.52 (0.60), mainly due to the EUR 12.7 million settlement for the damages claim in 2017 and a EUR 5 million capital gain from the sale of electricity production assets, which took place in June 2016.

In Corporate responsibility, Kemira moved ahead in multiple areas. An innovation sales target of 10% of total net sales was reached. Kemira's Carbon index decreased to 85 (86) due to increased use of carbon neutral energy sources and the continuous implementation of energy efficiency projects. In terms of safety, the Number of Total Recordable Injury Frequency per million hours (TRIF) increased to 3.9 (3.4). In supplier management, Four SMETA (Sedex Members Ethical Trade Audit) audits, completed in collaboration with an external service provider, were conducted with no business-stopping results. Regarding employees and leadership development activities, the steady rate of participation in both internal and external leadership development activities continued at 542 in 2017.

Cash flow from operating activities in 2017 decreased to EUR 205.1 million (270.6), mainly due to the EUR 12.7 million settlement for a damages claim, restructuring costs, and higher net working capital. In 2017, capital expenditure decreased 10% to EUR 190.1 million (210.6). The largest investments made during the year were the sodium chlorate capacity expansion in Joutseno, Finland, as well as capacity additions at multiple sites and capital expenditure related to the integration of AkzoNobel's paper chemicals acquisition. Cash flow after investment activities decreased to EUR 13.0 million (97.8). The previous year figure included EUR 35 million in proceeds from the divestment of electricity assets in Finland. At the end of the year, the Group's net interest-bearing liabilities were EUR 694 million (634). The equity ratio was 44% (45%), while gearing was 59% (54%). Shareholders' equity was EUR 1,172.8 million (1,182.9).

In 2018, Kemira expects its operative EBITDA to increase from the previous year (2017: EUR 311.3 million).

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

		2017	2016	2015
Net Sales	EUR million	**2,486.0**	2,363.3	2,373.1
Operating Profit	EUR million	**141.4**	147.0	132.6
Profit for the Period	EUR million	**85.2**	97.9	77.2
Total Equity	EUR million	**1,172.8**	1,182.9	1,193.2
Balance Sheet Total	EUR million	**2,674.9**	2,620.9	2,595.2
Equity Ratio	%	**43.9**	45.2	46.0
Personnel, Average		**4.781**	4,802	4,559

Consolidated statement of comprehensive income IFRS

Oras Invest Group (EUR 1,000)	Note	1 Jan – 31 Dec 2017	1 Jan – 31 Dec 2016
Net sales	2	**249,478**	245,260
Change in inventories of finished goods and work in progress		**2,220**	–111
Other operating income	3	**267**	957
Materials and services		**105,156**	98,314
Personnel expenses	4	**66,562**	62,835
Depreciation and impairment	5	**8,668**	9,138
Other operating expenses		**61,761**	56,532
Operating profit		**9,818**	19,287
Financial income and expense	6	**–1,508**	–4,264
Share of profit of associates		**30,229**	34,303
Profit before tax		**38,539**	49,326
Income tax expense	7	**–2,153**	–2,543
Net profit for the period		**36,386**	46,783
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Re-measurements on defined benefit pensions		**954**	–1,380
Deferred taxes related to items that will not be reclassified to profit or loss		**–254**	367
Share of other comprehensive income of associates		**1,348**	–1,721
Items that may be reclassified subsequently to profit or loss:			
Change on cash flow hedges		**–76**	3,283
Deferred taxes from other comprehensive items		**15**	–656
Share of other comprehensive income of associates		**–6,355**	–397
Exchange rate differences on translation of foreign operations		**331**	–357
Other comprehensive income for the period		**–4,037**	–861
Total comprehensive income for the period		**32,349**	45,922

Consolidated balance sheet IFRS

Oras Invest Group (EUR 1,000)	Note	31 Dec 2017	31 Dec 2016
ASSETS			
Non-current assets			
Goodwill	8	**24,609**	24,609
Intangible assets	8	**46,454**	49,876
Property, plant and equipment	9	**31,047**	29,088
Investments in associated companies	11	**392,502**	395,987
Financial assets	12	**8,350**	8,671
Receivables	13	**330**	465
Deferred tax asset	14	**8,627**	8,645
		511,919	517,341
Current assets			
Inventories	15	**45,729**	43,705
Accounts receivable and other receivables	16	**43,362**	44,478
Cash and non-current deposits	17	**38,003**	35,160
		127,094	123,343
Total assets		**639,013**	640,684
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	18	**6,521**	6,521
Other capital reserves	18	**20,201**	20,188
Foreign currency translation reserve	18	**–2,638**	9,104
Fair value reserve	18	**–2,178**	–7,835
Other invested capital	18	**39,000**	39,000
Retained earnings	18	**410,457**	375,971
		471,363	442,949
Liabilities			
Non-current liabilities			
Interest-bearing liabilities	21	**45,000**	72,500
Provisions	20	**4,908**	4,907
Employee benefit liabilities	19	**19,408**	20,855
Deferred tax liability	14	**15,523**	16,219
Other non-current liabilities	22	**1,251**	1,766
		86,090	116,247
Current liabilities			
Accounts payable and other liabilities	23	**51,510**	47,112
Interest-bearing liabilities	21	**27,500**	32,748
Provisions	20	**1,095**	81
Employee benefit liabilities	19	**1,455**	1,547
		81,560	81,488
Total liabilities		**167,650**	197,735
Total equity and liabilities		**639,013**	640,684

Consolidated cash flow statement IFRS

Oras Invest Group (EUR 1,000)	1 Jan – 31 Dec 2017	1 Jan – 31 Dec 2016
CASH FLOW FROM OPERATIONS		
Profit before taxes	38,539	49,326
Adjustments		
Depreciation and impairment	8,668	9,138
Change in financial instruments		–73
Financial income	–29,053	–30,782
Financial expense	1,727	6,631
Share of profit of associates	–1,243	–5,648
Unrealised exchange rate gains and losses	–152	–167
Other non-cash items	658	1,037
Other adjustments	–57	117
Cash flow from operations before change in working capital	19,087	29,579
Change in trade and other non-interest bearing receivables (–/+)	–95	2,888
Change in inventories (–/+)	–1,556	–1,328
Change in trade and other non-interest bearing liabilities (+/–)	3,842	–3,591
Cash flow from operations before financial items and taxes	21,278	27,548
Interests paid and other financial items	–2,949	–6,197
Interests received	52	833
Dividends received	29,038	28,686
Income taxes paid	–2,447	–1,007
Cash flow from operations	44,972	49,863
CASH FLOW FROM INVESTMENTS		
Proceeds from sale of intangible and tangible assets	334	175
Investments in intangible and tangible assets	–7,105	–5,459
Proceeds from other investments		1,633
Change in other non-current receivables	2	–33
Cash flow from investments	–6,769	–3,684
CASH FLOW FROM FINANCING		
Increase in non-current interest-bearing liabilities		1,500
Repayment of non-current interest-bearing liabilities	–10,000	–22,000
Repayment of current interest-bearing liabilities	–22,748	–11,805
Dividends paid	–2,499	–2,000
Cash flow from financing	–35,247	–34,305
Net change in cash and cash equivalents	2,956	11,874
Cash and cash equivalents at 1 January	35,160	23,266
Exchange rate difference on cash	–113	20
Cash and cash equivalents at 31 December	38,003	35,160

Statement of changes in shareholders' equity, IFRS

Oras Invest Group (EUR 1,000) 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**
Total	**442,949**	**32,349**	**–1,412**	**–2,499**	**–301**	**279**	**–2**	**471,363**

2016	**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	**1,331**						–127	**1,204**
Foreign currency translation reserve	**5,989**	3,115						**9,104**
Fair value reserve	**–6,593**	–1,242						**–7,835**
Other invested capital	**39,000**							**39,000**
Retained earnings	**335,305**	44,049	–1,512	–2,000			129	**375,971**
Total	**400,537**	**45,922**	**–1,512**	**–2,000**	**0**	**0**	**2**	**442,949**

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 16 April 2018.

Oras Invest Group consists of 100% owned Oras Group and the associated companies Uponor Corporation (22.64%), 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 1.1.2017–31.12.2017 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 2017. 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.

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 2017 or 2016 there were no assets held for sale or discontinued operations in Oras Invest Group.

Revenue recognition

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.

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.

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.

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

Notes to the consolidated financial statements, IFRS

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

Government 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 on yearly basis during the preparation of annual financial statements.

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 financial 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.

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 at fair value through profit and loss

Financial assets at fair value through profit and loss include financial assets held for trading and measured at fair value. Derivative instruments, for which hedge accounting is not applied, are included in financial assets at fair value through profit and loss. 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 are recorded through comprehensive profit and loss. Unrealised and realised gains and losses are included in the income statement in the period in which they occur.

Loans and receivables

Loans and receivables include accounts receivable and other receivables which are measured at acquisition cost. Accounts receivable are carried to original invoice amount. A provision for impairment of accounts receivable is established if 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, probable bankruptcy of the debtor or default in payments are considered as probable indicators for the impairment of accounts receivable.

Notes to the consolidated financial statements, IFRS

Available-for-sale financial investments

Available-for-sale financial assets consist mainly of holdings in listed companies. After initial measurement, available-for-sale investments are subsequently measured at fair value with unrealised gain or losses recognised as other comprehensive income in the fair value reserve.

When the available-for-sale investments are sold, the cumulative change in the fair value is transferred from equity and recognized together with realized gains and losses in profit and loss. The cumulative change in the fair value is also transferred to profit or loss when the assets are impaired and the impairment loss is recognized.

Other investments than listed holdings classified as available-for-sale assets are measured at acquisition price.

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. 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. Hedge accounting is applied to those derivatives that meet the requirements of IAS 39. Hedge programmes are documented according to the requirements of IAS 39, and the efficiency of financing derivatives is tested both at the inception of, and during, the hedge.

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 income statement. Changes in fair value of financial derivatives, which are classified as cash flow hedges, are recognized in other comprehensive income in the fair value reserve to the extent that the hedge is effective. Accumulated fair value changes in the other comprehensive income are released into the income statement 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.

Application of new IFRS standards and interpretations

New and adopted IFRSs and Interpretations in 2017:

- Amendments to IAS 7 Disclosure Initiative. These amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. Oras Invest Group's liabilities arising from financing activities consists of loans. A reconciliation between the opening and closing balance of these items is provided in note 21.
- Amendments to IAS 12 Recognition of Deferred Tax Asset for Unrealised Losses. The application of these amendments has had no impact on Oras Invest Group's consolidated financial statements as the Group's current practice already assesses the sufficiency of future taxable profits consistently with these amendments.
- 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 15 Revenue from Contracts with Customers

IFRS 15 is effective in the EU for annual periods beginning on or after 1 January 2018. New standard establishes a five step model to account for revenue arising from contracts with customers. Under IFRS 15, a revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. Oras Invest Group is adopting the new standard on the required effective date using modified retrospective method. During 2017 Oras Invest Group performed an assessment of IFRS 15.

Oras Invest Group's most significant revenue stream is sale of goods. Oras Invest Group performed a contract analysis for a sample of major contracts. Based on contract analysis and assessment performed, IFRS 15 impacts are not significant. However, some minor updates on processes and agreements have been or will be adopted.

- IFRS 15 analysis starts with identifying the contract to provide goods and services to customers. Based on analysis, Oras Invest Group will not have any changes compared to the current practice for identifying the contracts with customers.
- Second phase in IFRS 15 revenue recognition model consists of identifying performance obligations in the contract. According to IFRS 15, a performance obligation is a promise (explicit or implicit) to transfer to a customer either a distinct good or service or a series of distinct goods or services that are substantially the same and have the same pattern of transfer. Based on the assessment, the Group delivers goods to the customer and each good is considered distinct from the other goods provided to the customer. Oras Invest Group will not have any significant changes compared to the current practice.
- IFRS 15 revenue recognition model consists of determining the transaction price. The basis for the new requirements for

determining the transaction price is the amount to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer. Transaction price may vary because of variable consideration. IFRS 15 requires the variable consideration to be estimated at contract inception and constrained to prevent over-recognition of revenue. The application of the constraint will not have a significant impact in terms of revenue recognition as variable considerations in the sales of goods in Oras Invest Group consist mainly of annual bonuses that are already treated in accordance with IFRS 15 requirements. In addition, based on the assessment, the Group has identified need for minor changes to take place in terms of contracts as well as in processes, however, no material changes to the current revenue recognition practice is expected.
- IFRS 15 revenue recognition model requires entities to allocate the transaction price to the performance obligation after having determined the separate performance obligation and the transaction price. There are no expected changes that would take place in terms for allocating transaction price to the performance obligations in the contracts.
- IFRS 15 revenue recognition model determines the criteria when to recognize revenue. The Group has assessed that the revenue recognition will take place at a point in time generally when the goods are transferred to the customer considering the delivery terms. There are no expected changes compared to the Oras Invest Group's current practice.
- The presentation and disclosure requirements in IFRS 15 are more detailed than under current IFRS. The presentation requirements represent a change from current practice and increases the volume of disclosures required in the Oras Invest Group's financial statements. Oras Invest Group will continue to assess and test of appropriate processes, internal controls and procedures necessary to collect and disclose the required information.

IFRS 16 Leases

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. It will supersede the current guidance regarding leasing when it comes effective. IFRS 16 distinguishes leases and service contracts based on whether an identified asset is controlled by a customer. Distinction of operating leases (off-balance sheet) and finance leases (on balance sheet) are removed from lessee accounting and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees (i.e. all on balance sheet) except for short term leases and leases of low value assets. Furthermore, IFRS 16 requires additional disclosure.

Oras Invest Group will adopt the new IFRS 16 Leases as of January 1, 2019. The Group considers adopting the new standard using the modified retrospective application method. Under modified retrospective approach:
- Lessee does not restate comparative figures
- For leases previously classified as operating leases under IAS 17, a lessee recognizes 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
- A lessee measures the right-of use asset on a lease-by-lease basis, at either an amount equal to lease liability or as if standard always has been applied, but using a discount rate based on the lessee's incremental borrowing rate at the date of initial application.

During 2017 the impact on Oras Invest Group's consolidated financial statements by the new requirement to recognize a right-of-use assets and a related lease liability were analyzed on a high level. Based on the assessment, the right-to-use assets of the Group consist mainly of real estate. In addition, there are identified minor assets, such as cars and forklifts. Thus, the operating lease commitments mentioned in Note 25 will cover, for the most part, the lease agreements that will be recognized as right-of-use assets in the future. The impact analysis and implementation consideration including possible development of processes, tools and controls will continue during 2018.

IFRS 9 Financial Instruments

IFRS 9 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.

Oras Invest Group will apply the IFRS 9 standard as of the financial period starting on January 1, 2018. Based on an analysis of the Group's financial assets and liabilities as at 31 December 2017 based on the facts and circumstances that exist at that date, Group has assessed the impact of IFRS 9 to the Group's consolidated financial statements. Oras Invest Group does not expect the application of IFRS 9 to have a material impact on financial performance nor financial position of the Group.

Other new and revised IFRSs

- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration, effective for the accounting periods beginning on or after 1 January 2018.
- 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.
- Amendments to IAS 28 Long-term Interest in Associates and Joint Ventures, effective for the accounting periods beginning on or after 1 January 2019.
- 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

(EUR 1,000)	2017	2016

2. NET SALES

Sales of goods	249,478	245,260
Total	**249,478**	**245,260**

3. OTHER OPERATING INCOME

Gains from sales of fixed assets	100	60
Rental income	2	5
Grants	46	27
Other items	119	865
Total	**267**	**957**

4. EMPLOYEE BENEFITS

Salaries, wages and bonuses	53,769	51,622
Pension expenses, defined contribution plans	4,806	4,443
Pension expenses, defined benefit plans	948	888
Other social security expenses	7,039	5,882
Total	**66,562**	62,835
Number of personnel		
Average number of personnel during fiscal year	1,409	1,365
Number of personnel 31.12.		
white-collar workers	611	599
blue-collar workers	806	759
Total	**1,417**	1,358

5. DEPRECIATION AND AMORTISATION

Depreciation and amortization by asset category		
Trademark	1,182	1,182
Intangible rights	13	16
Other intangible assets	469	488
Customer relationships	1,596	1,596
Capitalized development costs	217	242
Buildings and structures	890	1,238
Machinery and equipment	4,282	4,356
Other tangible assets	19	20
Total	**8,668**	9,138

Notes to the consolidated financial statements, IFRS

6. FINANCIAL INCOME AND EXPENSES

(EUR 1,000)	2017	2016
Financial income		
Dividend income from others	**52**	31
Interest income	**33**	419
Exchange rate differences	**59**	
Change of fair value of financial instruments		73
Other financial income	**10**	1,676
Total	**154**	2,199
Financial expenses		
Interest expenses	**1,281**	3,139
Exchange rate differences		5
Other financial expenses	**381**	3,319
Total	**1,662**	6,463
Financial income and expenses total	**–1,508**	–4,264

7. INCOME TAXES

	2017	2016
Current year and previous years' taxes		
Taxes based on taxable income for fiscal year	**2,983**	3,960
Taxes from previous fiscal years	**–16**	–291
Deferred taxes	**–814**	–1,126
Total	**2,153**	2,543
Tax reconciliation		
Profit before taxes	**38,539**	49,326
Share of profit of associates	**30,229**	34,303
	8,310	15,023
Taxes calculated at parent company's tax rate (20.0%)	**1,662**	3,005
Differing tax rates of foreign subsidiaries	**204**	270
Non-deductible expenditure	**314**	259
Tax-exempt income	**–282**	–387
Tax-exempt dividends	**–10**	–6
Change in depreciations in taxation and accounting	**–114**	–125
Utilization of tax losses not recognized	**–61**	–80
Change in tax legislation		–17
Taxes from previous fiscal years	**–16**	–291
Tax losses carried forward not recognized	**325**	
Other items	**131**	–85
Total	**2,153**	2,543
Effective tax rate %	**5.59%**	5.15%

Notes to the consolidated financial statements, IFRS

NOTES TO CONSOLIDATED BALANCE SHEET

8. GOODWILL AND INTANGIBLE ASSETS

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

2016 (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	7,614	39,900	2,316	93,396
Conversion difference				−2			−2
Increases				268			268
Decreases							0
Other changes							0
Acquisition costs 31 Dec	24,609	17,721	1,236	7,880	39,900	2,316	93,662
Accumulated amortisation and impairment 1 Jan		2,661	1,153	6,536	3,591	1,714	15,655
Conversion difference				−2			−2
Amortisation		1,182	16	488	1,596	242	3,524
Impairment							0
Cumulative amortisation on disposals and transfers							0
Accumulated amortisation and impairment 31 Dec		3,843	1,169	7,022	5,187	1,956	19,177
Book value 1 January	24,609	15,060	83	1,078	36,309	602	77,741
Book value 31 December	24,609	13,878	67	858	34,713	360	74,485

Oras Invest Group acquired Hansa on September 30, 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 December 31, 2014 was 24,609 tEUR. In connection of acquisition of Hansa, customer relationships 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 percent. The 2017 goodwill impairment test indicated that there was no need to record impairment.

During the financial years 2017 or 2016 there were no business acquisitions.

Notes to the consolidated financial statements, IFRS

9. PROPERTY, PLANT AND EQUIPMENT

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

2016 (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	1,958	38,500	102,053	3,094	606	146,211
Conversion difference	–10	–205	–356			–571
Increases		92	1,558	7	3,534	5,191
Decreases		–3	–1,845			–1,848
Other changes		19	2,893		–2,912	0
Acquisition costs 31 Dec	1,948	38,403	104,303	3,101	1,228	148,983
Accumulated depreciation and impairment 1 Jan		27,769	86,009	2,500		116,278
Conversion difference		–91	–297			–388
Depreciation		1,238	4,356	20		5,614
Impairment						0
Cumulative depreciation on disposals and transfers		–3	–1,606			–1,609
Accumulated depreciation and impairment 31 Dec		28,913	88,462	2,520		119,895
Book value 1 January	1,958	10,731	16,044	594	606	29,933
Book value 31 December	1,948	9,490	15,841	581	1,228	29,088

Notes to the consolidated financial statements, IFRS

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

Values 31 December 2017 Balance item (EUR 1,000)	Financial items at fair value through profit and loss	Loans and receivables	Financial items available for sale	Derivative contracts under hedge accounting	Loans and borrow-ings	Book value	Fair value	IFRS 7 Fair value hierarchy level
Non-current financial assets								
Other shares			278			278	278	
Financial assets			32			32	32	1
Receivables		309				309	309	
Derivative contracts				21		21	21	2
Current financial assets								
Accounts receivable and other receivables		43,362				43,362	43,362	
Value by item groups	**0**	**43,671**	**310**	**21**	**0**	**44,002**	**44,002**	
Non-current financial liabilities								
Interest-bearing non-current liabilities					45,000	45,000	45,000	
Derivative contracts	1,239					1,239	1,239	2
Other non-current liabilities					12	12	12	
Current financial liabilities								
Interest-bearing current liabilities					27,500	27,500	27,500	
Derivative contracts	4					4	4	2
Accounts payable and other liabilities					51,506	51,506	51,506	
Value by item groups	**1,243**	**0**	**0**	**0**	**124,018**	**125,261**	**125,261**	

Values 31 December 2016 Balance item (EUR 1,000)	Financial items at fair value through profit and loss	Loans and receivables	Financial items available for sale	Derivative contracts under hedge accounting	Loans and borrow-ings	Book value	Fair value	IFRS 7 Fair value hierarchy level
Non-current financial assets								
Other shares			282			282	282	
Financial assets			30			30	30	1
Receivables		344				344	344	
Derivative contracts				98		98	98	2
Current financial assets								
Accounts receivable and other receivables		44,478				44,478	44,478	
Value by item groups	**0**	**44,822**	**312**	**98**	**0**	**45,232**	**45,232**	
Non-current financial liabilities								
Interest-bearing non-current liabilities					72,500	72,500	72,500	
Derivative contracts	1,755					1,755	1,755	2
Other non-current liabilities					11	11	11	
Current financial liabilities								
Interest-bearing current liabilities					32,748	32,748	32,748	
Derivative contracts	36					36	36	2
Accounts payable and other liabilities					47,076	47,076	47,076	
Value by item groups	**1,791**	**0**	**0**	**0**	**152,335**	**154,126**	**154,126**	

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

11. INVESTMENTS IN ASSOCIATED COMPANIES

(EUR 1,000)	2017	2016
Acquisition 1 Jan	**395,987**	392,457
Share of profit	**30,229**	34,303
Dividends received	**–28,986**	–28,655
Share of other comprehensive income	**–5,007**	–2,118
Share-based incentive plans from associated companies	**279**	
Book value 31 Dec	**392,502**	395,987

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	865,800	517,400	1,170,400	65,400	22.64
Kemira Oyj	2,674,900	1,502,200	2,486,000	85,200	18.20
Tikkurila Oyj	427,700	248,200	582,400	10,700	18.07

	Closing price per share 31 Dec 2017	Total market value of the ownership 31 Dec 2017
Uponor Corporation	16.78	278,074
Kemira Oyj	11.50	325,199
Tikkurila Oyj	17.81	141,938
Total		745,211

12. OTHER NON-CURRENT FINANCIAL ASSETS

(EUR 1,000)	2017	2016
Shares	**310**	312
Pension plan assets	**8,040**	8,359
Total	**8,350**	8,671
Shares		
Acquisition 1 Jan	**312**	331
Exchange rate difference	**–4**	3
Disposals		–19
Assets available for sale – changes in value	**2**	–3
Book value 31 Dec	**310**	312

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.

13. OTHER NON-CURRENT RECEIVABLES

Arrangement fee	**99**	169
Guarantee deposits	**152**	142
Interest rate derivative	**21**	98
Other non-current receivables	**58**	56
Total	**330**	465

Notes to the consolidated financial statements, IFRS

14. DEFERRED TAXES

Deferred tax asset from the tax loss carry forwards has been recognized in 2017 up to the amount that company expects to be utilized. Tax loss carry forwards of which deferred tax asset has not been recognized amounts to 2,225 tEUR (2,484 tEUR 2016).

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

2016 (EUR 1,000)	1 Jan 2016	Exchange rate difference	Change of the period	31 Dec 2016
Deferred tax assets				
Investments in financial instruments	637		–286	351
Intangible and tangible assets	849	2	–192	659
Employee benefits	2,403	–11	477	2,869
Internal margins	246		31	277
Provisions	190	–5	372	557
Tax losses carried forward	3,994		–370	3,624
Other temporary differences	465	–2	–155	308
Total	8,784	–16	–123	8,645
Deferred tax liabilities				
Accumulated depreciation difference and untaxed reserves	565		13	578
Intangible and tangible assets	16,569	–4	–1,033	15,532
Investments in financial instruments	18		35	53
Other temporary differences	30	1	25	56
Total	17,182	–3	–960	16,219
Deferred taxes on 31 Dec 2016, net	–8,398	–13	837	–7,574

15. INVENTORIES

(EUR 1,000)	2017	2016
Materials and supplies	**20,652**	21,316
Work in progress	**9,310**	8,855
Finished goods	**15,767**	13,534
Total	**45,729**	43,705

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

Notes to the consolidated financial statements, IFRS

(EUR 1,000)	2017	2016

16. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

Accounts receivable	**39,306**	39,987
Other receivables	**2,102**	2,082
Prepayments and accrued income	**1,954**	2,409
Total	**43,362**	44,478

Prepayments and accrued income		
Personnel expenses	**5**	4
Income tax receivables	**48**	834
Prepayments	**1,772**	1,411
Other items	**129**	160
Total	**1,954**	2,409

17. CASH RECEIVABLES

Cash and bank accounts	**38,003**	35,160
Total	**38,003**	35,160

18. 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 August 3, 2017, the amended company bylaws and the issue of new B shares were registered. At the end of the financial period 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 have an equal right to dividends. The dividend paid to B1–B7 shares will be decided 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 2017. Rest of the profit will be retained in the shareholders' equity.

During 2017 the dividend paid was 11.5 euros per share from the distributable funds 2016, in total 2,499,525 euros.

(EUR 1,000)	2017	2016

19. 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.

	2017	2016
Non-current employee benefit obligations		
Pensions – defined benefit plans	**16,759**	18,142
Other non-current employee benefit liability	**2,649**	2,713
Total	**19,408**	20,855
Current employee benefit obligations		
Pensions – defined benefit plans	**829**	779
Other current employee benefit liability	**626**	768
Total	**1,455**	1,547
Employee benefit obligations total	**20,863**	22,402
Amounts recognised in the balance sheet		
Present value of the obligation	**20,863**	22,402
Funded status		
Liability recognised in balance sheet	**20,863**	22,402
Amounts charged to profit and loss		
Current service cost	**535**	529
Interest cost	**400**	473
Net actuarial gain(–) loss(+) recognised in year	**97**	–160
Settlement or curtailment	**–84**	46
Expense(+)/income(–) recognised in the income statement	**948**	888
Re-measurements recognised in other comprehensive income		
Re-measurements recognised in other comprehensive income	**–954**	1,380
Total	**–954**	1,380
Changes in present value of obligation		
Opening defined benefit obligation	**22,402**	21,876
Exchange rate differences	**–84**	–78
Current service cost	**535**	529
Interest cost	**400**	473
Benefits paid	**–1,449**	–1,664
Settlement or curtailment	**–84**	46
Actuarial gain(–) loss(+) on obligation	**97**	–160
Re-measurements recognized	**–954**	1,380
Closing present value of obligation	**20,863**	22,402
Amounts recognised in the balance sheet		
Defined benefit pension obligations	**20,863**	22,402
Defined benefit pension assets		
Net asset (–) / liability (+)	**20,863**	22,402

Notes to the consolidated financial statements, IFRS

	2017	2016
The principal actuarial assumptions used		
Discount rate	**0.0%–3.3%**	0.1%–3.5%
Future salary increases	**0%–2.5%**	0%–2.5%
Probability of lump sum instead of pension payments	**50%–100%**	50%–100%
Turnover rate	**0%–3.56%**	0%–3.53%
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.

20. PROVISIONS

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

2016 (EUR 1,000)	Warranty reserve	Restructuring provision	Other provisions	Total
Provisions at 1 Jan	3,377	691	82	4,150
Exchange rate difference	7	–3		4
Utilised provisions		–200	–22	–222
Additions this period	1,274	271	53	1,598
Unused amounts reversed	–493	–49		–542
Provisions at 31 Dec	4,165	710	113	4,988
Non-current provisions	4,165	710	32	4,907
Current provisions			81	81
Provisions total at 31 December 2016	4,165	710	113	4,988

21. INTEREST-BEARING LIABILITIES

(EUR 1,000)	2017	2016
Non-current interest-bearing liabilities		
Loans from financial institutions	**45,000**	72,500
Total	**45,000**	72,500
Current interest-bearing liabilities		
Loans from financial institutions	**27,500**	32,748
Total	**27,500**	32,748
A reconciliation between the opening and closing balances of liabilities arising from financing activities		
Interest-bearing liabilities 1 Jan	**105,248**	137,553
Cash flows	**–32,748**	–32,305
Interest-bearing liabilities 31 Dec	**72,500**	105,248

Notes to the consolidated financial statements, IFRS

(EUR 1,000)	2017	2016

22. OTHER NON-CURRENT LIABILITIES

Interest rate derivative	**1,239**	1,755
Other non-current liabilities	**12**	11
Total	**1,251**	1,766

23. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable	**17,196**	17,336
Accrued expenses	**26,273**	24,523
Derivative instruments	**4**	36
Other liabilities	**8,037**	5,217
Total	**51,510**	47,112
Accrued expenses		
Personnel expenses	**7,186**	6,582
Income taxes	**1,002**	1,005
Customer co-operation	**13,846**	14,828
Interests	**110**	130
Prepayments	**1,232**	70
Other items	**2,897**	1,908
Total	**26,273**	24,523

24. FEES OF AUDITORS'

Auditing	**449**	495
Other services	**249**	247
Total	**698**	742

25. OTHER RENTS

Rents to be paid on the basis of non-reversing rent agreements:		
In less than one year	**3,436**	3,491
1–5 years	**7,084**	6,476
Over 5 years	**4,250**	5,256
Total	**14,770**	15,223

26. CONTINGENT LIABILITIES

– on own behalf		
Collateral on behalf of Oras Invest Group		
Other deposits	**346**	529
Total	**346**	529
Loans secured by mortgages, pledged assets or shares		
Loans from financial institutions	**72,500**	105,248
Real estate mortgages	**36,410**	36,410
Corporate mortgages	**20,424**	20,424
Pledged shares at market value	**252,826**	260,486
Total	**309,660**	317,320
Contingent liabilities total	**310,006**	317,849

Notes to the consolidated financial statements, IFRS

27. TRANSACTIONS BETWEEN RELATED PARTIES

Group's related parties constitute of Group's management (board, CEO and Oras Group Executive Committee), subsidiaries and associated companies.

There has been no transactions between related parties in 2017 or 2016 other than normal business.

Board remuneration (EUR 1,000)	2017	2016
Fees to board and CEO	**460**	432

28. 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 is exposed to fluctuations in interest rates as the companies have floating rate loans. The objective of managing interest rate risk is to eliminate or reduce the effect of interest rate fluctuation by using interest rate derivatives to change floating rates into fixed rates or to change the interest period.

Maturities of non-current interest-bearing loans are following including repayment of loan and interest on 31 December 2017:

(EUR 1,000)	2018	2019	2020	2021	2022
Loans from financial institutions	28,505	535	428	45,353	

Maturities of derivative instruments including interest are following on 31 December 2017:

(EUR 1,000)	2018	2019	2020	2021	2022
Cash inflow	–65	–87	–86	–87	–65
Cash outflow	–344	–347	–344	–346	–259
Total	–409	–434	–430	–433	–324

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.

The Group assesses the credit quality of its customers, by taking into account their financial position, past experience and other relevant factors. When appropriate, advance payments and letters of credit are used to mitigate credit risks. Group suffered credit losses in 2017 for 113 tEUR (2016 for 126 tEUR). The maximum counterparty credit risk is the book value of accounts receivable and loan receivables on 31 December 2017. The credit quality is evaluated both on the basis of aging of the accounts receivable and also on the basis of customer specific analysis.

(EUR 1,000)	2017	2016
The aging of accounts receivable		
Undue and less than 30 days due	**38,242**	38,205
Due 31–60 days	**270**	846
Due 61–90 days	**139**	333
Due over 90 days	**655**	603
Total	**39,306**	39,987

Notes to the consolidated financial statements, IFRS

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)	**2017**	2016
Interest rate derivatives		
– under hedge accounting	**26,000**	26,000
– not under hedge accounting	**26,000**	26,000

Fair values (tEUR)	**2017**	2016
Interest rate derivatives		
– under hedge accounting	**+21**	+98
– not under hedge accounting	**–1,239**	–1,755
Electricity derivatives		
– not under hedge accounting	**–4**	–36

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 2016. Other interest rate derivatives have been classified under hedge accounting. Oras Invest Ltd has no open derivative contracts as of year-end 2017 or 2016.

Commodity derivatives are not under hedge accounting and the changes in fair values have been recorded in income statement, totally amounted to 31 tEUR (289 tEUR 2016).

Notes to the consolidated financial statements, IFRS

29. SUBSIDIARIES AND ASSOCIATES 31 DECEMBER 2017

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

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	22.64	22.64
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 2017	1 Jan – 31 Dec 2016
Net sales	2	**124,998.00**	249,996.00
Other operating income	3	**78,357.46**	
Personnel expenses	4	**809,502.69**	771,042.57
Depreciation	6	**107,620.98**	90,696.70
Other operating expenses		**1,485,128.96**	917,155.64
Operating profit		**–2,198,897.17**	–1,528,898.91
Financial income and expenses	7	**32,691,820.42**	26,342,805.59
Profit before appropriations and taxes		**30,492,923.25**	24,813,906.68
Appropriations	8	**2,508,572.86**	3,900,000.00
Income taxes	9	**–13,239.61**	2,125.33
Profit for the financial period		**32,988,256.50**	28,716,032.01

Parent company balance sheet, FAS

Oras Invest Ltd
(EUR)

	Note	31 Dec 2017	31 Dec 2016
ASSETS			
Non-current assets			
Intangible assets	10	**5.20**	395.74
Tangible assets	10	**1,199,730.58**	1,110,341.38
Investments in Group companies	11	**21,942,155.51**	21,942,155.51
Other investments	12	**605,460,504.44**	605,460,504.44
Other non-current receivables	13	**23,381.00**	23,381.00
		628,625,776.73	628,536,778.07
Current assets			
Current receivables	14	**1,673,821.13**	1,510,930.77
Cash and cash equivalents		**7,566,982.51**	31,722.58
		9,240,803.64	1,542,653.35
Total assets		**637,866,580.37**	630,079,431.42
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	15	**6,520,500.00**	6,520,500.00
Retained earnings	15	**553,075,690.80**	526,859,183.79
Profit for the year	15	**32,988,256.50**	28,716,032.01
		592,584,447.30	562,095,715.80
Accumulated appropriations	16	**41,427.14**	
Liabilities			
Non-current liabilities	17	**45,000,000.00**	45,000,000.00
Current liabilities	17	**240,705.93**	22,983,715.62
		45,240,705.93	67,983,715.62
Total equity and liabilities		**637,866,580.37**	630,079,431.42

Parent company cash flow statement, FAS

Oras Invest Ltd (EUR 1,000)	1 Jan – 31 Dec 2017	1 Jan – 31 Dec 2016
CASH FLOW FROM OPERATIONS		
Profit before appropriations and taxes	30,493	24,814
Adjustments		
Depreciation and impairment	108	91
Financial income and expense	–32,692	–26,343
Other adjustments	–59	
Cash flow from operations before change in working capital	–2,150	–1,438
Change in trade and other non-interest bearing receivables (–/+)	–38	–8
Change in trade and other non-interest bearing liabilities (+/–)	19	–18
Cash flow from operations before financial items and taxes	–2,169	–1,464
Interests paid and other financial items	–628	–3,036
Interests received	334	565
Dividends received	32,987	28,655
Income taxes paid	–4	236
Cash flow from operations	30,520	24,956
CASH FLOW FROM INVESTMENTS		
Investments in intangible and tangible assets	–230	–6
Proceeds from sale of intangible and tangible assets	92	
Change in other non-current receivables		–23
Cash flow from investments	–138	–29
CASH FLOW FROM FINANCING		
Repayment of non-current loans		–15,000
Repayment of current loans	–22,748	–11,805
Group contribution	2,400	3,850
Dividends paid	–2,499	–2,000
Cash flow from financing	–22,847	–24,955
Net change in cash and cash equivalents	7,535	–28
Cash and cash equivalents at 1 January	32	60
Cash and cash equivalents at 31 December	7,567	32

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

Financial assets have been valued at their acquisition cost or at the lower market value.

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 had no hedging instruments on 2017 or 2016.

(EUR 1,000)	2017	2016

PARENT COMPANY'S NOTES FOR INCOME STATEMENT (FAS)

2. NET SALES BY MARKET AREA

	2017	2016
EU area	**125**	250
Total	**125**	250

3. OTHER OPERATING INCOME

	2017	2016
Gains from sales of fixed assets	**58**	
Other	**20**	
Total	**78**	0

Parent company's notes to financial statements, FAS

(EUR 1,000)	2017	2016

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

Personnel expenses		
Salaries, wages and bonuses	**692**	656
Pension expenses	**94**	85
Other social security expenses	**24**	30
Total	**810**	771
Salaries paid to management and Board of Directors		
Fees to board and CEO	**460**	432
Number of personnel		
Average number of personnel during fiscal year	**4**	4
Number of personnel 31.12.	**4**	4

5. FEES OF AUDITORS'

Auditing	**36**	28
Other services	**3**	3
Total	**39**	31

6. DEPRECIATION AND VALUE ADJUSTMENTS

Depreciation by asset category		
Intangible rights	**1**	5
Buildings and structures	**29**	28
Machinery and equipment	**64**	43
Other tangible assets	**14**	15
Total	**108**	91

7. FINANCIAL INCOME AND EXPENSES

Financial income		
Dividend income, Group	**4,000**	
Dividend income, others	**28,987**	28,655
Interest income		154
Other financial income, Group	**310**	399
Total	**33,297**	29,208
Financial expenses		
Interest expenses	**–605**	–1,644
Other financial expenses		–1,221
Total	**–605**	–2,865
Financial income and expenses total	**32,692**	26,343

On comparison year 2016 other financial expenses include fair value of hedging derivative recorded as an expense amounting 1,108 tEUR.

8. APPROPRIATIONS

Change in depreciation difference	**–41**	
Group contribution	**2,550**	3,900
Total	**2,509**	3,900

9. INCOME TAXES

Income taxes from appropriations	**–510**	–780
Income taxes from previous fiscal years		2
Income taxes from operations	**497**	780
Total	**–13**	2

Parent company's notes to financial statements, FAS

PARENT COMPANY'S NOTES FOR BALANCE SHEET (FAS)

10. INTANGIBLE AND TANGIBLE ASSETS

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**

2016	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	383	338	**1,524**	**2,505**
Increases					6		**6**	**6**
Decreases							**0**	**0**
Other changes							**0**	**0**
Acquisition costs 31 Dec	981	**981**	96	707	389	338	**1,530**	**2,511**
Accumulated depreciation and impairment 1 Jan	975	**975**		33	215	86	**334**	**1,309**
Depreciation	5	**5**		28	43	15	**86**	**91**
Impairment							**0**	**0**
Cumulative depreciation on disposals and transfers							**0**	**0**
Accumulated depreciation and impairment 31 Dec	980	**980**		61	258	101	**420**	**1,400**
Book value 1 January	6	**6**	96	674	168	252	**1,190**	**1,196**
Book value 31 December	1	**1**	96	646	131	237	**1,110**	**1,111**

Parent company's notes to financial statements, FAS

(EUR 1,000)	2017	2016

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)	2017	2016
Shares in associated companies				
Uponor Corporation 1 Jan			**149,430**	149,430
Uponor Corporation 31 Dec	22.64%	16,571,780	**149,430**	149,430
Kemira Oyj 1 Jan			**330,855**	330,855
Kemira Oyj 31 Dec	18.20%	28,278,217	**330,855**	330,855
Tikkurila Oyj 1 Jan			**125,073**	125,073
Tikkurila Oyj 31 Dec	18.07%	7,969,552	**125,073**	125,073
Total			**605,358**	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			**605,461**	605,461

13. OTHER NON-CURRENT RECEIVABLES

Guarantee deposits	**23**	23
Total	**23**	23

14. CURRENT RECEIVABLES

Receivables from Group companies		
Other receivables	**1,550**	1,400
Accrued receivables	**66**	91
Receivables from others		
Other receivables	**8**	6
Accrued receivables	**50**	14
Total	**1,674**	1,511

Parent company's notes to financial statements, FAS

(EUR 1,000)	2017	2016

15. SHAREHOLDERS' EQUITY

Share capital 1 Jan	6,521	6,521
Share capital 31 Dec	6,521	6,521
Retained earnings 1 Jan	555,574	528,858
Distribution of dividends	–2,499	–2,000
Retained earnings 31 Dec	553,075	526,858
Profit for the financial period	32,988	28,716
Shareholders' equity total 31 December	592,584	562,095
DISTRIBUTABLE FUNDS		
Retained earnings 31 December	553,075	526,858
Profit for the financial period	32,988	28,716
Total 31 December	586,063	555,574

16. ACCUMULATED APPROPRIATIONS

Accumulated depreciation differences	41	
Total	41	0

17. LIABILITIES

Non-current liabilities		
Liabilities to other than Group companies		
Loans from financial institutions	45,000	45,000
Total	45,000	45,000
Current liabilities		
Liabilities to other than Group companies		
Other current liabilities from financial institutions		22,748
Accounts payable	51	23
Other current liabilities	26	23
Accrued expenses	164	190
Total	241	22,984
Liabilities total	45,241	67,984
Interest-bearing liabilities		
Interest-bearing loans from financial institutions	45,000	45,000
Other interest-bearing loans from financial institutions		22,748
Total	45,000	67,748

Parent company's notes to financial statements, FAS

18. ADDITIONAL NOTES

(EUR 1,000)	2017	2016
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**	67,748
Pledged shares at market value *	**252,826**	260,486
Total	**252,826**	260,486

* Also as collateral on behalf of Oras Ltd's loan amounting to 26.000 tEUR (36.000 tEUR 2016).

	2017	2016
Collateral and contingent liabilities total	**252,827**	260,487

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

Helsinki 16 April 2018

Jari Paasikivi
CEO

Pekka Paasikivi
Chairman of the board

Robin Lawther

Ulf Mattsson

Kaj Paasikivi

Frank Stangenberg-Haverkamp

Christoph Vitzthum

Auditors' note

Audit report has been given out today.

Helsinki 16 April 2018

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Järventausta
Authorized Public Accountant

Minna Viinikkala
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, 2017. The financial statements 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.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the 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, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 16 April 2018

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Järventausta
Authorized Public Accountant

Minna Viinikkala
Authorized Public Accountant