

LocalTapiola Asset Management Ltd

Report of the Board of Directors and
financial statements for 2017

Business ID: 1604393-7



LÄHITAPIOLA

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REPORT OF THE BOARD OF DIRECTORS

LocalTapiola Asset Management Ltd is part of a group, the parent company of which is LocalTapiola General Mutual Insurance Company (LocalTapiola General, Business ID 0211034-2). The report of the Board of Directors of the parent company is available on the LocalTapiola website at www.lahitapiola.fi.

LocalTapiola Asset Management Ltd 2017

LocalTapiola Asset Management Ltd

- The company's operating profit increased in the challenging investment environment and was at the optimal level of EUR 5.9 million.
- Managed assets were EUR 10,781.8 million.

Business sectors

The assets of LocalTapiola Group companies, LocalTapiola funds, and also external investors are managed by LocalTapiola Asset Management Ltd. LocalTapiola Asset Management Ltd offers its customers discretionary asset management services.

Summary of results

(EUR million)	2017	2016
Operating profit	5.9	5.4
Result for the financial year	4.7	4.3
Commission income	14.5	13.5
Total net investment income	22.2	20.1
Administrative expenses	15.1	13.8

The result for 2017 was good: EUR 4,734,000 (EUR 4,279,000). Despite the challenging investment environment, net investment income was EUR 22,242,000.

Balance sheet summary

(EUR million)	2017	2016
Receivables from credit institutions	21.4	20.6
Liabilities	5.8	4.6
Capital and reserves	23.0	22.4
Balance sheet total	28.8	27.0
Managed assets	10,781.8	9,696.4

Capital and reserves amounted to EUR 23.0 million (EUR 22.4 million). The change was due to the good result for

the financial year of EUR 4.7 million and the EUR -4.3 million dividend paid in 2017, as well as the EUR 0.2 million capital acquired by a series A share issue. Managed assets have increased by EUR 1,085.4 million to EUR 10,781.8 million. Capital invested in LocalTapiola funds increased to EUR 4,311.6 million (EUR 3,792.6 million 12/2016).

Key figures

(% / EUR million)	2017	2016	2015
KEY FIGURES DESCRIBING FINANCIAL DEVELOPMENT			
Capital and reserves (on average)	22.7	21.4	17.8
Balance sheet total (on average)	27.9	26.0	22.2
Commission income	14.5	13.5	14.9
Turnover	22.2	20.1	22.5
Operating profit, loss	5.9	5.4	7.1
Operating profit, % of turnover	26.6	26.6	31.7
Return on equity (ROE), %	20.9	20.0	32.0
Return on assets (ROA), %	17.0	16.5	25.7
Equity ratio, %	79.9	82.8	81.6
Cost/return ratio	0.7	0.7	0.7
SOLVENCY (in accordance with Pillar I)			
Ratio of core capital (CET1) to overall risk, %	47.2	35.1	36.2
Ratio of primary capital (T1) to overall risk, %	47.2	35.1	36.2
Total own assets (TC) to overall risk, %	47.2	35.1	36.2
Overall risk calculated on the basis of fixed overheads	35.3	35.5	31.6

LocalTapiola Asset Management's solvency was outstanding at the end of the review period. The amount of core, primary and overall capital in proportion to overall risk was 47.2% (35.1%).

The result for 2017 was confirmed after the solvency calculations were made, so it is excluded from core capital. With the result for 2017 included, solvency would have been 60.6%.

Significant events during the financial year

In 2017, we were involved in building and launching new wide asset class allocation savings products with insurance wrappers, targeted at all investor customers of the LocalTapiola Group.

We continued to develop our online services and improved, for example, the transparency of pricing and investment costs on customer reports. In responsible in-

vesting, we integrated guidelines formulated in the previous year into practice, and we continued to work on elaborating the responsibility analyses.

LocalTapiola Asset Management Ltd joined the collective agreement strengthening the unity and decision-making in the LocalTapiola Group and clarifying the distribution of work and roles in the companies included in the group by signing the notification of joining on 7 March 2017.

In connection with the transfer of the motor liability insurance portfolio between the non-life insurance companies of the LocalTapiola Group, Asset Management ownership was reorganised so that, in addition to LocalTapiola General Mutual Insurance Company and LocalTapiola Mutual Life Insurance Company, the Group's regional non-life insurance companies became owners. The shares were divided into A and B shares. The B shares were split on 18 May 2017, and their number increased 1,800 pcs => 18,000 pcs.

LocalTapiola General Mutual Insurance Company was offered 190 new A shares in a private placement, and the share capital was increased by EUR 88,350. A shares entitle to 100 votes per share, so LocalTapiola General Mutual Insurance Company has control based on the ownership of A shares. B shares entitle to one vote per share.

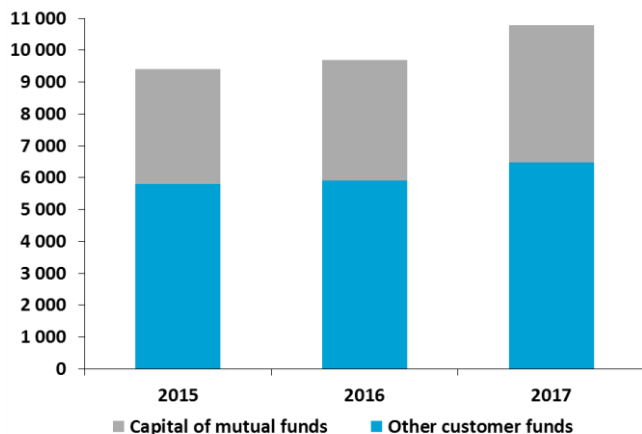
After the ownership arrangements, LocalTapiola General Mutual Insurance Company owns 34.02% of B shares, LocalTapiola Mutual Life Insurance Company 32.99%, and the regional non-life insurance companies of the LocalTapiola Group the remaining B shares. In connection with the ownership arrangements, a shareholder agreement was signed, in which the roles and obligations of the shareholders and the company in the implementation of the company's business objectives, administration, and ownership and transfer of shares were agreed.

Even after the change, LocalTapiola Asset Management is included in LocalTapiola Group's consolidated financial statements. Asset Management remained as a subsidiary of LocalTapiola General Mutual Insurance Company based on the voting power provided by the A shares.

Asset management services

LocalTapiola Asset Management Ltd provides asset management services as an investment firm.

The customer funds managed by LocalTapiola Asset Management grew by 11.2% to EUR 10,781.8 million (EUR 9,696.4 million).



Our objective for 2018 is to further strengthen our position in the asset management market. LocalTapiola's expanding customer base and our renewed investment services offering, together with the growing interest in investing, offer good opportunities for us to achieve this. The positive development of the market share requires competitive pricing, and in 2017, we lowered the overall pricing of investment and savings products to customers.

In March, LocalTapiola Asset Management received the Best Nordic Asset Manager Award in the balanced funds category of the Thomson Reuters Lipper annual comparison. Furthermore, we enjoyed great success in the Thomson Reuters Lipper 2017 fund comparison, as the LocalTapiola World 20, 50 and 80 funds were recognised as the Best Nordic Balanced Funds in their respective categories. Lipper awarded the World funds for the third consecutive year.

Customers and customer benefits

LocalTapiola Asset Management acts as an independent asset manager for LocalTapiola funds. Our customers also include institutional investors, companies and organisations, and private individuals.

We offer asset management services in various service packages, the most significant being the LocalTapiola Private Banking services. The number of customers using our asset management services increased in 2017. Low interest rates and the volatility in investment markets have increased customers' interest in mutual fund services and asset management services.

Operating environment

Financial operating environment

At the beginning of 2017, the interest of the market was on the industrial and commercial policy of the newly elected US President Donald Trump and the fears of increasing protectionism in the global economy. In Europe,

political uncertainty was raised by Britain's Brexit process as well as by fears about the progression of right-wing populism associated with the Dutch parliamentary election and the French presidential election.

In April, tightening tensions between the United States and North Korea also increased geopolitical uncertainty. During the second half of the year, political uncertainty was maintained by Brexit negotiations, Catalonia's aspirations for independence, and the German government negotiations drifting into a dead end.

Although political uncertainty was reflected in the early part of the year as a risk for the long-term growth prospects in world economy, the short-term economic outlook was strengthened already in the spring. In 2017, the global economy developed positively overall and grew by more than 3%, according to forecasts. In developed and emerging economies, gross domestic product is estimated to have increased by about 2% and 4.5% respectively.

In the United States and the euro area, GDP growth was also forecasted at well above 2%. With positive economic developments, consumer price inflation in the euro area accelerated to 1.5%, but inflation remained below the ECB's medium-term 2% inflation target. In the US, consumer price inflation was slightly higher, around 2%.

In 2017, central bank policy continued to be supportive of the market on the whole, although in the US, monetary policy tightened as a result of the positive economic outlook and rising inflation expectations. The US Federal Reserve raised its key interest rate three times during the year by 25 base points to 1.5%.

The European Central Bank, ECB, kept its key interest rate at zero. In the autumn, the ECB announced that it would halve the monthly purchases of its securities purchasing programme and continue the programme until September 2018 with monthly purchases of EUR 30 billion. The Bank of England raised its key interest rate in November by 25 base points to 0.5%.

In 2017, the global stock market's total annual return in euros was excellent, around 9.5%. In Europe, the total annual return in the stock market also turned out excellent, being at 11%. In the United States and Japan, the stock market's total return in local currency rose to over 20%. In the currency market, the euro strengthened significantly against the US dollar (+14%) and the Japanese yen (+10%). With the strengthened euro, the annual returns in US and Japanese stock markets were somewhat more modest in euros, at around 7% and 9% respectively. The emerging economies' annual stock market return in the euros was about 21%.

In the fixed-income market, the interest on 10-year US government bonds was close to January's starting level of around 2.4% at the end of the year. In the euro area, interest rates on 10-year government bonds in Germany, France, Spain, and Italy increased by 10 to 23 base

points over the year. With respect to fixed-income investments, euro area government bonds yielded about 0.1% annually, and corporate bonds denominated in euro yielded 2.4%. Global high yield bonds and dollar-denominated government bonds in emerging markets (currency hedged) yielded around 4.6% and 8.4% annually.

Solvency and risk management

Solvency management

LocalTapiola Asset Management's solvency management process consists of Basel III Pillar I solvency calculations and reporting in accordance with official requirements, as well as the company's own financial capital calculation model (ICAAP), which expands the scope of the Pillar I calculation by taking into account dimensions and risks that the Pillar I calculation does not cover.

These include, for example, risks associated with the operating environment and changes in it. The evaluation also takes account of the results of the annual risk analysis. As part of the annual planning process, the Board of Directors decides on the company's policy with regard to the willingness to take risks by setting target levels for capital requirements in relation to own assets, as well as the quality of own assets. Solvency calculations are made quarterly, or more often if necessary, and the results are reported to the Board of Directors.

At the end of 2017, the company's solvency ratio was 47.2% (35.1%), and thus the solvency position was excellent.

Solvency calculation

(% / EUR million)	2017	2016
OWN ASSETS (TC)		
Core capital (CET1)		
Core capital before deductions	18,293	18,103
Deductions on core capital	-1,615	-5,650
CET1 total	16,678	12,453
Primary additional capital (AT1)		
AT1 total	0	0
Primary capital (T1 = CET1+AT1)	16,678	12,453
Secondary capital (T2)		
T2 total	0	0
TOTAL OWN ASSETS (TC = T1+T2)	16,678	12,453
RISK-ADJUSTED ITEMS (Overall risk)		
(The proportion of credit risk does not increase overall risk)	10,084	9,202
Overall risk calculated on the basis of fixed overheads	25,250	26,250
RISK-ADJUSTED ITEMS TOTAL	35,334	35,452
(% / EUR million)	2017	2016
Ratio of core capital (CET1) to overall risk, %	47.2	35.1
Ratio of primary capital (T1) to overall risk, %	47.2	35.1
Total own assets (TC) to overall risk, %	47.2	35.1
Solvency incl. result for financial year	60.6	47.2

Risk management

LocalTapiola Asset Management's risk management is based on current official regulations and guidelines. The company follows the risk and solvency management principles of the LocalTapiola Group. The company's risk management process is part of the LocalTapiola Group's ORSA process and consists of a risk mapping process in connection with annual planning, an annual overall solvency estimate, quarterly risk and solvency reporting to management and the Board of Directors, as well as a continuous risk assessment and management process.

LocalTapiola Asset Management's Board of Directors bears the overall responsibility for the company's risk management. The Board defines risk management targets, risk limits, responsibilities, metrics, and monitoring

principles. A risk management plan is drawn up annually by the company and approved by the Board. The Board regularly monitors the implementation of the plan.

The executive management is responsible for maintaining and developing the risk management process in collaboration with the Group's Risk Management Services. Internal Audit supports the management and Board of Directors in monitoring and developing risk management.

The company's risk management process includes a risk analysis, which is completed in conjunction with annual planning, as well as identification and evaluation of the risks connected to the business and the everyday work of senior managers. The risk analysis includes a comprehensive evaluation of the risks that the company faces due to its strategy, operations, and operating environment. The risks that are deemed most relevant to the company's operations are included in the risk management plan and the necessary risk management measures are defined for them.

No significant changes took place in risk management principles compared to the previous year.

More detailed description of risk management

The notes to the financial statements regarding risk include a more detailed description of the organisation of risk management, the monitoring of different risk categories, and risk levels.

Corporate governance, personnel and remuneration

LocalTapiola Group's corporate governance and management system

LocalTapiola Group and the Group companies adhere to good corporate governance, which is based on legislation

applicable to the insurance and finance sector, the regulations and guidelines issued by the Financial Supervisory Authority and, where applicable to mutual insurance companies, the Finnish Corporate Governance Code for listed companies.

LocalTapiola Group forms an insurance group within the meaning of the Finnish Insurance Companies Act, and LocalTapiola General is the leading parent company of the group, as specified in the said Act. In this role, LocalTapiola General is responsible for reliable management, solvency, the organisation of risk management, internal control and the organisation of related regulatory reporting within the entire LocalTapiola Group and all Group companies.

LocalTapiola Group companies have concluded intra-group agreements on their mutual responsibilities and division of duties. LocalTapiola Group's Management Group, appointed by the Board of Directors of LocalTapiola General, has broad representation from the various LocalTapiola Group companies and the most important joint functions.

The Group's Management Group is responsible for the preparation of LocalTapiola Group's strategic and other Group-level matters, related decision-making and implementation, as well as for the overall control and development of the Group, within the authorisations granted to it by the Board of Directors that are in line with the collective agreement signed by and between LocalTapiola Group companies.

As a subsidiary of LocalTapiola General, LocalTapiola Asset Management follows the common governance and management policies of the LocalTapiola Group.

Annual General Meeting

The Annual General Meeting of LocalTapiola Asset Management Ltd was held on 18 April 2017. The meeting approved the financial statements for 2016, decided on the use of the company's profit, discharged the company's Board of Directors and Managing Director from liability and elected the company's auditor. The meeting also confirmed the number of Board members and the remuneration for the members, and the new members were elected.

The AGM confirmed the Board's profit distribution proposal for dividends paid in 2017.

The AGM decided to amend the Articles of Association so that the company will have A and B series shares in the future. In addition, decisions were made on the splitting of B shares and the private placement of A shares to LocalTapiola General Mutual Insurance Company.

Board of Directors

LocalTapiola Asset Management Ltd's Board of Directors consists of seven members, each serving a term of one year. Members of the Board of Directors must have a diverse range of professional qualifications and experience that enables them to complement each other. They must have competencies in the business of an investment firm as required given the type and scope of the company's operations.

The Board of LocalTapiola Asset Management held 9 meetings in 2017, and the attendance rate was 90.4. Board members were:

Jari Eklund (b. 1963), Chairman of the Board

- Master of Science in Economics
- Group Director, LocalTapiola Group

Teija Kerminen (b. 1963)

- Master of Laws trained on the bench, eMBA
- Director of Legal Affairs, LocalTapiola Group

Tapio Oksanen (b. 1958)

- Master of Science in Economics
- Deputy CEO, Unemployment Insurance Fund

Janne Pesonen (b. 1965)

- Master of Science in Engineering, SHV (Insurance Mathematician's qualification)
- Deputy CEO, LocalTapiola Life

Paula Pöntynen (b. 1952)

- Master of Science in Economics
- Chairman of the Board, Ekosuunta

Ulla Sipilä (b. 1957)

- Vocational Qualification in IT, Business and Administration
- CEO, LocalTapiola Kainuu-Koillismaa

Jari Sundström (b. 1960)

- Master of Laws trained on the bench
- CEO, LocalTapiola General

The salaries and remuneration paid to the members of the Board of Directors, their pension commitments, cash loans and terms thereof, as well as guarantees and contingent liabilities are specified in the notes to the financial statements.

Management group of LocalTapiola Asset Management Ltd

Tom Liljeström (b. 1959)

- Master of Science in Engineering, Master of Science in Economics
- CEO

Jyrki Mäkelä (b. 1961)

- Master of Science in Economics
- Director, Deputy CEO

Tarja Asula (b. 1958)

- Master of Science in Economics
- Administrative Director

Jari Järvinen (b. 1967)

- Doctor of Science in Economics
- Head Economist, Director

Outi Kalpio (b. 1965)

- Master of Science in Economics
- Director, Equity and Fixed-Income Investments

Satu Norhomaa (b. 1974)

- Bachelor of Business Administration
- Director, Corporate and Organisational Clients

Tero Saarinen (b. 1974)

- Bachelor of Business Administration
- Service Director, IT and Business Support

Outi Vänni (b. 1962)

- LL.M., Master of Laws trained on the bench
- Director

CEO

Tom Liljeström is CEO of LocalTapiola Asset Management and Jyrki Mäkelä is Deputy CEO.

Related parties

Information on LocalTapiola Asset Management's related parties is provided in the notes to the financial statements.

Auditor

KPMG Oy Ab is the company's auditor, and the nominated principal auditor is Timo Nummi, Authorised Public Accountant.

Supervisory authority

LocalTapiola Asset Management is an investment firm subject to public supervision by the Financial Supervisory Authority (FIN-FSA) operating under the Bank of Finland. The FIN-FSA ensures that investment firms comply with legislation and sound accounting practices, and apply appropriate policies in their operations.

It monitors and assesses the financial position, appropriateness of management, supervision and risk management systems, operating prerequisites and changes in the operating environment of the supervised companies.

Personnel

LocalTapiola Asset Management had an average of 49 (49) employees during the financial year. At the end of the year, the company employed 53 people.

Remuneration

The aim of the remuneration system is to incentivise good performance and to boost the motivation and commitment of personnel. At LocalTapiola Asset Management, remuneration is based on the strategy of the Group and its companies, and the targets set based on the strategy.

Remuneration is based on good work performance in relation to targets. The bonus scheme is part of employees' overall remuneration and is based on annual bonuses, although some bonus targets may measure periods that are longer than one year. The remuneration system is for senior managers and all personnel.

When confirming the remuneration system, the company strives to ensure that the system corresponds to the business strategies, objectives and values of the company and LocalTapiola Group as a whole, it works in the Group's long-term interests, it is compatible with the Group's principles of good and effective risk management, and it does not encourage excessive risk-taking.

available. Further information on responsible investments can be found (in Finnish) on our website at lahitapiola.fi/vastuullinen_sijoittaminen.

Ownership steering

In accordance with the ownership steering policy of LocalTapiola funds, we exercise active ownership mainly by means of regular company meetings. In 2017, our portfolio managers met more than 852 companies. Approximately 270 meetings were held with investee companies and, in 25% of these meetings, issues identified in our responsibility analysis were brought up. We contacted 14 companies by email in connection with company-specific responsibility issues. Additionally, LocalTapiola Asset Management was represented at the annual general meetings of 12 Finnish companies. No votes were cast at the meetings. The ownership steering policy of LocalTapiola funds can be found on the responsible investments website.

Corporate social responsibility

Responsible investing

In the course of 2017, we implemented the guidelines set at the end of 2016. In line with the guidelines, we are more actively in contact with companies with low and satisfactory responsibility ratings. Our aim is for these companies to improve their business in different areas of corporate responsibility.

As regards investments based on stock and corporate bond selection models, work continued to elaborate the responsibility analysis. Our portfolio managers have been conducting responsibility analyses for almost 10 years, during which corporate social responsibility reporting has evolved significantly, both quantitatively and qualitatively. Our attention in the analysis is even more focused on the significance of actual corporate actions alongside compliance with reporting requirements.

We conduct the responsibility analysis as part of our investment analysis and, based on it, we give each company a responsibility rating. We regularly update our analysis in connection with company meetings and, above all, when new information on responsibility is

Events after the financial year

The company had no material events after the financial year.

Future prospects

Asset management business

The investment market and economic outlook will continue to face challenges in 2018. Market trends have a major impact on the company's result.

We are actively involved in LocalTapiola Group's life-long security strategy by providing better access to asset management services also to small-scale investors.

Changes to the regulation on investment firms came from the beginning of 2018 as a result of the entry into force of the MiFID II directive on financial instrument markets, and its effects on the market and on the company's operations are being monitored actively.

Investment activities

The year 2018 starts with a positive outlook for the world economy. In the US, consumer confidence in the economy is at a robust level, and economic growth is forecast at about 2.5%. In the euro area and in Finland, the economy is forecast to grow at around 2%. Inflation rate for the US and the euro area is projected at 2.1% and 1.4%, respectively. The growth prospects for emerging economies are also positive. Based on consensus estimates, real GDP growth in the BRIC countries is estimated to be around 4.5% on average.

The market is expecting the Federal Reserve to raise interest rates three times in 2018, but even more interest rate increases could in principle occur, given the positive growth prospects of the US economy and accelerated inflation expectations. With regard to the ECB, interest rate increases are not expected before 2019.

The ECB has also announced the extension of its security purchase programme to September 2018. Even though there is still time until the ECB's first interest rate increases, the ECB recently published a meeting memorandum stating that it is taking steps towards a stricter approach in its communication early in the year. This signals the gradual tightening of monetary policy also in the euro area.

In the coming years, increased interest in the world economy will probably be placed on the combination of maintaining economic growth and the gradual normalisation of the long-lasting abnormal monetary policy.

This may prove to be difficult. The task is further complicated by the high valuation levels of securities in the investment market. Gradually tightening monetary policy and the rise in interest rates cast a shadow on both stock market and bond yields.

Furthermore, debt levels that have risen to high levels in some emerging markets are causing concern. Although the economic outlook is positive and the central banks are expected to be extremely cautious in the situation, there may be a significant increase in price volatility on the securities market during the year.

Proposal for measures concerning profit and unrestricted capital and reserves

Proposal of the Board of Directors to the General Meeting

In accordance with the financial statements, the company has distributable funds of EUR 20,402,105.11, of which the profit for the financial year is EUR 4,734,285.33. Since the end of the financial year, there have been no significant changes in the company's financial position nor has the amount of distributable funds been affected by the solvency test as provided for in Chapter 13, Section 2 of the Finnish Limited Liability Companies Act.

The Board of Directors proposes to the Annual General Meeting, to be held on 4 April 2018, that a dividend of EUR 130.00 per share be paid from the profit of EUR 4,734,285.33 for the 2017 financial year and that the remainder of the profit for the financial year be transferred to the retained earnings account. In accordance with the proposal, a total of EUR 2,364,700.00 would be paid in dividends.

FINANCIAL STATEMENTS, 1 JANUARY–31 DECEMBER 2017

Profit and loss account

INCOME STATEMENT	1.1.-31.12.2017	1.1.- 31.12.2016	(note number)
	1 000 €	1 000 €	
Net commissions	14 452	13 453	(17,31)
Income from equity investments			
From companies in the same Group	15	12	
From other companies	4	6	
Income from equity investments	19	17	(18)
Interest income	0	2	(19)
Other operating income	7 771	6 621	(20)
NET INCOME FROM INVESTMENT SERVICE OPERATION	22 242	20 093	
Commission expenses	24	9	(17)
Administrative expenses			
Personnel costs			
Wages and salaries	4 749	4 407	(28)
Social expenses			
Pension costs	994	910	(24,29)
Other social expenses	231	200	
Total social expenses	1 225	1 110	
Total personnel costs	5 974	5 518	
Other administrative expenses	9 119	8 261	
Administrative expenses	15 093	13 779	
Depreciation/amortisation and write-downs on tangible and intangible assets	591	427	(22)
Other operating expenses	614	525	(21,32)
OPERATING PROFIT (LOSS)	5 920	5 353	
Income taxes	1 186	1 074	
PROFIT (LOSS) FROM OPERATIONS AFTER TAXES	4 734	4 279	
PROFIT (LOSS) FOR THE PERIOD	4 734	4 279	

Balance sheet

LocalTapiola Asset Management Ltd balance sheet

	31.12.2017 1 000 €	31.12.2016 1 000 €	(note number)
ASSETS			
Receivables from credit institutions			
Payable on demand	21 391	20 556	(1,9,10,11,12)
Receivables from credit institutions	21 391	20 556	
Shares and bonds			
of companies in the same Group	714	714	(2,11,12)
Intangible assets	1 615	1 384	(3,4)
Tangible assets			
Other tangible assets	84	69	(4)
Tangible assets	84	69	
Other assets	4 650	3 599	(5)
Prepayments and accrued income	358	709	(6)
TOTAL ASSETS	28 811	27 032	
LIABILITIES			
LIABILITIES			
Other liabilities			
Other liabilities	1 772	865	(7,10)
Other liabilities	1 772	865	
Accruals and deferred income	4 012	3 784	(8,10)
TOTAL LIABILITIES	5 784	4 650	
SHAREHOLDERS' EQUITY			
Share capital	933	845	(13,16)
Additional paid-in capital	1 692	1 692	(13)
Non-restricted reserves			
reserve for invested non-restricted equity	2 284	2 196	(13)
Non-restricted reserves	2 284	2 196	
Profit (loss) for previous periods	13 384	13 371	(13)
Profit (loss) for the periods	4 734	4 279	(13)
TOTAL SHAREHOLDERS' EQUITY	23 027	22 382	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	28 811	27 032	

Indirect cash flow statement

	2017 1 000 €	2016 1 000 €
CASH FLOW FROM OPERATING ACTIVITIES		
Operating profit (loss)	5 920	5 353
Taxes paid	1 343	1 005
Planned depreciations	591	427
Profits from equity instruments	-19	-17
Total of other adjustments	-19	-17
Adjustments to operating profit	572	410
Notes and bonds	0	12 998
Other assets	-1 051	-66
Deferred income and advances paid	351	744
Increase (-) or decrease (+) in operating assets	-699	13 676
Other liabilities	907	3
Accruals and deferred income	227	50
Paid taxes as adjustment of tax liabilities	-2 529	-2 079
Increase (-) or decrease (+) in operating liabilities	-1 395	-2 027
Net cash used in operating activities (A)	5 741	18 417
NET CASH USED IN INVESTING ACTIVITIES		
Dividends received	19	17
Intangible and tangible assets	-836	-874
Income from assignment	0	0
Cash flow from investing activities (B)	-817	-857
NET CASH PROVIDED BY (USE IN) FINANCING ACTIVITIES		
Rights issue	177	0
Dividends paid	-4 266	-2 277
Net cash provided by (used in) financing activities	-4 089	-2 277
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C)		
Increase (+) / decrease (-)	835	15 284
Cash and cash equivalents at year-start	20 556	5 272
Cash and cash equivalents at year-end	21 391	20 556
Net increase/decrease in cash and cash equivalents	835	15 284

Notes to LocalTapiola Asset Management's balance sheet and profit and loss account

All figures are presented in thousands of euros, unless stated otherwise.

Notes concerning balance sheet items

1. Receivables from credit institutions	2017	2016
Payable on demand	21 391	20 556
total	21 391	20 556
Total	21 391	20 556
2. Share and holdings	2017	2016
Available for sale, other than publicly listed	714	714
Total	714	714
valued at cost	714	714
3. Intangible assets	2017	2016
IT expences	1 615	1 384
Total	1 615	1 384
4. Charges in intangible and tangible assets during the financial year		
Intangible assets	2017	2016
Acquisition cost 1 January	2 022	1 175
+ increases during the year	794	846
- decreases during the year	0	0
+/- transfers between items	0	0
Acquisition cost 31 December	2 815	2 022
Accumulated depreciation and amortisation 1 January	-637	-233
+ accumulated depreciation on disposals and transfers	0	0
- planned depreciation	-563	-404
Accumulated depreciation and amortisation 31 December	-1 200	-637
Book value 31 December	1 615	1 384
Book value 1 January	1 384	942
Tangible assets	2017	2016
Other tangible assets		
Acquisition cost 1 January	316	289
+ increases during the year	70	28
- decreases during the year	-28	0
Acquisition cost 31 December	359	316
Accumulated depreciation and amortisation 1 January	-248	-225
- planned depreciation	-28	-23
Accumulated depreciation and amortisation 31 December	-275	-248
Book value 31 December	84	69
Book value 1 January	69	64

5. Other assets							2017	2016
Other deferred income								
	Other deferred income						4 650	3 599
Total							4 650	3 599
6. Deferred income and advances paid							2017	2016
Deferred income and advances paid								
	Other deferred income						336	709
	Advanced paid						21	0
Total							358	709
7. Other liabilities							2017	2016
Other liabilities								
	Other than payment transfer liabilities						1 772	865
Total							1 772	865
8. Accruals and deferred income							2017	2016
Deferred expenses								
	Other deferred expenses than interest liabilities						4 012	3 781
Total							4 012	3 781
9. Final assets and liabilities by maturity							2017	2016
	less than 3 mo.	3-12 mo.	1-5 yr.	5-10 yr.	over 10 yr.			
Maturity								
	Receivables from credit institutions						21 391	20 556
10. Assets denominated in euros and foreign currencies and member of the same group								
			Domestic currency	Foreign currency	of which belong to the same group	2017 total	2016 total	
Asset, in euros								
	Receivables from credit institutions						21 391	20 556
	Other assets						7 420	6 476
Total							28 811	27 032
	Other liabilities						1 772	865
	Accruals and deferred income						4 012	3 784
Total							5 784	4 650

11. Fair values of assets and liabilities

Assets and liabilities than after entry are valued at fair value once or repeatedly on the balance sheet

Fair values of Tier 1 instruments are based the listed prices of identical assets or liabilities in active markets, such as the stock exchange, broker or price service.

Tier 1 instruments are primarily domestically listed investment liabilities, which have been classified as available-for-sale. The market price of these assets is obtained from the current purchase price.

The fair values of Tier 2 instruments are obtained by valuation methods using market prices in active markets.

Repeated fair values that are defined using significant other data than observable input data

Input data for Tier 3 assets or liabilities are not based on observable market data.

Tier 3 includes equity instruments that do not have a market price on the markets and their fair value cannot be reliably defined, so they are valued at acquisition cost.

12. Fair and book values of financial assets and liabilities and hierarchy of fair values

Fair values of assets and liabilities	2017	2016	2017	2016
Financial assets	Fair value	Fair value	Book value	Book value
Receivables from credit institutions	21 391	20 556	21 391	20 556
Shares and holdings in other companies in the same group	714	714	714	714

13. Shareholders' equity

	Financial period start	+ Increase - Decrease	Transfers between	Financial period end
Restricted equity				
Share capital	845	88	-	933
Additional paid-in capital	1 692	0	-	1 692
Other restricted reserves				
Reserve for invested non-restricted equity	2 196	88	-	2 284
Profit or loss for previous periods	13 371	-4 266	4 279	13 384
Profit or loss for financial period	4 279	4 734	-4 279	4 734
Total	22 382	645	0	23 027

14. Share capital

Company shares divide into the A- and B-series of shares.

According to articles of association A-share has 100 votes and B-share has one vote.

A-series of shares

	2017	2016
Share capital at year-start	0	
Share issue exercised on financial period	88	
Share capital at year-end	88	
Change in the number of shares at share issue	190	
Number of shares at year-end	190	

B-series of shares

	2017	2016
Share capital at year-start	845	845
Share capital at year-end	845	845
Number of shares at year-start	1 800	1 800
Number of shares at year-end	18 000	1 800

Company minimum capital

2017	2016
730	423

Company maximum capital

2017	2016
1 690	1 690

15. Stock issues, stock options and issued convertible bonds

At annual general meeting was decided of rights issue according to the proposal of board of directors, where new A-series of shares were offered to LocalTapiola Mutual Insurance Company for subscribe for shares in total of 190 shares.

16. Largest shareholders and distribution of ownership of shares

	2017	2017	2017	2016
	Shares	%-of shares	%-of votes	%-of shares and votes
A-series of shares: Share distribution				
LocalTapiola General Mutual Insurance Company	190	100 %	100 %	0 %
Total	190	100 %	100 %	0 %
B-series of shares: Share distribution				
LocalTapiola General Mutual Insurance Company	5 999	33 %	33 %	81 %
LocalTapiola Mutual Life Insurance Company	6 000	33 %	33 %	19 %
LocalTapiola mutual regional companies	6 001	33 %	33 %	0 %
Total	18 000	100 %	100 %	100 %
Total share distribution				
LocalTapiola General Mutual Insurance Company	6 189	34 %	68 %	81 %
LocalTapiola Mutual Life Insurance Company	6 000	33 %	16 %	19 %
LocalTapiola mutual regional companies	6 001	33 %	16 %	0 %
Total	18 190	100 %	100 %	100 %

Notes concerning profit and loss account items

17. Net commissions and fees	2017	2016
Net commissions and fees		
Asset management	14 452	13 453
Total	14 452	13 453
Commission expenses		
Other commission expenses than delivery expenses	-24	-9
Total	-24	-9
18. Incomer from equity investments	2017	2016
Dividend income from shares and holdings		
From available-for-sale investments	4	6
From members of the same group	15	12
Total	19	17
19. Interest income and expenses	2017	2016
Interest income		
From notes and bonds	0	2
Total	0	2
20. Other operating income	2017	2016
Other income	7 771	6 621
Total	7 771	6 621
21. Other operating expenses	2017	2016
Rent expenses	331	343
Other expenses	283	181
Total	614	525
22. Depreciation and amortisation on tangible and intangible assets	2017	2016
Intangible assets		
Planned depreciation	563	404
Total	563	404
Tangible assets		
Planned depreciation	28	23
Total	28	23
Total depreciation	591	427

23. Notes on business areas and geographical markets

The company is an investment services company. Its primary business comprises of asset management. The geographical operating area is Finland nation-wide through the LocalTapiola Group's regional network. The company does not have a network of offices outside of Finland. Personnel data is listed in Note 31.

Notes on assets pledged as collateral and contingent liabilities

24. Pension liabilities

Statutory pensions for personnel are organised using TyEL insurance through Elo Mutual Pension Insurance Company and additional pension insurance through LocalTapiola Mutual Life Company.

25. Leasing and other rental liabilities

Rental liabilities not included on the balance sheet are listed on Note 30 and other rental liabilities are short-term in nature.

26. Other off-balance-sheet arrangements

Joint responsibility associated with VAT group registration (Section 188, Finnish VAT Act)

Within one year	2017	2016
	2 370	3 801
of these, on behalf of parent company	300	916

Auditing responsibility of property investments, according to Section 120 of Finnish VAT Act

Other group companies	2017	2016
	44 718	55 897

Notes on personnel, management and related-parties

27. Number of employees

On average	2017	2016
Permanent full-time employees	43	45
Permanent part-time employees	1	1
Fixed-term employees	5	3
Total	49	49

28. Salaries and other short-term benefits of management members

Asset management	2017	2016
	468	449

29. Management pension commitments

Statutory pensions for management are organised using TyEL basic insurance through Elo Mutual Pension Insurance Company and additional pension insurance through LocalTapiola Mutual Life Company.

30. Related-party transactions

The company does not have related-party transaction that would have been executed using other means than ordinary commercial terms. Assets and liabilities of companies part of the same group are stated in the notes to the balance sheet.

Other notes

31. Information on trustee operations and total controlled customer assets

Local Tapiola Asset Management Ltd offers trustee asset management services and agreement-based investment advisory services to its customers

Asset management services

Customer assets in asset management

Trustee asset management

Managed assets under other agreement

Total customer assets

	2017	2016
	10 781 844	9 696 371
	0	24 827
	10 781 844	9 721 198

32. Fees paid to auditor

Audit

Other services

Total

	2017	2016
	8	8
	58	0
	66	8

33. Notes pertaining to a company that is a Group member

Parent company LocalTapiola General Mutual Insurance Company presents the financial statement of the group.

Parent company financial statements available at www.lahitapiola.fi

34. Notes to the income taxes

Tax based on taxable income

	2017	2016
	1 186	1 073

Accounting principles

The financial statements and report of the Board of Directors of LocalTapiola Asset Management Ltd have been prepared in accordance with the Finnish Accounting Act and accounting decree, the Act on Investments Services, the Act on Credit Institutions, the decree of the Ministry of Finance on the financial statements, consolidated financial statements and report of the Board of Directors of credit institutions and investment firms, the Financial Supervisory Authority's regulations and instructions, and the general instructions of the Accounting Board.

General information

LocalTapiola Asset Management Ltd is owned by LocalTapiola General Mutual Insurance Company, LocalTapiola Mutual Life Insurance Company, and the regional non-life insurance companies of the LocalTapiola Group. The domicile of LocalTapiola Asset Management Ltd (business ID: 1604393-7) is Espoo and its address is Revontulenkuja 1, 02100 Espoo, Finland.

The figures in these financial statements are presented in thousands of euros, unless otherwise stated. The Board of Directors approved these financial statements for the period from 1 January to 31 December 2017 in its meeting on 1 March 2018.

Summary of significant accounting principles

The **receivables from credit institutions** item includes deposits made with credit institutions. Receivables to be paid upon demand are receivables that must be paid within one day of notice of termination. The balance sheet item does not include marketable receivables from credit institutions.

Debt securities comprise all marketable debt instruments, such as Treasury bills, bonds issued by municipalities, the government and other public entities, certificates of deposit issued by banks, commercial papers, and bonds and convertible bonds issued by companies. For the purpose of valuation, debt securities have been classed as financial assets available for sale. Financial assets available for sale are valued at current value, with the counter-item being the current value reserve under capital and reserves in the balance sheet.

For the purpose of valuation, **shares and holdings** have been classified as financial assets available for sale. Subsequent valuation is performed at acquisition cost or amortised cost. If impairment causes the value of these financial assets on the final day of the financial year to be lower than the amortised cost or the acquisition cost, the asset will be valued at amortised cost less the impairment, which will be recorded as an impairment loss. Shares and holdings that are regarded as fixed assets are valued at acquisition cost.

Intangible assets include the costs of designing IT systems and renovations in apartments, which are capitalised as long-term expenditure. The depreciation period is 10 years from implementation or the entire useful life of the asset, whichever is shorter.

The balance sheet item for **other tangible assets** consists of machinery and equipment that are presented at acquisition cost less planned depreciation. Machinery and equipment are subject to annual depreciation of 25% on the remaining balance.

Commission income includes the commissions received when a service or separate operation has been performed. The amount of commission income is the current value of the remuneration received.

Interest income includes interest income from assets belonging to the balance sheet item "Receivables from credit institutions".

The **Net return on saleable financial assets** item includes all other items entered on the profit and loss account derived from balance sheet items related to financial assets classified as available for sale, except the interest and dividend payments made for these.

Notes regarding risk management

LocalTapiola Asset Management's risk management is based on current legislation, related regulations, instructions and interpretations, and LocalTapiola Group's risk

management policy and practices. The company's risk management process is part of the Group's risk management and solvency process (ORSA).

Basis for risk management

Risk management refers to active and proactive operations that aim to identify, assess, limit, utilise, and monitor business threats and new opportunities arising from changing external and internal conditions or LocalTapiola's strategic intent. The aim is to promote the continuity of customers' financial security and support reaching of the Group's operational and financial targets. In accordance with the principles of corporate responsibility, the Group manages its risks and provides reliable information on risks and risk management to customers and other stakeholders.

Key areas of risk management and risk categories:

Financial risks	Risks associated with solvency management
	Market risks
	Credit risks
	Liquidity risks
	Concentration risks
	Insurance risks
Operational risks	Risks associated with business planning
	Process risks
	Systemic risks
	Personnel risks
	Legal risks
	Risks of damage
Risks associated with the operating environment and strategy	Risks associated with the general operating environment
	Risks associated with the markets and customer behaviour
	Risks caused by the nature of competition and by competitors
	Risks associated with strategic choices
	Group-level special risks

Organisation of risk management

Overall responsibility for the organisation of risk management lies with the company's Board of Directors. The Board defines risk management targets, the willingness to take risks, limits of risk taking, responsibilities, metrics, and monitoring principles. The Board annually confirms plans associated with risk management, ensures that they are taken into account in the operational plans and monitors the implementation of and compliance with these plans. The Board also monitors the status of risk management and the development of key risks on a regular basis.

The CEO and executives are responsible for the practical preparation and implementation risk management and for monitoring the implementation. Business units are responsible for identifying risks related to their own

operations and taking the required risk management measures. Supervisors are responsible for ensuring that business processes are monitored sufficiently and that reliable and up-to-date information on supervision results is always available. All employees have the obligation to report on any risks observed or areas for improvement identified in risk management.

The Group's Risk Management Services unit supports the maintenance and development of the risk management process and is responsible for the company's solvency management process and solvency calculations.

The Group's Legal Services Compliance function is responsible for ensuring that the company is in compliance with the law, official regulations, and internal instructions. Supervisors are responsible for internal control as regards their subordinates, including ensuring that the operations comply with regulations. The Compliance Officer prepares an annual report to the Board of Directors on any observations that he/she makes.

Internal Audit assists the Board of Directors and the management in implementing risk management control and risk monitoring. The auditing function also supervises the implementation of risk management.

Risk identification, measurement and management

The identification of risks related to operations and the operating environment, the likelihood of these risks being realised, and their impact are evaluated by the business units during annual planning and in the event of material changes in the risk situation. A separate risk management plan is drawn up for each risk that requires active management. The results of the risk analysis are included in the company's solvency management process.

Notes on solvency management

LocalTapiola Asset Management's solvency management process is based on current European Union and national legislation, as well as related instructions, regulations, and standards.

The key legislation consists of the EU's Credit Requirements Directive (CRD IV) and the Credit Requirements

Regulation (CRR), as well as the technical standards issued by the European Banking Authority (EBA) in relation to these. The company's operations are subject to national legislation in the form of the Act on Credit Institutions (610/2014), the Act on Investment Services (747/2012), and the regulations, instructions and interpretations issued by the Financial Supervisory Authority.

LocalTapiola Asset Management's overall risk and capital requirements in accordance with official requirements (Pillar I) are determined in accordance with article 95 of the CRR on the basis of the fixed overheads method. The overall risk is calculated on the basis of credit risk or fixed overheads. In practice, the company's overall risk is defined on the basis of fixed overheads (12.5 x 25% x the amount of fixed overheads), which leads to a capital requirement of 8% of the overall risk and 25% of fixed overheads. Credit risk is calculated in accordance with the standard method for credit risk as described in the CRR.

LocalTapiola Asset Management's solvency was outstanding at the end of 2017. The amount of core, primary and overall capital in proportion to overall risk was 47.2% (35.1%). Solvency would have been 60.6% if the result for 2017 had been taken into account.

LocalTapiola Asset Management's own solvency estimate (ICAAP, Pillar II) is based on the aforementioned capital requirement in accordance with official requirements, which is expanded by taking into account the dimensions of risks that are beyond the scope of the Pillar I calculation. In addition, the estimate is supplemented with respect to risks that are borne by the company but that are not covered by Pillar I in any measure, such as risks related to the operating environment and changes in the operating environment. The estimate also includes the results of other risk analysis procedures that are carried out during annual planning.

The Board of Directors annually approves the solvency management plan, which sets targets and intervention thresholds for the company's solvency and quality of own assets. The solvency position is reported to the Board of Directors quarterly or more often if necessary.

Publishing solvency information

Solvency information in accordance with the Credit Institutions Act and the Financial Supervisory Authority's regulations and instructions is included in the company's financial statements and report of the Board of Directors.

Significant changes to the information during the financial year

The company's solvency information is also published in interim reports if material changes occur during the financial year with respect to the company's stakeholders, such as customers, partners, and owners. The information is published in the interim report concerning the period when the material changes have occurred. If a material change has occurred only in a single piece of information concerning solvency, it is not essential to publish the other information. Thus, only the relevant information may be published in the interim report, with a mention that the other information remains unchanged. The Board of Directors decides when the changes that have occurred in the information are significant enough that they must be published during the financial year.

Information to be published

Solvency information is published in the extent required by the regulations and instructions issued by the Financial Supervisory Authority. However, information that is not relevant to solvency is not published. This includes information that is not relevant to stakeholders and which is not otherwise relevant on the basis of the type and scope of the operations and risks. With regard to information deemed irrelevant, the financial statement information includes a brief explanation as to why the information has not been included in the financial statements. The Board of Directors makes the decision on information that is deemed irrelevant and thus will not be published. Similarly, the Board of Directors makes the decision on information deemed to be business secrets or to fall under the obligation of professional secrecy.

The financial statements and report of the Board of Directors are published on LocalTapiola Group's website, so solvency information is also available online to stakeholders.

Calculation of key figures

General key figures describing financial development

1) Important net income calculations

Turnover = oncome statement "Net incomer from investment service operations"

2) Return on equity as percentage (ROE)

$$\frac{\text{Operating profit - income taxes}}{\text{Shareholders' equity and minority interest + appropriations less deferred tax liabilities (average of start and end of year)}} \times 100$$

3) Return on assets as percentage (ROA)

$$\frac{\text{Operating profit - Income taxes}}{\text{Average balance sheet total (average of start and end of year)}} \times 100$$

4) Equity ratio as percentage

$$\frac{\text{Shareholders' equity and minority interest + appropriations less deferred tax liabilities}}{\text{Balance sheet total}} \times 100$$

5) Cost/income ratio

$$\frac{\text{Commission excenses + Interst expenses + administarive expenses + Depreciation and amortisation for tangible and intangible assets + Other operating expenses}}{\text{Net income from investment service operations}}$$

Signatures to the report of the Board of Directors and financial statements

In Espoo, 1 March 2018

Jari Eklund
Chairman of the Board

Teija Kerminen

Tapio Oksanen

Janne Pesonen

Paula Pöntynen

Ulla Sipilä

Jari Sundström

Tom Liljeström
CEO

Auditor's note

A report has been issued today on the audit performed.

In Espoo, 12 March 2018

KPMG Oy Ab
Audit firm

Timo Nummi
Authorised Public Accountant



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This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

Auditor's Report

To the Annual General Meeting of LähiTapiola Varainhoito Oy

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of LähiTapiola Varainhoito Oy (business identity code 1604393-7) for the year ended 31 December, 2017. The financial statements comprise the balance sheet, income statement, cash flow statement and notes.

In our opinion, the financial statements give a true and fair view of the company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of Financial Statements* section of our report. We are independent of the company in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the company's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the company or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Reporting Requirements

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 12 March 2018

KPMG OY AB

Timo Nummi
Authorised Public Accountant