SOLWERS GROUP IFRS FINANCIAL STATEMENTS

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SOLWERS

1. REPORT BY THE BOARD OF DIRECTORS OF SOLWERS OYJ

BUSINESS REVIEW

The Solwers Group consists of well-known operators in the technical engineering and consulting industry. The business operations of each Group company are largely based on strong specialized expertise. The Solwers Group is a network of 16 subsidiaries and companies owned by them. The development of competence is a cornerstone of operations within the network and specialized expertise is essential. Solwers Oyj is the Group's parent company and holds 50.9–100 percent of the share capital of the Group's subsidiaries. Solwers' business model is aimed at combining a service selection and expertise that corresponds to the larger players in the industry with the entrepreneurial spirit, efficiency and agility of smaller firms.

The Solwers Group was expanded by five acquisitions during the financial year 2018. Our operations have been strengthened by Oy Polyplan Ab, Davidsson Tarkela Architects Oy, Taitotekniikka Oy, Timo Teppo Oy and its direct subsidiary Contria Oy, and Engineering Office W. Zenner Oy.

Based in Vaasa, Polyplan is a full-service firm that takes responsibility for implementing projects from architectural design and structural engineering to project management.

The other company in our network that started in the Ostrobothnia region is Contria, which specializes in structural engineering. All of Contria's engineering work is carried out using state-of-the art information modeling techniques.

Davidsson Tarkela Architects is known for its skillfully executed new construction and renovation projects. In addition to esthetics, Davidsson Tarkela Architects excels in proposal design, the processing of zoning changes and project management.

The future of the construction industry is digital. Together with Taitotekniikka, we will take the digitalization of engineering and design processes to a new level, where the monitoring and management of engineering projects are much more efficient and can be partially done remotely.

The core competence of Engineering Office W. Zenner Oy is HVAC and acoustic engineering. Extensive experience, strong expertise and constantly updated project competence have made the company a reliable partner. The company's in-house laboratory continuously produces new data to support engineering projects.

Although the Group companies largely work on infrastructure and earthworks projects, which are not as sensitive to the rapid cyclical fluctuations of the construction industry, and where projects are carried out regardless of the macroeconomic outlook, the subsidiaries of Solwers do provide services to construction industry operators to a significant extent, which exposes the Group to the cyclical fluctuations of the construction industry. The Group protects itself against the risks associated with economic cycles by operating in as many fields of engineering as possible and by being geographically diverse.

The Group's subsidiaries have major customers whose orders may constitute a significant proportion of their revenue. If orders from such significant customers are discontinued for one reason or another, this could have an impact on the financial performance of the individual companies. If several subsidiaries were to lose major customers at the same time, this could also have a significant impact on the Solwers Group's financial performance.

The Group — and its subsidiaries in particular — are dependent on their key personnel and the availability of competent employees. The Group's subsidiaries operate in industries where recruiting competent personnel is challenging and there is competition between employers for skilled personnel. While the companies within the Solwers Group have thus far been successful in engaging the commitment of their key personnel and recruiting competent employees, their future success in this regard is not completely certain.

Solwers currently has one bank that provides financing for the Group. If this bank were to discontinue the financing of the Group for one reason or another, this could compromise the Group's ability to execute business plans or pose challenges related to the adequacy of cash funds. To minimize this risk, the Group aims to expand its financing base, possibly within 2019.

The Group's financing agreements include certain covenants. Failure to meet the covenants could result in the termination of the Group's financing agreements and the obligation to repay loans early, either fully or partially. It is possible that, in such circumstances, the Group might not be able to arrange the refinancing of its loans sufficiently quickly.

Solwers has loans whose interest rates are linked to market interest rates. Rising interest rates would lead to higher costs of financing, which could lead to a substantial decline in cash funds. The loans are hedged using partial interest rate hedging.

MANAGEMENT AND AUDITORS

Leif Sebbas, the main shareholder of the company, is the only member and Chairman of the Board of Directors. The deputy member of the Board of Directors is Stefan Nyström. No fees were paid to the members of the Board of Directors during the financial year 2018.

The auditor of the Group companies was BDO Oy, with Henrik Juth, APA, as the responsible auditor.

At the end of 2018, the members of the Management Team of Solwers Oyj were Leif Sebbas, Stefan Nyström, Matti Kalliomäki, Jarmo Roinisto, Pertti Paavola, Pertti Määttä, Aki Davidsson, Roland Björkqvist, Niko Hämäläinen, Kenneth Grönroos, Laila Zenner and Minni Lempinen.

SHARES AND SHAREHOLDERS

At the end of 2018, Solwers Oyj had a total of 200,000 shares with a registered share capital of EUR 1,000,000 entered in the Trade Register. The company has one class of share.

Shareholder	Number of shares	Share of total, %
Leif Sebbas	172 000	86 %
Stefan Nyström	14 000	7 %
Finnmap Engineering Oy	12 000	6 %
Harto Räty	2 000	1 %

ACQUISITIONS

Solwers Group was established by acquisitions in the financial year 2017.

Five acquisitions were made in the financial year 2018. For two of the five acquisitions, control started from the beginning of the financial year 2018. Two companies have an incomplete financial year in the 2018 financial statements and for one, figures for December 2018 have been consolidated.

Share ownership arrangements were concluded in the subsidiaries during the financial year 2018 in relation to committing key personnel to the companies. As a result of these arrangements, Solwers Oyj's holdings changed compared to the financial year 2017.

GROUP STRUCTURE

At the end of 2018, the Group included 11 subsidiaries. The Group also included 5 sub-group companies, which are 100% owned by the subsidiaries. The share of ownership corresponds to the share of voting rights.

Subsidiary	Number of shares	Share of total, %
Finnmap Infra Oy	48,641,354	73,8 %
Kalliosuunnittelu Oy - Rockplan Ltd	588	94 %
Kalliotekniikka Consulting - Engineers Oy	1 000	100 %
Oy Accado Ab	3 000	60 %
Engineering Office Pontek Oy	194	90,3 %
Solwers Sweden Ab	1 000	100 %
Oy Polyplan Ab	83	50,9 %
Davidsson Tarkela Architects Oy	9 600	60,0 %
Taitotekniikka Oy	11 644	60 %
Timo Teppo Oy	99	66 %
Engineering Office W. Zenner Oy	90	60 %

Sub-group company	Parent company	Share of total, %
Kalliosuunnittelu-Kiinteistöt Oy	Kalliosuunnittelu Oy - Rockplan Ltd	100 %
Engineering Office Varsinais-Suomen Kalliotekniikka Oy	Kalliotekniikka - Consulting Engineers Oy	100 %
Rockplan Sweden Ab	The above companies 50/50	100 %
Geo Survey - Mätteknik Ab	The above companies 50/50	100 %
Contria Oy	Timo Teppo Oy	100 %

FINANCING AND LIQUIDITY

The Group has capital loans from the main shareholder and related parties. Annual interest of 1.5% is paid on the loan principal provided that payment is possible pursuant to the provisions of the Limited Liability Companies Act. Additional interest of 3% or, at most, 5% is further paid on the loan principal based on the achievement of strategic targets, provided that payment is possible pursuant to the provisions of the Limited Liability Companies Act. The terms of the capital loans satisfy the provisions of the Limited Liability Companies Act.

The Group has a total of EUR 274,226.18 in loans granted to related parties. The loans granted to related parties are related to financing arrangements aimed at engaging the commitment of key personnel. The loans have been issued on market terms.

RESEARCH AND DEVELOPMENT

The Solwers Group's research and development expenses cannot be accurately itemized in the first consolidated financial statements. All expenses arising from research and development have been recognized as expenses in the income statement.

The Group's research and development has focused on information modeling and the development of internal control and quality systems.

EVENTS AFTER THE FINANCIAL YEAR

Stefan Nyström, the CEO of Finnmap Infra Oy, was appointed Group CEO of Solwers Oyj effective from January 1, 2019. Leif Sebbas will continue as the Chairman of the Board of Directors of Solwers Oyj.

THE BOARD'S PROPOSAL ON THE DISTRIBUTION OF PROFIT

Solwers Oyj's distributable funds in the financial statements amounted to EUR 1,720,217.38, of which the profit for the financial year was EUR 1,638,643.79.
The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 1.71 be distributed, corresponding to a total dividend payout of EUR 342,000. The remainder of the profit for the financial year will be transferred to retained earnings.

CONSOLIDATED KEY FIGURES

EUR THOUSAND	2018	2017
Revenue	25 334	16 107
EBIT	2 185	639
EBIT %	9 %	4 %
EBITA	2 543	842
EBITA %	10 %	5 %
Profit (loss) for the period	1 998	641
Earnings per share (EUR)	11,18	4,96
Equity ratio (%)	45 %	41 %
Balance sheet total	21 323	15 933
Employees on average	213	134
Employees at the end of the period	229	150

TRANSACTIONS WITH RELATED PARTIES

The Group's related parties consist of the key members of the management and companies external to the Group whose operations a person holding an executive position in the Solwers Group exercises significant influence over.

No guarantees or commitments had been made on behalf of related parties as of December 31, 2018.

Loans intended to engage the commitment of key personnel have been granted to related parties in the total amount of EUR 274,226.18.

REMUNERATION OF KEY PERSONNEL

The Group's key personnel receive a fixed monthly salary and variable annual performance-based pay based on the incentive program set up by the Group. The remuneration of key personnel may be revised annually.

The Group has no share-based incentive schemes related to long-term remuneration.

The Board of Directors decides on the remuneration and other fees paid to the Group CEO annually. Leif Sebbas, the Chairman of the Board of Directors of Solwers Oyj, also served as Solwers Oyj's Group CEO in 2018. The salaries and fees paid to him during the financial year 2018 totaled EUR 45,000.

2. CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT, IFRS

EUR THOUSAND	NOTE	JAN 1, 2018–DEC 31, 2018	SEP 1, 2016–DEC 31, 2017
REVENUE		**25 334**	**16 107**
Increase (+) or decrease (-) in work in progress	3	237	-132
Other operating income	4	209	210
Materials and services	5	-6 439	-5 829
Expenses arising from employee benefits	6	-13 093	-7 223
Depreciation	7	-358	-203
Other operating expenses	8	-3 704	-2 290
OPERATING PROFIT		**2 185**	**639**
Financial income	9	420	346
Financial expenses	9	-150	-83
Share of the result of joint ventures		0	2
PROFIT (LOSS) BEFORE TAXES		**2 455**	**904**
Income taxes	10	-457	-264
PROFIT (LOSS) FOR THE PERIOD		**1 998**	**641**
Profit (loss) for the period attributable to:			
Owners of the parent		**1 595**	**494**
Non-controlling interest		**403**	**147**
Other comprehensive income			
Items that may later be transferred to be recognized through profit or loss			
Translation differences		2	6
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**2 000**	**647**
Earnings per share calculated on the profit attributable to the owners of the parent:			
Earnings per share (EUR), basic, profit for the financial year	11	11,18	4,96
Earnings per share (EUR), diluted, profit for the financial year	11	11,18	4,96
Average number of shares			
Basic	11	142 617	99 609
Diluted	11	142 617	99 609

CONSOLIDATED BALANCE SHEET, IFRS

EUR THOUSAND	NOTE	DEC 31, 2018	DEC 31, 2017
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	12	97	111
Goodwill	13	9 381	5 543
Tangible assets	14	919	401
Investments in joint ventures	15	386	386
Other shares and interests		1 138	1 299
Deferred tax assets	17	0	35
TOTAL NON-CURRENT ASSETS		**11 919**	**7 775**
CURRENT ASSETS			
Inventories	18	556	64
Trade and other receivables	16,18	4 574	3 877
Income tax receivables		0	37
Cash and cash equivalents		4 274	4 180
TOTAL CURRENT ASSETS		**9 404**	**8 158**
TOTAL ASSETS		**21 323**	**15 933**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	19	1 000	1 000
Share premium reserve	19	20	20
Invested non-restricted equity fund	19	0	976
Translation differences		8	6
Retained earnings		1 184	551
Non-controlling interest		**1 648**	**332**
TOTAL EQUITY		**3 860**	**2 886**
NON-CURRENT LIABILITIES			
Loans from credit institutions	20	5 539	3 387
Other non-current liabilities	20	1 000	1 000
Capital loans	20	4 576	3 600
TOTAL NON-CURRENT LIABILITIES		**11 115**	**7 987**
CURRENT LIABILITIES			
Loans from credit institutions	21	1 038	533
Trade and other payables	22	5 310	4 378
Income tax liabilities		0	149
TOTAL CURRENT LIABILITIES		**6 348**	**5 060**
TOTAL EQUITY AND LIABILITIES		**21 323**	**15 933**

CASH FLOW STATEMENT, IFRS

EUR THOUSAND	NOTE	2018	2017
Cash flows from operating activities			
Operating profit		2 185	639
Adjustments:			
Depreciation, amortization and impairment		358	203
Gains on the sale of shares and interests		0	-199
Other adjustments		278	-99
Total adjustments		**636**	**-94**
Change in working capital			
Increase (-) or decrease (+) in work in progress		-237	132
Change in trade and other receivables, increase (-) / decrease (+)		1 070	1 653
Change in trade and other payables, increase (+) / decrease (-)		-704	-608
Change in working capital, total		**129**	**1 178**
Interest paid		150	-83
Interest received		0	0
Other financial items paid and received		420	346
Taxes paid		-535	-186
Net cash flow from operating activities		**2 986**	**1 800**
Cash flows from investing activities			
Investments in tangible and intangible fixed assets	12,14	-732	-192
Proceeds from the sale of tangible assets	14	113	157
Business acquisitions less cash and cash equivalents at the time of acquisition	24	-1 483	-7 343
Proceeds from the sale of shares and interests		162	893
Net cash flows from investing activities		**-1 940**	**-6 485**
Cash flows from financing activities			
Acquisition of own shares		-1 745	-53
Share issue		95	949
Investment in invested non-restricted equity fund		38	976
Capital loan		0	3 300
Non-current loans taken		2 784	3 850
Repayment of non-current loans		-557	-183
Change in current loans		-533	0
Dividends paid		-1 033	0
Net cash flow from financing activities		**-952**	**8 839**
Effect of change in exchange rates		0	0
Change in cash and cash equivalents		**94**	**4 154**
Cash and cash equivalents at the beginning of the period		4 180	27
Cash and cash equivalents at the end of the period		**4 274**	**4 180**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, IFRS
Equity attributable to owners of the parent

EUR THOUSAND	SHARE CAPITAL	SHARE PREMIUM RESERVE	INVESTED NON-RESTRICTED EQUITY FUND	TRANSLATION DIFFERENCES	RETAINED EARNINGS	TOTAL	NON-CONTROLLING INTEREST	TOTAL EQUITY
EQUITY ON SEP 1, 2016	**51**	**20**	**0**	**0**	**111**	**182**		**182**
Comprehensive income								
Profit for the period					494	494	147	641
Other comprehensive income								
Items that may later be transferred to be recognized through profit or loss:								
Translation differences				6		6		6
Total comprehensive income for the year, net of tax	**0**	**0**	**0**	**6**	**494**	**500**	**147**	**647**
Transactions with equity holders								
Increase in share capital	949					949		949
Invested non-restricted equity fund			976			976		976
Acquisition of own shares					-53	-53		-53
Dividend payment						0		0
Transactions with equity holders, total	**949**	**0**	**976**	**0**	**-53**	**1 872**	**185**	**2 057**
EQUITY ON DEC 31, 2017	**1 000**	**20**	**976**	**6**	**551**	**2 554**	**332**	**2 886**

EUR THOUSAND	SHARE CAPITAL	SHARE PREMIUM RESERVE	INVESTED NON-RESTRICTED EQUITY FUND	TRANSLATION DIFFERENCES	RETAINED EARNINGS	TOTAL	NON-CONTROLLING INTEREST	TOTAL EQUITY
EQUITY ON JAN 1, 2018	**1 000**	**20**	**976**	**6**	**551**	**2 554**	**332**	**2 886**
Comprehensive income								
Profit for the period					1 595	1 595	403	1 998
Other comprehensive income								
Items that may later be transferred to be recognized through profit or loss:								
Translation differences				2		2		2
Total comprehensive income for the year, net of tax	**0**	**0**	**0**	**2**	**1 595**	**1 597**	**403**	**2 000**
Transactions with equity holders								
Business combinations						0	115	115
Changes in minority interests					-50	-50	50	
Restatement of business combinations in the previous year					-913	-913	913	0
Increase in share capital						0		0
Invested non-restricted equity fund			-976			-976		-976
Acquisition of own shares						0		0
Dividend payment						0	-164	-164
Transactions with equity holders, total	**0**	**0**	**-976**	**0**	**-963**	**-1 939**	**914**	**-1 025**
EQUITY ON DEC 31, 2018	**1 000**	**20**	**0**	**8**	**1 184**	**2 212**	**1 648**	**3 860**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

1. ACCOUNTING POLICIES

Company information

Solwers is a Group formed by companies specializing in technical consulting and engineering. The parent company Solwers Oyj is a Finnish public limited liability company established under Finnish law, with its registered head office in Kauniainen (Asematie 2 A, 02700 Kauniainen). Solwers Oyj previously operated under the name Finnmap Partners Oy (Business ID 0720734-6). The name was changed on March 17, 2017. The company's financial year was changed to the calendar year, which is why the financial year that ended on December 31, 2017, had a duration of 16 months (September 1, 2016–December 31, 2017).

Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), applying the IAS and IFRS interpretations in effect on December 31, 2018. In the Finnish Accounting Act and regulations enacted by virtue of it, International Financial Reporting Standards refer to the standards and their interpretations approved for application in the EU in accordance with the procedure stipulated by Regulation (EC) No 1606/2002. The notes to the consolidated financial statements also comply with the provisions of Finnish accounting and corporate legislation that supplement the IFRS regulations.

The consolidated financial statements have been prepared under the historical cost convention unless otherwise mentioned in the accounting policies. The information in the financial statements is presented in thousands of euros unless otherwise mentioned.

Preparing financial statements in accordance with IFRS requires the Group's management to make certain estimates and judgment-based decisions. Information on judgment-based decisions that have been made by the management in applying the Group's accounting policies and that have a significant impact on the figures presented in the financial statements is presented in the accounting policies under "Accounting policies requiring management judgment and key sources of estimation uncertainty".

Consolidation principles

The consolidated financial statements include the accounts of the parent company Solwers Oyj and all of its subsidiaries and sub-group companies. Subsidiaries are entities over which the Group has direct or indirect control. Control is established when the Group holds more than half of the voting rights or otherwise has control. Acquired subsidiaries are consolidated from the time when the Group gains control.

Mutual shareholdings within the Group are eliminated using the acquisition method.

The Group's internal transactions, receivables and payables, internal margins on fixed assets and the internal distribution of profit are eliminated in the consolidated financial statements.

Joint ventures are entities in which making significant decisions requires unanimity between the parties to the joint venture. Joint ventures are consolidated using the equity method. Investments in joint ventures include the goodwill arising from their acquisition.

The Group's share of the results of joint ventures is shown as a separate item under operating profit.

Translation of foreign currency items

The consolidated financial statements are presented in euros, which is the functional and presentation currency of the Group's parent company. Transactions in foreign currencies are recorded in euros at the exchange rate on the transaction date. In practice, the Group often applies an exchange rate that approximately corresponds to the exchange rate on the transaction date. At the end of the financial period, receivables and payables denominated in foreign currencies are measured at the exchange rates effective on the financial statements date.

The income statements of foreign subsidiaries are translated into euros using the weighted average exchange rates for the period and their balance sheets are translated using the exchange rates on the financial statements date. Translating the profit for the financial year using different exchange rates between the income statement the comprehensive income statement gives rise to an average exchange rate difference, which is recognized in other comprehensive income. Translation differences arising from the elimination of the acquisition cost of foreign subsidiaries and the translation of equity items accrued after the acquisition are also recognized in other comprehensive income.

1. ACCOUNTING POLICIES

Tangible fixed assets

Tangible assets are measured at acquisition cost less accumulated depreciation and impairment losses. Tangible assets include machinery and equipment. Planned straight-line depreciation is calculated based on the estimated probable useful life of the asset, which is 3–5 years. Gains and losses arising from the decommissioning and sale of tangible fixed assets are recognized in other operating income and expenses.

Intangible assets

Goodwill arising from acquisitions is tested annually for impairment. Regular depreciation is not recognized on goodwill. Goodwill is measured at the original acquisition cost less impairment losses. Goodwill arising from the acquisition of foreign units is translated into euros using the exchange rates effective on the financial statements date.

Research and development costs are recognized as expenses as they are incurred.

Other intangible assets include software and other capitalized expenses. Intangible assets are recognized on the balance sheet when the conditions for recognition stipulated by IAS 38 are satisfied. Intangible assets with a finite useful life are recognized on the balance she at cost and expensed on a straight-line basis during their estimated useful lives.
No depreciation is recognized on intangible assets with an indefinite useful life; instead, they are tested annually for impairment.

Leases

Leases are classified as finance leases and other leases in accordance with IAS 17. Leases in which the lessee holds a significant share of the risks and rewards of ownership are classified as finance leases. Leases in which the risks and rewards of ownership remain with the lessor are treated as other leases. The Solwers Group has no finance leases. The Group's other leases are used to acquire the right to use office premises, cars and office equipment. Lease payments based on other leases are recognized as expenses on the income statement on a straight-line basis over the lease term. IFRS 16 Leases will take effect in the financial year starting on January 1, 2019, and Solwers will apply the standard from its effective date. Under IFRS 16, Solwers will recognize nearly all of its leases on the balance sheet. The standard no longer separates operating leases and finance leases and requires that a right-of-use asset be recognized on the balance sheet for nearly all leases, along with a financial liability representing future lease obligations. Solwers will apply the exemption provided by the standard to not apply the aforementioned treatment to short-term leases and leases for which the underlying asset is of low value. Solwers has leased business premises from third parties both with lease terms exceeding one year and under agreements that can be terminated. As a consequence, the adoption of the standard will have an impact on Solwers' consolidated financial statements. Solwers has prepared a preliminary assessment of the impact of IFRS 16 on the consolidated financial statements, but due to the Group's continuous expansion, the collection of information on the leases of all of the newly acquired subsidiaries is still ongoing. The key figures based on the balance sheet will change somewhat in 2019. The adoption of the standard will also affect Solwers' income statement in 2019 because, under the new method, the total expense arising from a lease is typically higher during the first years of the lease and lower in subsequent years. In addition, the lease expense recognized in other operating expenses will be replaced by interest expenses and depreciations, which will lead to slight changes in several key indicators of financial performance, such as the operating margin and operating profit. Solwers estimates that the adoption of IFRS 16 will not have a significant impact on the Group's operating profit in 2019.

Impairment of tangible and intangible assets

The Group conducts annual impairment tests on goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use. The Group also regularly assesses whether there are indications of the potential impairment of a particular asset or cash-generating unit. If such indications are observed, the recoverable amount of the cash-generating unit is estimated. If the carrying amount of an asset or cash-generating unit is higher than the estimated recoverable amount, an impairment loss is recognized on the income statement.

Employee benefits

The Group's pension plans comply with the local regulations and practices of each operating country. Under IAS 19, pension plans are classified as defi contribution plans or defined benefit plans. The Group's current pension plans are defined contribution plans and the contributions to the pension plans are recognized on the income statement for the period in which they are charged.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and when it is probable that an outf resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Taxes and deferred taxes based on the taxable income for the period

The tax expense on the income statement consists of the taxes based on the company's taxable income for the period and deferred taxes. The tax bas the taxable income for the period is calculated according to the applicable tax legislation in each operating country. Deferred taxes are calculated using the tax rate effective on the financial statements date. Deferred taxes are calculated on temporary differences between carrying amounts and taxable amounts. The balance sheet includes deferred tax liabilities in full and deferred tax assets to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.
Deferred tax is not recognized for non-tax deductible goodwill and deferred tax is not recognized on the non-distributed profits of subsidiaries in so far as the difference is not likely to be discharged in the foreseeable future. The Group's most significant temporary differences arise from fair value measurement in connection with acquisitions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

2. OPERATING SEGMENTS

The Group has one reporting segment. The Group's segment information is based on internal management reporting, which adheres to IFRS-compliant accounting policies.

3. WORK IN PROGRESS	EUR THOUSAND	2018	2017
Increase (+) or decrease (-) in work in progress		237	-132
Total		237	-132

4. OTHER OPERATING INCOME	EUR THOUSAND	2018	2017
Gains on the sale of shares and interests		0	199
Other operating income		209	11
Total		209	210

5. MATERIALS AND SERVICES	EUR THOUSAND	2018	2017
External services		-5 752	-5 545
Purchases during period		-687	-284
Total		-6 439	-5 829

6. EXPENSES ARISING FROM EMPLOYEE BENEFITS	EUR THOUSAND	2018	2017
Wages, salaries and fees		-10 276	-5 618
Pension costs, defined contribution plans		-1 869	-963
Other employee expenses		-948	-642
Total		-13 093	-7 223

7. DEPRECIATION	EUR THOUSAND	2018	2017
Planned depreciation, intangible		-79	-47
Planned depreciation, tangible		-279	-156
Total		-358	-203

8. OTHER OPERATING EXPENSES	EUR THOUSAND	2018	2017
Business premises		-850	-555
Marketing expenses		-141	-50
Travel expenses		-437	-296
Expenses related to mergers and acquisitions		-115	-70
Administrative and other expenses		-2 162	-1 319
Total		-3 704	-2 290

AUDITOR'S FEES	EUR THOUSAND	2018	2017
Audit		-76	-46
Other assignments as referred to in the Auditing Act		-40	-70
Tax consultation		-2	-10
Total		-117	-126

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

1. ACCOUNTING POLICIES

Revenue recognition principles

IFRS 15 Revenue from Contracts with Customers is a new standard concerning the recognition of revenue. It replaced IAS 18 Revenue and IAS 11 Construction Contracts. Under the five-step model provided by the standard, revenue from contracts with customers is recognized when control of goods or services is transferred to the customer. Revenue is recognized at the amount the company expects to be entitled to in exchange for the goods or services in question. Solwers adopted the standard effective from January 1, 2018, applying the retrospective method, under which the cumulative effect of initially applying the standard is recognized in retained earnings on January 1, 2018, and the comparison figures are not adjusted. The adoption of the standard had no effect on retained earnings on January 1, 2018.

Other operating income

Gains from the sale of fixed assets and investments are recognized in other operating income.

Financial assets and liabilities

The Group has applied IFRS 9 Financial Instruments effective from January 1, 2018. IFRS 9 has been adopted retrospectively but, pursuant to the transition provisions of the standard, comparison figures have not been restated. The figures for the comparison period were prepared in accordance with IAS 39 Financial Instruments: Recognition and Measurement.
The most significant impacts of IFRS 9 adoption within the Group were related to the classification of financial assets and liabilities, which is based on the business models defined by the Group's management and the cash flow characteristics of the financial assets. The application of the new model for recognizing credit losses had no impact on retained earnings on January 1, 2018, due to the historically low amount of credit losses arising from trade and other receivables.

Classification and measurement of financial assets

The Group's financial assets consist of trade receivables, certain other receivables, prepaid expenses and accrued income as well as cash and cash equivalents. At initial recognition, financial assets are measured at fair value plus transaction costs that are directly attributable to the acquisition, except for trade receivables, which are measured at the transaction price when they do not have a significant financing component. All of the Group's financial assets are classified as financial assets measured at amortized cost except for any derivative assets, where they previously belonged to the IAS 39 category of loans and other receivables. This change in classification has not given rise to any changes in the carrying amounts of financial assets.

Classification and measurement of financial liabilities

Loans from credit institutions are initially recognized at fair value minus transaction costs. They are subsequently measured at amortized cost and the difference between payments received (minus transaction costs) and the amount to be repaid is recognized through profit or loss during the term to maturity using the effective interest method. Loans from credit institutions are classified under IFRS 9 as liabilities measured at amortized cost, which has not given rise to any changes to the previous measurement or accounting pursuant to IAS 39.

Accounting policies requiring management judgment and key sources of estimation uncertainty

The preparation of financial statements requires making estimates and assumptions about the future, and the actual results may differ from these estimates and assumptions. Management must also exercise judgment in the application of accounting principles. The estimates are based on the management's best assessment on the financial statements date.

The estimates made in the Group are related to the measurement of the value of assets, the impairment of trade receivables, deferred tax assets and provisions. The Group conducts annual impairment tests on goodwill and intangible assets with indefinite useful lives and evaluates indications of impairment based on the principles previously described in these notes to the financial statements. The recoverable amounts of cash-generating units are determined by calculations based on their value in use. Producing these calculations requires the use of estimates. The Group recognizes impairment losses on trade receivables if payment is delayed by more than 360 days or on a case-by-case basis based on the management's judgement when there is objective evidence that the collection of the receivable will not be successful.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

9. FINANCIAL INCOME AND EXPENSES EUR THOUSAND	2018	2017
Other interest and financial income	420	346
Total	420	346
Other interest and financial expenses	-150	-83
Total	-150	-83
Net financial income and expenses	270	263

10 INCOME TAX EUR THOUSAND	2018	2017
Taxes for the period	-457	-299
Change in deferred taxes	0	35
Total	-457	-264

TAX RECONCILIATION CALCULATION EUR THOUSAND	2018	2017
Profit before tax	2 455	904
Tax calculated on the parent company's tax rate	-491	-181
Non-deductible expenses	-98	-78
Tax-free income	359	72
Use of losses from prior periods	-64	62
Losses for which tax receivables have not been recognized	-33	-51
Other items	-129	-89
Tax recognized in the income statement	-457	-264

11. EARNINGS PER SHARE EUR	2018	2017
Earnings per share, basic		
Profit attributable to owners of the parent	1 594 578	493 811
Number of shares	142 617	99 609
Earnings per share, basic	11,18	4,96
Comprehensive income per share, basic		
Profit attributable to owners of the parent	1 594 578	493 811
Number of shares	142 617	99 609
Comprehensive income per share, basic	11,18	4,96

Basic earnings per share is calculated by dividing the profit for the period attributable to the owners of the parent company by the average number of outstanding shares during the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

12. INTANGIBLE ASSETS	EUR THOUSAND	2018	2017
Acquisition cost 1 Jan		111	0
Increases from business acquisitions		6	155
Increases		60	3
Decreases		0	0
Acquisition cost 31 Dec		177	158
Depreciation for the financial year		-79	-47
Book value 31 Dec		97	111

The item "increases from business acquisitions" arises from the Group being formed during the financial year 2018. Intangible assets consist of IT software used in consulting assignments.

13. GOODWILL	EUR THOUSAND	2018	2017
Acquisition cost 1 Jan		5 543	0
Increases from business acquisitions		3 838	5 543
Increases		0	0
Book value 31 Dec		9 381	5 543

The increase in goodwill includes a restatement of EUR 1,687,196.72 related to the restatement of the 2017 acquisition cost of Engineering Office Pontek Oy.
The testing date of impairment testing was December 31, 2018. In impairment testing, the recoverable amount of the cash-generating unit is determined based on a calculation of its value in use. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are independent of the cash inflows from other assets or groups of assets. The Group has one cash-generating unit.

The discount rate is based on the weighed average cost of capital (WACC) after taxes, the calculation components of which are risk-free return, operating risks, the market risk premium, the market-based beta coefficient, the cost of borrowing and the targeted capital structure. In 2018, the discount rate was 7.63%.

The key variables used in the calculation are revenue growth and EBIT %, which are based on the 2019 budget and long-term calculations approved by the Board of Directors. The terminal growth rate was 1%.
The average revenue growth during the forecast period used in the calculations was 26.80% and the EBIT % was 9.20%.

No impairment losses were recognized based on the testing. The recoverable amount based on the calculations of value in use exceeded the carrying amount by EUR 42.1 million. Based on a sensitivity analysis prepared by the management, the recoverable amount would be equal to the carrying amount if the discount rate were 28% higher or if the EBIT % would decline to 4.8%.

14. TANGIBLE ASSETS	MACHINERY AND EQUIPMENT	OTHER	2018	2017
Acquisition cost 1 Jan	396	5	401	0
Increases from business acquisitions	238	0	238	526
Increases	672	0	672	189
Decreases	-113	0	-113	-157
Acquisition cost 31 Dec				558
Depreciation for the financial year	-274	-5	-279	-157
Book value 31 Dec	919	0	919	401

The item "increases from business acquisitions" arises from the Group being formed during the financial year 2018. The item "machinery and equipment" mainly consists of measurement instruments used in risk assessments and other equipment used in consulting assignme

15. INVESTMENTS IN JOINT VENTURES	EUR THOUSAND	2018	2017
At beginning of period		386	0
Increases from business acquisitions		0	384
Increases		0	0
Share of the result of joint ventures		0	2
At end of period		386	386

The Solwers Group's joint venture is the Finnish company GeoUnion Oy, in which Solwers' subsidiary, Finnmap Infra Oy, holds a stake of 37.5%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

16. NON-CURRENT RECEIVABLES	EUR THOUSAND	2018	2017
Loan receivables		159	19
Total		159	19

17. DEFERRED TAX ASSETS AND LIABILITIES	EUR THOUSAND	2018	2017
Deferred tax assets		0	35
		0	35

Deferred tax assets consist of acquisition costs recognized as expenses.

18. TRADE AND OTHER RECEIVABLES	EUR THOUSAND	2018	2017
Inventories		556	64
Trade receivables		4 695	3 623
Other receivables		260	166
Prepaid expenses and accrued income		-541	125
Total		4 415	3 914

The carrying amount of trade receivables is based on a reasonable estimate of their fair value. There are no significant credit risk concentrations associated with the receivables. Other prepaid expenses consist of accrued operating expenses.

MATURITIES OF TRADE RECEIVABLES	EUR THOUSAND	2018	2017
Not yet overdue		4 679	3 536
Overdue			
Under 30 days		12	22
30–60 days		3	5
61–90 days		2	4
Over 90 days		0	56
Total		4 695	3 623

19. EQUITY

Solwers Oyj has one series of shares and each share entitles its holder to one vote.

RECONCILIATION OF THE NUMBER OF SHARES

	Number of shares	*Share capital*	*Share premium reserve*	Invested non-restricted equity fund	*Total*
31.12.2017	200 000	1 000 000	20 183	976 300	1 996 483
Acquisition of own shares	-	-	-	-	-
Increase in share capital	-	-	-	-	-
Investment in invested non-restricti	-	-	-	-976 300	-976 300
31.12.2018	200 000	1 000 000	20 183	0	1 020 183

20. NON-CURRENT LIABILITIES	EUR THOUSAND	2018	2017
Non-current loans from credit institutions		5 539	3 387
Other liabilities		1 000	1 000
Capital loan		4 576	3 600
Total		11 116	7 987

The average interest rate of the non-current loan was 2.45% in 2018. The fair value of non-current loans corresponds to their balance sheet value based on a reasonable estimation. The interest on the capital loan is 1.5%. If certain strategic targets are met, additional interest of 3–5% will be paid. The interest rates on the capital loans are compliant with Finnish legislation.

21. CURRENT FINANCIAL LIABILITIES	EUR THOUSAND	2018	2017
Current loans from credit institutions		1 038	533
Total		1 038	533

The average interest rate of the current loan was 2.45% in 2018. The fair value of current loans corresponds to their balance sheet value based on a reasonable estimation.

22. TRADE AND OTHER PAYABLES	EUR THOUSAND	2018	2017
Current trade payables		1 806	1 947
Other current payables		3 504	2 431
Total		5 310	4 378

23. CONTINGENT LIABILITIES	EUR THOUSAND	2018	2017
Collateral provided on the company's own behalf			
Floating charges		4 936	3 500
Pledges provided on the company's own behalf			
Shares in subsidiaries		13 430	9 499
Other collateral			
Pledged accounts		143	34
Other collateral		151	2
Lease liabilities			
Due in the next financial year		673	462
Due later		705	626
Total		1 378	1 088

Solwers Oyj also has an interest rate swap that had a fair value of EUR -11,195 on December 31, 2018.

24. ACQUISITIONS

Establishing the Group through acquisitions is in line with the management's growth strategy. The Group companies are undertakings that specialize in engineering and consulting and whose areas of expertise complement each other.
In 2017, the Group acquired Finnmap Infra Oy, Kalliosuunnittelu Oy, Rockplan Ltd, Kalliotekniikka Consulting Engineers Oy, Accado Oy and Engineering Office Pontek Oy.
Also acquired were the sub-group companies Engineering Office Varsinais-Suomen Kalliotekniikka Oy, Kalliosuunnittelu-Kiinteistöt Oy, Rockplan Sweden Ab and Geosurvey Mätteknik Ab.
Solwers Sweden Ab was established in Sweden.
In 2018, the Group acquired Oy Polyplan Ab, Davidsson Tarkela Architects Oy, Taitotekniikka Oy, Timo Teppo Oy, Contria Oy and Engineering Office W. Zenner Oy.

	Total in 2018	Total in 2017
Transaction price		
Transaction price paid in cash	3 993	10 229
Contingent consideration	0	1 000
Total transaction price	3 993	11 229
Acquired identifiable net assets		
Non-current assets		
Intangible assets	6	155
Tangible fixed assets	238	526
Investments	1 075	3 924
Non-current receivables	0	258
Current assets		
Inventories	57	196
Trade receivables and other receivables	1 778	5 416
Financial securities	0	0
Cash and cash equivalents	2 511	2 140
Assets total	5 665	12 615
Non-current liabilities		
Interest-bearing	407	496
Non-interest-bearing	0	200
Current liabilities		
Interest-bearing	150	0
Non-interest-bearing	1 509	5 945
Liabilities, total	2 066	6 641
Total	3 598	5 974
Net assets corresponding to the share of ownership	2 372	5 789
Goodwill	1 874	5 543
Acquired net assets	5 472	11 414
Cash flow effect		
Transaction price	-3 993	-11 229
Contingent consideration	0	1 745
The acquired entity's cash and cash equivalents	2 511	2 140
Expenses related to the acquisition	-59	-169
Effect on cash flow	-1 542	-7 512

3 PARENT COMPANY FINANCIAL STATEMENTS, FAS

PARENT COMPANY INCOME STATEMENT, FAS

EUR THOUSAND	NOTE	JAN 1, 2018–DEC 31, 2018	SEP 1, 2016–DEC 31, 2017
REVENUE	2	**63**	**0**
Other operating income	3	0	199
Materials and services		-10	0
Employee expenses	4	-158	-18
Depreciation, amortization and impairment	5	-1	0
Other operating expenses		-399	-124
OPERATING PROFIT (LOSS)		**-505**	**57**
Financial income and expenses	7	1 630	-33
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES		**1 125**	**24**
Appropriations	8	528	
Income taxes		-14	0
PROFIT (LOSS) FOR THE PERIOD		**1 639**	**24**

PARENT COMPANY BALANCE SHEET, FAS

EUR THOUSAND	NOTE	DEC 31, 2018	DEC 31, 2017
ASSETS			
NON-CURRENT ASSETS			
Tangible assets	9	2	0
Investments	10		
Investments in subsidiaries		13 430	9 659
Other shares and interests		0	0
TOTAL NON-CURRENT ASSETS		**13 433**	**9 660**
CURRENT ASSETS			
Current receivables	11	1 917	10
Financial securities		1	1
Cash and cash equivalents		286	934
TOTAL CURRENT ASSETS		**2 205**	**945**
TOTAL ASSETS		**15 637**	**10 605**
EQUITY AND LIABILITIES			
EQUITY	12		
Share capital		1 000	1 000
Share premium reserve		20	20
Invested non-restricted equity fund		0	976
Retained earnings		82	58
Profit for the period		1 639	24
TOTAL EQUITY		**2 740**	**2 078**
MANDATORY PROVISIONS	13		
		1 000	1 000
LIABILITIES			
Non-current liabilities	14		
Capital loan		4 276	3 300
Loans from credit institutions		3 985	3 317
Other liabilities		1 150	
Current liabilities	15		
Loans from credit institutions		1 038	533
Other current liabilities		1 448	377
TOTAL LIABILITIES		**11 897**	**7 527**
TOTAL EQUITY AND LIABILITIES		**15 637**	**10 605**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS, FAS

1. ACCOUNTING POLICIES

Company information

Solwers Oyj is a Finnish public limited liability company established under Finnish law, with its registered head office in Kauniainen.
Solwers Oyj previously operated under the name Finnmap Partners Oy (Business ID 0720734-6). The name was changed on March 17, 2017.
The company's financial year was changed to the calendar year, which is why the financial year that ended on December 31, 2017, had a duration of 16 months (September 1, 2016–December 31, 2017).
The financial statements of Solwers Oyj have been prepared in accordance with the provisions of Finnish accounting and corporate legislation.

Items in foreign currencies

Transactions in foreign currencies are recorded in euros at the exchange rate on the transaction date. At the end of the financial period, receivables and payables denominated in foreign currencies are measured at the exchange rates effective on the financial statements date. Exchange rate gains and losses are presented under financial items in the income statement.

2. REVENUE	EUR THOUSAND	2018	2017
Administrative fees		63	0

3. OTHER OPERATING INCOME	EUR THOUSAND	2018	2017
Gains on the sale of shares and interests		0	199

4. EMPLOYEE EXPENSES	EUR THOUSAND	2018	2017
Wages, salaries and fees		-130	-15
Pension costs		-24	-1
Other employee expenses		-4	-2
Total		-158	-18

5. DEPRECIATION	EUR THOUSAND	2018	2017
Depreciation on tangible assets		-1	0

NUMBER OF EMPLOYEES		2018	2017
On average		2,1	0,2
At the end of the period		3	1

6. AUDITOR'S FEES	EUR THOUSAND	2018	2017
Audit		-28	0
Other assignments as referred to in the Auditing Act		-40	-69
Tax consultation		-1	-10
Total		-69	-80

7. FINANCIAL INCOME AND EXPENSES	EUR THOUSAND	2018	2017
Dividend income		1 757	28
Other financial income		0,7	0,1
Total financial income		1 758	28
Interest expenses on loans from financial institutions		-96	-31
Other financial expenses on loans from financial institutions		-28	-20
Interest expenses on capital loans		0	-10
Other financial expenses to others		-4,6	-0,1
Total financial expenses		-128	-61
Net financial income and expenses		1 630	-33

KEY TERMS OF CAPITAL LOANS

On the financial statements date, the company had capital loans pursuant to Chapter 12, Section 1 of the Limited Liability Companies Act in the amount of EUR 3,300,000.00.
Annual interest of 1.5% is paid on the loan principal provided that payment is possible pursuant to the provisions of the Limited Liability Companies Act. Additional interest of 3% or, at most, 5% is further paid on the loan principal based on the achievement of strategic targets, provided that payment is possible pursuant to the provisions of the Limited Liability Companies Act. The terms of the capital loans satisfy the provisions of the Limited Liability Companies Act.
On the financial statements date, the interest accrued on the capital loan that had not been recognized as an expense amounted to EUR 64,144.50.

8. APPROPRIATIONS	EUR THOUSAND	2018	2017
Group contributions received		528	0

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS, FAS

9. TANGIBLE ASSETS	EUR THOUSAND	31.12.2018	31.12.2017
Machinery and equipment			
Acquisition cost		0	0
Increases		3	0
Decreases		-1	0
Acquisition cost, Dec 31		2	0

10. INVESTMENTS	EUR THOUSAND	31.12.2018	31.12.2017
Investments in subsidiaries			
Acquisition cost		9 659	0
Increases		4 049	9 659
Decreases		-279	0
Acquisition cost, Dec 31		13 430	9 659

SHARES IN GROUP COMPANIES

	Domicile	*Control*	*Holding*
Finnmap Infra Oy	Helsinki	Since Jan 1, 2017	74 %
Kalliosuunnittelu Oy Rockplan Ltd	Helsinki	Since Jan 1, 2017	94 %
Kalliotekniikka Consulting Engineers Oy	Helsinki	Since Jan 1, 2017	100 %
Accado Oy Ab	Espoo	Since June 1, 2017	60 %
Engineering Office Pontek Oy	Espoo	Since July 1, 2017	90 %
Solwers Sweden Ab	Stockholm, Sweden	Since Dec 1, 2017	100 %
Oy Polyplan Ab	Vaasa	Since Mar 31, 2018	51 %
Solwers Kiinteistöt Oy	Helsinki	Since Jan 1, 2017	100 %
Davidsson Tarkela Architects Oy	Helsinki	Since Aug 31, 2018	60 %
Taitotekniikka Oy	Helsinki	Since Jan 1, 2018	60 %
Engineering Office W. Zenner Oy	Helsinki	Since Dec 18, 2018	60 %
Engineering Office Timo Teppo Oy	Helsinki	Since Jan 1, 2017	66 %

11. CURRENT RECEIVABLES	EUR THOUSAND	31.12.2018	31.12.2017
Receivables from Group companies		1604	0
Loan receivables		274	6
Other receivables		39	4
Total		1 917	10

12. EQUITY	EUR THOUSAND	31.12.2018	31.12.2017
Share capital			
At beginning of period		1 000	51
Increase in share capital		0	949
Dec 31		1 000	1 000
Share premium reserve			
At beginning of period		20	20
Dec 31		20	20

NON-RESTRICTED EQUITY	EUR THOUSAND	31.12.2018	31.12.2017
Invested non-restricted equity fund at the start of the period		976	0
Change during the period		-976	976
Invested non-restricted equity fund on Dec 31		0	976
Retained earnings at the start of the period		82	111
Acquisition of own shares		0	-53
Profit for the period		1 639	24
Retained earnings on Dec 31		1 720	82
Distributable funds			
Retained earnings		82	58
Profit for the period		1 639	24
Invested non-restricted equity fund		0	976
Total		1 720	1 058

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS, FAS

13. MANDATORY PROVISIONS	EUR THOUSAND	31.12.2018	31.12.2017
Mandatory provisions		1 000	1 000

The mandatory provisions are related to the final transaction prices of acquisitions.

14. NON-CURRENT LIABILITIES	EUR THOUSAND	31.12.2018	31.12.2017
Capital loans		4 276	3 300
Loans from credit institutions		3 985	3 317
Other liabilities		1 150	0
Total		9 411	6 617

15. CURRENT LIABILITIES	EUR THOUSAND	31.12.2018	31.12.2017
Loans from credit institutions		1 038	533
Trade payables		79	12
Liabilities to Group companies		651	2
Other liabilities		443	67
Accrued expenses and prepaid income		275	296
Total		2 485	910

ITEMIZATION OF ACCRUED EXPENSES AND PREPAID INCOME TO OTHERS	EUR THOUSAND	31.12.2018	31.12.2017
Wages, salaries and social security contributions		29	16
Income taxes		14	
Other accrued expenses		232	281
Total		275	296

12. PLEDGED COLLATERAL	EUR THOUSAND	31.12.2018	31.12.2017
Collateral provided on the company's own behalf			
Loans secured with floating charges			
Loans from credit institutions		5 023	3 850
Floating charges		4 000	3 000
Other collateral provided on the company's own behalf			
Book value of pledged shares		13 430	9 112

13. CONTINGENT LIABILITIES	EUR THOUSAND	31.12.2018	31.12.2017
Derivatives, interest rate swap		-11	-7
Total		-11	-7

SIGNATURES TO THE REPORT BY THE BOARD OF DIRECTORS AND TO THE FINANCIAL STATEMENTS

IN ESPOO, FINLAND / / 2019

Leif Sebbas

Chairman of the Board

AUDITOR'S NOTE

IN HELSINKI, FINLAND / / 2019

A report on the audit carried out has been submitted today.

BDO Oy, Authorized Public Accountants

Henrik Juth, APA