

Annual Report  
2019



Solidium is a long-term Finnish owner actively enhancing the value creation of its holdings.

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[www.solidium.fi/en/corporate-responsibility/gri-index/](http://www.solidium.fi/en/corporate-responsibility/gri-index/)



# Solidium in brief

Solidium is a limited liability company owned by the State of Finland. Its core task is to strengthen and stabilise Finnish ownership in companies of national importance and to increase the value of its holdings in the long-term. Our vision is for our portfolio companies to outperform their peers.

Holdings		Holding
ELISA	Telecommunications	10.0%
KEMIRA	Manufacturing of industrial chemicals	14.0%
KONECRANES	Lifting equipment and maintenance services	7.4%
METSO	Technologies for the mining, aggregates, oil and gas industries	14.9%
NOKIA	Network infrastructure and licensing	3.7%
NOKIAN TYRES	Tyres for cars and heavy-duty equipment, tyre services	5.1%
OUTOKUMPU	Manufacturing of stainless steel	21.7%
OUTOTEC	Minerals processing and metal refining technologies	14.9%
SAMPO	P&C and life insurances, banking	10.0%
SSAB	Special and standard steels and steel construction products	12.6%
STORA ENSO	Products within the packaging, biomaterial, wood and paper industries	10.7%
TIETO	Information technology, product development and consulting services	10.0%
VALMET	Technologies, automation and services for the pulp, paper and energy industries	11.1%

Solidium's operations are market-based, and investment decisions are only made when the financial prerequisites are met. In addition, the companies owned by Solidium have a national interest. The national interest may be linked to economic viewpoints, competence, infrastructure, or security of supply, the company's position in a cluster important for Finland, using Finland's national property, or other importance to Finland.

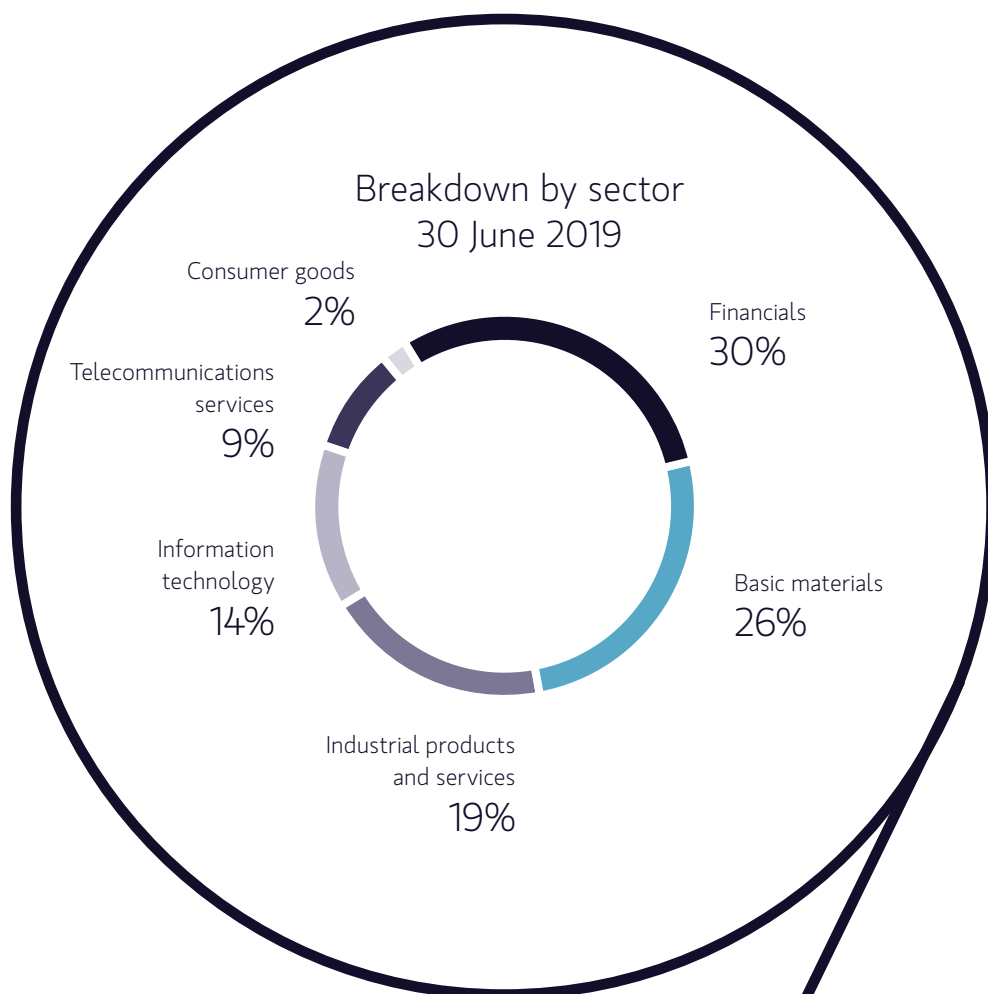
Solidium's objective is to increase shareholder value in its portfolio companies by means of long-term, active ownership, with the aim of the companies outperforming their peers. Our objectives are aligned with the objectives of other investors who operate in the long term.

Our operations as an active minority shareholder require considerable efforts to understand the portfolio companies and their industries. Solidium's investment team assigned to the company in question analyses the company, frequently meets company management and other large shareholders, visits production plants, attends capital market days and industry seminars, as well as studies the company's competitors. This in-depth information and views will be the basis for the investment team's value creation plan for the company.

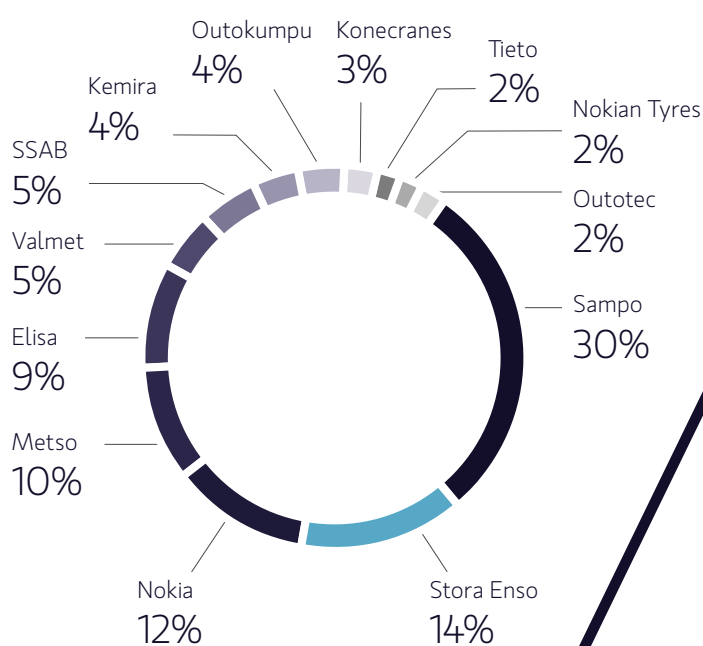
In accordance with Solidium's updated strategy, Solidium's long-term objective is to have a seat in the board of each portfolio company. As an active owner, Solidium wants to be involved in influencing matters which have a significant impact on the company's performance and shareholder value. Currently, this is the case in five of Solidium's portfolio companies.

We want to promote responsible business operations through ownership and require that the portfolio companies incorporate responsibility in their business operations and manage corporate responsibility in a goal-oriented manner. We strive to act responsibly as a company and as an owner. It is our view that doing things responsibly will increase and secure shareholder value in the long term.

Essential aspects of Solidium's role include promoting a culture of responsible, professional ownership and developing the related methods of operation in Finland.



### Breakdown of equity holdings 30 June 2019



### Solidium's key figures in the financial year 2018–2019

-3.0 %

Return of equity holdings

EUR 338 million

Proposal for the profit  
distribution from the financial year

EUR 337 million

Received profit distribution  
before taxes

EUR 7,341 million

Net asset value

# Solidium as an owner

Solidium is not a portfolio investor but a long-term and active owner. The company invests in equities, maintaining money market investments only for liquidity purposes. Solidium pursues a sufficient shareholding that enables it to promote the owner’s influence and value creation plans in each company. Usually this means a shareholding of over 10 per cent, although smaller holdings are also possible. The holdings rarely exceed 20 per cent. Solidium works together with the other shareholders and does not need to be the largest shareholder in a company.

Solidium’s objective is to increase shareholder value in its portfolio companies by means of long-term, active ownership, with the aim of the portfolio companies outperforming their peers. In addition to yielding financial return, Solidium’s investments are required to have a

national interest. Due to these criteria, Solidium focuses on large companies, and its potential investments consist of companies listed in Finland as well as companies that have considerable operations in Finland.

The national interest as an investment criterion may be linked to economic viewpoints, competence, infrastructure, or security of supply, the company’s position in a cluster important for Finland, using Finland’s national property, or other importance to Finland. The interest may be fulfilled either by meeting an individual criterion or a combination of several criteria. We want to do our part to ensure that the anchor ownership or headquarters of such companies stay in Finland, unless reasonable grounds and long-term valuation speak in favour of other types of arrangements.

## Solidium’s operating model for creating shareholder value

### Sources of information



**Company reporting and investor communications**



**Regular meetings with the company’s top management**



**Dialogue with other stakeholders**

(e.g. analysts, other shareholders and investors, financiers, other experts)



**Capital market days and company/site visits**



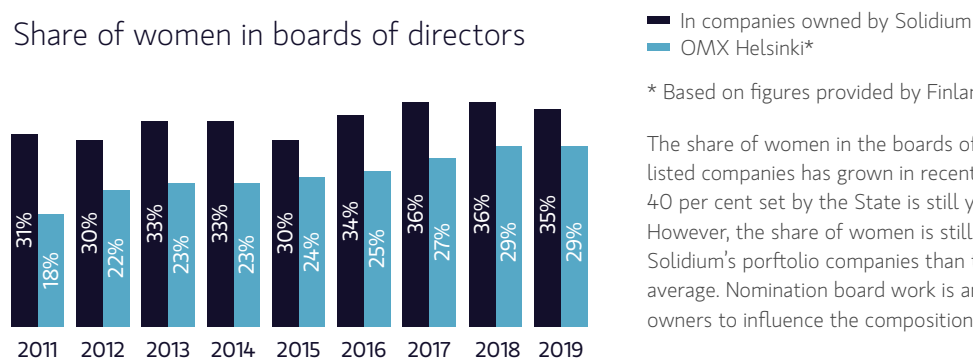
**Peer company reporting and other information, sector analyses**

### Analysis

#### Investment team

- | analyses the company’s business model and strategy
- | analyses the market in which the company operates and the drivers of demand
- | analyses the competitive situation and key competitors in the sector
- | forms a view of the company’s competitive advantages and position
- | forms a view of the company’s operative and financial development, as well as its valuation and capital structure
- | compiles and updates a value creation plan on factors central to increasing shareholder value and monitors the implementation thereof
- | compiles an analysis of the composition of the company’s board of directors
- | forms a view of the national importance of the company
- | compiles an analysis of corporate responsibility matters which may influence shareholder value

## Share of women in boards of directors



■ In companies owned by Solidium  
■ OMX Helsinki\*

\* Based on figures provided by Finland Chamber of Commerce

The share of women in the boards of directors of Finnish listed companies has grown in recent years, but the target of 40 per cent set by the State is still yet to be reached. However, the share of women is still clearly higher in Solidium's portfolio companies than the stock exchange average. Nomination board work is an effective method for owners to influence the composition of boards.

## Investment decisions rest with Solidium's Board of Directors

Solidium has a Board of Directors appointed by the State owner. The Board has a fairly broad authority within the more general framework set by the State, defined in the detailed mandate issued by the Cabinet Committee on Economic Policy. The key contents of the mandate have remained unchanged throughout Solidium's more than ten years of operation.

Solidium's investment decisions are made by the Board of Directors, and Solidium keeps the State owner informed of its central decisions. Investment decisions are only made when the financial interests are met, and the investment cannot be made if Solidium does not deem it financially justified.

Independent decision-making as well as a strong balance sheet and financial position establish conditions for Solidium to make investment decisions and participate in the portfolio companies' financing rounds swiftly, if required. Solidium finances the share purchases from its own balance sheet, either by divesting its current holdings or using cash funds or borrowed money. We remit the profit distribution received from the portfolio companies to the State owner.

## Influencing

**Regular discussions with the chairman of the board and executive management: progress of the themes of the value creation plan, in particular**

**Preparation of board elections together with other major shareholders through nomination board work and other dialogue among owners**

**Through own board members in the companies**

## Influencing board elections is one of Solidium's most important tasks

Board elections and preparing for them are central tasks of the large and long-term shareholders of companies. In most of Solidium's portfolio companies, the shareholders' nomination board prepares the proposal on board member election to the Annual General Meeting. In the 2018–2019 financial year, Solidium's representatives held the chairman position in five and were members in four nomination boards.

In accordance with Solidium's strategy updated in the autumn of 2017, Solidium's long-term objective is to have a seat in the board of each portfolio company. Solidium wants to be involved in influencing matters which have a significant impact on the company's performance and shareholder value. After the annual general meetings of spring 2019, this is the case in five companies owned by Solidium. Solidium's representatives in companies' boards are individuals who are members of Solidium's Board of Directors or executive management.

The role of the chairman of the board is particularly important. The chairman organises and schedules the activities of the board, and their role involves discussing the company's strategic matters with the largest shareholders. The preparedness of the chairmen of boards to engage in dialogue with the shareholders is a key prerequisite of active ownership. Effective cooperation in shareholder value creation promotes the best interests of the company.

# Solidium's actions established its position

Solidium was founded to meet a practical need – to strengthen Finnish ownership in companies of national importance. In a decade, Solidium has clarified its role and established its position, according to influencers who are part of Solidium's journey.

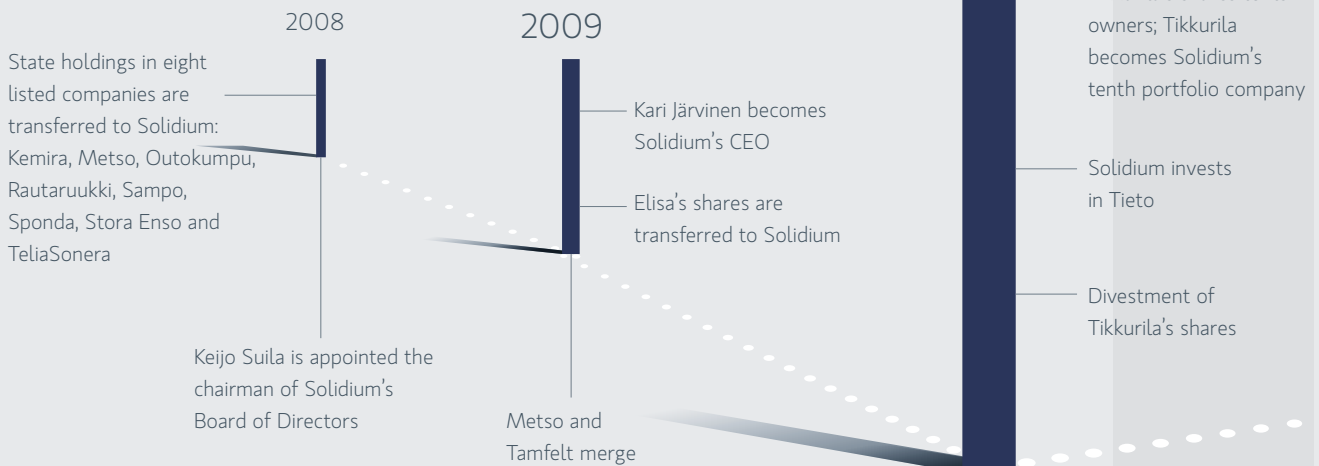
The objectives of founding the present-form Solidium in 2008 included making State ownership policy more professional and ensuring good return development of the holdings of approximately EUR 5 billion that were transferred to the company.

"Solidium has been a financial success story. So far, our profit distribution to the State has been nearly EUR 6 billion in dividend income and share transfers, and the value of our share portfolio is almost EUR 8 billion," says Eija Ailasmaa, who has been a member of Solidium's Board almost the entire time since the company's inception.

However, there was also another, at least equally important reason for founding the company: separating

State ownership from day-to-day politics. The closure of the Stora Enso mills in 2007 had made State ownership political. During the Parliament's question times, demands were heard for Government intervention in decision-making in companies even when the State was only a minority shareholder.

"The situation escalated at around the closure of the Kemijärvi pulp mill and even resulted in an interpellation in the Parliament," Jyri Häkämies, the Minister responsible for Ownership Steering at the time, recalls.



Another factor behind founding Solidium was the fear that the ownership of Elisa would slip into foreign hands in autumn 2008. Ensuring the security of supply was the driver behind the determination to keep the ownership of important telecommunications networks in Finland. However, since the State did not have a unit that could have acquired shares, employment pension company Varma was enlisted to help.

"We feared that during the financial crisis, similar situations that require a quick response could become more frequent. We needed an entity that would not need an authorisation or appropriations from the Parliament or the Government," Håkämies says.

## Suspicious and fears

Eija Ailasmaa was invited to Solidium's Board of Directors, chaired by Keijo Suila, as a member and vice chairperson towards the end of 2008. At the time, she worked as the CEO of Sanoma Magazines in Amsterdam.

"As a native of Finland, I was immediately drawn to Finnish ownership as a value. The first task of the Board was to define Solidium's identity: why and for what purpose do we exist and how will we execute our mission. The foundation of our work was summarised in three words: Finnish, anchor, and owner," Ailasmaa says.

Initially, Solidium's role raised questions and suspicions in the media, the political arena, and in the portfolio companies. According to Ailasmaa's interpretation, portfolio companies feared that the State owner would become increasingly active and start dictating how the companies should be run.

"There were fears that Solidium would interfere with the balance of listed companies. Surely, companies were also concerned about political ambitions potentially seeping into their operations. At the beginning, we in the Board of Directors also held our collective breath to see

if politicians truly had the restraint to not start issuing statements about Solidium and its operations but to allow Solidium to give such statements itself."

However, the other major shareholders welcomed Solidium. Harri Sailas, current chairman of Solidium's Board, was CEO of employment pension company Ilmarinen in 2008. According to him, the experience was "for the most part, if not completely, positive."

"We believed – and could soon also confirm – that professional ownership steering provided institutional investors a good partner for dialogue, compared to the previous situation. Solidium could offer the companies more resources and time."

## Professional ownership

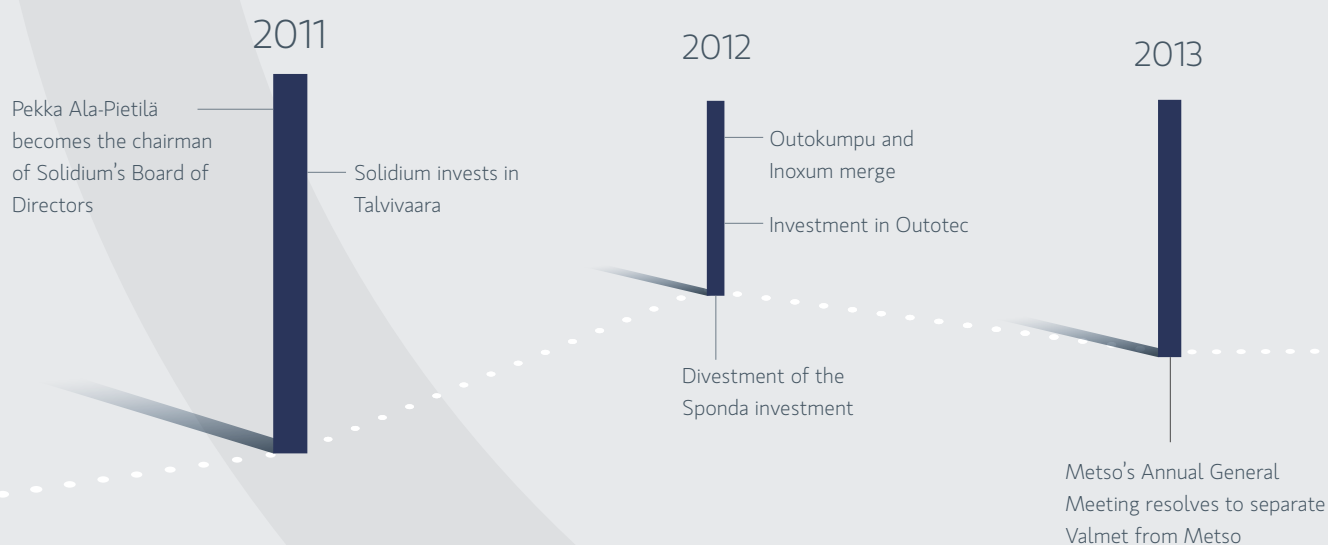
Fairly soon, Solidium's ownership was manifested in the portfolio companies as initiatives to establish shareholders' nomination boards in the companies. The duty of the nomination boards would be to plan board compositions and to elect members to the boards. Previously, this had been carried out in the board's internal nomination committee.

"The nomination board is an important tool for the owner to ensure a good board composition. Having a skilled chairman and Board of Directors is of utmost importance to the success of a company," Ailasmaa says.

According to Harri Sailas, the nomination boards were a concrete manifestation of State ownership becoming more professional, which bode well with institutional investors.

"We began speaking the same language and focused on the competence and diversity of the boards," Sailas says.

Raimo Lind was the chairman of Elisa's Board of Directors in 2012–2019. As a newly elected chairman, he was also tasked with establishing a nomination board in Elisa.



“The nomination board conducted in-depth discussions and systematically prepared a plan regarding the composition of the board for several years to come. My own networks would not have been sufficient to determine who were available to be nominated as board members,” Lind says.

According to Lind, the discussions with Solididium’s CEOs and chairmen of the Board were also very rewarding. Lind kept the owner informed of more significant goings-on at Elisa.

“They were genuinely interested in the company’s operations and had done their homework concerning financial figures as well. Pekka Ala-Pietilä posed good questions concerning the company’s industry and development and he also offered insightful views, and Harri Sailas had good comments on succession planning.”

### Difficult times

After its establishment, Solididium again made the headlines in 2015, when chairman of the Board Pekka Ala-Pietilä was dismissed citing a crisis of confidence. According to a number of assessments, the underlying reason for the dismissal was a power struggle in State ownership steering. As the situation escalated, vice chairman Eija Ailasmaa resigned, and Solididium’s Board of Directors operated with only three members for nearly a year, chaired by Heikki Bergholm.

“That period, if any, was a difficult chapter in Solididium’s story,” Ailasmaa says.

In 2016, ownership steering was transferred under the Prime Minister directly and Solididium was issued a new mandate. According to the mandate, the Board of Directors operates independently, Solididium is expected to be an active owner and it pays all dividends it receives to the State as profit distribution. Any divestments can be used to make new investments.

“When the then Prime Minister Juha Sipilä called me and asked me to join the Board of Directors again, I jumped right in,” Ailasmaa recalls.

### Increased activity

After his career as a minister, Jyri Häkämies has been following Solididium in his position as the Director General of the Confederation of Finnish Industries. He says the company was from time to time criticised in public for its passive approach to investment activities and accused of being a “sleeping giant”.

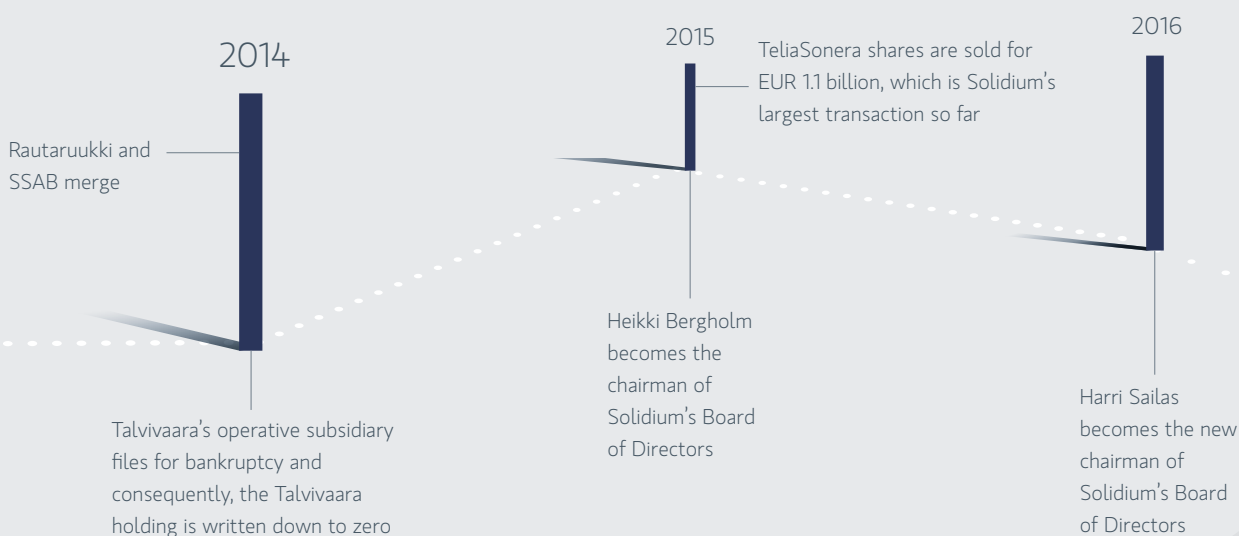
“In recent years, comments like this have been silenced by the measures Solididium has been taking. Criticism towards Solididium in public discussion is nowadays rare,” Häkämies says.

Solididium’s mandate was renewed in 2016 and its strategy was updated in 2017. Thereafter, the company has made new investments and divested or reduced earlier investments. New companies in Solididium’s portfolio include Nokia, Konecranes and Nokian Tyres. Solididium has divested Telia in full.

“We are a long-term investor and invest in companies with good financial outlooks and national importance. We protect Finnish ownership because it is very important in ensuring that companies and their headquarters stay in Finland. Finnish ownership increases export, creates more jobs and brings in tax income,” Harri Sailas says.

Another manifestation of Solididium’s increased activity is the company’s pursuit of board memberships in the boards of its portfolio companies. In the spring 2018 AGMs, CEO Antti Mäkinen was elected to the boards of three portfolio companies.

“When the owner has its representative participating in decision-making, the owner’s commitment to the



company increases. The board member is also exceptionally well positioned to carry out their work since they can rely on the wealth of knowledge and understanding accumulated by Solidium's investment team on the portfolio company's situation, industry and international competitive arena over the years. It creates value for the portfolio company," Eija Ailasmaa says.

According to Raimo Lind, it is natural for a major shareholder to have a representative in the company's board. There is no Solidium's representative in Elisa's board.

"I would not have objected to Solidium wanting to nominate their representative to the board, provided that the person possessed the competence that the company could have applied."

### An anchor in rough times

When Solidium was being established, one of the three keywords was an "anchor". Solidium's objective is to be a significant shareholder in companies, and it often is one of the largest shareholders. According to Harri Sailas, that enables the company's board and management team to know that "the owner is more committed and looks at the big picture in the long term, unlike daytraders."

"When everything is going smoothly, a company may claim that anyone can be their shareholder, but when things get rough, the company may have a change of heart and prefer anchor ownership."

Raimo Lind says that Solidium's anchor ownership had an indirect impact on Elisa. It was clear to all that the company was not a potential hostile takeover target.

### Not rocked by day-to-day politics

In accordance with its mandate, Solidium makes its investment decisions very independently. The operations are steered by the Minister of Local Government and Ownership Steering and by the Cabinet Committee on Economic Policy. At Solidium, the contact points for them are the chairman of the Board of Directors and the CEO.

"During my term, we have managed very well to stay outside of day-to-day politics. I have not observed any politically motivated steering attempts concerning how we execute our mandate," Harri Sailas says.

Raimo Lind believes that Solidium is the reason why Elisa has not been dragged into the day-to-day political discussion. Over the years, public discussion has included themes related to Elisa's services. According to Lind, a different kind of ownership structure might have exposed the company to more serious political pressure.

Jyri Häkämies estimates that the State ownership policy has come a long way within the past decade or so. Unlike in 2008, State minority holdings in listed companies are not trashed in the public debate and the State is not demanded to take or not to take a certain kind of action with the portfolio companies.

"Through its action, Solidium has solidified its position and its operations are now seen as trustworthy. It is a valued player that communicates its role in a very clear manner," Häkämies says.

2017



Antti Mäkinen takes the position of Solidium's CEO

Solidium invests in Konecranes

2018



Divestment of the Telia holding

Solidium invests in Nokia

2019



Solidium invests in Nokian Tyres

Tieto and the Norwegian company EVRY announced the intention to merge into TietoEVRY

Metso and Outotec announced the combination of Metso Minerals and Outotec, Metso Flow Control to become an independent listed company named Neles



# Financial year 2018–2019

During the financial year, Solidium invested in Nokian Tyres, increased its holdings in Konecranes and Nokia, and transferred shares to the State of Finland as capital repayment.

## Investment in Nokian Tyres

Solidium acquired 5.1 per cent of the shares in Nokian Tyres for approximately EUR 205 million from the market, with price per share of EUR 29.30. Nokian Tyres has successfully executed its niche strategy in the global tyre market for a long time. The company has promising

growth opportunities in the 2020s, owing to the third production factory being built in Dayton, TN, in the USA, and to the investment to increase production capacity in its factory in Nokia, Finland. Nokian Tyres has an excellent foundation to create value for its shareholders, and Solidium's investment in Nokian Tyres strengthens and stabilises Finnish ownership in the company.

## Cash flows

in the financial year  
2018–2019

Dividends  
received

EUR 337 million

TO SOLIDIUM

EUR +337 million

FROM SOLIDIUM

EUR -870 million

CHANGE IN CASH ASSETS

EUR -533 million

## Acquisition of Konecranes and Nokia shares

In autumn 2018, Solidium acquired shares in Konecranes for EUR 29 million and in Nokia for EUR 95 million. Following the arrangements, Solidium's holding in Konecranes increased from 6.2 per cent to 7.4 per cent, and in Nokia from 3.3 per cent to 3.7 per cent.

After the capital repayment transferred to the State of Finland in spring 2019, Solidium acquired Nokia's shares from the market for EUR 30 million. Following the transaction, Solidium's holding in Nokia returned from 3.54 per cent to 3.66 per cent.

## Board elections

In accordance with Solidium's strategy updated in autumn 2017, Solidium's long-term objective is to have a seat in the board of each portfolio company. After the AGMs in spring 2019, this is the case in five companies owned by Solidium, as Solidium's CEO Antti Mäkinen was re-elected to the boards of Metso, Sampo and Stora Enso. In addition, among Solidium's Board members, Aaro Cantell is a member of the board of Valmet and Timo Ahopelto in the board of Tieto. Eija Ailasmaa resigned from the board of Outotec.

In the spring 2019 AGMs, a total of 15 new board members were elected to boards of Solidium's portfolio companies, as a total of 13 board members resigned. Anssi Vanjoki was elected the new chairman of the board of Elisa, and Mikael Mäkinen was elected the new chairman of the board of Valmet. In addition, the Konecranes AGM made a decision to establish a shareholders' nomination board.

## General Meetings

On 11 September 2018, Solidium's Annual General Meeting resolved, in accordance with the Board's proposal, that a dividend of a total of EUR 351 million be paid to its owner for the financial year that closed on 30 June 2018.

On 31 January 2019, Solidium's Extraordinary General Meeting resolved to transfer Kemira Oyj's shares worth EUR 15 million to the State of Finland as capital repayment. Consequently, Solidium's holding in Kemira decreased from 16.7 per cent to 15.8 per cent.

Solidium's Extraordinary General Meeting on 13 March 2019 elected Kimmo Viertola, Director General of the Ownership Steering Department at the Prime Minister's Office, as a new member of the Board. State Secretary Paula Lehtomäki had announced her resignation from the membership of Solidium Oyj's Board of Directors as she was elected the new Secretary General of the Nordic Council of Ministers.

On 21 March 2019, Solidium's Extraordinary General Meeting resolved to transfer shares of Kemira Oyj, Outokumpu Oyj and SSAB AB (class B), worth a total of EUR 60 million, to the State of Finland as capital repayment. Consequently, Solidium's holding in Kemira decreased from 15.8 per cent to 14.9 per cent, in Outokumpu from 22.8 per cent to 21.7 per cent and in SSAB from 13.5 per cent to 12.6 per cent (from 10.0 per cent to 9.8 per cent of votes).

On 2 April 2019, Solidium's Extraordinary General Meeting resolved to transfer shares of Kemira Oyj, Nokia Corporation and Sampo Plc (class A), worth a total of EUR 80 million, to the State of Finland as capital repayment. The State of Finland transferred the shares further to Oppiva Invest Oyj, which acts under the Finnish National Agency for Education in order to execute projects within vocational education and training, such as in the development of learning environments and education export. Consequently, Solidium's holding in Kemira decreased from 14.9 per cent to 14.0 per cent, in Nokia from 3.66 per cent to 3.54 per cent and in Sampo from 10.09 per cent to 9.95 per cent (from 10.01 per cent to 9.87 per cent of votes).

The profit distribution proposed by the Board of Directors for the past financial year is EUR 338 million.

## Transactions

In June 2019, Tieto Oyj and EVRY ASA announced a cross-border merger into a new company, TietoEVRY.

In July 2019 Metso Corporation and Outotec Oyj announced the transaction to combine Metso Minerals and Outotec into a new company called Metso Outotec Corporation. As a result of the combination of Metso Minerals and Outotec, Metso will continue under the name Neles Corporation.

Acquisition of shares **EUR 359 million**

Profit distribution to the State during the financial year **EUR 351 million**

Debt repayment (net) **EUR 145 million**

Tax payments **EUR 13 million**

Expenses including financial items **EUR 3 million**



# A two-fold financial year

ANTTI MÄKINEN | CEO

Solidium's past financial year was characterised by the exceptionally steep decline in the global stock market in autumn 2018 and the dramatic increase in share prices in the first quarter 2019. In our portfolio, the most significant changes included the investment in a new portfolio company, Nokian Tyres.

The turbulence in the stock market started in September when the Federal Reserve in the USA indicated its intention to tighten its monetary policy at a faster pace than the market expected. At the same time, the threats

affecting the economy, such as the trade war between the USA and China as well as Brexit, escalated in the background with dramatic global impacts and a subsequent decline in the entire stock market. The value

of Solidium's portfolio also decreased quickly, declining more than 15 per cent within three months.

After the decline, the stock markets took a steep upward turn, and as we are approaching the end of the financial year, the valuations were almost at the same level as at the beginning of the financial year. Solidium succeeded, in part, in benefitting from the decreased share prices by acquiring additional shares in its portfolio companies in the autumn 2018. We acquired additional shares in Nokia for EUR 95 million and purchased Konecranes shares on several occasions for a total of EUR 29 million.

## Investment in a new company

During the past financial year, the number of transactions we carried out was lower than in the previous financial year. A new investment was the acquisition of shares in Nokian Tyres, a company that we have been observing for a while. The company meets all Solidium's investment criteria, but in our view, its share was previously valued in full. When the share price of Nokian Tyres declined at the end of 2018, we recognised a value increase opportunity and initiated the process to acquire shares in the company.

Nokian Tyres is experiencing a stage of powerful growth. It is in the process of making considerable investments in the USA and in a testing centre in Spain and expanding the production capacity of heavy tyres in Nokia, Finland.

Solidium regularly monitors all large companies on the Helsinki Stock Exchange to assess whether they meet its investment criteria. We are capable of responding quickly when the financial foundation for an investment is solid and an anchor owner is needed. Such a situation emerged at Nokian Tyres when Bridgestone, the company's largest shareholder since the beginning of the 2000s, gradually reduced its ownership in the company, resulting in the holding falling under 10 per cent in November 2018.

## Ups and downs

Our objective is for our portfolio companies to outperform their peers. We follow the companies' five-year total shareholder return, which is based on the change in the share value and the amount of dividends. We are happy to note that measured by this method, eight of our portfolio companies had performed better or in line with their peers at the end of the financial year.

We were extremely pleased with Valmet during the financial year: its share price has increased by 36.4 per cent since the beginning of the financial year. The company's growth and profitability improvement have been steady, resulting in good share price development and valuation.

We experienced one of the most difficult times with the portfolio companies in October 2018, when Outotec announced problems with its delivery of a large facility

order in Saudi Arabia. The company's share price plummeted 37 per cent in one day. I believe that the support from a long-term anchor owner with a 15 per cent holding was good for the company as it faced the difficult situation. It also helped calm down customers and other stakeholders.

There were changes in the management of our portfolio companies, including Pekka Vauramo taking the position of the President and CEO of Metso in November. In April, Anssi Vanjoki took the position of the Chairman of the Board of Elisa and Mikael Mäkinen took the position of the Chairman of the Board of Valmet. Sampo also announced the change of Group CEO and President, but the change will take effect at the beginning of 2020.

## Eventful financial year in terms of returns

After a volatile financial year, the return on Solidium's equity investments was -3.0 per cent. The best return was generated by Valmet, with orders received growing throughout the year and a record high order backlog.

The returns generated by Metso and Kemira were also very good during the financial year and clearly better compared to that of their peers. Outotec had the weakest return development compared to the peers.

In accordance with its mandate, Solidium pays to the State in full all dividends it receives from the portfolio companies. During the financial year, we paid EUR 351 million to the State as dividends. In addition to dividend distribution, we transferred shares worth EUR 155 million to the State as capital repayment.

## An active owner

I am pleased that our portfolio companies were able to agree on two significant transactions at the end of the financial year.

The merger of Tieto Corporation and the Norwegian Evry ASA as well as the combination of Metso Minerals and Outotec are both transactions, which we expect to significantly strengthen the strategic position of the companies while providing compelling synergies.

Solidium has undertaken to vote in favour of the transactions in the respective EGMs.

We conducted a corporate responsibility analysis on our portfolio companies this financial year as well, and will report the results to Solidium's Board of Directors in autumn 2019. Climate is our special theme, and we will be monitoring our companies' targets for reducing carbon dioxide emissions.

Many of our portfolio companies are among the largest in the respective industries, and we welcome their continued growth trend in the past financial year. Many companies did succeed in both increasing their revenue and improving their profitability by making numerous right decisions. We hope the positive development will continue in the years to come as well.

# Solidium and responsible ownership

During the past financial year, Solidium continued to build on its operating model for responsible ownership.

Solidium continued the corporate responsibility work in accordance with its long-term programme for responsible ownership during the financial year. The programme has three focus areas: (1) enhancing and securing shareholder value; (2) engaging with stakeholders as an owner; and

(3) integrated analysis and the responsibility of Solidium's own operations. The review of Solidium's corporate responsibility work during the 2018–2019 financial year is presented in accordance with these focus areas.

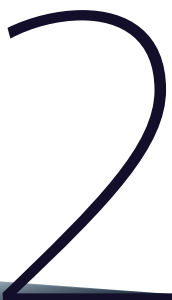


## Enhancing and securing shareholder value

Solidium's corporate responsibility work is based on full-scale responsibility analyses conducted on all portfolio companies every second year. Otherwise, a basic update is prepared annually, including, at a minimum, a review of the portfolio company's corporate responsibility report and discussions with the company's management in charge of corporate responsibility. Material conclusions will be included in the dialogue between Solidium and the management of the portfolio company.

Since the full-scale responsibility analyses had been conducted in the previous financial year, update discussions were carried out with the corporate responsibility directors of all portfolio companies at the beginning of the financial year. At the end of the financial year, Solidium launched the preparation of the next full-scale responsibility analyses, which will include the three newest portfolio companies as well. Solidium's Board of Directors will review the results of the analyses in autumn 2019.

No corporate responsibility issues that would have required intervention by the owner – that is, Solidium – were observed in the portfolio companies during the past financial year either. Solidium's portfolio has maintained this kind of stable, laudable situation for a few years now. As before, any urgent corporate responsibility issues that the owner needs to be involved in will be addressed immediately, if needed, going forward as well.



## Engaging with stakeholders as an owner

### Internal stakeholders

We continued to apply established and appropriate operating methods internally in matters concerning corporate responsibility. Corporate responsibility matters were on the agenda of Solidium's Board of Directors on one occasion during the financial year, as the Board reviewed the annual review on corporate responsibility.

## External stakeholders

External stakeholder engagement activities were lively during the financial year. We maintained dialogue with our key external stakeholders and followed topical discussions on corporate responsibility matters. We attended seminars and discussion events central in terms of the operating model for responsible ownership and the development thereof. In addition to the meetings with our portfolio companies, we engaged in dialogue focusing on responsibility matters on more than 40 occasions with various stakeholders. Solididium's role in the discussions varied: in some, we were the presenter, an active participant and an influencer, while in others, we assumed the role of a listener and learner.

In the listener and learner roles, focus was on strengthening the competence related to climate change themes, in particular. The topics we focused on included the EU Action Plan for Sustainable Finance, the Task Force on Climate-related Financial Disclosures (TCFD) reporting guidelines, and the Science-Based Target Initiative commitment aiming to reach the carbon dioxide levels defined in the Paris Climate Agreement. We monitored the launch of the Green Bond market in Finland. We obtained a climate change update from the Finnish Meteorological Institute.

The roles of a presenter and an active participant reflected Solididium's established position as a responsible

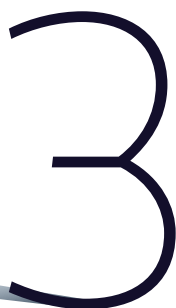
owner. During the review period, three portfolio companies asked Solididium to provide them with insights and feedback on their respective corporate responsibility work.

A Solididium investment director was invited to join Aalto University's Advisory Board for Sustainable Development. The investment director served as a commentator in Aalto University's first Sustainability Science Days event.

Solididium's representative attended a management course for sustainable economic policy, organised by Sitra, offering Solididium's contribution to the responsibility dialogue in Finland. Solididium's method of influencing through active ownership was a case study included in a new book on responsible investing.

Solididium engaged in responsibility dialogue with its State owner. We attended and contributed to the owner's corporate responsibility events and requested the owner's feedback on our corporate responsibility work.

We continued influencing the development of responsible investing in Finland through our membership in the FINSIF forum. Solididium's representative was the chairperson of the FINSIF nomination committee. Solididium was a member in FIBS and Directors' Institute of Finland.



## Integrated analysis and the responsibility of Solididium's own operations

Solididium continued to maintain and develop the responsibility of its own operations. We have achieved a solid level with clearly defined operating models.

We continued our transparent and open corporate responsibility reporting in accordance with the State owner's policies. During the financial year, we switched to GRI Standards-compliant reporting. Our Annual Report has been prepared in accordance with the Core level of the Standards.

We monitored the development of the range of analyses offered by the ESG service providers with regard to corporate responsibility and responsible investing. Thus far, we have not found tools that would meet Solididium's needs and could replace the work we carry out concerning responsibility analyses.

The Tax payment and responsibility policy was updated.

### Objectives in the 2019–2020 financial year

We will continue our work as a responsible owner in accordance with our established operating method and in line with the long-term corporate responsibility programme 2017–2021.

During the 2019–2020 financial year, we will develop the owner's tools related to climate matters. We will also monitor our portfolio companies' targets on reducing CO<sub>2</sub> emissions.

For further information, see [www.solididium.fi/en/corporate-responsibility](http://www.solididium.fi/en/corporate-responsibility)



# Solidium's holdings

Tele-communications

Manufacturing of industrial chemicals

Lifting equipment and maintenance services

Technologies for the mining, aggregates, oil and gas industries

Network infrastructure and licensing

Tyres for cars and heavy-duty equipment, tyre services

Turnover EUR million	1,832	2,593	3,156	3,173	22,563	1,596
% in Finland	89%	16%	3%	3%	7%	15%
Operating profit EUR million	404	148	166	351	-59	372
Personnel	4,787	4,915	16,077	13,150	103,083	4,719
% in Finland	79%	16%	12%	14%	6%	37%
Return on equity	29%	8%	8%	17%	n/m	20%
Market capitalisation EUR bn (30 June 2018)	6.9	2.0	2.6	5.2	24.4	3.8
Net gearing	95%	62%	43%	12%	-20%	-21%
Taxes paid according to the cash flow statement EUR million	68	24	83	87	364	63

\* Information not available. \*\* Result before taxes. Sampo does not report operating profit.

At the end of the financial year, Solidium was a minority shareholder in thirteen listed companies. The companies' combined revenue in 2018 was approximately EUR 74 billion, and they had slightly over 238 000 employees in total. The combined market value of the portfolio companies was EUR 87 billion on 30 June 2019.

At the close of the financial year, the market value of Solidium's equity investments was EUR 7 742 million. In terms of market value, the largest holdings were Sampo, Stora Enso and Nokia. During the financial year, Solidium invested in Nokian Tyres. In addition, Solidium increased its holdings in Konecranes and in Nokia.

In addition to the equity investments, Solidium had money market investments worth a total of EUR 452 million at the end of the financial year. Taking both the equity investments and money market investments into consideration, the return of the holdings was -2.9 per cent. The best return during the financial year was yielded by Valmet, Metso and Kemira. The weakest return was generated by Outokumpu, Outotec and Stora Enso.

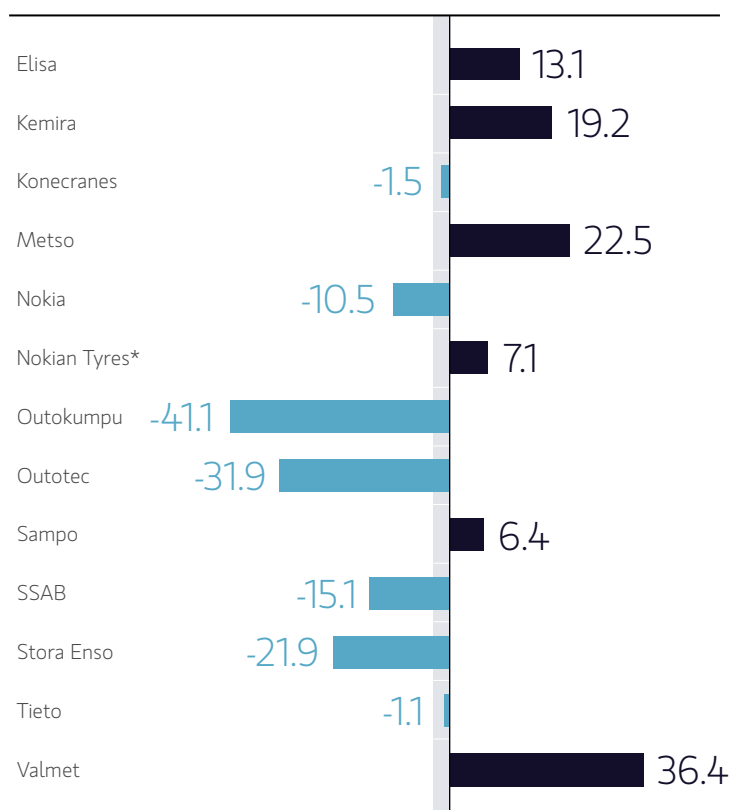
 Manufacturing of stainless steel	 Minerals processing and metal refining technologies	 P&C and life insurances, banking	 Special and standard steels and steel construction products	 Products within the packaging, biomaterial, wood and paper industries	 Information technology, product development and consulting services	 Technologies, automation and services for the pulp, paper and energy industries
6,872	1,277	7,907	7,305	10,486	1,600	3,325
3%	n/a*	25%	10%	6%	43%	n/a*
280	-66	2,094**	482	1,390	155	211
10,449	4,012	9,509	14,313	26,067	15,190	12,528
23%	33%	24%	33%	25%	22%	41%
5%	-16%	8%	6%	16%	26%	16%
1.2	0.8	23.0	2.9	8.7	1.9	3.3
45%	-10%	n/a*	14%	31%	29%	-23%
5	6	316	61	152	21	48

**-3.0 %**

Return of Solidium's equity holdings

After a volatile financial year, the return on Solidium's equity investments was -3.0 per cent. The return development of Valmet, Metso, Kemira and Elisa was excellent.

Return of Solidium's equity holdings, % **1 year**

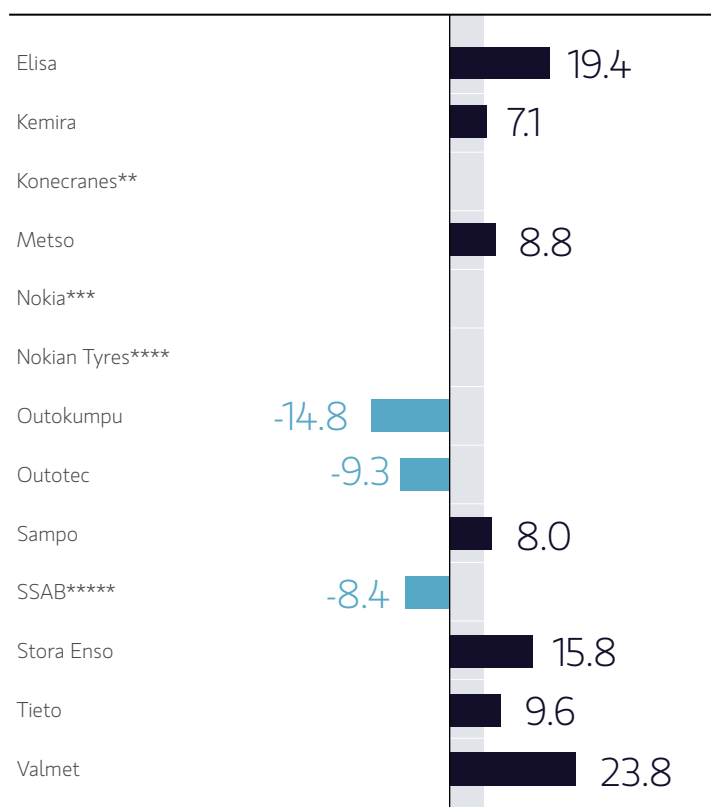


**6.4 %**

Return of Solidium's equity holdings

Over the period of five years, the best return was generated by Valmet, Elisa and Stora Enso. The total return on Solidium's equity holdings during the period of five years was 6.4 per cent.

Return of Solidium's equity holdings, % **5 years** (annualised return)



\* The return has been calculated from the beginning of the investment. The investment in Nokian Tyres was made in early 2019.

\*\* The investment in Konecranes was made in May 2017.

\*\*\* The investment in Nokia was made in early 2018.

\*\*\*\* The investment in Nokian Tyres was made in early 2019.

\*\*\*\*\* SSAB's return has been calculated using Rautaruukki's history up until 31 July 2014.

## Change in the value of holdings in the financial year, EUR million

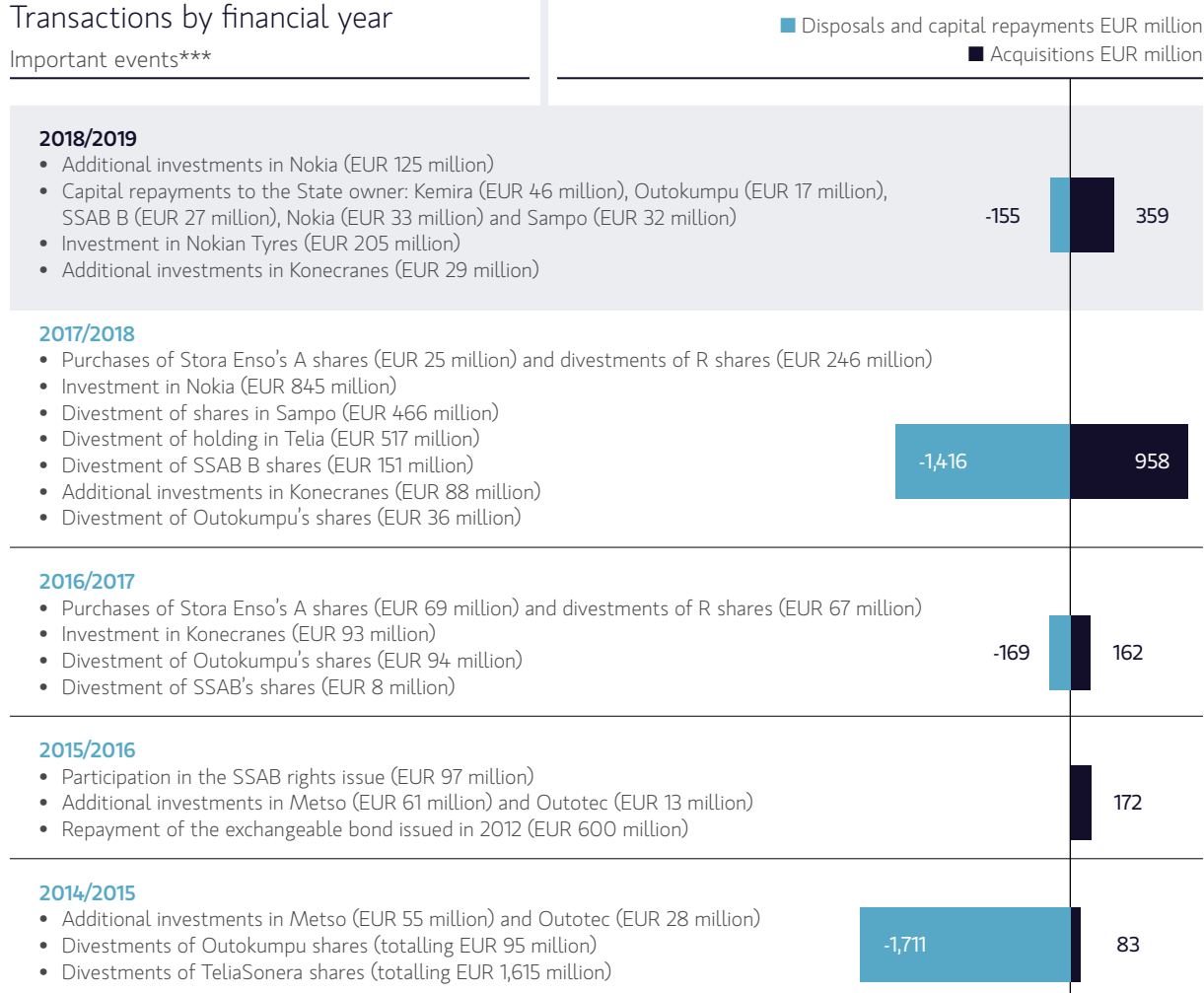
Company	Market value 30 June 2018	Transactions**	Dividend	Change in value	Market value 30 June 2019	Share of equity holdings
Elisa	667		29	84	721	9.3%
Kemira	295	-46	12	45	282	3.6%
Konecranes	173	29	7	1	196	2.5%
Metso	642		13	144	773	10.0%
Nokia	917	92	10	-99	899	11.6%
Nokian Tyres*	0	205	11	-2	192	2.5%
Outokumpu	506	-17	14	-205	271	3.5%
Outotec	186		0	-59	127	1.6%
Sampo	2,343	-32	158	140	2,294	29.6%
SSAB	470	-27	19	-68	356	4.6%
Stora Enso	1,427		42	-314	1,071	13.8%
Tieto	206		11	-2	193	2.5%
Valmet	276		11	101	366	4.7%
<b>Total</b>	<b>8,108</b>	<b>204</b>	<b>337</b>	<b>-233</b>	<b>7,742</b>	<b>100.0%</b>

\* The investment in Nokian Tyres was made in early 2019.

\*\* Capital repayment to the state owner included in transactions

## Transactions by financial year

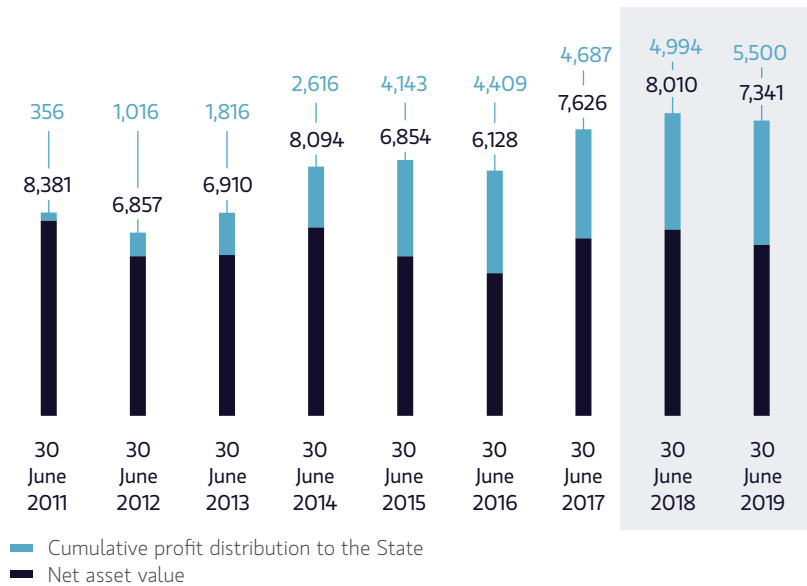
Important events\*\*\*



\*\*\* More specific information is available on Solidium's website.

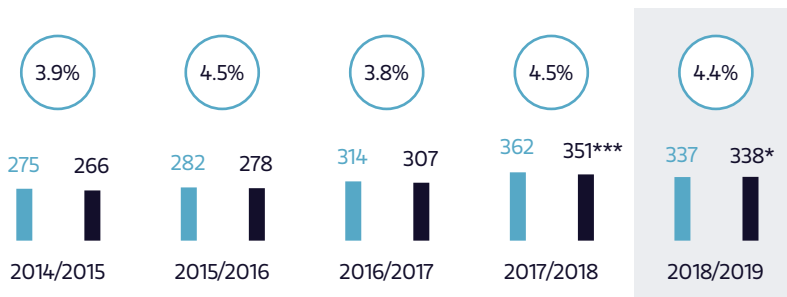
## Net asset value development, EUR million

As a result of the weak development in the stock market, the net asset value decreased during the financial year. The cumulative distribution of profits to the State between the beginning of Solidium's operations and the balance sheet date is EUR 5.5 billion. The net asset value adjusted for profit distribution increased 113 per cent in 2009–2019, or an average of 7.8 per cent per year.



## Profit distribution received and paid by financial year, EUR million

In autumn 2019, Solidium will transfer EUR 338 million as a dividend to the State. The dividend yield from Solidium's holdings decreased to 4.4 per cent.



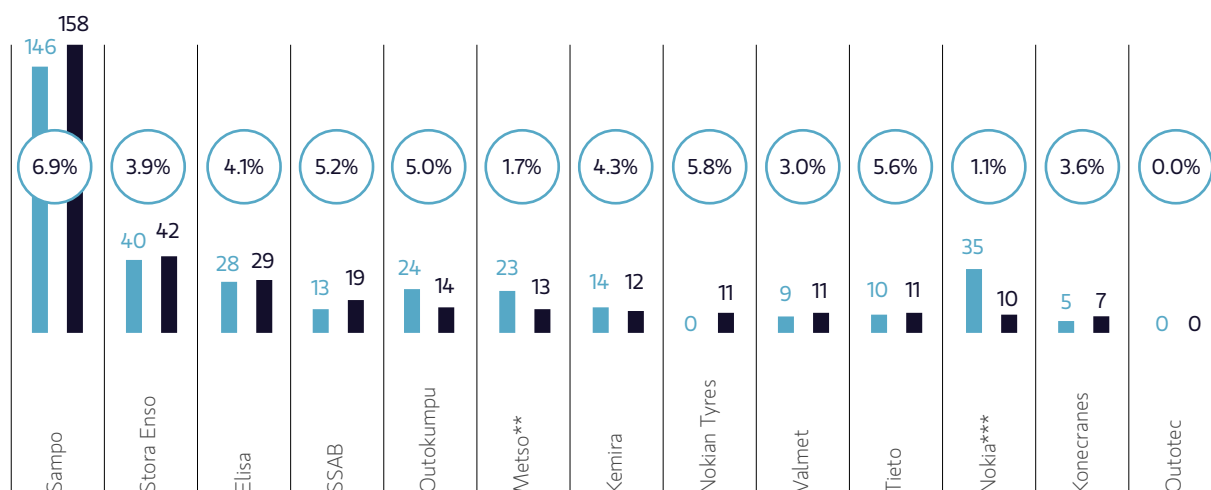
- Profit distribution to Solidium during the financial year
- Profit distribution to the State for the financial year
- Dividend yield\*\*

\* The Board of Directors' proposal of profit distribution to the State for the financial year.  
 \*\* The dividend yield for the entire portfolio has been calculated by dividing the profit distribution received in cash for each financial year by the total value of the equity holdings on the closing date of the corresponding financial year.  
 \*\*\* Funds have also been transferred as capital repayment to the State owner.

## Net asset value calculation, EUR million

	30 June 2018	30 June 2019
Tangible and intangible assets	0.1	0.2
Equity investments	8,107.7	7,741.6
Current receivables	0.5	0.3
Money market investments	984.5	451.2
<b>Assets, total</b>	<b>9,092.9</b>	<b>8,193.2</b>
Current liabilities	-355.1	-238.3
Non-current liabilities	0.0	0.0
Deferred tax liability	-728.0	-614.2
<b>Liabilities, total</b>	<b>-1,083.1</b>	<b>-852.5</b>
<b>Net asset value</b>	<b>8,009.9</b>	<b>7,340.8</b>
Change during the financial year	383.6	-669.1
Change during the financial year, %	5.0%	-8.4%

## Profit distribution received during the financial year, EUR million



- Profit distribution received in 2017–2018
- Profit distribution received in 2018–2019
- Dividend yield in 2019\*

\* The company-specific dividend yields have been calculated by dividing the profit distribution received from each company during the financial year by the value of the holding in the company on the closing date of the financial year.

\*\* Metso pays its dividend in two instalments

\*\*\* Nokia pays its dividend in four instalments



# Competitive situation remained tight

Elisa is a provider of telecommunications and digital services in the core markets of Finland and Estonia. The company offers digital services for the international markets as well.

Elisa's operative and financial development continued to be positive, and its revenue and profitability improved again in 2018, compared to the previous year. However, the competitive environment has continued to be tight and active in both the consumer and corporate customer segment. This has reflected in, among other things, the growth of the company's mobile service revenue, which slowed down considerably compared to before. In the near future, the dynamics of competition will also experience changes attributable to the recently announced offer by the Norwegian operator Telenor on the majority stake in DNA. DNA's two largest shareholders have entered into agreements to sell their combined holding of 54 per cent of DNA to Telenor, and an approval by the authorities on the transaction was obtained in the third quarter of 2019. After the completion of the acquisition, there will be two international players in the Finnish telecommunications market and the local player Elisa as the market leader. Through the acquisition, there will be a third, stronger player in the corporate customer segment. Traditionally, the synergies of cross-border transactions like this have, however, been fairly low.

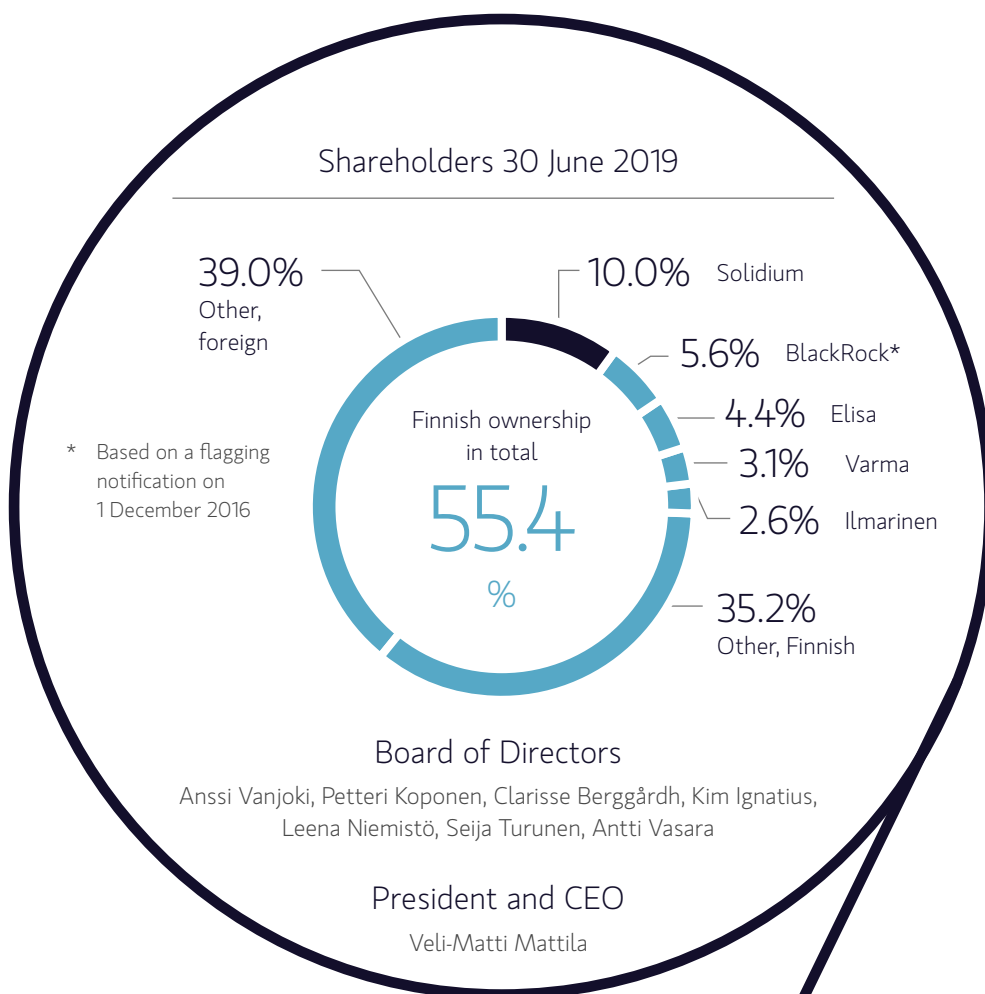
## First 5G networks are open

The auction of the 5G frequencies was held in autumn 2018 in Finland and the licences were distributed between the three largest operators. So far, the construction of 5G networks has commenced in only a few locations. For the time being, the development has been slowed down by the network equipment vendors' readiness and the limited availability of handsets and applications utilizing the new technology. Elisa has

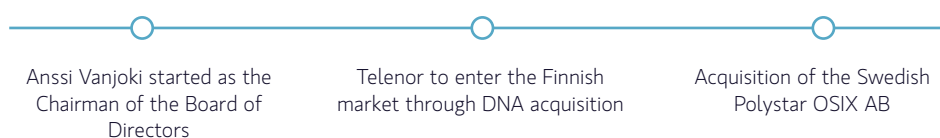
opened its own commercial 5G networks in four largest cities in Finland. The next generation network technology provides the operators with opportunities to develop new applications for corporate customers, in particular, but also offers them new revenue models connected to, for example, lower latency. The operators are required to invest in network technology, as the 5G technology needs a solid core network and, on the other hand, a denser network of base stations. Nevertheless, it seems that the 5G investments are spread over several years and that there hardly is immediate need for the operators to raise their capex levels.

## Continued investments in digital services

As in the previous years, Elisa has sought growth from new digital services that differ from the traditional telecommunications operator business. The portfolio of digital services accounts for approximately 15 per cent of Elisa's revenue. The majority of this portfolio consists of TV services offered to consumers and the IT services, which are an essential aspect of the range of services offered to corporate customers today. In addition to these, revenue from other digital services has so far been limited. In order to accelerate growth, the focus has recently been on services that have international potential. These include Videra, a visual communications service provider; network automation services provided to other operators; and IoT solutions for industrial customers. When suitable candidates are found, accelerating growth in digital services through acquisitions would be natural. In the summer 2019, Elisa announced the acquisition of the Swedish provider of analytics assurance and monitoring software solutions Polystar OSIX AB.



### Major events



Share of Solidium's equity holdings

**9.3** %

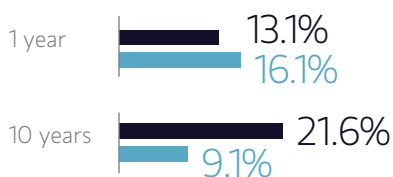
Profit distribution to Solidium 1 July 2018–30 June 2019

EUR **29.4** million

Market value of the holding 30 June 2019

EUR **721** million

### Annualised return



■ Elisa  
■ Peer group median



“Telenor to enter the Finnish market through DNA acquisition.”

**Pauli Anttila** Investment Director, Solidium



# Towards the profitability target

Kemira offers chemicals and expertise to water-intensive industries across the globe. The company's focus is on pulp & paper, oil & gas and water treatment.

The year 2018 was upbeat for Kemira, and the company succeeded in improving profitability in the second half of the year, after a challenging beginning of the year. The positive development has continued this year as well with the company's increases in the sales prices of chemicals surpassing the growth in raw material costs. Growth in the oil and gas business, in particular, has been gratifying and boosted the better development of margins. In addition, the company signed EUR 400 million revolving credit facility linked to sustainability targets in April as one of the first companies in Finland.

## Promising development in chemicals for the oil and gas industry

The company serves customers in the oil and gas industry by offering a variety of solutions for efficient oil recovery and compliance with environmental requirements. The positive development and upward trend in growth in the oil and gas revenue and in profitability improvement during the year were primarily due to the positive development in the shale and gas operations in North America. In this business, sales prices were higher and the fluctuation in the raw material prices of polymers was favourable.

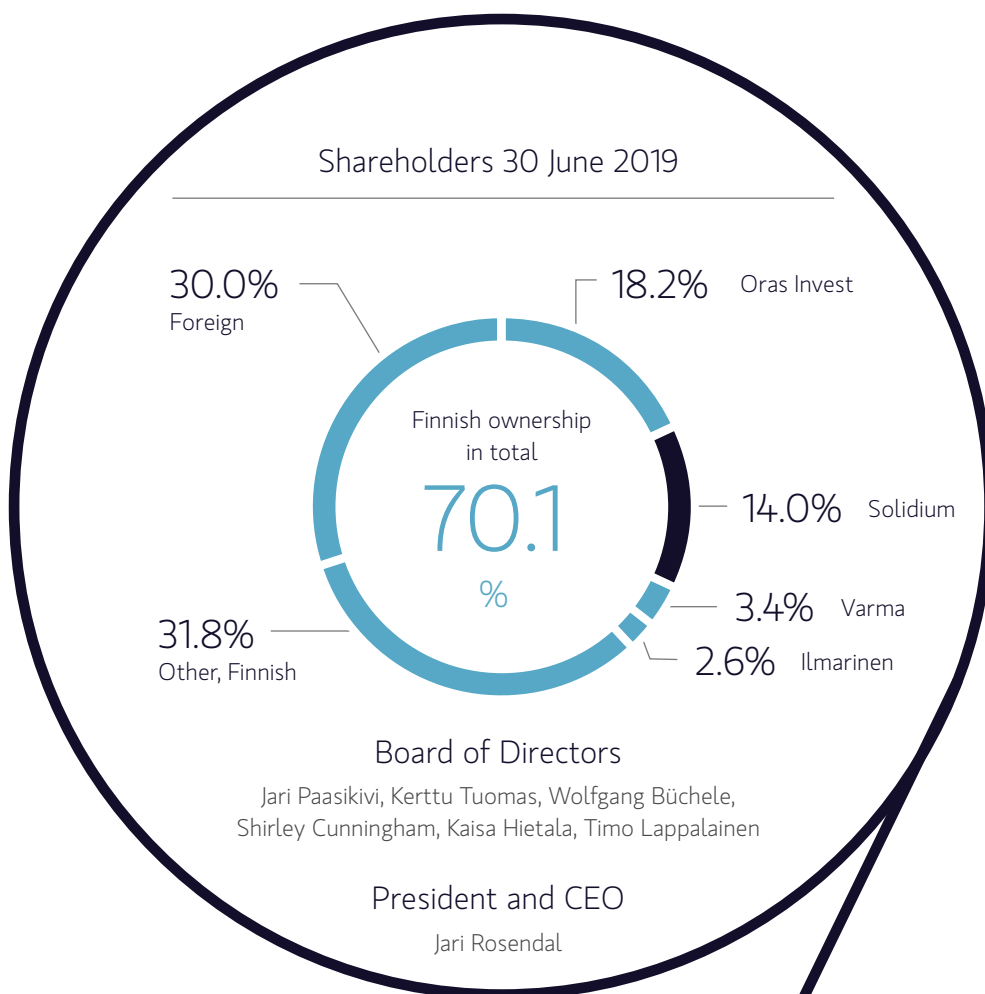
In order to respond to the growing demand for polymers in the oil and gas industry in North America, the company announced in spring 2019 that it will expand the production of emulsion polymers in Alabama in the USA. We believe that this is strategically a step towards the right direction. In addition, the company's additional capacity for the polymer production for Chemical Enhanced Oil Recovery (CEOR) in the

Netherlands will be completed in the second half of the year, and deliveries to the oil sands in Canada will continue according to plan.

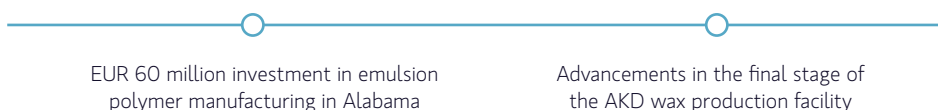
## Positive outlook in the pulp market

Kemira's largest segment, Pulp & Paper, has continued to grow organically as a result of the higher sales prices. However, there is still room for improvement in the segment's profitability. Process and functional chemicals, in particular, require measures and choices that support the profitability development. The company has actively worked on optimising its product portfolio, and exiting its detergent chemicals business demonstrates Kemira's increased focus on products in which its position is strong and profitability better, such as pulp and bleaching chemicals.

The capacity expansions in pulp and board companies open up opportunities for Kemira to further expand its operations in pulp chemicals, and also the longer-term market environment seems favourable. The acquisition in China of a producer of AKD wax used in the manufacture of paper and board has been completed, and production is estimated to start in the latter half of 2019. This will strengthen Kemira's position in sizing chemicals in both Asia and globally.



### Major events



Share of Solidium's equity holdings

**3.6 %**

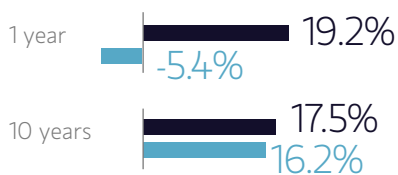
Profit distribution to Solidium 1 July 2018–30 June 2019

EUR **12.3** million

Market value of the holding 30 June 2019

EUR **282** million

### Annualised return



— Kemira  
 — Peer group median



“The price development of raw materials and successful increases of sales prices drive improved performance.”

**Toni Nurmi** Analyst, Solidium

# From integration to the next stage

Konecranes is a world-leading manufacturer of lifting equipment and machinery, serving a broad range of customers, including manufacturing and process industries, shipyards, ports and terminals. Konecranes provides productivity enhancing lifting solutions as well as services for lifting equipment of all makes.

The integration following the MHPS acquisition progressed well during the year and was completed in the summer 2019. The company reached its targeted cost synergies of EUR 140 million, even slightly ahead of the original plan. Although the profitability developed to the right direction during the year, the company still has a lot of work to do to reach its targeted EBITA margin of 11 per cent.

Konecranes increased investments in research and development and digitalisation, which targets continued improvement of the technical features and competitiveness of the products. Investments in digitalisation must also continue, since they provide opportunities for streamlining the company's own operations and creating new business opportunities.

During the financial year, the business area Port Solutions received several significant orders and booked additional orders in connection with earlier deals. Specifically, the order received for the new greenfield Hadarom container terminal in Israel is important, since in addition to a complete line of automated container cranes, it also includes a terminal operating system and Equipment Control System. The order also acts as a tangible indicator of the commercial potential of the investments the company has made in digitalisation and software.

## Seeking growth

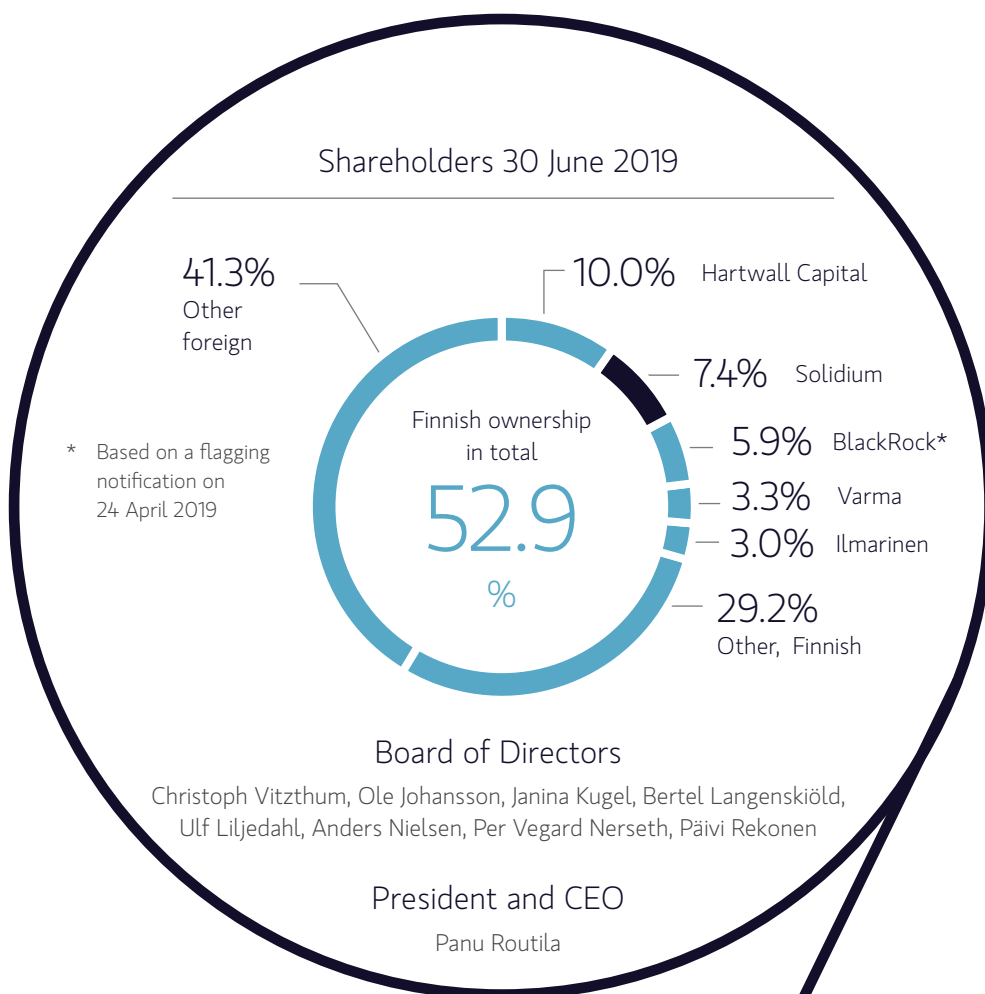
Next, the company will focus on the post-integration period. Growth in the business area Service is a considerable factor for increasing the company's value. It

is the company's most profitable business area and balances the cyclical nature of the equipment operations. Increasing focus and investments in growing the Service business in the future is justified. Among individual drivers of growth, focus will be on increasing sales to Demag's installed and service agreement base in order to achieve the targeted sales growth in the Service business. Full utilisation of this potential remains a longer-term opportunity.

The MHPS acquisition strengthened Konecranes' position globally. Nevertheless, Konecranes continues to be a fairly small player in the Asian market. Industrial production in Asia is estimated to continue to outgrow the rest of the world, and creating a stronger presence in Asia is important for accelerating future growth.

## Progress in the optimisation of production network

During the integration process, Konecranes streamlined its production network, combined operations and decreased the number of product platforms. For the most part, these measures have progressed according to the plan and are approaching completion. They will help achieve significant cost savings, but the savings are not yet fully reflected in the company's profitability. However, even after these measures, the company's production network continues to be fairly decentralised and offers opportunities for continued rationalisation and optimisation. This should serve as an important driver of profitability development and a source of value creation in the future as well.



### Major events



Share of Solidium's equity holdings

**2.5** %

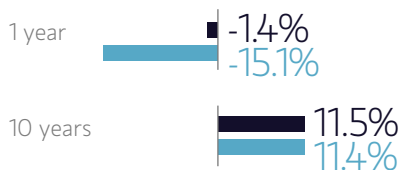
Profit distribution to Solidium 1 July 2018–30 June 2019

EUR **7.0** million

Market value of the holding 30 June 2019

EUR **196** million

### Annualised return



— Konecranes  
— Peer group median



“The integration of the MHPS acquisition concluded.”

**Jesse Väisänen** Investment Manager, Solidium



# Major projects ongoing

Metso is a world-leading industrial company serving the mining, aggregates, recycling, oil, gas, pulp, paper and process industries.

Metso's performance continued in a positive tone in 2018 as the market developed favourably in all of the company's customer industries. In the recent years, growth has been strong especially in the aggregates equipment, and both aggregates and the mining industry have seen favourable growth in the service business. The good level of demand is expected to continue in the near future, but sales growth is likely to level off. The outlook for the mining equipment market, that was challenging for a long time, is currently good and growth is expected to accelerate as mining companies seek to further improve their productivity and increase capacity. In addition to replacements and brownfield projects, the company also has new greenfield projects on the horizon. The Valves business area has developed favourably, particularly in Asia.

The good market environment and improved efficiency of operations are manifested as higher profitability. Profitability development has been challenged by limitations experienced in both the internal and external supply chain. The growth in the share of equipment sales reduces the overall profitability due to continued low margins in the equipment business. These issues require Metso to continue to improve its delivery capacity through shorter supply chains and, subsequently, delivery times. Cash flow should also be improved by releasing working capital from inventories, where the rapid growth is reflected.

## Continued investments in organic growth and acquisitions

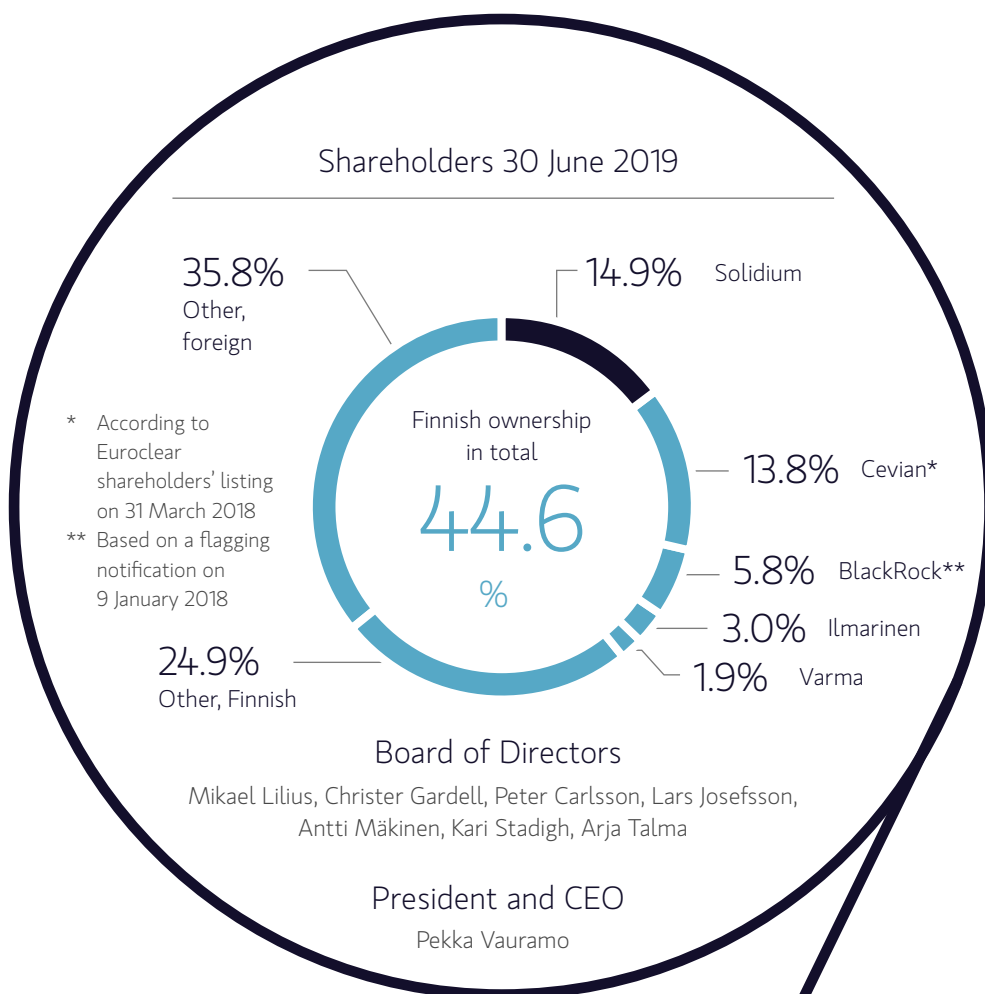
In autumn 2018, Metso announced new investments to grow the foundry capacity in India and to build a new valve factory in China. The investment announced at the beginning of 2018 to increase the production capacity of

aggregates equipment in Alwar, India, is progressing according to plan. In addition to the organic growth investments, Metso is strengthening its Minerals operations through two smaller-scale acquisitions in Great Britain and Chile, and through the acquisition of McCloskey International, a Canadian mobile crushing and screening equipment manufacturer. Our view is that the continued activity in acquisitions is welcome and important in terms of strengthening Metso's competitiveness.

## Significant changes in the group structure

In July 2019, Metso and Outotec announced the intention to combine Metso Minerals and Outotec to create a leading company in equipment, services and process technology serving the minerals, metals and aggregates industries. As a result of the combination of Metso Minerals and Outotec, Metso will continue under the name Neles Corporation, which is expected to become a leading, globally recognized pure-play flow control company.

There is a clear industrial logic to combining Metso Minerals and Outotec, and the value of synergies is significant. In our view, the merger will create shareholder value for the owners of both companies. Furthermore, Neles is well positioned for profitable growth as an independent company.



### Major events



Share of Solidium's equity holdings

**10.0%**

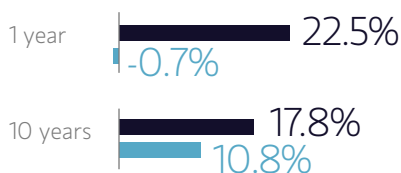
Profit distribution to Solidium 1 July 2018–30 June 2019

EUR **13.4** million

Market value of the holding 30 June 2019

EUR **773** million

### Annualised return



■ Metso  
 ■ Peer group median



“Recent measures will create value for shareholders.”

**Heidi Janoff** Investment Manager, Solidium



# Technology cycle causes fluctuating performance

Nokia is a global technology company operating in three business segments: Networks, which develops network infrastructure devices and services; Software, which develops network software; and Technologies, which focuses on technological development and licensing.

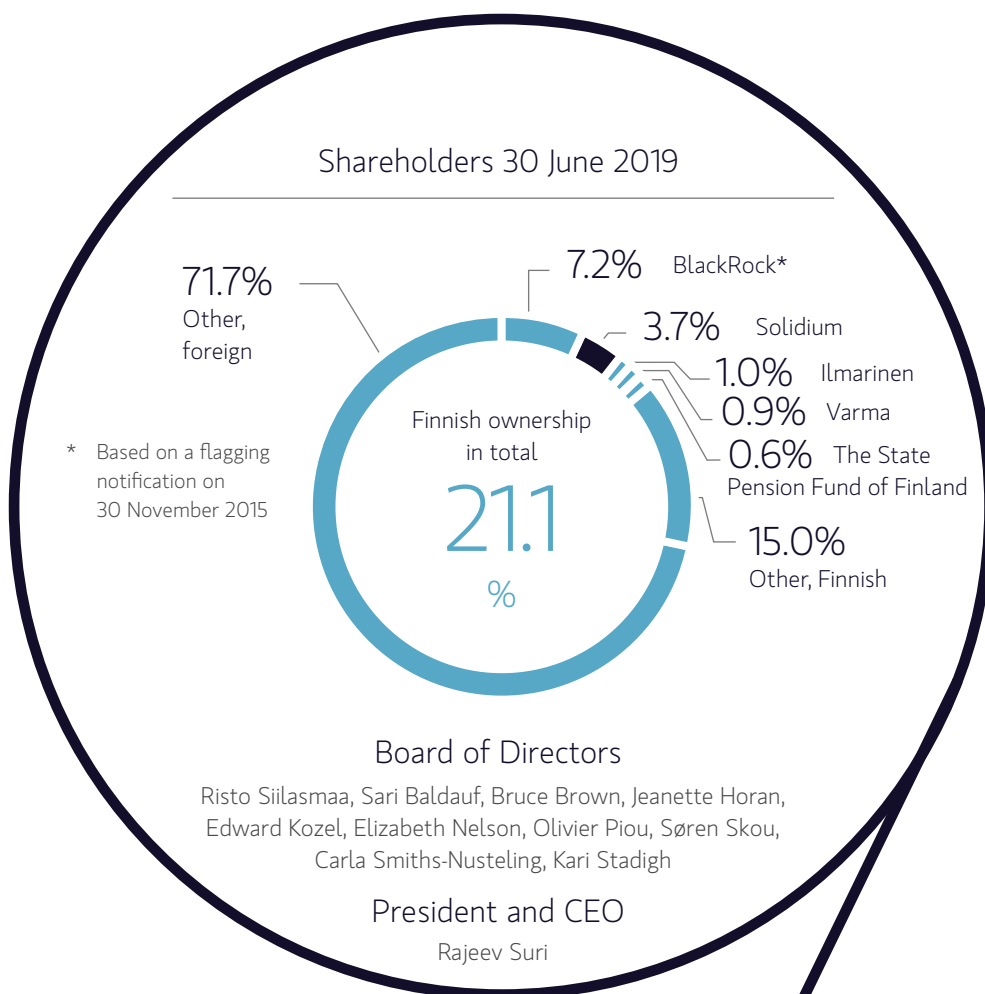
Nokia's strategy is to be the leading supplier of end-to-end networks to telecommunication service providers, as well as to expand network sales to selected vertical markets. Nokia works to build a strong standalone software business while using its extensive technology portfolio in the consumer ecosystems through the creation of new licensing opportunities. In 2018, Nokia published new financial targets until 2020. The profitability target of 12–16 per cent is ambitious, and requires successful implementation of the ongoing cost-savings programme; the purpose is to optimise the operations following the Alcatel-Lucent integration.

The market for networks has been shrinking for a number of years but is now turning into growth, driven by 5G investments. Commercial implementation of large-scale 5G networks is expected to begin within the next 12 months, so this year, 5G will account for less than 10 per cent of Nokia's net sales. The increasing volume of data transmitted over networks will require investments, which will increase the demand for Nokia's products in mobile, fixed, IP and optical networks and services. In addition, the role software plays will increase in importance due to network virtualisation, which will require more advanced software competence. Nokia has an excellent position in the industry where it is one of the three largest players. The company is also well positioned to benefit from the future development and, subsequently, to create value for its shareholders.

## Cyclical and two-fold development of business operations

The recent years have highlighted the cyclical nature of profitability in Nokia's network operations. The last quarter of 2018 was strong, with the operating margin exceeding 13 per cent, but in the following quarter (Q1 2019), the margin plummeted to -6 per cent. This development was attributable to the unfavourable product portfolio, greater share of low-margin implementation services for networks, as well as the smaller share of software products. This development is also reflected in the company's free cash flow, in which fluctuations have been considerable. In response, Nokia has launched a cash flow improvement programme.

By contrast, the development of Nokia's licensing operations has been positive, and the segment's operating profit was higher than the operating profit of the network operations in 2018. Over the course of more than 20 years, Nokia has cumulatively invested more than EUR 125 billion in R&D of communications technology and has developed a number of basic technologies for mobile devices. The company's licensing programme has progressed well, although reaching the previous annual growth target of 10 per cent seems challenging.



### Major events

The new cost saving programme aims at EUR 700 million annual net savings

In order to speed up the strategy implementation the company conducted organizational changes at the end of year 2018

Share of Solidium's equity holdings

11.6 %

Profit distribution to Solidium 1 July 2018–30 June 2019

EUR 10.3 million

Market value of the holding 30 June 2019

EUR 899 million

### Annualised return

1 year  -10.5%  30.9%

10 years  -4.5%  6.9%

■ Nokia  
 ■ Peer group median



“Nokia’s long-term value creation potential remains unchanged despite the recent fluctuating development.”

**Petter Söderström** Investment Director, Solidium



# Investments in growth

Nokian Tyres develops and manufactures premium tyres for passenger cars, vans and trucks.

The situation on the tyre market was challenging in the second half of 2018 as well as in the first months of 2019. Factors affecting demand included the new emissions testing methods, slower growth in Asia and the changes in the consumer sentiment. The biggest impact has been felt on the market for original equipment tyres but there have also been ripple effects in the replacement tyre market, where Nokian Tyres operates.

Nokian Tyres has a strong position in the company's home markets in the Nordic countries and Russia, especially in the company's most important product segment of winter tyres. Central Europe and North America have been growth markets for the company for several years. In Central Europe, the target is to increase sales by 50 per cent and in North America, the company pursues doubled sales within five years. In Heavy Tyres, the sales growth target is 50 per cent in four years. All of the above are key factors in the company's pursuit of annual revenue growth of at least five per cent in 2019–2021.

## Good progress in investment projects

In order to support the aforementioned growth targets, the company has several significant investment projects underway. The construction of the company's third production plant in Dayton, TN in the USA is the largest of them. The value of the investment is approximately USD 360 million, and the plant is expected to start commercial production at the beginning of 2020.

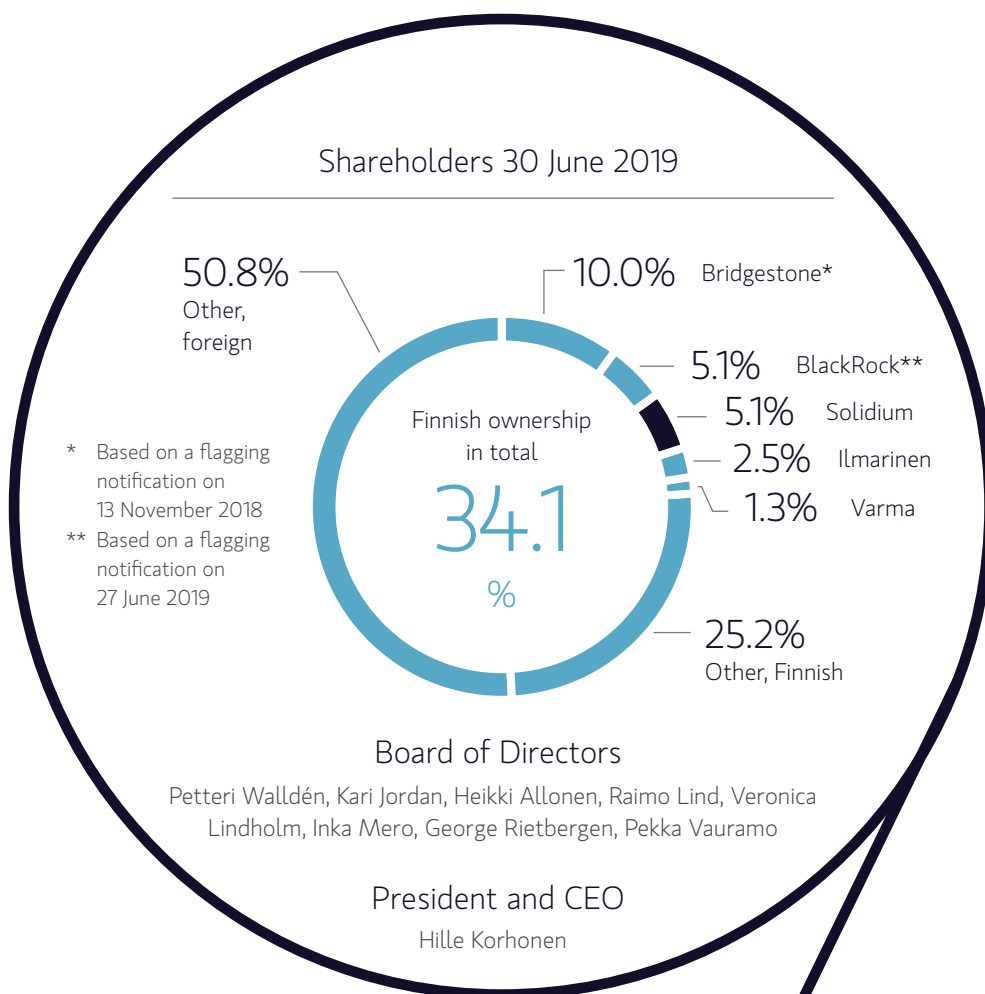
The production capacity of Heavy Tyres at the factory in Nokia, Finland, will be increased by 50 per cent through an investment of EUR 70 million. The additional capacity will be available by the end of 2020. The third growth investment is the construction of a new testing centre in Spain. This investment of approximately EUR 60 million will enable the company to especially test high performance

summer tires. The company already runs a testing centre optimised for testing winter tyres in Ivalo, Finland, and also has a smaller-scale testing facility in Nokia.

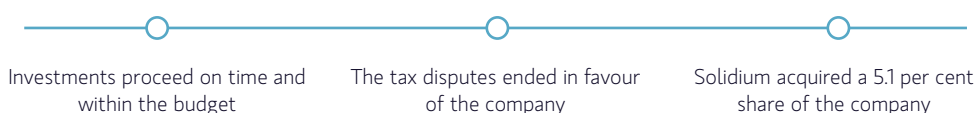
All investments have so far progressed well, according to plans and on budget. Thanks to the strong balance sheet, the company is able to execute several growth investments whilst maintaining good profit distribution to the shareholders. As a result of the growth investments, Nokian Tyres is facing promising growth opportunities in the 2020s, which will offer an excellent foundation for shareholder value creation.

## Transformations in the operating environment

The vehicle and tyre industry is undergoing numerous changes that will affect both customer relationships and the demand dynamics. It is likely that the impact on driving of the measures to mitigate climate change will not be visible until later. For example, a key measure regarding electric cars is minimising the rolling resistance of tyres. The share of corporate clients in the customer base will increase in the future, as vehicle ownership is becoming separated from vehicle use and the sharing economy becomes more common. The share of online sales of tyres will probably grow, although there will be regional differences in the rate of this development. The key strategic themes in the coming years will include investments in the company's own webstore, cooperation with webstores owned by other parties, as well as choices related to the tyre distribution network. Some tyre manufacturers have pursued a stronger hold of the tyre services and distribution and, subsequently, increased control in their value chain through M&A. Nokian Tyres has a strong network based on its brand stores and cooperation agreements on its home market.



### Major events



Share of Solidium's equity holdings

2.5 %

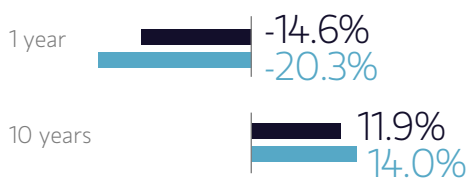
Profit distribution to Solidium 1 July 2018–30 June 2019

EUR 11.1 million

Market value of the holding 30 June 2019

EUR 192 million

### Annualised return



■ Nokian Tyres  
 ■ Peer group median



“Promising growth opportunities on the horizon in the 2020s.”

**Jesse Väisänen** Investment Manager, Solidium



# A year of setbacks

Outokumpu is one of the world's largest producers of stainless steel. The company also has a chromium mine in Kemi and runs its own ferrochrome production in Tornio in Finland.

The tone of the past year was gloomy for Outokumpu. The poor development in Europe was due to the primarily weak market situation, whereas the weak result in the Americas was caused by issues that are fundamentally within the company's sphere of influence. The development was positive in the production of ferrochrome: the company succeeded in overcoming the production problems that previously troubled the unit. Considerable technical problems were also averted in the production of stainless steel. The company succeeded in improving the performance in both occupational safety and customer service. However, the company's result development overall fell short of the market expectations and the return development was weaker than that of its main peers.

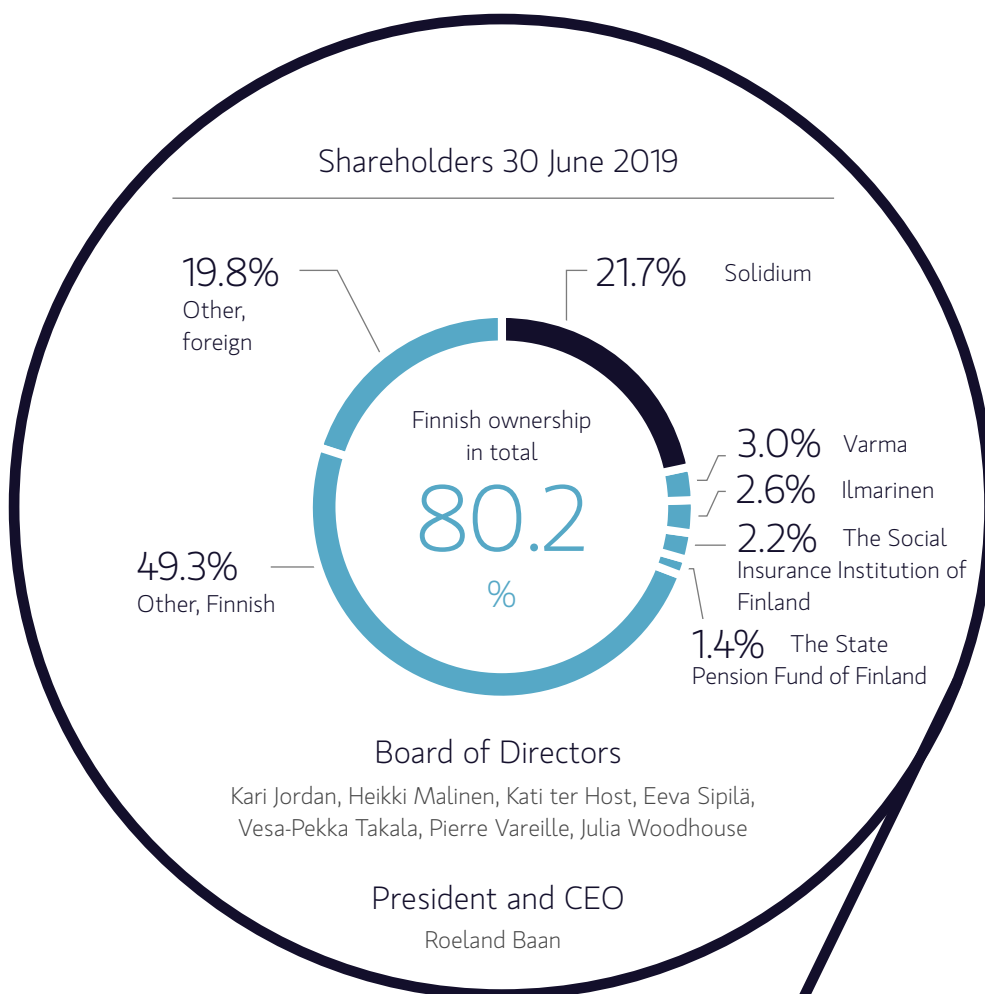
## Turbulence in the European market

The steel import tariffs imposed by the USA to protect steel production in North America and the market situation in Asia generated a surge of imports to Europe. Import to Europe increased significantly and, as a result, the base prices of stainless steel in Europe sank to the lowest levels in years. The operating margin of Outokumpu's unit in Europe plummeted, but the company managed to soften the decline by means of lower purchase prices of scrap. The temporary tariffs imposed by the EU in summer 2018 became permanent, with an improved structure, in February 2019 and are expected to offer profitability improvements in the industry in the medium term. So far the market situation has remained weak and the share of imports on a high

level. Increase in the base prices will require reduced pressure from import as well as end demand remaining free from new unexpected negative developments.

## More setbacks in the Americas

The year presented new setbacks in the Americas and, again, was a disappointment. For the most part, the company's tonnes delivered developed favourably, and the company's production reliability, quality and the share of cold rolled products advanced. However, failures in supply chain management and in the preparation of the sales forecast resulted in poor profitability in Q4 2018 and H1 2019. The Americas business area has also suffered from the increased costs of input materials and logistics, but the import tariffs and good economic situation have helped secure a good market situation in North America. Considering that, the current profitability of the Americas business area is not acceptable. The company has launched new measures to improve the profitability of the unit and return it to a growth track. Future profitability is supported by the announced investment in the production of ferritic grades at the Calvert mill in Alabama, USA. This measure is expected to improve profitability after 2020. For Outokumpu to reach its EBITDA target of EUR 750 million, the Americas business area must be able to improve its performance and the market situation in Europe has to improve.



### Major events



Share of Solidium's equity holdings

**3.5%**

Profit distribution to Solidium 1 July 2018–30 June 2019

EUR **13.5** million

Market value of the holding 30 June 2019

EUR **271** million

### Annualised return



■ Outokumpu  
■ Peer group median



“The trade war has a considerable impact on the market situation.”

**Pauli Anttila** Investment Director, Solidium

## Outotec

# Considerable improvement in the operative result

Outotec supplies technologies, equipment, process solutions and services for mineral processing and metal refining globally. It is the world's leading company in its industry.

The past year was characterised by twists and turns and both successes and failures for Outotec. The order intake and sales continued on a growth track, and the company's key service business grew despite the temporary issues in the supply chain. The provision of EUR 110 million due to the problems with the ilmenite smelter project in Jazan, Saudi Arabia was a great disappointment. The gigantic provision shadowed the otherwise positive development and without the provision, Outotec's result would have almost doubled from the previous year.

### Two-fold development in the business units

The financial performance of the company's two business units, Minerals Processing and Metals, Energy & Water, differs quite considerably. The order intake of the Minerals Processing business unit, which focuses on minerals and metals refining solutions, remained high and the unit improved both its sales and result considerably from the previous year. The adjusted EBIT exceeded the level of 11 per cent, which can be considered to be a good outcome, although there is still room for improvement.

The performance of the Metals, Energy & Water unit, which provides solutions for metal processing, renewable energy production and industrial water treatment, was again a challenge for the company. The unit showed a loss for the third year in a row, which was further deepened by the provision related to the Jazan project. The company has been cutting costs and working to increase the flexibility of its business model, but the measures have yet to reinstate the unit's profitability. The performance of the functions within the unit vary. The smelter and extraction solutions perform well,

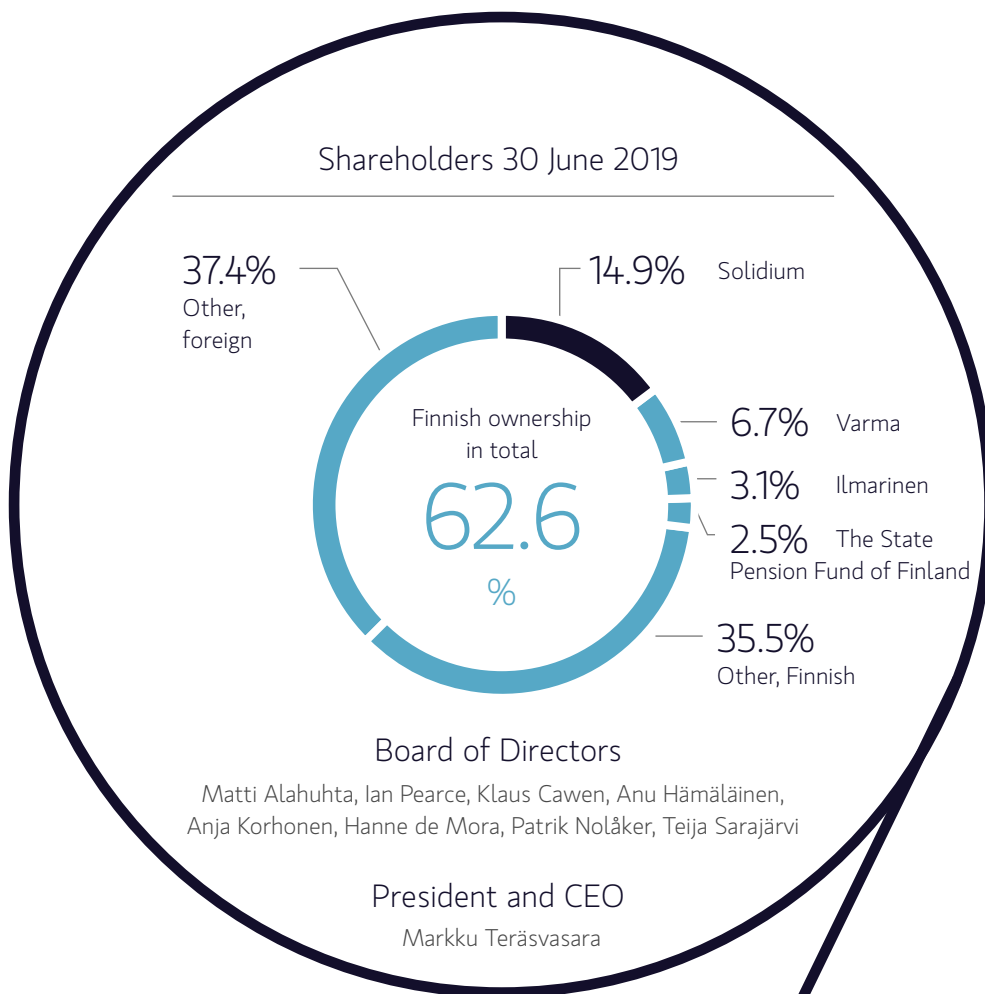
whereas demand for energy plants has been low for years. Overall, the unit's order intake beginning to grow was a promising start, but in absolute terms, the unit's order intake level is still fairly low. For performance to improve, new orders and sales growth are required throughout the unit, risk management needs to be successful and costs may need to be scaled down and operations streamlined even more.

### Risk management must improve

The company's result has, for a long time, been burdened by a few problematic projects, and this has forced the company to recognise extra costs for a few years. The biggest single example of these is the Jazan project. Thus, Outotec's focus has been on risk management in the recent years. The company has not recognised exceeded costs on its more recent projects, which is a positive trend. The company should bring the old problematic projects to completion as soon as possible in order for it to properly demonstrate its improved financial performance.

### Value creation through significant M&A

In July 2019, Outotec and Metso announced the intention to combine Outotec and Metso Minerals to create a leading company in equipment, services and process technology serving the minerals, metals and aggregates industries. There is a clear industrial logic to combining Outotec and Metso Minerals, and the value of synergies is significant. In our view, the merger will create shareholder value for the owners of both companies.



### Major events

Outotec made a EUR 110 million provision relating to the ilmenite smelter project in Jazan

Share of Solidium's equity holdings

1.6 %

Profit distribution to Solidium 1 July 2018–30 June 2019

EUR 0.0 million

Market value of the holding 30 June 2019

EUR 127 million

### Annualised return



■ Outotec  
■ Peer group median



“The gigantic provision shadowed the otherwise positive development.”

**Annareetta Lumme-Timonen** Investment Director, Solidium

# Straightforward successor planning

The Sampo Group's business areas are P&C insurance and life insurance. Sampo is also the largest shareholder in Nordea, one of the largest banks in the Nordic countries. The market value of Sampo's holding in Nordea accounts for approximately 22 per cent of Sampo's market value.

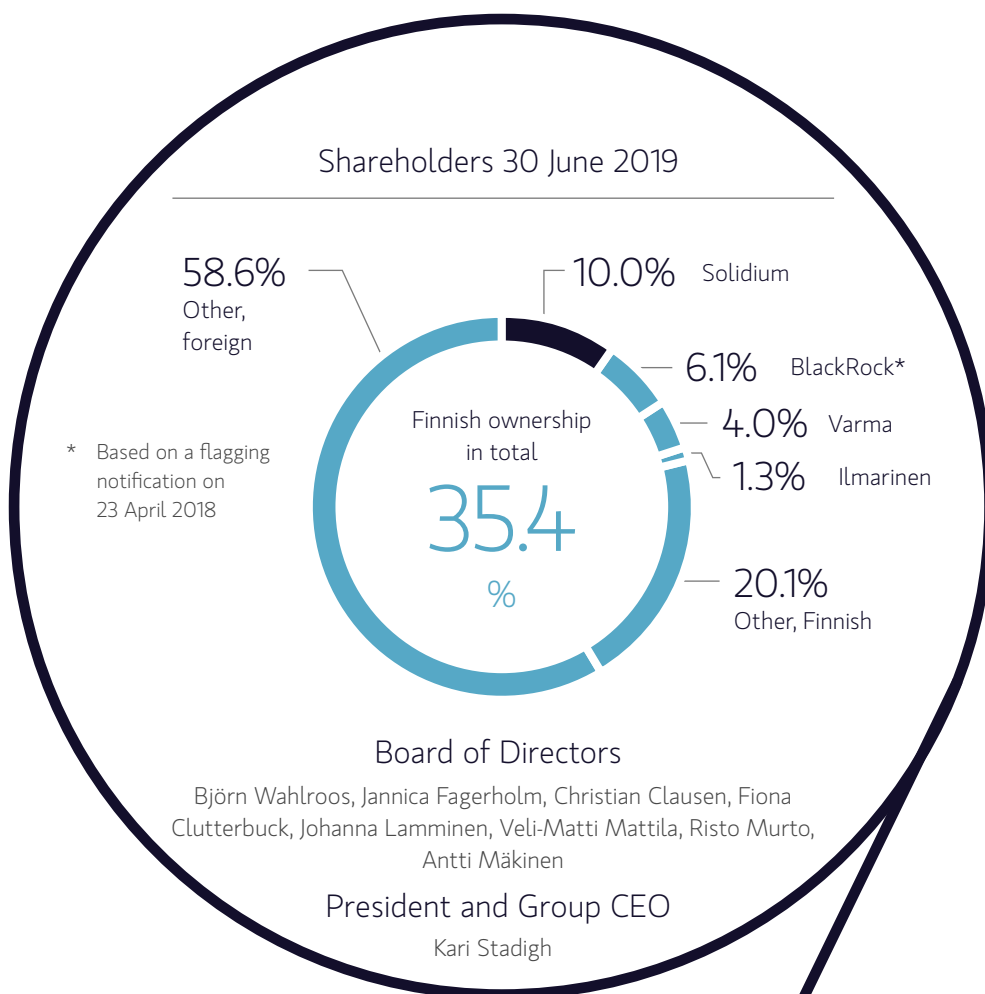
Sampo creates value for its shareholders over the long term through ownership in Nordic finance sector companies. The objective is to maintain such balance of financial performance, risks and capital in the business areas that supports their ability to pay steady dividends. The Group aims to leverage the opportunities opening up in the market for acquisitions, for example. If P&C Insurance accounts for the largest share (EUR 675 million) of the dividend income of approximately EUR 1.5 billion received by Sampo Plc, and Nordea's share is almost equally large (EUR 594 million). The dividends paid by life insurance company Mandatum and Topdanmark total approximately EUR 230 million. Over the course of the past 10 years, Sampo's share has offered an excellent total return, approximately 18 per cent annually.

For a long time, Sampo has been personified in Björn Wahlroos, chairman of the board of directors, and Kari Stadigh, Group CEO and President. Therefore, their approaching retirement has caused some concern about the company's successor planning, and the appointments published in February 2019 were good news in terms of continuity. Torbjörn Magnusson, who has led If with great success for 15 years, was appointed Sampo's Group CEO and President as of 1 January 2020 and Nordea's chairman of the board as of spring 2019. Morten Thorsrud, a long-term member of If's management group, was appointed the President and CEO of If, Sampo's most important business area. After the retirement of former CFO Peter Johansson, the CFO position at Sampo was filled by Knut-Arne Alsaker. Wahlroos will continue as the chairman of Sampo's board of directors. Our view is that Sampo continues to be in good hands.

## Nordea's re-domiciliation to Finland to impact Sampo's solvency calculation

Nordea's capital adequacy has been under scrutiny, as the re-domiciliation involved the supervisory responsibility being taken over by the European Central Bank. Nevertheless, no considerable changes are to be expected in terms of Nordea's nominal minimum capital requirement, but the situation will be confirmed in the coming years. By contrast, Nordea's re-domiciliation will have more impact on Sampo's solvency calculation than was expected. This is why Sampo has taken measures to improve its solvency ratio by issuing a hybrid bond and initiating a process to reduce its holdings in Nordea to less than 20 per cent.

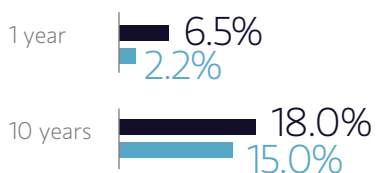
Nordea's financial performance has already been a cause for concern for a few years; first, the cost level development was unfavourable due to the considerable investments made in reorganisation of operations and in risk management, which resulted in the return development falling short of the expectations. The development of the net interest income is surely also affected by the structural changes in the operations in the Baltic countries and the reduction of the risk position in Russia and in the oil, off-shore and shipping operations. Going forward, growing Nordea's dividend annually may be difficult if the financial performance continues to be modest.



### Major events



### Annualised return



Sampo  
 Peer group median



“Turning Nordea’s financial performance around is more challenging than expected.”

**Petter Söderström** Investment Director, Solidium



# Continued improvement in performance

SSAB is a highly specialised Nordic steel company with production operations also in North America. It has a strong global position in special steel, and it also produces coil, sheet and tube products, as well as construction solutions.

The development in SSAB's market environment fluctuated during the past year. In the USA, the plate market developed favourably and price development was positive. Demand grew in all key customer segments, and the import duties imposed in 2018 increased the demand for locally produced steel in the USA. By contrast, demand was more steady in Europe and weakened slightly during the last quarter of 2018, largely due to the stabilised demand in the automotive industry. However, the demand outlook became more uncertain in Europe, in particular, towards the end of the reporting period, and the increasing raw material costs are putting pressure on margins. The steel industry is sensitive to macroeconomic changes, and uncertainty in the global economy is quickly reflected on the operations and share prices of steel producers.

## Important to ensure stable production

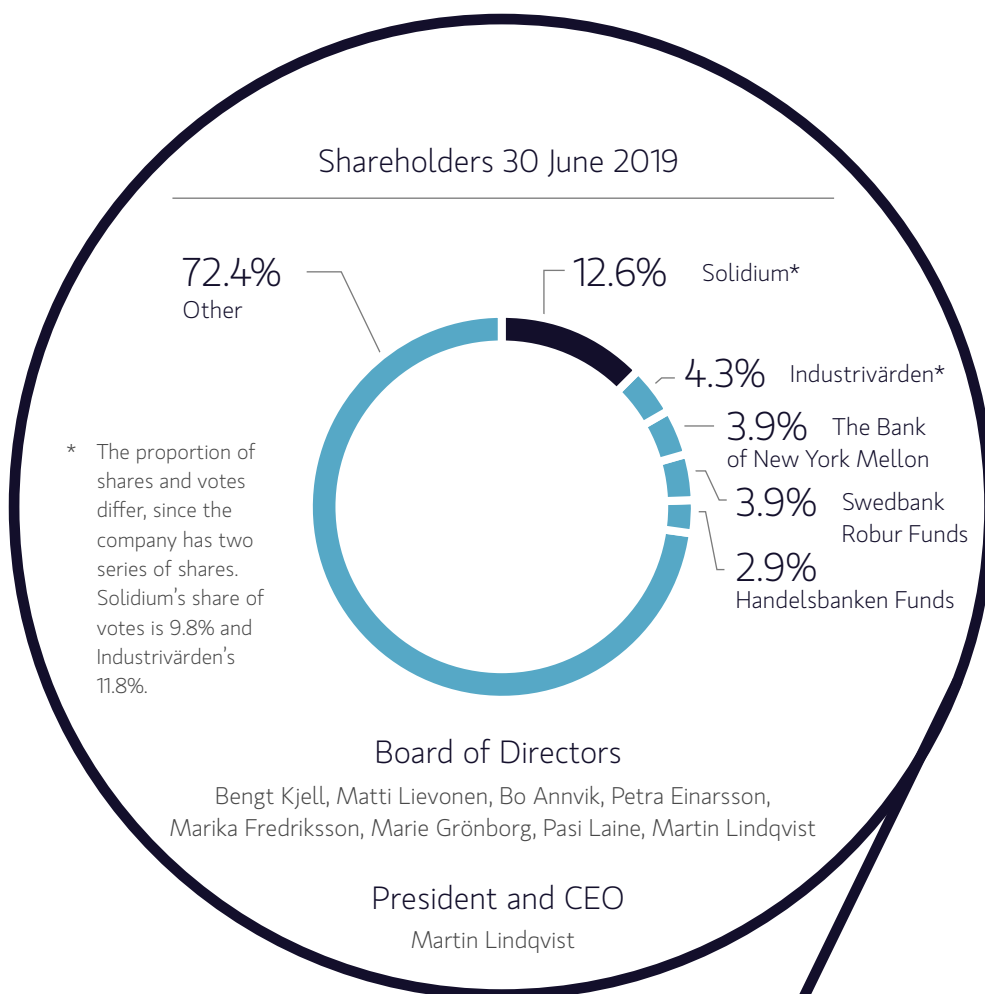
SSAB has succeeded in growing its net sales and improving profitability especially in the Americas segment, which has benefited from the good market situation. The share of the premium products with higher margin in deliveries continued to grow in the Europe segment, but the company's target of 40 per cent is still yet to be reached. Demand for the high-strength steels in the Special Steels division has grown steadily. Long-term trends, such as profitability improvement and sustainability, will support the demand for high-strength steels in the future as well. However, a number of production issues have had a negative impact on the

company's result during the past two years, and the positive effects of growth in the volumes of high-strength steels on the result have not been manifested in full. Thus, improving operative efficiency and ensuring problem-free production will be crucial for the company to improve profitability going forward.

## Investments in high-strength steels and fossil-free steel production

The favourable development in SSAB's capital structure continued. The stronger balance sheet has made it possible to seize suitable acquisition opportunities, and subsequently, SSAB has completed two minor acquisitions to strengthen its Nordic market position. In addition to these growth ventures, the company has announced an investment of approximately SEK 1 billion in the steel factory in Mobile, AL, in the Americas segment, where the goal is to grow the capacity of Quenched & Tempered Steels (Q&T) to 400,000 tonnes.

The construction of the pilot plant in the HYBRIT project for fossil free production of steel was launched in 2018. The company has announced its plans to gradually replace the blast furnaces used in the production of raw steel in Finland and Sweden by electric-arc furnaces. In our view, these are right steps with regard to value creation in the long-term. SSAB is now better positioned to face economic fluctuations and, at the same time, to secure its competitiveness in an operating environment with increasing emissions costs.



### Major events



Share of Solidium's equity holdings

**4.6 %**

Profit distribution to Solidium 1 July 2018–30 June 2019

EUR **18.6** million

Market value of the holding 30 June 2019

EUR **356** million

### Annualised return



■ SSAB  
■ Peer group median



“Ensuring production stability is crucial.”

**Heidi Janoff** Investment Manager, Solidium



# A two-fold year for shareholders

Stora Enso is one of the world's largest suppliers of packaging, biomaterial, wood products, and paper industry products and solutions.

Stora Enso's operative development in the past financial year was excellent, but from the perspective of the shareholders, it was two-fold. The company's sales continued to grow, financial performance was favourable and dividend grew again. Despite the positive development and growth outlook, shareholder return remained weak.

The past year was difficult for the Consumer Board division, which is particularly important for Stora Enso's value creation. Its performance was burdened by both the increased prices of pulp and wood raw material and the terms and conditions of delivery agreements. The agreements have been signed for several years, particularly in liquid packaging boards. The company was not able to fully compensate for the increased raw material costs during the financial period by raising the end product prices, and this was reflected in the division's weak result development.

The division's performance was also affected by the weaker than expected development in the board market in China. Megatrends support the growth of the market but the market is currently troubled by overcapacity. It is increasingly important that the product distribution and optimisation for Stora Enso's board machine in Beihai continue to improve in order for the machine to reach its full financial potential, since overcapacity issues will not be resolved in the coming years, according to our estimates.

## Strong performance in Packaging Solutions and Biomaterials

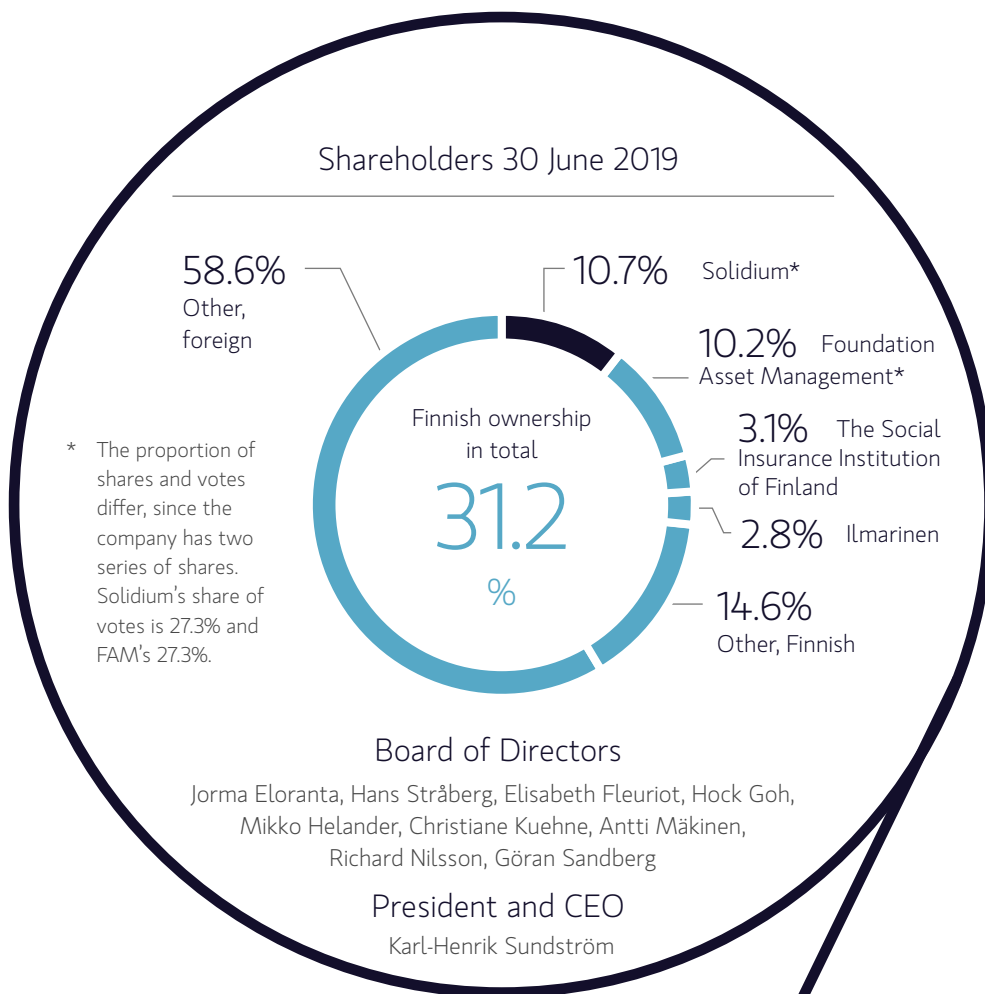
The financial performance of the Packaging Solutions division was excellent in the past financial year, driven by demand and higher prices. The prices of both kraftliner and testliner papers have remained steady, but it should be kept in mind that the demand of both products and

the subsequent price development are also very sensitive to changes in the global economic outlook. Despite the very successful kraftliner conversion in Varkaus, on a global scale Stora Enso is still a minor player in this market. Currently, the European kraftliner market relies partially on imported goods, and Stora Enso announcing the conversion of one of the paper machines in Oulu to kraftliner production is an indication of the company targeting this market.

The strong financial performance of the Biomaterials division continued during the past financial year, driven by the steady high prices of pulp. New production capacity is not expected to enter the market to a significant extent in the coming years, and this should continue to support the division's value development going forward. However, the pulp business is sensitive to the demand development in China and the situation in China may generate temporary pressure on pulp prices, as was seen towards the end of the year with the global decline in pulp prices.

Investments to develop and commercialise new biomaterial-based products continued during the year. In spite of the work carried out and investments made by the company, additional work is needed before the new ventures generate long-term business operations of significant scale. Typically, the process industry timespan from the development of new products to industrial-scale production remains long.

During the financial year, Stora Enso also issued its first green bonds. The generated funds will be used to finance the purchase of forest assets from the Bergvik Skog forest holding company. According to our view, the availability of cost-efficient wood raw material will contribute to improved competitiveness and making investments to secure such resources is justified. Growing the forest reserves and increasing transparency on the company's forest holdings may, in our view, also be an important driver for value creation in the future.



### Major events



Share of Solidium's equity holdings

13.8 %

Profit distribution to Solidium 1 July 2018–30 June 2019

EUR 42.2 million

Market value of the holding 30 June 2019

EUR 1,071 million

### Annualised return



■ Stora Enso  
 ■ Peer group median



"A forerunner in green bonds."

**Annareetta Lumme-Timonen** Investment Director, Solidium



# A significant growth leap

Tieto provides information technology, consulting and product development services and software for several companies and public sector entities primarily in the Nordic countries. Tieto is the market leader in Finland and among the largest players in Sweden.

Overall, the past year was reasonably successful for Tieto. Organic growth in line with the market was complemented by the accelerated growth provided by acquisitions completed earlier. Tieto's operative profitability exceeded 10 per cent again. The operating margin reported in 2018 was also nearly 10 per cent, while non-recurring costs were exceptionally low. However, there is still need for streamlining the operations as wage inflation and price erosion continue to be high. Consequently, Tieto announced new measures to strengthen profitability at the beginning of 2019.

At the operational level, the development of growth and profitability in the Technology Services and Modernization service line has exceeded expectations, despite the continued decline in the conventional services. The strong development in the application services, in particular, has been rewarding. Performance in the product development services also continued to be strong. By contrast, the profitability of the company's proprietary software products has taken a wrong turn. Despite a few successful product launches, the development of certain products has been delayed, weakening the unit's profitability.

## Strategy focus on consulting-led services

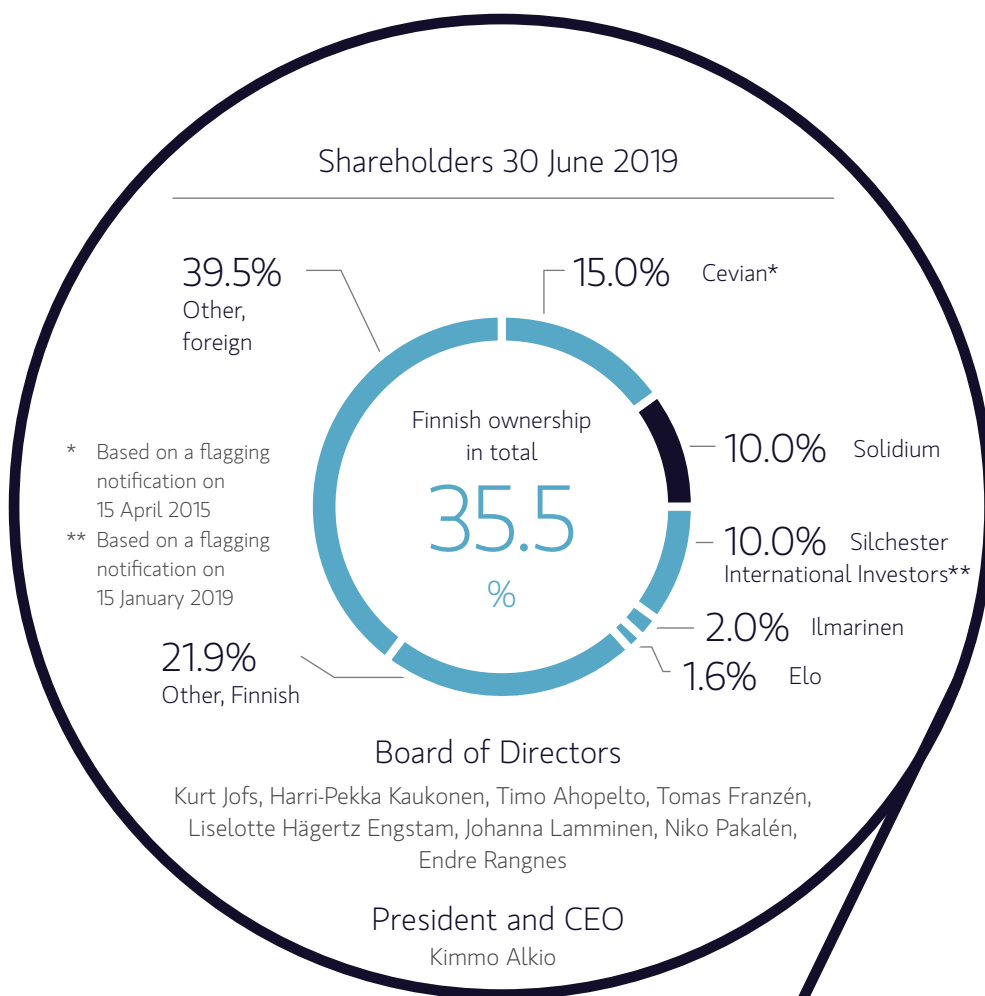
At the beginning of 2019, Tieto published its renewed strategy, which focuses on consulting-led services. The importance of digitalisation and data in customers' business operations and processes is growing, which will highlight the role of consulting services. Previously, proprietary software products were the spearhead of

Tieto's strategy, and they will continue to be part of Tieto's portfolio. Despite the company's investments in the development of software products, the growth and profitability of proprietary software products are yet to meet the expectations. Tieto raised its profitability and growth targets and removed the matrix from its organisational structure in the new strategy. The objective of these measures was to accelerate and increase the agility of the operating model which involves pursuing the right kind of boost in the operations through the establishment of country units.

## Merger with EVRY creates a clear leader in the Nordic market

The competitors of Tieto have been active acquiring companies in the consulting focused Swedish market where no clear market leader has existed. In June 2019 Tieto Oyj and EVRY ASA announced their cross-border merger arrangement in which the combined company will be called TietoEVRY. The combined revenue of the two companies is approximately EUR 3 billion and the headquarter will be in Espoo.

The complementing businesses in Norway, Finland and especially in Sweden, create a solid foundation for achieving considerable synergy benefits. According to our view successful integration planning and execution are prerequisites for shareholder value creation. In the past years Tieto has acquired several companies and the integrations have been successful in our view. Therefore, we believe that there is a good starting point for the integration work to be done.



### Major events



Share of Solidium's equity holdings

2.5 %

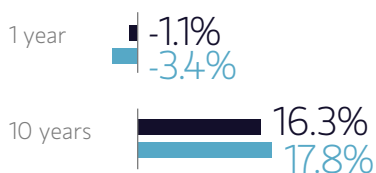
Profit distribution to Solidium 1 July 2018–30 June 2019

EUR 10.8 million

Market value of the holding 30 June 2019

EUR 193 million

### Annualised return



■ Tieto  
 ■ Peer group median



“A new phase to start in Tieto’s history.”

**Petter Söderström** Investment Director, Solidium



# Strong development continued

Valmet is a leading global developer and supplier of technologies, automation and services for the pulp, paper and energy industries.

Valmet's operative and financial development continued to be strong. Year 2018 was the best year in the company's history as orders, net sales and profitability reached record levels and orders grew in all business areas. The record-breaking growth in orders in the Paper business line is expected to level off going forward, although the market is still favourable. Orders in Valmet's stable business operations (Services and Automation) have grown at a steady pace, and future growth potential is generated by field services, for example. The market for larger pulp mill investments also started to pick up eventually, and Valmet received large orders for ARAUCO's MAPA and Klabin's PUMA projects during the year. The near-term outlook for pulp is nevertheless positive, and Valmet expects customers' order activity to pick up. Additional growth in orders in the Pulp and Energy business line has been generated by scrubber systems for ships. Their demand is expected to remain good at least for a few more years.

## New level of profitability

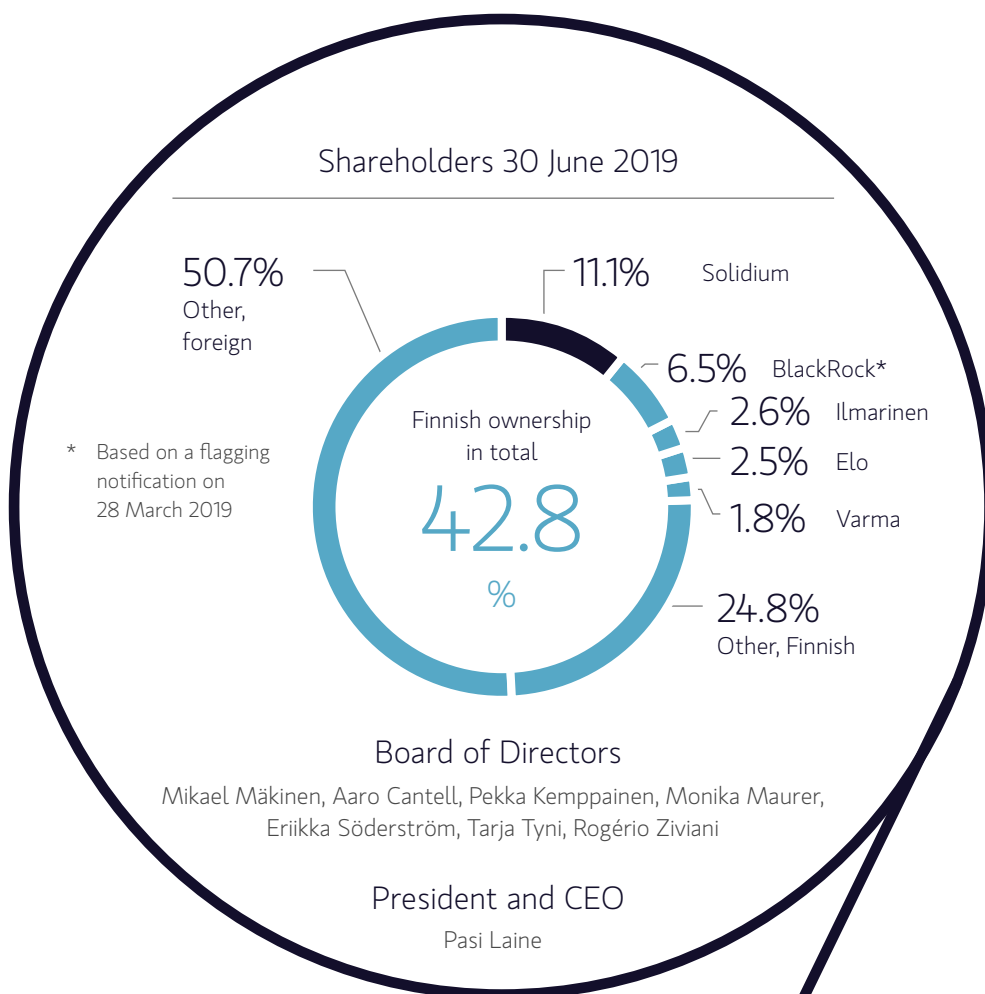
In addition to the boosted market activity and favourable development of net sales, profitability also developed in the right direction. However, profitability improvement has been challenged by the equipment-led sales distribution in the sales mix, as well as by the costs of managing projects and the high quality expenses. The margins in Valmet's project operations and large plant projects, in particular, are clearly lower than in the stable business operations. Visible progress has been made in the management and supervision of projects, resulting in profitability starting to improve. Compared to its main competitors and especially to its best-in-class industry

peers in the Nordic countries, Valmet still has room for improvement and must continue its determined measures.

In connection with the Capital Market Day held in autumn 2018, Valmet maintained its current financial targets. Profitability has now reached the targeted range of 8–10 per cent throughout the financial year and not just for individual quarters, and we are expecting Valmet to update its financial targets soon.

## Completed projects for inorganic growth

The long-awaited inorganic growth was accelerated considerably when Valmet strengthened its position through two small-scale acquisitions. The company has pursued inorganic growth projects actively. Indeed, according to Valmet the company has reviewed close to 50 candidates for acquisition since 2017. The offering of the North American company GL&V, acquired in February, strengthens Valmet's global service business and presence in North America. The acquisition of J&L Fiber Services, a manufacturer of refiner segments, announced in May also strengthens the company's service business and local presence in North America. Our view is that the completed acquisitions are steps in the right direction, since they complement Valmet's offering of higher-margin stable business operations.



### Major events



Share of Solidium's equity holdings

**4.7** %

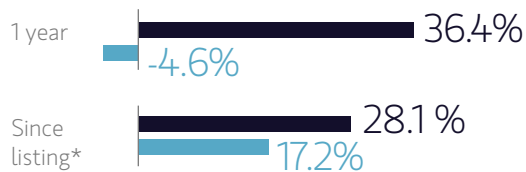
Profit distribution to Solidium 1 July 2018–30 June 2019

EUR **10.9** million

Market value of the holding 30 June 2019

EUR **366** million

### Annualised return



■ Valmet  
■ Peer group median

\* 2 January 2014–30 June 2019



*"Inorganic growth accelerated considerably."*

**Annareetta Lumme-Timonen** Investment Director, Solidium

# Board of Directors



**Harri Sailas**, Chairman of the Board of Directors  
born 1951, Econ.

2007–2015 Mutual Pension Insurance Company Ilmarinen, President and CEO  
–2007 Various management positions at Nordea and its predecessor banks, most recently as Director of the Helsinki Regional Bank and as Deputy CEO of Nordea Bank Finland

Positions of trust:  
2015– Finavia Oyj, Chairman of the Board  
2015– Alko Oy, Chairman of the Board  
2015– Helsinki Deaconess Institute Foundation, Member of the Supervisory Board  
2014– HSE foundation, Vice Chairman of the Board



**Eija Ailasmaa**, Vice Chairman of the Board  
born 1950, M.Sc. (Pol. Sc.)

2003–2011 Sanoma Media B.V., President and CEO  
2001–2003 Sanoma Magazines Finland Oy, CEO  
2000–2001 Helsinki Media Oy, CEO

Position of trust:  
2018– Era Content Oy, Member of the Board



**Timo Ahopelto**  
born 1975, M.Sc. (Tech.)

2009– Lifeline Ventures, Founding Partner  
2006–2009 Blyk, VP Business Development  
2000–2006 CRF Health, Founding CEO, VP Commercial Operations  
1999–2000 McKinsey & Company

Positions of trust:  
2017– Tieto Oyj, Board Member  
2014– Business Finland, Board Member  
2018– Slush Conference, Chairman of the Board  
2014– Finnish Business and Policy Forum EVA and Research Institute for Finnish Economy ETLA, Board Member  
2014– Helsinki University Innovation Committee, Board Member



**Aaro Cantell**  
born 1964, M.Sc. (Tech.)

2005– Normet Group Oy, Chairman of the Board, President and CEO  
1997–2007 Fenno Management Oy, Managing Partner  
1993–1997 Finnish Innovation Fund SITRA, Investment Director

Position of trust:  
2016– Valmet Corporation, Vice Chairman of the Board



**Markku Hyvärinen**

born 1948, student of natural sciences

1998–2008 Varma Mutual Pension insurance Company, Vice President  
1996–1998 Pension-Sampo, Managing Director  
1991–1996 The Finnish Social Democratic Party, Secretary General



**Paula Lehtomäki, until March 13, 2019**

born 1972, M.Sc. (Econ.), B.Soc.Sc.

2019– Secretary General of the Nordic Council of Ministers  
2015–2019 State Secretary to the Prime Minister  
2007–2011 Minister of the Environment  
2003–2007 Minister for Foreign Trade and Development  
1999–2015 Member of the Parliament

Positions of trust:  
2012– Aleksanteri institute,  
Member of the Advisory Board  
2010– UKK-Seura ry, Member of the Board



**Marjo Miettinen**

born 1957, M.Sc. (Ed.)

2017– Ensto Invest Oy, Chairman of the Board  
2016– Ensto Group, Chairman of the Board  
2016– Boardman Oy, Partner  
2006–2014 EM Group Oy, CEO  
2002–2006 Ensto Group, Chairman of the Board  
1988–2007 Ensto Group, various management positions

Positions of trust:  
2019– The Federation of Finnish Technology Industries, Chairman of the Board  
2018– DIF – Directors' Institute Finland, Member of the Board  
2015– Finnish Foundation for Technology Promotion, Chairman of the Board  
2005– EM Group Oy, Member of the Board



**Kimmo Viertola, from March 13, 2019**

born 1961, M.Sc. (Econ.)

2018– Ownership Steering Department at the Prime Minister's Office, Director General  
2018 Ownership Steering Department at the Prime Minister's Office, Senior Financial Adviser  
1998–2017 Finnish Industry Investment, Director

Positions of trust:  
2019– Shareholder's Nomination Board at Neste Oyj, Chairman  
2018– Shareholder's Nomination Board at Fortum Oyj, Chairman

# Personnel



**Antti Mäkinen**

born 1961, CEO, LL.M

Day-to-day administration of the company and managing the operations in compliance with the instructions determined by the Board, board elections in the portfolio companies



**Pauli Anttila**

born 1984, Investment Director,  
M.Sc. (Econ.)

Responsible for the holdings in Elisa, Kemira, Konecranes, Nokian Tyres and Outokumpu



**Tiitta Helstelä**

born 1966, Financial Assistant,  
information management, M.Sc. (Econ.)

Financial administration, IT system acquisitions and maintenance, annual report, and corporate responsibility



**Heidi Janoff**

born 1990, Investment Manager,  
M.Sc. (Econ.), CEFA

Analyses in the investment teams,  
communications



**Jaana Lahti**  
born 1985, Executive Assistant,  
BBA

Assistant to the CEO and Chairman  
of the Board, board meeting  
arrangements, HR



**Ulla Palmunen**  
born 1974, General Counsel,  
LL.M

Legal affairs and compliance,  
secretary to the Board of Directors,  
HR, communications



**Annareetta Lumme-Timonen**  
born 1967, Investment Director,  
M.Sc. (Eng.), D.Sc. (Tech.)

Responsible for the holdings in  
Outotec, SSAB, Stora Enso and  
Valmet, nomination board work,  
corporate responsibility



**Petter Söderström**  
born 1976, Investment  
Director, M.Sc. (Econ.)

Responsible for the holdings in  
Metso, Nokia, Sampo and Tieto,  
nomination board work, financial  
administration and treasury



**Toni Nurmi**  
born 1993, Analyst,  
M.Sc. (Econ.)

Analyses in the investment teams,  
portfolio performance monitoring



**Jesse Väisänen**  
born 1988, Investment  
Manager, M.Sc. (Econ.), CFA

Analyses in the investment teams,  
corporate responsibility



**Sirpa Oksala**  
born 1978, Administrative  
Assistant, BBA

Office management tasks  
and coordination

# Report by the Board of Directors for the financial year of 1 July 2018– 30 June 2019

Solidium Oy owns and manages shares in companies operating in Finland and exercises shareholder rights in them based on its ownership. Solidium is wholly owned by the State of Finland.

The Cabinet Committee on Economic Policy discussed Solidium Oy's new mandate in autumn 2016. In accordance with the mandate, Solidium is a Finnish anchor owner, with a national interest in its operations. The company has both the right and the obligation to develop its holdings, and investment decisions and divestments should be economically justifiable. Funds from divestment of shares are primarily used to acquire new investments or to strengthen the existing holdings. In addition, Solidium should be prepared, if so decided, to ensure proper capital management of its portfolio companies and to participate in the companies' share issues or other financing rounds pro rata.

Solidium's core task is to strengthen and stabilize Finnish ownership in companies of national interest and increase the value of the holdings in the long term. Solidium applies methods available for a minority owner to support and challenge the portfolio companies to develop and outperform their peers. The goal is for Solidium to have a representative in the board of directors of every portfolio company in the long term.

A central aspect of Solidium's corporate governance model is to actively influence the board composition of the portfolio companies. Therefore, Solidium participated actively in the work of nomination boards preparing

board elections during the financial year. The aim is to form a board composition which best serves the needs of the company and the goal of shareholder value creation. During the financial year, representatives of Solidium participated in the preparation of proposals concerning the election and remuneration of board members of 9 companies in the nomination board: as the chairman of the shareholders' nomination boards of Elisa Corporation, Metso Corporation, Outokumpu Oyj, Outotec Oyj, and Valmet Corporation, and as a member of the shareholders' nomination boards of Kemira Oyj, SSAB AB, Stora Enso Oyj and Tieto Corporation. During the financial year, a total of 15 new members were elected to the boards of directors of Solidium's portfolio companies. Six of the new members were women.

## Return development

At the close of the financial year, the market value of the equity investments was EUR 7,742 million and the value of money market investments was EUR 452 million. Solidium's return on investments was -2.9 per cent in total over the period. Return on equity investments was -3.0 per cent. Return on money market investments was 0.5 per cent. The company's net asset value decreased from EUR 8,010 million to EUR 7,341 million.

At the close of the financial year on 30 June 2019 Solidium held shares in thirteen listed companies: Elisa

Corporation, Kemira Oyj, Konecranes Plc, Metso Corporation, Nokia Corporation, Nokian Tyres Oyj, Outokumpu Oyj, Outotec Oyj, Sampo Plc, SSAB AB, Stora Enso Oyj, Tieto Corporation, and Valmet Corporation. During the financial year, Solidium received EUR 337 million before taxes in profits distributed by its portfolio companies (1 July 2017 – 30 June 2018: EUR 362 million).

## Events during the financial year

During the financial year, Solidium acquired shares for EUR 359 million and distributed EUR 155 million worth of shares to the State owner as capital repayment.

During the first months of 2019, Solidium acquired 5.1 per cent of the shares in Nokian Tyres Oyj from the market for approximately EUR 205 million. The company has promising growth opportunities at its hand in the 2020s owing to the greenfield investment in its third production plant, which is being built in Dayton, USA, and the investment to increase production capacity in its Nokia factory. In line with its mandate, Solidium strengthens and stabilizes the domestic ownership in Nokian Tyres.

During the financial year, Solidium executed its owner strategy also in Konecranes by acquiring shares for EUR 29 million resulting in an increase in the ownership from 6.2 per cent to 7.4 per cent. The ownership in Nokia was increased from 3.3 per cent to 3.7 per cent by acquiring shares for EUR 95 million.

In June 2019 Tieto Oyj and EVRY ASA announced their cross-border merger arrangement in which the combined company will be called TietoEVRY. Completion of the merger is expected to occur during the fourth quarter of 2019 or during the first quarter of 2020 at the latest. The two companies complement each other in Norway, Finland and Sweden which creates a solid foundation for the merger. The combined revenue of the two companies is approximately EUR 3 billion. The headquarter of TietoEVRY will be located in Espoo. Solidium, Cevian Capital Partners and APAX Partners LLP have irrevocably undertaken, subject to certain customary conditions, to attend the EGMs of both Tieto and EVRY and vote in favour of the combination. These parties also express their intention as shareholders of the combined company to support, through their respective representatives on the TietoEVRY's Shareholders' Nomination Board, the election of board members nominated by each such party. Solidium's shareholding in Tieto is currently 10.0 per cent. According to the terms of the transaction, after completion of the merger Solidium's shareholding would be diluted to 6.3 per cent since EVRY's shareholders will hold 37.5 per cent of TietoEVRY. Solidium has conditionally agreed to purchase approximately 4.4 million Tieto shares from EVRY's largest shareholder Funds advised by Apax Partners LLP. The sale and

purchase contemplated is conditional, among other, upon the completion of the merger of Tieto and EVRY and includes customary conditions precedent. If the share sale and purchase between Solidium and Apax is completed, Solidium's holding would remain at 10.0%.

## Financial performance

The management cost ratio, which indicates the cost-efficiency of operations, was 0.05 per cent (0.06 per cent). The amount of personnel expenses was EUR 2.4 million (EUR 2.4 million). Other operating expenses totalled EUR 1.4 million (EUR 2.1 million). The company's operating profit was EUR -3.9 million (EUR -4.6 million). Financial income, which totalled EUR 338.0 million (EUR 365.0 million), mainly consisted of dividend income (EUR 337.0 million before taxes) and income from money market investments (EUR 1.0 million). The company's financial expenses totalled EUR -0.4 million (EUR -1.0 million). Taxes for the financial year amounted to EUR -36.4 million (EUR -9.8 million) and profit totalled EUR 297.2 million (EUR 349.6 million).

## Solvency and liquidity

The largest item in Solidium's non-current assets is the equity portfolio with a book value of EUR 7,742 million (EUR 8,108 million). Investments, totalling EUR 359 million (EUR 958 million), consisted mainly of share acquisitions. At the end of the financial year, Solidium's liquid assets totalled EUR 451 million (EUR 985 million), while total assets were EUR 8,319 million (EUR 9,093 million). The exchangeable bond of EUR 350 million was repaid in September 2018.

The period-end equity ratio was 90 per cent (88 per cent) and liquidity was excellent, thanks to the liquid assets of EUR 451 million and the EUR 400 million commercial paper programme. Within the EUR 400 million commercial paper programme, Solidium can issue commercial papers with maturity of less than one year. No commercial papers had been issued at the end of the financial year on 30 June 2019.

## Annual Meetings and Board of Directors

Solidium's Annual General Meeting was held in Helsinki on 11 September 2018. The Annual General Meeting adopted the company's financial statements for the financial year of 1 July 2017 – 30 June 2018 and discharged the members of the Board of Directors and the CEO from liability. The Annual General Meeting resolved, in accordance with the proposal of the Board, that a profit distribution of EUR 351 million in total be paid to the owner for the financial year, corresponding to

the amount of dividends received by Solidium, taking the taxes payable on these dividends into consideration. For a term ending at the end of the next Annual General Meeting, the following persons were elected to the Board of Directors: Harri Sailas was elected as the Chairman, Eija Ailasmaa as the Vice Chairman, and Timo Ahopelto, Aaro Cantell, Markku Hyvärinen, Paula Lehtomäki and Marjo Miettinen were elected as members. The Annual General Meeting confirmed the existing remuneration of the Board of Directors: Chairman of the Board of Directors shall receive a remuneration of EUR 5,500 per month, the Vice Chairman EUR 3,000 per month and each member EUR 2,500 per month. In addition, a meeting remuneration of EUR 600 was confirmed for each meeting. KPMG Oy Ab, Authorised Public Accountant firm, was appointed as Solidium's auditor.

An Extraordinary General Meeting was held in Helsinki 13 March 2019. In the meeting Kimmo Viertola, who serves as the Director General at the Prime Minister Office's Ownership Steering Department, was appointed as a new member of Solidium's Board of Directors. Paula Lehtomäki had informed that she would resign from Solidium's Board since she was appointed as the new Secretary General at the Nordic Council of Ministers.

In spring 2019, three extraordinary general meetings were held, each of which resolved on capital repayment to the owner. Based on the decisions, shares worth EUR 155 million in total were transferred to the State owner as capital repayment.

All Board members are independent of the company and the shareholder, with the exception of Kimmo Viertola, who is not independent of the shareholder. The Board members do not hold company shares, and the company has not adopted any stock option or share reward schemes. The monthly remuneration and meeting fees paid to the members of Solidium's Board of Directors totalled EUR 289,319 (EUR 288,900). Solidium's Board convened 8 times (10 times) during the financial year, and the attendance rate of its members was 93 per cent (93 per cent).

Solidium's Board of Directors has a written charter. The charter complements the Board's duties as set out in the Limited Liability Companies Act and in the Articles of Association by, among other things, specifying that Solidium's Board decides on the company's business strategy within the limits of the authority granted by the owner, decides on share acquisitions and disposals, and confirms the principles of risk management. The charter contains procedural guidelines for meeting preparations, documentation and regularly handled matters. The Personnel Committee prepares matters concerning remuneration and the personnel. The Personnel Committee convened once during the financial year, and the attendance rate of its members was 100 per cent.

## Personnel

Antti Mäkinen has been Solidium's CEO since 2 May 2017. The CEO does not own any company shares or options. The CEO's remuneration consists of a fixed monthly salary and a performance bonus of a maximum of 30 per cent of the fixed salary, determined annually. The CEO's pension benefits and retirement age are determined in accordance with the Employees Pension Act. The CEO's term of notice is six months.

The average number of Solidium's permanent employees was 12 in the financial year and 12 at the end of the period. Solidium's Management Team comprised of the CEO, as well as General Counsel Ulla Palmunen and Investment Directors Pauli Anttila, Annareetta Lumme-Timonen and Petter Söderström at the end of the financial year.

## Assessment of key risks and sources of uncertainty

The key strategic risks and financial risks related to Solidium's operations are generated by market forces, which cause fluctuations in volumes and market values and may therefore significantly influence changes in the values of the company's investments and profits, the availability of financing and the achievement of long-term business objectives. Strategic and financial risks may also arise, for example, from the choice of a wrong strategy, from deficient management and monitoring, or from slow reaction to changes taking place in the market situation and the operating environment.

The most significant risks affecting the company's operations consist of equity, interest rate, currency and liquidity risks related to investment operations. These market-related risks may have a significant impact on the company's profit and the values of the shares owned by the company as a result of changes in market prices (interest rates, exchange rates, share prices, credit risk margins) or changes in price fluctuations. The company does not hedge its equity investments with derivatives or other instruments without a separate authorisation from the Board of Directors.

The key operational risks are related to deficiencies or errors in the functioning of internal processes and systems, the actions of individuals or events external to the company, which may cause direct or indirect losses to the company.

## Internal supervision and risk management

The principles of the company's internal supervision and risk management are further detailed on the company's web site.

## Proposal for the distribution of profit

The distributable non-restricted equity recognized in the financial statements totals EUR 4,552,551,969 including the profit of EUR 297,202,226 for the financial year. The Board of Directors proposes that a dividend of EUR 338,000,000 be paid.

## Events after the financial period

In July 2019 Metso Corporation and Outotec Oyj announced the transaction where Metso Minerals and Outotec are combined to create a leading company in equipment, services and process technology serving the minerals, metals and aggregates industries. The combined company will be named Metso Outotec Corporation with combined revenues amounting to EUR 4.2 billion including the impact of the recently announced acquisition of McCloskey by Metso. The complementary offering, capabilities in technology and services as well as global footprint of Metso Minerals and Outotec create a solid ground for the combination

and enable significant synergy benefits. The transaction will be implemented through a partial demerger of Metso, in which Metso shareholders will receive as demerger consideration 4.3 newly-issued shares in Outotec for each share owned in Metso. Metso shareholders will hold 78.0 per cent and Outotec shareholders 22.0 per cent of Metso Outotec. Solidium's shareholding in both Metso and Outotec is currently 14.9 per cent. Following the transaction, Solidium will hold 14.9 per cent of the combined company. As a result of the combination of Metso Minerals and Outotec, Metso will continue under the name Neles Corporation, which is expected to become a leading, globally recognized pure-play flow control company. After the completion of the transaction, Solidium will continue as a shareholder in Neles with a 14.9 per cent stake. The completion of the transaction is subject to customary conditions, including the approval of the EGMs of both companies. Solidium, Cevian Capital Partners, Varma and Ilmarinen have irrevocably undertaken, subject to certain customary conditions, to vote in favour of the transaction in the respective EGMs of Metso and Outotec.

## Solidium Oy's key figures

	1 July 2018–30 June 2019	1 July 2017–30 June 2018	1 July 2016–30 June 2017
Operating profit, EUR million	-3.9	-4.6	-4.6
Pre-tax profit, EUR million	333.6	359.4	311.1
Profit for the period, EUR million	297.2	349.6	304.6
Return on investment at fair value, %	-2.9	8.3	32.4
Management cost ratio of operations, %	0.05	0.06	0.07
Net asset value, EUR million	7,340.8	8,009.9	7,626.3
Interest-bearing liabilities, EUR million	205.0	350.0	350.0
Equity ratio, %	90	88	85
Distribution of profit	338.0*	506.0	307.0
Average number of employees	12	11	11

\* Board proposal

## Calculation of key figures

Management cost ratio of operations	=	$\frac{\text{Personnel expenses} + \text{depreciations and impairments} + \text{other operating expenses}}{\text{Net asset value (average of opening and closing balance)}}$
Net asset value	=	Shareholders' equity <i>Publicly listed equities and investment funds have been valued at their last trading price, taking into account deferred tax.</i>
Equity ratio	=	$\frac{\text{Shareholders' equity}}{\text{Balance sheet total} - \text{prepayments received}}$

# Income statement

EUR	Note	1 July 2018– 30 June 2019	1 July 2017– 30 June 2018
<b>TURNOVER</b>		0	0
Other operating income		0	0
Personnel expenses	1		
Wages and salaries		-2,019,799	-2,042,959
Social security expenses			
Pension costs		-347,331	-317,362
Other personnel expenses		-60,345	-53,593
Total personnel expenses		-2,427,475	-2,413,914
Depreciation and impairment			
Depreciation according to plan		-72,477	-57,255
Other operating expenses	2	-1,437,887	-2,083,956
<b>OPERATING PROFIT (LOSS)</b>		<b>-3,937,839</b>	<b>-4,555,125</b>
Financial income and expenses	3		
Income from other non-current asset investments		336,970,010	361,930,765
Other interest and financial income		1,000,379	3,076,301
Interest and other financial expenses		-427,578	-1,003,464
Total financial income and expenses		337,542,811	364,003,602
<b>PROFIT (LOSS) BEFORE EXTRAORDINARY ITEMS</b>		<b>333,604,973</b>	<b>359,448,477</b>
<b>PROFIT (LOSS) BEFORE TAX</b>		<b>333,604,973</b>	<b>359,448,477</b>
Income tax		-36,402,747	-9,840,674
<b>PROFIT (LOSS) FOR THE PERIOD</b>		<b>297,202,226</b>	<b>349,607,803</b>

# Balance sheet

EUR	Note	30 June 2019	30 June 2018
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets	4		
Other non-current assets		5,543	29,296
Total intangible assets		5,543	29,296
Tangible assets	5		
Machinery and equipment		190,399	100,505
Other tangible assets		17,420	17,420
Total tangible assets		207,820	117,926
Investments	6		
Other shares and equity		7,741,551,470	8,107,747,445
<b>TOTAL NON-CURRENT ASSETS</b>		<b>7,741,764,833</b>	<b>8,107,894,667</b>
<b>CURRENT ASSETS</b>			
Receivables	7		
Current receivables			
Prepayments and accrued income		265,409	502,989
Total receivables		265,409	502,989
Financial investments			
Other investments		424,813,973	772,778,871
Cash and cash equivalents		26,360,012	211,759,999
<b>TOTAL CURRENT ASSETS</b>		<b>451,439,393</b>	<b>985,041,859</b>
<b>TOTAL ASSETS</b>		<b>8,193,204,226</b>	<b>9,092,936,525</b>

# Balance sheet

EUR	Note	30 June 2019	30 June 2018
<b>EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
	6,8		
Share capital		331,500,000	331,500,000
Other reserves			
Fair value reserve		2,456,698,578	2,929,829,967
Reserve for invested non-restricted equity		3,070,637,993	3,225,639,966
Retained profit (loss)		1,184,711,750	1,173,279,841
Profit (loss) for the period		297,202,226	349,607,803
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>7,340,750,547</b>	<b>8,009,857,577</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
	9		
Deferred tax liability		614,174,645	727,962,814
<b>Total non-current liabilities</b>		<b>614,174,645</b>	<b>727,962,814</b>
<b>Current liabilities</b>			
	10		
Unsecured bond		0	350,000,000
Short-term loans from financial institutions		205,000,000	0
Trade payables		227,357	211,929
Other liabilities		55,704	55,427
Accrued liabilities		32,995,972	4,848,778
<b>Total current liabilities</b>		<b>238,279,034</b>	<b>355,116,134</b>
<b>TOTAL LIABILITIES</b>		<b>852,453,679</b>	<b>1,083,078,948</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>8,193,204,226</b>	<b>9,092,936,525</b>

# Cash flow statement

EUR	1 July 2018– 30 June 2019	1 July 2017– 30 June 2018
<b>Cash flow from operating activities</b>		
Operating profit	-3,937,839	-4,555,125
Adjustments to operating profit*	72,477	57,255
Dividends and capital repayments received	336,970,010	361,930,765
Other financial items	572,802	2,057,718
Tax paid	-12,650,674	-230,850,494
	321,026,776	128,640,119
Change in working capital		
Current receivables (increase -, decrease +)	220,430	322,955
Non-interest-bearing current liabilities (increase +, decrease -)	98,280	-262,668
	318,711	60,287
<b>Cash flow from operating activities</b>	<b>321,345,486</b>	<b>128,700,406</b>
<b>Cash flow from investing activities</b>		
Investments in tangible and intangible assets	-138,618	-1,712
Investments in shares	-358,571,754	-957,923,495
Gains on sale of shares	0	1,415,862,580
<b>Cash flow from investing activities</b>	<b>-358,710,372</b>	<b>457,937,373</b>
<b>Cash flow from financing activities</b>		
Change in short-term borrowings	205,000,000	0
Repayment of long-term loan	-350,000,000	0
Profit distribution paid	-351,000,000	-307,000,000
<b>Cash flow from financing activities</b>	<b>-496,000,000</b>	<b>-307,000,000</b>
<b>Cash flow for the period</b>	<b>-533,364,886</b>	<b>279,637,778</b>
Liquid funds at the start of the financial period	984,538,870	704,901,091
Liquid funds at the end of the financial period	451,173,984	984,538,870
Change in liquid funds	<b>-533,364,886</b>	<b>279,637,778</b>

Liquid funds in the cash flow statement include receivables from banks, bank deposits with a maturity of less than 3 months, short-term commercial papers and certificates of deposit, and units in mutual funds that invest in corresponding financial instruments.

* Adjustments to operating profit		
Depreciation	72,477	57,255
Capital gains and losses	0	0
	72,477	57,255

# Notes to the financial statements

The financial statements of Solidium Oy have been prepared in compliance with the Finnish Accounting Act, Accounting Ordinance and Companies Act. Comparative figures for the previous financial year are reported in the income statement and balance sheet in accordance with this new accounting practice.

Solidium Oy is domiciled in Helsinki. Copies of Solidium Oy's financial statements are available at the company's office at Unioninkatu 32 B, 00100 Helsinki.

## Measurement and recognition principles

### Financial income

Dividend income from investments within non-current assets is recorded on a cash basis. Interest income from financial investments and cash and cash equivalents is recorded as interest and other financial income. Accrued but unpaid interest is recorded as income and as receivable within accrued income. Purchases and divestments are recorded on the day of the trade.

### Valuation of non-current assets

Tangible and intangible assets are measured at the cost of acquisition less accumulated depreciation. Planned depreciation of machinery and equipment corresponds to 25 per cent of the maximum amount of the residual value, as regulated in the tax legislation. Intangible assets are depreciated on a straight-line basis over 3–5 years.

Solidium applies section 5.2a of the Accounting Act regarding recognition of financial instruments. Equity investments are long-term and therefore they are valued at fair value on the balance sheet, and changes in fair value are recorded in the fair value reserve in

shareholders' equity. Gains and losses on the sale of shares are recognised directly in retained earnings.

### Valuation of current assets

Current assets are measured at the estimated recoverable amount.

Financial securities are measured at the lower of the cost of acquisition and market value.

Receivables and liabilities denominated in foreign currencies have been measured at the average rate on the balance sheet date as confirmed by the European Central Bank.

## Pensions

Pensions are recognised in the income statement in the financial period to which they apply. The pension provisions for the company's personnel are arranged through statutory TyEL insurance.

## Tax

The tax expense item in the income statement consists of current tax. It is calculated on the basis of the Finnish tax rate and adjusted for any taxes related to previous financial periods. A deferred tax liability or deferred tax asset is recorded as a result of changes in fair value of equity investments. Capital gain taxes on equity investments are recognized in retained earnings.

## NOTES TO THE INCOME STATEMENT

EUR	1 July 2018– 30 June 2019	1 July 2017– 30 June 2018
<b>1. PERSONNEL EXPENSES</b>		
Wages and salaries	2,019,799	2,042,959
Pension costs	347,331	317,362
Other personnel expenses	60,345	53,593
<b>Total</b>	<b>2,427,475</b>	<b>2,413,914</b>

During the financial period, the salaries (including fringe benefits) paid to the CEO were EUR 371,823 and the performance bonuses EUR 138,750. The performance bonuses of the CEO for the period amounted to EUR 144,375, which will be paid after the close of the financial period.

The persons belonging to the Management Team (excluding the CEO) were paid a total of EUR 563,914 and EUR 135,000 in performance bonuses. The performance bonuses earned by these persons during the financial period totalled EUR 120,000.

The Board of Directors received EUR 289,319 (EUR 288,900) in monthly salaries and meeting fees.

Average number of employees	12	11
Employees at period end	12	12

**2. OTHER OPERATING EXPENSES**

Administration costs	780,093	1,468,908
Costs for facilities	213,356	231,978
Other	444,438	383,070
<b>Total</b>	<b>1,437,887</b>	<b>2,083,956</b>

**Fees paid to authorised public accountants**

Audit	11,160	20,088
Tax consultation	0	0
Other services	0	0
<b>Total</b>	<b>11,160</b>	<b>20,088</b>

**3. FINANCIAL INCOME AND EXPENSES**

Income from other non-current asset investments	336,970,010	361,930,765
Other interest and financial income	1,000,379	3,076,301
Interest and other financial expense	-427,578	-1,003,464
<b>Total financial income and expenses</b>	<b>337,542,811</b>	<b>364,003,602</b>

## NOTES TO THE BALANCE SHEET

EUR	30 June 2019	30 June 2018
<b>4. INTANGIBLE ASSETS</b>		
<b>Intangible rights</b>		
Cost of acquisition at the start of the financial period	48,939	48,939
Additions	0	0
Cost of acquisition at the end of the financial period	48,939	48,939
Accumulated depreciation at the start of the financial period	48,939	48,939
Depreciation for the period	0	0
Accumulated depreciation at the end of the financial period	48,939	48,939
Disposals	0	0
Carrying amount at the end of the financial period	0	0
<b>Other non-current assets</b>		
Cost of acquisition at the start of the financial period	169,824	169,824
Additions	0	0
Cost of acquisition at the end of the financial period	169,824	169,824
Accumulated depreciation at the start of the financial period	140,528	116,775
Depreciation for the period	23,753	23,753
Accumulated depreciation at the end of the financial period	164,281	140,528
Disposals	0	0
Carrying amount at the end of the financial period	5,543	29,296
<b>Total intangible assets</b>	<b>5,543</b>	<b>29,296</b>
<b>5. TANGIBLE ASSETS</b>		
<b>Machinery and equipment</b>		
Cost of acquisition at the start of the financial period	534,345	534,345
Additions	138,618	0
Cost of acquisition at the end of the financial period	672,963	534,345
Accumulated depreciation at the start of the financial period	433,840	400,338
Depreciation for the period	48,724	33,502
Accumulated depreciation at the end of the financial period	482,563	433,840
Disposals	0	0
Carrying amount at the end of the financial period	190,399	100,505
<b>Other tangible assets</b>		
Cost of acquisition at the start of the financial period	17,420	15,708
Additions	0	1,712
Cost of acquisition at the end of the financial period	17,420	17,420
Accumulated depreciation at the start of the financial period	0	0
Depreciation for the period	0	0
Accumulated depreciation at the end of the financial period	0	0
Disposals	0	0
Carrying amount at the end of the financial period	17,420	17,420
<b>Total tangible assets</b>	<b>207,820</b>	<b>117,926</b>

**6. INVESTMENTS**

Share	Number of shares	Holding	Carrying amount 30 June 2019
Elisa	16,802,800	10.0%	721,008,148
Kemira	21,782,765	14.0%	281,868,979
Konecranes	5,832,256	7.4%	195,788,834
Metso	22,374,869	14.9%	773,051,724
Nokia	206,000,000	3.7%	899,396,000
Nokian Tyres	7,000,000	5.1%	192,220,000
Outokumpu	90,324,385	21.7%	270,973,155
Outotec	27,265,232	14.9%	126,619,737
Sampo A	55,278,580	10.0%	2,294,061,070
SSAB A	26,448,015	8.7%*	80,613,550
SSAB B	103,326,425	14.2%*	275,674,902
Stora Enso A	62,655,036	35.5%**	845,842,986
Stora Enso R	21,792,540	3.6%**	225,225,901
Tieto	7,415,418	10.0%	193,245,793
Valmet	16,695,287	11.1%	365,960,691
<b>Total</b>			<b>7,741,551,470</b>

\* Solidium Oy's holding of all of SSAB AB's shares is 12.6% and of all votes 9.8%

\*\* Solidium Oy's holding of all of Stora Enso Oy's shares is 10.7% and of all votes 27.3%

The most significant risks affecting the company's operations consist of equity, interest rate, currency and liquidity risks related to investment operations. Equity risk is to be understood as changes in fair value due to price changes.

A 10 per cent decrease in the value of equity investments would affect shareholders' equity by EUR -619 million (EUR -649 million as at 30 June 2018).

EUR	30 June 2019	30 June 2018
<b>7. CURRENT RECEIVABLES</b>		
Other receivables	0	0
Prepayments and accrued income	265,409	502,989
<b>Total</b>	<b>265,409</b>	<b>502,989</b>
Material items in prepayments and accrued income:		
Accruals of personnel expenses	0	189,449
Accruals of financing agreement fees	116,736	37,888
Interest accruals of money market investments	0	228,247
Other items	148,673	47,405

EUR	30 June 2019	30 June 2018
<b>8. SHAREHOLDERS' EQUITY</b>		
<b>Restricted shareholders' equity</b>		
Share capital	331,500,000	331,500,000
Fair value reserve	2,456,698,578	2,929,829,967
<b>Total restricted shareholders' equity</b>	<b>2,788,198,578</b>	<b>3,261,329,967</b>
Solidium Oy has 2,000 shares. The shares have no nominal value.		
<b>Changes in the fair value reserve</b>		
Fair value reserve per 1 July 2018	2,929,829,967	
Profit + / Loss (-) valued at fair value	-558,155,724	
Deferred tax liability from profit/loss valued at fair value	111,631,145	
Total	-446,524,579	
Profit from previous periods transferred to shareholders equity, shares		
Capital gains and / losses total	-33,258,513	
Deferred taxes on capital gains / -losses	6,651,703	
Total	-26,606,810	
<b>Fair value reserve per 30 June 2019</b>	<b>2,456,698,578</b>	
<b>Non-restricted shareholders' equity</b>		
Reserve for invested non-restricted equity at the start of the financial period	3,225,639,966	3,225,639,966
Capital repayment	-155,001,973	0
Reserve for invested non-restricted equity at the end of the financial period	3,070,637,993	3,225,639,966
Profit from previous periods at the start of the financial period	1,522,887,644	1,480,279,841
Dividend paid	-351,000,000	-307,000,000
Result from sold securities	21,648,479	0
Taxes from sold securities	-8,824,373	0
Profit from previous periods at the end of the financial period	1,184,711,750	1,173,279,841
Profit for the period	297,202,226	349,607,803
	1,481,913,976	1,522,887,644
<b>Total non-restricted shareholders' equity</b>	<b>4,552,551,969</b>	<b>4,748,527,610</b>
<b>Total shareholders' equity</b>	<b>7,340,750,547</b>	<b>8,009,857,577</b>

EUR	30 June 2019	30 June 2018
<b>9. NON-CURRENT LIABILITIES</b>		
Non-current deferred tax liabilities	614,174,645	727,962,814
<b>Total</b>	<b>614,174,645</b>	<b>727,962,814</b>
<b>10. CURRENT LIABILITIES</b>		
Unsecured bond	0	350,000,000
Loans from financial institutions	205,000,000	0
Trade payables	227,357	211,929
Other liabilities	55,704	55,427
Accrued liabilities	32,995,972	4,848,778
<b>Total</b>	<b>238,279,034</b>	<b>355,116,134</b>
Material items in accrued liabilities:		
Income tax accrual	32,141,627	4,077,008
Accruals of personnel expenses	832,143	736,209
Other items	22,202	35,561
<b>11. OTHER COMMITMENTS</b>		
Future minimum lease expenses under lease contracts that cannot be dissolved are distributed as follows:		
Within 12 months	226,587	220,083
After 12 months but within five years	835,551	813,114
After five years	17,444	229,218
<b>Total</b>	<b>1,079,582</b>	<b>1,262,415</b>

Following the demerger of the predecessor company, also called Solidium Oy, the company has a joint commitment with Governia Oy. The commitment is based on the statute in Chapter 17, Section 16 of the Companies Act. en.

On 19 June 2019 Solidium conditionally agreed to purchase approximately 4.4 million Tieto shares from EVRY's largest shareholder Funds advised by Apax Partners LLP. The sale and purchase contemplated is conditional, among others, upon the completion of the merger of Tieto and EVRY and includes customary conditions precedent.

# Proposal for the distribution of profit

The distributable non-restricted shareholders' equity recognised in the financial statements totals EUR 4,552,551,969.

No material changes have taken place in the company's financial situation since the end of the financial period and, in the view of the Board of Directors, the proposed distribution of profit will not jeopardise the company's ability to fulfil its obligations.

The Board of Directors proposes to the General Meeting that the distributable non-restricted shareholders' equity be allocated as follows:

EUR 169,000 per share to be paid as dividend for 2,000 shares	338,000,000
amount retained in non-restricted shareholders' equity	4,214,551,969
	<b>4,552,551,969</b>

If the Board's proposal is approved, the shareholder's equity of Solidium Oy will consist of the following:

share capital	331,500,000
fair value reserve	2,456,698,578
reserve for invested non-restricted equity	3,070,637,993
retained earnings	1,143,913,976
	<b>7,002,750,547</b>

# Signatures for the Report of the Board of Directors and the financial statements

Helsinki, 21 August 2019

Harri Sailas  
Chairman

Eija Ailasmaa  
Vice Chairman

Timo Ahopelto

Aaro Cantell

Markku Hyvärinen

Marjo Miettinen

Kimmo Viertola

Antti Mäkinen  
Managing Director

## Auditor's note

An auditor's report has been issued today on the audit performed.

Helsinki, 26 August 2019

KPMG Oy Ab

Marcus Tötterman  
Authorised Public Accountant

*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 Solidium Oy

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Solidium Oy (business identity code 2245475-9) for the financial period 1 July 2018–30 June 2019. 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 the 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 a 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 the Financial Statements

Our objectives are to obtain reasonable assurance about 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 the 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 and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

### Other opinions

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of the retained earnings shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director should be discharged from liability for the financial period audited by us.

Helsinki, 26 August 2019

KPMG OY AB

Marcus Tötterman  
Authorised Public Accountant, KHT

The key indicators for Solidium's portfolio have been calculated by Suomen Sijoitustutkimus Oy, an independent external service provider.

The key indicators of Solidium's portfolio companies presented in this Annual Report, related to full accounting periods, are figures reported by the portfolio companies.

Information for the charts concerning the companies' largest shareholders has, as a general rule, been obtained

from the shareholder registers published by the companies as well as their flagging notifications concerning shareholders that have exceeded the five per cent ownership threshold. Company and index returns presented on company pages have been calculated by using Bloomberg and Nasdaq data.

Unless stated otherwise, the figures refer to the situation as at 30 June 2019.





Solidium Oy

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Elisa | Kemira | Konecranes | Metso | Nokia | Nokian Tyres | Outokumpu  
Outotec | Sampo | SSAB | Stora Enso | Tieto | Valmet