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Transparency Report 2018

**The statutory general assembly of Gramex approved
the transparency report on 7 June 2019.**

This is an unofficial translation of the text of the original document written in Finnish. In case of conflicts between the different language versions, the Finnish version is correct and valid.

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1. BALANCE SHEET *(Annex to the Directive, point 1 (a))*

	BALANCE SHEET 31.12.2018	BALANCE SHEET 31.12.2017
ASSETS		
FIXED ASSETS	EUR	EUR
Intangible assets		
IT systems	354 715,85	315 873,47
Major improvements	34 223,33	48 609,36
Intangible assets total	388 939,18	364 482,83
Tangible assets		
Machinery and equipment	153 290,87	199 275,83
Other tangible assets	550,00	550,00
Tangible assets total	153 840,87	199 825,83
Investments		
Shares and equity	483 100,03	483 100,03
Investment portfolios	24 694 013,21	27 243 909,47
Real estate funds	2 127 635,09	2 119 210,34
Total investments	27 304 748,33	29 846 219,84
TOTAL FIXED ASSETS	27 847 528,38	30 410 528,50
CURRENT ASSETS		
Long-term receivables		
Loan receivables	1 250 000,00	1 250 000,00
Total long-term receivables	1 250 000,00	1 250 000,00
Short-term receivables		
Accounts receivable	2 499 249,97	3 362 077,51
Short-term investments	501 336,00	149 191,50
Other receivables	20 157,83	14 581,15
Accrued income	2 032 139,36	3 405 869,98
Total short-term receivables	5 052 883,16	6 931 720,14
Bank and cash	3 039 778,57	3 975 880,13
TOTAL CURRENT ASSETS	9 342 661,73	12 157 600,27
TOTAL ASSETS	37 190 190,11	42 568 128,77
EQUITY AND LIABILITIES		
EQUITY		
Promotion activities reserves		
Promotion activities reserves	566 527,70	622 205,44
Total promotion activities reserves	566 527,70	622 205,44
TOTAL EQUITY	566 527,70	622 205,44
LIABILITIES		
Short-term liabilities		
Remuneration liabilities (Invoiced, investment income)	20 010 442,86	28 621 560,93
Remuneration liabilities in payment process	15 335 955,39	12 138 101,22
Accounts payable	59 400,67	88 451,54
Other liabilities	938 091,19	763 166,12
Accrued expenses and liabilities	279 772,30	334 643,52
Total short-term liabilities	36 623 662,41	41 945 923,33
TOTAL LIABILITIES	36 623 662,41	41 945 923,33
TOTAL EQUITY AND LIABILITIES	37 190 190,11	42 568 128,77

2. INCOME AND EXPENDITURE ACCOUNT AND CASH-FLOW STATEMENT

(Annex to the Directive, point 1 (a))

PROFIT AND LOSS STATEMENT

	2018	2017
	EUR	EUR
Revenue		
Other revenue	19 597,90	250 000,00
Total revenue	19 597,90	250 000,00
Expenses		
Personnel expenses	-1 818 335,29	-1 688 701,96
Depreciations	-204 873,61	-191 418,87
Other expenses	-1 914 683,36	-2 251 494,17
Total expenses	-3 937 892,26	-4 131 615,00
Administration expenses deduction	3 918 294,36	3 881 615,00
Promotion activities		
Transfer from investments and financing activities	-1 762,87	33 719,14
Statute-barred remuneration liabilities	2 019 068,02	1 690 588,63
Other expenses related to promotion activities	-2 072 982,90	-1 757 016,09
Total expenses for promotion activities	-55 677,75	-32 708,32
Covered by promotion activities reserve	55 677,75	32 708,32
SURPLUS/DEFICIT	0,00	0,00
Investment and financing activities		
Income / Expenses	-117 002,08	1 978 545,74
Transfer to remuneration payments	67 644,24	-1 260 608,62
Transfer to later conclusion	47 594,97	-684 217,97
Transfer to the promotion activities reserve	1 762,87	-33 719,14
	0,00	0,00
SURPLUS (DEFICIT) FOR THE FINANCIAL PERIOD	0,00	0,00

Cash flow statement	2018	2017
Cash flow from operating activities		
Cash receipts from sales	27 122 178,28	24 104 226,00
Cash flow from fund-raising		
Payments from operating expenses (incl. taxes)	-7 840 769,02	-7 250 810,72
Cash flow from operating activities	19 281 409,26	16 853 415,28
Cash flow from investing activities		
Investments in tangible and intangible assets	-198 383,40	-212 863,00
Other investments	-915 642,85	-1 694 798,00
Cash received from investments	3 006 352,44	2 238 924,00
Cash flow from investing activities	1 892 326,19	331 263,00
Cash flow from operating and investing activities	21 173 735,45	17 184 678,28
Cash flow from distributions and promotion activities:		
Distributions to Finnish and foreign rightholders (net)	-20 383 027,55	-14 710 676,00
Promotion activities	-1 726 809,46	-1 783 974,28
Change in cash and bank	-936 101,56	690 028,00
Cash and bank in the beginning of the financial period	3 975 880,13	3 285 852,00
Cash and bank at the end of the financial period	3 039 778,57	3 975 880,00
	-936 101,56	690 028,00

3. ANNUAL REPORT *(Annex to the Directive, point 1 (b))*

The year 2018 saw the implementation of significant changes in Gramex, some of which had been prepared for several years. The most significant change was that Gramex increased the speed of distribution, with a part of the remunerations reaching recipients twice as fast. Remunerations collected in early 2018 were already distributed in December 2018 thanks to the new rightholder management system Apollon. The transitional period led to a record remuneration distribution of EUR 22 million in 2018.

The introduction of the new MyGramex service portal to rightholder customers was simultaneously continued. By the end of the year, the number of registered users was over 6 000. Gramex also opened a new online shop for audiovisual products and renewed its website.

Gramex issued its first transparency report in compliance with the Finnish Act on Collective Management of Copyright, introduced a financial administration programme which enhances efficiency of operations and the transparency of processes, and developed its communication with the rightholder customers.

In the end of the financial year, Gramex had 54 118 rightholder customers with contracts. Gramex also collected remuneration payments from approximately 31 000 user customers, who are partly served directly and partly through GT Music Licences Ltd.

Gramex's contract customers by role (rightholders)	
Customer roles	number
Performer	37 313
Producer	3 467
Music video producer	206
Performer & producer	12 819
Performer & music video producer	23
Producer & music video producer	212
Performer & producer & music video producer	78
Total	54 118

The most central goal for the year ahead is the development of reporting and analytics and turning it into a factor bringing together the entire organisation and the board. With significant operative goals having been reached during the past few years, the focus will be on the incorporation of continuous development into practice. Continuous clarification, increasing of efficiency and setting of new goals is the recipe for success in an ever-changing environment.

There are no significant known risks to Gramex's operations in the coming year. In the long term, risks might be associated with technical development, legislation or consumption patterns, but they cannot be anticipated at this point.

3.1 LICENSING AND REFUSALS TO GRANT LICENCE *(Annex to the Directive, point 1 (c))*

Gramex grants licences to use phonogram music and music videos and collects remunerations for their use.

Gramex has approximately 31 000 music user customers. Background music customers receive their music licence agreements and music licences through GT Music Licences Ltd. Media licensing customers receive them directly from Gramex.

Gramex has licensing proceeds from radio and television use, retransmission, background music, internet and network use, audio fixation and audiovisual program use, private copying levies and use of music videos.

Gramex operates within the mandate provided in the Finnish Copyright Act and given to it by its rightholder customers by agreements. During the business year, Gramex has not refused to grant licences to uses covered by its mandate.

3.2 GRAMEX'S LEGAL AND GOVERNANCE STRUCTURE (*Annex to the Directive, point 1 (d)*)

Gramex is a non-profit association whose purpose is to administer and promote the rights of performing artists and producers of phonograms prescribed in copyright legislation. Gramex's operation involves music licensing and the collection of the remunerations referred to in the Copyright Act and their prudent investment and distribution to rightholders.

Gramex's licensing operations are based partly on law and partly on client agreements. The Ministry of Education and Culture has approved Gramex to collect remunerations for the use of phonograms as referred to in Section 47(1) paragraphs (1) and (2) of the Copyright Act and distribute them to performing artists and phonogram producers, and to collect remunerations for the use of music recordings containing images as referred to in Section 47(3) of the Copyright Act and distribute them to the performers of musical works. This decision is valid until the end of the year 2020.

By a client agreement, the rightholders represented by Gramex authorise Gramex to manage the forms of use of phonograms and music videos defined therein and the related rights of the performing artist and phonogram producer, and to collect remunerations. The content of the client agreement has been approved by the organisation's meeting.

Everyone entitled to remunerations collected by Gramex has the right to become a client of the organisation, i.e. as a rule a performing artist whose performance has been recorded in a phonogram published for commercial purposes, or the producer of such a phonogram.

The Board of Directors of Gramex consists of a chairman and six other members. Three of the members of the Board of Directors are elected from among phonogram producers and three from among performing artists. The chair of the Board of Directors must be familiar with copyright issues and may not represent either of the rightholder groups. The Managing Director is responsible for the management of Gramex's office.

The Ministry of Education and Culture has approved Gramex to operate as an extended collective licence organisation as follows:

- Recording for educational activities (Copyright Act, Section 14). This approval is valid until the end of the year 2021.
- Ephemeral recording (Copyright Act, Section 25 f). This approval is valid until the end of the year 2023.
- Online storage service for television programmes (Copyright Act, Section 25 l). This approval is valid until the end of the year 2019.

Gramex is involved in international arrangements of international co-operation bodies of performing artists and record producers concerning licensing and distribution of remunerations. Within the International Federation of Phonographic Industry (IFPI), the following framework agreements enabling cross-border licensing, which Gramex has joined, have been concluded:

- Agreement on Reciprocal Representation to License Simulcast;
- Agreement on Reciprocal Representation to License Certain Webcasting;

- Protocol to Extend the Agreement on Reciprocal Representation to License Certain Webcasts; and
- Agreement on Reciprocal Representation to License certain On-Demand offerings of Audio and Audiovisual Programs.

Within the Societies' Council for the Collective Management of Performers' Rights (SCAPR), Gramex is a party to, inter alia, various VRDB2 and IPD systems and services supporting the international distribution and payment of remunerations.

3.3 INFORMATION ON ENTITIES OWNED OR CONTROLLED BY GRAMEX *(Annex to the Directive, point 1 (e))*

Gramex has a joint venture GT Music Licences Ltd (2647504-7) with Teosto for the purpose of the sale and customer service of background music licences. Gramex owns 50% of it. The joint venture collected approximately EUR 8.6 million for the rightholders of Gramex in 2018.

Gramex has co-founded the Finnish Music Foundation MES (Musiikin edistämissäätiö sr, 2502897-4) together with Teosto. Gramex appoints half of the members of its Board and the Chairman together with Teosto. Gramex is one of the fifteen member associations of the Copyright Information and Anti-Piracy Centre (Tekijänoikeuden Tiedotus- ja Valvontakeskus ry, 1926210-7) and has one seat in its Board. Gramex is also one of the six members of Tekijänoikeusakatemia ry (2297190-8) and holds one seat on its Board as well.

In addition, Gramex owns a share in the Sport Institute in Vierumäki (0861730-4, Vierumäen Loma-aika Oy).

3.4. REMUNERATIONS AND BENEFITS OF BOARD MEMBERS AND MANAGING DIRECTOR *(Annex to the Directive, point 1 (f))*

During the business year, the Board elected by the organisation's meeting comprised of the Chair Tuija Brax and the ordinary members Mark Fry, Antti Kotilainen, Matti Lappalainen, Jouni Nieminen, Kimmo Valtanen and Ahti Vääntinen. The Board convened 12 times. The Managing Director of the organisation is Ilmo Laevuo. The remunerations and benefits of the Board of Directors and the Managing Director totalled EUR 230 626.50.

3.5. DEDUCTIONS FOR THE PURPOSES OF SOCIAL, CULTURAL AND EDUCATIONAL SERVICES *(Annex to the Directive, points 1 (h) and 3 (a) & (b))*

No deductions were made from rights revenue during the financial year for social, cultural or educational purposes. Gramex's practice is not to make such deductions.

3.6. FINANCIAL INFORMATION *(Annex to the Directive, point 1 (g))*

Gramex introduced a new client management and distribution system in the spring of 2017. The first distributions made with the new system covered remunerations collected in 2016 for performance and use. Earlier remunerations were distributed and paid using Gramex's old system. As a result, reports still show some distributions and payments made using the old system. In practice, Gramex's system performs distribution calculations and payments of remunerations automatically for three or more previous collection years.

With the new systems, a new categorization of forms of use was also taken into use, and it applies to remunerations collected in 2016 and thereafter.

3.6.1. RIGHTS REVENUE *(Annex to the Directive, point 2 (a) and (b)(i) & (vi))*

Gramex invoiced a total of EUR 23.5 (23.9) million in remunerations during the financial year. Gramex acts as an intermediary, so the remunerations do not constitute Gramex's income in the financial statements. The breakdown of revenue by form of use is presented in the table below. The rights related to each form of use are specified in Gramex's client agreement.

Rights revenue 2018		Administration expenses
Radio and television use	8 592 768 €	-1 474 075 €
Retransmission	9 520 €	-1 633 €
Background music	8 712 889 €	-1 494 681 €
Internet and data network	3 098 256 €	-531 500 €
Audio fixations and audiovisual programs	1 048 578 €	-179 882 €
Private copying levies	1 327 921 €	-227 803 €
Music videos	50 834 €	-8 720 €
Remuneration from abroad	672 246 €	
TOTAL	23 513 012 €	-3 918 294 €

3.6.2. INVESTMENT INCOME *(Annex to the Directive, point 2 (a))*

The objective of the investment plan approved by the general assembly of Gramex is, on the long term, to ensure appropriate, productive and secure investment while keeping in mind the profit level, the accepted risk level, the accountability of the investment activities, and liquidity.

The year 2018 was historic because investment and financing activities generated no income. Consequently, no investment income will be added to the accrued funds. The book result from investment and financing activities was EUR -0.117 (+1.979) million. The loss from investment and financing activities will be covered using investment income of the coming years. The loss was allocated as follows: EUR -0.068 (1.261) million to the investment income of the distribution and EUR -0.048 (0.684) million to funds distributed later, EUR -0.002 (0.034) million to promotion activities.

Investment income will not be subject to any administration expenses deduction. Before the allocation of the investment income, the expenses of investment activities and investment losses will be deducted from them. The expenses of investment activities and investment losses were EUR 0.63 million in 2018.

3.6.3 – 3.6.4 ADMINISTRATION EXPENSES *(Annex to the Directive, point 2 (b)(i), (ii), (iii) & (iv))*

The costs of Gramex's operations amounted to EUR 3.9 (3.9) million in 2018. On 31 December 2018, Gramex employed 22 (23) persons.

The administration expenses deduction for the year 2018 is an amount corresponding to the costs arising from Gramex's administration, EUR 3.918 (3.882) million.

In 2018, the amount of remuneration subject to the expense deduction was EUR 22.840 (23.243) million. The costs arising from administration totalled EUR 3.918 million in 2018. The percentage of the administration expenses deduction for the remunerations collected in 2018 was thus 17.2%. The correspondingly calculated percentage for remunerations collected in 2017 was 16.7%.

Rights revenues are used to cover the costs of services offered to the rightholders in relation to the management of rights. No deductions other than the administration expenses deduction as per the administration expenses percentage will be made from rights revenue. Gramex does not allocate the costs arising from the management of rightholders' rights per category of rights, using instead the annually determined percentage for all categories of managed rights.

The administration expense percentage for 2018 was determined using the following method:

A: Net expenses of operation for 2018

B: Amount of remuneration collected in 2018 subject to expenses deduction

C: Administration expenses percentage = $A/B \times 100$

Gramex only provides services related to rights management, so Gramex does not have any operating and financial costs with regard to services other than the management of rights, as referred to in point 2(b)(iii) of the Annex to the Collective Rights Management Directive.

3.7 FUNDS DUE TO Rightholders (*Annex to the Directive, point 2 (c)*)

Gramex distributes part of the collected remunerations directly to rightholders and part to foreign copyright organisations representing rightholders. The year 2018 was the first year during which Gramex distributed collected remunerations already during the year of their collection. Most of the remaining remunerations will reach their destinations within the next three years, which is how long the normal distribution and payment process lasts.

If any deficiencies preventing the distribution of remunerations occur in the data concerning the played phonograms or recipients of the remuneration, they will be investigated as required under the Act on Collective Management of Copyright, for several years if necessary. If the investigations are inconclusive, the general assembly of Gramex will decide on how these funds (statute-barred remunerations) will be used to promote music in accordance with Gramex's rules.

Below is an itemisation of funds in the various stages of this process as well as investigations and other measures relating to them, broken down in accordance with the Annex to the Directive 2014/26/EU of the European Parliament and of the Council. It should be noted that some of the categories set out in the Directive partially overlap.

Division in Gramex's operation in accordance with the Directive (some categories overlap)

- 3.7.1. Collected funds: collected remunerations invoiced in 2018 and earlier amounted to EUR 35.35 million in the financial statements of 31 December 2018
 - 3.7.2. Funds attributed to phonograms ('placeholders'): EUR 9 075 368.18 was attributed to such phonograms whose phonogram or rightholder information still contain deficiencies preventing allocation to rightholders
 - 3.7.3. Funds attributed to rightholders:
 - EUR 2 414 193.75 has been allocated to rightholders to wait for distribution but payment has not yet been made
 - 3.7.4. Funds paid to rightholders: EUR 22 037 110.43 was paid out to rightholders in 2018
 - 3.7.6. Undistributed funds: EUR 3.93 million constitute 'undistributed' funds under the Directive, which Gramex has been unable to forward to rightholders during the usual three-year process
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4. TABLES AND OTHER TEXT OF THE TRANSPARENCY REPORT

4.1. COLLECTED FUNDS *(Annex to the Directive, point 2 (c))*

Collected but as yet undistributed collected remunerations are shown in Gramex's financial statements as undistributed remuneration liabilities. Gramex's financial statements contain EUR 35.35 (40.76) million in undistributed remuneration liabilities:

- Remuneration liability awaiting distribution process amounts to EUR 20.01 million.
- In the old distribution system, the unattributed remuneration liability is EUR 2.34 million.
- In the new distribution system, the remuneration liabilities amount to EUR 11.73 million.
- EUR 1.27 is in other distribution processes.

4.2. FUNDS ATTRIBUTED TO PHONOGRAMS, I.E. 'PLACEHOLDERS' *(Annex to the Directive, point 2(c)(iv) & (vi))*

All uses of phonograms reported during the calendar year are pre-processed at the stage where the phonograms are identified. Protected phonograms for the use of which Gramex has collected remunerations are examined in this stage. Distribution calculations of the collected remunerations will be made for these phonograms insofar as they are included in the distributions of each collection period. The administration expenses deductions and the added investment income distributions of the collection year are taken into consideration.

Once the remunerations of an individual phonogram have thus been calculated, the remuneration amounts accrued on the phonogram will be allocated and paid to their rightholders.

If Gramex does not have the phonogram or rightholder information of the phonograms, a remuneration that has been through the distribution process and calculated on a phonogram will be left waiting for information on the rightholder or their representative.

Such a phonogram is said to be in 'placeholder mode' and is considered to constitute an 'unidentified phonogram'. In other words, these are phonograms which have been used in Finland and reported to Gramex and for which the remunerations have already been individually calculated and allocated but which are missing accurate phonogram or rightholder data in whole or in part. Gramex tries to establish the data of such phonograms as required under the Act on Collective Management of Copyright and the Collective Rights Management Directive.

Funds allocated to such phonograms, i.e. collected remunerations in 'placeholder mode', amounted to EUR 9 million at the end of the financial period on 31 December 2018. A detailed breakdown is presented in the table below.

Funds allocated to phonograms and in placeholder mode 31 December 2018			
Form of use	Producers	Performers	Total
Radio and television use:	1 107 177,80 €	2 246 295,82 €	3 353 473,62 €
Background music:	1 660 879,90 €	1 483 178,79 €	3 144 058,69 €
Internet and data network:	1 232 510,24 €	102 285,49 €	1 334 795,73 €
Audio fixations and audiovisual programs:	584 042,13 €	20 719,27 €	604 761,40 €
Private copying levies:	74 605,23 €	237 663,28 €	312 268,52 €
Music videos:	60 913,56 €	8 798,44 €	69 712,00 €
Foreign representation agreements (to Finland)	550,96 €	4 202,05 €	4 753,01 €
Back to distribution	251 545,22 €		251 545,22 €
Total	4 972 225,04 €	4 103 143,14 €	9 075 368,18 €

Delays and measures

The placeholder phonograms ('unidentified phonograms') mostly consist of foreign phonograms with respect to which Gramex is mainly missing the correct rightholder information, real-time licence holder information or detailed identification data of the phonograms.

Insofar as placeholder phonograms include Finnish phonograms, it is question of Gramex not having received the relevant phonogram report indicating the information and rightholders of the phonogram. As for collected remunerations calculated for phonograms in placeholder mode, the process proceeds as follows:

- The information on performers' placeholder phonograms arising in the distribution during 2018 is delivered to foreign copyright organisations that have concluded a representation agreement with Gramex and represent performers starting from March 2018; information concerning collection period 1-6 / 2018 will be delivered as of February 2019.

The delivery of the data takes place with files created of reports of use of phonograms. As a result of the exchange of information with the foreign organisation, Gramex obtains more detailed information about the phonogram and the role and representation (which organisation represents the performing artist) of the artist performing on the phonogram. Based on this received data, the distribution and payment of the remunerations calculated for the phonogram in the distribution process to the correct rightholder is carried out next. The exchange of information and payment of remunerations with foreign organisations have mainly been carried out during the year 2018 for the use of phonograms in 2017. The remunerations for the use of phonograms in 1-6 / 2018 will be mainly paid during the year 2019 if the foreign organisations are able to process the data regarding use in Finland.

- As of the beginning of 2019, information concerning producers' placeholder phonograms arising in the distribution of the year 2018 will be delivered to producers who are Gramex's customers. The producers will be provided with lists of the phonograms in the form of files. The producers should present Gramex with claims concerning the phonograms they represent and provide a reply containing up-to-date information on the rightholder or licenceholder. For Finnish phonograms, the producers will provide phonogram reports also indicating the artists performing on the phonogram. Placeholder phonograms arising from the distributions of 2017 (collected mainly in 2016) have been published on Gramex's website in December 2018.

- Gramex's distribution process works in real time so that every time the system receives new data on a phonogram or rightholder either from foreign organisations or from Gramex's direct customers through automated or manual exchange of information, the relevant remuneration sum concerning the phonogram and the rightholder will transfer from placeholder mode to the phase where it awaits for payment, in which the remunerations of an individual rightholder from various uses and phonograms are combined into total sums.

4.3. FUNDS ATTRIBUTED TO RIGHTHOLDERS (Annex to the Directive, point 2 (c)(i) & (v))

Remunerations collected on the basis of data on the use of identified phonograms will be allocated to artists performing on the phonogram and to the producers of the phonogram. Once the calculation of remunerations and the combination of remunerations to an individual rightholder has been carried out, the outstanding remunerations enter a phase where they wait for payment.

In this stage, the amounts due to an individual rightholder for different phonograms are combined and the remunerations are transferred to a balance payable to the individual rightholders to wait for the moment they are paid. The remuneration sums transferred to the rightholder are simultaneously automatically removed from the balances of individual phonograms (placeholders).

When the remunerations are awaiting payment, the recipients' payment details and, inter alia, the tax status of each person receiving payment are checked: for example the correct rate of withholding tax with respect to foreign recipients.

On 31 December 2018, Gramex had a total of EUR 2.65 million in collected remunerations which had been individually allocated to rightholders but were still awaiting payment. In Gramex's operation, there is no difference between the "amounts attributed to rightholders" and "amounts attributed to but not yet distributed to rightholders" referred to in the Collective Rights Management Directive. They are divided as presented in the table below.

Funds attributed to rightholders (awaiting payment) 31 December 2018			
Form of use	Producers	Performers	Total
Radio and television use:	441 922,67 €	399 584,60 €	841 507,27 €
Background music:	498 143,97 €	394 301,82 €	892 445,78 €
Internet and data network:	126 684,73 €	89 064,99 €	215 749,72 €
Audio fixations and audiovisual programs:	90 754,33 €	66 585,86 €	157 340,19 €
Private copying levies:	66 535,19 €	59 773,92 €	126 309,10 €
Music videos:	9 560,93 €	726,38 €	10 287,30 €
Foreign representation agreements:	3 579,48 €	49 790,68 €	53 370,16 €
Live recordings		10 807,43 €	10 807,43 €
Back to distribution:	106 376,79 €		106 376,79 €
Transferred from old system	47 077,28 €	193 756,11 €	240 833,39 €
Total	1 390 635,35 €	1 264 391,79 €	2 655 027,14 €

4.4. FUNDS PAID TO RIGHTHOLDERS (Annex to the Directive, point 2 (c)(ii)) The funds paid to rightholders during the financial period amounted to EUR 22 million.

In Gramex's distribution and payment process, the remunerations are paid to the rightholders in what is called the payment phase. During the calendar year 2018, Gramex paid the following collected remunerations classified by form of use and rightholder group:

Paid / producers: Collection period	2013	2014	2015	2016	2017	2018 (1-6)	total
Radio and television use:	-645,82	-20 838,88	-21 416,78	-178 452,94	-3 029 866,50	-1 227 281,96	-4 478 502,89
Background music:				-152 669,26	-3 249 064,95	-1 192 840,02	-4 594 574,24
Internet and data network:			-1 528,07	-170 123,58	-391 161,73	-28 657,60	-591 470,98
Audio fixations and audiovisual programs:	-880,77	-13,43	-7 527,23	-52 022,87	-430 641,67		-491 085,97
Private copying levies:				-22 507,26	-665 907,42		-688 414,68
Music videos:			-269,19			-1 600,00	-1 869,19
Foreign representation agreements:				-4 351,67	-9 742,18	-18 855,46	-32 949,32
Abroad (organisations)*						-90 306,11	-90 306,11
Others:							0,00
Back to distribution:	-47 712,21			-10 174,59		-687 417,65	-745 304,45
	-49 238,79	-20 852,31	-30 741,27	-590 302,19	-7 776 384,46	-3 246 958,80	-11 714 477,82
From old system							-3 778,35
Paid / performers: Collection period	2013	2014	2015	2016	2017	2018 (1-6)	total
Radio and television use:	-2 165,36	-18 323,66	-20 991,05	-455 354,00	-2 786 558,90	-951 216,91	-4 234 609,87
Background music:				-511 568,41	-2 417 826,56	-948 378,46	-3 877 773,42
Internet and data network:			-965,73	-58 714,28	-180 353,87	-20 892,81	-260 926,69
Audio fixations and audiovisual programs:	-270,53	-3,84	-2 525,28	-17 224,79	-168 040,36		-188 064,79
Private copying levies:				-74 416,32	-575 454,71		-649 871,04
Music videos:			-7 261,59				-7 261,59
Foreign representation agreements:				-7 467,79	-19 867,15	-802 924,86	-830 259,80
Abroad (organisations)*						-204 056,86	-204 056,86
Others:					-2 170,90	-47 342,11	-49 513,00
Back to distribution:							0,00
	-2 435,89	-18 327,49	-31 743,65	-1 124 745,58	-6 150 272,46	-2 974 812,00	-10 302 337,06
From old system							-16 517,19
	Total						
Radio and television use:	-8 713 112,77						
Background music:	-8 472 347,66						
Internet and data network:	-852 397,67						
Audio fixations and audiovisual programs:	-679 150,76						
Private copying levies:	-1 338 285,71						
Music videos:	-9 130,77						
Foreign representation agreements:	-863 209,13						
Abroad (organisations)*	-294 362,97						
Others:	-49 513,00						
Back to distribution:	-745 304,45						
	-22 016 814,89						
From old system	-20 295,54						
TOTAL	-22 037 110,43						

*Breakdown of remunerations paid abroad (organisations) in 2018 (from old system):			
	Producer	Performer	Total
AARC 2016	45 369,72	0,00	45 369,72
AARC 2017	44 699,08	0,00	44 699,08
ADAMI 2012	0,00	10 308,91	10 308,91
ADAMI 2013	0,00	10 264,31	10 264,31
ADAMI 2014	0,00	12 011,33	12 011,33
ADAMI 2015	0,00	8 614,72	8 614,72
GVL 2015	0,00	63 623,07	63 623,07
INTERGRAM 2015	237,31	0,00	237,31
LSG 2013	0,00	10 264,44	10 264,44
LSG 2014	0,00	7 748,52	7 748,52
LSG 2015	0,00	17 359,96	17 359,96
PPL 2015	0,00	14 127,68	14 127,68
SOUNDEXCHANGE 2014	0,00	18 556,97	18 556,97
SOUNDEXCHANGE 2015	0,00	31 176,95	31 176,95
	90 306,11	204 056,86	294 362,97

4.5. DISTRIBUTION SCHEDULE *(Annex to the Directive, point 2 (c)(iii))*

The schedule of the distributions and payments made during the financial period, reasons for delays and measures taken in response to them:

During 2018, Gramex performed the following main distributions and the related payments:

- **4 June 2018** the main distribution and payment of the forms of use Radio Use, Background Music and Private Copying Levies was made (mainly collected 1-12/2017)
- **26 September 2018** the main distribution and payment of the forms of use Sound and Visual Recordings and Internet and Data Network was made (mainly collected 1-12/2017)
- **12 December 2018** the main distribution and payment of the forms of use Radio Use and Background Music (mainly collected 1-6/2018) and the distribution and payment of collected remunerations which had been returned to distribution.

In connection with all distributions, remunerations received from abroad were also forwarded.

4.6. UNDISTRIBUTED FUNDS *(Annex to the Directive, point 2 (c)(vii))*. Funds which have remained undistributed at the end of the financial period as referred to in Section 27 of the Act on Collective Management of Copyright amounted to EUR 3.93 million, EUR 1.19 million of which were from the years 2012-2014 and EUR 2.74 million from 2015. The performers' share was EUR 2.56 million and the producers' share EUR 1.37 million.

Gramex has defined part of the funds undistributed as per the Act on Collective Management of Copyright as remunerations whose rightholder might still be possible to identify and made a reservation of EUR 0.95 million for them. Rest of the undistributed funds constitute statute-barred rights revenue.

Gramex's statutory general assembly annually decides on the use of statute-barred rights revenue. The annual assembly of 23 May 2018 decided on the use of remunerations that had become statute-barred by 31 December 2017 so that the share of the performers, EUR 1.30 million, was transferred to promotion activities and the share of the producers, 0.72 million, was returned to the distributed funds. The general

assembly of spring 2019 decides on the use of the funds which have become statute-barred by the turn of the year 2018/2019.

During the business year, Gramex supported the operation of Esittävän säveltaiteen edistämissäätiö sr (ESES) with funds for the promotion activities reserve with a total of EUR 1.73 million. The sum was composed of statute-barred remunerations of performers and investment income allocated to them.

Gramex has also published a list of unidentified phonogram tracks (placeholders) on its website with the aim of identifying unknown rightholders.

4.7.-4.10. OTHER COLLECTIVE MANAGEMENT ORGANISATIONS

(Annex to the Directive, point 2 (d)(i), (ii) & (iv))

Authorised by Gramex, Teosto is responsible for the sales and customer service of background music licences for events. Kopiosto collects the remunerations for online storage services for television programmes licensed by Gramex together with Audiovisual Producers Finland - APFI, Kopiosto and Teosto. Kopiosto also provides licenses to retransmit and use certain audio fixations and audiovisual programs on behalf of rightholders represented by Gramex.

During the financial period 2018, Teosto and Kopiosto collected a total of EUR 1.825 million (VAT 0%) in rights revenues for Gramex, with Teosto's share being EUR 0.159 million and Kopiosto's EUR 1.666 million.

Paid management fees amounted to EUR 0.025 million (VAT 0%); EUR 0.017 million to Teosto and EUR 0,008 million to Kopiosto. The management fee invoices for Teosto's and Kopiosto's last invoicing of the year did not arrive before the financial statements were drawn up, so the financial statements include reservations for these.

Funds collected for Gramex by Finnish collective management organisations

	TEOSTO	KOPIOSTO
Background music	158 724,80 €	
Internet and data network		1 619 652,19 €
Retransmission		9 519,77 €
Audio fixations and audiovisual programs		31 325,48 €
Music videos		5 893,97 €
	158 724,80 €	1 666 391,41 €

Management fees paid by Gramex

TEOSTO	KOPIOSTO
16 988,86 €	8 082,10 €

Gramex has conveyed EUR 2.531 million to foreign sister organisations under representation agreements. Gramex received EUR 0.672 million from foreign sister organisations. The remunerations transferred between foreign organisations and Gramex are itemised in the following tables. The first one shows how much Gramex paid to different associations in remuneration collected in Finland. The second one shows how much Gramex received in remunerations from foreign organisations and how much of these remunerations were allocated to Finnish rightholders.

Gramex distributes all amounts from foreign collective management organisations directly to rightholders. Amounts from Teosto and Kopiosto deducted by the management fee deduction are distributed directly to rightholders. To the best knowledge of Gramex, foreign collective management organisations mainly distribute any amounts collected and paid to such organisations by Gramex directly to rightholders.

PAID BY GRAMEX TO DIFFERENT ORGANISATIONS 1 January – 31 December 2018

ORGANISATION	COUNTRY	PRODUCERS						PERFORMERS					TOTAL	
		Radio and television use	Internet and data network		Private copying levies	Background music	Audio fixations and audiovisual programs	Radio and television use	Internet and data network		Private copying levies	Background music		Audio fixations and audiovisual programs
AARC - ALLIANCE OF ARTISTS AND RECORDING COMPANIES	USA				90 068,80						2 053,25			92 122,05
ACTRA	CAN							4 917,93	128,84		306,36	5 378,78	8,13	10 740,04
ADAMI	FRA							43 304,25	98,00	3,25	626,99	2 517,59	0,08	46 550,16
AGATA	LTU							298,97	11,77		3,14	131,34		445,22
AGEDI	ESP	176,31	118,17	442,22	242,62	157,28	4,00							1 140,60
AIE SOCIEDAD DE ARTISTAS DE	ESP							15 455,51	449,83		2 766,58	17 410,36	79,42	36 161,70
EEL	EST							1 157,44	34,19	0,59	35,20	645,42	37,95	1 910,79
EFU VIRO	EST	987,13	21,92		627,18	362,25	9,93							2 008,41
EJI	HUN													
GEIDANKYO	JPN													
GESELLSCHAFT ZUR VERWERTUNG	DEU							100 532,68	351,67	120,01	8 359,75	33 441,41	541,53	143 347,05
GRAMEX DENMARK	DNK	3 778,02	413,25	1 324,77	385,48	3 122,56	384,99	28 636,32	629,75		4 419,14	25 874,41	144,36	69 113,05
GRAMO NORWAY	NOR	8 022,41	339,84	231,56	1 282,63	13 931,56	787,47	3 309,13				2 283,20		30 187,80
IFPI SWEDEN	SWE	44 163,70	1 978,56	4 010,96	3 491,89	27 659,02	3 744,93							85 049,06
INTERGRAM	CZE	4 104,38	104,82		19,21	1 133,63	0,03	175,99	6,80		2,56	79,31		5 626,73
LAIPA	LVA	8,20						16,54	0,64		0,57	7,25	0,01	33,21
LSG INTERPRETEN GMBH	AUT							36 560,45	38,63		15,25	477,57	18,44	37 110,34
NORMA	NLD													
NUOVO IMAIE	ITA							1 122,50	28,03		615,15	1 039,70	102,24	2 907,62
PLAYRIGHT C.V.B.A.	BEL							4 556,62	94,54		1 737,51	4 718,65	25,45	11 132,77
PPL	GBR	52 879,00	2 293,82	5 373,52	10 173,63	47 490,18	6 633,37	549 918,29	14 284,50	34,26	100 883,40	528 862,13	3 190,00	1 322 016,10
R.A.A.P LIMITED	IRL							9 544,46	150,97		1 756,15	9 357,67	18,38	20 827,63
SAMI - SVENSKA ARTISTERS OCH	SWE							191 971,91	4 948,01	293,16	31 812,07	207 021,13	1 385,67	437 431,95
SCF S.R.L.	ITA	34,62	0,05		18,21	124,10	25,12							202,10
SENA NETHERLANDS	NLD	8 339,82	649,04	1 875,86	1 343,70	5 633,36	1 037,57	44 222,42	936,21	345,42	0,10	46 089,79	42,57	110 515,86
SOUNDEXCHANGE INC	USA	72,68	1,04	129,95	0,39	239,65	148,49	64 201,87	342,51					65 136,58
STOART - ZWIASEK ARTYSTOW	POL													
SWISSPERFORM	CHE							22,41	0,88		0,50	11,03		34,82
TOTAL		122 566,27	5 920,51	13 388,84	107 653,74	99 853,59	12 775,90	1 099 925,69	22 535,77	796,69	155 393,67	885 346,74	5 594,23	2 531 751,64

REMUNERATIONS FROM FOREIGN ORGANISATIONS AND THEIR ALLOCATION TO Rightholders 2018 (table contains both “amounts attributed to but not yet paid to rightholders” and “amounts paid to rightholders”)

ORGANISATION	COUNTRY	RECEIVED FROM ORGANISATIONS 1.1. – 31.12.2018		ATTRIBUTED TO Rightholders 1.1. – 31.12.2018	
		PRODUCER	PERFORMER	PRODUCER	PERFORMER
AARC - ALLIANCE OF ARTISTS AND RECORDING COMPANIES	USA				5 624,35
ACTRA	CAN		1447,44		
ADAMI	FRA		2302,40		
AGATA	LTU				
AGEDI	ESP				
AIE SOCIEDAD DE ARTISTAS DE	ESP		9542,49		
EEL	EST		3122,50		
EFU VIRO	EST	918,84		870,69	
EJI	HUN		1078,00		1 078,00
GEIDANKYO	JPN		8033,10		16 054,65
GESELLSCHAFT ZUR VERWERTUNG	DEU		103838,72		313 828,72
GRAMEX DENMARK	DNK	1081,84	46432,34	3 143,73	42 798,92
GRAMO NORWAY	NOR	12248,95	18 697,25	11 642,49	16 644,03
IFPI SWEDEN	SWE	21227,48		11 577,12	
INTERGRAM	CZE				
LAIPA	LVA				
LSG INTERPRETEN GMBH	AUT		20362,10		28 293,39
NORMA	NLD		1 938,30		657,59
NORWACO	NOR		1 202,51		
NUOVO IMAIE	ITA		8594,60		12 733,12
PLAYRIGHT C.V.B.A.	BEL		6465,67		7 580,27
PPL	GBR	4677,11	42260,16	2 300,12	31 672,60
R.A.A.P LIMITED	IRL		388,24		436,07
SAMI - SVENSKA ARTISTERS OCH	SWE		324268,98		324 100,24
SCF S.R.L.	ITA				
SENA NETHERLANDS	NLD	138,43	14166,73		9 081,65
SOUNDEXCHANGE INC	USA	56,72	4 476,57		559,88
STOART - ZWIAZEK ARTYSTOW	POL		3776,15		15 237,41
SWISSPERFORM	CHE		9502,44		11 539,93
TOTAL		40.349,37 €	631.896,69	29 534,15	837 920,83

In international co-operation of collective management organisations, the principle is that the organisation collecting the remunerations deducts the administrative expenses while the distributing organisation makes no such deductions.

No deductions other than Gramex’s administrative expense deductions have been made from the amounts paid to foreign collective management organisations. The sums presented in the table are net sums after the administrative expense deduction. The paid amounts include remunerations collected over several years, deducted by the administration expense deduction of the respective year (table below). The amounts paid to foreign collective management organisations in 2018 were mainly collected in 2017.

Gramex is unable to provide a breakdown of the allocations of amounts received from foreign organisations per category of right or per type of use since the collective management organisations paying the remunerations do not provide such information. Distribution agreements concluded with foreign collective management organisations concern radio and television use, background music use and private copying levies. The received remunerations concern these types of use as a total amount of remuneration attributed to particular rightholders. No administration expenses are deducted from amounts received from foreign collective management organisations.

General administration expenses concerning Gramex's distributions made between 2013 and 2018 have been deducted from and the investment income of these years has been correspondingly added to remunerations collected for phonograms used during the calendar years 2013-2018 in Finland and paid to rightholders represented by foreign organisations under representation agreements during 2018.

Collection year 2013 – distribution 2014	Collection year 2014 – distribution 2015	Collection year 2015 – distribution 2016	Collection year 2016 – distribution 2017	Collection year 2017 – distribution 2018	Collection year 2018 – distribution 2018
Administration expense percentage 14.4%	Administration expense percentage 16.1%	Administration expense percentage 16.6%	Administration expense percentage 15.6%	Administration expense percentage 16.7%	Administration expense percentage 17.2%
Investment income 3.2%	Investment income 6.5%	Investment income 9.3%	Investment income 3.0%	Investment income 5.4%	Investment income 0.0%

Gramex does not deduct any management fees from remunerations paid to Gramex by foreign organisations on the basis of representation agreements during the year 2018.

The following table shows what kinds the representation agreements Gramex has with different organisations. “A” agreements mean an arrangement where the remunerations are distributed from the collecting organisation to another contracting party. “A” agreements usually follow a ‘bilateral model’, meaning that remunerations are transferred to and from both contracting parties. In a unilateral version of an “A” agreement, remunerations are transferred to only one contracting party. “B” agreements refer to an arrangement whereby collected remunerations remain with the collecting organisation.

GRAMEX'S REPRESENTATION AGREEMENTS WITH FOREIGN ORGANISATIONS 31 December 2018

Country	Producers		Performers	
	Organisation	Type of agreement	Organisation	Type of agreement
Argentina			CADIF	B
Belgium			PlayRight	A
Spain	Agedi	A	AIE	A
Netherlands	SENA	A	SENA	A
Ireland			RAAP	A
Iceland			SFH	A
Great Britain	PPL	A	PPL	A
Italy	SCF	A	Nuovo IMAE	A
Austria			LSG	A
Japan			Geidankyo	A
Canada	Re:Sound	A	ACTRA	A
Canada			ARTISTI	A Unilateral model from Finland
Canada			MROC	A
Greece	Grammo	A		
Croatia			Huzip	B – agreement negotiations ongoing (A)
Latvia	LaiPa	A	LaiPa	A
Lithuania	AGATA	agreement negotiations ongoing	AGATA	A
Malaysia			PRISM	B
Norway	Gramo	A	Gramo	A
Norway			Norwaco	A (private copying levies)
Portugal			GDA	A
Poland			SAWP/STOART	A
France			Adami	A
France	SCPP	agreement negotiations ongoing	SPEDIDAM	B – agreement negotiations ongoing (A)
Romania			Credidam	A
Sweden	IFPI Sverige	A	SAMI	A
Germany	GVL	agreement negotiations ongoing	GVL	A
Slovakia			Slovgram	A
Slovenia			Zavod IPF	A
Switzerland			Swissperform	A
Denmark	Gramex	A	Gramex	A
Czech Republic	Integram	A	Intergram	A
Hungary			EJI	A
Russia	RPA	A		
Estonia	EFU	A	EEL	A
United States	AARC	A (private copying levies)	AARC	A (private copying levies)
United States			AFM & SAG -AFTRA	A
United States	SoundExchange	A	SoundExchange	A

5. AUDITOR'S REPORT

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AUDITOR'S REPORT

To the members of Gramex ry, the Copyright Society of Performing Artists and Phonogram Producers in Finland

Audit of the financial statements

Opinion

We have audited the financial statements of Gramex ry, the Copyright Society of Performing Artists and Phonogram Producers in Finland (Business ID 0201196-9), for the financial period 1 January-31 December 2018. The financial statements include the balance sheet, income statement, cash flow statement and notes.

In our opinion, the financial statements give a true and fair view of the society'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 followed 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 society 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 is 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 is responsible for assessing the society'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 society or to 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 these 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 society'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 society'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 society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including all of the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

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

Other reporting requirements

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. It is also our responsibility to consider 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 that 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 in the report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 15 March 2019

Deloitte Ltd
Authorised Public Accountants

Ari Hakkola
Authorised Public Accountant

Mika Starczewski
Authorised Public Accountant