

SITOWISE GROUP PLC

Strong quarter in Infra and Digital Solutions, Buildings and Sweden facing challenges

Interim Report
1 January – 30 September 2023



SITOWISE



The figures in the interim report are unaudited. Comparative figures for the corresponding period of the previous year are in brackets. The figures disclosed in the interim report are rounded so the sum of individual figures can deviate from the reported sum. This report has been published in Finnish and English. If there are any differences between the English translation and the original Finnish version, the Finnish report shall prevail.

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JULY–SEPTEMBER IN BRIEF

- Net sales decreased by 1% to EUR 45.6 (45.9) million. In constant currency the net sales growth was 1%.
- Organic net sales growth was 1% (6%).
- Adjusted EBITA was EUR 3.5 (4.9) million, or 7.6% (10.7%) of net sales.
- Operating profit decreased to EUR 2.3 (3.7) million, or 5.0% (8.1%) of net sales.
- Sitowise issued a profit warning and a new profitability guidance for 2023 on 19 October 2023 due to further weakened market outlook especially in the Buildings business area and the weaker than expected performance in the Sweden business area in the third quarter.

JANUARY–SEPTEMBER IN BRIEF

- Net sales increased by 8% to EUR 158.1 (146.8) million. In constant currency the net sales growth was 10%.
- Organic net sales growth was 3% (6%).
- Adjusted EBITA was EUR 14.6 (15.1) million, or 9.2% (10.3%) of net sales.
- Operating profit improved clearly to EUR 11.4 (9.4) million, or 7.2% (6.4%) of net sales, thanks to lower items affecting comparability.
- The order book decreased by 5% both year-on-year and quarter-on-quarter to EUR 167 (175) million.
- Leverage (net debt / adjusted EBITDA) stayed at 2.9x (2.9x).
- Sitowise acquired the Finnish company Infrasuunnittelu Oy, which strengthened the Group's expertise especially in infrastructure services offered to the mining industry.
- Sitowise published its new strategy for 2023–2025 in February with unchanged long-term financial targets.

KEY FIGURES

EUR million	7-9/2023	7-9/2022	Change, %	1-9/2023	1-9/2022	Change, %	1-12/2022
Net sales	45.6	45.9	-0.7%	158.1	146.8	7.7%	204.4
EBITA, adjusted	3.5	4.9	-29.5%	14.6	15.1	-3.1%	20.4
% of net sales	7.6%	10.7%		9.2%	10.3%		10.0%
EBITA	3.3	4.5	-28.0%	13.9	11.4	22.2%	16.1
Operating profit	2.3	3.7	-39.5%	11.4	9.4	21.2%	13.2
Result for the period	0.8	2.8	-72.7%	6.4	5.5	16.4%	7.9
Cash flow from operating activities before financial items and taxes	-2.7	0.6	-561.4%	12.6	9.6	31.0%	22.7
Net debt				62.2	62.9	-1.1%	56.6
Net debt / EBITDA, adjusted				2.9x	2.9x	2.6%	2.6x
Equity ratio, %				44.7%	44.1%		41.6%
Earnings per share (EPS), EUR	0.02	0.08	-72.5%	0.18	0.15	18.2%	0.22
Number of personnel, average	2,216	2,177	1.8%	2,224	2,122	4.8%	2,151

CEO HEIKKI HAASMAA:

Deteriorating market environment and weak performance in Sweden impacted Q3 growth and profitability



Sitowise's net sales were down by 1 percent from the comparison period in July–September (up by 1 percent in constant currency) and totaled EUR 45.6 million. Organic growth was 1 percent.

The Q3 net sales growth was driven by the strong development in Infra and Digital Solutions business areas, where key driver for growth continued to be demand for green transition and security related services. Both business areas performed well with all KPIs, and Digital Solutions succeeded especially in our strategic growth area of product sales.

The development in the Buildings business area was adversely impacted by the further deterioration of the underlying Finnish construction market. We have adapted our operations to the weakening market conditions with temporary layoffs and vacation arrangements until October and started during the quarter change negotiations to find a more long-term solution for the challenges in Buildings. The change negotiations were concluded in early October with a decision to reduce close to 80 employees, and the introduction of a new leaner and more agile organizational structure for Buildings.

In Sweden, integrations of acquired companies took more time than expected at the cost of sales focus. Furthermore, other internal issues such as one troublesome big project and delays in key recruitments burdened the performance. At the same time, the market softened, and as a whole, all of this was reflected in the weaker than expected development in Sweden.

Overall, the challenges experienced during the quarter, combined with the negative calendar effect of one working day less than in the comparison period, slowed our growth and burdened our profitability. Sitowise's adjusted EBITA decreased in Q3 to 3.5 million euros, corresponding to a 7.6 percent adjusted EBITA margin. This was clearly below our expectations.

We continue our work to improve our profitability. Key actions in all business areas include shift in sales culture and pricing excellence, directing our efforts to the growing segments in the market, further actions to mitigate cost inflation and increasing internal efficiencies. In Sweden, the focus is now shifted strongly to sales and pricing excellence, and non-critical internal development activities are postponed. As a part of strengthening our basis for future growth, we have invested in new ERP and CRM systems. The go-lives of these systems in Finland will bring additional pressure to the utilization rate in Q4, as will integrations of companies acquired in 2022 in Sweden and Digital Solutions.

“ I want to express my warmest thanks for all Sitowise employees for their continued commitment and good work for our clients in these times.

The market environment continues to be mixed with the wider technical consulting market being divided into weaker and stronger segments. The market still offers growth opportunities especially in Infra and Digital Solutions, but also in Sweden. In the Buildings business market is difficult, but thanks to the targeted measures taken, the Buildings business is now in a better position to meet the demand of the growing business segments such as special services, green transition, and security.

The key driver in our future success is our ability to keep the right people in our service. We needed to make some tough decisions during the past quarter, and I want to express my warmest thanks for all Sitowise employees for their continued commitment and good work for our clients in these times.

OUTLOOK, GUIDANCE, AND FINANCIAL TARGETS

OUTLOOK FOR THE YEAR 2023

The stable long-term growth in the demand for design and consulting services to create sustainable societies is supported by megatrends such as urbanization, renovation backlog, sustainability, digitalization and security.

The uncertainty in the market that started with the Russian invasion to Ukraine, increasing interest rates and inflationary pressures continue to affect the short-term decision-making of Sitowise's clients. That said, the effects on Sitowise's technical consulting business have remained more limited than on the broader construction industry, which is one of Sitowise's key client segments. During the third quarter of 2023, Sitowise's order book declined somewhat, but is still at a good level.

The market outlook for the rest of the year in the Buildings business area is weak, and we expect the challenges to continue also in 2024. In other business areas market outlooks are more mixed with areas of both growing and slowing demand. The weakened macro-economic outlooks slow down growth in both Finland and Sweden.

In addition to the market development, go-lives of new ERP and CRM systems in Finland, cost inflation (e.g. relating to salary increases), a lower number of working days (-1) in Q4 2023 than in the previous year, potential currency fluctuations (EUR/SEK) and higher interest expenses are expected to put pressure on Sitowise's financial performance during the rest of 2023.

GUIDANCE (ISSUED ON 19 OCTOBER 2023)

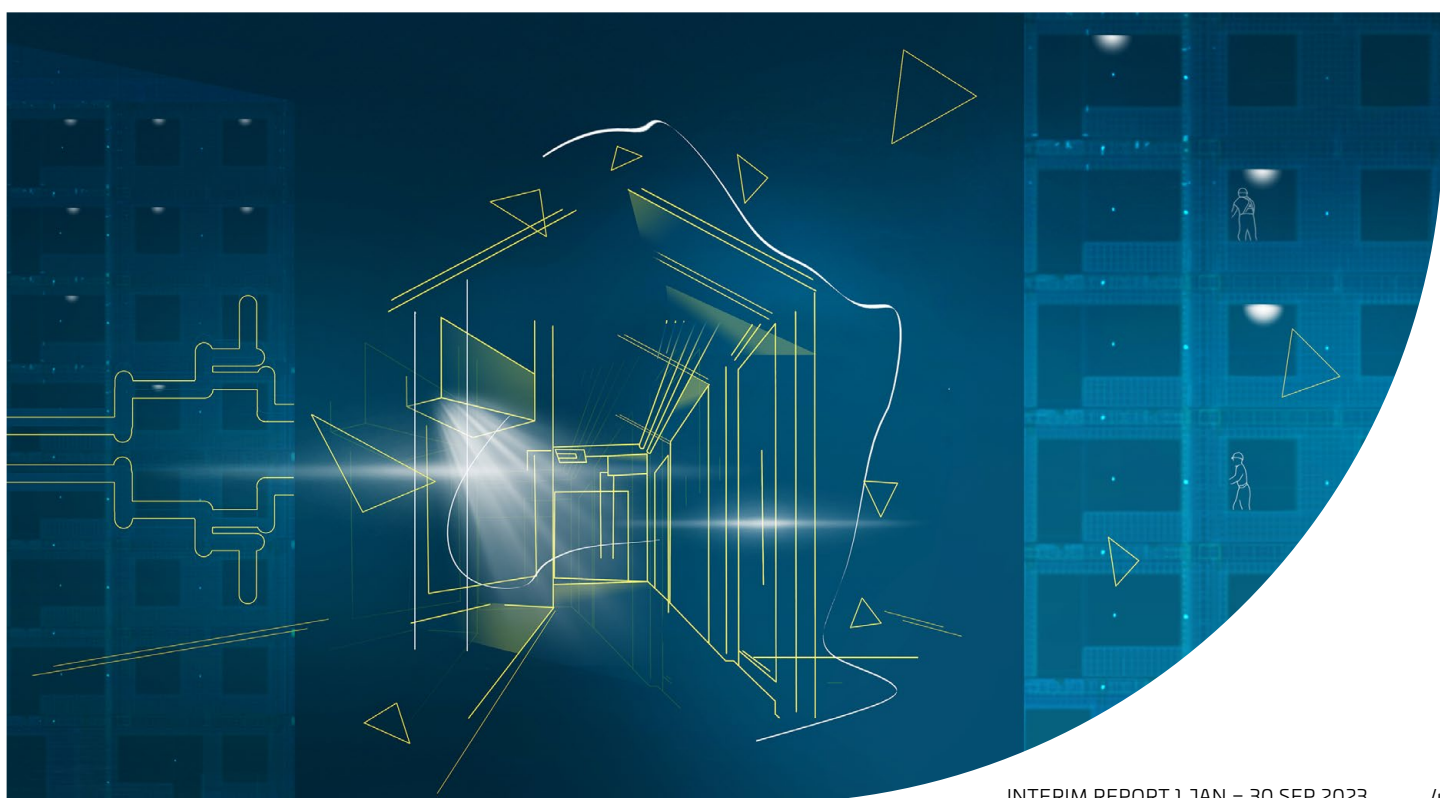
Sitowise Group estimates that its net sales in year 2023 in euros will increase compared to 2022, and that its adjusted EBITA margin (%) for the whole year 2023 will be below year-to-date adjusted EBITA margin level of 9.2%, but above 8%.

LONG-TERM FINANCIAL TARGETS

The Board of Directors of Sitowise Group has set the following long-term financial targets:

- **Growth:** Annual growth in net sales of more than 10 percent, including acquisitions
- **Profitability:** Adjusted EBITA margin of at least 12 percent
- **Leverage:** Net debt / adjusted EBITDA should not exceed 2.5x, except temporarily in conjunction with acquisitions

According to its **dividend policy**, Sitowise's objective is to pay annually a dividend corresponding to 30–50 percent of net profit to its shareholders. When distributing a possible dividend, business acquisitions, the company's financial situation, cash flow and future growth opportunities are taken into account.



STRATEGY IMPLEMENTATION

Sitowise announced its strategy for the years 2023–2025 on 28 February 2023. The new strategy focuses on Innovation, Sustainability, and Efficiency, and targets continued sustainable profitable growth and value creation for Sitowise’s clients, other stakeholders, and society. The new strategy has been described in more detail in a separate stock exchange release published on 28 February 2023.

Sitowise seeks growth in several future-oriented areas, including renewable energy sources, circular economy, biodiversity, renovation construction and digital services. In the third quarter, we actively drove forward multiple initiatives linked to our strategic growth ambitions. Also, we continued the alignment of Sitowise culture, key processes, leadership principles and management systems so that they best support our strategy implementation in future.

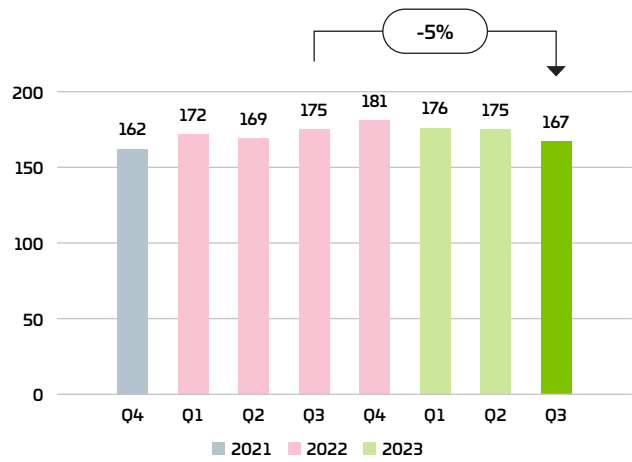
Under “The most innovative” strategic pillar, the attention has been on building a solid pipeline of new smart services and turning them from ideas into business and product concepts. We have analyzed market opportunities and prioritized those new products that hold the most significant potential. In addition, a development strategy and success metrics were set for each solution. During the quarter, pilot sales for the Smart Analytics offering, that was acquired alongside Bitcomp, was started with success. In August, the second edition of Sitowise Innovation Competition was kicked off, identifying some 30 new business ideas with 6 selected into further development.

In relation to enriching design environments and processes with novel solutions, we continued to strengthen our data and analytics capabilities. We were able develop new use cases for design data utilization in automation of our expert work as well as optimizing workflows with generative AI tools. New internal AI guidelines were also published.

Under “The most sustainable” strategic pillar, we have continued to develop both our existing sustainability tool to bring new benefits to our clients and our own sustainability related processes. In Sustainability services, we announced a new internal organization to drive further the development and sales in the earlier recognized high future growth and margin areas that include renewable energy, climate change mitigation, biodiversity adaptation, and circular economy.

Under “The most efficient” strategic pillar, we target lean operating model that enables our experts to focus on client work. In the third quarter a new sales organization with specific sales groups for the strategic sales growth areas such as sustainability services, renewable energy and industrial clients, and horizontal business area sales, was introduced. We also continued to define and implement the Smartest Ways to Work and develop key IT systems (service platform, ERP and CRM).

THE GROUP’S ORDER BOOK



THE GROUP’S ORDER BOOK, EUR MILLION

The Group’s order book decreased by 5 percent to EUR 167 (175) million compared to the corresponding period of last year. The order book was down also by 5 percent quarter-on-quarter. Digital Solutions order book was up quarter-on-quarter, whereas order books declined slightly in other business area.



Tuomas, Application Specialist

SITOWISE'S BUSINESS AREAS



The **Buildings business area** offers building design, specialist services, and consulting services for residential and commercial properties, as well as for the needs of the healthcare sector and industry, for example. The business area has distinctive design expertise in areas such as high-rise construction, building services technology (HVAC), acoustics design, and fire safety planning. Sitowise acts as a partner in both new construction and renovation projects.



The services of the **Infrastructure business area (Infra)** cover a wide range of urban development needs in diverse areas: infrastructure, transport and mobility, urban development, environment and water, as well as infrastructure project management. Urbanization supports the investment needs of municipalities and cities in particular, and the business area's most significant client segment is the public sector, which accounts for approximately 75 percent of net sales.



The **Digital Solutions business area (Digi)** focuses on smart geospatial solutions for the built environment, mobility, and forest and natural resources sector, as well as consulting services that support these fields. These services cover client-driven information system development, ready-made product solutions, analytics, information management and visualization, and expert and consulting services.



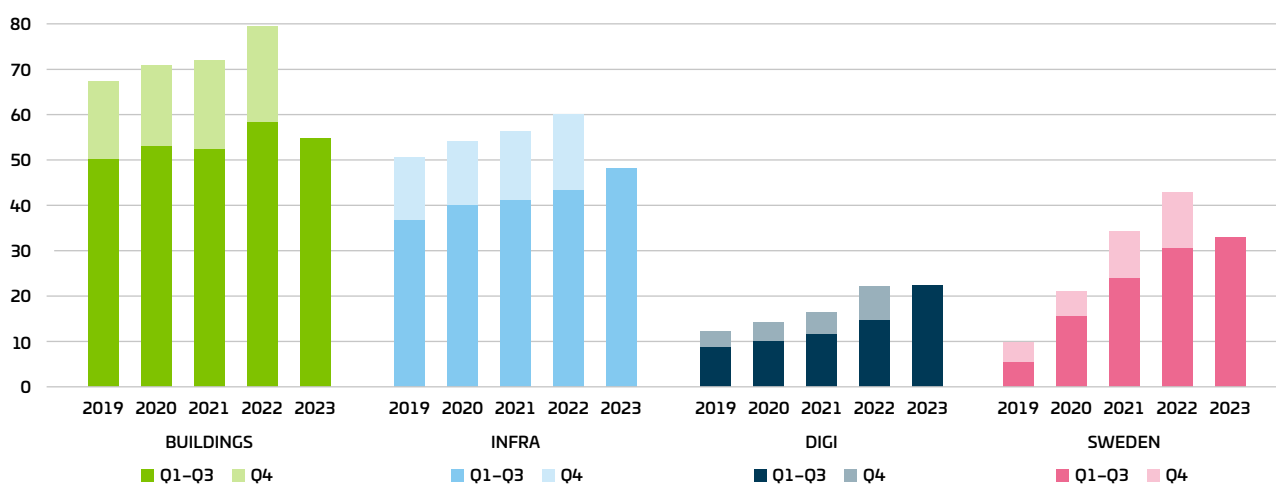
Sitowise's operations in **Sweden** form the Group's fourth business area. In Sweden, Sitowise provides design and consulting services in the following areas: structural engineering, building services engineering and consulting for buildings and real estate, infrastructure, and geotechnical design. As from 1 January 2023, this business area also includes digital solutions for traffic and infrastructure in Sweden (Infracontrol), which were previously reported under Digi.

THE GROUP'S NET SALES AND PROFITABILITY

NET SALES

EUR million	7-9/2023	7-9/2022	Change, %	1-9/2023	1-9/2022	Change, %	1-12/2022
Buildings	15.8	18.2	-13.4%	54.7	58.3	-6.2%	79.4
Infra	14.5	13.3	9.1%	48.1	43.2	11.4%	60.0
Digi ¹⁾	6.7	5.4	23.3%	22.4	14.7	52.6%	22.1
Sweden ¹⁾	8.6	9.0	-3.9%	33.0	30.7	7.5%	42.9
Total	45.6	45.9	-0.7%	158.1	146.8	7.7%	204.4

¹⁾ Figures for the comparison year have been adjusted to reflect the current organizational structure.



NET SALES BY BUSINESS AREA, EUR MILLION

NET SALES JULY–SEPTEMBER (Q3)

The Group's net sales decreased in Q3 by 1 percent (increased by 1 percent in constant currency) year-on-year, specifically due to weakened market environment in Buildings business area and the weaker than expected performance in Sweden. Organic growth was 1 percent with strong contributions from the Infra and Digi business areas, while being negative in Buildings. One working day shorter third quarter than in the previous year and weakening of the Swedish krona against euro had also a negative impact on net sales.

NET SALES JANUARY–SEPTEMBER

The Group's net sales increased in January–September by 8 percent (10 percent in constant currency) year-on-year. Organic growth was 3 percent, in addition to which the acquisitions made in after the comparison period contributed to the growth. Organic growth had strong contributions from the Infra and Digi business areas, good in Sweden, while being negative in Buildings due to the weakened market environment. The weakening of the Swedish krona against the euro slowed down the euro-denominated net sales growth during the period by some 10% of Sweden's net sales. The number of working days was down by one day year-on-year.

PROFITABILITY

EUR million	7–9/2023	7–9/2022	Change, %	1–9/2023	1–9/2022	Change, %	1–12/2022
EBITA, adjusted	3.5	4.9	-29.5%	14.6	15.1	-3.1%	20.4
% of net sales	7.6%	10.7%		9.2%	10.3%		10.0%
EBITA	3.3	4.5	-28.0%	13.9	11.4	22.2%	16.1
Operating profit	2.3	3.7	-39.5%	11.4	9.4	21.2%	13.2
Result before taxes	1.0	3.3		8.2	7.2	12.5%	10.3
Result for the period	0.8	2.8	-72.7%	6.4	5.5	16.4%	7.9
Earnings per share (EPS), EUR	0.02	0.08	-73.1%	0.18	0.15	18.2%	0.22

PROFITABILITY JULY–SEPTEMBER (Q3)

Adjusted EBITA decreased by 29 percent year-on-year and EBIT margin was 7.6 percent (10.7 percent). The decline was especially due to one working day less compared to comparison period, the weaker market situation in Buildings business area and the weak performance in Sweden. Also, the increased salary costs compared to comparison period decreased profitability. Items affecting comparability amounted to EUR -0.2 (-0.4) million.

Lower EBITA resulted to a 40 percent decrease in Q3 **operating profit** year-on-year.

Both the **result before taxes for the period** and the **result for the period** decreased due to lower operating profit. Financial expenses were above the comparison period mainly due to increased interest rates.

PROFITABILITY JANUARY–SEPTEMBER

Adjusted EBITA decreased by 3 percent due to one working day less compared to comparison period, the weaker market situation in Buildings business area, the weakening performance in Sweden, and weaker utilization rate. Also increased salary costs compared to comparison period decreased profitability. Items affecting comparability were EUR -0.5 (-3.7) million, with significantly lower M&A expenses compared to the comparison period and a positive impact in Q2 of a receivable from Fennovoima project that was impaired in 2022.

Lower amount of items affecting comparability resulted in a 21 percent increase in **operating profit** compared to January–September 2022.

Both the **result before taxes for the period** and the **result for the period** increased due to higher operating profit. Financial expenses were above the comparison period primarily due to increase in interest rates. In the comparison period financial expenses were adversely impacted by currency fluctuations related to intercompany loans.

FINANCIAL POSITION AND CASH FLOW

Equity attributable to owners of the parent company was EUR 117.9 (114.3) million at the end of the reporting period. Sitowise's liquidity remained good in the third quarter. Net debt was slightly lower due to higher cash position and net debt/EBITDA remained at the same level year on year.

EUR million	30 Sep 2023	30 Sep 2022	Change, %	31 Dec 2022
Cash and cash equivalents	9.2	8.0	15.3%	15.4
Interest bearing debt, total	71.4	70.9	0.7%	72.0
<i>Interest bearing debt, current</i>	1.0	2.9	-65.6%	1.0
<i>Interest bearing debt, non-current</i>	70.4	68.0	3.6%	71.0
Equity ratio, %	44.7%	44.1%		41.6%
Net debt	62.2	62.9	-1.1%	56.6
Net debt / EBITDA, adjusted	2.9x	2.9x	2.6%	2.6x
Gearing, %	52.7%	54.9%		48.4%

Sitowise agreed with its lenders in February 2023 to extend the periods provided for in its financing agreement. The extension is for the same amount and at the same terms as the original arrangement. The financing agreement now matures in March 2026.

Cash flow from operating activities before financial items and taxes was EUR -2.7 (0.6) million in the third quarter and EUR 12.6 (9.6) million during January–September. The year-on-year decrease in July–September was mainly due to an increase in working capital as well as lower operating profit. The increase in interest expenses was due to higher loan capital and higher base interest.

Cash flow from investing activities was EUR -0.9 (-1.1) million in the third quarter. Cash flow from investing activities totaled EUR -3.7 (-28.0) million in January–September, and the decline was associated with acquisitions-related investments in the comparison period.

During the third quarter, cash flow from financing was EUR -1.6 (-0.7) million. In January–September, cash flow from financing totaled EUR -8.9 (12.5 million) and it consisted of dividends and reductions in lease liabilities. In the comparison period, it also included loan withdrawals and payments received from share issues relating to acquisitions.

The consolidated balance sheet total at the end of September was EUR 264.2 (260.0) million. Goodwill in the balance sheet amounted to EUR 156.1 (154.6) million.

Q3: BUSINESS REVIEW | BUILDINGS

In July–September, net sales from the **Buildings business area** were down by 13 percent from the level of the comparison period and amounted to EUR 15.8 (18.2) million. This corresponds to approximately 35 (40) percent of the Group’s consolidated net sales.

The market situation in Buildings continued to deteriorate in the third quarter. The difficult market situation and the resulting temporary layoffs and lower utilization rate were also reflected in the adverse net sales development. At the same time, determined actions in sales and pricing supported the positive development in Buildings’ average prices.

According to the economic survey published by the Confederation of Finnish Construction Industries (RT) at the end of September, the Finnish construction industry is in an exceptionally difficult situation. RT forecasts, that the housing market will decrease by 38% in 2023 and by further 9% in 2024 in Finland. Non-residential construction is estimated to drop by 2% in 2023 and grow by 3% in 2024, and the renovation construction market will shrink by 4% in 2023 and by further 1% in 2024.

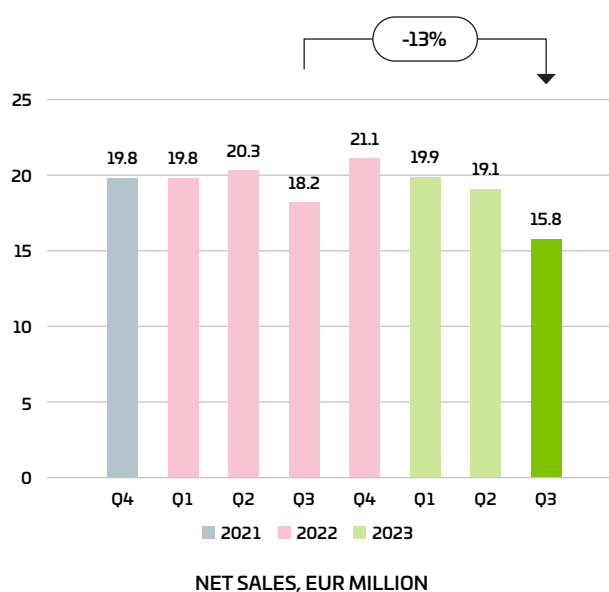
The downturn in the new construction has impacted Sitowise’s Buildings business area and especially its MEP (mechanical, electrical, and plumbing) and structural engineering business. Less than one fourth of the Buildings business area (corresponding to less than 10 percent of the Group’s consolidated net sales) has been focused on the most challenging housing segment and about one fourth on the commercial new buildings segment in non-residential construction segment, but their relative sizes have come down slightly in the past months.

The other half of the Buildings business focuses on the renovation construction market, which has weakened due to the prolonged high interest rate level reflected in the financing decisions of renovation construction projects and the hesitation of housing associations and property owners to start projects.

Until October, operations continued to be adapted with different vacation arrangements and temporary layoffs to better correspond to the market situation. In August change negotiations were started to find a more long-term solution for the challenges in Buildings and to improve its long-term competitiveness and profitability. The negotiations were concluded in early October with a decision to reduce close to 80 employees. As the outcome of the negotiations also a leaner and more agile organizational structure was introduced, with the key aim to support efficient project and client work.

The order book of the Buildings business declined slightly compared to the end of the previous quarter, and the number of projects being on hold somewhat increased. New projects were won, however, in all areas of Buildings business. The materialization of the new projects extends to a longer period.

The downturn in the new construction has impacted Sitowise’s Buildings business area and especially its MEP and structural engineering business.



In future, Buildings business area will put increasing focus on services with higher margins, which include, among others, special services, energy-efficiency planning, and other services related to energy, as well as security critical services. Specific growth areas include also commercial and logistics buildings, automation, and digital solutions. Other priorities in the business area are sales, pricing, and further diversification of client base.

The medium- and long-term prospects for construction renovation are still good thanks to the existing renovation backlog and the requirements imposed by EU regulation, such as the energy-efficiency requirement. According to current market estimates the market for the Buildings business area is not expected to pick up before the second half of 2024 - except for its special services, services related to the green transition, and safety-critical services, for which the demand has remained at a good level throughout.

Q3: BUSINESS REVIEW | INFRA

Net sales from the **Infra business area** were up by 9 percent year-on-year in Q3 and amounted to EUR 14.5 (13.3) million. The business area accounted for approximately 32 (29) percent of the Group’s consolidated net sales.

Infra showed strong performance against any KPIs in the third quarter. Its net sales growth clearly outpaced the general infra market, thanks to healthy organic growth and the tailwind from the acquisition of Infrasuunnittelu Oy in May. The number of employees increased, especially in areas of high demand such as services related to green transition. Further, successful pricing and sales initiatives supported top-line growth. On the other hand, net sales and profitability were adversely impacted the negative calendar effect and the slight decline in the utilization rate from the comparison period.

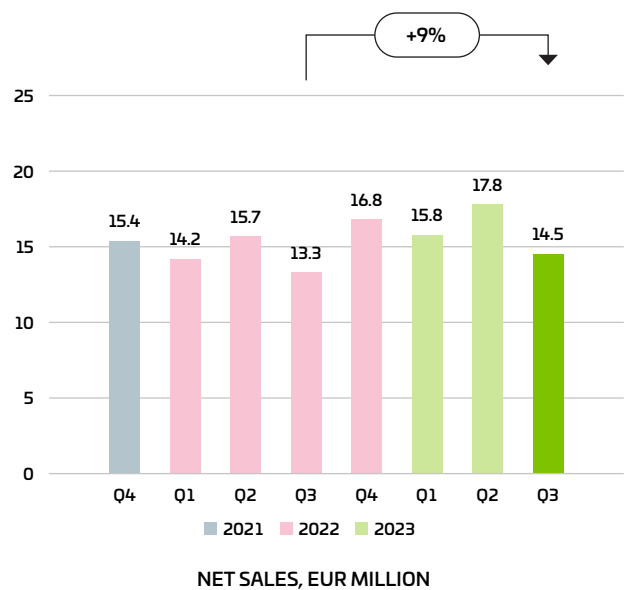
The division of the wider infra market into weaker and stronger segments continued in Q3. The weaker segments are related to municipal infrastructure design such as road and infra planning for new residential areas and groundworks for new buildings. The strong segments include especially energy and environmental projects related to the green transition. In Sitowise’s Infra business area the weaker and stronger areas balance each other.

There were no significant changes in the market environment in July–September, although the readiness of municipalities to carry out large investments under cost pressures weakened. The materialization of the infrastructure-related goals included in Finland’s new government program, which are deemed to be positive from the perspective of Infra business, into projects is still in progress.

Infra’s order book decreased slightly from the comparison period but is still at a good level. During the quarter, the new orders received were related especially to projects related to green transition initiated by the private sector actors and the public sector’s investments in security. Thanks to the sales efforts in Q3, Infra signed in October a significant framework agreement with the French company Neoen regarding environmental surveys and permit process management for various renewable energy projects, such as wind farms and solar energy projects. The framework agreement is valid until further notice. In addition, Infra won several other projects related to wind power projects and biodiversity surveys.

The outlook for the Infra business area remains unchanged, and business growth is supported by strong expertise, close client relationships and the versatility of the customer base.

In Sitowise’s Infra business area the weaker and stronger areas balance each other. Infra showed strong performance against any KPIs in the third quarter.



Maarit, Deputy Head of Department

Q3: BUSINESS REVIEW | DIGI

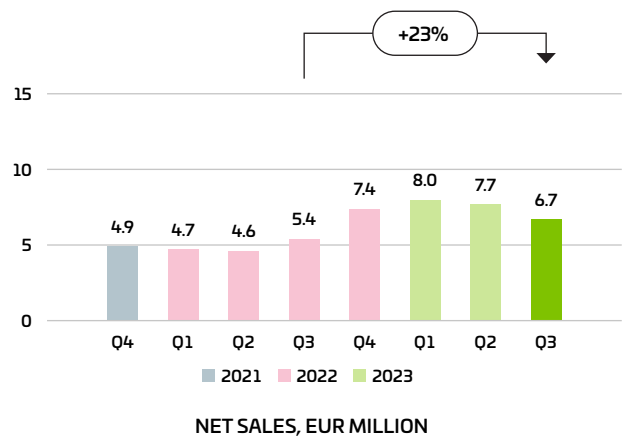
Net sales in the **Digital Solutions business area** continued to grow rapidly by 23 percent year-on-year in Q3 and amounted to EUR 6.7 (5.4) million. The growth was entirely organic, with a significant contribution from Bitcomp’s LeafPoint product roll-out. The business area accounted for approximately 15 (12) percent of the Group’s consolidated net sales.

Digital Solutions business area performed strongly in July–September despite the slowing market. Its growth was supported by the good development in product sales, successful pricing, and utilization rate that remained at a good level. The weakening prospects of the Finnish economy were reflected especially in the private sector players’ demand and investments, which were down significantly. The renewable energy sector, where investments in digital solutions are still growing rapidly, is an exception to this development. The public sector continued its investments in digital solutions, but the challenges in the broader IT consulting market have clearly tightened competition and added price pressure, especially in larger tenders and public sector tenders.

Digital Solutions’ order book grew despite the slowing market. The demand for SaaS products such as LeafPoint, AI-based Smart Analytics services, Routa, Aino and Louhi GIS platform, has been at a high level. Sitowise signed, among other things, a service agreement with the Swedish Solkompaniet Sverige AB on using Louhi GIS data management platform in solar farm exploration and development. The focus on sales activity and systematic account management is expected to have a positive effect on Digital Solutions’ business, and the share of recurring revenue from product business is expected to grow.

The combination of Sitowise’s SaaS and project business has enabled the flexible use of resources in a changing market and has proven to be a strength. With the uncertainty in the market, the competition for experienced labor has also decreased and voluntary attrition has declined. Sitowise’s strong expertise from built environment, data management and digital solutions enables us to differentiate from our competition. Our balanced service and client portfolio, ability to create new market especially with the SaaS products, as well as our expertise in geospatial information systems enable profitable growth also in future. The business area’s growth rate is expected to slow down in the coming months due to a more challenging market situation and saturation of the Finnish market for the LeafPoint solution following the successful roll-outs to all Finnish forest associations. However, the outlook for Digital solutions remains good.

Digital Solutions business area performed strongly in July–September, and Digi’s order book grow despite the slowing market.



Alessandro, Designer

Q3: BUSINESS REVIEW | SWEDEN

The krona / euro exchange rate continued to impact heavily the reported sales figures for **Sweden** and while the net sales from the Group's operations in Sweden in constant currency were up by 7 percent, they declined by 4 percent, when reported in euros. The net sales amounted to EUR 8.6 (9.0) million in Q3. This corresponds to approximately 19 (20) percent of the Group's consolidated net sales.

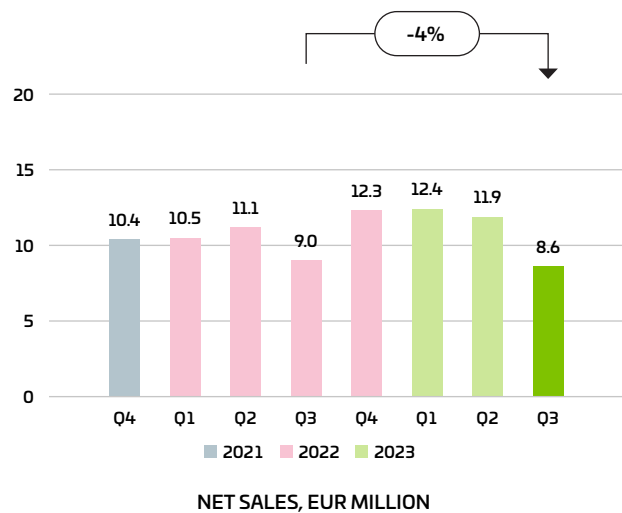
In addition, the slight softening of the market in Sweden and one working day shorter quarter than in the previous year slowed down growth. Integrations of acquired companies took more time than expected at the cost of sales focus. Furthermore, other internal issues such as one troublesome big project and delays in key recruitments burdened the performance and were reflected in the lower utilization year-on-year.

The order book in Sweden decreased slightly in the third quarter but remained at a decent level. The prolongation of high inflation and interest rates in Sweden has in some cases lengthened decision-making times, led to postponement of projects and tightened price competition.

The market environment for technical consulting overall in Sweden is still reasonably good, albeit the pick-up of the market after the seasonally slower summer months took longer than anticipated. The local infra market growth continues to be supported by sizable investments in infrastructure projects by the Swedish public and private sector players. The demand for technical consulting in commercial, industrial, and institutional building projects continues to be stable too. The local housing market, on the other hand, is very weak, but thanks to Sitowise's favorable positioning toward other segments, the local housing market drop has only a minor impact on the business.

Internal integrations and projects will continue to impact performance in the last quarter of the year. To get the business area back on its targeted growth track, we will put increasing focus on more proactive sales, pricing excellence and diligent project management. In addition, we postpone some non-critical internal development projects.

The order book in Sweden decreased slightly in the third quarter but remained at a decent level.



Heidi, Senior Designer

SUSTAINABILITY

At the end September, the utilization rate of the sustainability tool developed by Sitowise was 83 (78) percent in all projects started in Finland. Sustainability tool is part of Sitowise's digital Voima platform. Sitowise's goal is that all projects started in the Group use the tool, with an aim is to integrate responsibility and sustainable development issues into every client project.

The current version of the sustainability tool has significantly increased internal discussion on sustainability matters in Sitowise's client projects. However, the requirements for sustainability are growing, and hence it has become necessary to further develop the sustainability tool. Next development phase, starting during the last quarter the year, will allow Sitowise to better meet clients' growing sustainability needs and provide clients with better visibility to their projects' sustainability implications and targets.

During the third quarter, Sitowise also continued work to develop its sustainability reporting to better meet the European Sustainability Reporting Standards' (ESRS) requirements in the future. The work was based on the gap analysis implemented earlier in the year.

CHANGES IN GROUP STRUCTURE

There were no changes to the Group structure in Q3. Preparations to fully integrate three Swedish companies acquired in 2022 through a merger into Sitowise Sverige AB continued during the quarter.

PERSONNEL AND MANAGEMENT

Personnel	7-9/2023	7-9/2022	Change, %	1-9/2023	1-9/2022	Change, %	1-12/2022
Number of personnel, average	2,216	2,177	1.8%	2,224	2,080	6.9%	2,151
Number of personnel, at the end of the period	2,205	2,208	-0.1%	2,205	2,219	-0.6%	2,232

The number of personnel at the end of September was lower than a year ago due to reacting to challenging market situation: not all fixed term contracts were renewed and leavers replaced. The number of full-time equivalent number of employees (FTE) is presented by business area below:

FTE per BUSINESS AREA	7-9/2023	7-9/2022	Change, %	1-9/2023	1-9/2022	Change, %	1-12/2022
Buildings	750	847	-11.5%	767	831	-7.6%	825
Infra	577	514	12.4%	562	512	9.8%	512
Digi	255	244	4.4%	256	193	32.6%	207
Sweden	345	312	10.3%	350	304	15.0%	314
Group Functions	62	60	3.9%	63	59	6.5%	59
Group total	1,989	1,977	0.6%	1,998	1,899	5.2%	1,918

GROUP MANAGEMENT TEAM

On 3 August 2023, Timo Räikkönen was appointed as Executive Vice President for Buildings business area and member of Sitowise's Group Management Team. He joins Sitowise from the position of Executive Vice President of Destia's Urban Development and Design Services and will start in his position on 13 November 2023.

CORPORATE GOVERNANCE

The company has the following authorizations in force as decided by the Annual General Meeting on 25 April 2023:

The Board of Directors is authorized to decide on the issuance of shares as well as the issuance of special rights entitling to shares referred to in Chapter 10, Section 1 of the Companies Act as follows: The number of shares to be issued based on the authorization shall not exceed 3,500,000 shares, which corresponds to approximately 9.8 percent of all of the shares in the company. The authorization covers both the issuance of new shares as well as the transfer of treasury shares held by the company. The Board of Directors decides on all other conditions of the issuance of shares and of special rights entitling to shares. The issuance of shares and of special rights entitling to shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue). The authorization may be used, among other things, to finance and carry out acquisitions or other corporate transactions, to promote engagement, in incentive systems, in order to develop the company's capital structure, to broaden the company's ownership base, and for other purposes as determined by the company's Board of Directors.

The Board of Directors is authorized to decide on the repurchase of the company's own shares as follows: The number of own shares to be repurchased based on the authorization shall not exceed 3,500,000 shares in total, which corresponds to approximately 9.8 percent of all the shares in the company. However, the company together with its subsidiaries cannot at any moment own more than 10 percent of all the shares in the company. Own shares can be repurchased only using the unrestricted equity of the company at a price formed in public trading on the date of the repurchase or otherwise at a price determined by the markets. The Board of Directors decides on all other matters related to the repurchase of our own shares and, inter alia, derivatives can be used for the repurchase. Own shares do not have to be acquired proportionally to the number of shares held by the shareholders (directed acquisition).

The authorizations are effective until the beginning of the next Annual General Meeting, however no longer than until 30 June 2024.

The Board of Directors decided to exercise its existing share issue authorization and carried out a directed issue of 37,330 treasury shares in connection with the acquisition of Infrasuunnittelu Oy on 2 May 2023. At the end of the review period on 30 September 2023, the Board's remaining share issue authorization amounted to 3,462,670 shares, and the authorization for the repurchase of the company's own shares remains unused.

SHARES AND SHAREHOLDERS

SHARES OUTSTANDING AND SHARE CAPITAL

At the end of the review period, Sitowise Group Plc's share capital was EUR 80,000.

The company has one class of shares. Each share entitles the holder to one vote and an equal dividend. There were no changes in the number of shares outstanding shares during the review period. Sitowise Group Plc held 82,069 own shares on 30 September 2023.

	30 Sep 2023	30 Sep 2022	31 Dec 2022
Registered share capital, EUR thousand	80	80	80
Registered total number of shares	35,665,927	35,665,927	35,665,927
Treasury shares	82,069	308,325	119,399

TRADING OF SHARES

SITOWS Nasdaq Helsinki	7-9/ 2023	7-9/ 2022	1-9/ 2023	1-9/ 2022
Number of shares traded, million	1.3	2.3	3.3	4.3
Value of trading, EUR million	5.8	11.8	14.1	23.9
Closing price on the final day of trading, EUR			3.63	4.00
Volume-weighted average price, EUR	3.78	5.13	4.23	5.46
Highest price, EUR	4.29	6.07	5.14	8.22
Lowest price, EUR	3.38	3.93	3.38	3.93
Market capitalization (at the end of the period), EUR million			129.5	142.5

SHAREHOLDERS

At the end of the review period on 30 September 2023, the number of registered shareholders was 6,001 (6,168). Nominee-registered shareholders accounted for 39.4 (35.6) percent of the company's shares. The ten largest shareholders entered in the book-entry register maintained by Euroclear Finland Oy owned a total of 29.2 (30.3) percent. A list of these major shareholders is available on the company's website at www.sitowise.com.

The table below lists the ten largest shareholders on 30 September 2023. The information is based on the Monitor service provided by the Swedish company Modular Finance AB: *)

Shareholder	# of shares	% of shares
1 Intera Partners Oy	5,121,573	14.4%
2 Paradigm Capital AG	3,582,591	10.0%
3 Lannebo Funds	2,286,888	6.4%
4 Handelsbanken Funds	2,135,079	6.0%
5 Didner & Gerge Funds	1,463,414	4.1%
6 Evli Fund Management	1,276,000	3.6%
7 Ilmarinen Mutual Pension Insurance Company	1,071,500	3.0%
8 SEB Funds	895,206	2.5%
9 Varma Mutual Pension Insurance Company	635,000	1.8%
10 Mandatum Life Insurance Company	513,781	1.4%
10 largest in total	18,981,032	53.2%
Outstanding shares	35,665,927	

*) Data may be incomplete for both the number of shares and shareholders. It is not possible for the company to verify the accuracy or timeliness of the information. The company is not responsible for the information supplied by the service provider, which is given only as additional information. The company's shareholder register is available from Euroclear, and the company additionally publishes any flagging notifications it receives as stock exchange releases.

SHARE-BASED INCENTIVE PLANS

On 30 September 2023, Sitowise Group Plc had two performance-based, long-term incentive plans in place: Performance Share Plan 2023–2025 and Restricted Share Plan 2023–2025. The company also had in place a long-term option program. All three are further described at www.sitowise.com/investors/governance/remuneration.

SHAREHOLDERS' NOMINATION BOARD

Members were appointed to Sitowise Group Plc's Shareholders' Nomination Board in September. The three shareholders who hold the largest share of all the votes in the Company on the first weekday in September are each entitled to nominate one member to the Nomination Board each year. In addition, the Chair of the Board of Directors of Sitowise Group Plc serves as an expert member of the Nomination Board. The members of the Nomination Board are Juhana Kallio representing Intera Partners Oy, Malin Björkmo representing Handelsbanken Funds, Claes Murander representing Lannebo Funds and Eero Heliövaara, the Chair of Sitowise's Board of Directors.

FLAGGING NOTIFICATIONS

On 28 September 2023 Sitowise received a notification in accordance with the Chapter 9, Section 10 of the Finnish Securities Market Act from Paradigm Capital Value Fund SICAV. According to the notification Paradigm Capital Value Fund SICAV's direct holding of the shares and votes of the Company exceeded 10 percent on 28 September 2023. According to the notification, Paradigm Capital Value Fund SICAV holds a total of 3,582,591 shares corresponding to 10.04 percent of the Company's shares and votes.

Between 12 and 29 September 2023, Sitowise Group Plc also received a total of 7 notifications in accordance with the Chapter 9, Section 5 of the Finnish Securities Markets Act from Morgan Stanley. According to these notifications, Morgan Stanley's indirect holding of shares and votes in Sitowise Group Plc had either exceeded or fallen below the 5 percent threshold of all shares and votes as a result of stock borrowing agreements. At the end of September Morgan Stanley held, as a result of stock borrowing agreements, indirectly a total of 2,017,016 shares corresponding to 5.66 percent of the Company's shares and votes, and through financial instruments a total of 94,837 shares corresponding to 0.27 percent of the Company's shares and votes.



Samppa, NextGen Trainee

RISKS AND UNCERTAINTIES

Significant short-term risks and uncertainties to which the Sitowise Group's business is exposed to include possible challenges or delays ERP and CRM implementations in the fourth quarter of 2023, operational risks related to the project work and to the retention of current experts, well-being of employees, and availability of new experts, as well as damage risks and strategic risks linked to corporate acquisitions and uncertainties in the global economy. Further, the Sitowise Group's performance is exposed to several financial risks such as interest rate and currency risks.

Higher inflation, rising interest rates, the price of energy, as well as the increased cost of construction materials and decline in demand create uncertainty in the markets and may cause a decline in economic activity and impact clients' business prospects leading to, for example, a decrease or postponement of investments and clients' projects. The risks are described in detail in our 2022 Financial Statement (available on our website at www.sitowise.com).

One of the key tools for the Group's risk assessment is an annual survey that was last conducted in June 2023. Its results as well as any other specific risks arising from Sitowise's operations are discussed in the Group's Board of Directors, Management Team, and business areas, as appropriate. The Sitowise Group's risk management process and responsibilities are described on the Group's website (www.sitowise.com).

LEGAL PROCEEDINGS

Sitowise Oy has a pending legal proceeding with a former client relating to a Finnish residential apartment building project from a few years back. A substantial claim has been presented to Sitowise by the counterparty, but according to the company's view, the claim is unfounded. Sitowise has also presented a claim to the counterparty for the unpaid part of the project payment, plus the delay interest. The company estimates that the proceedings will take years.



SEASONALITY AND SENSITIVITIES

The seasonal variation of Sitowise's business is affected by the monthly allocation of annual working days, which in turn is affected by the timing of public holidays (e.g., Easter and Christmas) and employee vacation periods. The Group's net sales and profitability are generally at their lowest in the third quarter due to the summer vacation season.

CALENDAR EFFECTS: NUMBER OF WORKING HOURS BASED ON SALES WEIGHTED BUSINESS MIX

	2023	2022	Difference
Q1	484	476	8
Q2	451	460	-9
Q3	491	500	-9
Q4	469	477	-8
Full year	1,895	1,914	-19

ESTIMATED SENSITIVITIES WITH CURRENT BUSINESS SCOPE ON ANNUAL LEVEL:

	Change	Impact in euros	Impact scope
Number of working days	+/- 1 day	+/- EUR 0.7–0.9 million	Topline and bottom-line impact
Sickness absences	+/- 1%-point	-/+ EUR 2 million	Topline and bottom-line impact
SEK/EUR FX rate	+/- 10%	+/- EUR 4 million	Topline impact

QUARTERLY NET SALES AND EBITA OF THE GROUP

EUR million	Q4/2021	Q1/2022	Q2/2022	Q3/2022	Q4/2022	Q1/2023	Q2/2023	Q3/2023
Net sales	50.5	49.2	51.7	45.9	57.6	56.0	56.5	45.6
Other operating income	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1
Materials and services	-5.2	-4.1	-5.1	-5.1	-6.2	-4.9	-5.8	-4.8
Personnel expenses	-31.1	-32.1	-33.4	-27.7	-35.8	-35.6	-37.3	-28.8
Other operating expenses	-6.8	-5.9	-6.6	-6.4	-8.3	-7.0	-6.9	-6.6
Depreciations	-1.9	-1.9	-1.9	-1.9	-2.0	-2.0	-2.0	-2.0
EBITA, adjusted	5.6	5.2	4.9	4.9	5.3	6.6	4.5	3.5
EBITA, adjusted %	11.1%	10.6%	9.5%	10.7%	9.2%	11.8%	8.0%	7.6%
Items affecting comparability	-0.4	-1.7	-1.6	-0.4	-0.6	-0.4	-0.1	-0.2
EBITA	5.2	3.5	3.3	4.5	4.7	6.2	4.4	3.2
EBITA %	10.3%	7.2%	6.4%	9.8%	8.2%	11.1%	7.8%	7.1%

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

FLAGGING NOTIFICATIONS

In October 2023, Sitowise Group Plc received a total of 6 notifications in accordance with the Chapter 9, Section 5 of the Finnish Securities Markets Act from Morgan. According to the notifications received on 2, 10, 11, 13, 25 and 31 October, Morgan Stanley's indirect holding of shares and votes in Sitowise Group Plc had either exceeded or fallen below the 5 percent threshold of all shares and votes as a result of stock borrowing agreements. Based on the latest notification given on 31 October 2023, Morgan Stanley holds indirectly a total of 2,238,281 shares corresponding to 6.28 percent of the Company's shares and votes, and a total of 146,194 shares through financial instruments corresponding to 0.41 percent of the Company's shares and votes.

CHANGE NEGOTIATIONS IN THE BUILDINGS BUSINESS AREA

The change negotiation started in the Buildings business area in August were completed in early October. The negotiations led to a reduction of close to 80 employees, and in addition, a new leaner organization was introduced in Buildings business area.

The one-off cost resulting from the redundancies will be recorded under items affecting comparability in Sitowise's October–December 2023 P&L. The saving will start to materialize from October 2023 onwards and will be fully in force from January 2024 onwards.

GUIDANCE UPDATE

On 19 October 2023, Sitowise issued a profit warning and updated its guidance for profitability in 2023. The guidance for net sales remained unchanged.

Espoo, 2 November 2023
Sitowise Group Plc
Board of Directors

ADDITIONAL INFORMATION

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FINANCIAL CALENDAR 2024

The planned publication dates for Sitowise Group Plc's financial reports in 2024 are as follows:

- Financial Statements Report 2023: 27 February 2024
- Interim Report for January–March 2024: 8 May 2024
- Half-year report for January–June 2024: 13 August 2024
- Interim Report for January–September 2024: 7 November 2024

WEBCAST FOR ANALYSTS, MEDIA AND INVESTORS

Sitowise's Q3 2023 earnings webcast will be held today, 2 November 2023, at 12 pm EEST. The webcast can be accessed either live or as a replay available at livekatsomo.fi/sitowise-q3-2023-result-webcast/

DISTRIBUTION:

Nasdaq Helsinki Ltd
Key media
www.sitowise.com

SITOWISE IN BRIEF:

Sitowise is a Nordic expert in the built environment with strong focus on digitality. We provide design and consulting knowhow to enable more sustainable and smarter urban development as well as smooth transportation. Sitowise offers services related to real estate and buildings, infrastructure, and digital solutions both in Finland and in Sweden. Global megatrends drive huge changes that require a re-evaluation of the smartness in the built environment – therefore we have set our vision to be *Redefining Smartness in Cities*. The Group's net sales were EUR 204 million in 2022 and the company employs more than 2,200 experts. Sitowise Group Plc is listed on Nasdaq Helsinki under the trading symbol SITOWS.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Net sales	45,618	45,917	158,142	146,841	204,414
Other operating income	101	76	280	247	288
Materials and services	-4,836	-5,095	-15,495	-14,276	-20,495
Personnel expenses	-28,859	-27,862	-102,019	-93,743	-129,774
Other operating expenses	-6,821	-6,565	-20,848	-21,994	-30,677
Depreciation and amortization	-2,938	-2,726	-8,693	-7,692	-10,594
Operating profit	2,265	3,745	11,366	9,382	13,162
Financial income	-53	153	384	285	390
Financial expenses	-1,189	-552	-3,598	-2,418	-3,272
Result before taxes	1,024	3,346	8,152	7,248	10,280
Income taxes	-256	-531	-1,744	-1,743	-2,366
Result for the period	768	2,815	6,408	5,505	7,914
Attributable to:					
Owners of the parent	767	2,783	6,417	5,429	7,847
Non-controlling interest	1	31	-9	76	67
Other comprehensive income:					
Items that will not be reclassified as profit or loss					
Recognition of change in the fair value of other investments through comprehensive income					0
Items that may be reclassified to profit or loss					
Change in translation difference	1,424	-906	-2,205	-2,595	-3,837
Hedging of cash flows, net of tax	-49		294		63
Other comprehensive income in total	1,375		-1,912		-3,774
Total comprehensive income	2,143	1,908	4,496	2,911	4,140
Comprehensive income attributable to:					
Owners of the parent	2,141	1,877	4,505	2,834	4,073
Non-controlling interest	1	31	-9	76	67
Earnings per share:					
Earnings per share (EUR)	0.02	0.08	0.18	0.15	0.22
Diluted earnings per share (EUR)	0.02	0.08	0.18	0.15	0.22

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR thousand	30 Sep 2023	30 Sep 2022	31 Dec 2022
Assets			
Goodwill	156,088	154,608	157,620
Other intangible assets	10,859	8,692	10,224
Tangible assets	27,813	31,585	31,776
Other shares, similar rights of ownership, and receivables	2,205	1,852	1,931
Deferred tax assets	1,413	1,366	894
Total non-current assets	198,378	198,103	202,446
Trade and other receivables	55,494	52,590	61,564
Deferred tax assets	1,094	1,328	1,323
Cash and cash equivalents	9,200	7,979	15,390
Total current assets	65,788	61,898	78,278
Total assets	264,166	260,001	280,724

EUR thousand	30 Sep 2023	30 Sep 2022	31 Dec 2022
Shareholders' equity and liabilities			
Share capital	80	80	80
Fund for invested unrestricted equity	96,592	95,512	96,434
Fair value reserve	642	285	348
Translation difference	-5,886	-2,438	-3,681
Retained earnings	26,476	20,910	23,440
Equity attributable to owners of the parent	117,904	114,348	116,621
Non-controlling interest	243	262	253
Total shareholders' equity	118,147	114,610	116,874
Deferred tax liabilities	1,489	1,581	1,588
Financial liabilities	89,821	88,211	93,042
Total non-current liabilities	91,310	89,792	94,630
Income tax liabilities	547	1,082	653
Financial liabilities	7,624	9,534	7,937
Provisions	458	1,071	981
Trade payable and other liabilities	46,079	43,913	59,649
Total current liabilities	54,709	55,599	69,219
Total shareholders' equity and liabilities	264,166	260,001	280,724

CONSOLIDATED CASH FLOW STATEMENT

EUR thousand	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Cash flow from operating activities:					
Result for the period	768	2,815	6,408	5,505	7,914
Adjustments					
Income taxes	256	531	1,744	1,743	2,366
Depreciation and amortization	2,938	2,726	8,693	7,692	10,594
Financial income and expenses	1,242	399	3,215	2,134	2,882
Other adjustments	88	68	185	185	297
Change in working capital					
Trade and other receivables, increase (-) / decrease (+)	1,920	1,666	5,910	1,729	-6,424
Trade and other payables, increase (+) / decrease (-)	-9,885	-7,626	-13,593	-9,402	5,047
Interest paid and other financial expenses	-1,150	-523	-3,668	-1,438	-2,244
Interest received and other financial income	49	88	214	126	185
Income taxes paid	-978	-1,003	-2,500	-3,835	-4,558
Net cash flows from operating activities	-4,752	-859	6,607	4,439	16,058
Cash flow from investing activities:					
Investments in tangible and intangible assets	-872	-1,039	-2,564	-2,585	-3,665
Acquisitions of subsidiaries, net cash acquired	0	-75	-1,112	-25,392	-28,786
Net cash flows from investing activities	-872	-1,114	-3,676	-27,978	-32,450
Cash flow from financing activities:					
Payments from share issue	0	0	158	2,922	3,844
Share repurchase	0	-1,075	0	-2,720	-2,720
Dividend distribution and capital repayment	0	0	-3,555	-3,545	-3,545
Withdrawal of loans	0	1,924	0	20,924	24,424
Repayments of loans	0	-2	-516	-549	-2,974
Lease liabilities, increase (+) / decrease (-)	-1,623	-1,566	-4,985	-4,574	-6,131
Net cash flow from financing activities	-1,623	-718	-8,898	12,458	12,899
Cash and cash equivalents at the start of the period	16,261	10,718	15,390	19,353	19,353
Change in cash and cash equivalents, increase (+) / decrease (-)	-7,247	-2,690	-5,968	-11,080	-3,493
Translation differences	186	-49	-223	-294	-470
Cash and cash equivalents at the end of the period	9,200	7,979	9,200	7,979	15,390

STATEMENT OF CHANGES IN CONSOLIDATED INCOME

EUR thousand	Equity attributable to owners of parent							Non-controlling interest	Total shareholders' equity
	Share capital	Fund for invested unrestricted equity	Fair value reserve	Subordinated loans	Translation differences	Retained earnings	Total		
Shareholders' equity 1 Jan 2023	80	96,434	348	0	-3,681	23,440	116,621	253	116,874
Result for the period						6,417	6,417	-9	6,408
Other comprehensive income			294		-2,205		-1,912		-1,912
Total comprehensive income	0	0	294	0	-2,205	6,417	4,505	-9	4,496
Share issues		158					158		158
Dividend distribution						-3,555	-3,555		-3,555
Share-based incentive schemes						174	174		174
Transactions with owners	0	158	0	0	0	-3,380	-3,222	0	-3,222
Shareholders' equity 30 Sep 2023	80	96,592	642	0	-5,886	26,477	117,904	243	118,147

EUR thousand	Equity attributable to owners of parent							Non-controlling interest	Total shareholders' equity
	Share capital	Fund for invested unrestricted equity	Fair value reserve	Subordinated loans	Translation differences	Retained earnings	Total		
Shareholders' equity 1 Jan 2022	80	95,310	285	0	156	18,840	114,672	186	114,858
Result for the period						5,429	5,429	76	5,505
Other comprehensive income	0	0	0	0	-2,595		-2,595		-2,595
Total comprehensive income	0	0	0	0	-2,595	5,429	2,834	76	2,911
Share issues		2,922					2,922		2,922
Share repurchase		-2,720					-2,720		-2,720
Dividend distribution						-3,545	-3,545		-3,545
Share-based incentive schemes						185	185		185
Transactions with owners	0	201	0	0	0	-3,360	-3,158	0	-3,158
Shareholders' equity 30 Sep 2022	80	95,512	285	0	-2,439	20,910	114,348	262	114,610

NOTES TO THE INTERIM REPORT

Sitowise Group's interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. The interim information does not include all the notes presented in the consolidated financial statements for 2022; therefore it should be read in conjunction with the consolidated financial statements for 2022 prepared in accordance with IFRS. The same accounting principles have been applied in the interim financial information as in the consolidated financial statements except the amendments to IAS 12 Income taxes -standard. The amendment applies to accounting for deferred tax related to assets and liabilities arising from a single transaction. The amendments narrow the scope of the initial recognition exemption and specify that the exemption does not apply to individual transactions, such as leases and decommissioning obligations that give rise to equal and opposite temporary differences. The amendments have an impact on the notes presented in consolidated financial statements, but not on Sitowise Group's Balance sheet. The interim report has not been audited.

The explanatory part of the interim report describes the effects of the Russian invasion to Ukraine on the Sitowise Group in more detail. Otherwise, the key uncertainties related to decisions made by the management requiring discretion, the management's estimates, as well as key topics requiring discretion are the same as those in the 2022 financial statements.

1. NET SALES

Net sales by business area

EUR thousand	7-9/2023	7-9/2022	Change, %	1-9/2023	1-9/2022	Change, %	1-12/2022
Buildings	15,755	18,183	-13%	54,705	58,329	-6%	79,446
Infra	14,546	13,330	9%	48,119	43,204	11%	59,952
Digi ¹⁾	6,675	5,414	23%	22,358	14,650	53%	22,127
Sweden ¹⁾	8,643	8,989	-4%	32,960	30,655	-4%	42,881
Total	45,618	45,917	-0.7%	158,142	146,841	7.7%	204,414

¹⁾ Figures for the comparison year have been adjusted to reflect the current organizational structure.

Net sales by geographical area

EUR thousand	7-9/2023	7-9/2022	1-9/2023	1-9/2022
Finland	36,934	36,845	124,925	115,668
Sweden	8,518	8,891	32,551	30,508
Other countries	166	180	666	664
Total	45,618	45,917	158,142	146,841

Net sales of the geographical areas are reported by the client's location.

Revenue from client contracts expected to be recognized and related to the remaining performance obligations as of 30 September 2023 is approximately EUR 167 million.

2. ACQUISITIONS (Business combinations)

There were no acquisitions in the third quarter of the financial year. In the second quarter Sitowise Group acquired the Finnish Infrasuunnittelu Oy. This acquisition strengthened Sitowise's expertise especially in infrastructure services offered to the mining industry. The acquisition completed during the year 2023 is presented below.

Company	Time	Transaction method	Location	Personnel	Net sales in 2022 EUR million
Infrasuunnittelu Oy	5/2023	Share purchase (100%)	Kajaani (Finland)	17	1.5

The assets and liabilities of the acquired companies mainly include working capital items as well as separately identified assets related to client relationships and technologies, and the possible effects of exchange rate fluctuations. The estimated useful lives of separately identified assets are 5 years. The recognized goodwill is not tax deductible. Purchase price allocation presented below is preliminary.

EUR thousand	1-9/2023
Purchase price	916
Assets	906
Liabilities	377
Net assets	529
Goodwill	387

3. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

Fair value hierarchy levels:

- **Level 1:** Quoted fair values for identical assets and liabilities in active markets
- **Level 2:** Fair values are measured using inputs other than quoted prices included within Level 1, and they are observable for the asset or liability, either directly or indirectly
- **Level 3:** Fair values are measured using asset or liability data not based on observable market inputs

Financial assets

EUR thousand	Measured at amortized cost	Measured at fair value through other comprehensive income	Measured at fair value through profit or loss	Book value total	Fair value	Level
Non-current financial assets						
Other shares and holdings		733		733	733	Level 3
Loan receivables	917			917	917	Level 2
Other financial assets, including derivatives	199	357		556	556	Level 2
Current financial assets						
Trade receivables	31,288			31,288	31,288	Level 2
Cash and cash equivalents	9,200			9,200	9,200	Level 1
Financial assets 30 Sep 2023	41,603	1,090	0	42,693	42,693	

EUR thousand	Measured at amortized cost	Measured at fair value through other comprehensive income	Measured at fair value through profit or loss	Book value total	Fair value	Level
Non-current financial assets						
Other shares and holdings		731		731	731	Level 3
Loan receivables	917			917	917	Level 2
Other financial assets, including derivatives	208			208	208	Level 2
Current financial assets						
Trade receivables	30,434			30,434	30,434	Level 2
Cash and cash equivalents	7,979			7,979	7,979	Level 1
Financial assets 30 Sep 2022	39,538	731	0	40,268	40,268	

Financial liabilities

EUR thousand	Measured at amortized cost	Measured at fair value through other comprehensive income	Measured at fair value through profit or loss	Book value total	Fair value	Level
Non-current financial liabilities						
Loans from financial institutions	70,408			70,408	70,408	Level 2
Lease liabilities	19,413			19,413		Level 2
Current financial liabilities						
Loans from financial institutions	1,007			1,007	1,007	Level 2
Trade payables	7,116			7,116	7,116	Level 2
Additional purchase price liabilities			737	737	737	Level 3
Lease liabilities	6,617			6,617		Level 2
Financial liabilities 30 Sep 2023	104,561	0	737	105,298	79,268	

EUR thousand	Measured at amortized cost	Measured at fair value through other comprehensive income	Measured at fair value through profit or loss	Book value total	Fair value	Level
Non-current financial liabilities						
Loans from financial institutions	67,964			67,964	67,964	Level 2
Lease liabilities	20,247			20,247		Level 2
Current financial liabilities						
Loans from financial institutions	2,925			2,925	2,925	Level 2
Trade payables	6,020			6,020	6,020	Level 2
Additional purchase price liabilities				0	0	Level 3
Lease liabilities	6,609			6,609		Level 2
Financial liabilities 30 Sep 2022	103,765	0	0	103,765	76,910	

Loans from financial institutions consist of floating rate bank loans. The total amount of loans drawn down under the financing agreement was EUR 71.5 million. Sitowise concluded an interest rate swap at the end of the financial period of 2022. EUR 33.0

million of the withdrawn loans were based on a variable-rate and EUR 38.5 million of the loans to fixed rate. The Group met all the covenant conditions of its financing contract during the review period.

4. GUARANTEES AND CONTINGENT LIABILITIES

There were no significant changes during the third quarter and the company had bank guarantees of EUR 2.0 million at the end of the review period.

5. SHARES

Number of shares used in calculating earnings per share

	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Number of shares	35,665,927	35,665,927	35,665,927	35,665,927	35,665,927
Number of shares, average	35,665,927	35,665,927	35,665,927	35,664,075	35,664,557
Diluted number of shares	35,875,927	35,665,927	35,875,927	35,665,927	35,665,927
Diluted number of shares, average	35,875,927	35,665,927	35,776,696	35,665,927	35,664,557

6. RELATED-PARTY TRANSACTIONS

In March 2023 the Board of Directors of Sitowise Group Plc decided on a new performance-based, long-term incentive plan (Performance Share Plan or PSP 2023–2025) which is targeted for the Group Management Team members in the first phase. The purpose of the plan is to align the interests of the management and key personnel with the interests of the shareholders and thereby increase the shareholder value in the long term, and to commit the management and key personnel to achieving Sitowise’s strategic goals.

The plan has a three-year performance period, and the Board of Directors decides the commencement of any new plans separately. During the reporting period, the members of the Group Management Team have been invited to participate in the PSP 2023–2025. The performance targets applied to the plan are the relative total shareholder return (TSR) and cumulative reported EBITA 2023–2025. The payout of shares will be dependent on meeting the targets set by the Board of Directors and no reward will be paid if the minimum levels set for the targets are not met.

If the targets are reached, reward for the plan will be paid in the company’s shares, after the deduction of the proportion that is required to taxes and related costs. However, the company may decide to pay the reward fully in cash. As a main rule no reward is paid to an individual participant whose employment or service relationship ends or has ended before the delivery of the reward.

For IFRS 2 purposes the fair value shall take into account market-based performance conditions. The evaluation takes into account Sitowise’s share price at the time of the grant, the relative TSR market condition, the absolute TSR trigger and expected dividends to be missed before the payment of the reward. Further

information about the share-based incentive plan and terms applied to the plans have been published in stock exchange releases on 28 March 2023.

The equity-settled performance share program and the option program, which was established in connection with the listing, had a total cost effect of EUR 77 thousand during the third quarter.

In addition, relating to equity loan given to associate company Fimpec Group Oy, company did not receive interest payments during the third quarter but generated net sales of EUR 9 thousand with associate company Fimpec Engineering Oy.

The company did not have any other significant unordinary related-party transactions during the period under review.

Plan	Grant date	Number of granted shares	Grant date share price	Number of participants	Performance period	Settlement year
PSP 2023–2025	10 May 2023	210,000	4.40 EUR	8	2023–2025	2026

7. FINANCIAL AND ALTERNATIVE PERFORMANCE MEASURES

Since the publication of the IFRS financial statements for 2019, Sitowise has reported some alternative performance measures that do not comply with IFRS standards. The calculation of alternative performance measures does not take into account items affecting comparability, which are different from ordinary business operations, in order to show the financial result of the underlying actual business. The alternative performance measures are intended to improve comparability and are not a substitute for other IFRS-based key figures.

The alternative performance measures to be reported are adjusted EBITDA, EBITA, adjusted EBITA, and net debt / EBITDA (adjusted). Adjusted EBITDA and adjusted EBITA exclude material items that are not part of ordinary activities, but which affect comparability.

Details of items affecting comparability and reconciliations of alternative performance measures are provided in Note 9.

Key figures describing financial development

EUR thousand	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Net sales	45,618	45,917	158,142	146,841	204,414
Growth in net sales, %	-0.7%	16.0%	7.7%	13.9%	14.0%
Adjusted organic growth in net sales, %	1%	6%	3%	6%	5%
EBITA, adjusted	3,470	4,919	14,603	15,066	20,380
% of net sales	7.6%	10.7%	9.2%	10.3%	10.0%
EBITA	3,253	4,520	13,878	11,358	16,075
Operating profit (EBIT)	2,265	3,745	11,366	9,382	13,162
% of net sales	5.0%	8.2%	7.2%	6.4%	6.4%
Result for the period	768	2,815	6,408	5,505	7,914
Balance sheet total			264,166	260,001	280,724
Cash and cash equivalents			9,200	7,979	15,390
Net debt			62,215	62,910	56,602
Cash flow from operating activities before financial items and taxes	-2,673	579	12,561	9,585	22,676
Earnings per share (EUR)	0.02	0.08	0.18	0.15	0.22
Diluted earnings per share (EUR)	0.02	0.08	0.18	0.15	0.22
Earnings per share, continuing operations (EUR)	0.02	0.08	0.18	0.15	0.22
Diluted earnings per share, continuing operations (EUR)	0.02	0.08	0.18	0.15	0.22
Return on equity (ROE), %			7.5%	7.2%	6.8%
Return on capital employed (ROCE), %			7.1%	6.9%	6.5%
Equity ratio, %			44.7%	44.1%	41.6%
Net debt / EBITDA, adjusted			2.9x	2.9x	2.6x
Gearing, %			52.7%	54.9%	48.4%
Number of personnel, average	2,216	2,177	2,224	2,122	2,151
Full-time equivalent (FTE), average	1,989	1,977	1,998	1,899	1,918
Utilization rate	74.7%	76.0%	75.0%	76.1%	76.1%

8. FORMULAS OF FINANCIAL AND ALTERNATIVE PERFORMANCE MEASURES

Adjusted organic growth in net sales	=	Growth in net sales excluding acquisitions and divestments adjusted by the number of working days and exchange rate impact
EBITA	=	Operating profit + amortization of intangible assets
EBITA, adjusted	=	EBITA + items affecting comparability
EBITDA, adjusted	=	EBITDA + items affecting comparability; in addition, lease liabilities are treated as operating leases, so lease expenses on the whole affect EBITDA
Items affecting comparability	=	Items affecting comparability are primarily costs associated with M&A and integration, restructuring as well as IPO readiness
Net debt	=	Loans from financial institutions - cash and cash equivalents (net debt does not include lease liabilities)
Return on equity (ROE), %	=	$\frac{\text{Profit for the period, prev. 12 months}}{\text{Total shareholders' equity, average}}$
Return on capital employed (ROCE), %	=	$\frac{(\text{Profit before taxes + financial expenses}), \text{prev. 12 months}}{(\text{Balance sheet total} - \text{non-interest-bearing debt}), \text{average}}$
Equity ratio, %	=	$\frac{\text{Total shareholders' equity}}{\text{Balance sheet total}}$
Net debt / EBITDA, adjusted	=	$\frac{\text{Net debt}}{\text{EBITDA, adjusted, prev. 12 months}}$
Gearing, %	=	$\frac{\text{Net debt}}{\text{Total shareholders' equity}}$
Non-diluted earnings per share	=	$\frac{(\text{Result for the period} - \text{non-controlling interest} - \text{dividend for the financial period to be distributed taking tax impact into consideration})}{\text{Average weighted number of shares}}$
Diluted earnings per share	=	$\frac{(\text{Result for the period} - \text{non-controlling interest} - \text{dividend for the financial period to be distributed taking tax impact into consideration})}{\text{Average diluted weighted number of shares}}$
Full-time equivalent (FTE), average	=	Group personnel, full-time equivalent average during the period
Utilization rate	=	Number of project hours worked relative to the number of hours worked

9. RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES

EUR thousand	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Net sales	45,618	45,917	158,142	146,841	204,414
Adjusted organic growth in net sales, %					
Growth in net sales	-1%	16%	8%	14%	14%
Impact of acquisitions	-2%	-10%	-7%	-8%	-9%
Impact of number of working days	2%	-1%	1%	-1%	0%
Impact of exchange rates	2%	1%	2%	1%	1%
Adjusted organic growth in net sales, %	1%	6%	3%	6%	5%
EBITA					
Operating profit (EBIT)	2,265	3,745	11,366	9,382	13,162
Amortizations of intangible assets	-987	-776	-2,511	-1,976	-2,913
EBITA	3,253	4,520	13,878	11,358	16,075
EBITA %	7.1%	9.8%	8.8%	7.7%	7.9%
Items affecting comparability					
Restructuring costs	31	236	469	544	722
M&A and integration costs	47	24	252	2,233	2,801
Other, income (-) / costs (+)	139	139	-174	931	782
Items affecting comparability, EBITDA	217	399	547	3,709	4,305
Items affecting comparability, depreciations	0	0	178	0	0
Items affecting comparability, EBITA	217	399	725	3,709	4,305
EBITA, adjusted					
EBITA	3,253	4,520	13,878	11,358	16,075
Items affecting comparability, EBITA	217	399	725	3,709	4,305
EBITA, adjusted	3,470	4,919	14,603	15,066	20,380
EBITA, adjusted %	7.6%	10.7%	9.2%	10.3%	10.0%
EBITDA					
Operating profit (EBIT)	2,265	3,745	11,366	9,382	13,162
Depreciation and amortization	-2,938	-2,726	-8,693	-7,692	-10,594
EBITDA	5,203	3,745	20,059	17,074	23,756
EBITDA %	11.4%	8.2%	12.7%	11.6%	11.6%
Net debt					
Loans from financial institutions			71,415	70,889	71,992
Cash and cash equivalents			9,200	7,979	15,390
Net debt			62,215	62,910	56,602
EBITDA, adjusted (prev. 12 months)					
EBITDA (prev. 12 months)			26,741	24,145	23,756
Items affecting comparability, EBITDA (prev. 12 months)			1,143	4,087	4,305
Operational lease liabilities (IFRS16) (prev. 12 months)			-6,721	-6,275	-6,366
EBITDA, adjusted (prev. 12 months)			21,163	21,957	21,695
Net debt / EBITDA, adjusted					
Net debt			62,215	62,910	56,602
EBITDA, adjusted (prev. 12 months)			21,163	21,957	21,695
Net debt / EBITDA, adjusted			2.9x	2.9x	2.6x
Gearing, %					
Total shareholders' equity			118,147	114,610	116,874
Net debt			62,215	62,910	56,602
Gearing, %			52.7%	54.9%	48.4%

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