SITOWISE GROUP PLC

# Board of Directors' Report and Consolidated Financial Statements

## Financial period
## 1 January – 31 December 2023

**Sitowise Group Plc**
**Business ID: 2767842-8**
**Linnoitustie 6 D, FI-02600 Espoo, Finland**
**Board of Directors' Report and Consolidated Financial Statements**
**Financial period January 1 – December 31, 2023**

**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 211 million in 2023 and the company employs more than 2,100 experts. Sitowise Group Plc is listed on the main list of Nasdaq Helsinki under the trading symbol SITOWS.

**www.sitowise.com**

# Contents



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# THE REPORT OF THE BOARD OF DIRECTORS

## Sitowise demonstrated resilience and growth in the challenging market environment

Sitowise is a leading technical consulting company with a strong focus on digitality. Its over 2,100 experts design and develop solutions to make daily life safe and convenient for everyone living in the built environment or using different types of infrastructure. The company has four business areas, whose wide service offerings and broad client bases bring resilience over economic cycles.

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, energy and industry, for example. Sitowise acts as a partner in both new construction and renovation projects. The business area has distinctive design expertise in areas such as structural engineering, building services technology (HVAC and electric), acoustics design, and fire safety planning as well as construction management services.

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, and the business area's most significant client segment is the public sector, which accounts for approximately 75 percent of net sales. In the private sector, key client segments are construction companies and industrial and energy sector companies.

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, proprietary product solutions, analytics, information management and visualization, and consulting services.

In **Sweden**, Sitowise provides services in buildings, infrastructure, and digital solutions. The Sweden business area's services include building construction engineering with expertise in frame and structure engineering as well as geotechnical design. It also has a robust offering in complex installations in both buildings and infrastructure, and expert services in underground installations as well as land, water, and sewerage. As from 1 January 2023, this business area includes digital solutions for infrastructure maintenance planning, reporting and support for municipalities in Sweden (Infracontrol), which were previously reported under Digi.

### KEY FIGURES (IFRS)

| EUR million | 2023 | 2022 | 2021 | 2020 | Change 2022–2023, % |
|---|---|---|---|---|---|
| Net sales | 210.9 | 204.4 | 179.3 | 160.1 | 3.2% |
| EBITA, adjusted | 17.0 | 20.4 | 21.1 | 20.6 | -16.6% |
| % of net sales | 8.1% | 10.0% | 11.80% | 12.90% | |
| EBITA | 15.1 | 16.1 | 18.5 | 19.5 | -6.0% |
| Operating profit | 11.7 | 13.2 | 16.4 | 18.3 | -11.4% |
| Result for the period | 5.5 | 7.9 | 7.9 | 12.7 | -29.9% |
| Cash flow from operating activities before financing items and taxes | 23.9 | 22.7 | 22.8 | 31.5 | 5.4% |
| Net debt | 55.3 | 56.6 | 30.9 | 56.6 | -2.2% |
| Net debt / EBITDA, adjusted | 3.0x | 2.6x | 1.4x | 2.6x | |
| Equity ratio, % | 42.9% | 41.6% | 46.0% | 30.2% | |
| Earnings per share (EPS), EUR *) | 0.16 | 0.22 | 0.22 | 9.69 | |
| Average number of personnel | 2,211 | 2,151 | 1,969 | 1,823 | 2.8% |

*) Financial year 2020 is calculated with non-comparable number of shares and financial year 2021 is calculated using numbers of shares after IPO (3-12/2021) for best possible comparability.

## MARKET ENVIRONMENT IN 2023

In 2023, Sitowise's market environment was mixed, with areas of both stronger and weaker demand. Services related to the green transition, security, and digital solutions for the built environment enjoyed strong demand from both private and public sector clients, providing growth opportunities especially for Infra and Digital Solutions businesses. Demand for technical consulting services from the public sector remained quite stable throughout the year, although price pressure and competition increased especially towards the end of the year.

In the Buildings business area, however, 2023 proved to be even more challenging than anticipated. The deterioration of the construction markets, particularly in housing construction, continued throughout the year, significantly impacting the Buildings business. Some adverse effects of the distressed construction markets were also seen in the Infra and Sweden business areas, whereas Digital Solutions was adversely impacted by the slowing of demand in the private sector in the latter half of the year.

Increasing interest rates and inflationary pressures affected clients' short-term decision-making, increasing price pressure and competition in all business areas. All business areas were further impacted by the negative calendar effect of two fewer working days than in the previous year. In addition, the weakening of the Swedish krona against the euro further lowered reported net sales.

## STRATEGY IMPLEMENTATION

Sitowise targets continued sustainable profitable growth and value creation for its clients, other stakeholders, and society. The company's strategy for the years 2023–2025 was announced at the end of February 2023 and it focuses on innovation, sustainability, and efficiency. Sitowise also announced its new vision – *Redefining smartness in cities*. Sitowise seeks growth in several future-oriented areas, including renewable energy sources, circular economy, biodiversity, renovation construction and digital services.

During 2023, Sitowise actively drove forward multiple initiatives linked to its strategic growth ambitions and continued to align Sitowise's culture, key processes, leadership principles and management systems so that they best support its strategy implementation in the future.

### Progress under strategic pillars

Under **"the most innovative"** strategic pillar, Sitowise aims to foster an innovative culture, build scalable SaaS business, and enhance design environments, among other things.

In 2023, the innovation focus shifted from idea discovery to commercializing smart services in collaboration with key customers. New services released in 2023 include ESG risk assessment, agile creation of digital twins and 3D scanning of built assets as well as digital tools to help our real estate and construction company clients in the smart management of warranty time claims. In Sitowise's second innovation competition, a new service focusing on the ever-growing importance of soil health was selected as the winner. With respect to enriching design environments and processes with novel solutions, Sitowise continued to strengthen its data and analytics capabilities and continued to further explore the opportunities to optimize expert work and workflows with generative AI tools.

Under **"the most sustainable"** strategic pillar, Sitowise wants to lead the way to a sustainable future by concentrating on future business opportunities, sustainability in client projects, and the sustainability of its own operations.

In 2023, Sitowise defined renewable energy, climate change mitigation, biodiversity and adaptation, and circular economy as areas where it aims to grow data-based sustainability services. Sitowise also redefined its sustainability services organization and the Group's sales function to support growth in these areas. The acquisitions announced in the fourth quarter – Positive Impact Finland Oy and Ahlman Group's expert operations – further expand Sitowise's expertise and offering in this area.

Sitowise also decided to further develop its Sustainability Tool. The tool, available on Sitowise's Voima platform, helps project teams to assess their own sustainability impact and actions taken in an individual project. Its next version will give better visibility for clients about the sustainability requirements concerning their projects and understanding how Sitowise can help them to meet these needs. The development phase was started in the fourth quarter of 2023.

Sitowise also continued to develop its own sustainability. Sitowise invested, for example, in the diversity, equity and inclusion (DEI) training that is mandatory for its entire personnel. The company also continued to develop its sustainability reporting to better meet the European Sustainability Reporting Standards' (ESRS) requirements in the future. In December, Sitowise also committed to setting science-based targets (SBTs) for the company in the coming years.

Under **"the most efficient"** strategic pillar, Sitowise targets a lean, optimized operating model that enables its experts to focus on client work and provides the best value for Sitowise's clients. In the first part of the year, the focus was especially on converting strategic plans to operational initiatives.

Later in the year, transforming Sitowise's sales culture and model was a key focus area. A new sales organization was introduced with three Group-wide strategic growth areas – industrial clients, renewable energy and sustainability services. The second half of the year also saw a heavy focus on new ERP and CRM systems integrations. The rollouts of the new systems, including extensive training and go-lives in Finland, took place in the fourth quarter, having an adverse impact on utilization rate during the quarter. However, the transition to new systems progressed well, and the work to further develop Sitowise's IT and service platform is continuing in 2024 on a more normalized level.

**Progress in strategic KPIs**
In June, Sitowise published targets to grow its recurring revenue to represent 10% of its net sales and to double its sustainability service revenue from its current level of approximately EUR 5 million by the end of the strategy period. By the end of the year, the share of recurring revenue increased from approximately 4 % of the Group's net sales in 2022 to approximately 6% in 2023, and sustainability services revenue increased from approximately EUR 5 million in 2022 to approximately EUR 8 million in 2023.

**Acquisitions**
Sitowise also pursues growth via selected acquisitions in its growth areas. In 2023, three acquisitions were announced:

- In May, Sitowise announced the acquisition of all shares in Infrasuunnittelu Oy, a company providing national-level road, street, and regional designs as well as surveying and supervisory expert services and construction consulting for its clients. The acquisition of Infrasuunnittelu Oy strengthens Sitowise's expertise especially in infrastructure services offered to the mining industry. At the time of the acquisition, Infrasuunnittelu Oy employed 17 people and in 2022 its net sales amounted to approximately EUR 1.2 million.
- In November, Sitowise acquired Positive Impact Finland Oy. The acquisition strengthens Sitowise's expertise in sustainability services and related digital solutions offered to companies and communities. Positive Impact's services include, for example, carbon footprint calculators, carbon handprint studies, sustainability programs, climate roadmaps, and software related to sustainability. Positive Impact Finland Oy had net sales of EUR 0.4 million in 2022 and it employed seven people at the time of the transaction.
- In December 2023, Sitowise announced the acquisition of Ahlman Group Oy's expert business, which was closed after the financial year in January 2024. The business acquisition strengthens Sitowise's expertise especially in nature services, including both diverse nature surveys and services that support biodiversity. The clients of the acquired business include wind power and other private sector companies, cities and municipalities, among others. The acquired business had estimated net sales of EUR 2.3 million in 2023, and 20 people are joining Sitowise from Ahlman Group Oy.

All acquired companies will be integrated into the Infra business area.

## THE GROUP'S ORDER BOOK

In 2023, the Group's order book decreased by 10 percent to EUR 164 (181) million compared to the record level of the end of 2022. The decline was impacted especially by the decline in Buildings business' order book.

The order book includes a variety of projects in terms of size and duration, which increases the stability of Sitowise's operations. However, discontinuations and postponements of projects increased especially in Buildings' order book during 2023, which may slow down the realization of the order backlog in 2024. A significant postponement of project starts may have a detrimental effect on the group's profitability, if the resources reserved for the projects cannot be reallocated to other projects.

## THE GROUP'S NET SALES AND PROFITABILITY

**Net sales**

| EUR million | 2023 | 2022 | Change, % |
|---|---|---|---|
| Buildings | 70.8 | 79.4 | -10.9% |
| Infra | 65.6 | 60.0 | 9.4% |
| Digi [1)] | 30.0 | 22.1 | 35.4% |
| Sweden [1)] | 44.5 | 42.9 | 3.9% |
| **Total** | **210.9** | **204.4** | **3.2%** |

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

**Adjusted organic growth by business area**

**Adjusted organic Growth %**

| | 2023 |
|---|---|
| Buildings | -12.4% |
| Infra | 9.2% |
| Digi | 14.5% |
| Sweden | 5.2% |
| **Total** | **0.7%** |

Adjusted organic growth in net sales is calculated by excluding acquisitions and divestments adjusted by the number of working days and exchange rate impact.

In 2023, the Group's net sales increased by 3.2 percent (5 percent in constant currency) year-on-year. Organic growth was 1 (5) percent, in addition to which the acquisitions made during 2022 and the Infrasuunnittelu acquisition in May had an impact on growth. The Infra and Digi business areas made a strong contribution to organic growth, and good growth in Sweden played its part, while Buildings had a clearly negative effect. The weakening of the Swedish krona against the euro slowed down the euro-denominated net sales growth during the period by some 8 percent of Sweden's net sales and 2 percent of the Group's net sales. The number of working days was down by two days year-on-year, in addition to which the implementation of new ERP and CRM systems in Finland had a similar effect in the fourth quarter.

**Profitability**

| EUR million | 2023 | 2022 | Change, % |
|---|---|---|---|
| EBITA, adjusted | 17.0 | 20.4 | -16.5% |
| % of net sales | 8.1% | 10.0% | |
| EBITA | 15.1 | 16.1 | -5.9% |
| Operating profit | 11.7 | 13.2 | -11.1% |
| Result before taxes | 7.1 | 10.3 | -30.5% |
| Result for the period | 5.5 | 7.9 | -29.9% |
| Earnings per share (EPS), EUR | 0.16 | 0.22 | -28.4% |

**Adjusted EBITA** decreased by 16.5 percent due to two working days less compared to comparison period, the implementations of the ERP and CRM systems in the fourth quarter, which had an effect equivalent to the loss of two working days, the challenging market situation in the Buildings business area and partial softening of the market in other business areas, and a weaker utilization rate overall. Items affecting comparability were EUR -1.9 (-4.3) million, with significantly lower M&A expenses compared to 2022 and a positive impact in Q2 of a receivable from the Fennovoima project that was impaired in 2022, while the restructuring costs increased in the financial year compared to the previous year.

**Operating profit** in 2023 totaled EUR 11.7 (13.2) million. Both the **result before taxes for the period** and the **result for the period** decreased due to lower operating profit and higher financial expenses. These were above the comparison period primarily due to the 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 119.3 (116.6) million at the end of the year.

Net debt was slightly lower due to the higher cash position, but net debt/EBITDA tightened slightly due to the lower adjusted EBITDA level year-on-year. Gearing decreased, reflecting typical seasonal variation in working capital during the final quarter and came in at 46.3% (48.4%) at the end of the year.

| EUR million | 31 Dec 2023 | 31 Dec 2022 | Change, % |
|---|---|---|---|
| Cash and cash equivalents | 15.6 | 15.4 | 1.3% |
| Interest bearing debt, total | 70.9 | 72.0 | -1.5% |
| Interest bearing debt, current | 1.0 | 1.0 | 0.0% |
| Interest bearing debt, non-current | 69.9 | 71.0 | -1.5% |
| Equity ratio, % | 42.9% | 41.6% | |
| Net debt | 55.3 | 56.6 | -2.2% |
| Net debt / EBITDA, adjusted | 3.0x | 2.6x | 16.6% |
| Gearing, % | 46.3% | 48.4% | |

Sitowise agreed with its lenders in February 2023 to use the extension 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 23.9 (22.7) million during January-December.

Cash flow from investing activities totaled EUR -5.4 (-32.5) million in January-December, and the decline was associated with acquisitions-related investments in the comparison period.

In January-December, cash flow from financing totaled EUR -10.9 (12.9 million) and it mainly consisted of dividends, loan repayments and reductions in lease liabilities. In the comparison period, it also included loan withdrawals, share buybacks and payments received from share issues relating to acquisitions.

The consolidated balance sheet total at the end of December was EUR 278.4 (280.7) million. Goodwill in the balance sheet amounted to EUR 158.0 (157.6) million. The goodwill impairment test was done in Q4 using the updated forecast. The market outlook was also re-examined together with updated WACC assumptions. Pre-tax WACC-% was slightly lower year-on-year at 10.8 (11.3) percent. There are no indications of need for impairment.

## INVESTMENTS IN RESEARCH AND DEVELOPMENT (R&D)

The technical consulting industry is undergoing a major transformation due to the climate crisis, digitalization, and global uncertainty. Sitowise is committed to developing solutions through The Smart City Lab, its innovation platform and R&D community. The goal is to produce new sustainable business ideas, track market changes, and support Sitowise's innovation culture.

Sitowise invests significantly in new innovations, directing at least 80% of its R&D budget to sustainable development services. In 2023, Sitowise spent around EUR 0.2 million on innovation, and also invested in various business development projects. R&D projects also received public funding.

## BUSINESS AREA PERFORMANCE IN 2023

In 2023, all business areas were adversely affected by the negative calendar effect of -2 working days compared to the same in 2022. Additionally, the implementation of the new ERP and CRM systems significantly impacted utilization rates in Buildings, Infra, and Digital Solutions, corresponding to an impact of -2 working days at the Group level.

**Buildings**

Buildings' net sales decreased by 11 percent in 2023 and amounted to EUR 70.8 million (79.4 million 2022). Net sales were adversely impacted by the difficult market situation but had a positive impact from the acquisition of Rakennuttajakaari in June 2022. The business area accounted for 34 (39) percent of the Group's consolidated net sales in 2023.

The market environment was a major challenge for the Buildings business in 2023. The strong growth seen in the construction industry in the preceding years reversed and construction production plummeted. The higher-than-anticipated rise in interest rates and the cost of living, combined with the growing supply of apartments, reduced the number of new housing project starts significantly. Also, state-supported apartment production (ARA) was reduced.

The market situation had a particularly great impact on the Buildings business area's MEP (mechanical, electrical, and plumbing) and structural engineering business. Renovation construction suffered also, although less, from the market's downturn as the prolonged high interest rate level was reflected in the financing decisions of renovation construction projects and the hesitation of housing associations and property owners to start projects.

During the first quarters of the year, the Buildings business was adapted to better correspond to the prevailing market situation with different vacation arrangements and temporary layoffs. In August, Sitowise initiated change negotiations in Buildings with the aim of securing the prerequisites for growth and a more agile way of operating. The change negotiations ended at the beginning of October and led to reductions of close to 80 employees. At the same time a leaner organizational structure supporting more efficient client and project work was introduced.

Thanks to efficient workforce management and pricing actions, the Buildings business managed to keep its utilization rate and pricing at a decent level until the fourth quarter, when the introduction of the Group's new ERP and CRM systems, the adaptation to a new organization in Buildings and low tendering pipeline had a negative impact on them. The business area's order book declined in 2023, and at the same time the number of projects put on hold increased and the materialization of the order book extended to a longer period. New projects were won, however, in all areas of the Buildings business in 2023.

During the first half of 2023, Rakennuttajakaari Oy was successfully integrated and merged with Sitowise.

The Buildings business area continues to adjust its operations to the weak market with efficient workforce management, cost control and proactive sales activities. Increasing focus will be put on segments with long-term demand, such as special services, services related to energy, and security critical services. Specific future growth areas also include commercial and logistics buildings, automation, and digital solutions.

The market outlook for 2024 in Buildings is weak. Sitowise expects that the Buildings business will still decrease in size in the first half of 2024 and that the turn to growth can start only towards the end of 2024. The medium- and long-term prospects for construction renovation are, however, still good thanks to the existing renovation backlog and the requirements imposed by EU regulation, such as energy-efficiency requirements. Urbanization continues too and creates demand for new apartments, positively impacting demand as Finland's economic outlook and new construction market recover.

**Infra**

Net sales in the Infra business area increased by 9 percent in 2023 and were EUR 65.6 (60.0) million. The business area accounted for 31 (29) percent of the Group's consolidated net sales.

Infra had a strong year and its growth clearly outpaced the market in 2023. Growth was almost entirely organic, with a small positive impact from the acquisition of Infrasuunnittelu Oy in May. The number of employees increased, especially in areas of high demand such as services related to the green transition. Furthermore, successful pricing and sales initiatives and the continued diversification of the client base to private-sector and industrial clients supported top-line growth throughout the year.

In 2023, the division of the wider infra market into weaker and stronger segments prevailed. The first were related to municipal infrastructure design such as road and infra planning for new residential areas and groundworks for new buildings, and the latter included especially energy and environmental projects related to the green transition. For example, environmental assessments of wind power increased significantly, employing numerous experts and enabling significant growth in this sector. Due to the current geopolitical situation, demand for projects related to safety and security increased clearly too. In Sitowise's Infra business, the weaker and stronger areas balance out each other.

The Finnish government's infrastructure investments were also on the wane and their focus has shifted clearly towards railway projects. The infrastructure-related goals included in Finland's new government program are positive from the perspective of the Infra business, but the materialization of related projects is also further delayed. The tendering rounds for the first projects are expected to start towards summer 2024 at the earliest.

Infra managed to keep its order backlog at a strong level during 2023, even though there were hardly any starts of large projects in infrastructure in general. As a highlight, the largest project in Sitowise's history, Light Rail Line, was completed successfully in 2023 ahead of its original schedule and at a lower cost than budgeted. This was all made possible by skilled and motivated personnel.

Infra's market environment is expected to remain stable in 2024 and the outlook for Infra is good. The business area's growth in 2024 will also be supported by the acquisitions of Infrasuunnittelu Oy, Positive Impact Finland Oy and Ahlman Group Oy's expert business, as well as the Infra team's strong expertise, close client relationships and well-rounded customer base.

**Digital Solutions**

The Digital Solutions Business Area's net sales increased by 35% in 2023 and were EUR 30.0 (22.1) million. The business area accounted for 14% (11%) of the Group's consolidated net sales.

Digital Solutions had a successful year in 2023. In the first half-of the year, the business had a clear tailwind from the acquisition of Bitcomp Oy, a pioneer in SaaS solutions for the geospatial data, forest and natural resources sectors, in June 2022. The revenue from Bitcomp's LeafPoint SaaS solution grew strongly in 2023 and implementations for existing customers were completed after summer. Organic growth of 14.5 percent was also supported by good progress in other product sales.

The favorable market situation at the beginning of the year turned gloomier towards the second half, as the weakening prospects of the Finnish economy started to impact the demand and investments of private sector clients, which declined. An exception was the renewable energy sector, where investments in digital solutions continued to grow rapidly. The public sector continued to invest too, but challenges in the broader IT consulting market increased competition and price pressure, particularly in larger and public sector tenders.

Digital Solutions was successful in taking the increased production cost into account in pricing, managing costs, improving the invoicing rate, streamlining the product portfolio and creating new business together with the Bitcomp team. Despite the weakening market situation, strong profitability was maintained due to a balanced and resilient business mix. An increasing share of the order backlog is related to long-term projects and SaaS business, which helps to carry the business through economic cycles. The wider IT market change was strongly reflected in recruitment, with talent becoming more readily available towards the end of the year and wage inflation slowing down.

Towards the end of the year, demand for SaaS products such as the Louhi GIS platform, Foresta, Routa, and Smart Analytics and Maps, was at a high level. Changes in the built environment and the upcoming new Finnish Building Act were reflected in the municipal sector's demand, which increasingly shifted towards solutions offered by the Louhi GIS platform and AI-based Smart Analytics applications built on top of the Ryhti built environment information system. Sitowise has a good opportunity to create a new market by developing Louhi and Smart Analytics services to meet new regulatory needs. A focus on sales activity and systematic account management is expected to positively impact Digital Solutions' business, and the share of recurring revenue from the product business is expected to grow.

The combination of Sitowise's SaaS and project business has enabled flexible resource utilization in a changing market. Sitowise's strong expertise in geospatial information systems and the built environment, data management skills, and digital solutions offering enable it to stand out from its competition. Its balanced service and client portfolio, coupled with the ability to create new markets, particularly with SaaS products, enable profitable growth both now and in the future.

The market situation will remain challenging, particularly affecting software investment in the private sector and adding further price pressure to public tenders. Growth opportunities are seen in the product business, energy sector, and especially in the digitalization development of the municipal sector. Overall, the outlook for digital solutions remains positive.

**Sweden**

In 2023, the krona/euro exchange rate heavily impacted the reported sales figures for the Sweden business area. While net sales in constant currency were up by 12 percent in 2023, they increased by 4 percent when reported in euros. The net sales amounted to EUR 44.5 (42.9) million, which corresponds to approximately 21 (21) percent of the Group's consolidated net sales in 2023.

Approximately two-thirds of the net sales growth was organic, while the rest was related to the tailwind from the Mavacon, E60, and Convia acquisitions completed in 2022.

Throughout 2023, Sitowise progressed significantly in integrating and consolidating the Swedish operations under the legal entity Sitowise Sverige AB. In October 2023, the Swedish business area completed the merger of four subsidiaries – Mavacon, E60, Convia Ingenjörsbyrå and Convia Infrastructure – and reduced the number of legal entities from six to two. It also relocated two of the acquired entities into common offices in Stockholm and Falun. These mergers encourage greater collaboration and provide a unified and clear platform for future development and driving synergies both on the cost and revenue sides. The Digital solutions part of the business continues for the time being to operate under its own entity, Infracontrol AB.

Another important milestone achieved early in the year was the consolidation of all services under the Sitowise brand. This move has been influential in promoting the brand recognition necessary for continuous growth as a key player in the Swedish market.

The technical consulting market in Sweden shifted from favorable in the first quarter to moderately good in the fourth quarter. The slowdown began in spring and certain segments faced headwinds later in 2023. The residential housing segment declined significantly, with building projects decreasing by over a quarter from 2022. However, Sitowise's favorable positioning towards other segments meant the local housing market drop had only a moderate impact on the business. The Swedish market is still supported by the Infrastructure, Industrial, and Institutional sectors, which saw an increase in started projects. Sitowise won new projects related to hospitals, pharmaceutical factories, and rails. Demand for Infracontrol's digital solutions for infrastructure, municipalities and traffic monitoring remained stable.

After summer, the business area shifted its focus to internal integrations and was impacted by an abnormally high absence rate due to sick leaves, holidays, and parental leaves. This slowed down the growth significantly. To improve the performance in the last quarter, an increasing focus was put on more proactive sales, pricing excellence and diligent project management. The sales setup was revised, including alignment with the Group's sales initiative. The positive impacts of these actions are expected to be seen in the first half of 2024.

The market environment is expected to remain unchanged in the coming months. However, there are some signs indicating a slight market pick-up in early 2024, such as the restarting of halted projects and increased tendering activity leading to more sizable tenders. A clearer market recovery would require a continued decline in inflation and lower interest rates.

## PERSONNEL AND MANAGEMENT

**Personnel**

| | 2023 | 2022 | Change, % |
|---|---|---|---|
| Number of personnel, average | 2,211 | 2,151 | 2.8% |
| Number of personnel, at the end of the period | 2,143 | 2,232 | -4.0% |

**FTE per Business Area**

| | 2023 | 2022 | Change, % |
|---|---|---|---|
| Buildings | 742 | 825 | -10.1% |
| Infra | 565 | 512 | 10.3% |
| Digi | 254 | 207 | 22.6% |
| Sweden | 350 | 314 | 11.3% |
| Group Functions | 63 | 59 | 7.0% |
| **Group total** | **1,974** | **1,918** | **2.9%** |

The average number of personnel in the Group during the financial period was 2 211 (2 151). At the end of the financial period, the Group had 2 143 employees (2 232). The number of full-time equivalent employees (FTE), however, increased during the year. The key factor lowering the number of employees was the market situation in Buildings, which led to personnel adjustments in the form of temporary layoffs in the first half of the year, and to reductions of close to 80 employees in the fourth quarter. Key drivers of FTE growth in Infra, Digi and Sweden were the acquisitions made in the latter half of 2022 and in 2023. The strong growth of sustainability services contributed to FTE growth in Infra, too.

Personnel expenses increased by 6.6 % in 2023 to EUR 138.4 (129.8) million half coming from the wage inflation and half from the small increase in number of personnel and FTEs.

The average age of Sitowise's employees was 40 (39) years. At the end of 2023, students accounted for 10% (8%) of the Group's personnel. Women accounted for 34% (33%) of the Group's employees.

Of all employees, 84% (85%) responded to the personnel survey. The main indexes measured in the survey are Overall index (Average of all questions on a scale 1-5) which was 3,87 (3,98) and eNPS (Employee Net Promoter Score) which was 18 (30).

**Changes in the Group Management Team**

On 12 April 2023, Timo Palonkoski resigned from his position as Business Area Director of the Buildings business area and as a member of the Group Management Team. On 3 August 2023, Timo Räikkönen was appointed as Executive Vice President of the Buildings business area and member of Sitowise's Group Management Team. He joined Sitowise from the position of Executive Vice President of Destia's Urban Development and Design Services and started in his position on 13 November 2023.

On 4 May 2023, Anna Wäck was appointed as Business Area Director for Digital Solutions and member of the Group Management Team. She joined Sitowise from the position of Head of Global Offering, Pricing and Sales Development in KONE's global maintenance business, and started in her new position on 5 May 2023.

## GROUP STRUCTURE

At the end of the financial period, the Sitowise Group consisted of the parent company Sitowise Group Plc and the following companies:

- Wholly owned by Sitowise Group Plc: Sitowise Oy, which is the company's main operational subsidiary in Finland, and foreign subsidiaries: Sitowise Sverige AB, Infracontrol AB and its wholly owned subsidiaries Infracontrol Espana SL, Infracontrol Portugal Lda and Infracontrol Danmark ApS
- Sitowise Oy's Finnish subsidiaries, Routa Systems Oy (51%), Bitcomp Oy (acquired in June 2022, whose merger with Sitowise Oy is pending and due to be registered 29 February 2024), Infrasuunnittelu Oy (acquired in May 2023, whose merger with Sitowise Oy is pending and due to be registered 29 February 2024), Positive Impact Finland Oy (acquired in November 2023, whose merger with Sitowise Oy is pending and due to be registered in May 2024) and foreign subsidiaries AS DWG (55 %) and Sitowise Consulting Oü (100%, which is planned to be liquidated in February 2024).

During the financial period, the wholly owned subsidiaries Rakennuttajakaari Oy and its wholly owned subsidiaries Rakennuttajakaari Pohjanmaa Oy and Certimo Oy were merged with Sitowise Oy on 28 February 2023, and Sitowise Rakennuttajat Oy on 30 April 2023. In Sweden, E60 Elkonsult Aktiebolag was merged with Sitowise Sverige Ab on 6 October 2023. Further, Mavacon Mark & VA Consult AB and Convia Infrastructure AB were merged with Convia Ingenjörsbyrå AB on 6 October 2023, and Convia Ingenjörsbyrå AB was merged with Sitowise Sverige AB on 9 October 2023. Sitowise Oy's branch office Sito Norge NUF was closed on 23 November 2023.

## CORPORATE GOVERNANCE

**Authorizations of the Board of Directors**
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 directed issues of 37,330 treasury shares in connection with the acquisition of Infrasuunnittelu Oy on 2 May 2023, and of 33,394 treasury shares in connection with the acquisition of Positive Impact Finland Oy on 30 November 2023. At the end of the financial period, the Board's remaining share issue authorization amounted to 3,429,276 shares, and the authorization for the repurchase of the company's own shares remains unused.

**Shareholders' Nomination Board**
The Annual General Meeting 2023 of Sitowise decided to establish a Shareholders' Nomination Board to prepare the proposals on the election and remuneration of the members of the Board of Directors to be presented to the Annual General Meeting. 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. Members were appointed to Sitowise Group Plc's Shareholders' Nomination Board in September. 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.

## CORPORATE GOVERNANCE STATEMENT AND REMUNERATION REPORT

Sitowise's Corporate Governance Statement and Remuneration Report are published together with the Annual and Sustainability Report during week 11 in 2024.

## SHARES AND SHAREHOLDERS

**Shares outstanding and share capital**
At the end of the year, 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 during the review period.

Sitowise Group Plc held 119,399 own shares on 1 January 2023. The number of treasury shares declined by 37,330 in May when the Group's Board of Directors decided on a directed share issue to the sellers of Infrasuunnittelu Oy, and by further 33,394 shares in November when the Group's Board of Directors decided on a directed share issue to the sellers of Positive Impact Finland Oy. For the key terms and conditions of share issues, see Note 4.3.1 to the financial statements. Sitowise Group Plc held 48,675 own shares on 31 December 2023.

| | 31 Dec 2023 | 31 Dec 2022 |
|---|---|---|
| Registered share capital, EUR thousand | 80 | 80 |
| Registered total number of shares | 35,665,927 | 35,665,927 |
| Treasury shares | 48,675 | 119,399 |

**Key figures per share**

| | | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| Earnings per share (EPS) | EUR | 0.16 | 0.22 | 0.22 |
| Equity per share (BPS) | EUR | 3.34 | 3.27 | 3.25 |
| Dividend per share | EUR | 0.0* | 0.1 | 0.1 |
| Dividend/earnings ratio | % | 0.00 | 45.45 | 45.45 |
| Effective dividend yield | % | 0.00 | 1.95 | 1.24 |
| Price/earnings ratio (P/E) | | 20.2x | 23.4x | 36.6x |
| Share price development | | | | |
| Volume weighted average share price | EUR | 3.76 | 5.24 | 8.46 |
| Lowest share price | EUR | 2.70 | 3.89 | 7.33 |
| Highest share price | EUR | 5.14 | 8.22 | 10.05 |
| Share price on December 31 | EUR | 3.18 | 5.14 | 8.05 |
| Market value of shares on December 31 | EUR million | 113.4 | 183.3 | 285.1 |
| Trading volume | EUR million | 5.2 | 6.1 | 19.0 |
| Trading value | EUR million | 19.7 | 32.0 | 157.1 |

*) Board of Directors' proposal to the Annual General Meeting.

For the weighted average adjusted number of shares during the financial period and the adjusted number of shares at the end of the financial period, see Note 4.3 to the financial statements.

**Shareholders**
At the end of the review period on 31 December 2023, the number of registered shareholders was 6,061 (6,060). Nominee-registered shareholders accounted for 37.7 (37.4) 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 29.3 (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 31 December 2023. The information is based on the Monitor service provided by the Swedish company Modular Finance AB: *)

| | Shareholder | Number of shares | % of shares |
|---|---|---|---|
| 1 | Intera Partners Oy | 5,121,573 | 14.4% |
| 2 | Paradigm Capital AG | 3,575,309 | 10.0% |
| 3 | Lannebo Funds | 2,286,888 | 6.4% |
| 4 | Handelsbanken Funds | 1,910,079 | 5.4% |
| 5 | Evli Fund Management | 1,583,000 | 4.4% |
| 6 | Ilmarinen Mutual Pension Insurance Company | 1,071,500 | 3.0% |
| 7 | SEB Funds | 906,965 | 2.5% |
| 8 | DNCA Finance S.A | 636,618 | 1.8% |
| 9 | Varma Mutual Pension Insurance Company | 635,000 | 1.8% |
| 10 | Didner & Gerge Funds | 472,235 | 1.3% |
| | **10 largest, total** | **18,199,167** | **51.0%** |
| | Total 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.

### Shareholders by sector on 31 December 2023

| Sector | 2023 Number of shares | 2023 % | 2022 Number of shares | 2022 % |
|---|---|---|---|---|
| Households | 10,330,419 | 28.96% | 10,475,958 | 29.37% |
| Financial and insurance institutions, total | 8,199,306 | 22.99% | 8,275,950 | 23.20% |
| Public sector, total | 2,119,110 | 5.94% | 2,351,235 | 6.59% |
| Businesses, total | 1,311,596 | 3.68% | 1,120,164 | 3.14% |
| Foreign, total | 158,780 | 0.45% | 58,298 | 0.16% |
| Nonprofit organizations, total | 88,498 | 0.25% | 33,978 | 0.10% |
| **Total** | **22,207,709** | **62.27%** | **22,315,583** | **62.57%** |
| **Nominee-registered** | **13,458,218** | **37.73%** | **13,350,344** | **37.43%** |
| **All shares, total** | **35,665,927** | **100.00%** | **35,665,927** | **100.00%** |

Source: Data is based on shareholder register maintained by Euroclear Finland Oy.

### Shareholding of the Board of Directors and the Group Management Team on 31 December 2023

#### *BOARD OF DIRECTORS*

| Person | Position | 2023 Number of shares | 2023 % of shares | 2022 Number of shares | 2022 % of shares |
|---|---|---|---|---|---|
| Eero Heliövaara[1] | Chairman | 109,208 | 0.31% | 92,520 | 0.27% |
| Tomi Terho | Deputy Chairman | 0 | 0.00% | 0 | 0.00% |
| Taina Kyllönen | Board member | 9,320 | 0.03% | 9,320 | 0.03% |
| Mirel Leino-Haltia | Board member | 5,500 | 0.02% | 5,500 | 0.02% |
| Elina Piispanen[2] | Board member | 70,000 | 0.20% | 70,000 | 0.20% |
| Petri Rignell[3] | Board member | 80,340 | 0.23% | 80,340 | 0.23% |
| Niklas Sörensen[4] | Board member | 3,000 | 0.01% | - | - |
| Mats Åström[5] | Board member | 2,500 | 0.01% | - | - |
| Leif Gustafsson[6] | Board member | - | - | 20,000 | 0.06% |
| **Total** | | **279,868** | **0.78%** | **277,680** | **0.79%** |

[1] Including both shares held by Heliövaara personally and shares held by Heliocabala Oy, which he controls
[2] Including both shares held by Piispanen personally and shares held by Fit Advice Oy, which she controls
[3] Including both shares held by Rignell personally and shares held by PriRock Oy, which he controls
[4] Board member since 25 April 2023.
[5] Board member since 25 April 2023.
[6] Board member until 25 April 2023.

#### *GROUP MANAGEMENT TEAM*

| Person | Position | 2023 Number of shares | 2023 % of shares | 2022 Number of shares | 2022 % of shares |
|---|---|---|---|---|---|
| Heikki Haasmaa | CEO | 70,000 | 0.20% | 60,000 | 0.17% |
| Jonas Larsson | EVP, Sweden | 10,000 | 0.03% | 10,000 | 0.03% |
| Taija Lehtola | EVP, Human Resources | 18,000 | 0.05% | 18,000 | 0.05% |
| Hanna Masala | EVP, CFO | 20,000 | 0.06% | 9,000 | 0.03% |
| Jannis Mikkola | EVP, Infrastructure | 356,740 | 1.00% | 356,740 | 1.00% |
| Timo Räikkönen[1] | EVP, Buildings | 8,600 | 0.02% | - | - |
| Turo Tinkanen | EVP, Information Technology | 52,000 | 0.15% | 52,000 | 0.15% |
| Minttu Vilander | EVP, Sustainability, Brand and Communications | 19,200 | 0.05% | 19,200 | 0.05% |
| Anna Wäck[2] | EVP, Digital Solutions | 3,750 | 0.01% | - | - |
| Timo Palonkoski[3] | EVP, Buildings | - | - | 154,000 | 0.43% |
| Teemu Virtanen[4] | EVP, Digital Solutions | - | - | 170,000 | 0.48% |
| **Total** | | **558,290** | **1.57%** | **848,940** | **2.38%** |

[1] Started as EVP, Buildings on 13 November 2023.
[2] Started as EVP, Digital Solutions on 4 May 2023.
[3] EVP, Buildings until 30 April 2023.
[4] EVP, Digital Solutions until 31 December 2022.

The company's management was granted stock options in the spring of 2021 and during the 2022 financial period. The table in section 6.3.4 of the notes to the financial statements lists the options held by the CEO and the members of the Group's Management Team. The Board members hold no options.

**Flagging notifications**

On 30 January 2023, Sitowise Group Plc received a notification in accordance Chapter 9, Section 5 of the Finnish Securities Markets Act from Handelsbanken Fonder AB, according to which Handelsbanken Fonder AB's direct holding of shares and votes in the company increased to 5.05 percent on 27 January 2023. At the end of 2023, Handelsbanken Fonder owned 5.4% of the Company's shares and votes.

On 28 September 2023 Sitowise received a notification in accordance with 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. At the end of 2023, Paradigm Capital Value Fund SICAV held 10.0 percent of the Company's shares and votes.

During the year, Sitowise received further 28 notifications in accordance with Chapter 9, Section 5 of the Finnish Securities Markets Act from Morgan Stanley & Co. International plc. According to these notifications, Morgan Stanley & Co. International plc'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. According to the latest flagging notification, Morgan Stanley held on 27 December 2023, as a result of stock borrowing agreements, indirectly 3.4 percent of the Company's shares and votes, and through financial instruments 0.39 percent of the Company's shares and votes.

**Share-based incentive plans**

On 31 December 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.

## REPORT OF NON-FINANCIAL INFORMATION

**Business model**

Sitowise is a Nordic expert in the built environment with a strong focus on digitality. Company offers sustainable design and consultancy services for projects of all sizes to enable more sustainable and smarter urban development as well as smooth transportation. Sitowise has four business areas that are Buildings, Infrastructure, Digital Solutions and Sweden. Value creation for clients and other stakeholders is based on the strong expertise and industry knowledge of Sitowise employees. In future, the company aims to strengthen its position as one of the leading providers of technical consulting and digital services for the built environment and forest assets.

**Principles of sustainability and materiality topics**

Sitowise's vision is to Redefine smartness in cities. The vision is driven by global megatrends such as urbanization, renovation backlog, sustainability, digitalization, and security. The vision underlines Sitowise's aim to redefine, create, and implement the change that future societies need.

The company is committed to increasing the sustainability of both its own operations and its projects and client relationships on a long-term basis, and to reporting on and measuring its progress in respect of sustainability. The Group also continuously develops its sustainability business to meet the changing needs of its customers.

Sitowise's Sustainability Program 2025 focuses on clearly set sustainability targets and defined sustainability indicators which guide actions taken. Sustainability is examined from all perspectives of the ESG division: environmental, social, and governance.

The Sustainability Program 2025 is based on a materiality analysis that has set four objectives:

- We are carbon neutral in 2025
- We are the most equitable workplace with best employee well-being in the industry
- We aim for sustainable economic growth
- We actively contribute to make our industry more sustainable

## Key sustainability indicators

### Target: Carbon neutrality 2025*

| | 2023 | 2022 |
|---|---|---|
| • **Carbon footprint without any form of compensation (t CO-ekv/employee)**** <br> *Sitowise joined Science-Based initiative (SBTi) in the end of 2023. The Carbon neutrality target will be updated according to SBTi requirements during 2024. <br> **The carbon footprint of 2022 and 2023 are not comparable since the data for calculation has developed. The 2023 footprint includes e.g. employee commuting for the first time. The share of employee communing of total emissions 2023 is 32%. | 1.89 $CO_2$-ekv/person | 1.16 $CO_2$-ekv/person |

### Target: Equitable workplace with best employee well-being

| | 2023 | 2022 |
|---|---|---|
| • **Employee survey: I feel that the employer supports the wellbeing of employees** | 3.77 (1–5) | 3.98 (1–5) |
| • **Share of employees who have done the diversity, equity and inclusion ("DEI") training** | 58% | Training started in 2023 |

### Target: Sustainable economic growth

| | 2023 | 2022 |
|---|---|---|
| • **Doubling Sustainability Services Revenue between 2022 and 2025 to EUR 10 million.** | approx. EUR 8 million | approx. EUR 5 million |
| • **Client survey: Sitowise knows the industry's developments well** | 4.10 (1–5) | 4.08 (1–5) |
| • **Client survey: Evaluate Sitowise's operations in terms of developing new innovative solutions (% of respondents who see Sitowise as a forerunner)** | 53% | 53% |
| • **% of the innovation budget allocated to actions promoting sustainable development** <br> The aim is to report the share for the whole RDI budget. | 90% | 88% |

### Target: Make our industry more sustainable

| | 2023 | 2022 |
|---|---|---|
| • **% of projects that have used the sustainability tool out of all of our client projects** <br> *** Utilization rate of the Sustainability Tool in Finnish client projects. For 2023 the data is for 31 October 2023. The Tool's development phase started in Q4 and therefore reliable data is not available for Q4 | 89%*** | 86%*** |
| • **General public reputation and trust survey: Sitowise moves the industry in the right direction with regard to society** | 3.5 (1–5) | 3.5 (1–5) |
| • **General public reputation and trust survey: Sitowise is an industry pioneer in the climate and environmental aspects** | 3.42 (1–5) | 3.28 (1–5) |
| • **Personnel survey: I know how I can take sustainability into account in my work** | 58% | 61% (answers 4 and 5 on scale 1–5 |

### Hyvän hallintotavan indikaattorit

| | 2023 | 2022 |
|---|---|---|
| • **Code of conduct training is done by all employees.** From 2019 forward the Code of conduct online training is a mandatory part of onboarding. | 91% | 85% |
| • **Incidents reported via anonymous Whistleblow channel.** All cases are closed in accordance with the company's policy. | 17 | 9 |

The UN's Sustainable Development Goals (SDG's) are an important part of Sitowise's sustainability work, and the Sustainability Tool created by Sitowise is based on this framework. The sustainability tool helps to identify and monitor the material sustainability matters in client projects. During the year, 89% of the company's new projects set SDG-based targets and indicators with Sitowise's Sustainability Tool. In financial year 2023, the Sustainability Tool was only used in Finland.

Sitowise continuously develops its own sustainability reporting. In 2023, the company conducted a gap analysis to identify the differences in its 2022 sustainability and the future requirements of EU's Corporate Sustainability Reporting Directive (CSRD). At the end of 2023, Sitowise initiated Double Materiality Analysis to identify both how Sitowise's operations impact people and the environment, but also to evaluate how sustainability considerations impact the company itself and its financial position in future. The work continues in the first quarter of 2024. The analysis complements the comprehensive Materiality Assessment conducted in 2021 as part of the launch of Sitowise's Sustainability Program 2025. The results of the Double Materiality Assessment will guide both Sitowise's future sustainability efforts and strategy as well as reporting.

**Sustainability management**

Sustainability efforts at Sitowise are guided by Sitowise's strategy, environmental policy, sustainability program, Code of Conduct, and industry practices as well as the general principles of social responsibility and the applicable legislation. Sitowise's management system and activities are ISO 9001 and ISO 14001 compliant. Data security is developed in accordance with the ISO 27001 standard and in Sweden occupational health and safety matters are managed with ISO 45001 standard.

In addition, Sitowise is committed to the following international declarations and agreements: UN Sustainable Development Goals, Universal Declaration of Human Rights, Convention on the Rights of the Child, ILO Declaration on Fundamental Principles and Rights at Work, Rio Declaration on Environment and Development, UN Convention Against Corruption, OECD Guidelines for Multinational Enterprises, UN Global Compact initiative, and from December 2023 onwards, Science-Based Target initiative (SBTi).

The Group's Sustainability Program 2025 is approved by Sitowise's Board of Directors. The CEO has overall responsibility for sustainability. The Corporate Sustainability Officer directs and promotes sustainability initiatives, and monitors and reports on the indicators, goals, and achievements. The Corporate Sustainability Officer is a member of Group Management Team and provides updates on sustainability efforts to the CEO and, if necessary, prepares accounts of different areas of sustainability and progress in those areas. Business Directors and line managers are responsible for the implementation of practical measures. Group functions (finance, IT, HR, communications, quality, safety and security) support the business areas in reaching the sustainability goals.

Sitowise conducts all its procurement in a responsible way, following the company's Code of Conduct and procurement practices. At Sitowise partnerships are valued, and in their selection, the social and environmental aspects of sustainability are particularly considered.

Even though the approval process of the European Commission's Corporate Sustainability Due Diligence Directive (CSDDD) is delayed, Sitowise will review its due diligence process to meet the prospective requirements. Due to the CSDDD directive, companies need to establish procedures to address the impacts on human rights and the environment in their value chains.

**Environmental sustainability**

The built environment has a significant impact on the environment. As an expert organization, Sitowise's most significant opportunities to reduce the negative impacts occur in customer projects and collaboration with various stakeholders. These opportunities have been actively pursued during the year 2023, e.g. with setting sustainability targets for 89% of customer projects with Sustainability Tool; taking consistent steps towards the goal to double sustainability services revenue between 2022 and 2025; developing new sustainable products and services through innovation and participating in several significant industry development projects.

Furthermore, as part of the goal related to industry advancement, Sitowise has actively addressed sustainability issues with The Smart City Talks that is Sitowise´s own media focusing on topical themes of sustainable city development. During the year The Smart City Talks events raised themes such as energy efficiency, diversity, equity and inclusion ("DEI") and radical innovation to discussion with Sitowise's experts, leaders and stakeholders.

In Sitowise's own operations its most significant environmental impact is related with climate issues and the key environmental target is to reach carbon neutrality by 2025. The objective of minimizing the carbon footprint also guides the company towards reducing energy and water consumption, careful sorting of waste, using low-emission modes of travel and transport as well as considering sustainability aspects in purchasing. To reach this goal, the company works to systematically reduce its emissions. The completion of this goal is tracked with an annual calculation of the carbon footprint.

The emission data was developed during the year. It complicates the comparison of carbon footprints between years. However, it gives a clearer picture how to focus impactful climate actions in Sitowise. In 2023, Sitowise's total carbon footprint was 3982t CO-ekv, and per employee 1.89t CO-ekv. The majority of emissions in our operations result from commuting to and from work, as well as business travel.

**Social sustainability**
For Sitowise, social sustainability primarily means ensuring the well-being of its employees. Sitowise is also committed to employing students and carrying its responsibility in society.

To reach the most equitable workplace goal, Sitowise is committed to actively improving the well-being of its employees and listening to them. Sitowise is also committed to ensuring diversity, equity and inclusion ("DEI") in the company. These goals require evolving leadership and Sitowise is constantly training its leaders.

In 2023, employees' stress management and recovery were supported in various ways throughout the year. A new learning path for health and well-being was published on Sitowise's e-learning platform StudyHub in Finland and will be opened next year in Sweden. Sitowise also offers personal support to personnel according to the early intervention model. As a part of our well-being program, feedback from the personnel is regularly invited. All employees are covered with health care and there are several additional insurances provided. Company supports wellbeing in many ways, for example by organizing common free time activities in sites and supporting employees' hobby clubs.

In 2023, Sitowise prepared an action plan based on the results of the employee diversity survey. The company also offered training about Diversity, Equity and Inclusion for all personnel. The target is that all employees will do the training. At the end of the year, six months after the trainings had started 58% of the employees in Finland had done the training. In Sweden the training was launched in October and employees have started to participate. Results of the training will be followed through the annual Employee Survey.

Sitowise's policies related to its own workforce are explicitly aligned with internationally recognized instruments, including the UN Guiding Principles on Business and Human Rights that underscores the commitment to upholding human rights and labor standards. This commitment is reflected in the remuneration, recognition, and development policies.

NextGen is Sitowise's trainee program aimed at students with different backgrounds in Finland. The trainee program includes working in actual projects under the guidance of Sitowise employees as well as work life coaching that helps students direct their competence development in the direction they want. In 2023 Sitowise had a total of 37 (68) NextGen trainees.

**Ethical principles, corruption, and bribery**
The Code of Conduct describes how Sitowise operates sustainably and ethically as well as commits to complying with the laws and regulations concerning the company in all the countries in which it operates. At Sitowise, the Code of Conduct online course is a mandatory part of job orientation. Sitowise addresses its ethical principles to customers and collaborators.

Sitowise's Code of Conduct states the following: We comply with the laws and our commitments, we care about people and our work community, we develop a sustainable and smart environment, we take care of assets and information that are in our responsibility, we procure sustainably, we do not accept corruption, bribery, or extortion, and we report concerns and violations.

The Whistle Blow channel is a contact and reporting channel through which anyone can anonymously report suspected violations of Code of Conduct or other regulations. To ensure anonymity, the reporting channel is managed by an external partner, NAVEX WhistleB. 17 reports were received in 2023. All notifications were internal, no notifications were received from customers or other stakeholders. All reports are treated confidentially, and the notifiers were provided with comprehensive responses. Most of the notifications were related to HR and workplace practicalities or the ongoing change negotiations at Sitowise. These notifications did not require any further actions or were resolved by referring to Sitowise's existing policies or guidelines. Only in a few cases concerning for example inappropriate behavior and workload distribution, the matters were discussed with the persons concerned and their team leads, and necessary actions were taken by both the HR team and business management.

**Key risks related to non-financial information and risk management**
Sitowise's business and strategy are based on competent personnel, and skilled professionals are crucial for growth, profitability and the implementation of the company's strategy. As stated on page 9 of the report under 'Assessment of risks and uncertainties', the most pronounced personnel risks of the Sitowise Group relate to the retention of current experts, well-being of employees and the availability of new experts. Managing these risks is based on the premise that it is important for the company that its employees are healthy, motivated, and proud of the impact that Sitowise's services have on the environment, communities, and people.

Each Sitowise employee contributes to the setting of their personal targets and the assessment of their performance and development needs and discusses expectations with his/her manager at regular intervals and at least once a year. The aforementioned risks are also managed by, for example, supporting coping at work, offering flexibility in different life situations, and providing a variety of training options for example for both professional development and better management of work-related stress. However, the best ways to increase competence are learning on the job, teamwork, and sharing experiences in the course of projects.

Well-being at work stems, above all, from good work management and having access to training that builds competence, as well as a good team spirit, interaction, and a culture of solving problems together. Good leadership creates a framework for efficient teamwork and success. Sitowise promotes its personnel's well-being systematically in cooperation with, for example, its occupational health care providers and pension providers in Finland and Sweden.

Due to the nature of Sitowise's business, there are no significant environmental risks associated with the Group's own operations. One risk related to the upholding of human rights and the fight against corruption and bribery could be a failure to observe Sitowise's Code of Conduct, if this resulted in significant damage to the Group's finances or reputation or if the violations were systemic, in which case the operations of the entire Group could be affected. This risk is managed by clearly stating the company's position on human rights and discrimination in the Code of Conduct, which applies to all employees of Sitowise, and by instructing both the company's personnel and partners to report concerns or potential inappropriate conduct. The risk of corruption and bribery, and the resulting damage, is also controlled by always having more than one person check every payment and purchase.

**Sitowise and the EU taxonomy**

The EU aims to be climate-neutral by 2050. To meet the climate and energy targets, the EU has launched the European Green Deal to ensure there are no net emissions of greenhouse gases by 2050, and to direct investments towards sustainable activities. For this purpose, a classification system for environmentally sustainable economic activities, "the EU taxonomy", has been created. The EU taxonomy provides a common definition of economic activities that can be considered environmentally sustainable as well as technical screening criteria for each environmental objective helping companies become more climate-friendly and increasing security for investors.

The built environment has significant impacts on climate and on environment in general. As Sitowise offers solutions in Finland and Sweden for buildings and infrastructure, as well as digital solutions, all related to the built environment, forest, and natural assets, there is a great potential for minimizing the risks related to climate and environment, reducing the environmental impact, and participating in decarbonization, thus supporting the ambitious goals of the climate-neutral EU. These solutions help Sitowise's clients take steps towards more sustainable and taxonomy-aligned activities. In addition, EU taxonomy reporting also supports the evaluation and planning of Sitowise's sustainable business model, and the sustainability services that Sitowise offers to its clients.

***Taxonomy accounting principles***

EU Taxonomy required KPI's, revenue, capex and opex are all presented on separate tables. The company presents the share of taxonomy-worthy turnover in euros of Sitowise Group Plc's total turnover for the financial year. Revenue is presented in financial statement annex 2.2 and capex in annex 3.2 and 3.3. Opex is presented in annex 2.6 but regarding Company's view, the opex are not suitable for Sitowise's taxonomy reporting.

Calculating taxonomy-eligible turnover is done by identifying the Company's business areas, which are likely to have turnover according to the taxonomy criteria. The company determines the percentage share within each industry according to each corresponding taxonomy-worthy criteria. In the calculation, it has been taken into account that the same turnover cannot enter two different taxonomy-worthy functions. The company's capex are generally investments for the entire company, so the same calculation principle has been applied to them, but divided into taxonomy classifications in relation to turnover.

***Taxonomy-eligibility and taxonomy-alignment***

Sitowise reported the proportion of the company's turnover, capital (CapEx) and operating expenses (OpEx) eligible under the taxonomy regulation in relation to the objectives for climate change mitigation and adaptation first time for the year 2021. For the year 2022, the reporting also covered activities and KPI's aligned with the taxonomy, i.e., activities that were aligned with the technical screening criteria making a substantial contribution to the climate change mitigation and/or adaptation objective, "Do No Significant Harm" (DNSH) criteria, and minimum safeguards.

For the year 2023, four new environmental objectives and technical screening criteria were included in the taxonomy classification system covering now all six environmental objectives: climate change mitigation (CCM), climate change adaptation (CCA), sustainable use and protection of water and marine resources (WTR), transition to circular economy (CE), pollution prevention and control (PPT), and protection and restoration of biodiversity and ecosystems (BIO). At Sitowise, the reporting for the year 2023 covers taxonomy-eligibility and taxonomy-alignment for the climate change mitigation and adaptation objectives, taxonomy-eligibility for the new four environmental objectives, as well as transition activities, and enabling activities. Transition activities are applied with regards to the climate change mitigation objective and are activities for which there are no technologically and economically feasible low-carbon alternatives, but that support the transition to a climate-neutral economy in a manner that is consistent with the pathway to limit the temperature increase. On the other hand, enabling activities are activities that enable other activities to make a substantial contribution to one or more of the objectives.

The taxonomy reporting for the year 2023 was based on the taxonomy assessment and report made in the previous year. Furthermore, it took into account the amendments to the taxonomy regulation as well as changes to Sitowise's business areas and services. The aim was also to develop Sitowise's own taxonomy assessment and reporting even further and follow the path of strict interpretation of the regulation chosen in the assessment and reporting for the year 2022.

For the year 2023, 35 % of Sitowise's revenue was assessed as taxonomy-eligible. These taxonomy-eligible activities included, e.g., engineering activities and related technical consultancy dedicated to adaptation to climate change (CCA 9.1), professional services related to energy performance of buildings (CCM 9.3), infrastructure for rail transport (CCM 6.14), infrastructure enabling road transport and public transport (CCA 6.15), and data-driven solutions for GHG emissions reductions. Sitowise was also able to report new taxonomy-eligible activities, including conservation of habitats, ecosystems and species (BIO 1.1), remediation of contaminated sites and areas (PPC 2.4), and flood risk prevention and protection infrastructure (CCA 14.2).

However, the consulting sector of which Sitowise is a part of, is not yet included in the taxonomy regulation as its own activity, and for several sectors where Sitowise provides solutions and services, the design and engineering are not included in the taxonomy-eligible activities. Therefore, Sitowise cannot report these activities as taxonomy-eligible. One important activity is the construction and real estate sector where Sitowise is contributing to the design phase of construction of new building (CCM/CCA 7.1) and renovation of existing buildings (CCM/CCA 7.2). In addition, due to the scope of the regulation and the strict interpretation of it, not all Sitowise's taxonomy-eligible activities directly meet all the technical screening criteria or DNSH criteria, and Sitowise could not report taxonomy-aligned turnover for the financial year 2023. These activities are reported in the template as "Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)" (A.2). However, Sitowise does not generically consider these activities as environmentally unsustainable activities and sees that the phrase used in the taxonomy reporting to some extent challenging.

Sitowise does not carry out, fund, or has exposures to nuclear or fossil gas related activities. The Template 1 according to the Delegated Act (EU) 2022/1214 is presented in Table 1: Nuclear and fossil gas related activities.

### *Enabling activities and transition activities*

According to the taxonomy regulation, an activity can be taxonomy-aligned when it in and of themselves contributes substantially to one of the six environmental objectives, is a transition activity, or when it enables other activities to make a substantial contribution to the environmental objectives. These enabling activities must not, however, lead to a lock-in in assets that undermine long-term environmental goals, considering the economic lifetime of those assets, and the activities should have a substantial positive environmental impact on the basis of lifecycle considerations.

In some extent, Sitowise's built environment related activities can be seen as enabling activities since they enable directly several environmental objectives defined in the taxonomy regulation through the solutions Sitowise offers to its clients. This is significant especially in the construction and real estate sector where the services provided by Sitowise directly enable efficient solutions to climate change mitigation and adaptation in construction of new buildings and renovation of existing buildings. In addition, for example Sitowise's ecological surveys enable the conservation of habitats, ecosystems, and species. Thus, 19,4 % of Sitowise's revenue was assessed as enabling activities.

For the year 2023, no transition activities were identified in Sitowise's activities. Transition activities can be applied with regards to the climate change mitigation objective. For example, nuclear energy and natural gas related activities typically seen as transition activities.

The summary of Sitowise's non-taxonomy-eligible, taxonomy-eligible, and taxonomy-aligned activities, including enabling activities and transition activities, for the year 2023, are listed in the template below. The official taxonomy reporting templates are presented in the tables 2–4.

| 2023 | Turnover | Capital expenditure (CapEx) | Operating expenditure (OpEx) |
|---|---|---|---|
| Non-taxonomy-eligible activities | 45.6% | 34.5% | 0% |
| Taxonomy-eligible activities | 35.0% | 42.1% | 0% |
| Taxonomy-aligned activities | 19.4% | 23.4% | 0% |
| Of which enabling activities | 19.4% | 23.4% | 0% |
| Of which transition activities | 0% | 0% | 0% |

Taking into account the core of Sitowise's business model, for Sitowise the operating expenditures are not relevant in the way that taxonomy regulation presents them, and therefore, no taxonomy-eligible or taxonomy-aligned OpEx has been identified. Hence reported OpEx is 0 % for the year 2023. At Sitowise, there is a direct relationship between research & development and projects, and research & development will be taken into account as part of personnel costs also in the future.

### *The Minimum Safeguards*

International Platform on Sustainable Finance has presented a set of criteria for minimum social safeguards in the EU taxonomy. The criteria are divided into human rights, corruption and bribery, fair competition and tax processes and observing related violations to these.

Sitowise policies and practices which guide company's employees and operating environment are in line with international commitments on social responsibility. The key processes to ensure social responsibility in line with international commitments are Code of Conduct and it's implementation in daily work and company's WhitleBlow channel for reporting misconduct and the process defined for handling notifications.

At Sitowise Code of Conduct -course is part of the personnel training programme and the course is also part of orientation program of all new employee. The Code of Conduct covers, among other things, the company's principles relating to human and employee rights, corruption and bribery, and fair competition.

Sitowise also requires it's partners to take company's Code of Ethics into account in their own operations. The company conducts all its procurements responsibly and in compliance with the Code of Conduct and procurement practices.

Bribery is considered the most likely form of corruption. Sitowise's Code of Conduct prohibits corruption, bribery and extortion and contains guidelines on how to deal with these issues. The possibility of financial misconduct is reduced by applying the so-called four-eyes principle, whereby at least two handlers must confirm the accuracy of every purchase and travel invoice. The company complies with tax regulations locally in all the countries where it operates. Taxes are always paid correctly and on time, benefiting local economies and societies.

Neither the company nor its management has been convicted of, or charged with, any violations against human rights, corruption and bribery, fair competition or taxation.

***Development of operations and improving the taxonomy reporting in the future***

The common classification system for environmentally sustainable economic activities enables environmentally sustainable development for businesses, and Sitowise is committed to be part of this sustainability change. However, the fact that taxonomy regulation does not yet recognize consulting sector as its own activity keeps challenging the taxonomy assessment, and as a consequence only part of the technical screening criteria can be seen applicable to assessing Sitowise's activities. Despite this, Sitowise recognizes that the role of consulting sector is relevant to achieving the ambitious environmental goals set by the EU Commission, and that the Sitowise's role is to first and foremost enable its clients to contribute substantially to the environmental objectives and to improve their operations so that they are even more sustainable and taxonomy-aligned.

Sitowise also recognizes the potential for enabling activities in its own operations and this will be one of Sitowise's focus points on the taxonomy assessment and reporting for the year 2024. As the taxonomy regulation has a margin for interpretation, the future guidelines to the regulation will be taken into account.

Sitowise follows the development of the taxonomy regulation and the formation of best practices in the consulting sector and is committed to providing added value to the clients by providing solutions that enable taxonomy-alignment even further. Steps have already been taken by developing taxonomy-aligned solutions for climate change adaptation for construction and real estate sector.

### Table 1: Nuclear and fossil gas related activities

| Row | Nuclear energy related activities | |
|---|---|---|
| **1.** | The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle. | NO |
| **2.** | The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies. | NO |
| **3.** | The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades. | NO |
| | **Fossil gas related activities** | |
| **4.** | The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels. | NO |
| **5.** | The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels. | NO |
| **6.** | The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels. | NO |

## Table 2: Proportion of turnover from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023

| Financial year 2023 | Year | | | Substantial Contribution Criteria | | | | | | DNSH criteria ('Does Not Significantly Harm') | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Economic Activities | Code | Turnover | Proportion of Turnover, year 2023 | Climate Change Mitigation | Climate Change Adaptation | Water | Pollution | Circular Economy | Biodiversity | Climate Change Mitigation | Climate Change Adaptation | Water | Pollution | Circular Economy | Biodiversity | Minimum Safeguards | Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) turnover, year 2022 | Category enabling activity | Category transitional activity |
| | | MEUR | % | Y; N; N/EL | Y; N; N/EL | Y; N; N/EL | Y; N; N/EL | Y; N; N/EL | Y; N; N/EL | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | % | E | T |
| **A. TAXONOMY-ELIGIBLE ACTIVITIES** | | | | | | | | | | | | | | | | | | | |
| **A.1. Environmentally sustainable activities (Taxonomy-aligned)** | | | | | | | | | | | | | | | | | | | |
| Electricity generation using solar photovoltaic technology | CCM 4.1 | 0.2 | 0.1% | Y | N/EL | N/EL | N/EL | N/EL | N/EL | Y | Y | Y | Y | Y | Y | Y | 0% | E | |
| Electricity generation from wind power | CCM 4.3 | 1.6 | 0.7% | Y | N/EL | N/EL | N/EL | N/EL | N/EL | Y | Y | Y | Y | Y | Y | Y | 0% | E | |
| Transmission and distribution of electricity | CCM 4.9 | 0.1 | 0.1% | Y | N/EL | N/EL | N/EL | N/EL | N/EL | Y | Y | Y | Y | Y | Y | Y | 0% | E | |
| Infrastructure for rail transport | CCM 6.14 | 0.4 | 0.2% | Y | N/EL | N/EL | N/EL | N/EL | N/EL | Y | Y | Y | Y | Y | Y | Y | 0% | E | |
| Construction of new buildings | CCM 7.1 | 12.4 | 5.9% | Y | N/EL | N/EL | N/EL | N/EL | N/EL | Y | Y | Y | Y | Y | Y | Y | 0% | E | |
| Renovation of existing buildings | CCM 7.2 | 20.6 | 9.8% | Y | N/EL | N/EL | N/EL | N/EL | N/EL | Y | Y | Y | Y | Y | Y | Y | 0% | E | |
| Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings) | CCM 7.4 | 0.1 | 0.0% | Y | N/EL | N/EL | N/EL | N/EL | N/EL | Y | Y | Y | Y | Y | Y | Y | 0% | E | |
| Installation, maintenance and repair of renewable energy technologies | CCM 7.6 | 0.0 | 0.0% | Y | N/EL | N/EL | N/EL | N/EL | N/EL | Y | Y | Y | Y | Y | Y | Y | 0% | E | |
| Infrastructure enabling road transport and public transport | CCA 6.15 | 0.3 | 0.2% | N/EL | Y | N/EL | N/EL | N/EL | N/EL | Y | Y | Y | Y | Y | Y | Y | 0% | E | |
| Water supply | WTR 2.1 | 2.8 | 1.3% | N/EL | N/EL | Y | N/EL | N/EL | N/EL | Y | Y | Y | Y | Y | Y | Y | 0% | E | |
| Sorting and material recovery of non-hazardous waste | CE 2.7 | 0.1 | 0.0% | N/EL | N/EL | N/EL | N/EL | Y | N/EL | Y | Y | Y | Y | Y | Y | Y | 0% | E | |
| Demolition and wrecking of buildings and other structures | CE 3.3 | 0.4 | 0.2% | N/EL | N/EL | N/EL | N/EL | Y | N/EL | Y | Y | Y | Y | Y | Y | Y | 0% | E | |
| Maintenance of roads and motorways | CE 3.4 | 0.1 | 0.1% | N/EL | N/EL | N/EL | N/EL | Y | N/EL | Y | Y | Y | Y | Y | Y | Y | 0% | E | |
| Conservation, including restoration, of habitats, ecosystems and species | BIO 1.1 | 1.7 | 0.8% | N/EL | N/EL | N/EL | N/EL | N/EL | Y | Y | Y | Y | Y | Y | Y | Y | 0% | E | |
| **Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)** | | **40.9** | **19.4%** | **16.8%** | **0.2%** | **1.3%** | **0%** | **0.3%** | **0.8%** | **Y** | **Y** | **Y** | **Y** | **Y** | **Y** | **Y** | **0%** | | |
| Of which Enabling | | 40.9 | 19.4% | 16.8% | 0.2% | 1.3% | 0.0% | 0.3% | 0.8% | Y | Y | Y | Y | Y | Y | Y | 0% | E | |
| Of which Transitional | | 0 | 0% | 0% | | | | | | | | | | | | | | | T |
| **A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)** | | | | | | | | | | | | | | | | | | | |
| | | | | EL; N/EL | EL; N/EL | EL; N/EL | EL; N/EL | EL; N/EL | EL; N/EL | | | | | | | | | | |
| Infrastructure for rail transport | CCM 6.14 | 6.2 | 2.9% | EL | N/EL | N/EL | N/EL | N/EL | N/EL | | | | | | | | 4% | | |
| Data-driven solutions for GHG emissions reductions | CCM 8.2 | 0.9 | 0.4% | EL | N/EL | N/EL | N/EL | N/EL | N/EL | | | | | | | | 0% | | |
| Close to market research, development and innovation | CCM 9.1 | 0.6 | 0.3% | EL | N/EL | N/EL | N/EL | N/EL | N/EL | | | | | | | | 1% | | |
| Professional services related to energy performance of buildings | CCM 9.3 | 18.2 | 8.6% | EL | N/EL | N/EL | N/EL | N/EL | N/EL | | | | | | | | 1% | | |
| Infrastructure enabling road transport and public transport | CCA 6.15 | 12.0 | 5.7% | N/EL | EL | N/EL | N/EL | N/EL | N/EL | | | | | | | | 11% | | |
| Infrastructure for water transport | CCA 6.16 | 0.3 | 0.1% | N/EL | EL | N/EL | N/EL | N/EL | N/EL | | | | | | | | 0% | | |
| Computer programming, consultancy and related activities | CCA 8.2 | 29.7 | 14.1% | N/EL | EL | N/EL | N/EL | N/EL | N/EL | | | | | | | | 4% | | |
| Software enabling physical climate risk management and adaptation | CCA 8.4 | 0.1 | 0.1% | N/EL | EL | N/EL | N/EL | N/EL | N/EL | | | | | | | | 0% | | |
| Engineering activities and related technical consultancy dedicated to adaptation to climate change | CCA 9.1 | 0.9 | 0.4% | N/EL | EL | N/EL | N/EL | N/EL | N/EL | | | | | | | | 2% | | |
| Flood risk prevention and protection infrastructure | CCA 14.2 | 0.2 | 0.1% | N/EL | EL | N/EL | N/EL | N/EL | N/EL | | | | | | | | 0% | | |
| Manufacture, installation and associated services for leakage control technologies enabling leakage reduction and prevention in water supply systems | WTR 1.1 | 0.2 | 0.1% | N/EL | N/EL | EL | N/EL | N/EL | N/EL | | | | | | | | 0% | | |
| Remediation of contaminated sites and areas | PPC 2.4 | 3.8 | 1.8% | N/EL | N/EL | N/EL | EL | N/EL | N/EL | | | | | | | | 0% | | |
| Conservation, including restoration, of habitats, ecosystems and species | BIO 1.1 | 0.7 | 0.3% | N/EL | N/EL | N/EL | N/EL | N/EL | EL | | | | | | | | 0% | | |
| **Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)** | | **73.7** | **35.0%** | **12.3%** | **20.4%** | **0.1%** | **1.8%** | **0%** | **0.3%** | | | | | | | | **23%** | | |
| **A. Turnover of Taxonomy-eligible activities (A.1+A.2)** | | **114.6** | **54.4%** | **29.1%** | **20.6%** | **1.4%** | **1.8%** | **0.3%** | **1.1%** | | | | | | | | **23%** | | |
| **B. TAXONOMY-NON-ELIGIBLE ACTIVITIES** | | | | | | | | | | | | | | | | | | | |
| **Turnover of Taxonomy-non-eligible activities** | | **96** | **45.6%** | | | | | | | | | | | | | | | | |
| **Total** | | **210.9** | **100%** | | | | | | | | | | | | | | | | |

## Table 3: Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023

| Financial year 2023 | Year | | | Substantial Contribution Criteria | | | | | | DNSH criteria ('Does Not Significantly Harm') | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Economic Activities | Code | Turnover | Proportion of CapEx, year 2023 | Climate Change Mitigation | Climate Change Adaptation | Water | Pollution | Circular Economy | Biodiversity | Climate Change Mitigation | Climate Change Adaptation | Water | Pollution | Circular Economy | Biodiversity | Minimum Safeguards | Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) CapEx, year 2022 | Category enabling activity | Category transitional activity |
| | | MEUR | % | Y; N; N/EL | Y; N; N/EL | Y; N; N/EL | Y; N; N/EL | Y; N; N/EL | Y; N; N/EL | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | % | E | T |
| **A. TAXONOMY-ELIGIBLE ACTIVITIES** | | | | | | | | | | | | | | | | | | | |
| **A.1. Environmentally sustainable activities (Taxonomy-aligned)** | | | | | | | | | | | | | | | | | | | |
| Electricity generation using solar photovoltaic technology | CCM 4.1 | 0.0 | 0.1% | Y | N/EL | N/EL | N/EL | N/EL | N/EL | Y | Y | Y | Y | Y | Y | Y | 0% | E | |
| Electricity generation from wind power | CCM 4.3 | 0.1 | 0.9% | Y | N/EL | N/EL | N/EL | N/EL | N/EL | Y | Y | Y | Y | Y | Y | Y | 0% | E | |
| Transmission and distribution of electricity | CCM 4.9 | 0.0 | 0.1% | Y | N/EL | N/EL | N/EL | N/EL | N/EL | Y | Y | Y | Y | Y | Y | Y | 0% | E | |
| Infrastructure for rail transport | CCM 6.14 | 0.0 | 0.2% | Y | N/EL | N/EL | N/EL | N/EL | N/EL | Y | Y | Y | Y | Y | Y | Y | 0% | E | |
| Construction of new buildings | CCM 7.1 | 0.8 | 7.1% | Y | N/EL | N/EL | N/EL | N/EL | N/EL | Y | Y | Y | Y | Y | Y | Y | 0% | E | |
| Renovation of existing buildings | CCM 7.2 | 1.4 | 11.8% | Y | N/EL | N/EL | N/EL | N/EL | N/EL | Y | Y | Y | Y | Y | Y | Y | 0% | E | |
| Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings) | CCM 7.4 | 0.0 | 0.1% | Y | N/EL | N/EL | N/EL | N/EL | N/EL | Y | Y | Y | Y | Y | Y | Y | 0% | E | |
| Installation, maintenance and repair of renewable energy technologies | CCM 7.6 | 0.0 | 0.0% | Y | N/EL | N/EL | N/EL | N/EL | N/EL | Y | Y | Y | Y | Y | Y | Y | 0% | E | |
| Infrastructure enabling road transport and public transport | CCA 6.15 | 0.0 | 0.2% | N/EL | Y | N/EL | N/EL | N/EL | N/EL | Y | Y | Y | Y | Y | Y | Y | 0% | E | |
| Water supply | WTR 2.1 | 0.2 | 1.6% | N/EL | N/EL | Y | N/EL | N/EL | N/EL | Y | Y | Y | Y | Y | Y | Y | 0% | E | |
| Sorting and material recovery of non-hazardous waste | CE 2.7 | 0.0 | 0.0% | N/EL | N/EL | N/EL | N/EL | Y | N/EL | Y | Y | Y | Y | Y | Y | Y | 0% | E | |
| Demolition and wrecking of buildings and other structures | CE 3.3 | 0.0 | 0.2% | N/EL | N/EL | N/EL | N/EL | Y | N/EL | Y | Y | Y | Y | Y | Y | Y | 0% | E | |
| Maintenance of roads and motorways | CE 3.4 | 0.0 | 0.1% | N/EL | N/EL | N/EL | N/EL | Y | N/EL | Y | Y | Y | Y | Y | Y | Y | 0% | E | |
| Conservation, including restoration, of habitats, ecosystems and species | BIO 1.1 | 0.1 | 1.0% | N/EL | N/EL | N/EL | N/EL | N/EL | Y | Y | Y | Y | Y | Y | Y | Y | 0% | E | |
| **CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)** | | **2.7** | **23.4%** | **20.2%** | **0.2%** | **1.6%** | **0.0%** | **0.4%** | **1.0%** | **Y** | **Y** | **Y** | **Y** | **Y** | **Y** | **Y** | **0%** | | |
| Of which Enabling | | 2.7 | 23.4% | 20.2% | 0.2% | 1.6% | 0.0% | 0.4% | 1.0% | Y | Y | Y | Y | Y | Y | Y | 0% | E | |
| Of which Transitional | | 0.0 | 0% | 0% | | | | | | | | | | | | | | | T |
| **A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)** | | | | | | | | | | | | | | | | | | | |
| | | | | EL; N/EL | EL; N/EL | EL; N/EL | EL; N/EL | EL; N/EL | EL; N/EL | | | | | | | | | | |
| Infrastructure for rail transport | CCM 6.14 | 0.4 | 3.6% | EL | N/EL | N/EL | N/EL | N/EL | N/EL | | | | | | | | 3% | | |
| Data-driven solutions for GHG emissions reductions | CCM 8.2 | 0.1 | 0.5% | EL | N/EL | N/EL | N/EL | N/EL | N/EL | | | | | | | | 0% | | |
| Close to market research, development and innovation | CCM 9.1 | 0.0 | 0.4% | EL | N/EL | N/EL | N/EL | N/EL | N/EL | | | | | | | | 0% | | |
| Professional services related to energy performance of buildings | CCM 9.3 | 1.2 | 10.4% | EL | N/EL | N/EL | N/EL | N/EL | N/EL | | | | | | | | 3% | | |
| Infrastructure enabling road transport and public transport | CCA 6.15 | 0.8 | 6.9% | N/EL | EL | N/EL | N/EL | N/EL | N/EL | | | | | | | | 13% | | |
| Infrastructure for water transport | CCA 6.16 | 0.0 | 0.2% | N/EL | EL | N/EL | N/EL | N/EL | N/EL | | | | | | | | 0% | | |
| Computer programming, consultancy and related activities | CCA 8.2 | 2.0 | 17.0% | N/EL | EL | N/EL | N/EL | N/EL | N/EL | | | | | | | | 42% | | |
| Software enabling physical climate risk management and adaptation | CCA 8.4 | 0.0 | 0.1% | N/EL | EL | N/EL | N/EL | N/EL | N/EL | | | | | | | | 0% | | |
| Engineering activities and related technical consultancy dedicated to adaptation to climate change | CCA 9.1 | 0.1 | 0.5% | N/EL | EL | N/EL | N/EL | N/EL | N/EL | | | | | | | | 5% | | |
| Flood risk prevention and protection infrastructure | CCA 14.2 | 0.0 | 0.1% | N/EL | EL | N/EL | N/EL | N/EL | N/EL | | | | | | | | 0% | | |
| Manufacture, installation and associated services for leakage control technologies enabling leakage reduction and prevention in water supply systems | WTR 1.1 | 0.0 | 0.1% | N/EL | N/EL | EL | N/EL | N/EL | N/EL | | | | | | | | 0% | | |
| Remediation of contaminated sites and areas | PPC 2.4 | 0.3 | 2.2% | N/EL | N/EL | N/EL | EL | N/EL | N/EL | | | | | | | | 0% | | |
| Conservation, including restoration, of habitats, ecosystems and species | BIO 1.1 | 0.0 | 0.4% | N/EL | N/EL | N/EL | N/EL | N/EL | EL | | | | | | | | 0% | | |
| **CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)** | | **5.0** | **42.1%** | **14.8%** | **24.6%** | **0.1%** | **2.2%** | **0.0%** | **0.4%** | | | | | | | | **66%** | | |
| **A. CapEx of Taxonomy eligible activities (A.1+A.2)** | | **7.7** | **65.5%** | **35.1%** | **24.8%** | **1.7%** | **2.2%** | **0.4%** | **1.3%** | | | | | | | | **66%** | | |
| **B. TAXONOMY-NON-ELIGIBLE ACTIVITIES** | | | | | | | | | | | | | | | | | | | |
| **CapEx of Taxonomy-non-eligible activities** | | **4.1** | **34.5%** | | | | | | | | | | | | | | | | |
| **Total** | | **11.8** | **100%** | | | | | | | | | | | | | | | | |

## Table 4: Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023

| Financial year 2023 | Year | | | Substantial Contribution Criteria | | | | | | DNSH criteria ('Does Not Significantly Harm') | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Economic Activities | Code | Turnover | Proportion of OpEx, year 2023 | Climate Change Mitigation | Climate Change Adaptation | Water | Pollution | Circular Economy | Biodiversity | Climate Change Mitigation | Climate Change Adaptation | Water | Pollution | Circular Economy | Biodiversity | Minimum Safeguards | Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) OpEx, year 2022 | Category enabling activity | Category transitional activity |
| | | MEUR | % | Y; N; N/EL | Y; N; N/EL | Y; N; N/EL | Y; N; N/EL | Y; N; N/EL | Y; N; N/EL | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | % | E | T |
| **A. TAXONOMY-ELIGIBLE ACTIVITIES** | | | | | | | | | | | | | | | | | | | |
| **A.1. Environmentally sustainable activities (Taxonomy-aligned)** | | | | | | | | | | | | | | | | | | | |
| **OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)** | | | **%** | **%** | **%** | **%** | **%** | **%** | **%** | **K** | **K** | **K** | **K** | **K** | **K** | **K** | **%** | | |
| Of which Enabling | | | % | % | % | % | % | % | % | K | K | K | K | K | K | K | % | E | |
| Of which Transitional | | | % | % | | | | | | K | K | K | K | K | K | K | % | | T |
| **A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)** | | | | | | | | | | | | | | | | | | | |
| | | | | EL; N/EL | EL; N/EL | EL; N/EL | EL; N/EL | EL; N/EL | EL; N/EL | | | | | | | | | | |
| **OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)** | | | % | % | % | % | % | % | % | | | | | | | | % | | |
| **A. OpEx of Taxonomy eligible activities (A.1+A.2)** | | | **%** | **%** | **%** | **%** | **%** | **%** | **%** | | | | | | | | | | |
| **B. TAXONOMY-NON-ELIGIBLE ACTIVITIES** | | | | | | | | | | | | | | | | | | | |
| **OpEx of Taxonomy-non-eligible activities** | | | 100% | | | | | | | | | | | | | | | | |
| **Total** | | | **100%** | | | | | | | | | | | | | | | | |

## ASSESSMENT OF RISKS AND UNCERTAINTIES

The significant risks and uncertainties related to the Sitowise Group's business include operational, strategic, financial and ESG risks, to which the Group's financial performance is exposed. The Group's risk assessment is based on an annual survey that was conducted again during the financial year 2023, and its results have been discussed in the Group's Board of Directors, management team as well as business areas. The Sitowise Group's risk management process and responsibilities are described on the Group's website (www.sitowise.com).

| Operational risks | Risk description | Risk management |
|---|---|---|
| *Personnel risks* | The most pronounced personnel risks of the Sitowise Group relate to the retention of current experts, well-being of employees, and availability of new experts. Sitowise's business is based on competent personnel, and skilled professionals are crucial for profitability, growth and the implementation of the company's strategy. A potential decline in Sitowise's employer image due to internal or external factors is a risk from the perspective of employee engagement and retention. | Being the most well-known and desired employer is one of the Sitowise Group's strategic focus areas, and great emphasis is placed on active development of the culture and HR practices. Also, maintaining a high quality of manager work, for example through leadership training, is seen as an important part of managing the personnel risks. |
| *Project work* | The Sitowise Group's operational risks related the project work include, among others, miscalculated tenders, claims for compensation due to engineering mistakes or delays, and exceptionally strict warranty and liability terms, which could, if invoked, damage Sitowise's profitability. | Risks related to tenders and projects are managed by means of regular quality management and risk management reviews and by complying with procedures pursuant to the ISO-certified operating model. The Group has developed a proprietary service platform called Voima to facilitate the adoption of more efficient and consistent operating methods. The Voima project management tool contains project guidelines and templates, best practices, bidding and project workspaces, and a risk assessment tool. Project risks are managed already in the offering phase by means of project guidance according to which an authorization from the management of the relevant business area is required before tendering for any contracts that are subject to nonstandard terms and conditions. The guidance also covers the implementation phase of projects. The risk assessment addresses themes such as contract terms and liability, schedule, resources, scope of the assignment, safety, and sustainability. The Voima platform contains real-time data that can be used to mitigate risks. Project risks are managed through carefully thought-out pricing and a thorough review of the tendered project and its problematic elements. |
| *Damage risks* | Damage risks include IT system and cyber security risks. Sitowise's business is dependent on a well-working IT infrastructure and uninterrupted access to IT-based tools and systems, which are susceptible to faults and failures. Malfunctions, interruptions, faults, cybersecurity breaches or power cuts that affect IT systems can delay the delivery of services, cause unexpected costs, and damage Sitowise's reputation. | Risks related to IT systems and cyber security are mitigated by ensuring necessary resources and capabilities and by investing in and upgrading systems to continuously improve cyber security. The risks are further managed by training employees, implementing proactive risk management measures and ensuring that effective safeguards against potential data loss or system failures are in place. |

| Strategic risks | Risk description | Risk management |
|---|---|---|
| *Market risks* | Uncertainty created by changes in the global and local economy and market conditions poses a risk to Sitowise's business. Rapid cyclical fluctuations in the economy and reduction in the use of public funds or a diversion of such funds away from the built environment may contribute to market stagnation. Higher inflation, rising interest rates, the price of energy, and the increased cost of construction materials create uncertainty in the markets and may cause a decline in economic activity by leading to, for example, a decrease or postponement of investments and clients' projects. | Sitowise is actively monitoring the economic and market developments so that it can react to changes in its business environment. Constant and focused development actions in the business areas, such as increased sales focus, establishment of strategic client segment teams and further diversification of the client base, are utilized to safeguard the company from rapid market changes. |
| *M&A risks* | The Sitowise Group's growth according to the long-term financial targets is partly based on corporate acquisitions, and the planned growth may not materialize if suitable acquisition targets are not available, transactions cannot be made at an economically justified valuation level or acquisitions involve liabilities that cannot be factored into the purchase price, or the targets set for the acquisitions are not reached in the integration of the acquired companies. | Sitowise actively reviews and manages its M&A pipeline and focuses on targets which support the company's strategy and fit the company's financial situation and market. When defining the level of M&A activity, Sitowise is also considering the balance sheet structure. |

| Strategic risks | Risk description | Risk management |
|---|---|---|
| *M&A risks* | Successful integration of the acquisitions is a key element of the Sitowise Group’s growth strategy, and Sitowise is therefore exposed to risks related to the integration process, which can lead to additional costs, failure to implement synergies, and loss of growth opportunities. | The company has a well-established integration process which is based on its past experience from a vast number of previous transactions. Careful planning of the integration and ensuring good cultural fit already before the acquisition are also key parts of transaction processes. |
| *Technological development* | Failure to anticipate or utilize technological development trends and tap into new innovations, for example through successful commercialization of new smart services and ability to grow ARR's share of business may impede the company's ability to execute its strategy effectively. New technological developments may also require the company to adapt its pricing and project management models. | Innovations are one of the three strategic pillars of Sitowise's strategy, with the aim of developing and engaging Sitowise's employees and partners to innovate smart solutions accelerating the industry transition. The focus is put on fostering and evolving the company's innovation culture and improving the coordination of internal development opportunities through different tools and processes. |
| *Customer risks* | The Sitowise Group's largest customer groups are the public sector, construction companies and housing companies. Loss of a customer accounting for a larger portion of net sales could have a significant financial impact. Even though procurement from larger public customers is not always centralized but rather an outcome of numerous procurement procedures, problems in one service may be reflected in the purchases of other services. | Sitowise has a diversified client base, and the risk related to the dependency on individual clients or client segments is aimed to be mitigated by further diversification of the company's client base by attracting new client from new client sectors. The Sitowise Group has also strengthened its sales resources by introducing a new sales model and organization. Also, the implementation of the new CRM system is aimed to support the client work moving forward. |

| Financial risks | Risk description | Risk management |
|---|---|---|
| *Financial market risks* | Uncertainty in the financial markets or rising interest rates leading to higher financing costs and reduced availability (adequacy, timeliness, and favorable terms) is both a strategic and a financial risk for the Sitowise Group. Sitowise finances its business and investments with cash flow and debt financing and needs external financing to implement its growth strategy. External financing can expose Sitowise to risks related to indebtedness and weaken its financial position. | The Sitowise Group carefully assesses possible financial risks, and the Group’s liquidity (trade receivables and cash flows) is monitored continuously. The Group also closely monitors its leverage and focuses on improving it e.g. through a careful approach to all possible acquisition cases. To mitigate the risk of encountering challenges in securing financing, the Sitowise Group fosters strong and transparent relationships with its core banks as well as aims to maintain an active and open dialogue with its shareholders to enhance financial credibility and support. |
| *Order book* | Due to the business model’s high dependency on personnel, maintaining a steady and profitable order book is of great importance to the business. | The Sitowise Group aims to maintain a sufficient order book through an extensive customer base, diverse workload, focused sales efforts and continuous monitoring of the order book. |
| *Cost risk* | A rise in costs, such as in wage levels, ICT or premises costs can have a negative impact on Sitowise’s profitability and financial performance if it cannot revise the prices of its services accordingly. | The Sitowise Group continuously focuses on pricing activities and sales development actions, including the implementation of a new CRM system as well as actions ensuring cost effectiveness. |
| *Geopolitical events* | The global economic consequences of wars and other major geopolitical events, such as inflation and higher interest rates, may further slowdown market growth in the construction sector, which could jeopardize Sitowise’s growth and profitability aspirations. The war in Ukraine only has limited direct effects on Sitowise. The company does not have offices in Russia, Belarus, or Ukraine, nor does it export to these countries. However, sanctions imposed on account of Russia’s aggression and the changed operating environment outside of the scope of the sanctions – as well as countersanctions – may create uncertainties. | The risks related to the economic consequences of major geopolitical events are examined and mitigated through continuous monitoring and analysis of market developments and the operating environment. |

Financial risks are discussed in more detail in Note 5 to the financial statements.

Information on the sustainability and climate risks related to Sitowise's operations is presented in the Annual and Sustainability Report.

## 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.

## RELATED PARTY LOANS

Sitowise Group Plc has given subordinated loans to its related party company Fimpec Group Oy. The loans amounted to EUR 916,500 at the end of the financial period. The interest rate on the subordinated loans is 8% p.a. The loans are subject to the provisions of Chapter 12 of the Finnish Limited Liability Companies Act.

## 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**

| | 2024 | 2023 | 2022 | Difference (2023 vs 2022) |
|---|---|---|---|---|
| Q1 | 478 | 484 | 476 | 8 |
| Q2 | 459 | 451 | 460 | -9 |
| Q3 | 502 | 491 | 500 | -9 |
| Q4 | 471 | 469 | 477 | -8 |
| **Full year** | **1,910** | **1,895** | **1,914** | **-19** |

Estimated sensitivities with current business scope on annual level:

| 2023 | 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 |

## BOARD OF DIRECTORS' PROPOSAL CONCERNING THE USE OF THE PARENT COMPANY'S PROFIT

On 31 December 2023, the distributable funds of Sitowise Group Plc amounted to EUR 108.2 million, of which profit of the parent company for the 2023 financial period was EUR 4,014,150.

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. Considering the current market environment, and to preserve capital for future growth initiatives, the Board of Directors proposes that no dividend be paid based on the balance sheet to be adopted for the financial year 2023. The Board will consider using the authorization for share buy-backs during 2024.

## 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.

## OUTLOOK AND GUIDANCE

**Outlook for 2024**

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

The weakened macro-economic outlook, high interest rates and high inflation have slowed down growth in both Finland and Sweden and impacted the short-term decision-making of Sitowise's clients especially in the private sector and most of all in residential building projects. The general economic environment also has an impact on larger public sector investments. A key factor impacting Sitowise's market environment in 2024 will be the timing of the anticipated central banks' decisions to lower interest rates, and whether those will be, when materialized, sufficient to drive increasing demand for new construction and investment projects and thereby technical consulting services.

We expect the market environment to remain mixed in 2024. Key driver for growth will be increasing demand for services related to green transition, security, and digitalization of the built environment. In Buildings, the first part of the year will still be challenging due to the difficult construction market in Finland, which is expected to show signs of recovery earliest towards to the end of 2024. There are some positive signals in the Swedish technical consulting market environment, which has overall remained more stable than in Finland.

Entering the year 2024, orderbooks were at good level in Infra, Digital Solutions and Sweden. In Buildings, the workload was on an insufficient level, which has led to a start of selective temporary layoffs In Buildings in early 2024

In addition to the market development, cost inflation (e.g., relating to salary increases), higher number of working days in 2024 than in the previous year (-1 day in Q1, +1 day in both Q2 and Q3 and equal number of days in Q4), potential currency fluctuations (EUR/SEK) and higher interest expenses are expected to impact Sitowise's financial performance during 2024.

**Guidance for 2024**

Sitowise Group's net sales is expected to slightly decline in 2024, driven by the Buildings business decline. Adjusted EBITA margin (%) is expected to be at the 2023 level or above in 2024.

## SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

**Directed share issue and a change in the number of Sitowise shares**

On 9 January 2024, the Board of Directors of Sitowise Group Plc decided on, by virtue of the authorization granted by the Annual General Meeting on 25 April 2023, to issue 48,675 own shares held by Sitowise Group Plc and 179,738 new shares in a directed share issue. The directed share issue relates to a transaction where Sitowise Oy acquired the expert operations of Ahlman Group Oy, a provider of nature and environmental services. The acquisition was completed on 9 January 2024.

The new shares subscribed for in the issue were registered with the Finnish Trade Register on 11 January 2024, after which the total number of shares in the Company is 35,845,665 shares. The Company does not hold own shares.

Proposals of the Shareholders' Nomination Board of Sitowise for the Annual General Meeting 2024

On 30 January 2024, the proposals of the Shareholders' Nomination Board for the Annual General Meeting were published. The Annual General Meeting is planned to be held on 4 April 2024 and according to the proposal the members of the Board of Directors and its committees will be paid the same fees for the term of office ending at the Annual General Meeting 2025 as for their previous term of office.

The Shareholders' Nomination Board further proposes that for the term of office ending at the Annual General Meeting 2025, the current members of the company's Board of Directors Eero Heliövaara, Mirel Leino-Haltia, Elina Piispanen, Niklas Sörensen, Tomi Terho and Mats Åström be re-elected and Anni Ronkainen be elected as a new member to the Board of Directors.

Proposals in full are available on Sitowise's investor site at Annual General Meeting 2024 | Sitowise.

## 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.

**Key figures describing financial development**

| EUR thousand | 1–12/2023 | 1–12/2022 |
|---|---|---|
| Net sales | 210,910 | 204,414 |
| Growth in net sales, % | 3.2% | 14.0% |
| Adjusted organic growth in net sales, % | 1% | 5% |
| EBITA, adjusted | 17,012 | 20,380 |
| % of net sales | 8.1% | 10.0% |
| EBITA | 15,128 | 16,075 |
| Operating profit (EBIT) | 11,701 | 13,162 |
| % of net sales | 5.5% | 6.4% |
| Result for the period | 5,549 | 7,914 |
| Balance sheet total | 278,381 | 280,724 |
| Cash and cash equivalents | 15,596 | 15,390 |
| Net debt | 55,340 | 56,602 |
| Cash flow from operating activities before financial items and taxes | 23.891 | 22.676 |
| | | |
| Earnings per share (EUR) | 0.16 | 0.22 |
| Diluted earnings per share (EUR) | 0.16 | 0.22 |
| Earnings per share, continuing operations (EUR) | 0.16 | 0.22 |
| Diluted earnings per share, continuing operations (EUR) | 0.16 | 0.22 |
| | | |
| Return on equity (ROE), % | 4.7% | 6.8% |
| Return on capital employed (ROCE), % | 5.5% | 6.5% |
| Equity ratio, % | 42.9% | 41.6% |
| Net debt / EBITDA, adjusted | 3.0x | 2.6x |
| Gearing, % | 46.3% | 48.4% |
| | | |
| Number of personnel, average | 2,211 | 2,151 |
| Full-time equivalent (FTE), average | 1,974 | 1,918 |
| Utilization rate | 74.4% | 76.1% |

## 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), % | = | Profit for the period, prev. 12 months / Total shareholders' equity, average |
| Return on capital employed (ROCE), % | = | (Profit before taxes + financial expenses), prev. 12 months / (Balance sheet total – non-interest-bearing debt), average |
| Equity ratio, % | = | Total shareholders' equity / Balance sheet total |
| Net debt / EBITDA, adjusted | = | Net debt / EBITDA, adjusted, prev. 12 months |
| Gearing, % | = | Net debt / Total shareholders' equity |
| Non-diluted earnings per share | = | (Result for the period – non-controlling interest – dividend for the financial period to be distributed taking tax impact into consideration) / Average weighted number of shares |
| Diluted earnings per share | = | (Result for the period – non-controlling interest – dividend for the financial period to be distributed taking tax impact into consideration) / 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 |

## RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES

| EUR thousand | 2023 | 2022 |
|---|---|---|
| **Net sales** | **210,910** | **204,414** |
| | | |
| **Adjusted organic growth in net sales, %** | | |
| Growth in net sales | 3% | 14% |
| Impact of acquisitions | -5% | -9% |
| Impact of number of working days | 1% | 0% |
| Impact of exchange rates | 2% | 1% |
| **Adjusted organic growth in net sales, %** | **1%** | **5%** |
| | | |
| **EBITA** | | |
| Operating profit (EBIT) | 11,701 | 13,162 |
| Amortizations of intangible assets | -3,427 | -2,913 |
| **EBITA** | **15,128** | **16,075** |
| **EBITA %** | **7.2%** | **7.9%** |
| | | |
| **Items affecting comparability** | | |
| Restructuring costs | 1,503 | 722 |
| M&A and integration costs | 302 | 2,801 |
| Other, income (-) / costs (+) | -99 | 782 |
| **Items affecting comparability, EBITDA** | **1,706** | **4,305** |
| Items affecting comparability, depreciations | 178 | 0 |
| **Items affecting comparability, EBITA** | **1,884** | **4,305** |
| | | |
| **EBITA, adjusted** | | |
| EBITA | 15,128 | 16,075 |
| Items affecting comparability, EBITA | 1,884 | 4,305 |
| **EBITA, adjusted** | **17,012** | **20,380** |
| **EBITA, adjusted %** | **8.1%** | **10.0%** |
| | | |
| **EBITDA** | | |
| Operating profit (EBIT) | 11,701 | 13,162 |
| Depreciation and amortization | -11,518 | -10,594 |
| **EBITDA** | **23,219** | **23,756** |
| **EBITDA %** | **11.0%** | **11.6%** |
| | | |
| **Net debt** | | |
| Loans from financial institutions | 70,935 | 71,992 |
| Cash and cash equivalents | 15,596 | 15,390 |
| **Net debt** | **55,340** | **56,602** |
| | | |
| **EBITDA, adjusted (prev. 12 months)** | | |
| EBITDA (prev. 12 months) | 23,219 | 23,756 |
| Items affecting comparability, EBITDA (prev. 12 months) | 1,706 | 4,305 |
| Operational lease liabilities (IFRS16) (prev. 12 months) | -6,735 | -6,366 |
| **EBITDA, adjusted (prev. 12 months)** | **18,189** | **21,695** |
| | | |
| **Net debt / EBITDA, adjusted** | | |
| Net debt | 55,340 | 56,602 |
| EBITDA, adjusted (prev. 12 months) | 18,189 | 21,695 |
| **Net debt / EBITDA, adjusted** | **3.0x** | **2.6x** |
| | | |
| **Gearing, %** | | |
| Total shareholders' equity | 119,483 | 116,874 |
| Net debt | 55,340 | 56,602 |
| **Gearing, %** | **46.3%** | **48.4%** |

# CONSOLIDATED FINANCIAL STATEMENTS IFRS

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| EUR thousand | Note | Jan 1 – Dec 31, 2023 | Jan 1 – Dec 31, 2022 |
|---|---|---|---|
| **Net sales** | **2.2** | **210,910** | **204,414** |
| Other operating income | 2.3 | 397 | 288 |
| Materials and services | 2.4 | -21,493 | -20,495 |
| Personnel expenses | 2.5 | -138,417 | -129,774 |
| Other operating expenses | 2.6 | -28,179 | -30,677 |
| Depreciation, amortization, and impairment | 2.7 | -11,518 | -10,594 |
| **Operating result** | | **11,701** | **13,162** |
| Financial income | 4.1 | 532 | 390 |
| Financial expenses | 4.1 | -5,088 | -3,272 |
| **Profit before taxes** | | **7,145** | **10,280** |
| Income taxes | 6.2 | -1,596 | -2,366 |
| **Profit for the period** | | **5,549** | **7,914** |
| | | | |
| **Attributable to:** | | | |
| Owners of the parent | | 5,618 | 7,847 |
| Non-controlling interest | | -69 | 67 |
| **Profit for the period** | | **5,549** | **7,914** |
| | | | |
| **Items that may be reclassified to profit or loss** | | | |
| Change in translation difference | | 162 | -3,837 |
| Cash flow hedging, net of tax | | -54 | 63 |
| **Total for items in other comprehensive income** | | **109** | **-3,774** |
| | | | |
| **Total comprehensive income** | | **5,657** | **4,140** |
| | | | |
| **Comprehensive income attributable to:** | | | |
| Owners of the parent | | 5,727 | 4,073 |
| Non-controlling interest | | -69 | 67 |
| | | | |
| **Earnings per share:** | | | |
| Earnings per share (EUR) | 2.8 | 0.16 | 0.22 |
| Diluted earnings per share (EUR) | | 0.16 | 0.22 |

The notes are an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| EUR thousand | Note | Dec 31, 2023 | Dec 31, 2022 |
|---|---|---|---|
| **Assets** | | | |
| Goodwill | 3.2 | 158,033 | 157,620 |
| Intangible assets | 3.2 | 11,863 | 10,224 |
| Property, plant and equipment | 3.3 | 2,896 | 3,973 |
| Right-of-use assets | 3.3 | 26,405 | 27,803 |
| Other shares, similar rights of ownership, and receivables | 4.2 | 1,899 | 1,931 |
| Deferred tax assets | 6.2 | 732 | 894 |
| **Total non-current assets** | | **201,828** | **202,446** |
| | | | |
| Trade and other receivables | 3.4 | 59,150 | 61,564 |
| Income tax receivables | 6.2 | 1,808 | 1,323 |
| Cash and cash equivalents | 4.2 | 15,596 | 15,390 |
| **Total current assets** | | **76,553** | **78,278** |
| | | | |
| **Total assets** | | **278,381** | **280,724** |

| EUR thousand | Note | Dec 31, 2023 | Dec 31, 2022 |
|---|---|---|---|
| **Shareholders' equity and liabilities** | | | |
| Share capital | | 80 | 80 |
| Reserve for invested unrestricted equity | | 96,692 | 96,434 |
| Fair value reserve | | 294 | 348 |
| Translation difference | | -3,519 | -3,681 |
| Retained earnings | | 25,751 | 23,440 |
| **Equity attributable to owners of the parent** | | **119,299** | **116,621** |
| Non-controlling interest | | 183 | 253 |
| **Total shareholders' equity** | | **119,483** | **116,874** |
| | | | |
| Deferred tax liabilities | 6.2 | 1,543 | 1,588 |
| Financial liabilities | 4.2 | 69,935 | 70,992 |
| Lease liabilities | 4.2 | 20,524 | 22,050 |
| **Total non-current liabilities** | | **92,003** | **94,630** |
| | | | |
| Income tax liabilities | | 60 | 653 |
| Financial liabilities | 4.2 | 1,000 | 1,000 |
| Lease liabilities | 4.2 | 7,193 | 6,937 |
| Provisions | 3.5 | 330 | 981 |
| Trade payable and other liabilities | 3.6 | 58,312 | 59,649 |
| **Total current liabilities** | | **66,895** | **69,219** |
| | | | |
| **Total shareholders' equity and liabilities** | | **278,381** | **280,724** |

The notes are an integral part of the financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

| EUR thousand | Jan 1 – Dec 31, 2023 | Jan 1 – Dec 31, 2022 |
|---|---|---|
| **Cash flow from operating activities:** | | |
| Profit for the period | 5,549 | 7,914 |
| Adjustments | | |
| Income taxes | 1,596 | 2,366 |
| Depreciation, amortization, and impairment | 11,518 | 10,594 |
| Financial income and expenses | 4,556 | 2,882 |
| Other adjustments | 259 | 297 |
| Change in working capital | | |
| Increase (-) / decrease (+) in trade receivables and other receivables | 2,835 | -6,424 |
| Increase (+) / decrease (-) in trade and other payables | -2,422 | 5,047 |
| Interest paid and other financial expenses | -4,885 | -2,244 |
| Interest received and other financial income | 500 | 185 |
| Income taxes paid | -2,921 | -4,558 |
| **Net cash flows from operating activities** | **16,586** | **16,058** |
| | | |
| **Cash flow from investing activities:** | | |
| Investment in tangible and intangible assets | -3,904 | -3,665 |
| Acquisitions of subsidiaries, net of cash acquired | -1,512 | -28,786 |
| **Cash flow from investing activities** | **-5,416** | **-32,450** |
| | | |
| **Cash flow from financing activities:** | | |
| Payments from share issue | 258 | 3,844 |
| Share repurchase | 0 | -2,720 |
| Dividends paid | -3,555 | -3,545 |
| Withdrawal of long term loans | 0 | 24,424 |
| Repayment of short term loans | -1,072 | -2,974 |
| Payments of lease liabilities | -6,561 | -6,131 |
| **Cash flow from financing** | **-10,929** | **12,899** |
| | | |
| Cash and cash equivalents at the start of the period | 15,390 | 19,353 |
| Change in cash and cash equivalents, increase (+) / decrease (-) | 241 | -3,493 |
| Impact of changes in foreign exchange rates | -35 | -470 |
| **Cash and cash equivalents at the end of the period** | **15,596** | **15,390** |

The notes are an integral part of the financial statements.

## STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

| | Equity attributable to owners of parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **EUR thousand** | **Share capital** | **Reserve for invested unrestricted equity** | **Fair value reserve** | **Translation differences** | **Retained earnings** | **Total** | **Non-controlling interest** | **Total shareholders' equity** |
| **Shareholders' equity 1 Jan 2023** | **80** | **96,434** | **348** | **-3,681** | **23,440** | **116,621** | **253** | **116,874** |
| | | | | | | | | |
| Result for the period | | | | | 5,618 | 5,618 | -69 | 5,549 |
| Other comprehensive income | | | -54 | 162 | | 109 | | 109 |
| **Total comprehensive income** | **0** | **0** | **-54** | **162** | **5,618** | **5,727** | **-69** | **5,657** |
| | | | | | | | | |
| Share issues | | 258 | | | | 258 | | 258 |
| Dividend distribution | | | | | -3,555 | -3,555 | | -3,555 |
| Share-based incentive schemes | | | | | 248 | 248 | | 248 |
| **Transactions with owners** | **0** | **258** | **0** | **0** | **-3,306** | **-3,048** | **0** | **-3,048** |
| | | | | | | | | |
| **Shareholders' equity 31 Dec 2023** | **80** | **96,692** | **294** | **-3,519** | **25,751** | **119,299** | **183** | **119,483** |
| | | | | | | | | |
| **Shareholders' equity 1 Jan 2022** | **80** | **95,310** | **285** | **156** | **18,840** | **114,672** | **186** | **114,858** |
| | | | | | | | | |
| Result for the period | | | | | 7,847 | 7,847 | 67 | 7,914 |
| Other comprehensive income | | | 63 | -3,837 | | -3,774 | | -3,774 |
| **Total comprehensive income** | **0** | **0** | **63** | **-3,837** | **7,847** | **4,073** | **67** | **4,140** |
| | | | | | | | | |
| Share issues | | 3,844 | | | | 3,844 | | 3,844 |
| Share repurchase | | -2,720 | | | | -2,720 | | -2,720 |
| Dividend distribution | | | | | -3,545 | -3,545 | | -3,545 |
| Share-based incentive schemes | | | | | 297 | 297 | | 297 |
| **Transactions with owners** | **0** | **1,124** | **0** | **0** | **-3,247** | **-2,123** | **0** | **-2,123** |
| | | | | | | | | |
| **Shareholders' equity 31 Dec 2022** | **80** | **96,434** | **348** | **-3,681** | **23,440** | **116,621** | **253** | **116,874** |

The notes are an integral part of the financial statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

***Basic information***
Sitowise is a Nordic expert in the built environment with a strong focus on digitality. Company offers sustainable design and consultancy services for projects of all sizes to enable more sustainable and smarter urban development as well as smooth transportation. Sitowise has four business areas that are Buildings, Infrastructure, Digital Solutions and Sweden. Value creation for clients and other stakeholders is based on the strong expertise and industry knowledge of Sitowise employees. In future, the company aims to strengthen its position as one of the leading providers of technical consulting and digital services for the built environment and forest assets.

The Group's parent company is the Finnish limited liability company Sitowise Group Plc (hereinafter referred to as the "Company"), domiciled in Espoo, with the mailing address Linnoitustie 6, FI-02600 Espoo, Finland. The Company was listed on the main list of Nasdaq Helsinki Ltd in March 2021.

The consolidated financial statements are available at the company's head office at Linnoitustie 6 D, FI-02600 Espoo, Finland, and on the Group's website www.sitowise.com.

The Board of Directors of Sitowise Group Plc approved these financial statements in its meeting on 26 February 2024.

In accordance with the Finnish Limited Liability Companies Act, shareholders can adopt or reject the financial statements in a general meeting of shareholders organized after their publication. The general meeting can also resolve to amend the financial statements.

## 1 GENERAL INFORMATION

### 1.1 ACCOUNTING POLICIES

The consolidated financial statements of the Sitowise Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) approved for use in the European Union, and the IAS and IFRS standards as well as SIC and IFRIC interpretations in force on 31 December 2023 have been applied in preparing them.

IFRS refers to standards and interpretations that companies referred to in the Finnish Accounting Act and regulations issued under it must comply with and that have been approved for application in accordance with the procedure enacted by Regulation (EC) No. 1606/2002 of the European Parliament and of the Council. The notes to the consolidated financial statements also fulfill the requirements of Finnish accounting and company legislation supplementing the IFRS standards.

The consolidated financial statements have been prepared on the basis of original cost, unless otherwise specified in the accounting policies. The consolidated financial statements include the parent company's financial statements and the financial statements of all companies over which the Group has control. A subsidiary is consolidated into the financial statements as of the moment when the Group receives control. Consolidation is discontinued once control ceases to exist. All intra-Group transactions are eliminated in the consolidated financial statements.

Item-specific accounting policies and descriptions of decisions requiring management discretion and the use of estimates and assumptions are presented in conjunction with each item.

The operating currency of the Sitowise Group is the euro. The figures disclosed in the financial statements are rounded up, so the sum of individual figures can deviate from the reported sum.

The notes are an integral part of the financial statements.

***New and amended standards***
During the financial year the Group has adopted 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 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 Group has not adopted any new and revised IFRS standards or interpretations that have been published but have not yet entered into force in the financial period beginning on January 1, 2023 (early application), and the unadopted IFRS or IFRIC interpretations are not considered to have a significant impact on the Group.

### 1.2 TRANSLATION OF ITEMS DENOMINATED IN FOREIGN CURRENCIES

The consolidated financial statements are reported in euros, which is also the parent company's operating currency. Items included in the financial statements of Group companies are measured at the currency of the primary economic operating environment of the respective company (operating currency).

Transactions denominated in foreign currencies are translated into the operating currency at the exchange rate of the transactions. Foreign exchange gains and losses arising from payments associated with such transactions and translation of monetary assets and liabilities denominated in foreign currencies at the exchange rate of the closing date are recognized through profit and loss.

The profit and loss accounts and balance sheets of international units using an operating currency different from the reporting currency are translated into the reporting currency as follows:

- the assets and liabilities on each reported balance sheet are translated using the exchange rate of the closing date; and
- the income and expenses on each profit and loss account are translated at average exchange rates for the financial period.

Exchange rate differences arising from the consolidation of foreign units are recognized as translation differences in other comprehensive income.

### 1.3 KEY DECISIONS MADE BY THE MANAGEMENT REQUIRING DISCRETION AND MAIN UNCERTAINTY FACTORS RELATING TO ESTIMATES

Preparing the financial statements in accordance with the IFRS requires the management to make discretionary decisions and use estimates and assumptions that have impacts on the amounts of assets and liabilities on the closing date, reporting of contingent assets and liabilities and the amounts of income and expenses for the reporting period. These estimates and assumptions are based on prior experience and other justifiable factors, such as expectations concerning future events that the management of the Sitowise Group considers reasonable, taking into account the conditions on the closing date and when the said estimates and assumptions were made.

Even though these estimates are based on the best view of the Sitowise Group's management of events and measures on the closing date, it is possible that the outcomes differ from these estimates. The estimates and underlying assumptions are continuously updated when preparing the financial statements. The Group may need to adjust its estimates if the conditions on which the estimates are based change, or if the Group receives new information or accumulates more experience. Any changes are recognized in the accounts for the financial period during which the estimate or assumption is updated.

Decisions based on management discretion which the management has made when applying the accounting policies and which have impacts on the figures disclosed in the financial statements are associated with the following areas, among others: segment reporting, recognition of revenue based on the percentage of completion, goodwill impairment testing, provisions, allocation of the cost of acquisitions, measurement of tangible assets, and economic lives of other intangible assets.

The revenue recognition practices are described in Note 2.2. Impairment testing is described in Note 3.2.

# 2 OPERATING PROFIT

This section focuses on the Group's result and its formation. Next, the different components of the Group's operating profit are discussed.

## 2.1 SEGMENT REPORTING

The Sitowise Group consists of a single operating segment covering all the Group's business operations. This corresponds to the way in which internal reporting is made to the highest operational decision-maker and the way in which the highest operational decision-maker makes decisions on resource allocation and evaluates performance.

***Significant estimates based on management discretion***
Sitowise Group's management has used discretion in determining the Group's segment reporting. Areas requiring discretion have been the determination of the highest operational decision-maker, decisions made in Group management and the reports used. The Board of Directors and the CEO have been defined as the highest operational decision-maker. The CEO is responsible for allocating resources and evaluating performance.

## 2.2 NET SALES

Sitowise provides its customers with all the services for the built environment as well as expert and digital services under the one-stop-shop principle. The main market areas are Finland and Sweden. The net sales of the Sitowise Group primarily comprise sales of services and service packages that may also include software or system development. All services provided to clients under client contracts are recognized as net sales in accordance with the variable and fixed amounts specified in the client contract, considering any incentives and sanctions. Other income that is not related to ordinary activities, such as public grants received and gains on the sale of tangible assets, are recognized in other operating income.

A five-step model is applied to revenue recognition, identifying the contract and performance obligations, determining the transaction price, and allocating it to the performance obligation. Sales revenue is recognized as the performance obligation is fulfilled and only up to the consideration that the Group expects it to be entitled against the services delivered to the client.

***Accounting policy***
*Identification of a contract:* IFRS 15 includes the criteria for identifying and combining contracts. As a rule, Sitowise only concludes a single contract with the same customer on a single project. However, contracts can be combined when several almost simultaneous contracts concerning the same site have been concluded with the customer. If separate framework agreements have been concluded with the same customer on different areas of design, it means that the contracts should not be combined for revenue recognition. The justification of this is that the contract negotiations have often been carried out by completely different persons and they have not been negotiated as a single whole. The average duration of customer contracts varies from weeks to a few months, depending on the industry and whether the contract is a framework agreement or an individual service contract with the client.

*Amendments to contracts:* In the contracts of the Sitowise Group, additional work is most commonly addressed as part of the project whole, i.e. as expansions of the existing project. In some cases, additional and alteration work can also be established as separate projects and performance obligations. If the scope of application of a contract is expanded due to the work added to it being separable and the total contractual price increases by the separate selling prices for work, the alteration and additional work will be accounted for as a separate performance obligation and recognized as revenue as a separate project.

*Identification of performance obligations:* The services promised in the customer contract are estimated and the performance obligations delivered to the customer are identified at the time of concluding the contract. In the practice pursuant to IFRS 15, the entire project is considered to be a single performance obligation in the customer contracts of the Infrastructure and Digital Solutions business areas. In the Buildings business area, on the other hand, performance obligation levels depend on the customer and the service offered. If the sub-areas of design are defined and priced as a single aggregate of duties in the request for quote, quote, and contract, the assignment is treated as a single performance obligation.

*Determination of transaction price and its allocation to performance obligations:* The transaction price is the amount of consideration to which the Sitowise Group expects it to be entitled for the services provided to the customer. The consideration pledged in the customer contract may include fixed or variable monetary amounts or both. The most common variable considerations are associated with penalties for delay, incentives, performance-linked bonuses, and target prices. Penalties for delays are recognized once they are likely to materialize. Incentives and bonuses and additional consideration received for completion below target prices are recognized once they are very likely to materialize.

*Revenue recognition:* The services provided by the Sitowise Group are customized for the customer, and the Sitowise Group primarily has a contractual right to payment for the customized output received by the time of review. Performance obligations are fulfilled over time, and control is considered to be transferred to the client as the service is performed for the client.

The determination of sales revenue recognized over time is based on the percentage of completion. The percentage of completion is determined as the percentage of the working hours and costs of work performed by the time of review of the estimated total amount of work and costs of the project. If the service package involves software or software maintenance services, their license and maintenance revenue is recognized for the contract period.

The estimated sales revenue and total costs of the project are updated at the end of each reporting period. If the outcome of a long-term project cannot be reliably estimated, revenue from the project is recognized only to the extent that the monetary amount corresponding to actual costs is available. If it is probable that the total cost of project completion exceeds the total revenue received from the project, the expected loss is immediately expensed.

If the invoicing of the project is lower than the sales revenue recognized on the basis of percentage of completion, the difference is reported as a contractual asset in the Project receivables item on the balance sheet. If the invoicing of the project is higher than the sales revenue recognized on the basis of percentage of completion, the difference is reported as a contractual liability in the Trade and other liabilities item on the balance sheet.

The Sitowise Group has set euro-denominated limits for revenue recognition based on the percentage of completion, varying by business area. If the price of the project is below the limit, the contract can be recognized as revenue monthly based on the work performed up to the amount that it is entitled to charge to the customer, instead of recognizing the revenue based on the percentage of completion. In addition, there are hourly priced projects to which the practical relief is applied; in them, revenue is recognized based on expert work.

The warranty periods of customer contracts are based on the common standard contractual clauses of the industry. The Group applies payment terms pursuant to the industry's standard business practices.

***Significant estimates based on management discretion***

When revenue recognition is based on the percentage of completion, the outcome of the contract is assessed regularly and reliably. Revenue recognition based on the percentage of completion is based on estimates of the probable sales revenue and expenses of the project as well as reliable measurement of the percentage of completion of the project. If the estimates of the project outcome change, the revenue recognition based on the percentage of completion is adjusted for the reporting period during which the change is initially known. The expected loss from the project is recognized as a loss provision immediately in conjunction with the following monthly reporting.

***Buildings***

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, energy and industry, for example. Sitowise acts as a partner in both new construction and renovation projects. The business area has distinctive design expertise in areas such as structural engineering, building services technology (HVAC and electric), acoustics design, and fire safety planning as well as construction management services.

In the area of structural and prefabricated element engineering and building systems, fulfilling the more extensive project package makes up the performance obligation. Correspondingly, in building design, the performance obligation regarding different types of engineering comprises implementing the individual projects of the engineering sectors.

In renovations, the performance obligation comprises the overall construction contracting and supervision assignment or tasks of the service areas. The Buildings area also includes specialist and design services that, when commissioned individually, make up a separate performance obligation.

***Infrastructure***

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 and the business area's most significant client segment is the public sector, which accounts for approximately 75 percent of net sales. In the private sector, key clients include construction companies and industrial and energy sector companies.

Sitowise's performance obligation consists of preparing the overall engineering of the infrastucture project.

***Digital Solutions***

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, proprietary product solutions, analytics, information management and visualization, and consulting services.

The services of Digital Solutions usually make up a single project package that is treated as a performance obligation. The system maintenance phase after system development is treated as a separate performance obligation.

***Sweden***

In Sweden, Sitowise provides services in buildings, infrastructure, and digital solutions. The Sweden business area's services include building construction engineering with expertise in frame and structure engineering as well as geotechnical design. It also has a robust offering in complex installations in both buildings and infrastructure, and expert services in underground installations as well as land, water, and sewerage. As from 1 January 2023, this business area also includes digital solutions for infrastructure maintenance planning, reporting and support for municipalities in Sweden (Infracontrol), which were previously reported under Digi.

The Sitowise Group primarily acts as the principal in all of its contracts, as it is itself always liable for fulfilling the contract. The Sitowise Group is also responsible for final delivery to the customer when using subcontractors.

### 2.2.1 Net sales by business area

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Buildings | 70,789 | 79,446 |
| Infrastructure | 65,602 | 59,960 |
| Digital Solutions | 29,969 | 28,523 |
| Sweden | 44,550 | 36,486 |
| **Total** | **210,910** | **204,414** |

### 2.2.2 Net sales by market area

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Finland | 165,963 | 160,906 |
| Sweden | 44,011 | 42,658 |
| Other countries | 935 | 850 |
| **Total** | **210,910** | **204,414** |

The net sales of the geographical areas are reported by the customer's location.

Assets and liabilities based on customer contracts are reported in Notes 3.4 and 3.6.

Revenue from customer contracts expected to be recognized and relating to remaining performance obligations by December 31, 2023 amount to approximately EUR 164 (181) million.

## 2.3 OTHER OPERATING INCOME

***Accounting policy***

The Sitowise Group recognizes net sales from non-ordinary activities in other operating income. Other income includes, for example, public grants received and gains on the sale of tangible assets. Public grants are recognized as income at the moment when there is reasonable assurance that the grant will be received and the Group both meets and complies with the terms of the grant.

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Gains on fixed assets | 58 | 5 |
| Grants received | 337 | 222 |
| Other income | 2 | 61 |
| **Total** | **397** | **288** |

The Sitowise Group has received public grants from Business Finland and the European Union, among others.

## 2.4 MATERIALS AND SERVICES

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Subcontracting expenses | 13,605 | 13,296 |
| Project and other expenses | 7,888 | 7,199 |
| **Total** | **21,493** | **20,495** |

Project and other expenses include costs relating to customer projects as well as travel and meeting expenses.

## 2.5 PERSONNEL EXPENSES

***Accounting policy***

Pension schemes are classified as either defined contribution or defined benefit schemes. The Sitowise Group has no defined benefit schemes. The defined contribution pension scheme is an arrangement in which the Sitowise Group pays fixed premiums to pension insurance policies. The Sitowise Group has no legal or factual obligations to make additional payments if the insurance does not provide sufficient funds for paying all benefits based on the work performance for the current and previous financial periods to all employees.

The total compensation paid by the Sitowise Group to its personnel comprises salaries, wage supplements, short-term incentives, and fringe benefits.

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Wages and salaries | 110,743 | 103,544 |
| Pension expenses | 18,341 | 17,566 |
| Other social security expenses | 9,333 | 8,664 |
| **Total** | **138,417** | **129,774** |

| Personnel | 2023 | 2022 |
|---|---|---|
| Average number of personnel | 2,211 | 2,151 |
| Full-time equivalent (FTE) on average | 1,939 | 1,880 |

Full-time equivalent (FTE) on average is the average number of full-time equivalents in the Group.

Information about the compensation of the management, including share-based incentives, is reported in Note 6.3 on related party transactions.

## 2.6 OTHER OPERATING EXPENSES

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Other personnel-related expenses | 6,874 | 7,159 |
| ICT expenses | 10,852 | 10,502 |
| Sales and marketing expenses | 1,102 | 1,261 |
| Rent and other premise expenses | 4,749 | 4,368 |
| Other expenses | 4,602 | 7,387 |
| **Total** | **28,179** | **30,677** |

Other personnel-related expenses mainly comprise fringe benefits and diverse expenses relating to training, recruitment, and personnel meetings.

ICT expenses are primarily associated with software and IT service expenses.

The material items included in other expenses are communication expenses, legal and other counselling fees, insurance expenses and office supplies. Practical reliefs allowed by IFRS 16 have been applied, and part of lease costs are included in other operating expenses. Information on IFRS 16 is presented in Note 3.3.

### 2.6.1 Auditors' fees

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Statutory audit | 153 | 146 |
| Audit related services | 13 | 3 |
| Tax advice | 5 | 34 |
| Other advisory services | 11 | 238 |
| **Total** | **183** | **421** |

The auditor of the parent company and the Group is KPMG Oy Ab. Auditor's fees other than statutory audit fees were 29 (275) thousand euros.

## 2.7 DEPRECIATION, AMORTIZATION, AND IMPAIRMENT

***Accounting policy***

Depreciation of machinery, equipment, other tangible assets and intangible assets is recognized over their economic useful lives. Depreciation is recognized using the straight-line method based on the acquisition cost and estimated economic useful life of the asset. The Sitowise Group reviews the depreciation periods and methods at least at the end of each financial period. If the economic useful life of an asset differs from the previous estimate, the depreciation period will be adjusted accordingly. Depreciation of right-of-use assets is recognized from the beginning of the contract over the whole contract period.

Impairment loss is the amount by which the book value of an asset exceeds the recoverable value of the asset.

A public grant received for capital expenditure is recognized as lowering the cost of the fixed asset.

Economic useful lives of assets for the 2023 and 2022 financial periods are as follows:

- IT machinery and equipment 4 years
- Other machinery and equipment 5 years
- Right-of-use assets Contract period

Economic useful lives of intangible assets are as follows:

- Intangible rights 3–5 years
- Acquired asset, technology 5 years
- Acquired asset, customer relations 5 years
- Other intangible rights 5–10 years

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Machinery and equipment | 1,284 | 1,291 |
| Leases | | |
| Buildings and structures | 6,043 | 5,828 |
| Machinery and equipment | 647 | 561 |
| Impairments | 117 | 43 |
| **Tangible assets** | **8,091** | **7,723** |
| | | |
| Intangible rights and other intangible assets | 3,423 | 2,803 |
| Impairment | 4 | 68 |
| **Intangible assets** | **3,427** | **2,871** |
| | | |
| **Total** | **11,518** | **10,594** |

## 2.8 EARNINGS PER SHARE

***Accounting policy***

Earnings per share is calculated by dividing parent company's result for its owners with average amount of shares during the financial period. During the financial year Company had one long-term share based incentive program effective which's traget of 210,000 new shares were taken on account when calculating diluted share result. Diluted share result per share is calculated in same way than non-diluted but by using diluted amount of shares.

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Parent company result for the owners | 5,618 | 7,847 |
| Average amount of the shares | 35,665,927 | 35,664,557 |
| **Non-diluted earnings per share (EUR/share)** | **0.16** | **0.22** |
| Average diluted amount of shares | 35,801,708 | 35,664,557 |
| **Diluted earnings per share (EUR/share)** | **0.16** | **0.22** |

# 3 OPERATIONAL ASSETS AND LIABILITIES

## 3.1 BUSINESS COMBINATIONS

***Accounting policy***

Acquired subsidiaries are consolidated into the consolidated financial statements using the acquisition method. The consideration given in business combinations and the identifiable assets and assumed liabilities of the acquired company are measured at fair value upon acquisition. The consideration given in conjunction with acquisitions includes any funds given, liabilities to the previous owners of the acquiree and issued equity shares.

Any additional purchase price is measured at fair value upon acquisition. The additional purchase price is classified as either equity or a liability. If the additional purchase price is classified as a liability, it is measured at fair value on the closing date of each reporting period. An additional purchase price classified as equity is not remeasured. Information about additional purchase price liabilities is presented in Note 4.2.2.

Non-controlling interest in the acquiree is measured at fair value or at an amount corresponding to the proportional share of the non-controlling interest of the identifiable net assets of the acquiree.

Acquisition-related expenses, such as expert fees, are expensed for the periods during which they occur and services are received.

Mergers and acquisitions are a central part of the active growth strategy of the Sitowise Group. The mergers and acquisitions have primarily been minor supplementary acquisitions, and each acquisition has had an impact of less than 10% individually on the net sales of the Sitowise Group. The starting point in acquisitions has been to strengthen local expertise and resources. Therefore, the value of the acquisitions is primarily based on skilled personnel, and no value is allocated; the majority of it is allocated to goodwill.

In 2023, the Sitowise group carried our two acquisition in Finland.

- Infrastructure and environment construction expert, Infrasuunnittelu Oy.
- Sustainability agency, Positive Impact Finland Oy

Purchase prices of the acquisitions are paid by cash consideration or by combination of cash consideration and shares of Sitowise Group Plc. Estimated purchase price liabilities as per 31.12.2023 amounted to 0.9 million euros. The assets and liabilities of the acquired companies mainly include working capital items and separately identified assets related to customer relationships, technology, or non-compete clauses agreed on acquisition. The estimated useful life of the separately identified assets is 5 years. Recognized consolidated goodwill is not deductible for tax purposes whereas goodwill from purchases of businesses is deductible in acquiring company's taxation. The Sitowise Group has received reasonable information to allocate the acquired assets and is not aware of any changes needed for the made allocations. If the acquisitions in 2023 would have been made as per 1 January 2023 group's revenue would be 0.8 (9.5) million euros higher but no effect on EBIT (1.3 million euros).

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Purchase price | 1,579 | 32,617 |
| Assets | 1,557 | 11,574 |
| Liabilities | 607 | 4,618 |
| **Net assets** | **950** | **6,772** |
| Goodwill | 629 | 25,845 |

| Acquisitions 2023 | Time of acquisition | Transaction method | Main location | Personnel | Net sales in 2022 EUR million |
|---|---|---|---|---|---|
| Infrasuunnittelu Oy | 5/2023 | Share purchase (100%) | Kajaani (Finland) | 17 | 1.2 |
| Positive Impact Finland Oy | 11/2023 | Share purchase (100%) | Helsinki (Finland) | 7 | 0.4 |

| Acquisitions 2022 | Time of acquisition | Transaction method | Main location | Personnel | Net sales in 2021 EUR million |
|---|---|---|---|---|---|
| Mavacon AB | 1/2022 | Share purchase (100%) | Falun (Sweden) | 13 | 2.3 |
| VRT Survey | 1/2022 | Business acquisition | Jyväskylä (Finland) | 9 | - |
| Rakennuttajakaari Oy | 6/2022 | Share purchase (100%) | Helsinki (Finland) | 45 | 5.0 |
| E60 Elkonsult AB | 6/2022 | Share purchase (100%) | Norrtälje (Sweden) | 10 | 1.1 |
| Bitcomp Oy | 6/2022 | Share purchase (100%) | Jyväskylä (Finland) | 80 | 5.7 |
| Convia | 10/2022 | Share purchase (100%) | Stockholm (Sweden) | 23 | 3.8 |

## 3.2 GOODWILL AND INTANGIBLE ASSETS

***Accounting policy***

Apart from goodwill, intangible assets are recognized at cost less amortization using the straight-line method over their economic useful lives. Intangible assets include intangible rights and other intangible assets.

*Goodwill*

Goodwill from the acquisition of business operations is recognized at the amount by which the consideration given, non-controlling interest, and any previous holding in the acquiree combined exceed the Group’s share of the fair value of the acquired net assets. Goodwill is recognized on the balance sheet less any accumulated impairment losses. Goodwill is not amortized but tested annually for any impairment. An impairment loss recognized for goodwill is never reversed.

For impairment testing, goodwill is tested as a whole. Impairment testing is described in more detail below in this Note.

The impairment of goodwill is described in Note 3.2.1, Impairment testing.

*Intangible assets*

Intangible assets include intangible rights and intangible assets. Intangible assets, such as system deliveries, which have a limited economic useful life, are recognized on the balance sheet at original acquisition cost less accumulated amortization and any impairment. Intangible assets also include products developed for customer needs, for which own or subcontractors' work has been capitalized and from which revenues are expected in the future.

Technology and customer relationships owned by the Sitowise Group have been acquired in conjunction with previous mergers and acquisitions, and they were initially recognized on the balance sheet at fair value and are amortized using the straight-line method over their estimated economic useful lives.

The Sitowise Group assesses on the closing date of each financial period whether there are indications of the impairment of intangible assets other than goodwill. If indications emerge, the Group assesses the recoverable amount from the said asset. The recoverable amount is the fair value of the asset less the higher of costs of selling or value in use. An impairment loss is recognized through profit and loss when the book value of the asset exceeds the recoverable amount. When recognizing the impairment loss, the Group reassesses the economic useful life of the intangible asset. The impairment loss is reversed if a change has taken place in the circumstances and the recoverable amount of the asset has changed from the time of recognizing the impairment loss. However, the impairment loss will not be reversed in excess of the book value of the asset had the impairment loss not been recognized.

***Significant estimates based on management judgment***

Technology and customer relationships owned by the Sitowise Group have been acquired in conjunction with previous mergers and acquisitions, and they were initially recognized on the balance sheet at fair value and are amortized using the straight- line method over their estimated economic useful lives. The management has estimated the economic useful life of technology to be 5 years and the economic useful life of customer relationships to be 5 years.

Section 3.2.1.1, Business combinations, discusses the treatment of goodwill. During the 2023 financial period, the Sitowise Group carried out two acquisitions.

| **EUR thousand** | **Goodwill** | **Intangible assets** | **Prepayments for intangible assets** | **Total** |
|---|---|---|---|---|
| Acquisition cost January 1, 2023 | 157,620 | 16,591 | 1,921 | 176,133 |
| Business combinations | 318 | 1,489 | | 1,807 |
| Increase | | 3,546 | | 3,546 |
| Transfer between items | | 981 | -981 | 0 |
| Impairments | | -8 | | -8 |
| Exchange rate differences | 95 | 46 | 1 | 142 |
| Acquisition cost December 31, 2023 | 158,033 | 22,645 | 941 | 181,620 |
| | | | | |
| Accumulated depreciation | | -8,288 | | -8,288 |
| Depreciation for the period | | -3,423 | | -3,423 |
| Transfer between items | | 56 | | 56 |
| Impairments, accumulated depreciation | | 4 | | 4 |
| Exchange rate differences | | -72 | | -72 |
| Accumulated depreciation, amortization, and impairment December 31 | | -11,723 | | -11,723 |
| | | | | |
| **Balance sheet value December 31, 2023** | **158,033** | **10,922** | **941** | **169,896** |

| EUR thousand | Goodwill | Other intangible assets | Prepayments for intangible assets | Total |
|---|---|---|---|---|
| Acquisition cost January 1, 2022 | 135,193 | 13,798 | 542 | 149,532 |
| Business combinations | 23,919 | 3,138 | | 27,056 |
| Increase | 2,068 | 1,241 | 1,448 | 4,757 |
| Decrease | | -400 | | -400 |
| Transfer between items | | -252 | -66 | -318 |
| Impairments | | -249 | | -249 |
| Exchange rate differences | -3,559 | -684 | -4 | -4,247 |
| Acquisition cost December 31, 2022 | 157,620 | 16,591 | 1,921 | 176,133 |
| | | | | |
| Accumulated depreciation | | -6,401 | | -6,401 |
| Business combinations, accumulated depreciation | | -10 | | -10 |
| Depreciation for the period | | -2,803 | | -2,803 |
| Transfer between items | | 274 | | 274 |
| Impairments, accumulated depreciation | | 181 | | 181 |
| Exchange rate differences | | 471 | | 471 |
| Accumulated depreciation, amortization, and impairment December 31 | | -8,288 | | -8,288 |
| | | | | |
| **Balance sheet value December 31, 2022** | **157,620** | **8,302** | **1,921** | **167,844** |

### 3.2.1 Impairment testing

***Accounting policy***

The impairment testing is carried out annually, and if there are indications of value possibly being impaired. Furthermore, other assets are tested for impairment if there are indications of any impairment.

If any evidence of impairment is found, the recoverable amount of the said asset is estimated. The recoverable amount is determined on the basis of value in use. An impairment loss is recognized when the book value of the asset exceeds the recoverable amount. The impairment loss is immediately recognized through profit and loss, and the economic useful life of the amortized asset is reassessed when recognizing the impairment loss. The need for recognizing impairment losses is reviewed at the level of cash-generating unit, namely the Sitowise Group. An impairment loss recognized for goodwill is never reversed.

***Significant estimates based on management discretion***

The preparation of calculations used in testing goodwill for impairment requires making estimates concerning the future. The management's estimates and related critical uncertainty factors are associated with the components of calculations concerning the recoverable amount, which include discount rate, growth rate after the projection period and development of net sales and operating profit, including the level of the company's costs. The discount rate indicates current estimates of the time value of money and a relevant risk premium, which, in turn, indicates risks and uncertainty factors not taken into account by adjusting the estimates concerning the corresponding cash flows. The discount rates used and projections of business growth and profitability, including sensitivity analyses, are presented in section 3.2.1.1 below.

#### *3.2.1.1 Impairment testing of goodwill*

The Sitowise Group has one cash-generating unit at the level of which goodwill is monitored and to which goodwill is allocated. Cash flow projections are based on the board of directors' confirmed budget for the next year and the board of directors' confirmed strategic plan for the subsequent years. Market forecast provided by an external party ia also taken into account when making the cash flow projections. The length of the projection period used in impairment testing calculations is five years.

The management's conservative estimate of long-term cash flow growth has been used in determining the growth in the terminal value. The growth factor used for the terminal value is 2.0% annual growth, corresponding to long-term GDP growth in the market areas in which the Sitowise Group operates. The discount rate of cash flows is determined using the weighted average cost of capital (WACC). The key factors of WACC are risk-free interest rate, market risk premium, industry-specific beta factor, cost of debt, and ratio of equity to liabilities. The table below presents the assumptions by testing dates.

| Assumptions used in impairment calculation | 30 September 2023 | 30 September 2022 |
|---|---|---|
| Growth in net sales during the projection period (CAGR) | 3.7% | 5.7% |
| Terminal growth assumption | 2.0% | 2.0% |
| Discount rate (pre-tax WACC) | 10.8% | 11.3% |

Impairment testing on 30 September 2023 did not indicate a need for impairment of goodwill, with the recoverable amount exceeding the book value.

The Sitowise Group has estimated that no anticipated change in the key assumptions would cause a situation in which the book value of a cash-generating unit would exceed its recoverable amount. A break-even sensitivity analysis was carried out in conjunction with the impairment testing, in which the discount rate was increased by 1.0 percentage points and the terminal growth assumption was reduced to 1.5%. Based on the sensitivity analyses, the probability of goodwill impairment loss was low.

## 3.3 TANGIBLE ASSETS

### 3.3.1 Property, plant and equipment

***Accounting policy***

Tangible assets primarily comprise office furniture, IT hardware, and other tools. Property, plant, and equipment is measured at original acquisition cost less accumulated amortization and any impairment.

The Group assesses on the closing date of each reporting period whether there are indications of the impairment of a tangible asset. If indications emerge, the Group assesses the recoverable amount from the said asset. An impairment loss is recognized when the book value of the asset exceeds the recoverable amount.

| EUR thousand | Machinery and equipment | Other tangible assets | Total |
|---|---|---|---|
| Acquisition cost January 1, 2023 | 10,020 | 0 | 10,020 |
| Business combinations | 51 | | 51 |
| Increase | 332 | | 332 |
| Decrease | -136 | | -136 |
| Impairments | -128 | | -128 |
| Exchange rate differences | -3 | | -3 |
| Adjustment of accumulated depreciation and acquisition cost | -1,029 | | -1,029 |
| Acquisition cost December 31, 2023 | 9,107 | 0 | 9,107 |
| | | | |
| Accumulated depreciation | -6,047 | | -6,047 |
| Depreciation for the period | -1,284 | | -1,284 |
| Adjustment of accumulated depreciation and acquisition cost | 86 | | 86 |
| Accumulated depreciation of decreases | 1,021 | | 1,021 |
| Accumulated depreciation of impairments | 11 | | 11 |
| Exchange rate differences | 3 | | 3 |
| Accumulated depreciation, amortization, and impairment December 31 | -6,211 | | -6,211 |
| | | | |
| **Balance sheet value December 31, 2023** | **2,896** | **0** | **2,896** |

| EUR thousand | Machinery and equipment | Other tangible assets | Total |
|---|---|---|---|
| Acquisition cost January 1, 2022 | 8,444 | 36 | 8,480 |
| Business combinations | 759 | | 759 |
| Increase | 1,146 | | 1,146 |
| Decrease | -19 | | -19 |
| Impairments | -8 | -36 | -43 |
| Exchange rate differences | -119 | | -119 |
| Adjustment of accumulated depreciation and acquisition cost | -183 | | -183 |
| Acquisition cost December 31, 2022 | 10,020 | | 10,020 |
| | | | |
| Accumulated depreciation | -4,917 | | -4,917 |
| Business combinations, accumulated depreciation | -30 | | -30 |
| Depreciation for the period | -1,291 | | -1,291 |
| Adjustment of accumulated depreciation and acquisition cost | 129 | | 129 |
| Accumulated depreciation of decreases | 1 | | 1 |
| Exchange rate differences | 62 | | 62 |
| Accumulated depreciation, amortization, and impairment December 31 | -6,047 | | -6,047 |
| | | | |
| **Balance sheet value December 31, 2022** | **3,973** | **0** | **3,973** |

### 3.3.2 Leases

***Accounting policy***

As a rule, the Sitowise Group recognizes all lease-related assets (right-of-use assets) and lease liabilities on its balance sheet. At the time of concluding a contract, the Sitowise Group assesses whether the contract is a lease or includes a lease. The contract is a lease or includes a lease if the contract gives the right to control the use of a specific asset for a fixed period against consideration.

A right-of-use asset and a corresponding liability are recognized for all of the lessees' leases, with the exception of short-term leases as well as leases of minor value. The right-of-use asset is measured at acquisition cost at the start of the contract and later at acquisition cost less accumulated depreciation and amortization and any impairment losses, adjusted for the impact of any reassessments of the lease liability. Depreciation of right-of-use assets is recognized from the beginning of the contract over the whole contract period. The lease liability is measured at the start of the contract at the current value of rents not paid on the said date. Later, the lease liability is measured at amortized cost using the effective interest method. The lease liability is remeasured when a change has taken place in the future rent payments due to a change in the index or price level. When the lease liability is remeasured in this way, a corresponding adjustment is made to the book value of the right-of-use asset, or it is recognized through profit or loss if the book value of the right-of-use asset has been reduced to zero.

At the Sitowise Group, right-of-use assets include the premises and vehicles leased under ordinary terms and conditions. Open-ended lease contacts for smaller premises in smaller locations are treated as short-term lease contracts. Computers, tablets, printers, and similar assets are treated as assets with minor value. Assets with a purchase price below EUR 5,000 are treated as low-value. The Group uses the IFRS relief clause and does not apply IFRS 16 to intangible assets. The discount rate used is the interest rate of the company's additional credit, the components of which include the reference interest rate and the financial institution's margin.

***Significant estimates based on management discretion***

The management of the Sitowise Group regularly reviews the strategic value of locations. This influences the IFRS 16 interpretation regarding for how long the Group is likely to extend a lease on premises until further notice, for example.

| EUR thousand | IFRS 16, Business Premises | IFRS 16, Cars | IFRS 16 right-of-use assets |
|---|---|---|---|
| Acquisition cost January 1, 2023 | 51,721 | 3,235 | 54,956 |
| Increase | 4,694 | 906 | 5,600 |
| Decrease | -206 | -82 | -288 |
| Exchange rate differences | 48 | 6 | 54 |
| Acquisition cost December 31, 2023 | 56,257 | 4,065 | 60,323 |
| | | | |
| Accumulated depreciation | -25,030 | -2,123 | -27,153 |
| Depreciation for the period | -6,043 | -647 | -6,690 |
| Exchange rate differences | -70 | -5 | -75 |
| Accumulated depreciation, amortization and impairment December 31 | -31,143 | -2,775 | -33,918 |
| | | | |
| **Balance sheet value December 31, 2023** | **25,115** | **1,290** | **26,405** |

| EUR thousand | IFRS 16, Business Premises | IFRS 16, Cars | IFRS 16 right-of-use assets |
|---|---|---|---|
| Acquisition cost January 1, 2022 | 46,197 | 2,373 | 48,570 |
| Increase | 6,516 | 945 | 7,461 |
| Decrease | -283 | -39 | -322 |
| Exchange rate differences | -709 | -43 | -752 |
| Acquisition cost December 31, 2022 | 51,721 | 3,235 | 54,956 |
| | | | |
| Accumulated depreciation | -19,519 | -1,589 | -21,108 |
| Depreciation for the period | -5,828 | -561 | -6,389 |
| Exchange rate differences | 317 | 27 | 344 |
| Accumulated depreciation, amortization and impairment December 31 | -25,030 | -2,123 | -27,153 |
| | | | |
| **Balance sheet value December 31, 2022** | **26,691** | **1,112** | **27,803** |

During the financial period, outgoing cash flow due to leases totaled EUR 6.6 (6.1) million.

Rent expenses from short-term contracts are included in other operating expenses, amounting to EUR 3,486 (3,121) thousand.

Rent expenses from low-value assets were EUR 1,562 (1,176) thousand.

The interest expense on the lease liability was EUR 834 (819) thousand.

## 3.4 TRADE AND OTHER RECEIVABLES

***Accounting policy***

The Sitowise Group applies the simplified approach of IFRS9 to provisions for credit losses for trade receivables. Trade receivables are recognized on the balance sheet at original invoiced value less any impairment. A provision for impairment is immediately recognized through profit and loss. An allowance for loss is based on the expected credit losses from trade receivables. The model of expected credit losses is forward-looking and based on the historic credit loss rate, applying the simplified procedure, the provisioning matrix. The Sitowise Group records the final credit loss when debt collection measures prove to be unsuccessful. As a main rule a final credit loss is recognized, when a credit loss recommendation has been received from the debt collection agency or the debtor applies for restructuring or bankruptcy.

Trade receivables decreased during 2023 mainly as a result of implementation of the new ERP and CRM as the invoicing prosess was slower during go-live months. On the other hand, before mentioned increased the contract assets as the not invoiced sales revenue was recognized based on the basis of percentage completion method at the end of 2023. There are no significant credit risk concentrations associated with the receivables, and all receivables are unsecured.

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Trade receivables | 37,601 | 41,701 |
| Contract assets | 16,970 | 15,214 |
| Accrued income | 3,956 | 3,960 |
| Other accrued income | 622 | 688 |
| **Total** | **59,150** | **61,564** |

***Aging of trade receivables***

| EUR thousand | 2023 | Expected credit losses | Expected credit losses |
|---|---|---|---|
| Undue | 34,115 | 0.01% | 2 |
| 0–29 days | 2,457 | 0.1% | 2 |
| 30–59 days | 242 | 1.0% | 2 |
| 60–119 days | 301 | 4.0% | 12 |
| 120–365 days | 580 | 6.3% | 36 |
| Over 365 days | 298 | 100.0% | 298 |
| **Total** | **37,992** | | **354** |

| EUR thousand | 2022 | Expected credit losses | Expected credit losses |
|---|---|---|---|
| Undue | 36,969 | 0.01% | 3 |
| 0–29 days | 2,923 | 0.1% | 3 |
| 30–59 days | 463 | 1.0% | 5 |
| 60–119 days | 492 | 4.0% | 20 |
| 120–365 days | 741 | 6.3% | 47 |
| Over 365 days | 877 | 100% | 877 |
| **Total** | **42,465** | | **953** |

Provisions for impairment related to trade receivables are based on historic data concerning materialized credit losses and on an estimate of potential future credit losses. The expected credit losses are fully covered by the provisions.

## 3.5 PROVISIONS

### *Accounting policy*

A provision is recognized when the Group has a legal or factual obligation as the result of a prior event, the materialization of the obligation is likely, and the amount of the obligation can be reliably measured. The amount recognized as a provision is the current value of the expenses which fulfilling the obligation is expected to require at the end of the financial period based on the management's best estimate. If compensation for part of the obligation can be recovered from a third party, the compensation is deducted from the provision, but only when it is likely that the compensation will be received. A provision is recognized only if the amount of the obligation can be reliably measured.

At the time of recognition, the management must assess whether there is an obligation that is likely to materialize as well as its amount and time of materialization.

A provision is recognized for loss-making contracts when the expenses required to fulfill obligations exceed the benefits from the contract. The loss provision is decreased pro rata to the recognition of revenue from the loss-making contract.

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Provision January 1 | 981 | 1,428 |
| Increases in provisions | 538 | 363 |
| Provisions used | -1,019 | -601 |
| Cancellations of unused provisions | -170 | -210 |
| **Provision December 31** | **330** | **981** |

Provisions include normal business-related complaint and loss provisions.

## 3.6 ACCOUNTS PAYABLE AND OTHER LIABILITIES

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Trade payable | 7,082 | 8,429 |
| Liabilities based on contracts with customers | 9,161 | 12,655 |
| Accrued expenses | 31,443 | 26,462 |
| Other liabilities | 10,624 | 12,102 |
| **Total** | **58,312** | **59,649** |

### *Accrued expenses*

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Employee-related | 27,813 | 23,254 |
| Other accrued expenses | 3,631 | 3,207 |
| **Total** | **31,443** | **26,462** |

Accounts payable and other liabilities as a whole were at a slightly lower level year on year due to the lower business volume in Q4. In addition, the new ERP system caused slowness in the end-of-year invoicing and partly affected customer contracts.

Liabilities based on customer contracts include both the difference between net sales based on the percentage of completion and invoicing, and ordinary provisions for costs relating to customer projects.

# 4 FINANCIAL ITEMS AND CAPITAL STRUCTURE

## 4.1 FINANCIAL INCOME AND EXPENSES

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Dividend income | 2 | 2 |
| Other interest and financial income | 530 | 388 |
| Interest on lease liabilities | -834 | -819 |
| Interest expenses | -3,800 | -1,274 |
| Other financial expenses | -454 | -1,179 |
| **Total** | **-4,556** | **-2,882** |

Interest expenses are associated with loans from financial institutions. The increase in interest expenses has mainly been due to the increase in the Euribor reference rate.

## 4.2 FINANCIAL ASSETS AND LIABILITIES

***Measurement of fair values***

The fair value of an asset or liability is the price that would be received from selling the asset or paid for transferring the liability between market parties in a regular transaction on the measurement date. The Sitowise Group makes use of market data in measuring fair value if there is an active market for the financial asset or liability. Otherwise, other measurement methods will be applied.

Fair values are classified as follows to different levels of the fair value hierarchy, illustrating the significance of input data used in the measurement methods:

- 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

The Sitowise Group considers that the book values of current trade receivables, accounts payable and cash and cash equivalents correspond to the best estimate of their fair values. Moreover, the Group considers that the book values of loans from financial institutions and other non-current liabilities correspond to the best estimate of their fair values.

### 4.2.1 Financial assets

The Group classifies its financial assets at amortized cost and fair value through other comprehensive income. The classification of financial assets is based on the business model specified by the Group and contractual cash flows of financial assets.

At the Sitowise Group, non-current receivables include receivables falling due after more than one year. Other shares and participations, which are included in non-current financial assets, are initally measured at fair value, and their fair value is determined using inputs other than observable market inputs.

Financial assets that are not measured at amortized cost are recognized at fair value through comprehensive income. The change in the fair value of these items is recognized through comprehensive income, and never through result. The Group's shares in non-listed companies are measured at fair value using the valuation of the company's last financing round.

Current financial assets include trade receivables and cash and cash equivalents. The book values of current trade receivables and cash and cash equivalents correspond to the best estimate of their fair values. Write-downs of trade receivables are made based on expected credit losses from trade receivables. The model of expected credit losses is forward-looking and based on the historic credit loss rate.

Cash and any bank deposits that can be withdrawn on demand are included in cash equivalents at the Sitowise Group. Short-term deposits are considered to be easily convertible into cash because their original maturity is at most three months. The cash and cash equivalents reported on the balance sheet correspond to the cash and cash equivalents reported on the cash flow statement. Cash and cash equivalents on December 31, 2023 amounted to EUR 15,596 (15,390) thousand.

Cash and cash equivalents are derecognized when the Group has lost the contractual right to cash flows or has transferred risks and income to outside the Group to a significant extent. During 2023, there were no transfers between fair value levels 1, 2 and 3.

| EUR thousand | Measured at amortized cost | Measured at fair value through other comprehensive income | Fair value through profit and loss | Book value total | Fair value | Level |
|---|---|---|---|---|---|---|
| **Non-current financial assets** | | | | | | |
| Other shares and holdings | | 731 | | 731 | 731 | Level 3 |
| Loans receivable | 917 | | | 917 | 917 | Level 3 |
| Other financial assets, including derivatives | 242 | 9 | | 251 | 251 | Level 2 |
| **Current financial assets** | | | | | | |
| Trade receivables | 37,601 | | | 37,601 | 37,601 | Level 3 |
| Cash and cash equivalents | 15,596 | | | 15,596 | 15,596 | |
| **Financial assets December 31, 2023** | **54,356** | **740** | **0** | **55,096** | **55,096** | |

| EUR thousand | Measured at amortized cost | Measured at fair value through other comprehensive income | Fair value through profit and loss | Book value total | Fair value | Level |
|---|---|---|---|---|---|---|
| **Non-current financial assets** | | | | | | |
| Other shares and holdings | | 731 | | 731 | 731 | Level 3 |
| Loans receivable | 917 | | | 917 | 917 | Level 3 |
| Other financial assets, including derivatives | 205 | 79 | | 284 | 284 | Level 2 |
| **Current financial assets** | | | | | | |
| Trade receivables | 41,701 | | | 41,701 | 41,701 | Level 3 |
| Cash and cash equivalents | 15,390 | | | 15,390 | 15,390 | |
| **Financial assets December 31, 2022** | **58,213** | **809** | **0** | **59,022** | **59,022** | |

| EUR thousand | Measured at amortized cost | Measured at fair value through other comprehensive income | Fair value through profit and loss | Book value total | Fair value | Level |
|---|---|---|---|---|---|---|
| **Non-current financial liabilities** | | | | | | |
| Loans from financial institutions | 69,935 | | | 69,935 | 69,935 | Level 2 |
| Lease liabilities | 20,524 | | | 20,524 | | Level 2 |
| **Current financial liabilities** | | | | | | |
| Loans from financial institutions | 1,000 | | | 1,000 | 1,000 | Level 2 |
| Trade payable | 7,082 | | | 7,082 | 7,082 | |
| Additional purchase price liabilities | | | 894 | 894 | 894 | Level 3 |
| Lease liabilities | 7,193 | | | 7,193 | | Level 2 |
| **Financial liabilities December 31, 2023** | **105,735** | **0** | **894** | **106,629** | **78,911** | |

| EUR thousand | Measured at amortized cost | Measured at fair value through other comprehensive income | Fair value through profit and loss | Book value total | Fair value | Level |
|---|---|---|---|---|---|---|
| **Non-current financial liabilities** | | | | | | |
| Loans from financial institutions | 70,992 | | | 70,992 | 70,992 | Level 2 |
| Lease liabilities | 22,050 | | | 22,050 | | Level 2 |
| **Current financial liabilities** | | | | | | |
| Loans from financial institutions | 1,000 | | | 1,000 | 1,000 | Level 2 |
| Trade payable | 8,429 | | | 8,429 | 8,429 | |
| Additional purchase price liabilities | | | 1,048 | 1,048 | 1,048 | Level 3 |
| Lease liabilities | 6,937 | | | 6,937 | | Level 2 |
| **Financial liabilities December 31, 2022** | **109,408** | **0** | **1,048** | **110,456** | **81,469** | |

### 4.2.2 Financial liabilities

Financial liabilities measured at amortized cost are included in the Group's external loans from financial institutions and accounts payable. Financial liabilities are measured initially at fair value and recognized on the balance sheet less transaction costs. A financial liability is classified as current if the Group does not have an unconditional right to postpone the repayment of the liability a minimum of 12 months from the closing date of the reporting period. If loans are repaid or refinanced, any remaining costs not expensed relating to them are recognized in financial expenses. These financial liabilities are measured at amortized cost using the effective interest method. Cost items are measured at fair value through profit or loss in the period during which they occur. Liabilities recognized at fair value through profit or loss are additional purchase price liabilities for acquisitions. The Sitowise Group had an estimated additional purchase price liability of EUR 894 (1,048) thousand.

Liabilities from financial institutions consist of a variable interest bank loans withdrawn under the financing agreement. In connection with the stock exchange listing, a three-year financing agreement of EUR 100 million was negotiated in the financial year 2021, from which the year end liabilities of EUR 71.0 million have been withdrawn. When taking into account the interest rate swap concluded by the group at the year end of 2022, EUR 38 million of the loans were based on fixed base rate and EUR 33 million were based on a variable rate. The share of fixed and variable based interest in the total loan portfolio were therefore 54% and 46%. The working capital limit of 20 million euros, which is a part of the financing agreement, was unused at the time of closing the accounts. In the financial period of 2023, the Group fulfilled the covenant condition relating to the net liabilities/ EBITDA ratio in accordance with the financing agreement. There are also ESG related conditions attached to the bank loan.

***Exercise of option periods provided for in the financing agreement***

Sitowise agreed with its lenders in February 2023 on the exercise of the option periods provided for in the current financing agreement. The extension is for the same amount and at the same terms as the original arrangement. With the option periods taken into account, the maturity of the financing agreement is now in March 2026.

## 4.3 SHAREHOLDERS' EQUITY

### 4.3.1 Shares and share capital

Sitowise Group Plc has one series of shares in which each share entitles its holder to one vote and an equal dividend. The company's share (SITOWS) is listed and publicly traded on the main list of Nasdaq Helsinki Ltd. On 31 December 2023, the number of shares was 35,665,927 (35,665,927) and the share capital was EUR 80,000 (80,000). The shares have no nominal value and all issued shares have been fully paid. On 31 December 2023, the company held a total of 48,675 (119,399) own shares, representing approximately 0.14 (0.33) percent of all shares in Sitowise. At the end of the financial year 2022 Sitowise Oy had a total of 60,280 Sitowise Group Plc share pledges which were received as collateral for previous acquisitions. The amount corresponds to approximately 0.17 percent of all shares. The pledges were fully released during the financial year 2023.

On 31 December, the company had shares as follows:

| | 2023 | 2022 |
|---|---|---|
| Number of shares | 35,665,927 | 35,665,927 |
| Average number of shares | 35,665,927 | 35,664,557 |
| Diluted number of shares | 35,875,927 | 35,665,927 |
| Average number of diluted shares | 35,801,708 | 35,664,557 |

The Annual General Meeting resolved on 25 April 2023, in accordance with the proposal of the Board of Directors, that a dividend of EUR 0.10 per share will be distributed. The dividend was paid to shareholders who on the dividend record date 27 April 2023 were registered in the shareholders' register of the Company maintained by Euroclear Finland Ltd. The dividend was paid on 5 May 2023.

The Board of Directors has resolved on directed share issues in connection with acquisitions on 2 May 2023, where 37,330 shares were issued, and on 30 November 2023, where 33,394 shares were issued, in total 70,724 shares. The share issues were directed to the sellers of the acquired companies or businesses, who used a portion of the purchase price to subscribe for shares in the share issues. The subscription price per share was determined based on to the average volume weighted trading price of the Sitowise's share on Nasdaq Helsinki Ltd stock exchange during the 30-day period ending seven days prior to the share issue. There were weighty financial reasons for the directed share issues, as the acquisitions supported the Sitowise Group's growth and strategy implementation. The share issues also committed the sellers to Sitowise after the acquisitions.

### 4.3.2 Ownership of the Board of Directors and the management

| Ownership of the Board of Directors and the management | 31 Dec 2023 | Share % | 31 Dec 2022 | Share % |
|---|---|---|---|---|
| Board | 279,868 | 0.8% | 277,680 | 0.8% |
| CEO | 70,000 | 0.2% | 60,000 | 0.2% |
| Other management team | 488,290 | 1.4% | 788,940 [1] | 2.2% |
| **Total management ownership** | **838,158** | **2.4%** | **1,126,620** | **3.2%** |
| Total (shares) | 35,665,927 | | 35,665,927 | |

[1] Situation of the group management team on 31 December 2022 includes the shares of Timo Palonkoski, Business Director (154,000 shares) and Teemu Virtanen, Business Director (170,000 shares).

### 4.3.3 Reserve for invested unrestricted equity

Payments made for subscriptions for shares during the financial period 2023 are recognized in full in the reserve for invested unrestricted equity. Investments in the company resulting from acquisitions made during the year amounted to 0.3 million euros and were recognized in the reserve for invested unrestricted equity.

### 4.3.4 Share-based payments (option program)

As part of the incentive and engagement scheme for management and key personnel, the Sitowise Group has one valid option program. Stock options are granted free of charge. Each stock option gives the option holder the right to subscribe for one Sitowise Group Plc share (SITOWS) at a price determined in accordance with the terms of the option program and at the time specified in the terms of the option program.

The options will be forfeited and transferred back to the Company for no consideration if the option holder resigns or their employment relationship or service contract is terminated before the commencement of the subscription period of the Shares to be subscribed with the options. The Board of Directors can, under certain conditions, permit the option holder to keep some of their options.

The Board of Directors resolved to amend share subscription price for shares to be subscribed based on stock options during financial year 2022. For stock options 2021A the new share subscription price is EUR 6.00. The share subscription price for the stock options 2021B is maintained unchanged and is EUR 8.10 which equals the share subscription price in the company's initial public offering decreased with the paid dividend. The per-share dividends and capital repayments to be paid annually will be deducted from the share subscription price.

Before the amendment, the share subscription price for all stock options was the share subscription price in the company's initial public offering (EUR 8.20) decreased with annually paid dividends and capital repayments.

***Share based incentives during the period 1.1.2023– 31.12.2023***

| Plan | Option rights 2021 | | | |
|---|---|---|---|---|
| Type | OPTION | OPTION | OPTION | OPTION |
| Instrument | Match 2021A | Performance 2021A | Match 2021B | Performance 2021B |
| Annual General Shareholders` Meeting date | March 3, 2021 | | March 3, 2021 | |
| Maximum amount, pcs | 636,750 | | 826,650 | |
| The subscription ratio for underlying shares, pcs | 1 | 1 | | 1 |
| Initial excercise price, € | 8.2 | 8.2 | 8.2 | 8.2 |
| Dividend adjustment | Yes | Yes | Yes | Yes |
| Current exercise price, € | 5.9 | 5.9 | 8 | 8 |
| Initial allocation date | March 25, 2021 | March 25, 2021 | March 25, 2021 | March 25, 2021 |
| Vesting date | April 1, 2024 | April 1, 2024 | April 1, 2025 | April 1, 2025 |
| Maturity date | March 31, 2025 | March 31, 2025 | March 31, 2026 | March 31, 2026 |
| Vesting conditions | Share price development Service requirement | Share price development Service requirement | Share price development Service requirement | Share price development Service requirement |
| Maximum contractual life, yrs | 3.0 | 3.0 | 4.0 | 4.0 |
| Remaining contractual life, yrs | 0.3 | 0.3 | 1.3 | 1.3 |
| Number of persons at the end of reporting year | 222 | 9 | 222 | 9 |
| Payment method | Equity | Equity | Equity | Equity |

| Changes during period | Match 2021A | Performance 2021A | Match 2021B | Performance 2021B |
|---|---|---|---|---|
| **January 1, 2023** | | | | |
| Outstanding in the beginning of the period | 362,364 | 118,400 | 385,197 | 118,400 |
| Reserve in the beginning of the period | 155,986 | | 323,053 | |
| **Changes during period** | | | | |
| Granted | 1,875 | 9,000 | 1,875 | 9,000 |
| Forfeited | 32,300 | 9,000 | 32,300 | 9,000 |
| Exercised | | | | |
| Weighted average subscription price, € | | | | |
| Weighted average price of shares, € | | | | |
| Expired | | | | |
| **December 31, 2023** | | | | |
| Excercised at the end of period | | | | |
| Outstanding at the of the period | 331,939 | 118,400 | 354,772 | 118,400 |
| Vested and outstanding at the of the period | | | | |
| Reserved at the of the period | 186,411 | | 353,478 | |

***Determination of fair value***

The fair value of share based incentives have been determined at grant date and the fair value is expensed until vesting. The pricing of the share based incentives granted during the period was determined by the following inputs and had the following effect:

| Valuation parameters for instruments granted during period | |
|---|---|
| Share price at grant, € | 4.20 |
| Share price at reporting period end, € | 3.18 |
| Exercise price, € | 7.64 |
| Expected volatility, % | 31.7% |
| Maturity, years | 2.65 |
| Risk-free rate, % | 2.8% |
| Expected dividends, € | |
| Valuation model | Binomial model |
| Fair Value, € | 1,333 |

The impacts of the option programs 2023 on the result and financial position for the financial period was EUR 191 (297) thousand.

### 4.3.5 Performance Share Plan

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.

| 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 |

# 5 FINANCIAL AND CAPITAL RISKS

## 5.1 MANAGEMENT OF FINANCIAL RISKS

The management of financial risks at the Sitowise Group aims to ensure the financial stability of the Group and availability of sufficient financing options in different market situations. In addition, the aim is to support the businesses in identifying and managing business-related financial risks. The Board of Directors has approved the Group's risk management principles and the Board is responsible for supervising them.

The Group is exposed to diverse market risks. Changes in these risks have effects on the company's assets, liabilities, and anticipated business transactions. The risks are caused for example by changes in interest and exchange rates. Financial risk management is carried out as part of the Group's risk management efforts. The foundation of the management of financial risks is based on principles aiming for business continuity.

The situation of financial risks is regularly reported on to the company's Board of Directors and management. The company's Board of Directors makes the most significant in-principle decisions concerning risk management. The Board of Directors reviews all material financing-related matters, such as external loan arrangements, on a case-by-case basis. The CFO of the Sitowise Group is responsible for ensuring financing, identifying risks and, if necessary, implementation of hedging together with external counterparties according to internal treasury policies. The business units and subsidiaries are responsible for the management of risks involved in their respective business operations, and subsidiaries also for projecting cash flows.

The Group's cash and liquidity remained at a good level in 2023.

### 5.1.1 Exchange rate risk

The Sitowise Group is exposed to exchange rate risks, the most significant being the Swedish krona through the business operations of the Swedish subsidiaries. The Sitowise Group does not actively hedge against exchange rate risks, as the income and expenses of business operations are mostly in the same currency ("natural hedge"). Fluctuations in the Swedish krona, however, affect the Swedish business unit's result in euros and thereby the group's equity. The Group analyzes regularly its translation risk.

Translation risk is also caused by currency-denominated items in the balance sheet. The largest items are Group's SEK cash and cash equivalents and the goodwill related to acquisitions made in Sweden.

On the closing date, the sensitivity of the before mentioned was approximately EUR 2.5 million (approximately EUR 2.5 million), assuming that the SEK/EUR exchange rate changes by 5 percentage points.

### 5.1.2 Interest rate risk

The Group is exposed to financial risks in its operations, such as the effects of changes in interest rates and the availability of competitive financing. Changes in the macroeconomic environment or general situation in the financial markets may have negative impacts on the availability, price, and other terms and conditions of financing. An increase in interest rates could have a material direct impact on the costs of available financing and the company's existing financial expenses. An increase in interest rates could thereby affect the costs of the company's debt financing in the future. Risks related to interest-bearing assets and liabilities can be hedged with derivative instruments, such as interest rate swaps.

Sitowise entered into an interest rate swap agreement at the end of the fiscal year of 2022, in order to reduce the interest rate risk of its loan portfolio. Cash flow hedge accounting is applied to the interest rate swap. Changes in the fair values of derivatives used as cash flow hedges are recognized in other comprehensive income and presented in the fair value reserve of equity to the extent that the hedge is effective. The key contractual terms of the interest rate swap, such as the reference rate, interest rate review dates, payment dates, maturities and nominal value, are matching with the hedged item and therefore Sitowise estimates the hedging to be effective. The interest related to the interest rate swap is presented in financial income and expenses at the same time as the interest of the hedged variable rate loans.

At the end of fiscal year, the Group had EUR 71.0 (72.0) million in interest bearing bank loans. With the interest rate swap agreement, the share of fixed base rate loans in the loan portfolio were approximately 54% and variable-rate loans about 46%. The reference rate for variable-rated loans was Euribor 3 months. The interest rate sensitivity of the Sitowise Group was approximately EUR 330 thousand (approximately EUR 330 thousand), if interest rates would increase by one percentage point. Please see also section 4.2.2, Financial liabilities.

The nominal value and fair value of the interest derivative contract are shown in the table below.

***Cash flow hedging (Interest rate hedge)***

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Fair value | 9 | 79 |
| Nominal value | 38,000 | 39,000 |
| Hedge ratio | 1:1 | 1:1 |
| Fair value reserve | 9 | 63 |

### 5.1.3 Credit risk

Credit risk is the risk of a financial loss that occurs if a customer fails to fulfill their contractual obligations. The credit risk of the Sitowise Group is related to counterparties from which it has outstanding receivables or with which the Sitowise Group has long-term contracts. The tools of credit risk management at the Sitowise Group include frontloaded payment schedules of projects, thorough investigation of the customers' background data, credit risk monitoring of the major customers, and agreeing on advance payments.

The Sitowise Group assesses at the end of each reporting period whether there is objective evidence of impairment of a financial asset or group of financial assets. If there is justified indication of impairment, the said financial asset is recognized as a credit loss. Credit losses are recognized as expenses through profit and loss.

The Sitowise Group considers that there are indications of a credit loss as a rule if any of the following indications is present:

- Significant financial difficulties of the debtor
- Probability of the debtor's bankruptcy or other financial restructuring
- Default of payments

Information on trade receivables and expected credit losses is presented in Note 3.4.

#### 5.1.4 Solvency risk

To manage the solvency risk, the Sitowise Group continuously maintains sufficient liquidity reserves. The Sitowise Group aims to have a sufficient amount of liquid assets to deal with fluctuations in the need for working capital. The company aims to continuously project and monitor the need for financing in its business operations so that the company has sufficient liquid assets for financing its operations and repaying maturing debt. Cash and cash equivalents totaled EUR 15.6 (15.4) million at the end of 2023. In addition to cash reserves, the Group had a EUR 20.0 (20.0) million unused overdraft facility.

***Contractual cash flows of financial liabilities***

2023

| EUR thousand | 2024 | 2025 | 2026 → |
|---|---|---|---|
| Loans from financial institutions | 1,000 | 1,000 | 68,935 |
| Lease liabilities | 7,193 | 6,162 | 14,362 |
| Accounts payable | 7,082 | 0 | 0 |
| **Total** | **15,276** | **7,162** | **83,297** |

2022

| EUR thousand | 2023 | 2024 | 2025 → |
|---|---|---|---|
| Loans from financial institutions | 1,000 | 70,992 | 0 |
| Lease liabilities | 6,937 | 6,143 | 15,907 [1)] |
| Accounts payable | 8,429 | 0 | 0 |
| **Total** | **16,366** | **77,135** | **15,907** |

[1)] The number has been specified after the publication of the 2022 financial statement

The cash flows in lease liabilities include the payments of lease liabilities.

### 5.2 MANAGEMENT OF CAPITAL RISKS

In the management of working capital, the Sitowise Group aims to ensure the ability to operate continuously in order to be able to provide the shareholders with returns and increase the value of their invested capital. The Sitowise Group monitors many key ratios and especially the net debt to adjusted EBITDA to ensure the realization of the growth strategy by keeping indebtedness under control. The Group's capital structure is regularly assessed by the company's management. The company has announced a long-term target of maintaining the ratio of net debt to adjusted EBITDA below 2.5.

Net debt is calculated as current and non-current loans from financial institutions less cash and cash equivalents. The table below presents the net debt of the Sitowise Group.

| EUR thousand | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Loans from financial institutions | 70,935 | 71,992 |
| Cash and cash equivalents | -15,596 | -15,390 |
| **Net debt** | **55,341** | **56,602** |
| **Net debt / EBITDA, adjusted** | **3.0x** | **2.6x** |

Net debt excludes IFRS 16 lease liabilities

# 6 OTHER NOTES

## 6.1 GROUP STRUCTURE

***Accounting policy***

The consolidated financial statements include the parent company Sitowise Group Plc and all subsidiaries over which the parent company had control on the closing date of the reporting period. Sitowise Group Plc has control when it is exposed, or has rights, to variable returns from its involvement with a company and has the ability to affect those returns through its power over the company. Acquired subsidiaries are consolidated as of the date on which Sitowise Group Plc gains control. Divested subsidiaries are consolidated until control ceases to exist.

Intra-Group transactions, receivables, debts, and unrealized margins and internal distribution of profits are eliminated in preparing the consolidated financial statements using the acquisition cost method. The allocation of profit (loss) for the financial period to non-controlling interests is presented in the statement of comprehensive income. Non-controlling interests' share of shareholders' equity is reported as a separate figure under shareholders' equity on the balance sheet.

Associated companies are companies in which the Group has considerable influence. The Group considers considerable influence to emerge primarily when the Group holds 20–50 percent of a company's votes or has otherwise considerable influence, but no control. Associated companies are consolidated in the financial statements using the equity method. The Group has no associated companies.

***At the end of the financial period, the Sitowise Group consisted of the parent company Sitowise Group Plc and the following companies:***

| Company | Domicile | Ownership 2023 | Ownership 2022 |
|---|---|---|---|
| Sitowise Oy | Espoo, Finland | 100.0% | 100.0% |
| Sitowise Rakennuttajat Oy | Espoo, Finland | 100.0% (4 | 100.0% |
| Routa Systems Oy | Espoo, Finland | 51.0% | 51.0% |
| AS DWG | Riga, Latvia | 55.0% | 55.0% |
| Infracontrol AB | Gothenburg, Sweden | 100.0% | 100.0% |
| Infracontrol Espana SL | Madrid, Spain | 100.0% | 100.0% |
| Infracontrol Portugal Lda | Vila Pouca de Aguiar, Portugal | 100.0% | 100.0% |
| Infracontrol Danmark ApS | Copenhagen, Denmark | 100.0% | 100.0% |
| Sitowise Consulting Oü | Tallinn, Estonia | 100.0% | 100.0% |
| Mavacon Mark & VA Consult AB | Falun, Sweden | 100.0% (7 | 100.0% |
| E60 Elkonsult AB | Norrtälje, Sweden | 100.0% (8 | 100.0% |
| Convia Ingengörsbyrå AB | Stockholm, Sweden | 100.0% (6 | 100.0% |
| Convia Infrastructure AB | Stockholm, Sweden | 100.0% (5 | 100.0% |
| Bitcomp Oy | Jyväskylä, Finland | 100.0% | 100.0% |
| Rakennuttajakaari Oy | Helsinki, Finland | 100.0% (3 | 100.0% |
| Rakennuttajakaari Pohjanmaa Oy | Vaasa, Finland | 100.0% (2 | 100.0% |
| Certimo Oy | Helsinki, Finland | 100.0% (1 | 100.0% |
| Infrasuunnittelu Oy | Kajaani, Finland | 100.0% | 0.0% |
| Positive Impact Finland Oy | Helsinki, Finland | 100.0% | 0.0% |

During the financial period 2023, Sitowise Oy had a branch office Sito Norge NUF in Norway. There was no activity at the branch office during the financial period, and the branch office was closed in November 2023.

(1 Certimo Oy merged with Rakennuttajakaari Oy 28.2.2023
(2 Rakennuttajakaari Pohjanmaa Oy merged with Rakennuttajakaari Oy 28.2.2023
(3 Rakennuttajakaari Oy merged with Sitowise Oy 28.2.2023
(4 Sitowise Rakennuttajat Oy merged with Sitowise Oy 30.4.2023
(5 Convia Infrastructure AB merged with Convia Ingenjörsbyrå AB 6.10.2023
(6 Convia Ingenjörsbyrå AB merged with Sitowise Sverige AB 9.10.2023
(7 Mavacon Mark & VA Consult AB merged with Sitowise Sverige AB 9.10.2023
(8 E60 Elkonsult AB merged with Sitowise Sverige AB 6.10.2023

## 6.2 INCOME TAXES

***Accounting policy***

The Sitowise Group's tax expense recognized through profit and loss comprises tax based on the taxable profit for the period, any taxes on previous financial periods, and deferred taxes. The tax based on the taxable profit for the period is calculated in accordance with the local tax legislation of each Group company. If the taxes are associated with other comprehensive income or transactions or other events recognized directly in shareholders' equity, income taxes are recognized in the said items. The tax for the financial period is calculated using the tax rates confirmed by the closing date of the reporting period.

Deferred tax assets and liabilities are primarily recognized for all temporary differences between the tax bases of assets and liabilities and unused tax losses and credits. The most significant temporary differences arise from tangible and intangible assets, confirmed tax losses, and allocations of the fair values of subsidiary acquisitions. Deferred tax assets are recognized at the maximum up to the amount for which it is probable that there will be future taxable income against which the temporary difference can be used. The prerequisites for recognizing deferred tax assets are assessed on the closing date of the reporting period. Deferred tax liabilities are recognized in full. Deferred taxes are recognized using the tax rates enacted or factually confirmed by the closing date of the reporting period.

***Significant estimates based on management judgment***

The decision on recognizing deferred tax assets on the balance sheet requires discretion. Deferred tax assets are only recognized when it is more likely that they will be realized than not realized, which, in turn, is determined by whether sufficient taxable income will be generated in the future. The assumptions concerning the accumulation of taxable income are based on future cash flows projected by the management. These estimates concerning future cash flows, on the other hand, depend on estimates concerning the volume of future sales, business expenses, investments, and other items affecting the profitability of business operations, among other things. These estimates and assumptions involve risks and uncertainty and, therefore, it is possible that changes in conditions result in charges in expectations, which in turn can affect the deferred tax assets recognized on the balance sheet as well as any other tax losses or temporary differences not yet recognized.

The ability of the Sitowise Group to accumulate taxable income also depends on general factors relating to the economy, financing, competitiveness, legislation, and regulation which are beyond its own control. If the future taxable income of the Sitowise Group is lower than projected by the management when measuring the deferred tax assets to be recognized, the value of the assets decreases or they lose all value. In this case, the amounts recognized on the balance sheet may have to be reversed through profit and loss. Changes in circumstances can also lead to recognizing deferred tax assets for confirmed losses for which no receivables have been currently recognized.

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Tax based on the taxable profit for the financial period | -1,732 | -2,551 |
| Adjustments concerning previous financial periods | -2 | -11 |
| Change in deferred taxes | 137 | 196 |
| **Total** | **-1,596** | **-2,366** |

***Reconciliation between tax expenses and taxes calculated using the 20% domestic tax rate***

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Profit before taxes | 7,145 | 10,280 |
| Tax calculated using the 20% domestic tax rate | -1,429 | -2,056 |
| Adjustments concerning previous financial periods | -2 | -11 |
| Differing tax rates of foreign subsidiaries | -19 | 4 |
| Tax-free income and non-deductible expenses | -37 | -428 |
| Confirmed loss | 8 | -37 |
| Other items | -117 | 161 |
| **Taxes on the profit and loss account** | **-1,596** | **-2,366** |

### *Deferred tax assets and liabilities*

| EUR thousand | January 1, 2023 | Recognized on the income statement | Recognized in shareholders' equity | December 31, 2023 |
|---|---|---|---|---|
| Lease liabilities | 5,830 | -255 | -4 | 5,570 |
| Other items | 657 | -189 | 0 | 469 |
| **Deferred tax assets total** | **6,487** | **-444** | **-4** | **6,039** |
| Netting of deferred tax assets and liabilities | -5,593 | 281 | 4 | -5,307 |
| **Deferred tax assets after netting** | **894** | **-163** | **0** | **732** |
| | | | | |
| Financial items | 112 | 8 | -16 | 104 |
| Tax provisions | 648 | 13 | 2 | 664 |
| Right-of-use assets | 5,593 | -281 | -4 | 5,307 |
| Other items | 828 | -321 | 268 | 775 |
| **Deferred tax liabilities total** | **7,180** | **-581** | **250** | **6,849** |
| Netting of deferred tax assets and liabilities | -5,593 | 281 | 4 | -5,307 |
| **Deferred tax liabilities after netting** | **1,588** | **-300** | **254** | **1,543** |

| EUR thousand | January 1, 2022 | Recognized on the income statement | Recognized in shareholders' equity | December 31, 2022 |
|---|---|---|---|---|
| Lease liabilities | 5,707 | 208 | -86 | 5,830 |
| Other items | 889 | -229 | -3 | 657 |
| **Deferred tax assets total** | **6,597** | **-20** | **-89** | **6,487** |
| Netting of deferred tax assets and liabilities | -5,520 | -157 | 84 | -5,593 |
| **Deferred tax assets after netting** | **1,077** | **-177** | **-5** | **894** |
| | | | | |
| Financial items | 298 | -202 | 16 | 112 |
| Tax provisions | 548 | 57 | 43 | 648 |
| Right-of-use assets | 5,520 | 157 | -84 | 5,593 |
| Other items | 719 | -228 | 337 | 828 |
| **Deferred tax liabilities total** | **7,085** | **-217** | **312** | **7,180** |
| Netting of deferred tax assets and liabilities | -5,520 | -157 | 84 | -5,593 |
| **Deferred tax liabilities after netting** | **1,565** | **-373** | **396** | **1,588** |

## 6.3 RELATED PARTY TRANSACTIONS

***Accounting policy***

Parties are considered to be related when one party can exercise control, shared control, or significant influence over the other in decision-making involving its finances and operating activities.

The related parties of the parent company include subsidiaries, Fimpec Group Oy and its subsidiaries, and key management personnel, family members of the management and companies over which they exercise control. Key management personnel include members of the Board of Directors, the CEO, and members of the Group Management Team.

Balances and transactions between the Group and its subsidiaries and common functions are eliminated in the consolidated financial statements, and they are not reported in this note. The transactions between them have been carried out on market terms.

### 6.3.1 Transactions with related parties

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Other related parties | | |
| Income | 121 | 73 |
| Receivables | 928 | 917 |

Related party transactions for the financial period are related to subordinated loan given to Fimpec Group Oy and normal project contracts with subsidiaries. The company had no other related party transactions during the financial period.

### 6.3.2 Employment benefits for management belonging to related parties

The management of Sitowise Group Plc consists of the Board of Directors, the CEO, and the members of the Group Management Team.

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Wages, salaries and other short-term employment benefits | 1,726 | 1,669 |
| Post employment benefits* | 545 | 527 |
| **Total** | **2,271** | **2,196** |

*Calculated using the average pension insurance per cent.

A long-term incentive plan, i.e. an option program, was established in connection with the listing (Note 4.3.4) in 2021. The option program includes the company's management, excluding the Board of Directors, and the company's key personnel.

In 2023 the Board of Directors establish a new performance-based, long-term incentive plan (Performance Share Plan 2023-2025) (Note 4.3.5) which is targeted for the Group Management Team members in the first phase. The program consists of annually commencing individual three-year plans. The commencement of each individual plan and its terms, the length of the performance or retention period within the plan, the performance criteria, the eligible participants thereof and the earning opportunity is subject to a separate decision of the company's Board of Directors in each case.

The purpose of the plans 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. Additionally, the purpose is to commit Sitowise's key resources to the company by offering competitive long-term incentive plans.

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Remuneration of the Board of Directors | 300 | 292 |
| Remuneration of the CEO, including fringe benefits | 488 | 412 |
| Remuneration of the Management Team, including fringe benefits | 1,483 | 1,492 |
| **Total (basis of payment)** | **2,271** | **2,196** |

### 6.3.3 Remuneration of the Board of Directors and the CEO's salary with fringe benefits

In accordance with the Finnish Limited Liability Companies Act, the remuneration paid to the members of the Board of Directors is decided by the shareholders at the Annual General Meeting. The shareholders of the company decided on 25 April 2023, as part of the matters decided at the Annual General Meeting, the remuneration of the Chair of the Board of Directors will be EUR 4,750 per month and the remuneration of the other members of the Board of Directors will be EUR 2,250 per month. It was also decided that the Chair of the Board and the Chairs of the Audit, Personnel and Acquisition Committees will be paid an attendance allowance of EUR 1,000 per meeting, and the other members of the Board and the members of the Audit, Personnel and Acquisition Committees will be paid an attendance allowance of EUR 400 per meeting. The allowances are the same as paid in the previous term. In addition, it was decided that the travel expenses of the members of the Board of Directors will be reimbursed in accordance with Sitowise's travel policy. The chair of the Shareholders' Nomination Board is paid an attendance allowance of EUR 1,000 per meeting, and the members of the Nomination Board an attendance allowance of EUR 400 per meeting.

The CEO is covered by the Finnish statutory earnings-related pension scheme. The retirement age of the CEO is the minimum personal retirement age according to the law. The CEO's notice period is six months for both parties. The CEO is not entitled to a severance package in addition to their remaining regular pay if they resign.

| EUR thousand | 2023 | 2022 |
|---|---|---|
| *Board of Directors* | | |
| Heliövaara Eero, Chair of the Board | 74 | 78 |
| Gustafsson Leif (until 25 April 2023) | 10 | 35 |
| Kyllönen Taina | 33 | 34 |
| Leino-Haltia Mirel | 39 | 37 |
| Piispanen Elina | 32 | 34 |
| Rignell Petri | 31 | 34 |
| Sörensen Niklas (since 25 April 2023) | 23 | 0 |
| Terho Tomi | 34 | 40 |
| Åström Mats (since 25 April 2023) | 24 | 0 |
| **Total remuneration of the Board of Directors** | **300** | **292** |
| *CEO* | | |
| Eloholma Pekka (until 30 April 2022) | 0 | 195 |
| Haasmaa Heikki (since 1 May 2022) | 488 | 217 |
| **Total CEO's salary with fringe benefits** | **488** | **412** |

### 6.3.4 Management stock options

The company's management was granted stock options in the spring of 2021 and during financial year 2022 and 2023. The table below lists the options held by the CEO and the members of the Group's Management Team. The Board of Directors holds no options.

| December 31, 2023 | Match 2021A | Match 2021B | Performance 2021A | Performance 2021B | Total |
|---|---|---|---|---|---|
| Options granted | 72,875 | 72,875 | 100,400 | 100,400 | **346,550** [1 |
| Of which exercisable | 0 | 0 | 0 | 0 | **0** |
| Total number of shares entitled to | 72,875 | 72,875 | 100,400 | 100,400 | **346,550** |

[1 The options returned to the company by Timo Palonkoski who left his positions in the financial year 2023, are no longer included in the management options on 31 December 2023.

The option program is described in more detail in Note 4.3.4.

### 6.4 GUARANTEES AND CONTINGENT LIABILITIES

The guarantees and contingent liabilities of the Sitowise Group are presented in the table below:

| EUR thousand | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Commitments on behalf of own obligations | | |
| Bank guarantees | 2,060 | 2,057 |
| **Total** | **2,060** | **2,057** |
| | | |
| Bank guarantees | | |
| Contractual guarantees | 30 | 30 |
| Other guarantees | 2,030 | 2,027 |
| **Total** | **2,060** | **2,057** |

No pledges or real collateral have been provided as a guarantee for the financing agreement negotiated in connection with the listing. Bank guarantees totaling EUR 2.1 million have been provided for the benefit of lessors against the leases of the premises.

### 6.5 DISPUTES AND LITIGATION

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.

### 6.6 MAJOR EVENTS AFTER THE CLOSING DATE

***Directed share issue and a change in the number of Sitowise shares***

On 9 January 2024, the Board of Directors of Sitowise Group Plc decided on, by virtue of the authorization granted by the annual general meeting on 25 April 2023, to issue 48,675 own shares held by Sitowise Group Plc and 179,738 new shares in a directed share issue. The directed share issue relates to a transaction where Sitowise Oy acquired the expert operations of Ahlman Group Oy, a provider of nature and environmental services. The acquisition was completed on 9 January 2024.

The new shares subscribed for in were registered with the Finnish Trade Register on 11 January 2024, after which the total number of shares in the Company is 35,845,665 shares. The Company does not hold own shares.

***Proposals of the Shareholders' Nomination Board of Sitowise for the Annual General Meeting 2024***

On 30 January 2024, the proposals of the Shareholders' Nomination Board for the Annual General Meeting were published. The Annual General Meeting is planned to be held on 4 April 2024 and according to the proposal the members of the Board of Directors and its committees will be paid for the term of office ending in the Annual General Meeting 2025 the corresponding fees which have been paid during the term that will be ending.

The Shareholders' Nomination Board further proposes that for the term of office ending in the Annual General Meeting 2025, the current members of the company's Board of Directors Eero Heliövaara, Mirel Leino-Haltia, Elina Piispanen, Niklas Sörensen, Tomi Terho and Mats Åström be re-elected and Anni Ronkainen be elected as a new member to the Board of Directors.

# PARENT COMPANY'S FINANCIAL STATEMENTS

## SITOWISE GROUP PLC INCOME STATEMENT (FAS)

| EUR | Note | Jan 1 – Dec 31, 2023 | Jan 1 – Dec 31, 2022 |
|---|---|---|---|
| Net sales | 1 | 1,952,399.00 | 1,533,141.72 |
| Other operating income | 2 | 0.00 | 67,122.45 |
| Personnel expenses | 3 | -1,256,185.00 | -1,360,293.04 |
| Depreciation, amortization, and impairment | 4 | -932,298.96 | -940,636.87 |
| Other operating expenses | 5 | -722,865.00 | -1,441,895.80 |
| **Operating profit/loss** | | **-958,949.96** | **-2,142,561.54** |
| Financial income and expenses | 6 | 946,936.00 | -734,748.30 |
| **Profit/loss before appropriations and taxes** | | **-12,013.96** | **-2,877,309.84** |
| Group contributions | 7 | 4,030,000.00 | 2,884,000.00 |
| Income taxes | 8 | -3,835.94 | -181.94 |
| **Profit for the period** | | **4,014,150.10** | **6,508.22** |

## SITOWISE GROUP PLC BALANCE SHEET (FAS)

| EUR<br>Assets | Note | Dec 31, 2023 | Dec 31, 2022 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 9 | 2,097,673.00 | 3,029,971.52 |
| Holdings in Group companies | 10 | 161,508,170.00 | 161,516,353.52 |
| Other shares and participations | 10 | 305,500.00 | 305,500.00 |
| Other debtors | 11 | 925,729.00 | 995,056.92 |
| **Non-current assets total** | | **164,837,072.00** | **165,846,881.96** |
| | | | |
| **Current assets** | | | |
| Long-term receivables | 12 | 12,500,000.00 | 19,000,000.00 |
| Short-term receivables | 13 | 5,543,433.00 | 3,888,749.59 |
| Cash and cash equivalents | | 9,972,951.00 | 6,537,609.51 |
| **Current assets total** | | **28,016,384.00** | **29,426,359.10** |
| | | | |
| **Assets total** | | **192,853,456.00** | **195,273,241.06** |

| EUR<br>Shareholders' equity and liabilities | | | |
|---|---|---|---|
| **Shareholders' equity** | **14** | | |
| Share capital | | 80,000.00 | 80,000.00 |
| Reserve for invested unrestricted equity | | 98,741,854.00 | 98,483,862.37 |
| Fair value reserve | | 9,229.00 | 78,556.92 |
| Retained earnings | | 5,401,764.00 | 8,949,908.28 |
| Profit (loss) for the period | | 4,014,150.00 | 6,508.22 |
| **Total shareholders' equity** | | **108,246,997.00** | **107,598,835.79** |
| | | | |
| **Liabilities** | **15** | | |
| Non-current liabilities | | 70,000,000.00 | 71,000,000.00 |
| Current liabilities | | 14,606,459.00 | 16,674,405.27 |
| **Liabilities total** | | **84,606,459.00** | **87,674.405.27** |
| | | | |
| **Shareholders' equity and liabilities total** | | **192,853,456.00** | **195,273,241.06** |

# SITOWISE GROUP PLC: CASH FLOW STATEMENT (FAS)

| EUR | Jan 1 – Dec 31, 2023 | Jan 1 – Dec 31, 2022 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Operating profit | -958,950.62 | -2,142,561.54 |
| Adjustments to operating profit | 932,298.96 | 873,514.42 |
| Change in working capital | 4,999,200.17 | -12,593,442.43 |
| Dividends received and other financial income | 4,671,566.86 | 192,865.57 |
| Interest paid and other financial expenses | -4,411,146.04 | -1,281,763.97 |
| Taxes paid | -102,619.85 | 314,276.90 |
| **Cash flow from operating activities** | **5,130,349.48** | **-14,637,111.05** |
| | | |
| Cash flow from investing activities | | |
| Purchase of shares in subsidiaries and associated companies | -282,347.47 | -9,435,059.09 |
| **Cash flow from investing activities** | **-282,347.47** | **-9,435,059.09** |
| | | |
| **Cash flow from financing** | | |
| Share issue for consideration | 257,992.10 | 3,844,237.00 |
| Share repurchase | 0.00 | -2,720,089.51 |
| Dividends paid | -3,554,652.80 | -3,544,656.98 |
| Withdrawal of loans | 0.00 | 22,500,000.00 |
| Repayment of loans | -1,000,000.00 | -1,000,000.00 |
| Received group contribution | 2,884,000.00 | 0 |
| | | |
| **Cash flow from financing** | **-1,412,660.70** | **19,079,490.51** |
| Cash received in mergers | 0.00 | 134,231.53 |
| | | |
| Change in cash and cash equivalents | 3,435,341.31 | -4,992,679.63 |
| Cash and cash equivalents January 1 | 6,537,609.51 | 11,530,288.82 |
| **Cash and cash equivalents December 31** | **9,972,950.82** | **6,537,609.51** |

# SITOWISE GROUP PLC: NOTES TO THE FINANCIAL STATEMENTS (FAS)

The Parent Company financial statements are prepared in accordance with the Finnish Accounting Standards (FAS). Copies of Sitowise Group's consolidated financial statements are available at Linnoitustie 6, FI-02600 Espoo, Finland.

## 1 NET SALES

| EUR | 2023 | 2022 |
|---|---|---|
| Net sales | 1,952,399 | 1,533,142 |
| **Total** | **1,952,399** | **1,533,142** |

Sitowise Group Plc's net sales consist of management fees charged to other group companies.

## 2 OTHER OPERATING INCOME

| EUR | 2023 | 2022 |
|---|---|---|
| Merger profit | 0 | 67,122 |
| **Total** | **0** | **67,122** |

## 3 PERSONNEL EXPENSES

| EUR | 2023 | 2022 |
|---|---|---|
| Wages and salaries | 1,099,049 | 1,185,820 |
| Pension expenses | 138,439 | 152,770 |
| Other social security expenses | 18,697 | 21,703 |
| **Total** | **1,256,185** | **1,360,293** |

### *Management remuneration*

| EUR | 2023 | 2022 |
|---|---|---|
| Board of Directors | 299,550 | 292,200 |
| CEO | 488,040 | 411,573 |
| **Total (basis of payment)** | **787,590** | **703,773** |

More detailed information on the terms and conditions of the CEO's contract can be found in Note 6.3.3 to the consolidated financial statements.

The average number of personnel in the financial period was 3 (3). At the end of the financial period, the number of personnel was 3 (3).

## 4 DEPRECIATION, AMORTIZATION, AND IMPAIRMENT ACCORDING TO PLAN

| EUR | 2023 | 2022 |
|---|---|---|
| Intangible rights | 0 | 2,462 |
| Other long-term expenses | 932,299 | 938,174 |
| **Total** | **932,299** | **940,637** |

## 5 AUDIT FEES

| EUR | 2023 | 2022 |
|---|---|---|
| Audit firm KPMG Oy Ab | | |
| Statutory audit | 35,795 | 36,144 |
| Tax advice and consulting | 8,990 | 250,283 |
| **Total** | **44,785** | **286,427** |

## 6 FINANCIAL INCOME AND EXPENSES

| EUR | 2023 | 2022 |
|---|---|---|
| Interest income | | |
| From Group companies | 886,500 | 280,837 |
| From others | 254,959 | 73,842 |
| Dividend income from Group companies | 4,051,656 | 0 |
| Other financial income | 207,608 | 280,118 |
| **Total** | **5,400,723** | **634,798** |
| | | |
| Interest expenses | | |
| To Group companies | -287,338 | -79,858 |
| To others | -3,657,530 | -1,097,182 |
| Other financial expenses | -508,918 | -192,506 |
| **Total** | **-4,453,786** | **-1,369,546** |
| | | |
| **Financial income and expenses total** | **946,936** | **-734,748** |

## 7 APPROPRIATIONS

| EUR | 2023 | 2022 |
|---|---|---|
| Group contributions received | 4,030,000 | 2,884,000 |
| **Total** | **4,030,000** | **2,884,000** |

# 8 DIRECT TAXES

| EUR | 2023 | 2022 |
|---|---|---|
| Income taxes on ordinary activities for the financial period | -3,836 | 0 |
| Income taxes for the previous financial period | 0 | -182 |
| **Total** | **-3,836** | **-182** |

# 9 INTANGIBLE ASSETS

| EUR | 2023 | 2022 |
|---|---|---|
| Acquisition cost January 1 | 4,669,833 | 4,669,833 |
| Acquisition cost December 31 | 4,669,833 | 4,669,833 |
| Accumulated depreciation, amortization, and impairment January 1 | -1,639,861 | -699,224 |
| Depreciation | -932,299 | -940,637 |
| Accumulated depreciation, amortization, and impairment December 31 | -2,572,160 | -1,639,861 |
| **Balance sheet value December 31** | **2,097,673** | **3,029,972** |

## 9.1 MEASUREMENT OF FIXED ASSETS

Fixed assets are capitalized at direct acquisition cost. With regard to machinery and equipment, the depreciation plan used is the straight-line method of depreciation based on the economic useful life:

- IT machinery and equipment 4 years
- Other machinery and equipment 5 years

Straight-line depreciation based on economic useful life is used for intangible rights and long-term expenses, with the following planned depreciation periods:

- Intangible rights 3–5 years
- Goodwill 10 years
- Long-term expenses 5–10 years
- Development expenses 5 years

# 10 INVESTMENTS

| EUR | 2023 | 2022 |
|---|---|---|
| **Holdings in Group companies** | | |
| Acquisition cost January 1 | 161,516,354 | 110,953,081 |
| Increase | 0 | 50,563,272 |
| Decrease | -8,184 | 0 |
| **Acquisition cost December 31** | **161,508,170** | **161,516,354** |

| Holding | 2023 | 2022 |
|---|---|---|
| Sitowise Oy | 100% | 100% |
| Infracontrol AB | 100% | 100% |
| Infracontrol Espana SL | 100% | 100% |
| Infracontrol Portugal Lda | 100% | 100% |
| Infracontrol Denmark ApS | 100% | 100% |
| Sitowise Sverige AB (Byggnadstekniska Byrån AB) | 100% | 100% (1 |
| Mavacon Mark & VA Consult AB | 100% | 100% (2 |
| E60 Elkonsult AB | 100% | 100% (3 |
| Convia Ingenjörsbyrå AB | 100% | 100% (4 |
| Convia Infrastructure AB | 49% | 49% (5 |

(1 Company changed its name on November 3, 2022
(2 Company merged with Sitowise Sverige AB on 9 October 2023
(3 Company merged with Sitowise Sverige AB on 6 October 2023
(4 Company merged with Sitowise Sverige AB on 9 October 2023
(5 Company merged with Convia Ingenjörsbyrå AB 6 October 2023

| EUR | 2023 | 2022 |
|---|---|---|
| **Other shares and participations** | | |
| Acquisition cost January 1 | 305,500 | 305,500 |
| **Acquisition cost December 31** | **305,500** | **305,500** |

## 10.1 MEASUREMENT OF INVESTMENTS

Investments are measured at acquisition cost or at cost less accumulated impairment, if the recoverable amount is expected to be permanently lower than the acquisition cost.

# 11 OTHER DEBTORS

| EUR | 2023 | 2022 |
|---|---|---|
| **Other debtors** | | |
| Subordinated loans | 916,500 | 916,500 |
| Fair value of the derivative | 9,229 | 78,557 |
| **Total** | **925,729** | **995,057** |

## 11.1 SUBORDINATED LOANS

Sitowise Group Plc has given subordinated loans to its related party company Fimpec Group Oy. The loans amounted to EUR 916,500 at the end of the financial period. The interest rate on the subordinated loans is 8% p.a. The loans are subject to the provisions of chapter 12 of the Finnish Limited Liability Companies Act.

## 12 LONG-TERM RECEIVABLES

| EUR | 2023 | 2022 |
|---|---|---|
| Long-term loan receivables from Group companies | 12,500,000 | 19,000,000 |
| **Total** | **12,500,000** | **19,000,000** |

## 13 SHORT-TERM RECEIVABLES

| EUR | 2023 | 2022 |
|---|---|---|
| Other accrued receivables | 245,167 | 438,096 |
| Accrued receivables from Group companies | 5,298,266 | 3,450,653 |
| **Total** | **5,543,433** | **3,888,750** |

## 14 SHAREHOLDERS' EQUITY

| EUR | 2023 | 2022 |
|---|---|---|
| Share capital at the beginning of the financial period | 80,000 | 80,000 |
| **Share capital at the end of the financial period** | **80,000** | **80,000** |
| | | |
| Reserve for invested unrestricted equity at the beginning of the financial period | 98,483,862 | 97,359,715 |
| Increase | 257,992 | 3,844,237 |
| Decrease | 0 | -2,720,090 |
| **Reserve for invested unrestricted equity at the end of the financial period** | **98,741,854** | **98,483,862** |
| | | |
| Fair value reserve at the beginning of the financial period | 78,557 | 0 |
| Increase | 0 | 78,557 |
| Decrease | -69,328 | 0 |
| **Fair value reserve at the end of the financial period** | **9,229** | **78,557** |
| | | |
| Retained earnings at the beginning of the financial period | 8,956,417 | 12,494,567 |
| Distribution of dividends | -3,554,653 | -3,544,659 |
| | **5,401,764** | **8,949,908** |
| | | |
| **Profit for the period** | **4,014,150** | **6,508** |
| | | |
| **Total shareholders' equity** | **108,246,997** | **107,598,836** |

***Calculation of distributable funds***

| EUR | 2023 | 2022 |
|---|---|---|
| Reserve for invested unrestricted equity | 98,741,854 | 98,483,862 |
| Retained earnings | 5,401,764 | 8,949,908 |
| Profit/loss for the period | 4,014,150 | 6,508 |
| **Total distributable funds** | **108,157,768** | **107,440,279** |

## 15 LIABILITIES

| EUR<br>**Non-current liabilities** | 2023 | 2022 |
|---|---|---|
| Loans from financial institutions | 71,000,000 | 72,000,000 |
| Transfer to short-term loans | -1,000,000 | -1,000,000 |
| **Total** | **70,000,000** | **71,000,000** |

| EUR<br>**Current liabilities** | 2023 | 2022 |
|---|---|---|
| Repayment instalments of long-term loans | 1,000,000 | 1,000,000 |
| Accounts payable | 59,016 | 224,035 |
| Interest debt | 34,209 | 9,888 |
| Corporate tax accrual | 3,836 | 305,620 |
| Earn-out liabilities | 630,858 | 1,048,212 |
| Other current liabilities Group | 12,564,003 | 13,621,547 |
| Other accrued expenses | 314,537 | 465,104 |
| **Total** | **14,606,459** | **16,674,405** |

## 16 GUARANTEES AND CONTINGENT LIABILITIES

Assets pledged and off-balance sheet commitments and arrangements on behalf of own and Group companies' obligations

| EUR | 2023 | 2022 |
|---|---|---|
| Leasing agreements | | |
| To be paid in the next financial period | 23,595 | 22,888 |
| To be paid later | 25,779 | 17,814 |
| **Total** | **49,374** | **40,703** |

# SIGNATURES OF THE BOARD OF DIRECTORS AND AUDITOR'S NOTE

## BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFIT

The parent company's profit for the financial period is EUR 4,014,150 and the company's distributable funds total EUR 108,157,768. The Board of Directors proposes to the Annual General Meeting that no dividend is distributed and that the distributable funds are retained in unrestricted equity.

## SIGNATURES TO THE FINANCIAL STATEMENTS AND BOARD OF DIRECTORS' REPORT

Espoo, February 26, 2024

Eero Heliövaara
Chair of the Board

Heikki Haasmaa
CEO

Taina Kyllönen

Mirel Leino-Haltia

Elina Piispanen

Petri Rignell

Niklas Sörensen

Tomi Terho

Mats Åström

**Auditor's note**

A report on the audit has been issued today.

Helsinki, February 26, 2024

KPMG Oy Ab

Kim Järvi
Authorized Public Accountant (KHT)

# Auditing

## AUDITOR'S REPORT

***To the Annual General Meeting of Sitowise Group Plc***

**Report on the Audit of the Financial Statements**

***Opinion***
We have audited the financial statements of Sitowise Group Plc (2767842-8) for the year ended 31 December 2023. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity, cash flow statement and notes, including material accounting policy information, as well as the parent company's balance sheet, profit and loss account, cash flow statement and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with IFRS Accounting Standards as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

***Basis for Opinion***
We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the parent company and of the group companies 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.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 2.6.1 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Materiality***
The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

***Key Audit Matters***
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

| THE KEY AUDIT MATTER | HOW THE MATTER WAS ADDRESSED IN THE AUDIT |
|---|---|
| **Net sales (Accounting principles and note 2.2 to the consolidated financial statements)** | |
| Revenues arise from provision of services to customers in accordance with customer contracts, with the total net sales of EUR 211 million.<br><br>The 5-step model is applied to revenue recognition, which identifies the contract and performance obligations, determines the transaction price and allocates it to the performance obligations. Revenue is recognized as the performance obligation is satisfied and only in an amount that reflects the consideration to which the Group expects to be entitled in exchange for the services provided to the customer.<br><br>Revenue reporting involves the risk of inappropriate timing or amount of revenue recognition due to management estimates and the large number of invoicing transactions. | We evaluated the company's revenue recognition and accounting policies by reference to the principles of revenue recognition determined under IFRS.<br><br>We tested the effectiveness of key internal controls in place over the completeness and accuracy of revenue. We also assessed the operative effectiveness of relevant IT systems for financial reporting purposes.<br><br>We compared total revenue estimates to customer contracts for projects where revenue is recognized over time based on the project's percentage of completion. In addition, we have analyzed estimated and actual project costs as well as project margins. We also considered the appropriateness of the process for updating estimated project costs and percentages of completion.<br><br>In addition, we performed substantive audit procedures to evaluate the completeness and accuracy of revenue recorded. |
| **Valuation of goodwill (Accounting principles and note 3.2 to the consolidated financial statements)** | |
| Goodwill of EUR 158 million represents a significant part, 57%, of the consolidated balance sheet total.<br><br>Goodwill is tested for impairment annually and whenever there is any indication that the goodwill may be impaired. If any such indication exists, the recoverable amount of the asset is estimated. The recoverable amount is determined based on value in use. The preparation of goodwill impairment testing requires estimates be made about the future. Management estimates and associated critical uncertainties relate to the components of the calculation of recoverable amount, which include the discount rate, terminal growth rate, and the development of net sales and operating profit, including cost levels for the company.<br><br>Due to the significance of the carrying amount and significant management judgments involved in the forecasts, valuation of goodwill is considered a key audit matter. | We critically analyzed the management's assumptions that form the basis on which the cash flow projections for future years are prepared.<br><br>We assessed the appropriateness of the discount rate used and the technical integrity of calculations as well as for comparison of the assumptions used to the market and industry-specific data.<br><br>In addition, we assessed the adequacy of the sensitivity analyses and the appropriate presentation of notes related to impairment tests in the consolidated financial statements. |

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

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

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group'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 parent company or the group or cease operations, or there is no realistic alternative but to do so.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

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

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

intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group'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 parent company's or the group'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 parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Other Reporting Requirements**

***Information on our audit engagement***
We were first appointed as auditors by the Annual General Meeting in 2018, and our appointment represents a total period of uninterrupted engagement of 6 years.

Sitowise Group Plc has been a public interest entity since 25 March 2021.

***Other Information***
The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date. 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

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

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

Helsinki, 26 February 2024

KPMG OY AB

KIM JÄRVI
Authorised Public Accountant, KHT

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