



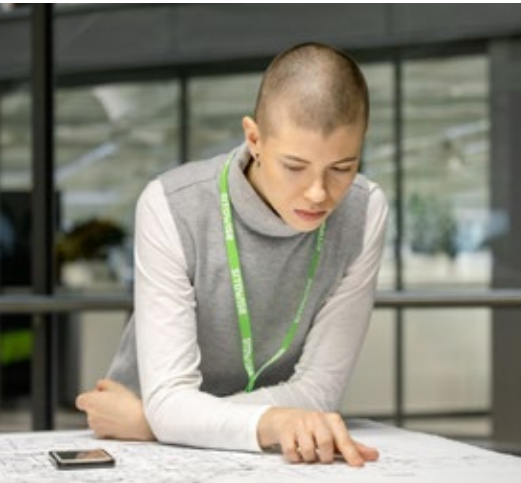
**SITOWISE**

SITOWISE HOLDING I OY  
BUSINESS ID 2767842-8

**BOARD OF DIRECTORS' REPORT  
AND CONSOLIDATED  
FINANCIAL STATEMENTS (IFRS)**

FINANCIAL PERIOD 1 JANUARY–31 DECEMBER 2019

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Sitowise Holding I Oy  
Linnoitustie 6 D  
FI-02600 Espoo, Finland

Translation from the original document  
in Finnish, "2019 Toimintakertomus ja  
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# BOARD OF DIRECTORS' REPORT

## First IFRS financial statements of the Sitowise Group

The Sitowise Group publishes its first IFRS-compliant consolidated financial statements for the financial year that ended 31 December 2019, including comparison data for the financial year ended 31 December 2018 and opening balance sheet of 1 January 2018. Impairment testing has also been performed for the dates 31 December 2017, 31 December 2018 and 31 December 2019.

Previously, the Sitowise Group followed the Finnish Accounting Standards (FAS). With regard to the financial year ended 31 December 2019, the FAS financial statements are the official financial statements of the Sitowise Group. The Group's FAS financial statements are available on the Sitowise website ([www.sitowise.com](http://www.sitowise.com)).



## SITOWISE IN BRIEF

Sitowise is a Nordic expert in the built environment with a strong focus on digitality. Company operates in three business areas: buildings, infrastructure and digital solutions. Company wants to raise the bar for combining intelligence and responsibility, and has set a vision to be the most responsible partner in developing prosperous build environment. Everyday almost 1900 experts work to transfer this vision into reality. Sitowise is owned by 200 key personnel and the private equity company Intera Partners. Company CEO is Pekka Eloholma and it's headquarters is located in Espoo, Finland

## SITOWISE CONTINUED ITS GROWTH AND EXPANDED ITS OPERATIONS INTO SWEDEN

The growth of the Sitowise Group continued in 2019 and its profitability remained at a good level. The number of the Group's experts increased to over 1,700. The Group invests in responsibility in its business and has set a strategic objective of being the most responsible partner in the industry when it comes to building a prosperous living environment.

The customer and personnel satisfaction of the Sitowise Group remained at a high level during the financial year. The customers rated the Group highly in the NPS survey, appreciating in particular the reliability, responsibility, expertise and smoothness of collabora-

tion. The company's high personnel satisfaction was influenced by meaningful working duties and the possibility of using successful and effective ways of working.

The Group's order backlog remained high throughout the financial year. The diverse service offering provides Sitowise with an opportunity to respond to the growth in the scale and complexity of construction projects. Sitowise signed several new framework agreements with both new and existing customers during the financial year. The biggest individual projects of the year included the Jokeri Light Rail, "Keilaniemi Espoo", Finland's national traffic counting system, Espoo-Salo direct railway line and development of the information systems for managing the condition of the rail network. In addition, there were design projects, surveys and digital services underway that provided employment to the segments separately and together.

The Sitowise Group expanded into Sweden in 2019. Byggnadstekniska Byrå Ab, a company operating in the Stockholm, Gothenburg and Uppsala regions, and Örebro-based K&S Construct Ab joined the Group. The Sitowise Group's headcount increased by a total of 155 structural engineers in Sweden through acquisitions. In Finland, Sitowise strengthened its position with six acquisitions in the fields of environmental studies, hospital and professional kitchen design and high-rise construction planning, among others.

Sitowise aims to be ready for a stock exchange listing at the end of 2020.





### Key figures

| EUR million                        | 2019  | 2018  | Change |
|------------------------------------|-------|-------|--------|
| Net sales                          | 143.0 | 125.7 | 13.8%  |
| Organic growth in net sales        |       |       | 1.8%   |
| EBITA, adjusted                    | 15.2  | 14.5  | 5.0%   |
| % of net sales                     | 10.6% | 11.5% |        |
| Net debt                           | 50.7  | 39.4  | 28.6%  |
| Net debt/EBITDA, adjusted          | 3.1x  | 2.6x  |        |
| Equity ratio, %                    | 30.3% | 32.0% |        |
| Personnel at the end of the period | 1,769 | 1,454 | 21.7%  |

### Net sales by segment

| EUR thousand             | 2019           | 2018           | Change       |
|--------------------------|----------------|----------------|--------------|
| Building Solutions       | 60,664         | 56,637         | 7.1%         |
| Infrastructure Solutions | 47,521         | 41,970         | 13.2%        |
| Project Management       | 13,091         | 13,509         | -3.1%        |
| Smart City               | 11,103         | 10,061         | 10.4%        |
| International            | 10,729         | 3,342          | 221.0%       |
| Others                   | -93            | 173            |              |
| <b>Total</b>             | <b>143,016</b> | <b>125,693</b> | <b>13.8%</b> |

## DEVELOPMENT IN BUSINESS OPERATIONS

### CONTINUING OPERATIONS

The demand for services in construction and infrastructure construction design was estimated to slow down in Finland during the financial year after several years of rapid growth. However, the slowdown remained minor, also in the sectors of new and infrastructure construction, in which active demand for expert and design services continued. Traditionally, there has been less cyclical fluctuation in infrastructure construction design than building.

The expertise of Sitowise's Building Solutions segment produces healthy, safe and comfortable living environments. The business area's services cover the entire lifecycle of building from expert and design tasks in the land use planning phase to new design, expert tasks in the maintenance phase and property development towards the end of the lifecycle. The field of operations covers all of Finland, and thanks to the nationwide network of offices, the company can serve society with local expertise.

The biggest service areas of the Building Solutions business area are structural engineering, HVAC engineering and renovation services, in addition to which the business area has several areas of special expertise. The need for combining expert work with business intelligence has been emphasized in dealing with the maintenance backlog. During the past year, the development of services was also strongly guided by carbon neutrality, which has been addressed in customers' strategies. With climate change, the focus has generally shifted from optimizing energy consumption to more comprehensive optimization of carbon footprint in the design, construction and maintenance phases in Finland.

The favourable development of the building design and consultancy business area continued during the financial year: net sales increased by 7.1% to EUR 60.7 (56.6) million. The business area accounted for approximately 42% of the Group's net sales in 2019.

Sitowise's Infrastructure Solutions business area offers design, consultancy and expert services for society's sectors that develop living environments. The business area's services extensively cover all infrastructure service production from underground facilities and networks to urban design. The services include the design of streets, roads and railways with all associated services, such as tunnels, bridges, subgrade reinforcements and networks. In land use planning, the company provides land use plans all the way to detailed local plans as well as environmental impact surveys, soil contamination surveys and other services connected to the state of the environment.

Infrastructure services are organized into three segments: urban and traffic, railway and structure; and environmental and urban development segments.

The infrastructure business area succeeded in clearly outgrowing the market and increasing its market share: net sales increased by 13.2% to EUR 47.5 (42.0) million. The business area accounted for 33% of the Group's net sales in 2019.

The project management business creates added value for properties

and land areas by providing services to area and premises developers, owners and developers. The business is comprised of building and infrastructure development, telecommunications and circular economy, and project management segments. Project management services cover the development of projects, project management, development and supervision as well as soil logistics and circular economy services, which include the implementation of environmental projects and brokering of excess soil and services for the telecommunications sector.

Project management net sales decreased from the previous year to EUR 13.1 million. However, the trend was positive: the order backlog increased throughout the year and was at a record-high level at year-end. The business area accounted for 9.2% of the Group's net sales in 2019.

The strategy of the Smart City business was revised during the year, and the business aims for market leadership in digital built environment and mobility solutions in the Nordic market.

During the financial year, Sitowise strengthened its position as a service provider of mobility and transport infrastructure information systems and services across all transport infrastructure types in Finland: streets, roads and pedestrian and bicycle traffic, sea lanes and railways. The spatial data management system Louhi, virtual built environment solution AURA and integrated mobility services MaaS solution Sampo are at the core of the development of proprietary products. An expert service that supports the development of smart infrastructure was launched during the financial year.

The net sales of Smart City services increased during the financial year by 10.4% to EUR 11.1 (10.1) million. The business area accounted for 7.8% of the Group's net sales in 2019.

With regard to international operations, growth focused on Sweden, where two significant acquisitions were made. The Group divested its Norwegian subsidiary and holding in the Polish company during the financial year.

The international operations unit generated EUR 10.7 (3.3) million in net sales during the financial year, up 218% year-on-year. International operations accounted for 7.5% of the entire Group's net sales.

### DISCONTINUED OPERATIONS

During 2017–2019, the Group took part in a dredging contracting project in Lithuania through its subsidiary Sito Rakennuttajat Oy. The project was not part of the Group's core business, and it ended in spring 2019.

## GROUP STRUCTURE

The Group's parent company Sitowise Holding I Oy started operations on 15 August 2016. Until 19 April 2017, the company operated under the name Wise Group Holding I Oy. Sitowise Holding I Oy has no operational activities; all operations take place in its subsidiaries. Intera Fund III Ky and the approximately 200 key persons hold shares in Sitowise Holding I Oy.

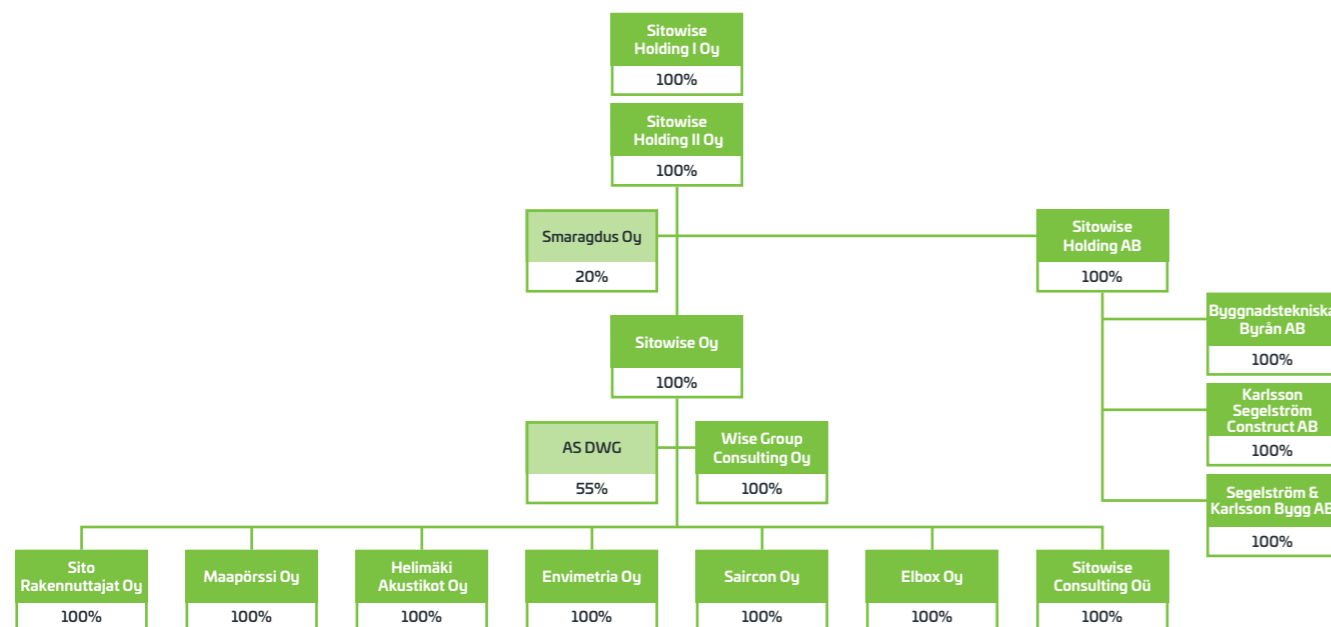
The company's operational subsidiary in Finland is Sitowise Oy. Sitowise Oy is 100%-owned by Sitowise Holding II Oy. Sitowise Holding I Oy holds 100% in Sitowise Holding II Oy.

The Group includes the Finnish subsidiaries Envimetria Oy (acquired in 11/2019), Helimäki Akustikot Oy, Maapörssi Oy, Saircon Oy (acquired in 12/2019), Sito Rakennuttajat Oy, Sähkösuunnittelu Elbox Oy (acquired in 12/2019) and Wise Group Consulting Oy as well as the international subsidiaries AS DWG, Byggnadstekniska Byrån AB (acquired in 5/2019), Karlsson Segelström Construct AB (acquired in 12/2019), Segelström & Karlsson Bygg AB (acquired in 12/2019) and Sitowise Consulting Oü.

Of the Group's subsidiaries, HS-Tec Oy and Kon-Ins Oy were merged into Sitowise Oy on 31 May 2019. In addition, Siltaexpert Oy, Insinööritoimisto LVI-Insinöörit Oy (acquired in 1/2019) and Yhtyneet Insinöörit Oy (acquired in 3/2019) were merged into Sitowise Oy on 31 December 2019. The Board of Directors of Sitowise Oy approved the plan to merge Envimetria Oy, Helimäki Akustikot Oy and Wise Group Consulting Oy into Sitowise Oy on 19 December 2019. The planned registration date of the merger is 31 May 2020.

At the end of the financial period, the Group also had a holding in Smaragdus Oy, which held majority interests in the companies CTS Engtec and Fimpec offering consultancy and design services for the industrial sector. The holding in Sito Poland Sp. Z.o.o. was divested during the financial year, as were the shares in the Norwegian subsidiary Sitowise AS.

At the end of the financial year, the Sitowise Holding I Oy Group was comprised of the parent company Sitowise Holding I Oy and the following companies:



## PARENT COMPANY'S BOARD OF DIRECTORS, MANAGEMENT AND AUDITOR

### Members of the Board of Directors:

|                 |  |
|-----------------|--|
| Eero Heliövaara | Chairman of the Board since 26 September 2019                                  |
| Tomi Terho      | Board Member, acting chairman of the Board<br>15 August 2019–26 September 2019 |
| Pekka Eloholma  | Chairman of the Board until 15 August 2019                                     |
| Taina Kyllönen  | Board member since 14 August 2019  |
| Janne Näränen   | Board member   |
| Elina Piispanen | Board member   |
| Petri Rignell   | Board member since 14 August 2019  |
| Rauli Ylimäki   | Board member, resigned from the Board of Directors on 14 August 2019           |

Markus Väyrynen's period as Managing Director ended on 25 February 2019. The duties of the Managing Director were managed by the chairman of the company's Board of Directors Pekka Eloholma starting from 25 February 2019, and he was appointed as the Managing Director as of 15 August 2019.

Vice Presidents of the two biggest business areas, Jannis Mikkola (Infrastructure Solutions) and Timo Palonkoski (Building Solutions) were appointed as Executive Vice Presidents as of 25 February 2019. The other members of the Management Team on 31 December 2019 were: Veli-Pekka Tanhuanpää (Project management), Teemu Virtanen (Smart City), Anne-May Asplund (HR), Heidi Karlsson (CFO) and Turo Tinkanen (CIO).

The auditor of the parent company and the Group is KPMG Oy Ab, with Turo Koila as the principal auditor.

## PERSONNEL

During the financial period, the average number of the Group's personnel was 1,514 (2018: 1,290). At the end of the financial period, the Group had 1,769 employees (1,454 at the end of 2018). The average age of Sitowise employees was 39 years. At the end of 2019, students accounted for eight per cent of all Group employees. Women accounted for 34% (33% in 2018) of the Group's employees. The Signi survey measuring personnel satisfaction was conducted for the second time during the financial period. 85% (79% in 2018) of the personnel responded to the survey, and the personnel satisfaction index score was 73 (72 in 2018). The other index measured in the survey, eNPS (Employee Net Promoter Score), was 21 (32 in 2018).

Personnel expenses amounted to EUR 91.7 million in 2019 (EUR 79.9 million in 2018).

## ESTIMATE OF OPERATIONAL RISKS AND UNCERTAINTIES

### Operational risks

General economic, social and political conditions have impacts on the Group's operating environment, and they are reflected in the amount of money used by customers for services offered by the Group. Economic uncertainty, especially in Finland but also the other Nordic countries and more extensively, can have various impacts on the Group's business operations, making it more difficult to accurately project and plan future business.

Due to the person dependency of the business, maintaining a steady and profitable order backlog is the most significant to the service business. The sufficient level of the order backlog is maintained through an extensive customer base, diverse work backlog and continuous monitoring of the order backlog.

Strong competition continues to be a particular operational risks, reflected in the availability and retention of personnel. Other risks include individual exceptionally large and demanding projects and tight schedules with contractual penalties. Competition-related risks are managed through careful pricing, thorough review of quoted projects and their problems and competing with quality instead of price.

Project risks are managed with quality management and risk management surveys and by complying with procedures pursuant to the ISO-certified ERP system. Continuous investments are made in development and expertise.

### Strategic risks

The Group's success and implementation of the growth strategy essentially depend on how the Group succeeds in recruiting, motivating and retaining skilled professionals at every level of the organization. Moreover, the availability and retention of skilled and committed management and trustworthy and motivated personnel is important to the Group's success.

The operating result of the Group and implementation of its strategy can be significantly impaired if the Group is unable to retain key capable professionals or recruit new employees with skills suited to the Group's needs.

Personnel expenses and rents of premises are significant cost items to the Group due to the nature of the Group's business. Other external costs are caused by the procurement of services, such as IT and software services, among others. In particular, an increase in wages or other benefits in the industry and rents would cause additional costs to the Group, impair its profitability or make it more difficult to attract personnel. The Group operates in a strongly competitive market with competition for skilled labour through higher wages and better benefits, for example.

## SHAREHOLDERS

The share capital of Sitowise Holding I Oy amounted to EUR 2,500 at the end of the 2019 financial year, and the number of series A1 and A2 shares totalled 1,273,178.

| Information about shareholders 31 December 2019 | qty              | Holding, % of shares |
|---|------------------|----------------------|
| Intera Fund III Ky                              | 471,506          | 37.0%                |
| Mantere Pekka                                   | 65,965           | 5.2%                 |
| Puurunen Tapio                                  | 52,772           | 4.1%                 |
| Anttalainen Kimmo                               | 49,686           | 3.9%                 |
| Byggnadstekniska Byrån Mosebacke Ab             | 42,082           | 3.3%                 |
| Tinkanen Harri                                  | 23,460           | 1.8%                 |
| Tuominen Rauno                                  | 18,561           | 1.5%                 |
| Mikkola Jannis                                  | 17,837           | 1.4%                 |
| Liukas Juha                                     | 16,491           | 1.3%                 |
| Ala-Ojala Jukka                                 | 14,154           | 1.1%                 |
| Others  | 500,664          | 39.3%                |
| <b>Total</b>                                    | <b>1,273,178</b> | <b>100%</b>          |

According to the company's shareholder register, the company had 197 shareholders on 31 December 2019. The company's biggest shareholder was Intera Fund III Ky with 471,506 shares, corresponding to a holding of 37.0%.

The holding is based on series A1 and A2 shares.



# CONSOLIDATED FINANCIAL STATEMENTS IFRS

## BOARD OF DIRECTORS' AUTHORIZATIONS 2019

The shareholders authorized the Board of Directors on 28 March 2019 to decide on issuing new shares. A maximum of 140,000 new A2 shares and a maximum of 4,200,000 new P1 shares may be issued under the authorization, for a total of 4,340,000 new shares. This authorization was granted until further notice and it revoked the corresponding share issue authorization granted by the Annual General Meeting on 8 February 2018.

## BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF THE PARENT COMPANY'S PROFIT

The parent company's profit for the FAS financial period is EUR 2,063,967.38 and the company's FAS-distributable funds total EUR 41,196,784.57. The Board of Directors proposes to the Annual General Meeting that dividends of EUR 665,856.26 be distributed to series P1 shares for the financial period ended 31 December 2019.

## FUTURE OUTLOOK

The World Health Organization (WHO) declared the coronavirus as a Public Health Emergency of International Concern on 30 January 2020 and as a pandemic on 11 March 2020. In spite of the circumstances, both the order backlog and employees' capacity for work have been at a good level in 2020 to date. The outlook concerning the order backlog for the rest of the year has weakened in some industries due to the uncertainty caused by COVID-19.

There are no reliable estimates of the continuation of the pandemic, so it is also not possible yet to identify the impacts of its advance on the economy and the Group's business operations in 2020 in full.

Sitowise publishes its first IFRS-compliant consolidated financial statements for the financial year ended 31 December 2019, including comparison data for the financial year ended 31 December 2018 and opening balance sheet of 1 January 2018.





## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| EUR thousand                              | Note | 1 January–31 December 2019 | 1 January–31 December 2018 |
|---|------|----------------------------|----------------------------|
| <b>Net sales</b>                          | 2.1  | <b>143,016</b>             | <b>125,693</b>             |
| Other operating income                    | 2.3  | 813                        | 1,020                      |
| Materials and services                    | 2.4  | -13,398                    | -12,921                    |
| Personnel expenses                        | 2.5  | -91,692                    | -79,896                    |
| Other operating expenses                  | 2.6  | -19,719                    | -14,834                    |
| Share of profit of associated companies   |      | 0                          | 393                        |
| Depreciation, amortization and impairment | 2.7  | -8,677                     | -6,184                     |
| <b>Operating profit</b>                   |      | <b>10,344</b>              | <b>13,271</b>              |
| Financial income                          | 4.1  | 477                        | 48                         |
| Financial expenses                        | 4.1  | -2,747                     | -2,193                     |
| <b>Profit before taxes</b>                |      | <b>8,074</b>               | <b>11,126</b>              |
| Income taxes                              | 7.2  | -445                       | -1,613                     |
| <b>Result from continuing operations</b>  |      | <b>7,628</b>               | <b>9,513</b>               |
| <b>Discontinued operations</b>            |      |                            |                            |
| Result from discontinued operations       | 8.2  | -1,012                     | -6,480                     |
| <b>Profit for the period</b>              |      | <b>6,617</b>               | <b>3,033</b>               |
| <b>Other comprehensive income</b>         |      |                            |                            |
| <b>Profit for the period</b>              |      | <b>6,617</b>               | <b>3,033</b>               |
| Other comprehensive income                |      | 124                        | -10                        |
| <b>Total comprehensive income</b>         |      | <b>6,740</b>               | <b>3,023</b>               |
| <b>Attributable to:</b>                   |      |                            |                            |
| Owners of the parent                      |      | 6,765                      | 3,042                      |
| Non-controlling interest                  |      | -24                        | -19                        |

Discontinued operations include the business of the Klaipeda project and Sitowise AS. Sitowise took part in a dredging contracting project in Lithuania in 2017–2019. The project, Klaipeda, was not part of the Group's core business, and it ended in spring 2019. Sitowise AS was a Norwegian subsidiary that Sitowise divested during 2019.

The notes are an integral part of the financial statements.

## CONSOLIDATED BALANCE SHEET

| EUR thousand  | Note | 31 December 2019 | 31 December 2018 | 1 January 2018 |
|---|------|------------------|------------------|----------------|
| <b>Assets</b>   |      |                  |                  |                |
| Goodwill  | 3.2  | 101,733          | 79,139           | 67,521         |
| Other intangible assets                                   | 3.2  | 3,961            | 1,879            | 1,296          |
| Tangible assets   | 3.3  | 27,783           | 17,566           | 18,368         |
| Participating interests                                   |      | 0                | 0                | 1,331          |
| Other shares, similar rights of ownership and receivables |      | 1,252            | 823              | 744            |
| Deferred tax assets                                       | 6.1  | 1,461            | 181              | 159            |
| Other receivables   |      | 0                | 0                | 2              |
| <b>Non-current assets total</b>                           |      | <b>136,190</b>   | <b>99,589</b>    | <b>89,421</b>  |
| Trade and other receivables                               | 3.4  | 42,179           | 34,127           | 29,563         |
| Cash and cash equivalents                                 | 4.2  | 10,346           | 9,280            | 1,681          |
| <b>Current assets total</b>                               |      | <b>52,524</b>    | <b>43,407</b>    | <b>31,244</b>  |
| <b>Assets total</b>                                       |      | <b>188,714</b>   | <b>142,996</b>   | <b>120,666</b> |
| <b>Shareholders' equity and liabilities</b>               |      |                  |                  |                |
| Share capital   |      | 3                | 3                | 3              |
| Fund for invested unrestricted equity                     |      | 40,471           | 32,610           | 30,119         |
| Subordinated loans  |      | 14,145           | 14,145           | 14,145         |
| Translation difference                                    |      | 117              | -6               | 4              |
| Retained earnings   |      | 2,101            | -1,118           | -1,752         |
| <b>Equity attributable to owners of the parent</b>        |      | <b>56,837</b>    | <b>45,634</b>    | <b>42,519</b>  |
| Non-controlling interest                                  |      | 291              | 164              | 0              |
| <b>Total shareholders' equity</b>                         |      | <b>57,128</b>    | <b>45,798</b>    | <b>42,518</b>  |
| Deferred tax liabilities                                  | 6.1  | 1,257            | 172              | 184            |
| Financial liabilities                                     | 4.2  | 77,802           | 50,906           | 44,196         |
| Other liabilities   |      | 2                | 40               | 22             |
| <b>Non-current liabilities total</b>                      |      | <b>79,061</b>    | <b>51,118</b>    | <b>44,402</b>  |
| Income tax liabilities                                    |      | 842              | 1,009            | 375            |
| Financial liabilities                                     | 4.2  | 7,879            | 12,614           | 7,282          |
| Accounts payable and other liabilities                    | 3.5  | 43,805           | 32,455           | 26,088         |
| <b>Total current liabilities</b>                          |      | <b>52,526</b>    | <b>46,079</b>    | <b>33,745</b>  |
| <b>Total shareholders' equity and liabilities</b>         |      | <b>188,714</b>   | <b>142,996</b>   | <b>120,666</b> |

The notes are an integral part of the financial statements.

## STATEMENT OF CHANGES IN EQUITY

| EUR thousand                                 | Share capital | Fund for invested unrestricted equity | Equity loans  | Translation difference | Retained earnings | Total         | Non-controlling interest | Total shareholders' equity |
|--|---------------|---------------------------------------|---------------|------------------------|-------------------|---------------|--------------------------|----------------------------|
| <b>Shareholders' equity 1 January 2018</b>   | 3             | 30,119                                | 14,145        | 4                      | -1,752            | 42,519        | 0                        | 42,518                     |
| Profit for the period                        |               |                                       |               |                        | 3,014             | 3,014         | 19                       | 3,033                      |
| Adjustments for the previous financial year  |               |                                       |               |                        | -411              | -411          |                          | -411                       |
| Other comprehensive income                   |               |                                       |               | -10                    | 0                 | -10           |                          | -10                        |
| <b>Total comprehensive income</b>            | <b>0</b>      | <b>0</b>                              | <b>0</b>      | <b>-10</b>             | <b>2,602</b>      | <b>2,592</b>  | <b>19</b>                | <b>2,612</b>               |
| Share issues                                 |               | 2,491                                 |               |                        |                   | 2,491         |                          | 2,491                      |
| Share repurchases                            |               |                                       |               |                        | -1,518            | -1,518        |                          | -1,518                     |
| Distribution of dividends                    |               |                                       |               |                        | -450              | -450          |                          | -450                       |
| Transactions with non-controlling interests  |               |                                       |               |                        |                   | 0             | 145                      | 145                        |
| <b>Transactions with owners</b>              | <b>0</b>      | <b>2,491</b>                          | <b>0</b>      | <b>0</b>               | <b>-1,968</b>     | <b>523</b>    | <b>145</b>               | <b>669</b>                 |
| <b>Shareholders' equity 31 December 2018</b> | <b>3</b>      | <b>32,610</b>                         | <b>14,145</b> | <b>-6</b>              | <b>-1,118</b>     | <b>45,634</b> | <b>164</b>               | <b>45,798</b>              |
| <b>Shareholders' equity 1 January 2019</b>   | <b>3</b>      | <b>32,610</b>                         | <b>14,145</b> | <b>-6</b>              | <b>-1,118</b>     | <b>45,634</b> | <b>164</b>               | <b>45,798</b>              |
| Profit for the period                        |               |                                       |               |                        | 6,592             | 6,592         | 24                       | 6,617                      |
| Adjustments for the previous financial year  |               |                                       |               |                        | -188              | -188          |                          | -188                       |
| Other comprehensive income                   |               |                                       |               | 124                    | -3                | 121           |                          | 121                        |
| <b>Total comprehensive income</b>            | <b>0</b>      | <b>0</b>                              | <b>0</b>      | <b>124</b>             | <b>6,401</b>      | <b>6,525</b>  | <b>24</b>                | <b>6,549</b>               |
| Share issues                                 |               | 7,861                                 |               |                        | 34                | 7,894         |                          | 7,894                      |
| Share repurchases                            |               |                                       |               |                        | -2,432            | -2,432        |                          | -2,432                     |
| Distribution of dividends                    |               |                                       |               |                        | -784              | -784          |                          | -784                       |
| Transactions with non-controlling interests  |               |                                       |               |                        |                   | 0             | 102                      | 102                        |
| <b>Transactions with owners</b>              | <b>0</b>      | <b>7,861</b>                          | <b>0</b>      | <b>0</b>               | <b>-3,183</b>     | <b>4,678</b>  | <b>102</b>               | <b>4,780</b>               |
| <b>Shareholders' equity 31 December 2019</b> | <b>3</b>      | <b>40,471</b>                         | <b>14,145</b> | <b>117</b>             | <b>2,101</b>      | <b>56,837</b> | <b>291</b>               | <b>57,128</b>              |

The notes are an integral part of the financial statements.

## CONSOLIDATED CASH FLOW STATEMENT

| EUR thousand  | 1 January–31 December 2019 | 1 January–31 December 2018 |
|---|----------------------------|----------------------------|
| <b>Cash flow from operating activities:</b>                           |                            |                            |
| Profit for the period   | 6,617                      | 3,033                      |
| Adjustments   |                            |                            |
| Income taxes  | 445                        | 1,613                      |
| Depreciation, amortization and impairment                             | 9,402                      | 6,184                      |
| Share of profit of associated companies                               | 0                          | -393                       |
| Financial income and expenses   | 2,270                      | 4,763                      |
| Other adjustments   | -384                       | 27                         |
| Change in working capital   |                            |                            |
| Increase (+) / decrease (-) in trade and other receivables            | -2,194                     | -1,259                     |
| Increase (+) / decrease (-) in accounts payable and other liabilities | 2,444                      | 102                        |
| Interest paid and other financial expenses                            | -2,890                     | -2,015                     |
| Interest received and other financial income                          | 91                         | 117                        |
| Income taxes paid   | -1,654                     | -1,667                     |
| <b>Cash flow from operating activities</b>                            | <b>14,146</b>              | <b>10,505</b>              |
| <b>Cash flow from investing activities:</b>                           |                            |                            |
| Investments in tangible and intangible assets                         | -2,601                     | -1,786                     |
| Acquired business operations  | -900                       | -1,537                     |
| Investments in subsidiaries and associated companies                  | -21,659                    | -8,615                     |
| Purchase and sale of other shares                                     | 73                         | -32                        |
| <b>Cash flow from investing activities</b>                            | <b>-25,087</b>             | <b>-11,969</b>             |
| <b>Cash flow from financing:</b>                                      |                            |                            |
| Payments from share issue   | 7,861                      | 2,491                      |
| Withdrawal/repayment of loans   | 12,056                     | 12,376                     |
| Share repurchase  | -2,432                     | -1,518                     |
| Dividends paid  | -906                       | -460                       |
| Payment of lease liabilities  | -4,598                     | -3,826                     |
| <b>Cash flow from financing</b>                                       | <b>11,981</b>              | <b>9,063</b>               |
| Cash and cash equivalents at the start of the period                  | 9,280                      | 1,681                      |
| Change in cash and cash equivalents, increase (+) / decrease (-)      | 1,040                      | 7,599                      |
| Impact of changes in foreign exchange rates                           | 26                         | 0                          |
| <b>Cash and cash equivalents at the end of the period</b>             | <b>10,346</b>              | <b>9,280</b>               |

The notes are an integral part of the financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## BASIC INFORMATION

The Group's parent company is the Finnish limited liability company Sitowise Holding I Oy (hereinafter referred to as "the Company"), domiciled in Espoo, with the mailing address Linnoitustie 6, FI-02600 Espoo, Finland. The Group's main line of business is consultancy in building and infrastructure construction. The company's biggest shareholder is Intera Fund III, domiciled in Helsinki.

The consolidated financial statements are available from the Company's head office at Linnoitustie 6, FI-02600 Espoo, Finland, and the Group's website [www.sitowise.com](http://www.sitowise.com).

The Board of Directors of Sitowise Holding I Oy approved these financial statements in its meeting on 24 September 2020. The official financial statements for 2019 are the FAS financial statements approved by the Board of Directors in March. The FAS financial statements for 2019 were published in April.

## 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 and SIC and IFRIC interpretations in force on 31 December 2019 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 fulfil the requirements of Finnish accounting and company legislation supplementing the IFRS standards.

The Sitowise Group is publishing its first consolidated financial statements prepared in accordance with the IFRS standards for the financial period ended 31 December 2019. The financial statements also include the consolidated financial statements for the financial period ended 31 December 2018. The Group's IFRS transition date is 1 January 2018. Previously, the Sitowise Group followed the Finnish Accounting Standards (FAS). The Sitowise Group has applied IFRS 1 First-time Adoption of International Financial Reporting Standards in preparing these financial statements. The impacts of the transition are described in the note "Adoption of IFRS".

The consolidated financial statements have been prepared on the basis of original cost, unless otherwise specified in the accounting policies.

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.

### 1.2. TRANSLATION OF ITEMS DENOMINATED IN FOREIGN CURRENCIES

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.

### 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 which 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: goodwill impairment testing, allocation of the cost of acquisitions, measurement of tangible assets and economic lives of other intangible assets. The assumptions are obtained from external sources if such are available.

Impairment testing is described in Note 3.2. Any other uncertainty factors associated with the management's discretion are described in conjunction with the notes concerned.

## 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. NET SALES

Sitowise provides its customers with all design and consultancy services for the built environment under the one-stop-shop principle. The net sales of the Sitowise Group are primarily comprised of sales of services and service solutions, which may also include software or system development. The main market areas are Finland and Sweden.

#### Accounting policy

*Identification of a contract:* IFRS 15 includes 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.

*Amendments to contracts:* In the contracts of the Sitowise Group, additional work is most commonly addressed as part of the project whole, i.e. 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 Solutions, Smart City and Project management business areas. In the Building Solutions business area, on the other hand, performance obligation levels depend on the customer and the product/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.

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.

*Determination of transaction price and its allocation to performance obligations:* The transaction price is the amount 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 amount of sales income to be recognized includes management estimates, and the recognition is based on the best estimate by the project managers and management of the amount of consideration to which the Sitowise Group expects to be entitled.

*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. 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 licence and maintenance revenue is recognized for the contract period.

The estimated sales income 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 exceed 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 on the balance sheet.

The Sitowise Group applies a few practical reliefs in recognizing revenue from customer contracts. 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, revenue is not recognized based on the percentage of completion, but the contract is recognized as revenue monthly based on the work performed.



**Significant decisions 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.

**2.1.1. Net sales by segment**

| EUR thousand             | 2019           | 2018           |
|--------------------------|----------------|----------------|
| Building Solutions       | 60,664         | 56,637         |
| Infrastructure Solutions | 47,521         | 41,970         |
| Project Management       | 13,091         | 13,509         |
| Smart City               | 11,103         | 10,061         |
| International            | 10,729         | 3,342          |
| Others                   | -93            | 173            |
| <b>Total</b>             | <b>143,016</b> | <b>125,693</b> |

**2.1.2. Net sales by market area**

| EUR thousand       | 2019           | 2018           |
|--------------------|----------------|----------------|
| Finland            | 132,364        | 125,138        |
| Sweden             | 8,058          | 162            |
| Other countries *) | 2,594          | 393            |
| <b>Total</b>       | <b>143,016</b> | <b>125,693</b> |

\*) the biggest other countries are: Switzerland and Germany

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

Assets based on customer contracts are reported in Notes 3.4 and 3.5.

Revenue from customer contracts expected to be recognized and relating to remaining performance obligations by 31 December 2019 amount to approximately EUR 111 million.

**2.2. SEGMENT REPORTING**

The Sitowise Group has one operating segment. This corresponds with the method of reporting internally to the Chief Operating Decision Maker and the way in which the Chief Operating Decision Maker makes decisions on allocating resources and estimates performance.

**Significant decisions based on management discretion**

The management of the Sitowise Group has exercised discretion in specifying the Group's segment reporting. Areas requiring discretion have included specifying the chief operating decision maker, decisions used in managing the Group and the reports used. The Managing Director has been specified as the Chief Operating Decision

Maker. The Managing Director is responsible for the allocation of resources and assessment of performance.

**2.3. OTHER OPERATING INCOME****Accounting policy**

The Sitowise Group recognizes new grants received when it there is reasonable certainty that the grant will be received and the Group both fulfils and complies with the terms and conditions of the grant. The Sitowise Group systematically recognizes grants received as income and correspondingly the related costs are expensed based on the percentage of completion.

| EUR thousand           | 2019       | 2018         |
|------------------------|------------|--------------|
| Gain on fixed assets   | 18         | 438          |
| Contributions received | 532        | 559          |
| Other income           | 263        | 23           |
| <b>Total</b>           | <b>813</b> | <b>1,020</b> |

The Sitowise Group has received public grants from Business Finland, ESA (European Space Agency), Sitra and the Ministry of the Environment, among others.

**2.4. MATERIALS AND SERVICES**

| EUR thousand               | 2019          | 2018          |
|----------------------------|---------------|---------------|
| Subcontracting expenses    | 6,359         | 7,124         |
| Project and other expenses | 7,039         | 5,796         |
| <b>Total</b>               | <b>13,398</b> | <b>12,921</b> |

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

**2.5. PERSONNEL EXPENSES****Accounting policy**

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 is comprised of salaries, wage supplements, short-term incentives and fringe benefits.

| EUR thousand                   | 2019          | 2018          |
|--------------------------------|---------------|---------------|
| Wages and salaries             | 75,309        | 65,698        |
| Pension expenses               | 12,628        | 11,528        |
| Other social security expenses | 3,755         | 2,670         |
| <b>Total</b>                   | <b>91,692</b> | <b>79,896</b> |

| Average number of personnel | 2019  | 2018  |
|-----------------------------|-------|-------|
| Salaried employees          | 1,514 | 1,290 |

Information about the remuneration of the management is reported in Note 7.3 on related party transactions.

The Sitowise Group has a share-based incentive scheme for its Managing Director. The Managing Director has the right to subscribe for shares in Sitowise Holding I Oy under certain conditions. The incentive scheme is described in Note 7.3.

**2.6. OTHER OPERATING EXPENSES**

| EUR thousand                        | 2019          | 2018          |
|-------------------------------------|---------------|---------------|
| Other personnel-related expenses    | 5,537         | 4,555         |
| Data and telecommunication expenses | 5,953         | 4,579         |
| Sales and marketing expenses        | 680           | 695           |
| Rent expenses                       | 2,536         | 1,734         |
| Other expenses                      | 5,012         | 3,271         |
| <b>Total</b>                        | <b>19,719</b> | <b>14,834</b> |

The material items included in other expenses are legal and other counselling fees and communications expenses. Practical reliefs allowed by IFRS 16 have been applied, and part of lease costs are included in other operating expenses. On IFRS 16, see Note 3.3.

**2.6.1. Auditors' fees**

| EUR thousand    | 2019       | 2018       |
|-----------------|------------|------------|
| Statutory audit | 100        | 101        |
| Tax advice      | 12         | 29         |
| <b>Total</b>    | <b>111</b> | <b>129</b> |

**2.7. DEPRECIATION, AMORTIZATION AND IMPAIRMENT****Accounting policy**

Depreciation of machinery, equipment and other tangible 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.

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

Economic useful lives of assets for the 2019 and 2018 financial periods are as follows:

- IT-related machinery and equipment 4 years
- Other machinery and equipment 5 years
- Long-term expenses 5–10 years

Economic useful lives of assets are as follows:

- Intangible rights 3–5 years
- Acquired asset, technology 5 years
- Acquired asset, customer relationships 5 years

| EUR thousand                                  | 2019         | 2018         |
|---|--------------|--------------|
| Machinery and equipment                       | 1,807        | 1,326        |
| Leases  | 5,197        | 4,316        |
| <b>Tangible assets</b>                        | <b>7,004</b> | <b>5,642</b> |
| Intangible rights and other intangible assets | 912          | 438          |
| Other long-term expenses                      | 33           | 104          |
| <b>Intangible assets</b>                      | <b>945</b>   | <b>542</b>   |
| Goodwill                                      | 727          | 0            |
| <b>Total</b>                                  | <b>8,677</b> | <b>6,184</b> |

The Sitowise Group has not recognized impairment of tangible or intangible assets during the 2018–2019 financial periods. The impairment loss recognized for goodwill is associated with the impairment of the goodwill of the Sitowise Group's Norwegian subsidiary Sitowise AS. The subsidiary was subsequently divested during 2019.

**3. OPERATIONAL ASSETS AND LIABILITIES****3.1. BUSINESS COMBINATIONS**

In conjunction with the IFRS transition, the Sitowise Group has applied the first-time adopter relief based on which IFRS 3 Business Combinations has not been retrospectively applied to acquisitions completed prior to 1 January 2018. The Sitowise Group carried out several mergers and acquisitions during the 2019 and 2018 financial periods as presented in the table on the next page.

**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.

| Company                              | Time    | Transaction method          | Location  | Personnel |
|--------------------------------------|---------|-----------------------------|-----------|-----------|
| Dimenteq Oy                          | 2/2018  | Share purchase (100%)       | Salu      | 33        |
| HS-Tec Oy                            | 6/2018  | Share purchase (100%)       | Kangasala | 8         |
| MA-arkkitehdit                       | 9/2018  | Asset purchase              | Helsinki  | 11        |
| J Väänänen                           | 10/2018 | Asset purchase              | Tampere   | 5         |
| Kon-Ins Oy                           | 10/2018 | Share purchase (100%)       | Raisio    | 11        |
| Geotek                               | 11/2018 | Asset purchase              | Oulu      | 12        |
| Siltaexpertit Oy                     | 12/2018 | Share purchase (100%)       | Pornainen | 8         |
| DWG ASA                              | 12/2018 | Share purchase (25% -> 55%) | Riga      | 34        |
| Insinööri toimisto LVI-insinöörit Oy | 1/2019  | Share purchase (100%)       | Kuopio    | 8         |
| Yhtyneet Insinöörit                  | 3/2019  | Share purchase (100%)       | Espoo     | 24        |
| Byggnadstekniska Byrå AB             | 5/2019  | Share purchase (100%)       | Stockholm | 140       |
| PN-Line Oy                           | 7/2019  | Asset purchase              | Tampere   | 1         |
| Envimetria                           | 12/2019 | Share purchase (100%)       | Lohja     | 15        |
| Elbox                                | 12/2019 | Share purchase (100%)       | Vantaa    | 10        |
| Saircon Oy                           | 12/2019 | Share purchase (100%)       | Vantaa    | 6         |
| Karlsson & Segelström Construct AB   | 12/2019 | Share purchase (100%)       | Örebro    | 17        |

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 have been a central part of the active growth strategy of the Sitowise Group. The mergers and acquisitions have primarily been minor supplementary acquisitions, with the median number of personnel concerned being 11 employees per acquisition. Each acquisition in 2018 and 2019 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.

| EUR thousand   | 2019   | 2018   |
|----------------|--------|--------|
| Purchase price | 31,964 | 14,249 |
| Assets         | 15,767 | 4,274  |
| Liabilities    | 6,122  | 1,643  |
| Net assets     | 9,645  | 2,631  |
| Goodwill       | 22,319 | 11,618 |

The acquisition of Byggnadstekniska Byrå was the biggest acquisition made in 2018 and 2019. In May 2019, the Sitowise Group acquired its entire share capital and thereby expanded into the Swedish market, and some 140 experts joined the Sitowise Group. Customer relationships were identified as a separate asset item in the goodwill of DWG, Byggnadstekniska Byrå and PN-Line Oy. Technology was identified as an asset item separate from goodwill in the acquisition of Dimenteq Oy. The estimated economic useful life of these assets is 5 years.

### 3.2. GOODWILL AND OTHER 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 goodwill, 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.

For impairment testing, goodwill is allocated to the Sitowise Group, which is expected to benefit from the business combinations from which the goodwill emerged. Impairment testing is described in more detail below in this note.

#### Other intangible assets

Other intangible assets include intangible rights and other 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.

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.

The impairment of goodwill is described in Note 3.2. impairment testing.

#### Significant decisions based on management discretion

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.

| EUR thousand  | Goodwill       | Other intangible assets | Total          |
|---|----------------|-------------------------|----------------|
| Acquisition cost 1 January 2019                                   | 79,139         | 4,712                   | 83,851         |
| Business combinations   | 22,319         | 2,397                   | 24,716         |
| Increase  |                | 768                     | 768            |
| Decrease  |                | 426                     | 426            |
| Exchange rate differences   | 275            |                         | 275            |
| Acquisition cost 31 December 2019                                 | 101,733        | 8,303                   | 110,036        |
| Accumulated depreciation, amortization and impairment 1 January   |                | -2,833                  | -2,833         |
| Depreciation and amortization for the period                      |                | -1,509                  | -1,509         |
| Accumulated depreciation, amortization and impairment 31 December |                | -4,342                  | -4,342         |
| <b>Acquisition cost 31 December 2019</b>                          | <b>101,733</b> | <b>3,961</b>            | <b>105,693</b> |

| EUR thousand  | Goodwill      | Other intangible assets | Total         |
|---|---------------|-------------------------|---------------|
| Acquisition cost 1 January 2018                                   | 67,521        | 3,590                   | 71,111        |
| Business combinations   | 11,618        | 235                     | 11,853        |
| Increase  |               | 887                     | 887           |
| Acquisition cost 31 December 2018                                 | 79,139        | 4,712                   | 83,851        |
| Accumulated and depreciation and amortization for the period      |               | -2,833                  | -2,833        |
| Accumulated depreciation, amortization and impairment 31 December |               | -2,833                  | -2,833        |
| <b>Acquisition cost 31 December 2018</b>                          | <b>79,139</b> | <b>1,879</b>            | <b>81,018</b> |



### 3.2.1. Impairment testing

#### Accounting policy

Goodwill is allocated to cash-generating units in impairment testing. 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 units, namely the Sitowise Group. An impairment loss recognized for goodwill is never reversed.

#### Significant decisions 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 below.

| Assumptions used in impairment calculation              | 31 December 2019 | 31 December 2018 | 31 December 2017 |
|---|------------------|------------------|------------------|
| Growth in net sales during the projection period (CAGR) | 5.6%             | 5.3%             | 11.4%            |
| EBITDA during the projection period                     | 13.2%            | 14.8%            | 14.9%            |
| Terminal growth assumption                              | 2.0%             | 2.0%             | 2.0%             |
| Discount rate (pre-tax WACC)                            | 7.1%             | 8.1%             | 8.2%             |

#### 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 confirmed budget for the next year and confirmed strategy for the subsequent years. 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.

Impairment tests on 31 December 2019, 31 December 2018 and 31 December 2017 did not indicate a need for impairment of goodwill, with the recoverable amount exceeding the book value in all test periods.

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 sensitivity analysis was carried out in conjunction with the impairment testing, in which the discount rate was increased by 2 percentage points and the terminal growth assumption was reduced by 50% to 1%. Based on the sensitivity analyses, the probability of goodwill impairment losses was low. According to the view of the management, changes in the basic assumptions should not be interpreted as an indication of the probability of their realization. The sensitivity analyses are hypothetical and should be treated with caution.

### 3.3. TANGIBLE ASSETS

#### Accounting policy

Tangible assets are primarily comprised of 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 1 January 2019                                   | 7,452                   | 36                    | 7,488        |
| Increase  | 2,650                   |                       | 2,650        |
| Decrease  | -159                    |                       | -159         |
| Exchange rate differences   | 6                       |                       | 6            |
| Acquisition cost 31 December 2019                                 | 9,949                   | 36                    | 9,985        |
| Accumulated depreciation, amortization and impairment 1 January   | -4,562                  |                       | -4,562       |
| Depreciation and amortization for the period                      | -1,810                  |                       | -1,810       |
| Exchange rate differences   | -1                      |                       | -1           |
| Accumulated depreciation, amortization and impairment 31 December | -6,372                  |                       | -6,372       |
| <b>Acquisition cost 31 December 2019</b>                          | <b>3,577</b>            | <b>36</b>             | <b>3,612</b> |

| EUR thousand  | Machinery and equipment | Other tangible assets | Total        |
|---|-------------------------|-----------------------|--------------|
| Acquisition cost 1 January 2018                                   | 6,082                   | 36                    | 6,118        |
| Increase  | 1,375                   |                       | 1,375        |
| Decrease  | -5                      |                       | -5           |
| Exchange rate differences   | 0                       |                       | 0            |
| Acquisition cost 31 December 2018                                 | 7,452                   | 36                    | 7,488        |
| Accumulated and depreciation and amortization for the period      | -4,562                  |                       | -4,562       |
| Exchange rate differences   | 0                       |                       | 0            |
| Accumulated depreciation, amortization and impairment 31 December | -4,562                  |                       | -4,562       |
| <b>Acquisition cost 31 December 2018</b>                          | <b>2,891</b>            | <b>36</b>             | <b>2,926</b> |

#### 3.3.1. Leases IFRS 16

##### 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 lessees' leases, with the exception of short-term leases and 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. The lease liability is measured at the start of the contract at the current value of rents not paid on the said date. At subsequent times, the amount of the lease liability is influenced by, inter alia, interest accrued on the lease liability, rents paid and amendments to the contract.

At the Sitowise Group, right of use assets include premises and vehicles leased under ordinary terms and conditions. The Group treats premises which have a period of notice of less than one year and are located in smaller locations as short-term leases. Computers, tablets, printers and similar hardware is treated as assets with minor 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 are the reference interest rate and the financial institution's margin.

##### Significant decisions 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.

During the 2019 financial period, outgoing cash flow due to leases totalled EUR 5.2 million. During the 2018 financial period, outgoing cash flow due to leases totalled EUR 4.6 million.

| EUR thousand  | IFRS 16<br>right-of-use assets |
|---|--------------------------------|
| Acquisition cost 1 January 2019                                   | 18,956                         |
| Increase  | 15,369                         |
| Decrease  | -646                           |
| Exchange rate differences   | 11                             |
| Acquisition cost 31 December 2019                                 | 33,690                         |
| Accumulated depreciation, amortization and impairment 1 January   | -4,316                         |
| Depreciation and amortization for the period                      | -5,197                         |
| Exchange rate differences   | -7                             |
| Accumulated depreciation, amortization and impairment 31 December | -9,520                         |
| <b>Acquisition cost 31 December 2019</b>                          | <b>24,171</b>                  |

| EUR thousand  | IFRS 16<br>right-of-use assets |
|---|--------------------------------|
| Acquisition cost 1 January 2018                                   | 15,477                         |
| Increase  | 3,479                          |
| Decrease  |                                |
| Exchange rate differences   | 0                              |
| Acquisition cost 31 December 2018                                 | 18,956                         |
| Accumulated and depreciation and amortization for the period      | -4,316                         |
| Exchange rate differences   | 0                              |
| Accumulated depreciation, amortization and impairment 31 December | -4,316                         |
| <b>Acquisition cost 31 December 2018</b>                          | <b>14,640</b>                  |

| EUR thousand  | 2019          | Expected credit loss | Expected credit loss | 2018          | Expected credit loss | Expected credit loss |
|---------------|---------------|----------------------|----------------------|---------------|----------------------|----------------------|
| Undue         | 23,838        | 0.01%                | 2                    | 23,639        | 0.01%                | 2                    |
| 0–29 days     | 3,219         | 0.1%                 | 3                    | 1,569         | 0.1%                 | 2                    |
| 30–59 days    | 493           | 1.0%                 | 5                    | -60           | 1.0%                 | -1                   |
| 60–119 days   | 117           | 4.0%                 | 5                    | 522           | 4.0%                 | 22                   |
| 120–365 days  | 265           | 6.3%                 | 18                   | 417           | 6.3%                 | 28                   |
| Over 365 days | 0             | 100%                 | 777                  | 0             | 100%                 | 627                  |
| <b>Total</b>  | <b>27,932</b> |                      | <b>810</b>           | <b>26,087</b> |                      | <b>679</b>           |

The Sitowise Group signed two leases on premises in Sweden in December 2019. The move from the old premises to new ones in Stockholm took place during 2020, and the lease commenced on 1 June 2020. The lease on the new premises in Malmö commenced on 2 January 2020.

Rent expenses from short-term contracts are included in other operating expenses, amounting to EUR 2,536 thousand in 2019 and EUR 1,734 thousand in 2018.

### 3.4. TRADE AND OTHER RECEIVABLES

#### Accounting policy

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 impairment is 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. The Sitowise Group records the final credit loss when debt collection measures prove to be unsuccessful. For example, a credit loss recommendation provided by the debt collection agency or the debtor applying for administration or bankruptcy.

Provisions for impairment related to trade receivables are based on historic data concerning materialized credit losses. The expected credit loss rate for all trade receivables is 2.8%, including trade receivables more than 365 days overdue, for which 100% impairment is recognized in accordance with the expected credit loss rate.

| EUR thousand                         | 2019          | 2018          |
|--------------------------------------|---------------|---------------|
| Trade receivables                    | 27,931        | 26,087        |
| Project receivables                  | 8,749         | 4,079         |
| Expenses not belonging to the period | 4,853         | 3,396         |
| Other accrued income                 | 646           | 565           |
| <b>Total</b>                         | <b>42,179</b> | <b>34,127</b> |

### 3.5. ACCOUNTS PAYABLE AND OTHER LIABILITIES

| EUR thousand                                  | 2019          | 2018          |
|---|---------------|---------------|
| Accounts payable                              | 5,494         | 3,390         |
| Liabilities based on contracts with customers | 6,370         | 4,262         |
| Accrued expenses                              | 20,980        | 19,253        |
| Other liabilities                             | 10,961        | 5,550         |
| <b>Total</b>                                  | <b>43,805</b> | <b>32,455</b> |

The most essential items in accrued expenses included accrual of personnel expenses and ordinary business-related accrued costs.

Other liabilities include the purchase price liabilities associated with mergers and acquisitions. The acquisition of Karlsson & Segerström, for example, was carried out at the end of 2019.

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                        | 2019          | 2018          |
|-------------------------------------|---------------|---------------|
| Dividend income                     | 1             | 0             |
| Other interest and financial income | 476           | 48            |
| Interest on lease liabilities       | -505          | -455          |
| Interest expenses                   | -2,161        | -1,451        |
| Other financial expenses            | -81           | -188          |
| Impairment *)                       | 0             | -99           |
| <b>Total</b>                        | <b>-2,270</b> | <b>-2,145</b> |

\*) Impairment of golf shares.

### 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 debt 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 under the Measured at amortized cost category. The classification of financial assets is based on the business model specified by the Group and contractual cash flows of financial assets. At Sitowise, non-current receivables include receivables falling due after more than one year. Current financial assets include trade receivables and cash and cash equivalents.

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. On 31 December 2019, cash and cash equivalents amounted to EUR 10,346 thousand (31 December 2018: EUR 9,280 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.

#### 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.

The Sitowise Group had an estimated EUR 4,931 thousand (31 December 2019) and EUR 480 thousand (31 December 2018) of additional purchase price liabilities.

Loans from financial institutions were comprised of a variable rate bank loan in 2019. The bank loans include ordinary covenants, such as cash flow covenant, ratio of net debt to EBITDA and investment covenant. During the 2018 and 2019 financial periods, the Group fulfilled all of the covenants.



| Financial assets/liabilities<br>31 December 2019<br>EUR thousand | Measured at<br>amortized<br>cost | Measured at fair<br>value through other<br>comprehensive<br>income | At fair value<br>through profit<br>and loss | Book value<br>total | Fair value    | Level 1 | Level 2 | Level 3 |
|--|----------------------------------|--|---|---------------------|---------------|---------|---------|---------|
| <b>Non-current financial assets</b>                              |                                  |  |   |                     |               |         |         |         |
| Other shares and participations                                  |                                  | 1,252  |   | 1,252               | 1,252         |         |         | 1,252   |
| Other financial assets   | 24,171                           |  |   |                     |               |         | 24,171  |         |
| Loans receivable   |                                  |  |   |                     |               |         |         |         |
| <b>Current financial assets</b>                                  |                                  |  |   |                     |               |         |         |         |
| Trade receivables  | 27,931                           |  |   | 27,931              | 27,931        |         |         |         |
| Cash and cash equivalents  | 10,346                           |  |   | 10,346              | 10,346        |         |         |         |
| <b>Total</b>   | <b>62,447</b>                    | <b>1,252</b>   |   | <b>39,529</b>       | <b>39,529</b> |         |         |         |

| Financial assets/liabilities<br>31 December 2018<br>EUR thousand | Measured at<br>amortized<br>cost | Measured at fair<br>value through other<br>comprehensive<br>income | At fair value<br>through profit<br>and loss | Book value<br>total | Fair value    | Level 1 | Level 2 | Level 3 |
|--|----------------------------------|--|---|---------------------|---------------|---------|---------|---------|
| <b>Non-current financial assets</b>                              |                                  |  |   |                     |               |         |         |         |
| Other shares, similar rights of<br>ownership and receivables     |                                  | 823  |   | 823                 | 823           |         |         | 823     |
| Other financial assets   | 14,640                           |  |   |                     |               |         | 14,640  |         |
| Loans receivable   | 40                               |  |   | 40                  | 40            |         | 40      |         |
| <b>Current financial assets</b>                                  |                                  |  |   |                     |               |         |         |         |
| Trade receivables  | 26,087                           |  |   | 26,087              | 26,087        |         |         |         |
| Cash and cash equivalents  | 9,280                            |  |   | 9,280               | 9,280         |         |         |         |
| <b>Total</b>   | <b>50,046</b>                    | <b>823</b>   | <b>0</b>                                    | <b>36,230</b>       | <b>36,230</b> |         |         |         |

| Financial assets/liabilities<br>31 December 2019<br>EUR thousand | Measured at<br>amortized<br>cost | Measured at fair<br>value through other<br>comprehensive<br>income | At fair value<br>through profit<br>and loss | Book value<br>total | Fair value    | Level 1 | Level 2 | Level 3 |
|--|----------------------------------|--|---|---------------------|---------------|---------|---------|---------|
| <b>Non-current financial liabilities</b>                         |                                  |  |   |                     |               |         |         |         |
| Loans from financial institutions                                | 57,625                           |  |   | 57,625              | 57,625        |         | 57,625  |         |
| Other non-current liabilities                                    | 20,177                           |  |   | 20,177              | 20,177        |         | 20,177  |         |
| <b>Current financial liabilities</b>                             |                                  |  |   |                     |               |         |         |         |
| Loans from financial institutions                                | 3,383                            |  |   | 3,383               | 3,383         |         | 3,383   |         |
| Accounts payable   | 5,494                            |  |   | 5,494               | 5,494         |         |         |         |
| Other current liabilities  | 4,495                            |  | 4,931                                       | 9,427               | 9,427         |         | 4,495   | 4,931   |
| <b>Total</b>   | <b>91,175</b>                    |  | <b>4,931</b>                                | <b>96,106</b>       | <b>96,106</b> |         |         |         |

| Financial assets/liabilities<br>31 December 2018<br>EUR thousand | Measured at<br>amortized<br>cost | Measured at fair<br>value through other<br>comprehensive<br>income | At fair value<br>through profit<br>and loss | Book value<br>total | Fair value    | Level 1 | Level 2 | Level 3 |
|--|----------------------------------|--|---|---------------------|---------------|---------|---------|---------|
| <b>Non-current financial liabilities</b>                         |                                  |  |   |                     |               |         |         |         |
| Loans from financial institutions                                | 40,642                           |  |   | 40,642              | 40,642        |         | 40,642  |         |
| Other non-current liabilities                                    | 10,264                           |  |   | 10,264              | 10,264        |         | 10,264  |         |
| <b>Current financial liabilities</b>                             |                                  |  |   |                     |               |         |         |         |
| Loans from financial institutions                                | 8,018                            |  |   | 8,018               | 8,018         |         | 8,018   |         |
| Accounts payable   | 3,390                            |  |   | 3,390               | 3,390         |         |         |         |
| Other current liabilities  | 4,596                            |  | 480   | 5,076               | 5,076         |         | 4,596   | 480     |
| <b>Total</b>   | <b>66,911</b>                    |  | <b>480</b>                                  | <b>67,391</b>       | <b>67,391</b> |         |         |         |

#### 4.2.3. Shares

Sitowise Holding I Oy has four series of shares: A1, A2, P1 and P2. All share series combined, the number of shares was 22,479,869 shares and share capital amounted to EUR 2,500 on 31 December 2019. The company held a total of 476,185 of its own A2, P1 and P2 shares.

The company's series A1, A2, P1 and P2 shares differ with regard to the rights and obligations they confer as specified in article 6 of the Articles of Association. The company's shares are subject to a redemption clause pursuant to article 9 of the Articles of Association.

On 31 December 2019, the company had shares as follows:

| Share type   | 31 December 2019  | Change           | 31 December 2018  |
|--------------|-------------------|------------------|-------------------|
| A1           | 471,506           | 0                | 471,506           |
| A2           | 817,951           | 50,890           | 767,061           |
| P1           | 12,367,506        | 1,318,879        | 11,048,627        |
| P2           | 8,822,906         | -35,254          | 8,858,160         |
| <b>Total</b> | <b>22,479,869</b> | <b>1,334,515</b> | <b>21,145,354</b> |

Directed share issues were organized during the financial period in conjunction with mergers and acquisition and with inviting the company's key personnel to become partners.

Series P1 and P2 shares have priority in repayment order to series A1 and A2 shares. The holding is based on series A1 and A2 shares.

The Board of Directors proposed and the Annual General Meeting approved that dividends of EUR 665,856.26 were distributed to series P1 shares for the financial period ended 31 December 2019.

#### 4.2.4. Fund for invested unrestricted equity

Payments made for subscriptions for shares during the financial period are recognized in full in the fund for invested unrestricted equity.

#### 4.2.5. Equity loans

Sitowise Holding I Oy has shareholders loans that meet the criteria for equity loans, and these loans are treated as part of shareholders' equity. The Group has no payment obligation relating to the principal or interest of the loan. Sitowise Holding I Oy has not and will not grant a security for the payment of the principal or interest of the subordinated loan. Sitowise Holding I Oy has the right, but no obligation to refund the principal of the subordinated loan or pay interest. The borrower's board of directors decides on the payment of interest on the subordinated loan and refund of principal. The subordinated loan has no maturity date. On 31 December 2019, equity loans totalled EUR 14.1 million (EUR 14.1 million on 31 December 2018).

## 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 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 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. 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.

#### 5.1.1. Exchange rate risk

The Sitowise Group is exposed to exchange risks, the most significant of which is 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 primarily in the same currency ("natural hedge").

Translation risks is primarily caused by foreign currency-denominated internal loans of the parent company. The Group's finance unit regularly analyzes translation risk and reports on essential factors in this area to the management. The most significant internal loans are denominated in the Swedish krona. The translation risk is not hedged.

#### 5.1.2. Interest rate risk

The Group is exposed to financial risks, such as the impacts of changes in interest rates and 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. 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.

On the closing date, the Group had EUR 61 million in interest-bearing bank loans (2018: EUR 49 million). Loans from financial institutions were comprised of a variable rate loan in 2019, similarly to the previous year. On the closing date, the interest rate exposure of the Sitowise Group was approximately EUR 600 thousand, assuming that interest rates would increase by one percentage point. See also 4.2.2. Financial liabilities.

### 5.1.3. Credit risk

Credit risk is the risk of a financial loss that occurs if a customer fails to fulfil 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 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 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

### 5.1.4. Solvency risk

In order 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. At the end of 2019, cash and cash equivalents totalled EUR 10 million (2018: EUR 9 million). At the end of 2019, the Group additionally had a EUR 5 million unused overdraft facility (2018: EUR 5 million unused overdraft facility).

#### Contractual cash flows in financial liabilities

| EUR thousand                      | 2020          | 2021         | 2022 ->       |
|-----------------------------------|---------------|--------------|---------------|
| Loans from financial institutions | 3,739         | 3,739        | 59,768        |
| Lease liabilities                 | 9,123         | 5,857        | 22,140        |
| Accounts payable                  | 5,494         |              |               |
| <b>Total</b>                      | <b>18,357</b> | <b>9,596</b> | <b>81,908</b> |

| EUR thousand                      | 2019          | 2020          | 2021 ->       |
|-----------------------------------|---------------|---------------|---------------|
| Loans from financial institutions | 8,328         | 3,739         | 32,948        |
| Lease liabilities                 | 5,337         | 9,123         | 27,997        |
| Accounts payable                  | 3,390         |               |               |
| <b>Total</b>                      | <b>17,055</b> | <b>12,863</b> | <b>60,945</b> |

## 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 the ratio of net debt to adjusted EBITDA.

Net debt is calculated as current and non-current loans from financial institutions less cash and cash equivalents. The desired ratio of net debt to EBITDA is tied to the covenants of credit arrangements.

The table below presents the net debt of the Sitowise Group.

| EUR thousand                      | 2019          | 2018          |
|-----------------------------------|---------------|---------------|
| Loans from financial institutions | 61,008        | 48,660        |
| Cash and cash equivalents         | -10,346       | -9,280        |
| <b>Net debt</b>                   | <b>50,662</b> | <b>39,381</b> |

Net debt does not include IFRS 16 lease liabilities

## 6. DISCONTINUED OPERATIONS

The Sitowise Group took part in a dredging contracting project in Lithuania in 2017–2019. The project, Klaipeda, was not part of the Sitowise Group's core business, and it ended in spring 2019. Project Klaipeda is reported under discontinued operations in the profit and loss account, and the figures for the comparison period have been adjusted. Project Klaipeda is a "discontinued operation" pursuant to IFRS 5.

The Sitowise Group was divesting its subsidiary Sitowise AS at the end of 2019. Sitowise AS is reported under discontinued operations in the profit and loss account, and the figures for the comparison period have not been adjusted. Project Klaipeda is "held for sale" pursuant to IFRS 5.

The profit, assets and liabilities of discontinued operations are presented in the tables below.

| EUR thousand                               | 2019          | 2018          |
|--|---------------|---------------|
| Income                                     | 3,694         | 2,717         |
| Expenses                                   | -4,842        | -9,113        |
| <b>Profit before taxes</b>                 | <b>-1,148</b> | <b>-6,397</b> |
| Taxes                                      | 0             | 0             |
| <b>Result from discontinued operations</b> | <b>-1,148</b> | <b>-6,397</b> |

| EUR thousand                           | 12/2019 |
|--|---------|
| Non-current assets                     | 1       |
| Trade and other receivables            | 441     |
| Cash and cash equivalents              | 108     |
| Accounts payable and other liabilities | -410    |

## 7. OTHER NOTES

### 7.1. GROUP STRUCTURE

#### Accounting policy

The consolidated financial statements include the parent company Sitowise Holding I Oy and all subsidiaries over which the parent company had control on the closing date of the reporting period. Sitowise Holding I Oy 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 Holding I Oy 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. 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 per cent 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.

**At the end of the financial year, the Sitowise Holding I Oy Group was comprised of the parent company Sitowise Holding I Oy and the following companies:**

| Company                             | Domicile          | Holding 2019 | Holding 2018 |
|-------------------------------------|-------------------|--------------|--------------|
| Sitowise Holding II Oy              | Espoo             | 100.0%       | 100.0%       |
| Sitowise Oy                         | Espoo             | 100.0%       | 100.0%       |
| Sito Rakennuttajat Oy               | Espoo             | 100.0%       | 100.0%       |
| Sito Liikkumispalvelut Oy           | Espoo             |              | 100.0% *)    |
| Dimenteq Oy                         | Salo              |              | 100.0% *)    |
| Envimetria Oy                       | Lohja             | 100.0%       | *****)       |
| Helimäki Akustikot Oy               | Helsinki          | 100.0%       | *****)       |
| HS Tec Oy                           | Kangasala         | 100.0%       | **)          |
| Insinööritoimisto LVI-Insinöörit Oy | Kuopio            | 100.0%       | ***)         |
| Instaro Oy                          | Oulu              |              | 100.0% *)    |
| Kon-Ins Oy                          | Raisio            | 100.0%       | **)          |
| Maapörssi Oy                        | Järvenpää         | 100.0%       |              |
| Saircon Oy                          | Vantaa            | 100.0%       | *****)       |
| Siltaexpertit Oy                    | Pornainen         | 100.0%       | ***)         |
| Sähkösuunnittelu Elbox Oy           | Vantaa            | 100.0%       |              |
| Wise Group Consulting Oy            | Helsinki          | 100.0%       | ****)        |
| Yhtyneet Insinöörit Oy              | Helsinki          | 100.0%       | ***)         |
| AS DWG                              | Riga, Latvia      | 55.0%        | 55.0%        |
| Byggnadstekniska Byrån AB           | Stockholm, Sweden | 100.0%       |              |
| Karlsson Segelström Construct AB    | Örebro, Sweden    | 100.0%       |              |
| Segelström & Karlsson Bygg AB       | Örebro, Sweden    | 100.0%       |              |
| Sitowise AS                         | Oslo, Norway      |              | ****)        |
| Sitowise Consulting Oü              | Tallinn, Estonia  | 100.0%       | 100.0%       |
| Sitowise Holding AB                 | Stockholm, Sweden | 100.0%       |              |

\*) Companies merged with Sitowise Oy on 31 December 2018

\*\*\*) Companies merged with Sitowise Oy on 31 May 2019

\*\*\*\*) Companies merged with Sitowise Oy on 31 December 2019

\*\*\*\*\*) Not consolidated in the consolidated financial statements, company has no operations, merged on 31 May 2020

\*\*\*\*\*) Sitowise Oy's holding divested in November 2019

\*\*\*\*\*) Companies merged with Sitowise Oy on 31 May 2020

\*\*\*\*\*) Company merged with Sitowise Oy on 31 July 2020



## 7.2. INCOME TAXES

### Accounting policy

The Sitowise Group's tax expense recognized through profit and loss is comprised of 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 decisions based on management discretion

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   | 2019        | 2018          |
|--|-------------|---------------|
| Tax based on the taxable profit for the financial year | -1,721      | -1,655        |
| Adjustments concerning previous financial periods      | 1           | 9             |
| Change in deferred taxes                               | 1,275       | 33            |
| <b>Total</b>   | <b>-445</b> | <b>-1,613</b> |

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

| EUR thousand                                      | 2019        | 2018          |
|---|-------------|---------------|
| Profit before taxes                               | 8,074       | 11,126        |
| Tax calculated using the 20% domestic tax rate    | -1,615      | -2,225        |
| Adjustments concerning previous financial periods | 1           | 9             |
| Differing tax rates of foreign subsidiaries       | -19         | -3            |
| Tax-free income and non-deductible expenses       | 444         | 215           |
| Confirmed loss                                    | 642         | 0             |
| Other items                                       | 101         | 391           |
| <b>Taxes on the profit and loss account</b>       | <b>-445</b> | <b>-1,613</b> |

| EUR thousand  | 1 January 2019 | Recognized on the profit and loss account | Recognized in shareholders' equity | 31 December 2019 |
|---|----------------|---|------------------------------------|------------------|
| Financing items   |                |   |                                    | 0                |
| Difference between depreciation and amortization in accounting and taxation | 44             | 56  |                                    | 101              |
| Other items   | 137            | 1,224                                     |                                    | 1,361            |
| <b>Deferred tax assets total</b>  | <b>181</b>     | <b>1,280</b>                              | <b>0</b>                           | <b>1,461</b>     |
| Financing items   | 173            | 20  |                                    | 193              |
| Difference between depreciation and amortization in accounting and taxation |                |   |                                    | 0                |
| Other items   | -1             | 1,065                                     |                                    | 1,064            |
| <b>Deferred tax liabilities total</b>                                       | <b>172</b>     | <b>1,085</b>                              | <b>0</b>                           | <b>1,257</b>     |

Deferred tax assets, other items, includes deferred tax assets of EUR 1.2 million due to Sito Rakennuttajat Oy's confirmed loss.

Deferred tax liabilities, other items, includes deferred tax liabilities of EUR 1.1 million from mergers and acquisitions carried out during the financial period.

| EUR thousand  | 1 January 2018 | Recognized on the profit and loss account | Recognized in shareholders' equity | 31 December 2018 |
|---|----------------|---|------------------------------------|------------------|
| Financing items   |                |   |                                    | 0                |
| Difference between depreciation and amortization in accounting and taxation |                | 44  |                                    | 44               |
| Other items   | 159            | -22                                       |                                    | 137              |
| <b>Deferred tax assets total</b>  | <b>159</b>     | <b>22</b>                                 | <b>0</b>                           | <b>181</b>       |
| Financing items   | 184            | -11                                       |                                    | 173              |
| Difference between depreciation and amortization in accounting and taxation |                |   |                                    | 0                |
| Other items   |                | -1  |                                    | -1               |
| <b>Deferred tax liabilities total</b>                                       | <b>184</b>     | <b>-12</b>                                | <b>0</b>                           | <b>172</b>       |

## 7.3. 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 Sitowise Group include major shareholders, the parent company, subsidiaries and key management personnel. Key management personnel include members of the Board of Directors, the Managing Director and members of the Group Management Team and their immediate family members.

Intera Fund III Ky holds 37.0% of the shares in Sitowise Holding I Oy. The holding is based on series A1 and A2 shares.

Transactions with related parties not eliminated in the consolidated financial statements are reported as related party transactions.

| EUR thousand                 | 2019  | 2018  |
|------------------------------|-------|-------|
| <b>Associated company</b>    |       |       |
| Income                       |       |       |
| Expenses                     |       |       |
| Receivables                  | 1,095 | 1,095 |
| Liabilities                  |       |       |
| <b>Other related parties</b> |       |       |
| Income                       |       |       |
| Expenses                     | -173  | -58   |
| Receivables                  |       |       |
| Liabilities                  | 4     |       |

Other related parties include transactions by the members of the Board of Directors or key management personnel and their family members, or companies over which they exercise control, with Group companies.

### 7.3.1. Remuneration and holdings of the management

The Annual General Meeting decides on the remuneration of the members of the Board of Directors. As of September 2019, the remuneration paid to the chairman of the Board of Directors is EUR 3,500 per month and the remuneration paid to other members (excluding the representatives of Intera Partners) is EUR 950 per month.

The remuneration of the Managing Directors and members of the Group Management Team is comprised of total salary (including salary and any fringe benefits, such as ordinary company car and mobile phone benefit) and a short-term incentive decided on by the company's Board of Directors. The short-term incentive is comprised of an annual performance bonus. The Sitowise Group has not taken out additional pension insurance policies for the Managing Director

| EUR thousand   | 2019         | 2018         |
|--|--------------|--------------|
| Remuneration of the Board of Directors   | 56           | 63           |
| Wages and salaries paid to the Managing Directors, including fringe benefits             | 457          | 204          |
| Wages and salaries paid to the members of the Management Team, including fringe benefits | 1,080        | 975          |
| <b>Management's wages and salaries total</b>   | <b>1,593</b> | <b>1,242</b> |

or senior management. The Board of Directors annually confirms the conditions and reward criteria based on which performance bonuses are paid to the Group Management Team. Any performance bonus is based on reaching the set financial objectives, such as EBITDA or other objectives, at the level of the Group and/or the business unit concerned. In addition to these, members of the Group Management Team may have personal or team-specific objectives.

The Managing Director changed during 2019, and both directors' wages and salaries are reported in the table. The wages and salaries are cash-based.

The Managing Director's retirement age is 64 years and six months. The period of notice of the Managing Director is six months for both parties. Besides salary for the period of notice, the Managing Director is not entitled to a separate severance payment upon resigning. If the company terminates the Managing Director's employment due to a reason other than the Managing Director's severe misconduct, crime or similar reason, the Managing Director is, in addition to salary for the six-month period of notice, entitled to compensation amounting to a maximum of six months' salary, provided that the Managing Director has not entered into an employment or service relationship with a third party during the said period.

| Holdings of the Board of Directors and Management Team | qty              | % of shares |
|--|------------------|-------------|
| Board of Directors *)                                  | 9,109            | 0.7%        |
| Managing Director                                      | 10,998           | 0.9%        |
| Other members of the Management Team                   | 41,572           | 3.3%        |
| <b>Total</b>   | <b>1,273,178</b> | <b>100%</b> |

\*) Includes direct holding and/or via a company

Some of the members of the Board of Directors are in the service of Intera Partners. Intera Fund III Ky, governed by Intera Partners, held 37% of the shares at the end of 2019.

### 7.3.2. Share-based incentive scheme

In June 2019, the Board of Directors of the Sitowise Group decided, as authorized by the shareholders, on a share-based incentive scheme for the Managing Director of the Sitowise Group. The share-based incentive scheme is part of the company's remuneration scheme for the Managing Director, and it aims to support the implementation of the company's strategy and to align the objectives of the Managing Director and the company's shareholders to increase the value of the company and improve its performance.

The share-based incentive scheme is considered to be included in the scope of application of IFRS 2 Share-based Payment. The option rights included in the scheme are measured at fair value at the time of granting and expensed through profit and loss in equal items as the vesting period proceeds. The expense determined at the time of granting the options is based on the Group's estimate of the number of options expected to be vested at the end of the vesting period. The fair value is determined using the Black-Scholes-Merton model. The Group updates the assumption of the final number of options on the closing date of each reporting period. Changes in the estimates are recognized through profit and loss.

The Managing Director has the right to subscribe for 7,692 series A2 shares in Sitowise Holding I Oy. The subscription period of the shares commences on the date on which the options are granted and is valid until further notice. Each option entitles its holder to subscribe for one new series A2 share in the company. The subscription price of the shares is EUR 52 per A2 share. The profit and loss account of the Sitowise Group for 2019 includes expenses of EUR 34 thousand relating to this.

### 7.4. SIGNIFICANT EVENTS AFTER THE CLOSING DATE

Minttu Vilander, M.A., started as Chief Communications and Corporate Responsibility Officer and member of the Management Team at Sitowise in February.

The full demerger of Sitowise Oy's wholly owned subsidiary Sito Rakennuttajat Oy was registered on 30 June 2020.

Sitowise Oy's wholly owned subsidiaries Envimetria Oy, Helimäki Akustikot Oy and Wise Group Consulting Oy merged into Sitowise Oy on 31 May 2020.

Sitowise Oy's wholly owned subsidiary Saircon Oy merged into Sitowise Oy on 31 July 2020.

In July, Sitowise Oy acquired the entire share capital of Jyväskylä-based IT company Ficonic Solutions Oy.

In August, Sitowise Oy divested its telecommunications business to Reijlers. The telecommunications unit has been part of the Project management business of Sitowise, which will be reorganized with the divestment. In the transformation, Sitowise's building development function will become part of the Building Solutions business and infrastructure development and circular economy and project management will be part of the Infrastructure Solutions business going forward.

The impact of COVID-19 on the Sitowise Group is described in the Board of Directors' report under future outlook.

## 8. ADOPTION OF IFRS STANDARDS

The IFRS financial statements are the Sitowise Group's first consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS) approved by the EU in force on 31 December 2019. The IFRS transition date was 1 January 2018. The Group applied IFRS 1 First-time Adoption of International Financial Reporting Standards in the IFRS transition. In addition, the Group applied IFRS 16 Leases as of 1 January 2018.

Previously, the Group followed the Finnish Accounting Standards (FAS).

The impacts of the adoption of IFRS standards on the consolidated profit and loss account for the financial period 1 January–31 December 2018 and consolidated balance sheet pursuant to the Finnish Accounting Standards (FAS) on the IFRS transition dates 1 January 2018 and 31 December 2018.

| Income reconciliation 1 January–31 December 2018<br>EUR thousand | FY 2018<br>FAS | Leases      | Discontinued<br>operations | Acquisitions | Other<br>adjustments | FY 2018<br>IFRS |
|--|----------------|-------------|----------------------------|--------------|----------------------|-----------------|
| Net sales  | 128,611        | 0           | -223                       | 0            | -2,696               | 125,693         |
| Other operating income   | 1,020          | 0           | 0                          | 0            | 0                    | 1,020           |
| Materials and services   | -17,667        | 0           | 2,051                      | 0            | 2,696                | -12,921         |
| Personnel expenses   | -80,150        | 0           | 272                        | 0            | -18                  | -79,896         |
| Other operating expenses   | -21,130        | 4,551       | 1,762                      | -134         | 116                  | -14,834         |
| Share of profit of associated companies                          | 393            | 0           | 0                          | 0            | 0                    | 393             |
| Depreciation, amortization and impairment                        | -11,050        | -4,316      | 0                          | 9,182        | 0                    | -6,184          |
| <b>Operating profit</b>  | <b>28</b>      | <b>235</b>  | <b>3,862</b>               | <b>9,048</b> | <b>98</b>            | <b>13,271</b>   |
| Financial income   | 48             | 0           | 0                          | 0            | 0                    | 48              |
| Financial expenses   | -5,162         | -455        | 2,618                      | 0            | 806                  | -2,193          |
| <b>Profit before taxes</b>                                       | <b>-5,086</b>  | <b>-221</b> | <b>6,480</b>               | <b>9,048</b> | <b>904</b>           | <b>11,126</b>   |
| Income taxes   | -1,645         | 44          | 0                          | 1            | -12                  | -1,613          |
| <b>Result from continuing operations</b>                         | <b>-6,731</b>  | <b>-177</b> | <b>6,480</b>               | <b>9,049</b> | <b>892</b>           | <b>9,513</b>    |

#### Discontinued operations

|                                     |   |   |        |   |   |        |
|-------------------------------------|---|---|--------|---|---|--------|
| Result from discontinued operations | 0 | 0 | -6,480 | 0 | 0 | -6,480 |
|-------------------------------------|---|---|--------|---|---|--------|

|                              |               |             |          |              |            |              |
|------------------------------|---------------|-------------|----------|--------------|------------|--------------|
| <b>Profit for the period</b> | <b>-6,731</b> | <b>-177</b> | <b>0</b> | <b>9,049</b> | <b>892</b> | <b>3,033</b> |
|------------------------------|---------------|-------------|----------|--------------|------------|--------------|

| Income reconciliation 1 January–31 December 2019<br>EUR thousand | FY 2019<br>FAS | Leases      | Discontinued<br>operations | Acquisitions | Other<br>adjustments | FY 2019<br>IFRS |
|--|----------------|-------------|----------------------------|--------------|----------------------|-----------------|
| Net sales  | 147,990        | 0           | -3,694                     | 0            | -1,280               | 143,016         |
| Other operating income   | 560            | 252         | 0                          | 0            | 0                    | 813             |
| Materials and services   | -17,658        | 0           | 2,980                      | 0            | 1,280                | -13,398         |
| Personnel expenses   | -92,637        | 0           | 1,200                      | 0            | -255                 | -91,692         |
| Other operating expenses   | -25,210        | 5,168       | 1,244                      | -789         | -132                 | -19,719         |
| Share of profit of associated companies                          | 0              | 0           | 0                          | 0            | 0                    | 0               |
| Depreciation, amortization and impairment                        | -13,311        | -5,197      | -725                       | 10,556       | 0                    | -8,677          |
| <b>Operating profit</b>  | <b>-265</b>    | <b>223</b>  | <b>1,004</b>               | <b>9,767</b> | <b>-386</b>          | <b>10,344</b>   |
| Financial income   | 44             | 0           | 0                          | 0            | 433                  | 477             |
| Financial expenses   | -3,204         | -505        | 0                          | 0            | 962                  | -2,747          |
| <b>Profit before taxes</b>                                       | <b>-3,425</b>  | <b>-281</b> | <b>1,004</b>               | <b>9,767</b> | <b>1,009</b>         | <b>8,074</b>    |
| Income taxes   | -572           | 56          | 0                          | 64           | 6                    | -445            |
| <b>Result from continuing operations</b>                         | <b>-3,997</b>  | <b>-225</b> | <b>1,004</b>               | <b>9,831</b> | <b>1,015</b>         | <b>7,628</b>    |

#### Discontinued operations

|                                     |   |   |        |   |   |        |
|-------------------------------------|---|---|--------|---|---|--------|
| Result from discontinued operations | 0 | 0 | -1,012 | 0 | 0 | -1,012 |
|-------------------------------------|---|---|--------|---|---|--------|

|                              |               |             |           |              |              |              |
|------------------------------|---------------|-------------|-----------|--------------|--------------|--------------|
| <b>Profit for the period</b> | <b>-3,997</b> | <b>-225</b> | <b>-8</b> | <b>9,831</b> | <b>1,015</b> | <b>6,617</b> |
|------------------------------|---------------|-------------|-----------|--------------|--------------|--------------|

| Balance sheet reconciliation 1 January 2018<br>EUR thousand | 1 January 2018<br>FAS | Leases        | Discontinued<br>operations | Acquisitions | Other<br>adjustments | 1 January 2018<br>IFRS |
|---|-----------------------|---------------|----------------------------|--------------|----------------------|------------------------|
| <b>Assets</b>   |                       |               |                            |              |                      |                        |
| Goodwill  | 67,521                | 0             | 0                          | 0            | 0                    | 67,521                 |
| Other intangible assets                                     | 1,923                 | 0             | 0                          | 0            | -627                 | 1,296                  |
| Tangible assets   | 2,264                 | 15,477        | 0                          | 0            | 627                  | 18,368                 |
| Participating interests                                     | 1,331                 | 0             | 0                          | 0            | 0                    | 1,331                  |
| Other shares, similar rights of ownership and receivables   | 744                   | 0             | 0                          | 0            | 0                    | 744                    |
| Deferred tax assets   | 0                     | 0             | 0                          | 0            | 159                  | 159                    |
| Other receivables   | 2                     | 0             | 0                          | 0            | 0                    | 2                      |
| <b>Non-current assets total</b>                             | <b>73,785</b>         | <b>15,477</b> | <b>0</b>                   | <b>0</b>     | <b>159</b>           | <b>89,421</b>          |
| Trade and other receivables                                 | 30,358                | 0             | 0                          | 0            | -794                 | 29,563                 |
| Cash and cash equivalents                                   | 1,681                 | 0             | 0                          | 0            | 0                    | 1,681                  |
| <b>Current assets total</b>                                 | <b>32,038</b>         | <b>0</b>      | <b>0</b>                   | <b>0</b>     | <b>-794</b>          | <b>31,244</b>          |
| <b>Assets total</b>   | <b>105,824</b>        | <b>15,477</b> | <b>0</b>                   | <b>0</b>     | <b>-635</b>          | <b>120,666</b>         |

| EUR thousand                                       | 1 January 2018<br>FAS | Leases        | Discontinued<br>operations | Acquisitions | Other<br>adjustments | 1 January 2018<br>IFRS |
|--|-----------------------|---------------|----------------------------|--------------|----------------------|------------------------|
| <b>Shareholders' equity and liabilities</b>        |                       |               |                            |              |                      |                        |
| Share capital                                      | 3                     | 0             | 0                          | 0            | 0                    | 3                      |
| Fund for invested unrestricted equity              | 30,119                | 0             | 0                          | 0            | 0                    | 30,119                 |
| Subordinated loans                                 | 14,145                | 0             | 0                          | 0            | 0                    | 14,145                 |
| Retained earnings                                  | -2,497                | 0             | 0                          | 0            | 748                  | -1,748                 |
| <b>Equity attributable to owners of the parent</b> | <b>41,770</b>         | <b>0</b>      | <b>0</b>                   | <b>0</b>     | <b>748</b>           | <b>42,519</b>          |
| <b>Non-controlling interest</b>                    | <b>0</b>              | <b>0</b>      | <b>0</b>                   | <b>0</b>     | <b>0</b>             | <b>0</b>               |
| Deferred tax liabilities                           | 0                     | 0             | 0                          | 0            | 184                  | 184                    |
| Financial liabilities                              | 33,594                | 11,466        | 0                          | 0            | -864                 | 44,196                 |
| Other liabilities                                  | 22                    | 0             | 0                          | 0            | 0                    | 22                     |
| <b>Non-current liabilities total</b>               | <b>33,617</b>         | <b>11,466</b> | <b>0</b>                   | <b>0</b>     | <b>-681</b>          | <b>44,402</b>          |
| Contractual liabilities                            |                       |               |                            |              |                      |                        |
| Income tax liabilities                             | 375                   | 0             | 0                          | 0            | 0                    | 375                    |
| Financial liabilities                              | 3,325                 | 4,012         | 0                          | 0            | -54                  | 7,282                  |
| Accounts payable and other liabilities             | 26,737                | 0             | 0                          | 0            | -649                 | 26,088                 |
| <b>Total current liabilities</b>                   | <b>30,437</b>         | <b>4,012</b>  | <b>0</b>                   | <b>0</b>     | <b>-703</b>          | <b>33,745</b>          |
| <b>Total shareholders' equity and liabilities</b>  | <b>105,824</b>        | <b>15,477</b> | <b>0</b>                   | <b>0</b>     | <b>-635</b>          | <b>120,666</b>         |

| Balance sheet reconciliation 31 December 2018<br>EUR thousand | 31 December 2018<br>FAS | Leases        | Discontinued<br>operations | Acquisitions | Other<br>adjustments | 31 December 2018<br>IFRS |
|---|-------------------------|---------------|----------------------------|--------------|----------------------|--------------------------|
| <b>Assets</b>   |                         |               |                            |              |                      |                          |
| Goodwill  | 70,318                  | 0             | 0                          | 8,821        | 0                    | 79,139                   |
| Other intangible assets                                       | 2,200                   | 0             | 0                          | 227          | -548                 | 1,879                    |
| Tangible assets   | 2,379                   | 14,640        | 0                          | 0            | 548                  | 17,566                   |
| Participating interests                                       | 0                       | 0             | 0                          | 0            | 0                    | 0                        |
| Other shares, similar rights of ownership and receivables     | 823                     | 0             | 0                          | 0            | 0                    | 823                      |
| Deferred tax assets   | 1                       | 44            | 0                          | 0            | 136                  | 181                      |
| <b>Non-current assets total</b>                               | <b>75,721</b>           | <b>14,684</b> | <b>0</b>                   | <b>9,048</b> | <b>136</b>           | <b>99,589</b>            |
| Trade and other receivables                                   | 37,999                  | 0             | 0                          | 0            | -3,871               | 34,127                   |
| Cash and cash equivalents                                     | 9,280                   | 0             | 0                          | 0            | 0                    | 9,280                    |
| <b>Current assets total</b>                                   | <b>47,278</b>           | <b>0</b>      | <b>0</b>                   | <b>0</b>     | <b>-3,871</b>        | <b>43,407</b>            |
| <b>Assets total</b>   | <b>122,999</b>          | <b>14,684</b> | <b>0</b>                   | <b>9,048</b> | <b>-3,736</b>        | <b>142,996</b>           |

| EUR thousand                                       | 31 December 2018<br>FAS | Leases        | Discontinued<br>operations | Acquisitions | Other<br>adjustments | 31 December 2018<br>IFRS |
|--|-------------------------|---------------|----------------------------|--------------|----------------------|--------------------------|
| <b>Shareholders' equity and liabilities</b>        |                         |               |                            |              |                      |                          |
| Share capital                                      | 3                       | 0             | 0                          | 0            | 0                    | 3                        |
| Fund for invested unrestricted equity              | 32,610                  | 0             | 0                          | 0            | 0                    | 32,610                   |
| Subordinated loans                                 | 14,145                  | 0             | 0                          | 0            | 0                    | 14,145                   |
| Retained earnings                                  | -11,654                 | -177          | 0                          | 9,049        | 1,658                | -1,124                   |
| <b>Equity attributable to owners of the parent</b> | <b>35,104</b>           | <b>-177</b>   | <b>0</b>                   | <b>9,049</b> | <b>1,658</b>         | <b>45,634</b>            |
| <b>Non-controlling interest</b>                    | <b>164</b>              | <b>0</b>      | <b>0</b>                   | <b>0</b>     | <b>0</b>             | <b>164</b>               |
| Deferred tax liabilities                           | 0                       | 0             | 0                          | -1           | 173                  | 172                      |
| Financial liabilities                              | 41,608                  | 10,264        | 0                          | 0            | -966                 | 50,906                   |
| Other liabilities                                  | 3,233                   | 0             | 0                          | 0            | -3,193               | 40                       |
| <b>Non-current liabilities total</b>               | <b>44,841</b>           | <b>10,264</b> | <b>0</b>                   | <b>-1</b>    | <b>-3,986</b>        | <b>51,118</b>            |
| Income tax liabilities                             | 1,009                   | 0             | 0                          | 0            | 0                    | 1,009                    |
| Financial liabilities                              | 7,917                   | 4,596         | 0                          | 0            | 102                  | 12,614                   |
| Accounts payable and other liabilities             | 33,965                  | 0             | 0                          | 0            | -1,509               | 32,456                   |
| <b>Total current liabilities</b>                   | <b>42,891</b>           | <b>4,596</b>  | <b>0</b>                   | <b>0</b>     | <b>-1,408</b>        | <b>46,080</b>            |
| <b>Total shareholders' equity and liabilities</b>  | <b>122,999</b>          | <b>14,684</b> | <b>0</b>                   | <b>9,048</b> | <b>-3,736</b>        | <b>142,997</b>           |



| Balance sheet reconciliation 31 December 2019<br>EUR thousand | 31 December 2019<br>FAS | Leases        | Discontinued<br>operations | Acquisitions  | Other<br>adjustments | 31 December 2019<br>IFRS |
|---|-------------------------|---------------|----------------------------|---------------|----------------------|--------------------------|
| <b>Assets</b>   |                         |               |                            |               |                      |                          |
| Goodwill  | 85,356                  | 0             | 0                          | 16,377        | 0                    | 101,733                  |
| Other intangible assets                                       | 2,127                   | 0             | 0                          | 2,301         | -467                 | 3,961                    |
| Tangible assets   | 3,145                   | 24,171        | 0                          | 0             | 467                  | 27,783                   |
| Participating interests                                       | 0                       | 0             | 0                          | 0             | 0                    | 0                        |
| Other shares, similar rights of ownership and receivables     | 1,252                   | 0             | 0                          | 0             | 0                    | 1,252                    |
| Deferred tax assets   | 1,199                   | 101           | 0                          | 0             | 162                  | 1,461                    |
| <b>Non-current assets total</b>                               | <b>93,078</b>           | <b>24,271</b> | <b>0</b>                   | <b>18,679</b> | <b>162</b>           | <b>136,190</b>           |
| Trade and other receivables                                   | 42,988                  | 0             | 0                          | 0             | -810                 | 42,179                   |
| Cash and cash equivalents                                     | 10,346                  | 0             | 0                          | 0             | 0                    | 10,346                   |
| <b>Current assets total</b>                                   | <b>53,334</b>           | <b>0</b>      | <b>0</b>                   | <b>0</b>      | <b>-810</b>          | <b>52,524</b>            |
| <b>Assets total</b>   | <b>146,412</b>          | <b>24,271</b> | <b>0</b>                   | <b>18,679</b> | <b>-648</b>          | <b>188,714</b>           |

| EUR thousand                                       | 31 December 2019<br>FAS | Leases        | Discontinued<br>operations | Acquisitions  | Other<br>adjustments | 31 December 2019<br>IFRS |
|--|-------------------------|---------------|----------------------------|---------------|----------------------|--------------------------|
| <b>Shareholders' equity and liabilities</b>        |                         |               |                            |               |                      |                          |
| Share capital                                      | 3                       | 0             | 0                          | 0             | 0                    | 3                        |
| Fund for invested unrestricted equity              | 40,471                  | 0             | 0                          | 0             | 0                    | 40,471                   |
| Subordinated loans                                 | 14,145                  | 0             | 0                          | 0             | 0                    | 14,145                   |
| Retained earnings                                  | -19,180                 | -401          | 0                          | 18,873        | 2,927                | 2,218                    |
| <b>Equity attributable to owners of the parent</b> | <b>35,438</b>           | <b>-401</b>   | <b>0</b>                   | <b>18,873</b> | <b>2,927</b>         | <b>56,837</b>            |
| <b>Non-controlling interest</b>                    | <b>291</b>              | <b>0</b>      | <b>0</b>                   | <b>0</b>      | <b>0</b>             | <b>291</b>               |
| Deferred tax liabilities                           | 489                     | 0             | 0                          | 575           | 193                  | 1,257                    |
| Financial liabilities                              | 58,228                  | 20,177        | 0                          | 0             | -604                 | 77,802                   |
| Other liabilities                                  | 771                     | 0             | 0                          | -769          | 0                    | 2                        |
| <b>Non-current liabilities total</b>               | <b>59,488</b>           | <b>20,177</b> | <b>0</b>                   | <b>-194</b>   | <b>-411</b>          | <b>79,061</b>            |
| Contractual liabilities                            |                         |               |                            |               |                      |                          |
| Income tax liabilities                             | 842                     | 0             | 0                          | 0             | 0                    | 842                      |
| Financial liabilities                              | 3745                    | 4,495         | 0                          | 0             | -362                 | 7,879                    |
| Accounts payable and other liabilities             | 46,608                  | 0             | 0                          | 0             | -2,802               | 43,805                   |
| <b>Total current liabilities</b>                   | <b>51,195</b>           | <b>4,495</b>  | <b>0</b>                   | <b>0</b>      | <b>-3,164</b>        | <b>52,526</b>            |
| <b>Total shareholders' equity and liabilities</b>  | <b>146,412</b>          | <b>24,271</b> | <b>0</b>                   | <b>18,679</b> | <b>-648</b>          | <b>188,714</b>           |

| EUR thousand                  | 1 January 2018 | 31 December 2018 | 31 December 2019 |
|-------------------------------|----------------|------------------|------------------|
| FAS retained earnings         | -2,497         | -11,654          | -19,180          |
| IFRS 16                       | 0              | -177             | -401             |
| IFRS 3                        | 0              | 9,049            | 18,873           |
| Other standards               | 744            | 1,664            | 2,810            |
| <b>IFRS retained earnings</b> | <b>-1,752</b>  | <b>-1,118</b>    | <b>2,101</b>     |

The cash and cash equivalents of the Sitowise Group were EUR 10,346 thousand (31 December 2019) and 9,280 thousand (31 December 2018). The IFRS transition did not have an impact on the cash and cash equivalents of the Sitowise Group. The most significant differences in the cash flow statements are associated with the reporting of lease liabilities.

### 8.1. LEASES

The Sitowise Group adopted the new IFRS 16 standard on 1 January 2018, applying a simplified retrospective procedure and accordingly recognized leases as assets and lease liabilities on the balance sheet, from which they will be expensed as amortization and financial expenses over the lease term.

In the FAS financial statements of the Sitowise Group, rents are expensed through profit and loss over the lease term. Lease liabilities arising from leases are reported as off-balance sheet liabilities in the notes.

An equal increase as a fixed asset and lease liability relating to leases was recognized in the IFRS financial statements on 1 January 2018. Rent payments previously reported in other operating expenses in accordance with FAS on the consolidated profit and loss account are divided into repayment of lease liability and interest expenses. In addition, depreciation on fixed assets are recognized on the IFRS profit and loss account. The Sitowise Group recognized a deferred tax asset relating to lease entries in 2018. The Sitowise Group makes use of practical reliefs for short-term leases of minor value, for which rent payments are expensed to other operating income during the lease term.

### 8.2. DISCONTINUED OPERATIONS

During 2017–2019, the Group took part in a dredging contracting project in Lithuania through its subsidiary Sito Rakennuttajat Oy. The project was not part of the Group's core business, and it ended in spring 2019. In accordance with the IFRS standards, discontinued operations are reported separately from continuing operations.

### 8.3. GOODWILL AND COMPANY ACQUISITIONS

The Sitowise Group chose 1 January 2018 as the date of adopting IFRS 3, as of which business combinations have been treated in accordance with IFRS 3. In conjunction with the IFRS transition, the Sitowise Group has applied the first-time adopter relief based on which IFRS 3 Business Combinations has not been retrospectively applied to acquisitions completed prior to 1 January 2018.

On the date of adoption of IFRS 3, 1 January 2018, the Group's FAS balance sheet included EUR 67,521 thousand of goodwill from business combinations. The classification or treatment of these mergers and acquisitions in the financial statements have not been adjusted in preparing the Group's opening IFRS balance sheet. Goodwill equals the book value pursuant to the previous financial statements standards, which has been used as the deemed cost pursuant to the IFRS standards.

In accordance with IFRS, company acquisitions are treated using the acquisition method. Goodwill is not amortized, but tested annually for any impairment. Because of this, the amortization of goodwill recognized in the FAS financial statements for 1 January–31 December 2018, totalling EUR 9.2 million, has been reversed to goodwill. The impairment testing on goodwill did not indicate impairment of goodwill. In accordance with IFRS, acquisition-related costs are recognized as expenses on the profit and loss account when they emerge, and they are reported in other operating expenses on the profit and loss account.

The following adjustments pursuant to IFRS have been recognized in the FAS goodwill on 1 January 2018 and 31 December 2018:

| EUR thousand   | 1 January 2018 | 31 December 2018 |
|--|----------------|------------------|
| FAS goodwill   | 67,521         | 70,318           |
| Reversal of FAS amortization of goodwill                   |                | 9,190            |
| Acquisition-related expenses recognized as expense         |                | -134             |
| Recognized customer relationships and technology purchases |                | -235             |
| <b>IFRS goodwill</b>                                       | <b>67,521</b>  | <b>79,139</b>    |

The Sitowise Group recognized EUR 235 thousand of customer relationships and technology from the acquisition of DWG and Dimenteq. The amortization period for these intangible assets is five years.

| EUR thousand   | 1 January 2018 | 31 December 2018 |
|--|----------------|------------------|
| Recognized customer relationships and technology purchases |                | 235              |
| Depreciation and amortization according to plan            |                | -8               |
| <b>IFRS goodwill</b>                                       | <b>0</b>       | <b>227</b>       |

In conjunction with the acquisition of Dimenteq, the Sitowise Group recognized technology-related deferred tax liabilities of EUR 0.1 thousand. The Sitowise Group did not recognize deferred tax liabilities in conjunction with the acquisition of DWG, because there is no corporate tax in Latvia.

#### 8.4. OTHER ADJUSTMENTS

##### 8.4.1. Effective interest

The Sitowise Group had EUR 36,001 thousand of loans from financial institutions on 1 January 2018 and EUR 48,660 thousand on 31 December 2018. The Sitowise Group made several additions to its bank contract and took out new loans during the year through these contract additions. The funds were used for financing acquisitions.

The loans from financial institutions included transaction expenses which were expensed at the time of withdrawing the loan in the FAS financial statements. When applying the IFRS, loans are initially recognized at fair value less transaction costs. The loan-related transaction costs are amortized over the loan term using the effective interest method. The Sitowise Group recognized transaction costs relating to the effective interest method on the IFRS adjustment as a decrease in interest-bearing loans and, adjusted for deferred tax, increase in retained earnings. The adjustment made for the 2018 financial year had an impact of EUR -43 thousand on the profit for the period.

##### 8.4.2. Alterations and renovations of leased premises

Alterations and renovations to leased premises are classified into other long-term expenses in the FAS. In accordance with the IFRS, alterations and renovations of leased premises, EUR 627 thousand on 1 January 2018, EUR 548 thousand on 31 December 2018, were classified as tangible assets instead of intangible assets.

##### 8.4.3. Subordinated loans

Subordinated loans granted to the Sitowise Group total EUR 14,145 thousand. The loan meets the criteria for a subordinated loan laid down in chapter 12 of the Limited Liability Companies Act. In the FAS, interest expenses are recognized on the profit and loss account and interest liabilities on the balance sheet for subordinated loans. In accordance with the IFRS standards, these interest expenses and interest liabilities have been removed from the balance sheet, because the Board of Directors has not made a decision on recognizing or repaying interest. On 1 January 2018, the interest liabilities of the subordinated loans were adjusted by EUR 649 thousand and on 31 December 2018 by EUR 1,509 thousand.

##### 8.4.4. Expected credit losses (ECL)

The Sitowise Group recognizes a loss allowance for trade receivables for expected credit losses.

Loss allowances associated with trade receivables are always measured at an amount corresponding to the expected credit losses for the entire period of validity. This allowance was recognized in retained earnings on 1 January 2018 and the change in the period 1 January–31 December 2018 in the profit for the period. The adjustment had an impact of EUR 93 thousand on the profit for the period 1 January–31 December 2018.

The Sitowise Group uses a provision matrix for measuring the expected credit losses from trade receivables. The provision matrix is based on previously realized observed default rates during the expected period of validity of trade receivables, and it is adjusted for forward-looking estimates.

##### 8.4.5. Employment benefits

In accordance with the IFRS, share-based incentive schemes and options are recognized as employment benefits. Because of this, the Sitowise Group recognized the options of the “working partners” of its subsidiary DWG as short-term employment benefits on the profit and loss account instead of shareholders’ equity. On 31 December 2018, shareholders’ equity was adjusted by EUR 10 thousand.

##### 8.4.6. Revenue recognition

On the basis of certain customer contracts, the Sitowise Group is an agent and not a principal, such as in the Maapörssi business. Maapörssi is a recycling exchange for soil. Therefore, the net sales and subcontracting costs are adjusted by EUR 2,696 thousand as of 31 December 2018 in accordance with the IFRS.

##### 8.4.7. Deferred taxes

The Group has not recognized deferred taxes for temporary differences in the FAS financial statements of 31 December 2018. When applying the IFRS, deferred taxes are, as a rule, calculated for all temporary differences between book value and value in taxation.

## PARENT COMPANY’S FINANCIAL STATEMENTS

### SITOWISE HOLDING I OY: PROFIT AND LOSS ACCOUNT (FAS)

| EUR thousand                                       | Note | 1 January–31 December 2019 | 1 January–31 December 2018 |
|--|------|----------------------------|----------------------------|
| Net sales  |      | 0                          | 0                          |
| Other operating expenses                           | 2    | -5                         | -1                         |
| <b>Operating profit/loss</b>                       |      | <b>-5</b>                  | <b>-1</b>                  |
| Financial income and expenses                      | 3    | -865                       | -948                       |
| <b>Profit/loss before appropriations and taxes</b> |      | <b>-870</b>                | <b>-949</b>                |
| Group contributions                                | 4    | 3,450                      | 6,779                      |
| Income taxes                                       | 5    | -516                       | -953                       |
| <b>Profit for the period</b>                       |      | <b>2,064</b>               | <b>4,877</b>               |

### SITOWISE HOLDING I OY: BALANCE SHEET (FAS)

| EUR thousand                                      | Note | 31 December 2019 | 31 December 2018 |
|---|------|------------------|------------------|
| <b>Assets</b>                                     |      |                  |                  |
| <b>Non-current assets</b>                         |      |                  |                  |
| Holdings in Group companies                       | 6    | 56,887           | 49,860           |
| <b>Non-current assets total</b>                   |      | <b>56,887</b>    | <b>49,860</b>    |
| <b>Current assets</b>                             |      |                  |                  |
| Current receivables                               | 7    | 1,050            | 1,016            |
| Cash and cash equivalents                         |      | 294              | 49               |
| Current assets total                              |      | 1,344            | 1,065            |
| <b>Assets total</b>                               |      | <b>58,231</b>    | <b>50,925</b>    |
| <b>Shareholders’ equity and liabilities</b>       |      |                  |                  |
| <b>Shareholders’ equity</b>                       | 8    |                  |                  |
| Share capital                                     |      | 3                | 3                |
| Fund for invested unrestricted equity             |      | 40,471           | 32,610           |
| Retained earnings                                 |      | -1,338           | -3,186           |
| Profit (loss) for the period                      |      | 2,064            | 4,877            |
| Subordinated loan                                 |      | 14,145           | 14,145           |
| <b>Total shareholders’ equity</b>                 |      | <b>55,344</b>    | <b>48,449</b>    |
| <b>Liabilities</b>                                |      |                  |                  |
| Current liabilities                               | 9    | 2,887            | 2,476            |
| <b>Liabilities total</b>                          |      | <b>2,887</b>     | <b>2,476</b>     |
| <b>Shareholders’ equity and liabilities total</b> |      | <b>58,231</b>    | <b>50,925</b>    |

# SITOWISE HOLDING I OY: NOTES TO THE FINANCIAL STATEMENTS (FAS)

Copies of the consolidated financial statements of the Sitowise Group are available from Linnoitustie 6 D, FI-02600 Espoo, Finland.

## 1. ACCOUNTING POLICIES OF THE FINANCIAL STATEMENTS

### 1.1. 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-RELATED 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

During the financial period 1 January–31 December 2018, the Group transitioned to using the straight-line method of depreciation for machinery and equipment instead of the previously used reducing balance method of depreciation.

### 1.2. MEASUREMENT OF INVESTMENTS

Investments are measured at acquisition cost.

## 2. OTHER OPERATING EXPENSES

| EUR thousand    | 2019     | 2018     |
|-----------------|----------|----------|
| Statutory audit | 1        | 1        |
| <b>Total</b>    | <b>1</b> | <b>1</b> |

## 3. FINANCIAL INCOME AND EXPENSES

| EUR thousand             | 2019        | 2018        |
|--------------------------|-------------|-------------|
| Interest expenses        |             |             |
| To others                | -860        | -860        |
| Other financial expenses | -5          | -88         |
| <b>Total</b>             | <b>-865</b> | <b>-948</b> |

## 4. APPROPRIATIONS

| EUR thousand                 | 2019         | 2018         |
|------------------------------|--------------|--------------|
| Group contributions received | 3,450        | 6,779        |
| <b>Total</b>                 | <b>3,450</b> | <b>6,779</b> |

## 5. DIRECT TAXES

| EUR thousand   | 2019        | 2018        |
|--|-------------|-------------|
| Direct taxes payable on actual operations for the financial period | -516        | -953        |
| <b>Change in deferred taxes</b>                                    | <b>-516</b> | <b>-953</b> |

## 6. INVESTMENTS

| EUR thousand                        | 2019          | 2018          |
|-------------------------------------|---------------|---------------|
| Acquisition cost 1 January          | 49,860        | 43,705        |
| Increase                            | 7,027         | 6,155         |
| Decrease                            | 0             | 0             |
| <b>Acquisition cost 31 December</b> | <b>56,887</b> | <b>49,860</b> |

| Holding                | 2019 | 2018 |
|------------------------|------|------|
| Sitowise Holding II Oy | 100% | 100% |

## 7. CURRENT RECEIVABLES

| EUR thousand                        | 2019         | 2018         |
|-------------------------------------|--------------|--------------|
| Other accrued income                | 0            | 12           |
| Accrued income from Group companies | 1,050        | 1,004        |
| <b>Change in deferred taxes</b>     | <b>1,050</b> | <b>1,016</b> |

## 8. SHAREHOLDERS' EQUITY

| EUR thousand                                     | 2019          | 2018          |
|--|---------------|---------------|
| Share capital at the beginning of the period     | 3             | 3             |
| Increase in share capital                        | 0             | 0             |
|  | <b>3</b>      | <b>3</b>      |
| Fund for invested unrestricted equity            | 32,610        | 30,119        |
| Increase   | 7,861         | 2,491         |
|  | <b>40,471</b> | <b>32,610</b> |
| Retained earnings at the beginning of the period | 1,691         | -1,208        |
| Distribution of dividends                        | -597          | -460          |
| Share repurchase                                 | -2,432        | -1,518        |
|  | <b>-1,338</b> | <b>-3,186</b> |
| <b>Profit/loss for the financial period</b>      | <b>2,064</b>  | <b>4,877</b>  |
| Subordinated loan                                | 14,145        | 14,145        |
| <b>Total shareholders' equity</b>                | <b>55,344</b> | <b>48,449</b> |

| EUR thousand                          | 2019          | 2018          |
|---------------------------------------|---------------|---------------|
| Fund for invested unrestricted equity | 40,471        | 32,610        |
| Retained earnings                     | -1,338        | -3,186        |
| Profit/loss for the financial period  | 2,064         | 4,877         |
| <b>Retained earnings total</b>        | <b>41,197</b> | <b>34,301</b> |

Subordinated loans granted to the Group total EUR 14,145,180.00.

The loan meets the criteria for a subordinated loan laid down in chapter 12 of the Limited Liability Companies Act. Primary loan terms:

- The loan has no maturity date.
- The principal or interest of the loan may only be paid when the debtor dissolves or is in bankruptcy with a lower priority than all other liabilities.
- The principal of the loan may otherwise only be refunded to the extent that the company's unrestricted equity and all subordinated loans at the time of payment exceeds the amount of confirmed loss for the most recently ended financial period or the loss on the balance sheet included in more recent financial statements.
- The payment of interest is only possible within the limits of unrestricted equity.
- The creditor or its subsidiary has not and will not pledge a security for the payment of the loan or interest.
- The creditor has higher priority to the company's assets than the creditors of any subordinated loans subsequently taken out by the debtor. The debtor undertakes that the creditors of subsequent subordinated loans sign a related commitment to the creditor before signing an agreement on the above-mentioned loans.

- The interest not recognized as an expense on the subordinated loans is EUR 0.
- Subordinated loans are recognized on the balance sheet as a separate item.

## 9. LIABILITIES

| EUR thousand           | 2019         | 2018         |
|------------------------|--------------|--------------|
| Accounts payable       | 1            | 0            |
| Interest payable       | 2,370        | 1,509        |
| Company tax accrual    | 516          | 953          |
| Other accrued expenses | 0            | 14           |
| <b>Total</b>           | <b>2,887</b> | <b>2,476</b> |



## FINANCIAL INDICATORS

| EUR thousand                         | 2019    | 2018    |
|--------------------------------------|---------|---------|
| Net sales                            | 143,016 | 125,693 |
| EBITA, adjusted                      | 15,181  | 14,461  |
| % of net sales                       | 10.6%   | 11.5%   |
| EBITA                                | 12,017  | 13,813  |
| Operating profit (EBIT)              | 10,344  | 13,271  |
| % of net sales                       | 7.2%    | 10.6%   |
| Financial income and expenses        | -2,270  | -2,145  |
| Profit before taxes                  | 8,074   | 11,126  |
| Profit for the period                | 6,617   | 3,033   |
| Balance sheet total                  | 188,714 | 142,996 |
| Shareholders' equity                 | 57,128  | 45,798  |
| Cash and cash equivalents            | 10,346  | 9,280   |
| Net debt                             | 50,662  | 39,381  |
| Personnel at the end of the period   | 1,769   | 1,454   |
| Personnel expenses                   | 91,692  | 79,896  |
| Return on equity (ROE), %            | 13.2%   | 6.9%    |
| Return on capital employed (ROCE), % | 8.5%    | 13.0%   |
| Equity ratio, %                      | 30.3%   | 32.0%   |
| Net debt/EBITDA, adjusted            | 3.1x    | 2.6x    |
| Gearing, %                           | 132%    | 118%    |

**Formulas**

|                                      |   |  |
|--------------------------------------|---|--|
| Organic growth in net sales          | = | Growth in net sales excluding acquisitions and divestments   |
| EBITDA                               | = | Operating profit + depreciation, amortization and impairment   |
| EBITA                                | = | Operating profit excluding amortization of intangible assets   |
| Items affecting comparability        | = | Items affecting comparability are primarily associated with mergers and acquisitions, restructuring and integration expenses due to mergers and acquisitions |
| EBITDA, adjusted                     | = | EBITDA + items affecting comparability, in addition all lease liabilities are treated as operating leases, so lease expenses on the whole affect EBITDA      |
| EBITA, adjusted                      | = | EBITA + items affecting comparability  |
| Net debt                             | = | Loans from financial institutions - cash and cash equivalents (Net debt does not include lease liabilities)  |
| Return on equity (ROE), %            | = | $\frac{\text{Profit for the period}}{\text{Total shareholders' equity, average}}$  |
| Return on capital employed (ROCE), % | = | $\frac{(\text{Profit before taxes} + \text{financial expenses})}{(\text{Balance sheet total} - \text{non-interest-bearing liabilities}), \text{average}}$    |
| Equity ratio, %                      | = | $\frac{\text{Total shareholders' equity}}{\text{Balance sheet total}}$   |
| Net debt/EBITDA, adjusted            | = | $\frac{\text{Net debt}}{\text{EBITDA, adjusted}}$  |
| Gearing, %                           | = | $\frac{\text{Net debt}}{\text{Total shareholders' equity}}$  |

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

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

The distributable funds of the parent company amount to EUR 41,196,784.57, of which the profit for the financial period is EUR 2,063,967.38.

The Board of Directors proposed to the Annual General Meeting that dividends of EUR 665,856.26 be distributed to series P1 shares for the financial period ended 31 December 2019. The dividend proposal was accepted and the dividends were paid on 6 May 2020.

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

Helsinki, 24 September 2020

Eero Heliövaara  
Chairman of the Board

Pekka Eloholma  
Managing Director

Janne Näränen

Taina Kyllönen

Elina Piispanen

Petri Rignell

Tomi Terho

ATTACHMENT: Auditor's note

To the Board of Directors of Sitowise Holding I Oy

## Auditor's report concerning a general review of the consolidated financial statements of Sitowise Holding I Oy

### Introduction

We have carried out a general review of the consolidated financial statements of Sitowise Holding I Oy for the financial period 1 January–31 December 2019. The consolidated financial statements include the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, cash flow statement and notes, including a summary of key accounting policies applied to the financial statements. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) approved for use in the EU.

The Board of Directors and Managing Director are responsible for preparing the financial statements so that they portray a true and sufficient view in accordance with the International Financial Reporting Standards (IFRS) approved for use in the EU. The Board of Directors sees to the appropriate organization of accounts and finances and the Managing Director sees to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

### Scope of the general review

It is our duty to present a conclusion regarding the consolidated financial statements. We have conducted a general review in accordance with the ISRE 2400: Engagements to Review Historical Financial Statements international standard on review engagements. In accordance with ISRE 2400 (revised), we must conclude whether anything has come to our attention that causes us to believe that the consolidated financial statements are not prepared, in all material respects, in accordance with the International Financial Reporting Standards (IFRS) approved for use in the EU. The Auditing Act requires us to comply with principles of professional ethics.

A general review of the financial statements in accordance with ISRE 2400 (revised) is an engagement that provides limited certainty. Measures taken by the auditor are primarily comprised of enquiries to the acting management and others working in the undertaking as appropriate and analytical measures, and the auditor assesses the evidence obtained.

The measures taken in a general review are considerably narrower than the measures taken in an audit pursuant to auditing standards. Therefore, we will not issue an audit certificate for the audit.

### Conclusion

On the basis of our general review, nothing has come to our attention that would give us reason to believe that the consolidated financial statements do not give a true and sufficient view of the Group's financial position and the result of its operations and cash flows in accordance with the International Financial Reporting Standards (IFRS) approved for use in the EU.

Helsinki, 24 September 2020  
KPMG OY AB

Turo Koila  
Authorized Public Accountant (KHT)

The most sustainable and  
responsible partner in developing  
a prosperous living environment

**Sitowise Holding I Oy**

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