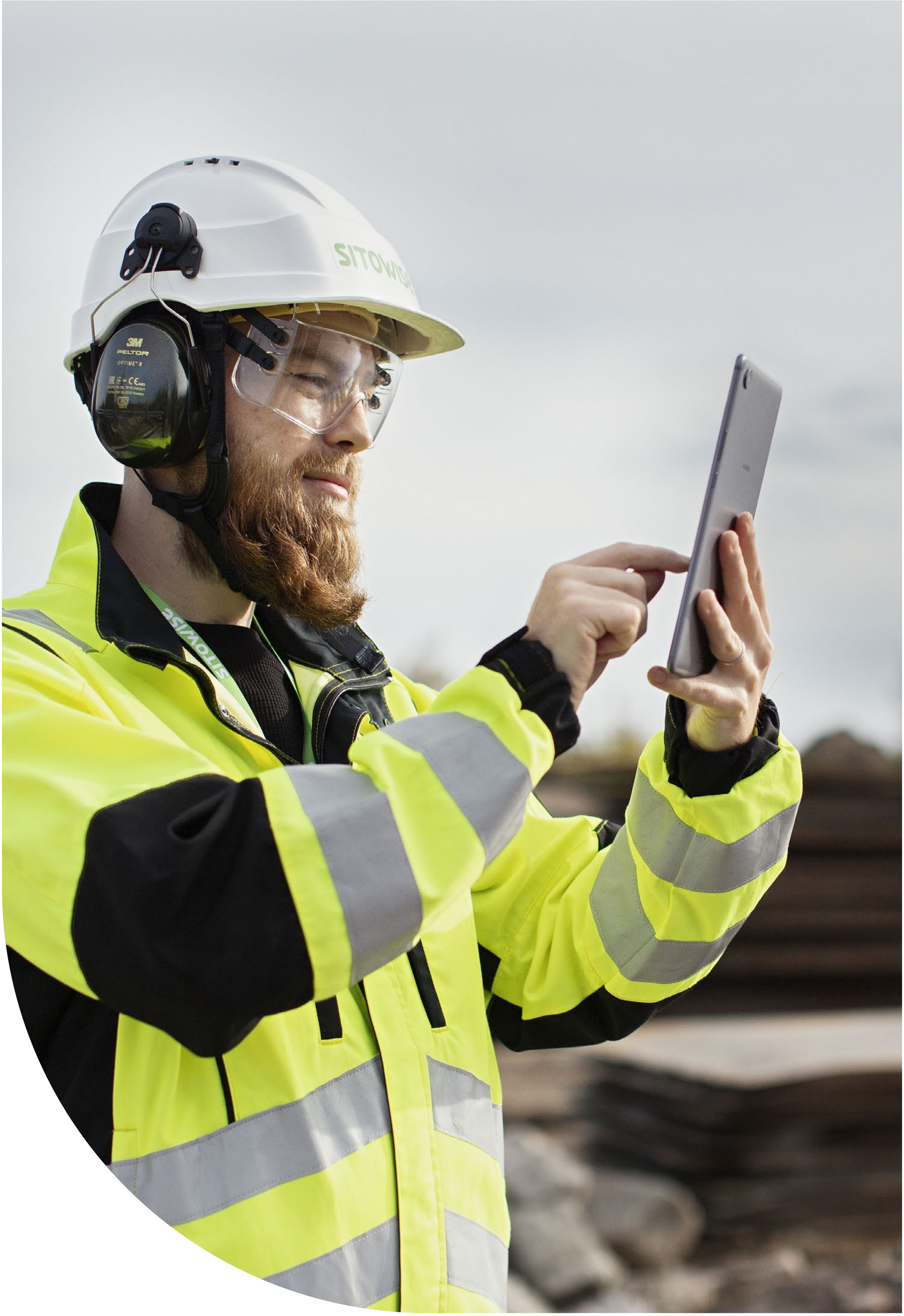
SITOWISE GROUP

Board of Directors' Report and Consolidated Financial Statements (IFRS) 2020

SITOWISE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Financial review

Sitowise Holding I Oy
Board of Directors' Report and
Consolidated Financial Statements (IFRS)
Financial period January 1 – December 31, 2020

Business ID 2767842-8

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BOARD OF DIRECTORS' REPORT

Strong growth in net sales and profitability under challenging conditions

The year 2020 was strongly affected by the covid-19 pandemic that also had a major impact on Sitowise, especially on the company's ways of working. When almost all the Group's personnel moved to remote work in March, it became necessary to both learn new tools and adapt to different ways of teamworking. Even though the company had to quickly enhance the remote work possibilities, also in terms of data traffic, the company's transition to home offices was successful and smooth. Sitowise has had a remote work recommendation in force throughout the covid-19 exemption period.

Although the covid-19 pandemic increased market uncertainty, the crisis had a limited impact on Sitowise's overall financial performance. Growth in the Group's net sales and profitability continued in 2020. Through both acquisitions and organic growth, the number of personnel increased to more than 1,900 during the year.

The pandemic had an impact on the Group's order backlog, due to temporarily postponements of some projects. Especially in the Buildings business area the clients were more cautious. However, during this exceptional time Sitowise's strengths have been its extensive service portfolio and the diversity of its customer segments.

During the year, Sitowise monitored personnel satisfaction through monthly pulse surveys. The Group also made one extensive personnel survey during the fall of 2020. Despite the changes and the exceptional circumstances, personnel satisfaction remained at a good level. Leadership at all levels received a particularly high score from the personnel.

Sitowise completed three acquisitions during 2020. In Sweden, the Group expanded its operations both geographically and in terms of its service offering. In addition, through two acquisitions Sitowise supplemented its digital and fire protection engineering expertise in Finland.

Ficonic Solutions Oy, a company that specializes in mobility and traffic IT solutions, joined the Group in July. Due to the strong growth in demand for digital solutions in the construction industry and mobility, the acquisition strengthened further the Group's much demanded digital expertise.

In November, Sitowise acquired a technical installation consultancy company **Technology for Infrastructure projects Sweden AB (TFIP)**, which significantly increased the Group's net sales, number of personnel and geographical coverage in Sweden. Through the acquisition, Sitowise gained strong engineering expertise within extensive underground infrastructure projects. Through the acquisition of TFIP, more than 70 new experts joined the Sitowise Group.

In December 2020, Sitowise acquired **Paloässät Oy**, a company that specializes in fire protection engineering. More than 20 experts joined Sitowise, complementing the Group's fire safety engineering expertise and service offering.

Sitowise has previously communicated that it aims to be ready for a listing on the stock exchange at the end of 2020. Despite the exceptional year, this goal was reached., This meant, for example, that the Group's first IFRS financial statements for the period January 1 – December 31, 2019, were published in December. The Annual General Meeting has not adopted the IFRS financial statements for 2019.

The Group made significant investments in sustainability during 2020. For instance, by publishing Sitowise's first sustainability report in June and by developing a new sustainability tool for projects, which will be adopted in all projects during 2021.

Reference figures for the previous year in brackets.

Key figures (IFRS)

EUR million	2020	2019	Change
Net sales	160.1	143.0	11.9%
Organic growth in net sales	3%	1.8%	
EBITA, adjusted	20.6	15.5	33.3%
% of net sales	12.9%	10.8%	
Cash flow from operating activities	24.1	14.4	67.0%
Net debt	56.6	50.7	11.7%
Net debt/EBITDA, adjusted	2.6x	3.1x	
Equity ratio, %	30.2%	30.4%	
Average number of personnel	1,823	1,514	20.4%
Full-time equivalent (FTE) on average	1,555	1,442	7.8%
Utilization rate	77.3%	76.2%	
Earnings per share (EUR)	9.69	5.48	76.9%
Diluted earnings per share (EUR)	9.63	5.45	76.9%

Net sales by business area (IFRS)

EUR million	2020	2019	Change
Buildings	70.8	67.2	5.3%
Infrastructure	54.2	50.6	7.0%
Digital Solutions	14.1	12.3	14.9%
Sweden	21.1	9.8	114.3%
Others	0.0	3.1	
Total	**160.1**	**143.0**	**11.9%**

The Sitowise Group revised its organization in September 2020 after divesting its telecommunications operations. The reference figures for 2019 have been adjusted to correspond with the new organization. The group "Others" includes discontinued operations and eliminations between business areas.

DEVELOPMENT IN BUSINESS OPERATIONS

CONTINUING OPERATIONS

In the **Buildings business area**, the market has been developing favorably over a longer period. During the year 2020, due to covid-19, the building construction market slowed down, and the investment outlook became more cautious. Despite the challenging year, Sitowise's Buildings business area succeeded in focusing on customer needs and goals.

Success during the challenging year was made possible by the strengths of the business area: multi-skilled experts, extensive service portfolio, and flexible internal cooperation. Strong order backlog at the beginning of the year as well as long-term customer relationships added to operational reliability.

Sitowise aims to be the most sustainable and responsible partner in developing a prosperous living environment. The Building business area strengthened its expertise related to the strategy, by for example carbon footprint optimization and building health services such as solutions to prevent the spread of infectious diseases in buildings.

Demand for services in the Buildings business area is also backed by the significant renovation backlog of Finnish properties.

The favorable development of the business area continued during the financial year: net sales increased by 5.3% to EUR 70.8 (67.2) million. Buildings business area accounted for approximately 44% (47%) of the Group's net sales in 2020.

Despite the pandemic the **Infrastructure business area** succeeded in diversifying its service portfolio and in responding to the challenges of urbanization. Although covid-19 changed the way-of-working, the goals of the business remained the same. Infrastructure business area provides all infrastructure-related design and consultancy services. The extensive portfolio is seen as a competitive advantage and the business area aims to offer the widest service offering in the market. For instance, in 2020 the service offering was expanded to designing fuel distribution stations and by strengthening carbon footprint expertise.

The most significant client sector for the business area is the public sector, generating, almost 75% of net sales. The urbanization megatrend supports the investment needs of cities and municipalities, but the impact of urbanization can also be seen in the private sector. The business area also undertakes large-scale projects where a private operator is responsible for the infrastructure of the area.

The most significant projects in 2020 were located in growth centers. The Jokeri Light Rail, already under construction, will provide daily transportation for almost 100,000 people in the future. In addition, Helsinki has launched the Crown Bridges -project, where the design phase is already underway. The bridge will link the old oil port area of Laajasalo to the Helsinki city center with a light rail.

Infrastructure business area succeeded clearly to outgrow the market and increased its market share: net sales grew 7% to EUR 54.2 (50.6) million. The business area accounted for 34% (35%) of the Group's net sales in 2020.

Digital Solutions business area grew in line with its targets in 2020 despite COVID-19, both in terms of the number of personnel as well as net sales. The demand for digital solutions for the built environment and mobility is growing strongly.

Growth was generated by software development projects, as large-scale projects were won during 2020. Examples of such projects were: a maintenance agreement of the Finnish Transport Infrastructure Agency's road data systems and a framework agreement on digital development services with the City of Helsinki. The Digital Solutions business area also successfully focused on developing new services during the year. For example, smart infrastructure consultation, which requires demanding special expertise, established its position well during the year.

The net sales of Digital Solutions services increased during the financial period by 14.9% to EUR 14.1 (12.3) million. The business area accounted for 9% (9%) of the Group's net sales in 2020.

Sitowise expanded significantly in **Sweden** in November 2020 with the acquisition of the large infrastructure engineering specialist TFIP. TFIP will continue as a subsidiary of Sitowise and all of the company's approximately 70 employees will continue to work for the Group.

In Sweden in 2020, the year was also marked by changes brought by the COVID-19 pandemic in the ways of working for both experts and clients. The market remained relatively stable until the third quarter. During the fourth quarter, competition increased as the pandemic accelerated again.

During 2020, Karlsson Segelström Construct AB, an Örebro-based company that joined the Sitowise Group in 2019, merged with the Sitowise subsidiary Byggnadstekniska Byrån (BTB).

In 2020 the business in Sweden increased by 114% and the net sales reached EUR 21.1 (9.8) million. Sweden accounted for 13% (7%) of the entire Group's net sales.

DISCONTINUED OPERATIONS (DIVESTMENTS)

Rejlers acquired Sitowise's **telecommunications operations** on September 1, 2020. As a result of the acquisition, 40 data communications experts were transferred to Rejlers as senior employees along with all the contracts and customers of the telecommunications operations. The divested services included mobile network design and contracting as well as reception surveys. Following the transaction, Sitowise increasingly focused on the development of its core businesses.

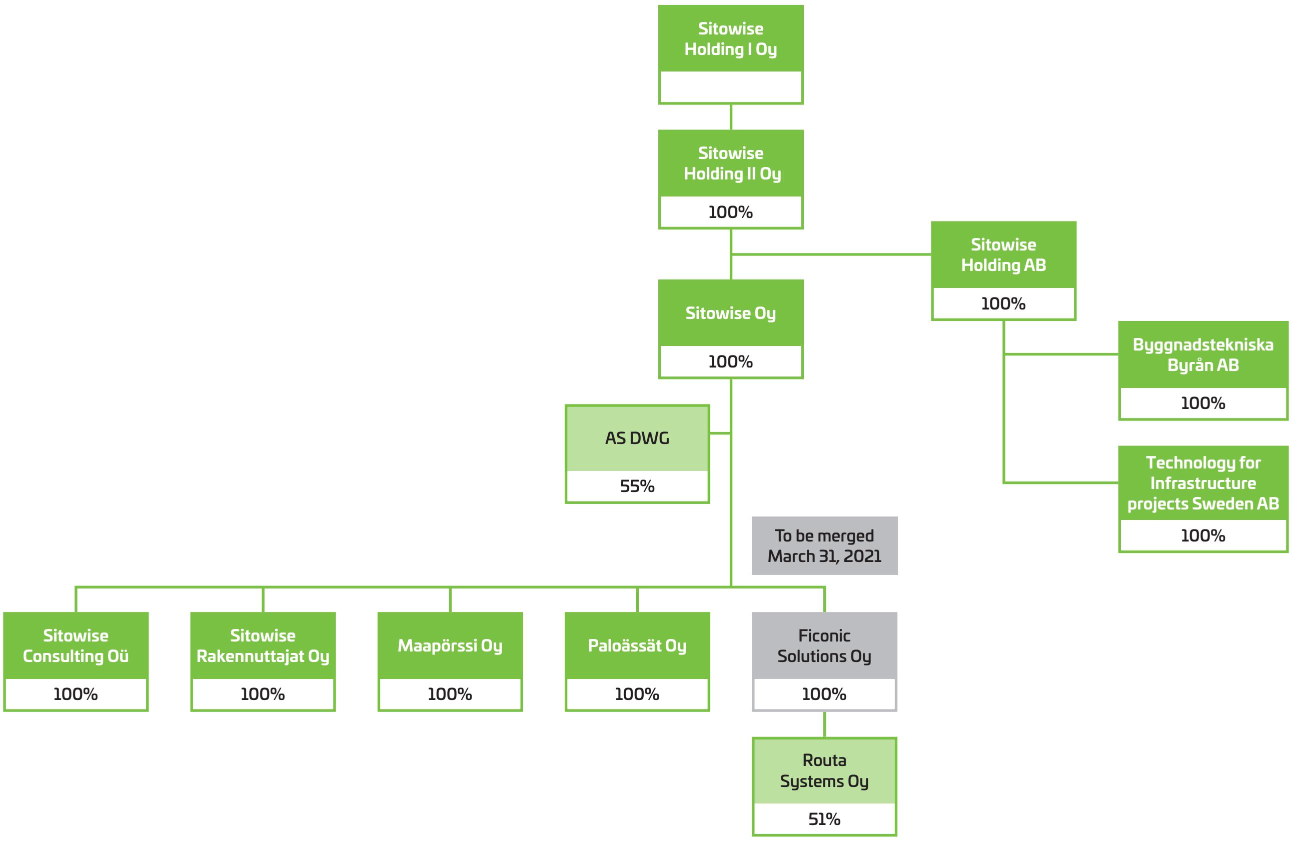
GROUP STRUCTURE

The Group's parent company Sitowise Holding I Oy started operations on August 15, 2016. Until April 19, 2017, the company operated under the name Wise Group Holding I Oy. Intera Fund III Ky and more than 200 key persons hold shares in Sitowise Holding I Oy.

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

The Group includes the Finnish subsidiaries Sitowise Rakennuttajat Oy, Maapörssi Oy, Ficonic Solutions Oy (acquired in 7/2020), Paloässät Oy (acquired in 12/2020) and Routa Systems Oy (acquired in 7/2020) and the foreign subsidiaries AS DWG, Byggnadstekniska Byrån AB, Technology for Infrastructure projects Sweden AB (acquired in 11/2020) and Sitowise Consulting Oü. Of the Group's subsidiaries, Envimetria Oy, Helimäki Akustikot Oy and Wise Group Consulting Oy were merged with Sitowise Oy on May 31, 2020. The full demerger of Sito Rakennuttajat Oy was registered on June 30, 2020. Furthermore, Saircon Oy was merged with Sitowise Oy on July 31, 2020, and Sähkösuunnittelu Elbox Oy on October 31, 2020. In Sweden, Karlsson Segelström Construct AB and Segelström & Karlsson Bygg AB were merged with Byggnadstekniska Byrån AB on December 28, 2020. The Board of Directors of Sitowise Oy approved the plan to merge Ficonic Solutions Oy with Sitowise Oy on September 24, 2020. The planned registration date of the merger is March 31, 2021.

The legal structure of Sitowise Group at the end of financial year:



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

Members of the Board of Directors:

Eero Heliövaara	Chairman of the Board
Tomi Terho	Board member
Taina Kyllönen	Board member
Janne Näränen	Board member
Elina Piispanen	Board member
Petri Rignell	Board member

There were no changes in the composition of the Board of Directors during 2020.

Pekka Eloholma has been the company's CEO since August 15, 2019. Members of the Management Team on December 31, 2020: Jannis Mikkola (Deputy CEO and Business Director, Infrastructure), Timo Palonkoski (Deputy CEO and Business Director, Building), Teemu Virtanen (Business Director, Digital Solutions), Anne-May Asplund (CHRO), Heidi Karlsson (CFO), Turo Tinkanen (CIO), and Minttu Vilander (CCO and CRO).

The auditor of the parent company and the Group is KPMG Oy Ab, with Turo Koila, Authorized Public Accountant (KHT), as the principal auditor.

PERSONNEL

During the financial period, the average number of the Group's personnel was 1,823 (1,514). At the end of the financial period, the Group had 1,902 employees (1,769). The average age of Sitowise employees was 39 (39) years. At the end of 2020, students accounted for 9% of all Group employees. Women accounted for 35% (34%) of the Group's employees. Of all employees, 79% (85%) responded to the HR survey. The index measured in the survey, eNPS (Employee Net Promoter Score), was 25 (21).

Personnel expenses amounted to EUR 101.9 (91.7) million in 2020.

ESTIMATE OF OPERATIONAL RISKS AND UNCERTAINTIES

Operational risks

General economic, social, and political conditions impact the Group's operating environment, and impact the amount of money customers use for services offered by the Group. Economic uncertainty, especially in Finland but also the other Nordic countries and more extensively around the world, can impact the Group's business operations in many ways, making it more difficult to accurately project and plan future business.

Due to the business models dependency on personnel, maintaining a steady and profitable order backlog is of great importance to the 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 risk, reflected in the availability and retention of personnel. Other risks include exceptionally large and demanding projects and tight schedules with related 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.

Sitowise's business operations are also dependent on a well-working IT infrastructure and uninterrupted access to IT-based tools and systems. However, IT systems are sensitive to errors and disruptions. Malfunctions, outages, disruptions, or cybersecurity breaches that affect IT systems can delay the delivery of services, cause unexpected costs, and damage Sitowise's reputation.

Project risks are managed with quality management and risk management surveys and by complying with procedures pursuant to the ISO-certified ERP system. The Group has developed the proprietary Voima service platform to facilitate more efficient and uniform operating methods. The Voima project management tool contains best practices, project guidelines and templates, and bidding and project workspaces. The Voima platform contains real-time data that can be used to mitigate risks. Sitowise continuously invests in the development and expertise of its personnel.

Strategic risks

The Group's success and the 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. Acquisitions and their successful integrations are also a key part of the Sitowise Group's growth strategy.

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

Personnel expenses and rental costs of premises are significant cost items 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. An increase in wages or other benefits in the industry and higher rental costs would cause additional costs for the Group, impair its profitability, or make it more difficult to attract personnel. The Group operates in a strongly competitive market which competes for skilled labor through higher wages and better benefits, for example.

Financial risks

Sitowise funds its business and investments partly with debt. However, Sitowise might not be able to secure sufficient financing under favorable terms, or at all, to maintain its liquidity and finance its business operations and investments. In addition, external financing can expose Sitowise to debt-related risks and impairment of its financial position. Sitowise is also exposed to counterparty and credit risks if its contractual partners cannot fulfill their contractual obligations.

SHAREHOLDERS

At the end of the 2020 financial period, the share capital of Sitowise Holding I Oy was EUR 2,500, and A1 and A2 shares totaled 1,279,033 shares, excluding the shares held by Sitowise Holding I Oy. The total number of P1 and P2 shares was 21,069,265 shares, excluding the shares held by Sitowise Holding I Oy.

According to the company's shareholder register, the company had 233 shareholders on December 31, 2020. The company's biggest shareholder was Intera Fund III Ky with 471,506 shares, which corresponds to a holding of 36.9%. The holding is based on series A1 and A2 shares (excluding shares held by Sitowise Holding I Oy).

Information about shareholders December 31, 2020	**qty**	**Holding, % of shares**
Intera Fund III Ky	471,506	36.9%
Mantere Pekka	65,965	5.2%
Puurunen Tapio	52,772	4.1%
Anttalainen Kimmo	49,686	3.9%
Skedevi Holding 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	506,519	39.6%
Total	**1,279,033**	**100%**

BOARD OF DIRECTORS'AUTHORIZATIONS 2020

The shareholders authorized the Board of Directors on March 28, 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 February 8, 2018.

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

The parent company's profit for the financial period is EUR 3,092,474.45 and the company's distributable funds total EUR 43,819,353.50. The Board of Directors proposes to the Annual General Meeting that the profit for the period will be carried forward as retained earnings and that no dividend will be distributed.

FUTURE OUTLOOK

With the global pandemic continuing into 2021, the visibility and the predictability of the market development have weakened.

There are no reliable estimates concerning the duration of the pandemic, which means it is not possible to forecast the impact on the economy and the Group's business operations in 2021 in full.

EVENTS AFTER THE REPORTING PERIOD

In January, the Annual General Meeting resolved, in accordance with the proposal of the Board of Directors, to distribute a refund of capital totaling EUR 579,733.05 to the PI and P2 shares from the fund for unrestricted equity.

In February, Intera Fund III purchased the stock options granted to the CEO from CEO Eloholma (totaling 7,692 options) and subscribed for shares under all of the options.

CONSOLIDATED FINANCIAL STATEMENTS IFRS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	Note	Jan 1 – Dec 31, 2020	Jan 1 – Dec 31, 2019
Net sales	**2.1**	**160,082**	**143,016**
Other operating income	2.3	1,365	815
Materials and services	2.4	-13,220	-13,398
Personnel expenses	2.5	-101,935	-91,692
Other operating expenses	2.6	-20,012	-19,422
Depreciation, amortization, and impairment	2.7	-8,008	-8,674
Operating profit		**18,272**	**10,644**
Financial income	4.1	1,163	477
Financial expenses	4.1	-3,539	-2,745
Profit before taxes		**15,896**	**8,376**
Income taxes	7.2	-3,215	-506
Result from continuing operations		**12,681**	**7,870**
Discontinued operations			
Result from discontinued operations	6	118	-1,012
Profit for the period		**12,798**	**6,858**
Attributable to:			
Owners of the parent		12,728	6,883
Non-controlling interest		70	-24

Other comprehensive income

Items that will not be reclassified to profit or loss			
Recognition of change in the fair value of other investments through comprehensive income		230	0
Items that may be reclassified to profit or loss			
Change in translation difference		243	124
Total comprehensive income		**13,271**	**6,982**
Comprehensive income attributable to:			
Owners of the parent		13,201	7,006
Non-controlling interest		70	-24
Earnings per share:			
Earnings per share (EUR)		9.69	5.48
Diluted earnings per share (EUR)		9.63	5.45
Earnings per share (continuing operations):			
Earnings per share (EUR)		9.60	6.29
Diluted earnings per share (EUR)		9.54	6.25

The discontinued operations in 2020 include the Tele business, which Sitowise sold to Rejlers during the financial period. Discontinued operations in 2019 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 STATEMENT OF FINANCIAL POSITION

EUR thousand	Note	Dec 31, 2020	Dec 31, 2019
Assets			
Goodwill	3.2	118,081	101,733
Other intangible assets	3.2	5,681	3,961
Tangible assets	3.3	34,174	27,561
Other shares, similar rights of ownership, and receivables		1,682	1,252
Deferred tax assets	7.2	304	1,401
Non-current assets total		**159,922**	**135,908**
Trade and other receivables	3.4	45,404	41,268
Deferred tax assets		740	911
Cash and cash equivalents	4.2	15,463	10,346
Current assets total		**61,607**	**52,524**
Assets total		**221,528**	**188,432**

EUR thousand	Note	Dec 31, 2020	Dec 31, 2019
Shareholders' equity and liabilities			
Share capital		3	3
Fund for invested unrestricted equity		40,663	40,471
Fair value reserve		230	0
Subordinated loans		14,145	14,145
Translation difference		360	117
Retained earnings		11,370	2,343
Equity attributable to owners of the parent		**66,770**	**57,078**
Non-controlling interest		110	291
Total shareholders' equity		**66,880**	**57,369**
Deferred tax liabilities	7.2	1,985	1,257
Financial liabilities	4.2	92,554	77,179
Other liabilities		12	2
Non-current liabilities total		**94,551**	**78,437**
Income tax liabilities		1,608	842
Financial liabilities	4.2	9,379	7,979
Provisions	3.5	1,793	1,634
Accounts payable and other liabilities	3.6	47,317	42,171
Total current liabilities		**60,098**	**52,626**
Total shareholders' equity and liabilities		**221,528**	**188,432**

The notes are an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

EUR thousand	Jan 1 – Dec 31, 2020	Jan 1 – Dec 31, 2019
Cash flow from operating activities:		
Profit for the period	12,798	6,858
Adjustments		
Income taxes	3,215	506
Depreciation, amortization, and impairment	8,008	9,399
Financial income and expenses	2,376	2,268
Other adjustments	694	49
Change in working capital		
Increase (+)/decrease (-) in trade and other receivables	-700	-2,194
Increase (+)/decrease (-) in accounts payable and other liabilities	5,117	2,011
Interest paid and other financial expenses	-6,495	-2,890
Interest received and other financial income	73	91
Income taxes paid	-959	-1,654
Cash flow from operating activities	**24,128**	**14,444**
Cash flow from investing activities:		
Investments in tangible and intangible assets	-3,133	-2,601
Businesses acquired and divested	739	-900
Acquisitions of subsidiaries, net of cash acquired	-21,717	-21,659
Purchase and sale of other shares	-24	73
Cash flow from investing activities	**-24,135**	**-25,087**
Cash flow from financing:		
Payments from share issue	3,761	7,861
Withdrawal of loans	14,559	20,384
Repayment of loans	-4,091	-8,328
Share repurchase	-1,613	-2,432
Dividends paid	-2,618	-906
Payments of lease liabilities	-5,011	-4,896
Cash flow from financing	**4,987**	**11,683**
Cash and cash equivalents at the start of the period	10,346	9,280
Change in cash and cash equivalents, increase (+)/decrease (-)	4,980	1,040
Impact of changes in foreign exchange rates	137	26
Cash and cash equivalents at the end of the period	**15,463**	**10,346**

The notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

	Equity attributable to owners of the parent								
EUR thousand	**Share capital**	**Fund for invested unrestricted equity**	**Fair value reserve**	**Subordinated loans**	**Translation differences**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total shareholders' equity**
Shareholders' equity January 1, 2019	**3**	**32,610**	**0**	**14,145**	**-6**	**-1,118**	**45,634**	**164**	**45,798**
Profit for the period						6,834	6,834	24	6,858
Adjustments for the previous financial year						-188	-188		-188
Other comprehensive income					124	-3	121		121
Total comprehensive income	0	0	0	0	124	6,643	6,767	24	6,791
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
Transactions with owners	0	7,861	0	0	0	-3,183	4,678	102	4,780
Shareholders' equity December 31, 2019	**3**	**40,471**	**0**	**14,145**	**117**	**2,343**	**57,078**	**291**	**57,369**
Shareholders' equity January 1, 2020	**3**	**40,471**	**0**	**14,145**	**117**	**2,343**	**57,078**	**291**	**57,369**
Profit for the period						12,869	12,869	-70	12,798
Adjustments for the previous financial year						-87	-87		-87
Other comprehensive income			230		243		472		472
Total comprehensive income	0	0	230	0	243	12,782	13,254	-70	13,184
Share issues		3,761					3,761		3,761
Share repurchases		-1,613					-1,613		-1,613
Distribution of dividends		-1,956				-784	-2,740		-2,740
Interest on subordinated loan						-3,233	-3,233		-3,233
Transactions with non-controlling interests						262	262	-111	151
Transactions with owners	0	192	0	0	0	-3,755	-3,563	-111	-3,673
Shareholders' equity December 31, 2020	**3**	**40,663**	**230**	**14,145**	**360**	**11,370**	**66,770**	**110**	**66,880**

The notes are an integral part of the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

BASIC INFORMATION

Sitowise is a Nordic expert in the built environment with a strong focus on digitality, offering sustainable design and consultancy services for projects of all sizes. Sitowise offers its services in the following business areas: Buildings, Infrastructure, and Digital Solutions. 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 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 D, FI-02600 Espoo, Finland, and the Group's website www.sitowise.com.

The Board of Directors of Sitowise Holding I Oy approved these financial statements in its meeting on February 25, 2021.

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

1. GENERAL INFORMATION

1.1. ACCOUNTING POLICIES

The consolidated financial statements of the Sitowise Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) approved for use in the European Union, and the IAS and IFRS standards as well as SIC and IFRIC interpretations in force on December 31, 2020 have been applied in preparing them. IFRS refers to standards and interpretations that companies referred to in the Finnish Accounting Act and regulations issued under it must comply with and that have been approved for application in accordance with the procedure enacted by Regulation (EC) No. 1606/2002 of the European Parliament and of the Council. The notes to the consolidated financial statements also fulfill the requirements of Finnish accounting and company legislation supplementing the IFRS standards.

The Sitowise Group published its first consolidated financial statements prepared in accordance with the IFRS standards for the financial period ended December 31, 2019. The Group's IFRS transition date is January 1, 2018. Previously, the Sitowise Group followed the Finnish Accounting Standards (FAS).

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

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

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

1.2. TRANSLATION OF ITEMS DENOMINATED IN FOREIGN CURRENCIES

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

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

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

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

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

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

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

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

Decisions based on management discretion which the management has made when applying the accounting policies and which have impacts on the figures disclosed in the financial statements are associated with the following areas, among others: recognition of revenue based on the percentage of completion, goodwill impairment testing, provisions, allocation of the cost of acquisitions, measurement of tangible assets, and economic lives of other intangible assets. COVID-19 has not had a material impact on the decisions based on management discretion.

The revenue recognition practices are described in Note 2.1. Impairment testing is described in Note 3.2.1.

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 primarily comprise sales of services and service packages that may also include software or system development. The main market areas are Finland and Sweden.

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

Accounting policy

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

Amendments to contracts: In the contracts of the Sitowise Group, additional work is most commonly addressed as part of the project whole, i.e. 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 and Digital Solutions business areas. In the Building Solutions business area, on the other hand, performance obligation levels depend on the customer and the service offered. If the sub-areas of design are defined and priced as a single aggregate of duties in the request for quote, quote, and contract, the assignment is treated as a single performance obligation.

Infrastructure
The Infrastructure business area of Sitowise offers clients services relating to urban, traffic, structural, geotechnical, urban, and landscape design and infrastructure construction contracting. The primary clients of Infrastructure Solutions are construction companies and the public sector. Sitowise's performance obligation consists of preparing the overall engineering of the infrastructure project.

Buildings
Sitowise's Building business area offers clients new construction and renovation project design, building system, and construction contracting services for both new builds and renovation sites. The primary clients of Building Solutions are construction companies, housing companies, and the public sector.

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

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

Digital Solutions
Sitowise's Digital Solutions business is divided into two areas: Mobility and Traffic Infrastructure, and Built Environment Information Services. The customer contracts of Digital Solutions primarily include consultation work.

Mobility and Traffic Infrastructure offers clients development of traffic optimization, traffic data collection and software services. In Built Environment Information Services, Sitowise provides clients with comprehensive solutions for more cost-efficient design. The clients of both areas are primarily public-sector entities, such as cities and municipalities. The services of Digital Solutions usually make up a single project package that is treated as a performance obligation. The system maintenance phase after system development is treated as a separate performance obligation.

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

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

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

The estimated sales revenue and total costs of the project are updated at the end of each reporting period. If the outcome of a long-term project cannot be reliably estimated, revenue from the project is recognized only to the extent that the monetary amount corresponding to actual costs is available. If it is probable that the total cost of project completion 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 in Trade and other liabilities on the balance sheet.

The Sitowise Group has set euro-denominated limits for revenue recognition based on the percentage of completion, varying by business area. If the price of the project is below the limit, revenue is not recognized based on the percentage of completion, but the contract is recognized as revenue monthly based on the work performed up to the amount that it is entitled to charge to the customer. In addition, there are hourly priced projects to which the practical relief is applied; in them, revenue is recognized based on expert work.

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

Significant 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 business area

EUR thousand	2020	2019	Change
Building Solutions	70,789	67,227	5.3%
Infrastructure Solutions	54,164	50,628	7.0%
Digital Solutions	14,088	12,257	14.9%
Sweden	21,087	9,839	114.3%
Others *)	-46	3,065	
Total	**160,082**	**143,016**	**11.9%**

*) The group "Others" includes discontinued operations and eliminations between business areas.

2.1.2. Net sales by market area

EUR thousand	2020	2019
Finland	138,043	131,726
Sweden	20,942	10,512
Other countries	1,097	778
Total	**160,082**	**143,016**

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 3.6.

Revenue from customer contracts expected to be recognized and relating to remaining performance obligations by December 31, 2020 amount to approximately EUR 115 (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 (CODM) 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 CODM, 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 fulfills and complies with the terms and conditions of the grant. The Sitowise Group systematically recognizes grants received as income.

EUR thousand	2020	2019
Gain on fixed assets	746	18
Contributions received	486	532
Other income	132	265
Total	**1,365**	**815**

In 2020, gains on fixed assets included the gain on the disposal of the telecommunications business, among others.

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

2.4. MATERIALS AND SERVICES

EUR thousand	2020	2019
Subcontracting expenses	7,926	6,359
Project and other expenses	5,293	7,039
Total	**13,220**	**13,398**

In 2020, subcontracting expenses amounted to 8.3% (9.4%) and Project and other expenses to 3.3% (4.9%) of net sales.

Project and other expenses include costs relating to customer projects as well as travel and meeting expenses, which decreased due to COVID-19 in 2020.

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 comprises salaries, wage supplements, short-term incentives, and fringe benefits.

EUR thousand	2020	2019
Wages and salaries	84,016	75,309
Pension expenses	12,444	12,628
Other social security expenses	5,475	3,755
Total	**101,935**	**91,692**

In 2020, personnel expenses amounted to 63.7% (64.1%) of net sales. Employment pension contributions did not increase pro rate to personnel expenses because of the temporary lowering of employer's employment pension contributions due to the difficult economic situation caused by the COVID-19 pandemic by 2.6 percentage points in Finland for May 1–December 31, 2020.

Personnel	2020	2019
Average number of personnel	1,823	1,514
Full-time equivalent (FTE) on average	1,555	1,442

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

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

The Sitowise Group has a share-based incentive scheme for its CEO. The CEO 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	2020	2019
Other personnel-related expenses	4,444	5,537
Data and telecommunication expenses	6,965	5,953
Sales and marketing expenses	548	680
Rent expenses	3,172	2,240
Other expenses	4,883	5,012
Total	**20,012**	**19,422**

In 2020, other operating expenses amounted to 12.5% (13.6%) of net sales.

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

Data and telecommunication expenses are primarily associated with software and IT service expenses.

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. Information about IFRS 16 is presented in Note 3.3.

2.6.1. Auditors' fees

EUR thousand	2020	2019
Statutory audit	172	100
Tax advice	68	12
Other advisory services	120	41
Total	**361**	**153**

Other advisory services added to the 2019 note.

The audit fees for 2020 include the audit fees for the financial statements of the parent company and the Group.

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.

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

Economic useful lives of assets for the 2020 and 2019 financial periods are as follows:

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

Economic useful lives of intangible assets are as follows:

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

EUR thousand	2020	2019
Machinery and equipment	1,280	1,807
Leases		
Buildings and structures	5,051	4,805
Machinery and equipment	415	390
Tangible assets	**6,745**	**7,002**
Intangible rights and other intangible assets	1,211	945
Impairment	52	0
Intangible assets	**1,263**	**945**
Impairment of goodwill	0	727
Total	**8,008**	**8,674**

The Sitowise Group did not recognize impairment on intangible assets for the financial periods 2020–2019. The write-down of intangible assets recognized in 2020 was associated with product development expenses. 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

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.

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. Information about additional purchase price liabilities is presented in Note 4.2.2.

EUR thousand	2020	2019
Purchase price	20,392	31,964
Assets	7,663	15,767
Liabilities	2,647	6,122
Net assets	5,017	9,645
Goodwill	15,375	22,319

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

During the 2020 financial period, the Sitowise Group carried out three acquisitions, of which two in Finland and one in Sweden. All three acquisitions were paid in cash.

Company	Time	Transaction method	Location	Personnel
Ficonic Solutions Oy	7/2020	Share purchase (100%)	Jyväskylä	15
Technology for Infrastructure Projects	11/2020	Share purchase (100%)	Gothenburg	70
Paloässät Oy	12/2020	Share purchase (100%)	Espoo	20

Ficonic Solutions Oy is an IT service company that offers its clients both custom digital services and product solutions. Ficonic specializes in cloud environments, digital map-based services, and mobile solutions for traffic and the automotive industry.

Paloässät Oy is an engineering office specialized in fire safety engineering.

The company Technology for Infrastructure Projects Sweden AB (TFIP) was acquired in Sweden. TFIP is a Swedish specialist company that offers comprehensive engineering and consultancy services for the development of infrastructure and cities and the needs of manufacturing.

Customer relationships were identified as a separate asset item in the goodwill of TFIP. The estimated economic useful life of this asset 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 3.2.1. 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.

With regard to goodwill, see Note 3.1. Business combinations. During the 2020 financial period, the Sitowise Group carried out three acquisitions.

EUR thousand	Goodwill	Other intangible assets	Total
Acquisition cost January 1, 2020	101,733	8,303	110,035
Business combinations	15,375	1,670	17,046
Increase	0	1,119	1,119
Exchange rate differences	972	118	1,090
Acquisition cost December 31, 2020	118,081	11,210	129,290
Accumulated depreciation, amortization, and impairment January 1		-4,342	-4,342
Depreciation and amortization for the period		-1,263	-1,263
Other change		75	75
Exchange rate differences		1	1
Accumulated depreciation, amortization, and impairment December 31		-5,529	-5,529
Acquisition cost December 31, 2020	**118,081**	**5,681**	**123,761**

EUR thousand	Goodwill	Other intangible assets	Total
Acquisition cost January 1, 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 December 31, 2019	101,733	8,303	110,035
Accumulated depreciation, amortization, and impairment January 1		-2,833	-2,833
Depreciation and amortization for the period		-1,509	-1,509
Accumulated depreciation, amortization, and impairment December 31		-4,342	-4,342
Acquisition cost December 31, 2019	**101,733**	**3,961**	**105,693**

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.

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

Assumptions used in impairment calculation	September 30, 2020	December 31, 2019
Growth in net sales during the projection period (CAGR)	4.6%	5.6%
EBITDA during the projection period	15.8%	13.2%
Terminal growth assumption	2.0%	2.0%
Discount rate (pre-tax WACC)	9.2%	7.1%

Impairment testing on September 30, 2020 did not indicate a need for impairment of goodwill, with the recoverable amount exceeding the book value.

The Sitowise Group has estimated that no anticipated change in the key assumptions would cause a situation in which the book value of a cash-generating unit would exceeds its recoverable amount. A break-even sensitivity analysis was carried out in conjunction with the impairment testing, in which the discount rate was increased by 4 percentage points and the terminal growth assumption was reduced to 0%. Based on the sensitivity analyses, the probability of goodwill impairment losses was low.

3.3. TANGIBLE ASSETS

Accounting policy

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

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

3.3.1. Leases

Accounting policy

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

A right of use asset and a corresponding liability are recognized for all of the lessees' leases, with the exception of short-term leases as well as leases of minor value. The right of use asset is measured at acquisition cost at the start of the contract and

EUR thousand	Machinery and equipment	Other tangible assets	Total
Acquisition cost January 1, 2020	9,949	36	9,985
Increase	2,720		2,720
Decrease	0		0
Exchange rate differences	58		58
Acquisition cost December 31, 2020	12,728	36	12,763
Accumulated depreciation and amortization for the period	-7,886		-7,886
Exchange rate differences	-19		-19
Accumulated depreciation, amortization, and impairment December 31	-7,905		-7,905
Acquisition cost December 31, 2020	**4,822**	**36**	**4,858**

EUR thousand	Machinery and equipment	Other tangible assets	Total
Acquisition cost January 1, 2019	7,452	36	7,488
Increase	2,650		2,650
Decrease	-159		-159
Exchange rate differences	6		6
Acquisition cost December 31, 2019	9,949	36	9,985
Accumulated depreciation, amortization, and impairment January 1	-4,562		-4,562
Depreciation and amortization for the period	-1,810		-1,810
Exchange rate differences	-1		-1
Accumulated depreciation, amortization, and impairment December 31	-6,372		-6,372
Acquisition cost December 31, 2019	**3,577**	**36**	**3,612**

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. Later, the lease liability is measured at amortized cost using the effective interest method. The lease liability is remeasured when a change has taken place in the future rent payments due to a change in the index or price level. When the lease liability is remeasured in this way, a corresponding adjustment is made to the book value of the right-of-use asset, or it is recognized through profit or loss if the book value of the right-of-use asset has been reduced to zero.

At the Sitowise Group, right of use assets include the premises and vehicles leased under ordinary terms and conditions. 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 assets 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.

Sitowise Group has a sublease agreement that is part of a rental arrangement. Due to the principal rental arrangement, Sitowise Group does not recognize income from the sublease agreement and the Group does not recognize liabilities or capitalize fixed assets.

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.

EUR thousand	**IFRS 16 right-of-use assets**
Acquisition cost January 1, 2020	33,467
Increase	11,799
Decrease	-1,139
Exchange rate differences	217
Acquisition cost December 31, 2020	44,345
Accumulated depreciation, amortization, and impairment January 1	-9,517
Depreciation and amortization for the period	-5,465
Exchange rate differences	-46
Accumulated depreciation, amortization, and impairment December 31	-15,028
Acquisition cost December 31, 2020	**29,316**

EUR thousand	**IFRS 16 right-of-use assets**
Acquisition cost January 1, 2019	18,956
Increase	15,136
Decrease	-636
Exchange rate differences	11
Acquisition cost December 31, 2019	33,467
Accumulated depreciation, amortization, and impairment January 1	-4,316
Depreciation and amortization for the period	-5,195
Exchange rate differences	-7
Accumulated depreciation, amortization, and impairment December 31	-9,517
Acquisition cost December 31, 2019	**23,949**

The Group's IFRS 16 right-of-use assets primarily comprise contracts concerning business premises. In the 2020 financial period, contracts concerning premises accounted for 98% and in the 2019 financial period for 97%.

During the 2020 financial period, outgoing cash flow due to leases totaled EUR 5.9 million and during the 2019 financial period they totaled EUR 5.4 million.

Rent expenses from short-term contracts are included in other operating expenses, amounting to EUR 2,644 thousand in 2020 and EUR 2,536 thousand in 2019.

The interest expense on the lease liability was EUR 874 thousand in 2020 and EUR 503 thousand in 2019.

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 loss is based on the expected credit losses from trade receivables. The model of expected credit losses is forward-looking and based on the historic credit loss rate, applying the simplified procedure, the provisioning matrix. The Sitowise Group records the final credit loss when debt collection measures prove to be unsuccessful. A final credit loss is recognized, for example, when a credit loss recommendation has been received from the debt collection agency or the debtor applies for restructuring or bankruptcy.

Project receivables increased during 2020, mainly on account of growth in business. The project portfolio also had an impact on the development of project receivables during the financial period.

EUR thousand	2020	2019
Trade receivables	30,232	27,931
Project receivables	10,986	8,749
Accrued income	3,146	3,942
Other accrued income	1,039	646
Total	**45,404**	**41,268**

Ageing of trade receivables

EUR thousand	2020	Expected credit losses	Expected credit losses	2019	Expected credit losses	Expected credit losses
Undue	26,025	0.01%	2	23,838	0.01%	2
0–29 days	1,775	0.1%	2	3,219	0.1%	3
30–59 days	898	1%	9	493	1.0%	5
60–119 days	254	4.0%	11	117	4.0%	5
120–365 days	800	6.3%	54	265	6.3%	18
Over 365 days	480	50%	719	0	100%	777
Total	**30,232**		**795**	**27,932**		**810**

Provisions for impairment related to trade receivables are based on historic data concerning materialized credit losses. The expected credit loss rate from all trade receivables is 2.5% for the 2020 financial period.

3.5. PROVISIONS

Accounting policy

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

EUR thousand	2020	2019
Provision January 1	1,634	974
Change in provisions	159	660
Provision December 31	**1,793**	**1,634**

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

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

Provisions include normal business-related complaint and loss provisions.

3.6. ACCOUNTS PAYABLE AND OTHER LIABILITIES

EUR thousand	2020	2019
Accounts payable	4,955	5,494
Liabilities based on contracts with customers	9,767	6,370
Accrued expenses	28,608	20,980
Other liabilities	3,988	9,327
Total	**47,318**	**42,171**

Liabilities based on contracts with customers increased during 2020, mainly on account of growth in business. The project portfolio also had an impact on the development of liabilities based on contracts with customers during the financial period.

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.

The most essential items in accrued expenses included accrual of personnel expenses and ordinary business-related accrued costs. The growth in accrued expenses in 2020 was mainly due to larger personnel-related accruals.

In 2019, Other liabilities included the purchase price liability associated with the acquisition of Karlsson & Segerström.

4. FINANCIAL ITEMS AND CAPITAL STRUCTURE

4.1. FINANCIAL INCOME AND EXPENSES

EUR thousand	2020	2019
Dividend income	0	1
Other interest and financial income	1,163	476
Interest on lease liabilities	-874	-503
Interest expenses	-2,336	-2,161
Other financial expenses	-329	-81
Total	**-2,376**	**-2,268**

Other interest and financial income primarily includes unrealized foreign exchange gains from internal loans. Interest expenses are associated with loans from financial institutions.

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

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

Financial assets that are not measured at amortized cost are recognized at fair value through comprehensive income. The change in the fair value of these items is recognized through comprehensive income.

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

Cash and any bank deposits that can be withdrawn on demand are included in cash equivalents at the Sitowise Group. Short-term deposits are considered to be easily convertible into cash because their original maturity is at most three months. The cash and cash equivalents reported on the balance sheet correspond to the cash and cash equivalents reported on the cash flow statement. On December 31, 2020, cash and cash equivalents amounted to EUR 15,463 thousand (December 31, 2019: EUR 10,346 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.

EUR thousand Financial assets December 31, 2020	Measured at amortized cost	Measured at fair value through other comprehensive income	Book value total	Fair value	Level 1	Level 2	Level 3
Non-current financial assets							
Other shares and participations		1,682	1,682	1,682			1,682
Current financial assets							
Trade receivables	30,232		30,232	30,232			
Cash and cash equivalents	15,463		15,463	15,463			
Total	**45,696**	**1,682**	**47,378**	**47,378**			

EUR thousand Financial assets December 31, 2019	Measured at amortized cost	Measured at fair value through other comprehensive income	Book value total	Fair value	Level 1	Level 2	Level 3
Non-current financial assets							
Other shares and participations		1,252	1,252	1,252			1,252
Current financial assets							
Trade receivables	27,931		27,931	27,931			
Cash and cash equivalents	10,346		10,346	10,346			
Total	**38,277**	**1,252**	**39,529**	**39,529**			

EUR thousand Financial liabilities December 31, 2020	Measured at amortized cost	At fair value through profit and loss	Book value total	Fair value	Level 1	Level 2	Level 3
Non-current financial liabilities							
Loans from financial institutions	68,728		68,728	68,728		68,728	
Lease liabilities	23,826		23,826				
Current financial liabilities							
Loans from financial institutions	3,318		3,318	3,318		3,318	
Accounts payable	4,955		4,955	4,955			
Additional purchase price		1,171	1,171	1,171			1,171
Lease liabilities	6,061		6,061				
Total	**106,889**	**1,171**	**108,060**	**78,173**			

EUR thousand Financial liabilities December 31, 2019	Measured at amortized cost	At fair value through profit and loss	Book value total	Fair value	Level 1	Level 2	Level 3
Non-current financial liabilities							
Loans from financial institutions	57,625		57,625	57,625		57,625	
Lease liabilities	19,554		19,554				
Current financial liabilities							
Loans from financial institutions	3,383		3,383	3,383		3,383	
Accounts payable	5,494		5,494	5,494			
Additional purchase price		4,931	4,931	4,931			4,931
Lease liabilities	4,595		4,595				
Total	**90,651**	**4,931**	**95,583**	**71,434**			

These financial liabilities are measured at amortized cost using the effective interest method.

Cost items are measured at fair value through profit or loss in the period during which they occur.

The Sitowise Group had an estimated EUR 1,171 thousand (December 31, 2020) and EUR 4,931 thousand (December 31, 2019) of additional purchase price liabilities.

Loans from financial institutions comprised a variable rate bank loan in 2020. The bank loans include ordinary covenants, such as cash flow covenant, ratio of net debt to EBITDA, and investment covenant. During the 2020 and 2019 financial periods, the Group fulfilled all of the covenants.

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 23,342,520 (22,479,869) shares and share capital amounted to EUR 2,500 (2,500) on December 31, 2020. The company held a total of 994,222 (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 December 31, 2020, the company had shares as follows:

Share type	Dec 31, 2020	Change	Dec 31, 2019
A1	471,506	0	471,506
A2	844,436	4,984	817,951
P1	13,233,802	221,450	12,367,506
P2	8,792,776	-30,130	8,822,906
Total	**23,342,520**	**196,304**	**22,479,869**

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.

In spring 2020, the Annual General Meeting resolved in accordance with the Board of Directors' proposal that dividends of EUR 661,816.13 would be distributed to series P1 shares for the financial period ended December 31, 2019. In December 2020, the Annual General Meeting revolved in accordance with the proposal of the Board of Directors to distribute a refund of capital totaling EUR 1,956,131.18 to the P1 and P2 shares from the fund for unrestricted equity.

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 December 31, 2020, subordinated loans totaled EUR 14.1 million (14.1) million.

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.

In 2020, the Sitowise Group developed the monitoring of cash and trade receivables. The Group's cash and liquidity remained at a good level despite COVID-19.

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. On the closing date, the sensitivity of the Sitowise Group to exchange rates was approximately EUR 1.6 million (2019: approximately EUR 0.8 million), assuming that the SEK/EUR exchange rate changes by 5 percentage points.

5.1.2. Interest rate risk

The Group is exposed to financial risks, 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 72 million in interest-bearing bank loans (2019: EUR 61 million). Loans from financial institutions comprised a variable rate loan in 2020, similarly to the previous year. On the closing date, the interest rate exposure of the Sitowise Group was approximately EUR 700,000 (2019: approximately EUR 600,000), 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 fulfill their contractual obligations. The credit risk of the Sitowise Group is related to counterparties from which it has outstanding receivables or with which the Sitowise Group has long-term contracts. The tools of credit risk management at the Sitowise Group include frontloaded payment schedules of projects, thorough investigation of the customers' background data, 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

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

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 2020, cash and cash equivalents totaled EUR 15.5 million (2019: EUR 10.3 million). At the end of 2020, the Group additionally had a EUR 4.5 million unused overdraft facility (2019: EUR 5 million).

Contractual cash flows in financial liabilities

EUR thousand	2021	2022	2023 ->
Loans from financial institutions	3,739	68,985	0
Lease liabilities	6,131	5,682	21,424
Accounts payable	4,955	0	0
Total	**14,826**	**74,667**	**21,424**

EUR thousand	2020	2021	2022 ->
Loans from financial institutions	4,091	3,739	59,768
Lease liabilities	5,011	6,131	27,106
Accounts payable	5,494	0	0
Total	**14,596**	**9,870**	**86,874**

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

5.2. MANAGEMENT OF CAPITAL RISKS

In the management of working capital, the Sitowise Group aims to ensure the ability to operate continuously in order to be able to provide the shareholders with returns and increase the value of their invested capital. The Sitowise Group monitors 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	2020	2019
Loans from financial institutions	72,047	61,008
Cash and cash equivalents	-15,463	-10,346
Net debt	**56,583**	**50,662**

Net debt does not include IFRS 16 lease liabilities

6. DISCONTINUED OPERATIONS

The Sitowise Group divested its Tele unit to Rejlers in fall 2020. The Tele business has been treated as a discontinued operation in 2020.

The discontinued operations in 2019 were associated with the Klaipeda dredging project in Lithuania, which ended in spring 2019, and the Sitowise Group's Norwegian subsidiary that the company divested at the end of 2019.

The result of the discontinued operations is presented in the table below.

EUR thousand	2020	2019
Income	2,440	3,694
Expenses	-2,322	-4,706
Profit before taxes	**118**	**-1,012**
Taxes	0	0
Result from discontinued operations	**118**	**-1,012**

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 percent of a company's votes or has otherwise considerable influence, but no control. Associated companies are consolidated in the financial statements using the equity method. The Group has no associated companies. Routa Systems Oy and AS DWG are treated as subsidiaries.

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

Company	Domicile	Holding 2020		Holding 2019	
Sitowise Holding II Oy	Espoo	100%		100%	
Sitowise Oy	Espoo	100%		100%	
Sito Rakennuttajat Oy	Espoo		*)	100%	
Sitowise Rakennuttajat Oy	Espoo	100%			
Envimetria Oy	Lohja		**)	100%	
Ficonic Solutions Oy	Jyväskylä	100%			
Helimäki Akustikot Oy	Helsinki		**)	100%	
Maapörssi Oy	Järvenpää	100%		100%	
Paloässät Oy	Espoo	100%			
Routa Systems Oy	Espoo	51%			
Saircon Oy	Vantaa		***)	100%	
Sähkösuunnittelu Elbox Oy	Espoo		****)	100%	
Wise Group Consulting Oy	Helsinki		*****)	100%	*****)
AS DWG	Riga, Latvia	55.0%		55.0%	
Byggnadstekniska Byrån AB	Stockholm, Sweden	100%		100%	
Karlsson Segelström Construct AB	Örebro, Sweden		******)	100%	
Segelström & Karlsson Bygg AB	Örebro, Sweden		******)	100%	
Sitowise Consulting Oü	Tallinn, Estonia	100%		100%	
Sitowise Holding AB	Stockholm, Sweden	100%		100%	
Technology for Infrastructure projects Sweden, AB	Gothenburg, Sweden	100%			

*) Company's full demerger on June 30, 2020
**) Company merged with Sitowise Oy on May 31, 2020
**) Company merged with Sitowise Oy on July 31, 2020
**) Company merged with Sitowise Oy on October 31, 2020
****) Not consolidated in the consolidated financial statements, company has no operations, merged on May 31, 2020
******) Company merged with Byggnadstekniska Byrån AB on December 28, 2020

7.2. INCOME TAXES

Accounting policy

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

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

Significant 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	2020	2019
Tax based on the taxable profit for the financial year	-1,904	-1,721
Adjustments concerning previous financial periods	-25	1
Change in deferred taxes	-1,286	1,214
Total	**-3,215**	**-506**

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

EUR thousand	2020	2019
Profit before taxes	15,896	8,376
Tax calculated using the 20% domestic tax rate	-3,179	-1,675
Adjustments concerning previous financial periods	-25	1
Differing tax rates of foreign subsidiaries	21	-19
Tax-free income and non-deductible expenses	-150	444
Confirmed loss	0	642
Other items	118	101
Taxes on the profit and loss account	**-3,215**	**-506**

Deferred tax assets and liabilities

EUR thousand	January 1, 2020	Recognized on the profit and loss account	Recognized in shareholders' equity	December 31, 2020
Difference between depreciation and amortization in accounting and taxation	40	75		115
Other items	1,361	-1,172		189
Deferred tax assets total	**1,401**	**-1,097**	**0**	**304**
Financing items	193	163	150	506
Other items	1,064	27	388	1,479
Deferred tax liabilities total	**1,257**	**190**	**538**	**1,985**

EUR thousand	January 1, 2019	Recognized on the profit and loss account	Recognized in shareholders' equity	December 31, 2019
Difference between depreciation and amortization in accounting and taxation	44	-4		40
Other items	137	1,224		1,361
Deferred tax assets total	**181**	**1,220**	**0**	**1,401**
Financing items	173	20		193
Other items	-1	1,065		1,064
Deferred tax liabilities total	**172**	**1,085**	**0**	**1,257**

Deferred tax assets on December 31, 2019, other items, includes deferred tax assets totaling EUR 1.2 million due to Sito Rakennuttajat Oy's confirmed loss.

Deferred tax liabilities on December 31, 2019, other items, includes deferred tax liabilities totaling EUR 1.1 million from mergers and acquisitions carried out during the financial period.

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 parent company include major shareholders, 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 36.9% of the shares in Sitowise Holding I Oy. The holding is based on series A1 and A2 shares (excluding shares held by Sitowise Holding I Oy).

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

EUR thousand	2020	2019
Other related parties		
Income		
Expenses	-36	-173
Receivables	917	845
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. Compensation and holdings of the management

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

The compensation of the Managing Directors and members of the Group Management Team comprises 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 comprises an annual performance bonus. The Sitowise Group has not taken out additional pension insurance policies for the Managing Director 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.

EUR thousand	2020	2019
Fees paid to the Board of Directors	76	56
Wages and salaries paid to the Managing Directors, including fringe benefits	329	457
Wages and salaries paid to the members of the Management Team, including fringe benefits	1,157	1,080
Management's wages and salaries total	**1,562**	**1,593**

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	Holding, % of shares
Board of Directors *)	9,109	0.7%
CEO	10,998	0.9%
Other members of the Management Team	40,664	3.2%
Total	**1,279,033**	**100%**

*) 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 2020.

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 compensation 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 34,000 relating to this.

7.4. GUARANTEES AND CONTINGENT LIABILITIES

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

EUR thousand	2020	2019
Commitments on behalf of own obligations		
Business mortgage	125,000	284,000
Pledged shares, book value	203,394	179,658
Bank guarantees	2,729	1,953
Total	**331,123**	**465,610**
Bank guarantees		
Contractual guarantees	150	150
Other guarantees	2,579	1,803
Total	**2,729**	**1,953**
Collateral received		
Account pledges received, in accordance with escrow agreement	0	200

In 2020, the amount of business mortgages was decreased in conjunction with the financing agreement update.

7.5. MAJOR EVENTS AFTER THE CLOSING DATE

In January, the Annual General Meeting revolved in accordance with the proposal of the Board of Directors to distribute a refund of capital totaling EUR 579,733.05 to the P1 and P2 shares from the fund for unrestricted equity.

In February, Intera Fund III purchased all of the stock options granted to the CEO from CEO Eloholma (totaling 7,692 options) and subscribed for shares under the options.

PARENT COMPANY'S FINANCIAL STATEMENTS

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

EUR thousand	Note	Jan 1 – Dec 31, 2020	Jan 1 – Dec 31, 2019
Net sales		215	0
Personnel expenses		-191	0
Other operating expenses	2	-844	-5
Operating profit/loss		**-820**	**-5**
Financial income and expenses	3	-863	-865
Profit/loss before appropriations and taxes		**-1,683**	**-870**
Group contributions	4	5,565	3,450
Income taxes	5	-790	-516
Profit for the period		**3,092**	**2,064**

SITOWISE HOLDING I OY: BALANCE SHEET (FAS)

EUR thousand Assets	Note	Dec 31, 2020	Dec 31, 2019
Non-current assets			
Holdings in Group companies	6	58,698	56,887
Non-current assets total		**58,698**	**56,887**
Current assets			
Current receivables	7	517	1,050
Cash and cash equivalents		1,061	294
Current assets total		**1,578**	**1,344**
Assets total		**60,277**	**58,231**
Shareholders' equity and liabilities			
Shareholders' equity	**8**		
Share capital		3	3
Fund for invested unrestricted equity		40,663	40,471
Retained earnings		64	-1,338
Profit (loss) for the period		3,092	2,064
Subordinated loan		14,145	14,145
Total shareholders' equity		**57,967**	**55,344**
Liabilities			
Current liabilities	9	2,310	2,887
Liabilities total		**2,310**	**2,887**
Shareholders' equity and liabilities total		**60,277**	**58,231**

SITOWISE HOLDING I OY: CASH FLOW STATEMENT (FAS)

EUR thousand	Jan 1 – Dec 31, 2020	Jan 1 – Dec 31, 2019
Cash flow from operating activities		
Operating profit	-820	-5
Change in working capital	1,012	0
Interest paid and other financial expenses	-3,233	0
Taxes paid	-526	-953
Cash flow from operating activities	**-3,567**	**-958**
Cash flow from investing activities		
Purchase and sale of shares in subsidiaries and associated companies	-1,811	-7,027
Cash flow from investing activities	**-1,811**	**-7,027**
Cash flow from financing		
Share issue for consideration	3,761	7,860
Share repurchase	-1,613	-2,432
Dividends paid	-2,618	-597
Group contribution received	6,615	3,399
Cash flow from financing	**6,145**	**8,230**
Change in cash and cash equivalents	767	245
Cash and cash equivalents January 1	294	49
Cash and cash equivalents December 31	**1,061**	**294**

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, 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

1.2. MEASUREMENT OF INVESTMENTS

Investments are measured at acquisition cost.

2. OTHER OPERATING EXPENSES

EUR thousand	2020	2019
Statutory audit	12	1
Total	**12**	**1**

3. FINANCIAL INCOME AND EXPENSES

EUR thousand	2020	2019
Interest expenses		
To others	-863	-860
Other financial expenses	0	-5
Total	**-863**	**-865**

4. APPROPRIATIONS

EUR thousand	2020	2019
Group contributions received	5,565	3,450
Total	**5,565**	**3,450**

5. DIRECT TAXES

EUR thousand	2020	2019
Direct taxes payable on actual operations for the financial period	-779	-516
Total	**-779**	**-516**

6. INVESTMENTS

EUR thousand	2020	2019
Acquisition cost January 1	56,887	49,860
Increase	1,811	7,027
Decrease	0	0
Acquisition cost December 31	**58,698**	**56,887**

Holding	2020	2019
Sitowise Holding II Oy	100%	100%

7. CURRENT RECEIVABLES

EUR thousand	2020	2019
Other accrued income	149	0
Accrued income from Group companies	368	1,050
Total	**517**	**1,050**

8. SHAREHOLDERS' EQUITY

EUR thousand	2020	2019
Share capital at the beginning of the period	3	3
Increase in share capital	0	0
	3	**3**
Fund for invested unrestricted equity	40,471	32,610
Increase	192	7,861
	40,663	**40,471**
Retained earnings at the beginning of the period	726	1,691
Distribution of dividends	-662	-597
Share repurchase	0	-2,432
	64	**-1,338**
Profit/loss for the financial period	**3,092**	**2,064**
Subordinated loan	14,145	14,145
Total shareholders' equity	**57,967**	**55,344**

EUR thousand	2020	2019
Fund for invested unrestricted equity	40,663	40,471
Retained earnings	64	-1,338
Profit/loss for the financial period	3,092	2,064
Retained earnings total	**43,819**	**41,197**

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.
- interest shall be paid on the unpaid principal of the loan at the annual rate of 6%.
- the unpaid interest falls due in a single installment on the day on which the debtor decides to repay the loan.
- 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	2020	2019
Accounts payable	350	1
Accounts payable Group	664	
Interest payable	0	2,370
Company tax accrual	779	516
Other current liabilities, Group	100	
Other accrued expenses	416	0
Total	**2,310**	**2,887**

10. GUARANTEES AND CONTINGENT LIABILITIES

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

Assets pledged by type:	for own debt	for Group company's debt
	0	72,724
Pledged shares, book value		
Sitowise Holding II Oy, shares 1–2500	58,698	

Sitowise Holding I Oy has pledged its receivables from the Group companies as collateral for the Group companies' financing loans.

KEY FIGURES

EUR thousand	2020	2019	2018
Net sales	160,082	143,016	125,693
Growth in net sales, %	11.9%	13.8%	
Organic growth in net sales, %	3%	1.8%	
EBITA, adjusted	20,633	15,481	14,461
% of net sales	12.9%	10.8%	11.5%
EBITA	19,535	12,317	13,813
Operating profit (EBIT)	18,272	10,644	13,271
% of net sales	11.4%	7.4%	10.6%
Financial income and expenses	-2,376	-2,268	-2,145
Profit before taxes	15,896	8,376	11,126
Profit for the period	12,798	6,858	3,033
Balance sheet total	221,528	188,432	142,996
Shareholders' equity	66,880	57,369	45,798
Cash and cash equivalents	15,463	10,346	9,280
Net debt	56,583	50,662	39,381
Cash flow from operating activities	24,128	14,444	10,505
Average number of personnel	1,823	1,514	1,290
Personnel expenses	101,935	91,692	79,896
Full-time equivalent (FTE) on average	1,555	1,442	1,233
Utilization rate	77.3%	76.2%	77.9%
Earnings per share (EUR)	9.69	5.48	2.47
Diluted earnings per share (EUR)	9.63	5.45	2.47
Earnings per share, continuing operations (EUR)	9.60	6.29	7.75
Diluted earnings per share, continuing operations (EUR)	9.54	6.25	7.75
Return on equity (ROE), %	20.6%	13.3%	6.9%
Return on capital employed (ROCE), %	12.1%	8.7%	13.0%
Equity ratio, %	30.2%	30.4%	32%
Net debt/EBITDA, adjusted	2.6x	3.1x	2.6x
Gearing, %	85%	88%	86%

ITEMS AFFECTING COMPARABILITY

EUR thousand	2020	2019	2018
Restructuring expenses	253	796	47
Integration expenses	670	639	813
Mergers and acquisitions and associated expenses	-343	776	-508
Listing expenses	408	317	0
Others	111	65	167
Items affecting comparability, expenses	**1,098**	**2,593**	**519**
Items affecting comparability, depreciation	0	571	129

Formulas for the key figures

Organic growth in net sales	=	Growth in net sales excluding acquisitions and divestments
EBITA	=	Operating profit + amortization of intangible assets
EBITA, adjusted	=	EBITA + items affecting comparability
EBITDA, adjusted	=	EBITDA + items affecting comparability, in addition all lease liabilities are treated as operating leases, so lease expenses on the whole affect EBITDA
Items affecting comparability	=	Items affecting comparability are primarily associated with mergers and acquisitions, restructuring, and integration expenses due to mergers and acquisitions
Net debt	=	Loans from financial institutions - cash and cash equivalents (Net debt does not include lease liabilities)
Return on equity (ROE), %	=	Profit for the period / Total shareholders' equity, average
Return on capital employed (ROCE), %	=	(Profit before taxes + financial expenses) / (Balance sheet total - non-interest-bearing liabilities), average
Equity ratio, %	=	Total shareholders' equity / Balance sheet total
Net debt/EBITDA, adjusted	=	Net debt / EBITDA, adjusted
Gearing, %	=	Net debt / Total shareholders' equity
Earnings per share	=	(Profit for the period - non-controlling interest - dividend for the financial period to be distributed on preference shares, taking tax impact into consideration) / Average number of A1 and A2 shares
Diluted earnings per share	=	(Profit for the period - non-controlling interest - dividend for the financial period to be distributed on preference shares, taking tax impact into consideration) / Average diluted number of A1 and A2 shares
Earnings per share (continuing operations)	=	(Profit for the period from continuing operations - non-controlling interest - dividend for the financial period to be distributed on preference shares, taking tax impact into consideration) / Average number of A1 and A2 shares
Diluted earnings per share (continuing operations)	=	(Profit for the period from continuing operations - non-controlling interest - dividend for the financial period to be distributed on preference shares, taking tax impact into consideration) / Average diluted number of A1 and A2 shares
Full-time equivalent (FTE) on average		Group personnel, full-time equivalent average during the period
Utilization rate		Number of charged hours worked relative to the number of hours worked

SIGNATURES OF THE BOARD OF DIRECTORS AND AUDITOR'S NOTE

BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFIT

The parent company's profit for the financial period is EUR 3,092,474.45 and the company's distributable funds total EUR 43,819,353.50. The Board of Directors proposes to the Annual General Meeting that the profit for the period be carried forward as retained earnings and that no dividend be distributed.

SIGNATURES TO THE FINANCIAL STATEMENTS AND BOARD OF DIRECTORS' REPORT

Espoo, February 25, 2021

Eero Heliövaara Chairman of the Board	Pekka Eloholma CEO
Janne Näränen	Taina Kyllönen
Elina Piispanen	Petri Rignell
Tomi Terho	

AUDITOR'S NOTE

A report on the audit has been issued today.

Helsinki, February 25, 2021

KPMG Oy Ab
Authorized Public Accountants

Turo Koila
Authorized Public Accountant (KHT)

KPMG Oy Ab

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This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

To the general meeting of shareholders of Sitowise Holding I Oy

Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sitowise Holding I Oy (business identity code 2767842-8) for the year ended 31 December, 2020. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

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

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Other Reporting Requirements

Other Information

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

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

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

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

Helsinki 25 February 2021

KPMG OY AB

Turo Koila
Authorised Public Accountant, KHT

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