

SITOWISE GROUP PLC

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

**Financial period
January 1 – December 31, 2021**



SITOWISE

Sitowise Group Plc
Business ID: 2767842-8
Board of Directors' Report and Consolidated Financial
Statements (IFRS)
Financial period January 1 – December 31, 2021

Sitowise is a Nordic specialist and digital expert in the built environment. We offer design and consulting services for smarter and more sustainable urban development as well as smooth transportation. We operate in three business areas in Finland and Sweden: real estate and buildings, infrastructure, and digital solutions.

We want to raise the bar of being smart and sustainable, which is why our vision is to be **the most responsible partner in developing a prosperous living environment**. Sitowise has grown rapidly and profitably in the past years. The group's net sales were EUR 179 million in 2021 and the company employs over 2,000 experts. Sitowise Group Plc is listed on Nasdaq Helsinki as SITOWS..

www.sitowise.com

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BOARD OF DIRECTORS' REPORT

Strategic growth – toward being the industry's most responsible partner

The Group's net sales and profitability continued to grow in 2021, in addition to which Sitowise's order book reached a record-high level. The number of experts increased beyond 2,000 during the year thanks to both acquisitions and organic growth. Sitowise's personnel satisfaction remained at a healthy level, and leadership in particular was once again rated especially high by personnel. Sitowise's Management Team was strengthened in November, when Jonas Larsson took up his position as Head of Swedish Operations.

Sitowise took a significant step towards growth with the IPO on the main list of the Nasdaq Helsinki in March. The IPO promoted growth, strengthened the balance sheet, and expanded the shareholder base. Thanks to the listing, more than half of the Group's personnel are also now shareholders. Sitowise has a long tradition of employee ownership, and this strong trust provides a good base for the next step. Sitowise continues to implement its growth strategy both in Finland and in other Nordic countries not just through acquisitions but also organically.

Sitowise made eight acquisitions in 2021 that strengthened the Group in Sweden both geographically and in terms of the service concept. The acquisitions expanded and complemented also the Group's expertise in climate and sustainability services, digital solutions, and technical design and consultancy in Finland.

The Group's digital business was boosted in February by the acquisition of Sweetlakes Oy, a specialist in cloud and mobile development as well as information system solutions for the security sector. In Sweden, Sitowise strengthened its building services engineering competence by acquiring Stockholms VVS-Kompetens AB, which has offices in Stockholm and Södertälje. The Group's sustainability expertise was increased through the acquisition of two providers of sustainable development services. Benviroc Oy is the market leader in Finland in the provision of municipality-level emissions inventories and CO₂ reporting, and MSDI Oy has developed a digital tool for municipal sustainability management and decision-making.

In July, Sitowise sought growth in Sweden and in the digital market by acquiring Infracontrol AB, which builds real-time digital solutions for transportation and infrastructure, offering solutions to more than 120 Swedish municipalities as well as Sweden's national transportation and infrastructure authorities. The acquisition further widened Sitowise's digital solutions market. In July the Group further extended its range of expert services in Finland by acquiring Enco Oy, a digital real estate management specialist.

Towards the end of the year, Sitowise strengthened its special expertise and regional position by acquiring HVAC engineering specialist Livair Oy in November and Insinööritoimisto Jorma Jääskeläinen Oy, an engineering company specializing in structural engineering and consultancy, in December. At the turn of the year the Group acquired VRT Finland Oy's business that specializes in condition studies of structures below and above the waterline.

Sitowise's Board of Directors adopted a new sustainability program for the Group in December 2021, which covers the period up to 2025. The program is founded on Sitowise's vision of being the industry's most responsible partner and built around four measurable goals: Sitowise is carbon neutral in 2025, Sitowise is the most equal workplace with best employee well-being in the industry, Sitowise aims for sustainable economic growth, and Sitowise actively contributes to make the industry more sustainable. The sustainability program applies to all Sitowise employees and calls for improvement on every level of the organization.

Sitowise developed and launched its own sustainability tool in the spring of 2021, which was used in 34% of all new projects in Finland at the end of the year. The goal is to deploy the tool across all of the Group's projects.

Key figures (IFRS)

EUR million	2021	2020	2019	Change 2020–2021
Net sales	179.3	160.1	143.0	12.0%
EBITA, adjusted	21.1	20.6	15.5	2.3%
% of net sales	11.8%	12.9%	10.8%	
EBITA	18.5	19.5	12.3	-5.4%
Operating profit	16.4	18.3	10.6	-10.6%
Cash flow from operating activities before financing items and taxes	22.8	31.5	18.9	-27.6%
Net debt	30.9	56.6	50.7	-45.5%
Net debt / EBITDA, adjusted	1.4x	2.6x	3.1x	
Equity ratio, %	46.0%	30.2%	30.4%	
Earnings per share (EPS), EUR *)	0.22	9.69	5.48	
Average number of personnel	1,969	1,823	1,514	8.0%

*) Not comparable due to the changes in the number of shares resulting from the IPO at the end of the review period.

Net sales by business area (IFRS)

EUR million	2021	2020	2019	Change 2020–2021
Buildings	72.1	70.8	67.2	1.9%
Infrastructure	55.9	54.2	50.6	3.2
Digital Solutions	20.3	14.1	12.3	44.0%
Sweden	31.0	21.1	9.8	47.1%
Others	0.0	0.0	3.1	
Total	179.3	160.1	143.0	12.0%

The Sitowise Group revised its organization in September 2020 after divesting its telecommunications business. 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

In the **Buildings** business, the slowdown in the long-running housing market boom caused by the COVID-19 pandemic could be seen as general cautiousness in construction market investments, which had a significant impact on the business in 2021. Additional challenges were brought by availability problems and rising costs of building materials, which slowed down the progress of projects and were reflected as slow starts of projects.

During the year, the Buildings business launched numerous new services to meet the new needs of the market. The new services cover i.e. the prevention of the spread of infectious diseases and the simulation of carbon neutrality and carbon footprint. The business also focused on developing low-carbon construction services to meet growing market demand brought about by clients' new carbon neutrality goals.

Due to the challenging market situation, scalability was utilized throughout the business. During the year, the emphasis was shifted between renovation and new construction, experts were cross-utilized between businesses, and the share of the government and industrial sectors was strengthened. The demand and significance of areas of special expertise continued to increase in 2021.

Active investment in customer and sales work and close cooperation with customers increased the order book of the Buildings business throughout the year. This, in turn, was reflected as e.g. an increase in the need for resources and recruitment.

The net sales of the Buildings business area increased by 2% to 72.1 million euros in 2021. The business area accounted for 40% of Sitowise's total net sales.

The strong order book, significant projects and committed personnel kept the **Infrastructure** business area competitive and invigorated also in 2021. The needs of the future are better met by developing the expertise and services. The year 2021 started with a strong order book and without signs of major changes in the infrastructure engineering market.

In the face of intensified competition, Sitowise managed to hold on to its wide range of services and experts at its core. The turnover of personnel in the Infrastructure business has decreased since 2020. One of Sitowise's competitive advantages as an employer is investing in supervisory work.

The service offering was further developed, and an array of sustainable development services was established during the

year, which is a response to meeting and exceeding more environmentally conscious goals and requirements. Under the array, Sitowise develops low-carbon solutions and strengthened its position as a service provider for climate risks and adaptation. The sustainable development service array supports Sitowise's vision of being the most responsible partner in our field.

The Infrastructure business area ended its year in a stable position in terms of both its order book and personnel. The year was a success, and the net result proved the direction for the business to be right.

The net sales of the Infrastructure business area increased by 3% to 55.9 million euros in 2021. The business area accounted for 31% of Sitowise's total net sales.

One of the targets for **Digital Solutions** during the year was to grow the business of operative and real-time IT solutions. The growth of Sitowise's Digital Solutions has been about double when compared to the rest of the market. The growth strengthens Sitowise's position as the digital solutions vanguard and enables the implementation of more interesting and comprehensive information system solutions.

There is fierce competition for digital solution talent. Throughout the year, Sitowise invested in the recruitment and onboarding of specialists and in the amenities, development, and support of employees and teams, i.e. in the form of its own internal guild activities. Talent is needed to enable Sitowise to meet the growing demand for digital solutions in the built environment.

Demand for digital solutions in the built environment and mobility is growing as predicted, and even slightly faster than the rest of the IT industry. There is a lot going on in the smart city market right now: megatrends, EU legislation, national strategies, digital projects, and expert networks are pushing the digitalisation of the industry in an unprecedented way. Sitowise sees that the market is not yet mature and there are significant additional opportunities for the industry to take advantage of digitalisation at different stages of the life cycle of the built environment.

The net sales of the Digital Solutions business area increased by 44% to 20.3 million euros in 2021. The business area accounted for 12% of Sitowise's total net sales.

During 2021, the operations in **Sweden** were preparing for the integration of Swedish subsidiaries into the Group. Sitowise appointed Jonas Larsson as the head of Sitowise's operations in Sweden and a member of the Group Management Team. Sitowise's goal is to increase project co-operation and the utilization of expertise between specialists across borders.

During the first half of the year, market uncertainty due to the COVID-19 pandemic was more pronounced in Sweden than in Finland. For example, public infrastructure projects were postponed, which was reflected in the utilization rate of the Swedish subsidiaries at the beginning of the year. The consequences of the COVID-19 pandemic, such as high material

costs and general market uncertainty, affected projects well into the early fall.

However, the declining utilization rate at the beginning of the year returned to normal, and with the order book growth, the specialists' work base was at a good level towards the end of the year. Sitowise also managed to successfully recruit both new and experienced employees.

Towards the end of the year, the Swedish infrastructure and construction markets showed signs of return to normal. There were challenges during the year, especially in the starts of larger public sector construction projects, and at the same time, competition for smaller projects was fiercer. The market outlook in Sweden is bright, as stimulus funding is expected to have a favourable impact on the market in the coming years.

The net sales of the Swedish business area increased by 47% to EUR 31 million in 2021. The business area accounted for 17% of Sitowise's total net sales.

GROUP ORDER BOOK

The revitalization of the market that began at the start of the year continued throughout the year. The record-high order book was also helped along by Sitowise's active sales efforts and successfully completed acquisitions. The order book grew by 6% compared to the third quarter of the year. The order book was up by 41% on the end of the previous year and finished at EUR 162 million. The biggest threat to the order book relates to projects starting significantly late, which would damage Sitowise's profitability if resources could not be reallocated.

LONG-TERM FINANCIAL TARGETS

The Board of Directors of the Sitowise Group set the following long-term financial targets in connection with the IPO in 2021:

- **Growth:** Annual net sales growth of over 10%, including acquisitions;
- **Profitability:** Adjusted EBITA margin of at least 12%;
- **Leverage:** Net debt / adjusted EBITDA should not exceed 2.5x, except temporarily in conjunction with acquisitions; and
- **Dividend policy:** Sitowise targets paying a dividend corresponding to 30–50% of net profit.

GROUP STRUCTURE

The Group's parent company Sitowise Group Plc operated under the name Sitowise Holding I Oy until March 2, 2021, at which time the company changed its name to Sitowise Group Plc. The parent was established on August 15, 2016.

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

- Wholly owned by Sitowise Group Plc: Sitowise Oy, which is the company's operational subsidiary in Finland, and foreign subsidiaries Sitowise Holding AB (whose merger with Sitowise Group Plc was pending at the year-end and due to be registered in January 2022) and Infracontrol AB (acquired in July 2021) as well as its wholly owned subsidiaries Infracontrol Espana SL, Infracontrol Portugal Lda and Sitowise Consulting OÜ.
- Sitowise Oy's Finnish subsidiaries Sitowise Rakennuttajat Oy (100%), Insinööritoimisto Jorma Jääskeläinen Oy (100%, acquired in December 2021), Insinööritoimisto Livair Oy (100%, acquired in November 2021) and Routa Systems Oy (51%), and foreign subsidiaries AS DWG (55%) and Sitowise Consulting OÜ (100%).
- Wholly owned by Sitowise Holding AB: Byggnadstekniska Byrån AB, Technology for Infrastructure projects Sweden AB (whose wholly owned subsidiaries Technology for Infrastructure projects Gothenburg AB, Technology for Infrastructure projects Stockholm AB and Technology for Infrastructure projects International AB were wound up through liquidation on December 31, 2021) and VVS-Kompetens AB (acquired in February 2021, whose merger with Technology for Infrastructure projects Sweden AB was pending at the year-end).

Sitowise Holding II Oy, which was wholly owned by Sitowise Group Plc, merged with Sitowise Group Plc on December 31, 2021. Of the Group's subsidiaries, Ficonic Solutions Oy was merged into Sitowise Oy on March 31, 2021, Benviroc Oy (acquired in February 2021), Maapörssi Oy, MSDI Oy (acquired in February 2021) and Sweetlakes Oy (acquired in February 2021) on October 31, 2021, and Enco Oy (acquired in June 2021) and Paloässät Oy on December 31, 2021.

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

The appointment and dismissal of the Board of Directors and any amendment of the Articles of Association are decided at the Annual General Meeting. Composition of the Board of Directors in 2021:

Eero Heliövaara	Chairman of the Board
Tomi Terho	Board member
Taina Kyllönen	Board member
Janne Näränen	Board member until March 25, 2021
Elina Piispanen	Board member
Petri Rignell	Board member
Leif Gustafsson	Board member since March 25, 2021
Mirel Leino-Haltia	Board member since March 25, 2021

Sitowise's Board of Directors decides on the appointment and dismissal of the CEO. Pekka Eloholma has been the company's

CEO since August 15, 2019. The notice period for the termination of the CEO's contract is six (6) months on both sides. The CEO is not entitled to a severance package in addition to the remaining regular pay if he resigns. If the company terminates the CEO's contract for any reason other than the CEO's gross misconduct, criminal activity or other similar reason, the CEO is entitled to not just his regular pay for the aforementioned notice period of six (6) months but also a severance package equivalent to up to six (6) months' pay, provided that he does not enter into the employment or service of a third party during that period.

Composition of the Group Management Team on December 31, 2021: Jannis Mikkola (Executive Vice President and Business Director, Infrastructure), Timo Palonkoski (Executive Vice President and Business Director, Buildings), Teemu Virtanen (Business Director, Digital Solutions), Jonas Larsson (Head of Swedish Operations), Anne-May Asplund (CHRO), Heidi Karlsson (CFO), Turo Tinkanen (Chief Information Officer) and Minttu Vilander (Chief Communications and Corporate Responsibility Officer).

The auditor of the parent company and the Group is KPMG Oy Ab, with Authorized Public Accountant Turo Koila as the auditor-in-charge.

PERSONNEL

The average number of personnel in the Group during the financial period was 1,969 (1,823). At the end of the financial period, the Group had 2,034 employees (1,902). The average age of Sitowise's employees was 39 (39) years. At the end of 2021, students accounted for 10% of the Group's personnel. Women accounted for 35% (35%) of the Group's employees. Of all employees, 81% (79% in 2019) responded to the personnel survey. The index measured in the survey, eNPS (Employee Net Promoter Score), was 28 (25 in 2019). Personnel expenses amounted to EUR 115.7 (101.9) million in 2021. Reference figures for the previous year in brackets.

ASSESSMENT OF RISKS AND UNCERTAINTIES

The significant risks and uncertainties related to the Sitowise Group's business include operational and damage risks, and strategic and financial risks, to which the Group's financial performance is exposed. The Group's risk assessment is based on an annual survey that was conducted during the financial year 2021, and its results have been discussed in the Group's Board of Directors, management team as well as business areas. The Sitowise Group's risk management process and responsibilities are described on the Group's website (www.sitowise.com).

In terms of operational risks, the most pronounced personnel risks of the Sitowise Group relate to the retention and coping of personnel and the availability of new experts. Sitowise's business and strategy are based on skilled personnel, and talented professionals are a key factor in securing profitable growth and

business. The long period of remote working due to the COVID-19 pandemic is a risk to the employee retention and engagement to the Sitowise Group. Due to the business model's high dependency on personnel, maintaining a steady and profitable order book is of great importance to the business. A sufficient order book is aimed to be maintained through an extensive customer base, diverse workload, and continuous monitoring of the order book. A rise in the wage level can have a negative impact on Sitowise's profitability and financial performance if it cannot revise the prices of its services accordingly.

The Sitowise Group's other operational risks relate to the project work and include, among others, miscalculated tenders, claims for compensation due to engineering mistakes or delays, and exceptionally strict warranty and liability terms, which could, if invoked, damage Sitowise's profitability. Risks related to tenders and projects are managed by means of regular quality management and risk management reviews and by complying with procedures pursuant to the ISO-certified ERP system. The Group has developed a proprietary service platform called Voima to facilitate the adoption of more efficient and consistent operating methods than earlier. The Voima project management tool contains project guidelines and templates, best practices, bidding and project workspaces, and a risk assessment tool. Project risks are managed already in the offering phase by means of project guidance according to which an authorization from the management of the relevant business area is required before tendering for any contracts that are subject to non-standard terms and conditions. The guidance also covers the implementation phase of projects. The risk assessment addresses themes such as contract terms and liability, schedule, resources, scope of the assignment, safety, and sustainability. The Voima platform contains real-time data that can be used to mitigate risks. Project risks are managed through carefully thought-out pricing and a thorough review of the tendered project and its problematic elements. Sitowise also continuously invests in the development and expertise of its personnel.

Damage risks include IT system and cyber security risks. Sitowise's business is dependent on a well-working IT infrastructure and uninterrupted access to IT-based tools and systems. However, IT systems are susceptible to faults and failures. Malfunctions, interruptions, faults, or cybersecurity breaches that affect IT systems can delay the delivery of services, cause unexpected costs, and damage Sitowise's reputation.

The Sitowise Group's strategic risk is that the planned growth based on corporate acquisitions will not materialize. That could happen if suitable acquisition targets are not available, acquisitions cannot be made at financially reasonable valuation level or acquisitions involve liabilities that cannot be considered in the purchase price. Successful integration of acquisitions is also a key element of the Sitowise Group's growth strategy, and Sitowise is therefore exposed to risks related to the integration process, which can lead to additional costs, failure to implement synergies, and loss of growth opportunities. Uncertainty in the financial markets or rising interest rates leading to higher financing costs and reduced availability (adequacy, timeliness,

and favorable terms) is both a strategic and a financial risk for the Sitowise Group. That is a risk because Sitowise finances its business and investments with cash flow and debt financing, and needs external financing to implement its growth strategy. Uncertainties created by the general economy development and changes in market conditions are risks to the Sitowise Group's business.

Sitowise Group has been particularly careful in assessing its potential financial risks due to the COVID-19 pandemic since March 2020. The listing and the refinancing in connection with it strengthened the Group's liquidity which has also been strengthened by monitoring trade receivables and cash flow more intensively. External financing can expose Sitowise to risks related to indebtedness and weaken its financial position. Financial risks are discussed in more detail in Note 5 to the financial statements.

The coronavirus pandemic and new variants of the virus may continue to contribute to the uncertainty in the global economy and global financial markets. Moreover, the current exceptional circumstances in Europe due to Russian war activities against Ukraine may contribute to the uncertainty in the European financial markets. Both may lead to a decline in economic activity resulting, for example, in a reduction or postponement of investments and projects. The company does not have offices in Russia, Belarus or Ukraine, nor does it export to these countries. The set new sanctions and the changed operating environment outside the scope of sanctions because of the Russian military actions – as well as counter-sanctions – may create uncertainties that cannot be thoroughly assessed at the time of publication of this board report.

Many of the risks associated with the Sitowise Group and its business are characteristic of the business and typical in the industry. The risks are described very comprehensively in the listing prospectus of 12 March 2021 (available on our website at www.sitowise.com), and they still form a set of current risks.

Climate risks

The built environment causes approximately one-third of all greenhouse gas emissions, which is why reducing its emissions plays an important role in mitigating climate change. The direct and indirect effects of climate change are directly linked to Sitowise's service offering and business as well as their demand. On the one hand, this is also an opportunity for Sitowise to develop its business in accordance with the needs of its customers.

The risk is that Sitowise fails to identify and anticipate customers' needs well enough or that its expertise is not enough to effectively meet those needs. Another risk is that the Group fails to train its experts to identify the effects of climate risks on customers' needs or is not able to recruit enough experts who have experience of climate change adaptation.

It is also possible that climate change affects the projects in which Sitowise is involved, in addition to which Sitowise is susceptible

to the economic impacts of climate change. Climate change has potential implications for Sitowise's offices as well as the entire Nordic building stock, which is affected by changes in weather conditions such as heavier rainfall, which can lead to structural dampness and affect the air quality. However, Sitowise does not own its offices, which reduces the economic impact.

Sitowise has publicly announced its sustainability targets, one of which is to be carbon neutral by 2025. Not being able to reach this publicly announced target is a risk to Sitowise's reputation.

REPORT ON THE SCOPE OF RESEARCH AND DEVELOPMENT ACTIVITIES

Sustainability and responsibility requirements increasingly affect the operations and development needs of Sitowise's customers. Mitigating and adapting to climate change, energy efficiency, the circular economy, and inclusivity also require customers to develop new, scalable solutions.

One of the objectives of Sitowise's sustainability program, which was adopted in 2021 and covers the period up to 2025, is to aim for sustainable economic growth. Sitowise intends to reach this goal by anticipating and following shifts in the markets while keeping an eye on the direction of sustainability trends and its customers' sustainability goals, by actively developing its current and future services to meet the challenges of sustainable development, and by increasing business activities aimed at sustainable development. Sitowise aims to channel at least 80% of its R&D&I budget to innovation in sustainable development services.

Sitowise has named its research and development concept The Smart City Lab. The activities are supported by an online platform launched in 2021, which allows all Sitowise employees to contribute to innovation activities by presenting ideas, out of which the best ones move forward to be developed at Group level.

REPORT OF NON-FINANCIAL INFORMATION

Business model

Sitowise is a Nordic expert in the built environment with a strong focus on digitality. Sitowise offers sustainable design and consultancy services for projects of all sizes to enable more responsible and smarter urban development as well as smooth transportation. Sitowise offers its services in the following areas in Finland and Sweden: Buildings, Infrastructure, and Digital Solutions.

Buildings provides building design, consultancy and real estate development services for residential and commercial real estate markets, as well as for the needs of the health-care sector and industry. The business area has significant engineering expertise in, for example, high-rise construction, acoustics design, and fire safety engineering. Sitowise acts as a partner in both new developments and renovation projects.

Infrastructure covers a wide range of urban development needs in diverse areas: infrastructure, transportation and mobility, urban development, environment and water, and the construction of infrastructure. Urbanization supports the investment needs of municipalities and cities in particular, and the business area's most significant customer segment is the public sector, which accounts for almost 70% of revenue.

Digital Solutions focuses on digital solutions for mobility and the built environment as well as consultancy services that support these fields. Its services cover customer-driven information system development, off-the-shelf products and solutions, analytics, information management and visualization, and expert and consultancy services. The business area also includes digital solutions for traffic and infrastructure in Sweden.

Sitowise's **Swedish Operations** is a business area of its own, excluding digital solutions. In Sweden, Sitowise provides design and consultancy services in the following areas: structural engineering, building services engineering and consultancy for buildings and real estate, infrastructure and associated building services engineering, and geotechnical design.

Principles and key aspects of sustainability

Sitowise's vision is to be the most responsible partner in developing a prosperous living environment. The company is committed to increasing the sustainability of both its own operations and its projects and customer relationships on a long-term basis and to reporting on and measuring its progress in respect of sustainability. The Group also continuously develops its sustainability business to meet the changing needs of its customers.

The UN's Sustainable Development Goals (SDGs) are an integral part of Sitowise's sustainability policy. Many of Sitowise's customers and other operators in the industry are committed to promoting the UN's goals, and the sustainability tool developed by Sitowise is also based on this framework. Adopted in early 2021, the sustainability tool helps Sitowise to measure and track the sustainability of customer projects.

The tool was used to record sustainability targets for approximately one-third of all projects started in Finland during the year. Sitowise's projects promoted all 17 of the UN's SDGs. A total of 30% of the projects in which the sustainability tool was used promoted sustainable cities and communities. Good health and well-being was recorded as a goal for 18% of the projects in which the tool was used. More than 10% of the projects had also made a commitment to promoting climate action as well as sustainable industry, innovation, and infrastructure.

Sitowise's Board of Directors adopted a new sustainability program in December, which focuses, in particular, on setting clear sustainability goals and indicators for Sitowise's progress in terms of sustainability. The program covers all three aspects of the ESG agenda: environmental, social, and governance. The program is based on a materiality assessment, for which Sitowise

conducted a comprehensive preparatory study encompassing the current status of the company's sustainability efforts, the suitability of widely used sustainability frameworks to Sitowise's operations, and the views of stakeholders – especially Sitowise's personnel and customers. The sustainability program also aims to anticipate the impact of national and EU-level legislative reforms, such as the introduction of the EU taxonomy.

The sustainability program is built around four goals:

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

Sustainability management

Sitowise's sustainability efforts are guided by its sustainability program, ethical principles and industry guidelines, as well as the general principles of corporate social responsibility and the law. Metrics for sustainability have been set, and progress in respect of sustainability is actively monitored and reviewed at regular intervals in the meetings of the company's Board of Directors and Group Management Team. The company's integrated management system and all aspects of its business also comply with the requirements of the ISO 9001 and ISO 14001 standards.

The key points of the Group's sustainability policy are approved by Sitowise's Board of Directors. The CEO has overall responsibility for sustainability. The Corporate Responsibility Officer directs and promotes sustainability initiatives, and monitors and reports on the indicators, goals, and achievements. She provides updates on sustainability efforts to the CEO and, if necessary, prepares accounts of different areas of sustainability and progress in those areas.

Business Directors and line managers are responsible for the implementation of practical measures. Group services (finance, IT, HR, communications, quality, safety and security, and procurement) support the business areas in reaching the sustainability goals.

Disclosures within the meaning of Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088

Sitowise's taxonomy-eligible activities accounted for 58% of net sales in 2021. Taxonomy is discussed in more detail in the Annual and Sustainability Report.

Personnel perspectives

Sitowise's personnel are guided by five commonly agreed values: we trust each other, we know our customers, we are brave, we work as one team, and we are open.

The well-being of Sitowise's experts is the foundation of meaningful and sustainable work. It is also a precondition for them to do their work well. It is important for the company that its employees are healthy, motivated, and proud of the positive impact that Sitowise's services have on the environment, communities, and people. This is facilitated, for example, by supporting coping at work, offering flexibility in different life situations, and providing a variety of training options for both professional development and better management of work-related stress.

Sitowise's employee satisfaction rating is high, and its experts feel that their work reflects what matters to them on a personal level. Employees' readiness to recommend Sitowise as a good place to work was at a good level in 2021, with an eNPS score of 28 (scale -100 – +100). Sitowise ranked second in the category of organizations with 1,000+ employees in the 2021 Responsible Employer survey.

The Group employed 1,969 people on average during the year and 2,034 people at the year-end. The number of personnel grew by 130 in 2021. The annual increase in the number of personnel (+8%) was driven by both organic growth and the eight acquisitions completed during the year. The biggest of these was Infracontrol in Sweden, which employed 29 people at the time of the acquisition. Sitowise hired 254 new employees on a permanent basis and 86 on fixed-term contracts. Turnover of permanent employees increased in 2021 and amounted to 14.0% (9.7%). A total of 266 permanent employment contracts ended during the year.

At the end of 2021, students accounted for approximately one-tenth of the Group's personnel. Sitowise's goal is for at least 10% of its personnel to be students. Women accounted for 35% of all employees at the end of 2021. A total of 23% of executive and managerial positions were held by women. The average age of Sitowise's employees was 39 years, and the 30–39-year-old age group was the biggest (37%) among all personnel. Sickness absences amounted to 2.3% at the end of the year (cumulative percentage from January to December), a figure similar to the previous year.

The coronavirus pandemic has taken a toll on the personnel's well-being. Work has been more stressful due to the changed circumstances: remote working, lack of social contacts, virtual meetings instead of face-to-face interaction with colleagues, and worry over one's own health and the health of family and friends. Sitowise promoted its personnel's well-being by a range of awareness campaigns and tangible actions in 2021.

Sitowise's occupational health-care provider launched an approachable mental health service for employees in 2021. Cooperation with the occupational health-care provider has been intensified through occupational health meetings, which are convened at the slightest sign of trouble relating to, for example, an individual employee's ability to cope. Personnel were invited to webinars relating to well-being in the spring. Line managers were given training on ways to manage well-being, and an

early intervention model was incorporated into the well-being management training program. An employee can be invited to an early intervention discussion if, for example, their flextime balance increases above certain limits.

Ethical principles

Sitowise's Code of Conduct concerns all employees and applies to all units and functions of Sitowise Group Plc and its subsidiaries. The Group also expects its partners to have sustainable practices in place.

Sitowise is an important player in its industry and therefore has an important role to play as a social influencer and industry developer. Acting in a responsible manner is one of the cornerstones of Sitowise's strategy and an essential part of its decision-making.

Compliance with the statutes that are binding on Sitowise is the starting point of all operations. Sitowise's employees are required to familiarize themselves with the laws, commitments and internal guidelines that apply to their duties and to Sitowise, and to act accordingly.

Sitowise respects and supports human rights and equality, and does not tolerate any form of violence, abuse, bullying, or harassment. Sitowise does not tolerate discrimination based on gender, nationality or ethnicity, age, religion, sexual orientation, mental or physical impairment, political or other views, social status, family relationships, or other personal attributes.

Sitowise contributes to a sustainable and smart living environment together with its customers and partners. The most significant vehicle for promoting environmental friendliness is the introduction of climate and resource-wise solutions in connection with projects. Sitowise is always looking to develop new services that promote sustainability and environmental friendliness, and strives to minimize the adverse environmental impact of its services.

Sitowise takes care of both its own assets and assets that have been entrusted to it, and only uses these resources for the purposes of its business. The company makes all its purchases responsibly and in accordance with established procurement practices, and operates fairly and transparently with its contractual partners.

Sitowise does not tolerate corruption or bribery, and never pays, offers, solicits, requests, or accepts bribes or any other undue advantage. When offering or accepting hospitality or gifts, the company applies the precautionary principle. Only reasonable and customary gifts are acceptable. The company never offers or accepts money or anything of monetary value as a gift.

Every employee and partner of Sitowise has an obligation to immediately report any concerns and known or suspected inappropriate conduct. Employees are instructed to voice their concerns and to tell their suspicions primarily to their supervisor

or contact person at Sitowise. If this is not possible, the Corporate Responsibility Officer can also be contacted. Sitowise also has a confidential contact and whistleblowing channel that can be used to report concerns anonymously. A total of 11 (14) concerns were submitted via the whistleblowing channel by Sitowise's own personnel and 1 (0) by an outside party in 2021. All the concerns were reviewed, and the CHRO and/or the Corporate Responsibility Officer responded to them.

Key risks related to non-financial information and risk management

Sitowise's business and strategy are based on competent personnel, and skilled professionals are a key factor in securing profitable growth and the continuity of the business. As stated on page 9 of the report under 'Assessment of risks and uncertainties', the most pronounced personnel risks of the Sitowise Group relate to the retention and coping of personnel and the availability of new experts. Managing these risks is based on the premise that it is important for the company that its employees are healthy, motivated, and proud of the positive impact that Sitowise's services have on the environment, communities, and people.

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

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

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

SUBORDINATED LOANS

Sitowise Group Plc had no subordinated loans on December 31, 2021. The subordinated loan of EUR 14.1 million, which was included in the balance sheet of December 31, 2020, was paid off during the first quarter of the financial period.

SHARES, SHAREHOLDERS, AND STOCK OPTIONS

Initial public offering (IPO)

Sitowise Group Plc's IPO was oversubscribed, and the listing was completed as planned. The listing consisted of a share issue and a share sale. The company raised gross proceeds of approximately EUR 75 million by issuing a total of 9,213,547 new shares. In addition, Intera Fund III Ky and certain other shareholders sold a total of 7,881,994 new shares. The final subscription price was EUR 8.20 per share in the institutional and public offering and 10% lower in the personnel issue, i.e. EUR 7.38 per share, based on which the company's market capitalization was approximately EUR 288 million immediately after the IPO. The shares were in strong demand from both Finnish and international investors, and the offering was oversubscribed several times. Trading in the company's shares began on the prelist of Nasdaq Helsinki Ltd on March 25, 2021 and on the stock exchange on March 29, 2021.

The company has one class of shares. Each share entitles its holder to one vote and an equal dividend. The trading code for Sitowise's shares is SITOWS. Sitowise belongs to Mid Cap companies and the Construction and Materials category.

In the institutional offering, 17,982,238 shares were allocated to institutional investors in Finland and internationally, and in the public offering, 1,000,000 shares were allocated to private individuals and entities in Finland. The personnel issue saw the allocation of 672,053 shares to employees in Finland, Sweden, Estonia, and Latvia, as well as to the company's management. The total number of shareholders increased to more than 9,000, including foreign institutional shareholders and all personnel shareholders.

Shares outstanding and share capital

New shares were issued following acquisitions and in order to commit key personnel to the company, and the number of shares entered for the company in the Trade Register increased by a total of 32,669 A2 shares and 980,291 P1 shares during the first quarter in 2021. The company also canceled some of the shares in its possession during the first quarter in 2021 (37,183 Series A2 shares, 690,215 Series P1 shares, and 275,332 Series P2 shares). In addition, Intera Fund III acquired the stock options granted to CEO Eloholma (a total of 7,692 stock options) and subscribed for Series A2 shares with all the options.

In the IPO, Sitowise issued a total of 9,213,547 new shares. The company also canceled a total of 12,879,032 Series P1 shares and 8,517,444 Series P2 shares in connection with the IPO.

The Sitowise Group's IPO and the listing of the company's shares on the main list of Nasdaq Helsinki Ltd involved merging the company's share classes, redeeming and cancelling the Series P1 and Series P2 shares, and increasing the number of outstanding shares to 34,493,874. The new shares subscribed for in the personnel issue (672,053 shares) were entered into the Trade Register on April 14, 2021, and the number of the company's shares consequently increased to 35,165,927 shares.

At the end of the financial period, Sitowise Group Plc's share capital amounted to EUR 80,000, and the total number of shares outstanding was 35,415,927, of which 31,677, i.e. approximately 0.1% of all Sitowise shares, were treasury shares. On June 29, 2021 and again on December 15, 2021, the Group's Board of Directors decided, based on an authorization granted by a unanimous resolution of the shareholders on March 3, 2021, to issue 250,000 new Sitowise shares per each directed issue to Sitowise itself without consideration. The shares were entered into the Trade Register on July 9, 2021 and January 3, 2022 and admitted for trading on the official list of Nasdaq Helsinki Ltd on July 12, 2021 and January 4, 2022 respectively. After the registration of the latest new shares, the number of shares in Sitowise increased to 35,665,927, of which 281,677 shares were treasury shares on January 3, 2022. Since the listing, a total of 218,323 shares have been issued to subscribers in connection with acquisitions and to engage key personnel in directed issues. For the key terms and conditions of share offerings, see <https://www.sitowise.com/investors/stock-exchange-releases>.

Key figures per share

		2021
Earnings per share (EPS)	EUR	0.22
Equity per share (BPS)	EUR	3.25
Dividend per share*	EUR	0.10
Dividend/earnings ratio	%	45.45
Effective dividend yield	%	1.24
Price/earnings ratio (P/E)	%	36.59
Share price development		
Average share price	EUR	8.46
Lowest share price	EUR	7.33
Highest share price	EUR	10.05
Share price on December 31	EUR	8.05
Market value of shares on December 31	EUR million	285.1
Trading volume	EUR million	19.0
Trading value	EUR million	157.1

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

Key figures per share are presented as of 2021. The classes and numbers of shares changed significantly in connection with the IPO, which is why figures from previous financial periods are not comparable.

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

Shareholders

At the end of the financial period on December 31, 2021, the number of registered shareholders was 6,169 (6,581 on September 30, 2021). Nominee-registered shareholders accounted for 33.2% (31.4% on September 30, 2021) of the company's shares. The 10 largest shareholders entered in the book-entry register maintained by Euroclear Finland Oy held a total of 32.1% (32.6% on September 30, 2021). A list of these major shareholders is available on the company's website at www.sitowise.com.

The table below lists the 10 largest shareholders on December 31, 2021 based on information from the Monitor service provided by the Swedish company Modular Finance AB: *)

	Shareholder	Number of shares	% of shares
1	Intera Fund III Ky	5,121,573	14.4%
2	Capital Group Companies, Inc.	2,042,482	5.8%
3	Avanza Pension	1,960,089	5.5%
4	Lannebo Fonder AB	1,871,655	5.3%
5	Didner & Gerge Småbolag	1,463,414	4.1%
6	Evli Finnish Small Cap Fund	1,350,000	3.8%
7	Paradigm Capital Value Fund	1,219,512	3.5%
8	Ilmarinen Mutual Pension Insurance Company	1,071,500	3.0%
9	Skedevi Holding AB	841,640	2.4%
10	Mandatum Life Insurance Company Limited	841,112	2.4%
	10 largest combined	17,782,977	50.2%
	Total number of shares on December 31, 2021	35,415,927	

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

Shareholders by sector on December 31, 2021

Sector	Number of shares	% of shares
Public sector, total	2,101,500	8.89
Financial and insurance institutions, total	9,338,433	39.50
Households	10,557,816	44.65
Businesses, total	1,083,370	4.58
Nonprofit organizations, total	193,131	0.82
Foreign, total	369,195	1.56
Total	23,643,445	100.0
Nominee-registered	11,772,482	33.2
All shares, total	35,415,927	0.0

Shareholding of the management of Sitowise Group Plc on December 31, 2021

Board of Directors

Name	Position	Shares, qty	% of shares
Eero Heliövaara ¹	Chairman of the Board	92,520	0.3%
Leif Gustafsson	Board member	20,000	0.1%
Taina Kyllönen	Board member	9,320	0.0%
Mirel Leino-Haltia	Board member	5,500	0.0%
Elina Piispanen ²	Board member	70,000	0.2%
Petri Rignell ³	Board member	80,340	0.2%
Tomi Terho	Board member	0	0.0%
Total		277,680	0.8%

¹ Including both shares held by Heliövaara personally and shares held by Heliocabala Oy, which he controls

² Including both shares held by Piispanen personally and shares held by Fit Advice Oy, which she controls

³ Including both shares held by Rignell personally and shares held by PriRock Oy, which he controls

Group Management Team

Name	Position	Shares, qty	% of shares
Pekka Eloholma	CEO	226,735	0.6%
Heidi Karlsson	CFO	69,860	0.2%
Jonas Larsson	Head of Swedish Operations	5,000	0.0%
Jannis Mikkola	Business Director	356,740	1.0%
Timo Palonkoski	Business Director	154,000	0.4%
Teemu Virtanen	Business Director	170,000	0.5%
Turo Tinkanen	Chief Information Officer	52,000	0.1%
Minttu Vilander	Chief Communications and Corporate Responsibility Officer	19,200	0.1%
Anne-May Asplund	CHRO	10,626	0.0%
Total		1,064,161	3.0%

The company's management was granted stock options in the spring of 2021. The table in section 7.3.4 of the notes to the financial statements lists the options held by the CEO and the members of the Group's Management Team. The Board members hold no options.

Decisions of General Meetings in 2021

By a unanimous resolution of the shareholders on January 13, 2021, the company resolved to make EUR 579,733.05 capital repayment for certain P1 and P2 shares on January 15, 2021 at the latest.

The matters to be resolved by the Annual General Meeting were decided by a unanimous decision of the shareholders on March 1, 2021. The Annual General Meeting adopted the company's financial statements for the period January 1 – December 31, 2020, decided not to distribute a dividend other than what had been separately decided regarding preferential shares, and discharged the members of the Board of Directors and the CEO from liability. The Annual General Meeting also decided on the Board's remuneration as of April 1, 2021 as follows: the remuneration of the Chairman of the Board is EUR 4,750

per month and the remuneration of the other members of the Board is EUR 2,250 per month, the attendance allowance of the Chairman of the Board and the Chairmen of the Audit and Personnel Committees is EUR 1,000 per meeting and the attendance allowance of the other members of the Board and the other members of the Audit and Personnel Committees is EUR 400 per meeting. The Chairman and members of the Nomination Committee will each be paid an attendance allowance of EUR 1,000 in total. Had the listing not been completed, remuneration would have remained as before. KPMG Oy Ab was appointed the auditor, with Authorized Public Accountant Turo Koila continuing as the auditor-in-charge. It was decided to increase the company's share capital by a reserve increase to EUR 80,000, to change the company's legal form to a public limited company and the business name to Sitowise Group Plc, and to revise the Articles of Association accordingly. Furthermore, a share issue without consideration (stock split) was approved, involving the issue of 19 new class A1 shares to the company's class A1 shareholders for each class A1 share held by the shareholder and 19 new class A2 shares to each shareholder of the company for each class A2 share held by the shareholder. A total of 8,958,614 class A1 shares and 15,696,147 class A2 shares were issued in the share issue. The same decision also authorized the

Board to decide on a dividend payment for the financial period from January 1 to December 31, 2020, consisting of all of the accrued preferred payments on the class P1 and P2 shares to be redeemed in connection with the listing, up to the redemption date, and amounting to a maximum of EUR 330,000.

The company's shareholders resolved unanimously on March 3, 2021 to remove the redemption clause and certain other provisions related to share classes from the Articles of Association subject to the completion of the listing, on a share issue without consideration, to combine class A shares, to redeem and cancel all class P shares, as well as to authorize the Board of Directors to decide on share issues in connection with, among other things, the listing of the company and other measures relating to the listing.

At its meetings on January 27, February 25, and March 11, the Board confirmed certain corporate governance documents conditional to the listing, such as the Charter of the Board of Directors and its committees, the principles of internal audit as well as the company's disclosure policy and insider guidelines. The Board also decided on a long-term incentive scheme, under which a maximum of 1,463,400 options will be issued.

Option programs

The company's Board of Directors decided on the establishment of a new long-term incentive scheme in March 2021. The target group of the option program includes the CEO and the members of Sitowise's Group Management Team as well as approximately 300 other key employees of Sitowise subject to invitation. The goal of the scheme is to encourage Sitowise's key employees toward long-term shareholding in the company by requiring an investment in shares in order to receive options. In addition, the options are used to encourage the key employees in the target group toward long-term efforts in order to increase shareholder value and to retain the key employees.

Under the option program, a maximum of 1,463,400 options will be issued, each of which will give the right to subscribe for one new or treasury share. The options will be issued under the authorization granted to the Board of Directors by the unanimous resolution of the shareholders on March 3, 2021.

The option program includes 636,750 class A options and 826,650 class B options. Class A options have a three-year vesting period, and class B options have a four-year vesting period. The subscription of shares with class A options will take place between April 1, 2024 and March 31, 2025, and with class B options between April 1, 2024 and March 31, 2026, if the pre-defined threshold yield for the share set for the commencement of the subscription period is met. The subscription price with the options equals the subscription price of the share in the offering minus any annually paid dividends and capital repayments.

The class A and B options may be divided into matching and performance options. In order to receive matching options, the recipient of the options must hold or subscribe for in the

personnel offering as many shares as they have been allocated matching options. The shares must be held until the subscription period for the shares to be subscribed with the options begins. As at the date of the offering circular, the number of allocated matching options is 923,400 in total. The performance options have a higher threshold yield for the share regarding the commencement of the subscription period of the share than matching options.

In addition, members of the Group Management Team who are covered by the option program must acquire shares with 50% of their net profit from the options, until the total value of their shareholding in the company corresponds to the value of their annual salary. This number of shares must be held for as long as the person is a member of the Group Management Team.

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

Board of Directors' authorizations

After the initial public offering and the issuance of options, the company has the following authorizations granted by a unanimous resolution of the shareholders on March 3, 2021:

The Board of Directors has been authorized to decide on the issuance of shares as well as the issuance of option rights or other special rights entitling to shares within the meaning of chapter 10, section 1 of the Finnish Limited Liability Companies Act in one or several instalments. The authorization includes both the issuance of new shares and the transfer of treasury shares. The total number of shares to be issued cannot exceed 3,500,000, and the issuance of shares and of special rights entitling to shares can also be carried out in deviation from shareholders' preemptive rights (directed issue). The Board of Directors has been authorized to decide on the acquisition of the company's own shares. The total number of shares to be acquired based on the authorization cannot exceed 3,500,000 shares. However, the company together with its subsidiaries cannot at any moment own more than 10% of all the shares in the company. The Board of Directors decides on the manner of acquiring own shares, and derivative instruments, for example, can be used in the acquisition. Based on the authorization, own shares can be acquired at a price formed in public trading on the date of the repurchase or otherwise at a price formed on the market. Furthermore, shares do not have to be acquired proportionally to the number of shares held by the shareholders (directed acquisition). Only the unrestricted equity of the company can be used to acquire own shares on the basis of the authorization. The authorizations are effective until the end of the next Annual General Meeting, however no longer than until June 30, 2022.

RELATED PARTY LOANS

Sitowise Group Plc has given subordinated loans to its related party company Fimpec Group Oy. The loans amounted to EUR 917,000 at the end of the financial period. The interest rate on the subordinated loans is 8% p.a. The loans are subject to the provisions of chapter 12 of the Finnish Limited Liability Companies Act.

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

On December 31, 2021, the distributable funds of the parent company Sitowise Group Plc amounted to EUR 109.9 million, of which profit for the 2021 financial period was EUR 9.7 million. The Board of Directors proposes that a dividend of EUR 0.10 per share be paid based on the balance sheet to be adopted for the 2021 financial period and that the dividend will be paid in a single instalment.

CORPORATE GOVERNANCE STATEMENT AND REMUNERATION REPORT

Sitowise's Corporate Governance Statement and remuneration report are included in the Annual and Sustainability Report.

FUTURE OUTLOOK

The steady growth in the demand of design and consultancy services to create sustainable societies is supported by megatrends such as urbanization, renovation backlog, sustainability, and digitalization.

The market began and has continued to pick up since 2021, and Sitowise expects the market to grow in all of the Group's business areas. However, the exceptional situation in Europe due to Russia's military action against Ukraine has the potential to create uncertainty in the European financial markets and lead to decreased economic activity.

MAIN EVENTS AFTER THE FINANCIAL PERIOD

Sitowise announced on January 4, 2022 the appointment of a new Group CEO, Heikki Haasmaa, who takes office latest on May 4, 2022.

Sitowise announced on February 10, 2022 that Anne-May Asplund, Chief Human Resources Officer and member of the Group Management Team, will resign in February 2022 and that the recruitment process for a new CHRO has started.

CONSOLIDATED FINANCIAL STATEMENTS IFRS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	Note	Jan 1 – Dec 31, 2021	Jan 1 – Dec 31, 2020
Net sales	2.2	179,334	160,082
Other operating income	2.3	976	1,365
Materials and services	2.4	-14,589	-13,220
Personnel expenses	2.5	-115,696	-101,935
Other operating expenses	2.6	-24,064	-20,012
Depreciation and amortization, and impairment	2.7	-9,586	-8,008
Operating profit		16,376	18,272
Financial income	4.1	184	1,163
Financial expenses	4.1	-6,270	-3,539
Profit before taxes		10,290	15,896
Income taxes	7.2	-2,388	-3,215
Result from continuing operations		7,903	12,681
Discontinued operations			
Result from discontinued operations	6	0	118
Profit for the period		7,903	12,798
Attributable to:			
Owners of the parent		7,827	12,728
Non-controlling interest		76	70
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		55	230
Items that may be reclassified to profit or loss			
Change in translation difference		-204	243
Total comprehensive income		7,754	13,271
Comprehensive income attributable to:			
Owners of the parent		7,678	13,201
Non-controlling interest		76	70
Earnings per share:			
Earnings per share (EUR)		0.22	9.69
Diluted earnings per share (EUR)		0.22	9.63
Earnings per share (continuing operations):			
Earnings per share (EUR)		0.22	9.60
Diluted earnings per share (EUR)		0.22	9.54

The discontinued operations in 2020 include the Tele business, which Sitowise sold to Rejlers during the financial period.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR thousand	Note	Dec 31, 2021	Dec 31, 2020
Assets			
Goodwill	3.2	135,193	118,081
Other intangible assets	3.2	7,543	5,681
Tangible assets	3.3	31,421	34,174
Other shares, similar rights of ownership, and receivables		1,865	1,682
Deferred tax assets	7.2	1,077	304
Total non-current assets		177,098	159,922
Trade and other receivables	3.4	52,099	45,404
Deferred tax assets		1,204	740
Cash and cash equivalents	4.2	19,353	15,463
Total current assets		72,656	61,607
Total assets		249,754	221,528
Shareholders' equity and liabilities			
Share capital		80	3
Fund for invested unrestricted equity		95,310	40,663
Fair value reserve		285	230
Subordinated loans		0	14,145
Translation difference		157	360
Retained earnings		18,840	11,370
Equity attributable to owners of the parent		114,672	66,770
Non-controlling interest		186	110
Total shareholders' equity		114,858	66,880
Deferred tax liabilities	7.2	1,565	1,985
Financial liabilities	4.2	70,983	92,554
Other liabilities		12	12
Total non-current liabilities		72,560	94,551
Income tax liabilities		2,273	1,608
Financial liabilities	4.2	7,624	9,379
Provisions	3.5	1,428	1,793
Trade payable and other liabilities	3.6	51,010	47,317
Total current liabilities		62,336	60,098
Total shareholders' equity and liabilities		249,754	221,528

CONSOLIDATED CASH FLOW STATEMENT

EUR thousand	Jan 1 – Dec 31, 2021	Jan 1 – Dec 31, 2020
Cash flow from operating activities:		
Profit for the period	7,903	12,798
Adjustments		
Income taxes	2,388	3,215
Depreciation, amortization, and impairment	9,586	8,008
Financial income and expenses	6,086	2,376
Other adjustments	154	694
Change in working capital		
Increase (-) / decrease (+) in trade receivables and other receivables	-4,177	-700
Increase (+) / decrease (-) in trade and other payables	878	5,117
Interest paid and other financial expenses	-2,430	-6,495
Interest received and other financial income	186	73
Income taxes paid	-3,425	-959
Net cash flows from operating activities	17,149	24,128
Cash flow from investing activities:		
Investment in tangible and intangible assets	-2,209	-3,133
Businesses acquired and divested	0	739
Acquisitions of subsidiaries, net of cash acquired	-19,900	-21,717
Purchase and sale of other shares	0	-24
Cash flow from investing activities	-22,109	-24,135
Cash flow from financing activities:		
Payments from share issue	78,762	3,761
Listing expenses paid	-5,078	0
Share repurchase	-22	-1,613
Dividends paid and capital repayments	-22,286	-2,618
Withdrawal of loans	50,119	14,559
Repayment of loans	-72,753	-4,091
Repayment of subordinated loan	-14,145	0
Payments of lease liabilities	-5,766	-5,011
Cash flow from financing	8,831	4,987
Cash and cash equivalents at the start of the period	15,463	10,346
Change in cash and cash equivalents, increase (+) / decrease (-)	3,871	4,980
Impact of changes in foreign exchange rates	19	137
Cash and cash equivalents at the end of the period	19,353	15,463

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

EUR thousand	Equity attributable to owners of the parent								Non-controlling interest	Total shareholders' equity
	Share capital	Fund for invested unrestricted equity	Fair value reserve	Subordinated loans	Translation differences	Retained earnings	Total			
Shareholders' equity January 1, 2020	3	40,471	0	14,145	117	2,343	57,078	291	57,369	
Adjustments for the previous financial period						-87	-87		-87	
Adjusted shareholders' equity January 1, 2020	3	40,471	0	14,145	117	2,256	56,992	291	57,283	
Profit for the period						12,869	12,869	-70	12,798	
Other comprehensive income			230		243		472		472	
Total comprehensive income	0	0	230	0	243	12,869	13,341	-70	13,271	
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	
Shareholders' equity January 1, 2021	3	40,663	230	14,145	360	11,370	66,770	110	66,880	
Profit for the period						7,827	7,827	76	7,903	
Other comprehensive income			55		-204		-149		-149	
Total comprehensive income	0	0	55	0	-204	7,827	7,678	76	7,754	
Fund increase	78	-78					0		0	
Share issues		78,762					78,762		78,762	
IPO expenses		-2,049					-2,049		-2,049	
Share repurchases						-22	-22		-22	
Dividend distribution and capital repayments		-21,988				-298	-22,286		-22,286	
Subordinated loan				-14,145			-14,145		-14,145	
Interest on subordinated loan						-198	-198		-198	
Share-based incentive program						161	161		161	
Transactions with owners	78	54,648	0	-14,145	0	-356	40,224	0	40,224	
Shareholders' equity December 31, 2021	80	95,310	285	0	156	18,840	114,672	186	114,858	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Basic information

Sitowise is a Nordic expert in the built environment with a strong focus on digitality. Sitowise offers sustainable design and consultancy services for projects of all sizes to enable more responsible and smarter urban development as well as smooth transportation. Sitowise offers its services in the following business areas in Finland and Sweden: Buildings, Infrastructure, and Digital Solutions.

Sitowise wants to raise the bar when it comes to smart solutions and sustainability, which is why our vision is to be a responsible partner in the development of a prosperous living environment. Sitowise has grown rapidly and profitably in recent years. The Group employs over 2,000 experts.

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

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

The Board of Directors of Sitowise Group Plc approved these financial statements at its meeting on March 1, 2022.

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, 2021 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.

New standards applied during the financial period

The Sitowise Group has applied the reforms and annual improvements to IFRS standards that entered into force on January 1, 2021. The reforms and annual improvements to the standards have not had a significant impact on the reported figures. The IFRS Interpretations Committee's April 2021 agenda decision on accounting for cloud configuration and customization costs (IAS 38 Intangible Assets) does not have a material impact on the Group's accounting principles applied to cloud deployment costs.

New and amended standards applicable in future financial periods

The Group has not adopted any new and revised IFRS standards or interpretations that have been published but have not yet entered into force in the financial period beginning on January 1, 2022 (early application), and the unadopted IFRS or IFRIC interpretations are not considered to have a significant impact on the Group.

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

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

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

The notes are an integral part of the financial statements.

1.2 TRANSLATION OF ITEMS DENOMINATED IN FOREIGN CURRENCIES

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

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

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

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

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

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

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

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

Decisions based on management discretion which the management has made when applying the accounting policies and which have impacts on the figures disclosed in the financial statements are associated with the following areas, among others: 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 2.2. Impairment testing is described in Note 3.2.

2 OPERATING PROFIT

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

2.1 SEGMENT REPORTING

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

Significant decisions based on management discretion

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

2.2 NET SALES

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

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

Accounting policy

Identification of a contract: IFRS 15 includes the criteria for identifying and combining contracts. As a rule, Sitowise only

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

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

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

Buildings

Sitowise's Buildings business offers customers structural design, building system, specialist and construction contracting services for new builds and renovation projects. The primary clients of Buildings 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 Buildings area also includes specialist and design services that, when commissioned individually, make up a separate performance obligation.

Infrastructure

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

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. Incentives and bonuses and additional consideration received for completion below target prices are recognized once they are very likely to materialize.

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

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

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

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

The Sitowise Group has set euro-denominated limits for revenue recognition based on the percentage of completion, varying by business area. If the price of the project is below the limit, 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.

2.2.1 Net sales by business area

EUR thousand	2021	2020	Change
Buildings	72,121	70,789	1.9%
Infrastructure	55,908	54,164	3.2%
Digital Solutions	20,287	14,088	44.0%
Sweden	31,025	21,087	47.1%
Others	-8	-46	-83.2%
Total	179,334	160,082	12.0%

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

2.2.2 Net sales by market area

EUR thousand	2021	2020
Finland	144,456	138,043
Sweden	33,967	20,942
Other countries	912	1,097
Total	179,334	160,082

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, 2021 amount to approximately EUR 163 (115) million.

2.3 OTHER OPERATING INCOME

Accounting policy

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

EUR thousand	2021	2020
Gains on fixed assets	7	746
Grants received	862	486
Other income	108	132
Total	976	1,365

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

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

2.4 MATERIALS AND SERVICES

EUR thousand	2021	2020
Subcontracting expenses	8,838	7,926
Project and other expenses	5,751	5,293
Total	14,589	13,220

In 2021, subcontracting expenses amounted to 4.9% (8.3%) and Project and other expenses to 3.2% (3.3%) of net sales.

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

2.5 PERSONNEL EXPENSES

Accounting policy

Pension schemes are classified as either defined contribution or defined benefit schemes. The 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. The lower pension expenses in the comparison year are due to reduced employer's employment pension contributions because of the Covid-19 pandemic by 2.6 percentage points in Finland between May 1 and December 31, 2020.

EUR thousand	2021	2020
Wages and salaries	92,777	84,016
Pension expenses	15,118	12,444
Other social security expenses	7,800	5,475
Total	115,696	101,935

In 2021, personnel expenses amounted to 64.5% (63.7%) of net sales.

Personnel	2021	2020
Average number of personnel	1,969	1,823
Full-time equivalent (FTE) on average	1,697	1,555

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.

2.6 OTHER OPERATING EXPENSES

EUR thousand	2021	2020
Other personnel-related expenses	5,293	4,444
ICT expenses	8,843	6,965
Sales and marketing expenses	729	548
Rent expenses	3,868	3,172
Other expenses	5,331	4,883
Total	24,064	20,012

In 2021, other operating expenses amounted to 13.4% (12.5%) of net sales.

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

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

The material items included in other expenses are 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 on IFRS 16 is presented in Note 3.3.

2.6.1 Auditors' fees

EUR thousand	2021	2020
Statutory audit	159	172
Tax advice	52	68
Other advisory services	469	120
Total	680	361

Other advisory services for 2021 include listing-related expenses, some of which are recognized through equity, as well as advisory expenses related to mergers and acquisitions.

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 2021 and 2020 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 relations 5 years
- Other intangible rights 5–10 years

EUR thousand	2021	2020
Machinery and equipment	1,154	1,280
Leases		
Building and structures	5,640	5,051
Machinery and equipment	492	415
Tangible assets	7,286	6,745
Intangible rights and other intangible assets	2,290	1,211
Impairment	10	52
Intangible assets	2,300	1,263
Impairment of goodwill	0	0
Total	9,586	8,008

The Sitowise Group did not recognize impairment on intangible assets for the financial periods 2021–2020.

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.

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

In 2021, the Sitowise Group carried out eight acquisitions, of which six in Finland and two in Sweden:

- Stockholms VVS-Kompetens AB, a building systems expert based in Stockholm and Södertälje
- Sweetlakes Oy from Jyväskylä, which specializes in cloud and mobile development and security information system solutions,
- Benviroc Oy and MSDI Oy, which specialize in climate and sustainability services based on digitalization
- Enco Oy, a digital real estate management expert,
- Infracontrol AB, a Swedish company that implements real-time digital solutions for transport and infrastructure
- Livair Oy, which specializes in HVAC design
- Jorma Jääskeläinen Oy, an engineering company specializing in structural design

EUR thousand	2021	2020
Purchase price	23,443	20,392
Assets	9,337	7,663
Liabilities	3,717	2,647
Net assets	5,620	5,017
Goodwill	17,823	15,375

All eight acquisitions were paid in cash. The unpaid additional purchase prices related to M&A total EUR 0.4 million. The assets and liabilities of the acquired companies mainly include working capital items and separately identified assets related to customer relationships and technology. The estimated useful life of the separately identified assets is 5 years. Recognized consolidated goodwill is not deductible for tax purposes.

Company	Time	Transaction method	Location	Personnel
Stockholms VVS-Kompetens AB	2/2021	Share purchase (100%)	Stockholm	20
Sweetlakes Oy	2/2021	Share purchase (100%)	Jyväskylä	12
Benviroc Oy	2/2021	Share purchase (100%)	Espoo	2
MSDI Oy	2/2021	Share purchase (100%)	Espoo	1
Enco Oy	6/2021	Share purchase (100%)	Helsinki	10
Infracontrol AB	7/2021	Share purchase (100%)	Mölnådal	29
Livair Oy	11/2021	Share purchase (100%)	Helsinki	6
Insinööritoimisto Jorma Jääskeläinen Oy	12/2021	Share purchase (100%)	Tampere	13

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,

EUR thousand	Goodwill	Other intangible assets	Total
Acquisition cost January 1, 2021	118,081	11,210	129,290
Business combinations	17,823	5,706	23,528
Increase	25	1,862	1,887
Decrease	0	-5	-5
Transfer between items	0	-4,699	-4,699
Exchange rate differences	-736	-130	-866
Acquisition cost December 31, 2021	135,193	13,944	149,136
Accumulated depreciation		-5,529	-5,529
Business combinations, accumulated depreciation		-3,497	-3,497
Depreciation for the period		-2,140	-2,140
Transfer between items		4,720	4,720
Exchange rate differences		45	45
Accumulated depreciation, amortization, and impairment December 31		-6,401	-6,401
Acquisition cost December 31, 2021	135,193	7,543	142,735

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 and depreciation for the period		-4,342	-4,342
Depreciation 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

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.

Section 3.2.1.1, Business combinations, discusses the treatment of goodwill. During the 2021 financial period, the Sitowise Group carried out eight acquisitions.

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 in section 3.2.1.1 below.

3.2.1.1 Impairment testing of goodwill

The Sitowise Group has one cash-generating unit at the level of which goodwill is monitored and to which goodwill is allocated. Cash flow projections are based on the confirmed budget for the next year and confirmed strategy for the subsequent years. The length of the projection period used in impairment testing calculations is five years.

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

Assumptions used in impairment calculation	September 30, 2021	September 30, 2020
Growth in net sales during the projection period (CAGR)	5.1%	4.6%
Terminal growth assumption	2.0%	2.0%
Discount rate (pre-tax WACC)	8.3%	9.2%

Impairment testing on September 30, 2021 did not indicate a need for impairment of goodwill, with the recoverable amount exceeding the book value.

The Sitowise Group has estimated that no anticipated change in the key assumptions would cause a situation in which the book value of a cash-generating unit would exceed its recoverable amount. A break-even sensitivity analysis was carried out in conjunction with the impairment testing, in which the discount rate was increased by 5 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.

EUR thousand	Machinery and equipment	Other tangible assets	Total
Acquisition cost January 1, 2021	12,728	36	12,763
Business combinations	392		392
Increase	524		524
Decrease	-210		-210
Exchange rate differences	-28		-28
Transfer between items	-4,564		-4,564
Acquisition cost December 31, 2021	8,840	36	8,876
Accumulated depreciation	-7,905		-7,905
Business combinations, accumulated depreciation	-289		-289
Depreciation for the period	-1,301		-1,301
Accumulated depreciation of decreases	22		22
Transfer between items	4,545		4,545
Exchange rate differences	12		12
Accumulated depreciation, amortization, and impairment December 31	-4,917		-4,917
Acquisition cost December 31, 2021	3,923	36	3,959

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 and depreciation 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

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 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 are 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 include the reference interest rate and the financial institution's margin.

Sitowise Group has a sublease agreement that is part of a lease arrangement. Due to the principal agreement, the Sitowise Group does not recognize income from the sublease agreement. Due to the lease arrangement, the Group does not incur any liabilities from the lease, and the fixed asset has not been capitalized.

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	IFRS16, Business Premises	IFRS16, Cars	IFRS 16 right-of- use assets
Acquisition cost January 1, 2021	42,529	1,816	44,345
Increase	3,920	620	4,540
Decrease	-100	-56	-155
Exchange rate differences	-152	-8	-160
Acquisition cost December 31, 2021	46,197	2,373	48,570
Accumulated and depreciation for the period	-13,927	-1,101	-15,028
Depreciation for the period	-5,640	-492	-6,132
Exchange rate differences	48	4	52
Accumulated depreciation, amortization, and impairment December 31	-19,519	-1,589	-21,108
Acquisition cost December 31, 2021	26,678	784	27,462

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 and depreciation for the period	-9,517
Depreciation 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

The Group's right-of-use assets consist primarily of business premises contracts. In the financial period 2021, the share of business premises contracts was 97%, and in the financial period 2020, the share was 98%.

During the 2021 financial period, outgoing cash flow due to leases totaled EUR 5.8 million, and during the 2020 financial period, they totaled EUR 5.9 million.

Rent expenses from short-term contracts are included in other operating expenses, amounting to EUR 2,938 thousand in 2021 and EUR 2,644 thousand in 2020.

The interest expense on the lease liability was EUR 894 thousand in 2021 and EUR 874 thousand in 2020.

3.4 TRADE AND OTHER RECEIVABLES

Accounting policy

The Sitowise Group applies the simplified approach of IFRS9 to provisions for credit losses for trade receivables. Trade receivables are recognized on the balance sheet at original invoiced value less any impairment. A provision for impairment is immediately recognized through profit and loss. An allowance for loss is based on the expected credit losses from trade receivables. The model of expected credit losses is forward-looking and based on the historic credit loss rate, applying the simplified procedure, the provisioning matrix. The Sitowise Group records the final credit loss when debt collection measures prove to be unsuccessful. 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 2021, mainly on account of growth in business. The project portfolio also had an impact on the development of project receivables during the financial period. There are no significant credit risk concentrations associated with the receivables, and all receivables are unsecured.

EUR thousand	2021	2020
Trade receivables	34,499	30,232
Project receivables	13,376	10,986
Accrued income	3,775	3,146
Other accrued income	450	1,039
Total	52,099	45,404

Aging of trade receivables

EUR thousand	2021	Expected credit losses	Expected credit losses	2020	Expected credit losses	Expected credit losses
Undue	31,532	0.01%	2	26,025	0.01%	2
0–29 days	1,702	0.1%	2	1,775	0.1%	2
30–59 days	365	1.0%	4	898	1.0%	9
60–119 days	207	4.0%	8	254	4.0%	11
120–365 days	317	6.3%	20	800	6.3%	54
Over 365 days	861	100%	861	480	50%	719
Total	34,983		896	30,232		795

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

3.5 PROVISIONS**Accounting policy**

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

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

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

EUR thousand	2021
Provision January 1	1,793
Increases in provisions	367
Provisions used	-326
Cancellations of unused provisions	-405
Provision December 31	1,428

EUR thousand	2020
Provision January 1	1,634
Change in provisions	159
Provision December 31	1,793

Provisions include normal business-related complaint and loss provisions.

3.6 ACCOUNTS PAYABLE AND OTHER LIABILITIES

EUR thousand	2021	2020
Accounts payable	6,305	4,955
Liabilities based on contracts with customers	10,530	9,767
Accrued expenses	31,915	28,608
Other liabilities	2,260	3,988
Total	51,010	47,318

Liabilities based on contracts with customers increased during 2021, 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 accruals. The increase in accrued expenses in 2021 was mainly due to higher personnel-related accruals brought about by the increase in the number of employees.

4 FINANCIAL ITEMS AND CAPITAL STRUCTURE

4.1 FINANCIAL INCOME AND EXPENSES

EUR thousand	2021	2020
Other interest and financial income	184	1,163
Interest on lease liabilities	-894	-874
Interest expenses	-1,777	-2,336
Other financial expenses	-3,599	-329
Total	-6,086	-2,376

Other interest and financial income mainly include unrealized foreign exchange income from internal loans in 2020 that did not arise in the financial period 2021. 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 liability between market parties in a regular transaction on the measurement date. The Sitowise Group makes use of market data in measuring fair value if there is an active market for the financial asset or liability. Otherwise, other measurement methods will be applied.

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

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

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

4.2.1 Financial assets

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

At the Sitowise Group, non-current receivables include receivables falling due after more than one year. Other shares and participations, which are included in non-current financial assets, are 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. The Group's shares in non-listed companies are measured at fair value using the valuation of the company's last financing round.

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

Cash and any bank deposits that can be withdrawn on demand are included in cash equivalents at the Sitowise Group. Short-term deposits are considered to be easily convertible into cash because their original maturity is at most three months. The cash and cash equivalents reported on the balance sheet correspond to the cash and cash equivalents reported on the cash flow statement. Cash and cash equivalents on December 31, 2021 amounted to EUR 19,353 thousand (EUR 15,463 thousand).

Cash and cash equivalents are derecognized when the Group has lost the contractual right to cash flows or has transferred risks and income to outside the Group to a significant extent. During 2021, there were no transfers between fair value levels 1, 2 and 3.

4.2.2 Financial liabilities

Financial liabilities measured at amortized cost are included in the Group's external loans from financial institutions and accounts payable. Financial liabilities are measured initially at fair value and recognized on the balance sheet less transaction costs. A financial liability is classified as current if the Group does not have an unconditional right to postpone the repayment of the liability a minimum of 12 months from the closing date of the reporting period. If loans are repaid or refinanced, any remaining costs not expensed relating to them are recognized in financial expenses.

These financial liabilities are measured at amortized cost using the effective interest method. Cost items are measured at fair value through profit or loss in the period during which they occur. Liabilities recognized at fair value through profit or loss are additional purchase price liabilities for acquisitions.

The Sitowise Group had an estimated additional purchase price liability of EUR 426 thousand (December 31, 2021) and EUR 1,171 thousand (December 31, 2020).

EUR thousand	Measured at amortized cost	Measured at fair value through other comprehensive income	Fair value through profit and loss	Book value total	Fair value	Level
Non-current financial assets						
Other shares and holdings		731		731	731	Level 3
Loans receivable	917			917	917	Level 2
Other financial assets	217			217	217	Level 2
Current financial assets						
Trade receivables	34,499			34,499	34,499	Level 2
Cash and cash equivalents	19,353			19,353	19,353	Level 1
Financial assets December 31, 2021	54,986	731	0	55,717	55,717	

EUR thousand	Measured at amortized cost	Measured at fair value through other comprehensive income	Fair value through profit and loss	Book value total	Fair value	Level
Non-current financial assets						
Other shares and participations		663		663	663	Level 3
Loans receivable	917			917	917	Level 2
Other financial assets	102			102	102	Level 2
Current financial assets						
Trade receivables	30,232			30,232	30,232	Level 2
Cash and cash equivalents	15,463			15,463	15,463	Level 1
Financial assets December 31, 2020	46,715	663	0	47,378	47,378	

EUR thousand	Measured at amortized cost	Measured at fair value through other comprehensive income	Fair value through profit and loss	Book value total	Fair value	Level
Non-current financial liabilities						
Loans from financial institutions	49,206			49,206	49,206	Level 2
Lease liabilities	21,777			21,777		Level 2
Current financial liabilities						
Loans from financial institutions	1,006			1,006	1,006	Level 2
Accounts payable	6,305			6,305	6,305	Level 2
Additional purchase price liabilities			426	426	426	Level 3
Lease liabilities	6,619			6,619		Level 2
Financial liabilities December 31, 2021	84,913	0	426	85,339	56,943	

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

Loans from financial institutions comprised a variable rate bank loan. In connection with the IPO, a new financing agreement was negotiated, under which a total of EUR 50.5 million has been raised. In the financial period 2021, the Group fulfilled the covenant condition attached to the net liabilities/EBITDA key figure in accordance with the financing agreement. There are also liability conditions attached to the bank loan.

4.3 SHAREHOLDERS' EQUITY

4.3.1 Shares and share capital

Sitowise Group Plc has one series of shares in which each share entitles its holder to one vote and an equal dividend. The company's share (SITOWS) is listed and publicly traded on the main list of Nasdaq Helsinki Ltd. On December 31, 2021, the number of shares was 35,415,927 and the share capital was EUR 80,000 (2,500). The shares have no nominal value and all issued shares have been fully paid. On December 31, 2021, the company held a total of 31,677 own shares.

On December 31, 2021, the company had shares as follows:

	2021	2020*
Number of shares	35,415,927	1,257,532
Average number of shares	35,290,804	1,265,355
Diluted number of shares	35,665,927	1,265,224
Average number of diluted shares	35,333,200	1,273,047

*) Number of A shares, not comparable.

Share type	Dec 31, 2020	Change 1–2/2021	3/2021 before split	3/2021 after split	3/2021 Redemption of P shares
A1	471,506	0	471,506	9,430,120	9,430,120
A2	822,935	3,178	826,113	16,522,260	16,522,260
P1	12,588,956	290,076	12,879,032	12,879,032	0
P2	8,792,776	-275,332	8,517,444	8,517,444	0
Total	22,676,173	17,922	22,694,095	47,348,856	25,952,380

At the end of the previous financial period, December 31, 2020, Sitowise had four series of shares, each entitling to a different number of votes and a different distribution of assets.

By a unanimous resolution of the shareholders, the company resolved to make EUR 580,000 as a capital repayment for certain P1 and P2 shares in January. In March, the General Meeting authorized the Board to decide on a dividend payment for the financial period from January 1 to December 31, 2020, consisting of all of the accrued preferred payments on the series P1 and P2 shares to be redeemed in connection with the listing, up to the redemption date, and amounting to EUR 298,000.

New shares were issued following acquisitions and in order to commit key personnel to the company, and the number of shares entered for the company in the Trade Register increased by a total of 32,669 A2 shares and 980,291 P1 shares during the review period. The company also canceled some of the shares in its possession during the review period (37,183 Series A2 shares, 690,215 Series P1 shares, and 275,332 Series P2 shares). In addition, Intera Fund III acquired the stock options granted to CEO Eloholma (a total of 7,692 stock options) and subscribed for Series A2 shares with all the options.

The table below contains a summary of the above changes in January–March 2021 before the company's stock exchange listing.

The company merged the Series A1 and A2 shares into one series and canceled a total of 12,879,032 Series P1 shares and 8,517,444 Series P2 shares in connection with the IPO. In the IPO, the company issued a total of 9,213,547 new shares, bringing the number of shares in circulation to 34,493,874 shares. The new shares subscribed for in the personnel issue (672,053 shares) were entered into the Trade Register on April 14, 2021, and the number of the company's shares consequently increased to 35,165,927 shares.

On June 29, 2021 the Group's Board of Directors decided, under an authorization granted by a unanimous resolution of the shareholders on March 3, 2021, to issue a total of 250,000 new Sitowise shares to Sitowise itself without consideration. The table below describes the changes in the number of shares in connection with the listing and subsequently according to the date of registration.

	3/2021 number of shares	3/2021 IPO	4/2021 personnel issue	7/2021 directed issue	12/2021 number of shares
Number of shares	25,952,380	8,541,494	672,053	250,000	35,415,927

On December 15, 2021 the Group's Board of Directors also decided, under an authorization granted by a unanimous resolution of the shareholders on March 3, 2021, to issue 250,000 new Sitowise shares to Sitowise itself without consideration. The shares were registered with the Trade Register on January 3, 2022 and admitted to trading on the official list of Nasdaq Helsinki Ltd on January 4, 2022, after which the number of shares increases to 35,665,927 and the number of shares held by the company to 281,677. Since the listing, a total of 218,323 shares have been issued to subscribers in directed share issues in connection with acquisitions.

4.3.2 Ownership of the Board of Directors and the management

Ownership of the Board of Directors and the management	Dec 31, 2021	Share %	Dec 31, 2020	Share %
Board *)	277,680	0.8%	182,180	0.7%
CEO	226,735	0.6%	219,960	0.9%
Other management team	837,426	2.4%	813,280	3.2%
Total management ownership	1,341,841	3.8%	1,215,420	4.8%
Total (shares)	35,415,927		25,580,660	

*) Includes direct ownership and/or through a company.

The 2020 share numbers take into account the share split under the IPO in order to make the share numbers and ownership comparable.

4.3.3 Fund for invested unrestricted equity

Payments made for subscriptions for shares during the financial period and capital repayments are recognized in full in the fund for invested unrestricted equity. When listed on the official list of Nasdaq Helsinki Ltd, the company paid approximately EUR 22.0 million in capital repayments and received approximately EUR 73.0 million in new capital, taking into account the costs related to the listing. In addition, the fund for invested unrestricted equity includes approximately EUR 3.8 million of investments in the company resulting from acquisitions made during the year.

4.3.4 Subordinated loans

Sitowise Group Plc had no subordinated loans on December 31, 2021. The subordinated loan of EUR 14.1 million, which was included in the balance sheet of December 31, 2020, was paid off during the financial period.

4.3.5 Share-based payments (option program)

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

The options will be forfeited and transferred back to the Company for no consideration if the option holder resigns or their

employment relationship or service contract is terminated before the commencement of the subscription period of the Shares to be subscribed with the options. The Board of Directors can, under certain conditions, permit the option holder to keep some of their options, however.

Option program 2021

Program	Option rights 2021			
	OPTION		OPTION	
Type	OPTION	OPTION	OPTION	OPTION
Instrument	Match 2021A	Performance 2021A	Match 2021B	Performance 2021B
Date of Annual General Meeting	March 3, 2021		March 3, 2021	
Maximum amount, pcs	636,750		826,650	
Subscription ratio of underlying shares, pcs	1	1	1	1
Initial subscription price, EUR	8.2	8.2	8.2	8.2
Dividend adjustment	Yes	Yes	Yes	Yes
Current exercise price, EUR	8.2	8.2	8.2	8.2
Initial allocation date	March 25, 2021	March 25, 2021	March 25, 2021	March 25, 2021
Vesting date	April 1, 2024	April 1, 2024	April 1, 2025	April 1, 2025
Maturity date	March 31, 2025	March 31, 2025	March 31, 2026	March 31, 2026
Vesting conditions	Share price development Service requirement	Share price development Service requirement	Share price development Service requirement	Share price development Service requirement
Maximum contractual life, years	3.0	3.0	4.0	4.0
Remaining contractual life, years	2.3	2.3	3.3	3.3
Number of persons at the end of the reporting year	248	8	248	8
Payment method	Share	Share	Share	Share

Changes during the period	Match 2021A	Performance 2021A	Match 2021B	Performance 2021B
January 1, 2021				
Changes during the period				
Granted	366,432	80,100	366,424	80,100
Forfeited	6,698	0	6,698	0
December 31, 2021				
Outstanding at the end of the period	359,734	80,100	359,726	80,100
Exercisable at the end of the period	0	0	0	0
In stock at the end of the period	196,916		386,824	

Determination of fair value

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

Valuation parameters for instruments granted during the period

Share price at the grant date, EUR	8.20
Share price at the end of the reporting period, EUR	8.05
Exercise price, EUR	8.2
Expected volatility	20.1%
Maturity, years	4.5
Risk-free interest rate	0
Expected dividends, EUR	0
Valuation model	Binomial model
Fair value, EUR	737,016

The impact of the option program 2021 on the result and financial position for the financial period was EUR 161 thousand.

5 FINANCIAL AND CAPITAL RISKS

5.1 MANAGEMENT OF FINANCIAL RISKS

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

The Group is exposed to diverse market risks. Changes in these risks have effects on the company's assets, liabilities, and anticipated business transactions. The risks are caused 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.

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

5.1.1 Exchange rate risk

The Sitowise Group is exposed to exchange rate 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 risk 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 as most of the internal loans denominated in the Swedish krona are eliminated when Sitowise Holding AB merges with the parent company on January 31, 2022.

On the closing date, the sensitivity of the Sitowise Group to exchange rates was approximately EUR 1.6 million (2020:

approximately EUR 1.6 million), assuming that the SEK/EUR exchange rate changes by 5 percentage points.

5.1.2 Interest rate risk

The Group is exposed to financial risks in its operations, such as the effects of changes in interest rates and the availability of competitive financing. Changes in the macroeconomic environment or general situation in the financial markets may have negative impacts on the availability, price, and other terms and conditions of financing. An increase in interest rates could have a material direct impact on the costs of available financing and the company's existing financial expenses. An increase in interest rates could thereby affect the costs of the company's debt financing in the future. 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 50.5 million in interest-bearing bank loans (2020: EUR 72 million). Loans from financial institutions comprised a variable rate loan in 2021, similarly to the previous year. On the closing date, the interest rate exposure of the Sitowise Group was approximately EUR 500 thousand (2020: approximately EUR 700 thousand), assuming that interest rates would increase by one percentage point. See also section 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 on 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. Cash and cash equivalents totaled EUR 19.4 million at the end of 2021 (2020: EUR 15.5 million). At the end of 2021, the Group additionally had a EUR 20.0 million unused overdraft facility (2020: EUR 4.5 million).

Contractual cash flows of financial liabilities

EUR thousand	2022	2023	2024 →
Loans from financial institutions	1,006	1,000	48,206
Lease liabilities	6,619	5,633	16,144
Accounts payable	6,305	0	0
Total	13,929	6,633	64,350

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

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 to ensure the realization of the growth strategy by keeping indebtedness under control. The Group's capital structure is regularly assessed by the company's management. The company has announced a long-term goal of keeping the ratio of net debt to operating margin below 2.5.

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

EUR thousand	2021	2020
Loans from financial institutions	50,211	72,047
Cash and cash equivalents	-19,353	-15,463
Net debt	30,859	56,583
Net debt / EBITDA, adjusted	1.4x	2.6x

Net debt excludes IFRS 16 lease liabilities.

6 DISCONTINUED OPERATIONS

For the financial period 2021, the consolidated income statement does not include 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 result of the discontinued operations is presented in the table below.

EUR thousand	2021	2020
Income	0	2,440
Expenses	0	-2,322
Profit before taxes	0	118
Taxes	0	0
Result from discontinued operations	0	118

7 OTHER NOTES

7.1 GROUP STRUCTURE

Accounting policy

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

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

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

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

Company	Domicile	Ownership 2021	Ownership 2020
Sitowise Holding II Oy	Espoo		100.0% (****)
Sitowise Oy	Espoo	100.0%	100.0%
Sitowise Rakennuttajat Oy	Espoo	100.0%	100.0%
Benviroc Oy	Espoo		(**)
Enco Oy	Helsinki		(***)
Ficonic Solutions Oy	Jyväskylä		100.0% (*)
Insinööritoimisto Jorma Jääskeläinen Oy	Tampere	100.0%	
Livair Oy	Espoo	100.0%	
Maapörssi Oy	Järvenpää		100.0% (**)
MSDI Oy	Espoo		(**)
Paloässäät Oy	Espoo		100.0% (***)
Routa Systems Oy	Espoo	51.0%	51.0%
Sweetlakes Oy	Jyväskylä		(**)
AS DWG	Riga, Latvia	55.0%	55.0%
Sitowise Holding AB	Stockholm, Sweden	100.0%	100.0%
Byggnadstekniska Byrån AB	Stockholm, Sweden	100.0%	100.0%
Technology for Infrastructure projects Sweden, AB	Gothenburg, Sweden	100.0%	100.0%
VVS Kompetens AB	Stockholm, Sweden	100.0%	
Infracontrol AB	Gothenburg, Sweden	100.0%	
Infracontrol Espana SL	Madrid, Spain	100.0%	
Infracontrol Portugal Lda	Vila Pouca de Aguiar, Portugal	100.0%	
Sitowise Consulting Oü	Tallinn, Estonia	100.0%	100.0%

(* Company merged with Sitowise Oy on March 31, 2021

(** Company merged with Sitowise Oy on October 31, 2021

(*** Company merged with Sitowise Oy on December 31, 2021

(**** Company merged with Sitowise Group Plc on December 31, 2021

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	2021	2020
Tax based on the taxable profit for the financial period	-3,392	-1,904
Adjustments concerning previous financial periods	-49	-25
Change in deferred taxes	1,053	-1,286
Total	-2,388	-3,215

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

EUR thousand	2021	2020
Profit before taxes	10,290	15,896
Tax calculated using the 20% domestic tax rate	-2,058	-3,179
Adjustments concerning previous financial periods	-49	-25
Differing tax rates of foreign subsidiaries	46	21
Tax-free income and non-deductible expenses	125	-150
Confirmed loss	12	0
Other items	-463	118
Taxes on the profit and loss account	-2,388	-3,215

Deferred tax assets and liabilities

EUR thousand	January 1, 2021	Recognized on the income statement	Recognized in shareholders' equity	December 31, 2021
Difference between depreciation and amortization in accounting and taxation	115	73	0	188
Other items	189	159	541	889
Deferred tax assets total	304	232	541	1,077
Financial items	506	-208	0	298
Other items	1,479	-613	401	1,267
Deferred tax liabilities total	1,985	-821	401	1,565

EUR thousand	January 1, 2020	Recognized on the income statement	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
Financial items	193	163	150	506
Other items	1,064	27	388	1,479
Deferred tax liabilities total	1,257	190	538	1,985

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 subsidiaries, the investment in Fimpec Group Oy, and key management personnel, family members of the management and companies over which they exercise control. Key management personnel include members of the Board of Directors, the CEO, and members of the Group Management Team.

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

7.3.1 Transactions with related parties

EUR thousand	2021	2020
Other related parties		
Income	71	0
Expenses	0	-36
Receivables	917	917
Liabilities	0	0

Other related party transactions for the financial period consist of transactions with Fimpec Group Oy. The company had no other related party transactions during the financial period.

7.3.2 Employment benefits for management belonging to related parties

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

EUR thousand	2021
Wages, salaries and other short-term employment benefits	1,897
Share-based payments	50
Total	1,947

At the end of March, a long-term incentive plan, i.e. an option program, was established in connection with the listing (Note 4.2.4). The option program includes the company's management, excluding the Board of Directors, and the company's key personnel. The CEO's share of share-based payments was EUR 18 thousand.

EUR thousand	2021	2020
Remuneration of the Board of Directors	228	76
Remuneration of the CEO, including fringe benefits	483	329
Remuneration of the Management Team, including fringe benefits	1,187	1,157
Total (basis of payment)	1,897	1,562

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

In accordance with the Finnish Limited Liability Companies Act, the remuneration paid to the members of the Board of Directors is decided by the shareholders at the Annual General Meeting. The shareholders of the company decided by unanimous resolution on 1 March 2021, as part of the matters decided at the Annual General Meeting, that upon completion of the IPO, the remuneration of the Chair of the Board of Directors will be EUR 4,750 per month and the remuneration of the other members of the Board of Directors will be EUR 2,250 per month. It was also unanimously decided that the Chair of the Board and the Chairs of the Audit and Personnel Committees will be paid an attendance allowance of EUR 1,000 per meeting, and the other members of the Board and the members of the Audit and Personnel Committees will be paid an attendance allowance of EUR 400 per meeting. The Chair and members of the Nomination Committee will each be paid an attendance allowance of EUR 1,000 in total. The allowances were paid from April because the listing took place at the end of March.

Prior to the listing, the representatives of the main shareholder Intera on the Board of Directors did not receive any allowance, and the Board had no committees.

EUR thousand	2021	2020
<i>Board of Directors</i>		
Heliövaara Eero, Chair of the Board	66	42
Gustafsson Leif (since March 25, 2021)	25	0
Kyllönen Taina	28	11
Leino-Haltia Mirel (since March 25, 2021)	25	0
Heartburn Janne (until March 25, 2021)	0	0
Piispanen Elina	28	11
Rignell Petri	27	11
Terho Tomi	28	0
Total remuneration of the Board of Directors	228	76
<i>CEO</i>		
Eloholma Pekka	453	329

The CEO is covered by the Finnish statutory earnings-related pension scheme. The retirement age of the CEO is 64 years and six months. The CEO's notice period is six months for both parties. The CEO is not entitled to a severance package in addition to their remaining regular pay if they resign.

7.3.4 Management stock options

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

December 31, 2021	Match 2021A	Match 2021B	Performance 2021A	Performance 2021B	Total
Options granted	67,500	67,500	80,100	80,100	295,200
Of which exercisable	0	0	0	0	0
Total number of shares entitled to	67,500	67,500	80,100	80,100	295,200

The option program is described in more detail in Note 4.3.6.

7.4 GUARANTEES AND CONTINGENT LIABILITIES

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

EUR thousand	December 31, 2021	December 31, 2020
Commitments on behalf of own obligations		
Business mortgage	0	125,000
Pledged shares at book value	0	203,394
Bank guarantees	2,587	2,729
Total	2,587	331,123
Bank guarantees		
Contractual guarantees	30	150
Other guarantees	2,557	2,579
Total	2,587	2,729

No pledges or real collateral have been provided as a guarantee for the financing agreement negotiated in connection with the listing. Bank guarantees totaling EUR 2.6 million have been provided for the benefit of lessors against the leases of the premises.

7.5 DISPUTES AND LITIGATION

The Group has no open disputes or litigation.

7.6 MAJOR EVENTS AFTER THE CLOSING DATE

Sitowise announced on January 4, 2022 the appointment of a new Group CEO, Heikki Haasmaa, who takes office on May 4, 2022.

Sitowise announced on February 10, 2022 that Anne-May Asplund, Chief Human Resources Officer and member of the Group Management Team, would resign in February 2022.

PARENT COMPANY'S FINANCIAL STATEMENTS

SITOWISE GROUP PLC INCOME STATEMENT (FAS)

EUR thousand	Note	Jan 1 – Dec 31, 2021	Jan 1 – Dec 31, 2020
Net sales		1,175	215
Other operating income	2	9,657	
Personnel expenses	3	-1,302	-191
Depreciation, amortization, and impairment	4	-699	
Other operating expenses	5	-798	-844
Operating profit/loss		8,032	-820
Financial income and expenses	6	-313	-863
Profit/loss before appropriations and taxes		7,719	-1,683
Group contributions	7	1,938	5,565
Income taxes	8	1	-790
Profit for the period		9,658	3,092

SITOWISE GROUP PLC BALANCE SHEET (FAS)

EUR thousand	Note	Dec 31, 2021	Dec 31, 2020
Assets			
Non-current assets			
Intangible assets	9	3,971	0
Holdings in Group companies	10	112,175	58,698
Non-current assets total		116,146	58,698
Current assets			
Current receivables	11	34,156	517
Cash and cash equivalents		11,530	1,061
Current assets total		45,687	1,578
Assets total		161,832	60,277
Shareholders' equity and liabilities			
Shareholders' equity	12		
Share capital		80	3
Fund for invested unrestricted equity		97,360	40,663
Retained earnings		2,837	64
Profit (loss) for the period		9,658	3,092
Subordinated loan		0	14,145
Total shareholders' equity		109,934	57,967
Liabilities			
Non-current liabilities	13	49,500	
Current liabilities	13	2,398	2,310
Liabilities total		51,898	2,310
Shareholders' equity and liabilities total		161,832	60,277

SITOWISE GROUP PLC: CASH FLOW STATEMENT (FAS)

EUR thousand	Jan 1 – Dec 31, 2021	Jan 1 – Dec 31, 2020
Cash flow from operating activities		
Operating profit	8,032	-820
Adjustments to operating profit	-8,957	0
Change in working capital	8,745	1,012
Dividends received and other financial income	66	0
Interest paid and other financial expenses	-1,613	-3,233
Taxes paid	-1,298	-526
Cash flow from operating activities	4,975	-3,567
Cash flow from investing activities		
Purchase and sale of shares in subsidiaries and associated companies	-9,513	-1,811
Cash flow from investing activities	-9,513	-1,811
Cash flow from financing		
Share issue for consideration	78,762	3,761
Listing expenses paid	-5,078	0
Share repurchase	-22	-1,613
Dividends paid and capital repayments	-22,286	-2,618
Withdrawal of loans	50,500	0
Repayment of loans	-72,724	0
Repayment of subordinated loans	-14,145	0
Group contribution received	0	6,615
Cash flow from financing	15,007	6,145
Change in cash and cash equivalents	10,469	767
Cash and cash equivalents January 1	1,061	294
Cash and cash equivalents December 31	11,530	1,061

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

Copies of Sitowise Group's consolidated financial statements are available at Linnoitustie 6, FI-02600 Espoo, Finland.

1 ACCOUNTING POLICIES

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 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 INCOME

EUR thousand	2021	2020
Merger profit	9,657	0
Total	9,657	0

3 PERSONNEL EXPENSES

EUR thousand	2021	2020
Wages and salaries	1,128	161
Pension expenses	149	25
Other social security expenses	25	5
Total	1,302	191

Management remuneration

EUR	2021
Board of Directors	228
CEO	483
Total (basis of payment)	711

More detailed information on the terms and conditions of the CEO's contract can be found in Note 7.3.3 to the consolidated financial statements.

At the end of the financial period 2020, the Group's Board of Directors and management, which were on the payroll of Sitowise Holding II Oy, were transferred to the parent company.

The average number of personnel in the financial period 2021 was 3 (0). At the end of the financial period 2021, the number of personnel was 3 (3).

4 DEPRECIATION, AMORTIZATION, AND IMPAIRMENT ACCORDING TO PLAN

EUR thousand	2021	2020
Other long-term expenses	699	0
Total	699	0

5 AUDIT FEES

EUR thousand	2021	2020
Audit firm KPMG Oy		
Statutory audit	43	12
Tax advice and consulting	672	0
Total	715	12

The advisory costs related to the listing have been capitalized into balance sheet intangible expenses.

6 FINANCIAL INCOME AND EXPENSES

EUR thousand	2021	2020
Interest income		
From Group companies	882	0
From others	0	0
Interest expenses		
To Group companies	-11	0
To others	-1,185	-863
Total	-313	-863

7 APPROPRIATIONS

EUR thousand	2021	2020
Group contributions received	1,938	5,565
Total	1,938	5,565

8 DIRECT TAXES

EUR thousand	2021	2020
Income taxes on ordinary activities for the financial period	0	-779
Total	0	-779

9 INTANGIBLE ASSETS

EUR thousand	2021	2020
Acquisition cost January 1	0	
Increase	4,670	
Acquisition cost December 31	4,670	
Accumulated depreciation, amortization, and impairment January 1	0	
Depreciation	-699	
Accumulated depreciation, amortization, and impairment December 31	-699	
Acquisition cost December 31	3,971	0

10 INVESTMENTS

EUR thousand	2021	2020
Holdings in Group companies		
Acquisition cost January 1	58,698	56 887
Increase	52,255	1,811
Decrease	0	0
Acquisition cost December 31	110,953	58,698

EUR thousand	2021	2020
Other shares and participations		
Acquisition cost January 1	0	0
Increase	306	0
Decrease	0	0
Acquisition cost December 31	306	0

Holding	2021	2020
Sitowise Holding II Oy *)	0%	100%
Sitowise Oy	100%	100%
Infracontrol AB	100%	0%

*) Company merged with Sitowise Group Plc on December 31, 2021.

11 CURRENT RECEIVABLES

EUR thousand	2021	2020
Other accrued income	552	149
Accrued income from Group companies	33,604	368
Total	34,156	517

12 SHAREHOLDERS' EQUITY

EUR thousand	2021	2020
Share capital at the beginning of the financial period	3	3
Increase in share capital	78	0
	80	3
Fund for invested unrestricted equity	40,663	40,471
Increase	56,697	192
	97,360	40,663
Retained earnings at the beginning of the financial period	3,157	726
Distribution of dividends	-298	-662
Share repurchase	-22	0
	2,837	64
Profit/loss for the period	9,658	3,092
Subordinated loan	0	14,145
Total shareholders' equity	109,934	57,967

Calculation of distributable funds

EUR thousand	2021	2020
Fund for invested unrestricted equity	97,360	40,663
Retained earnings	2,837	64
Profit/loss for the period	9,658	3,092
Total retained earnings	109,854	43,819

Subordinated loans granted to the Group in 2021 total EUR 0 (14,145,180).

13 LIABILITIES

Non-current liabilities, EUR thousand	2021	2020
Loans from financial institutions	50,000	0
Transfer to short-term loans	-1,000	
Total	49,000	

EUR thousand	2021	2020
Repayment instalments of long-term loans	1,000	
Accounts payable	158	350
Accounts payable Group	0	664
Interest debt	2	
Corporate tax accrual	0	779
Other current liabilities Group	0	100
Other accrued expenses	1,238	416
Total	2,398	2,310

14 GUARANTEES AND CONTINGENT LIABILITIES

Assets pledged and off-balance sheet commitments and arrangements on behalf of own and Group companies' obligations, EUR thousand	2021	2020
Assets pledged by type:		
For own debt	0	0
For Group company's debt	0	72,724
Pledged shares at book value		
Sitowise Holding II Oy, shares 1-2500	0	58,698

No pledges or real collateral have been provided as a guarantee for the financing agreement negotiated in connection with the listing. In 2020, Sitowise Holding I Oy had pledged its receivables from the Group companies as collateral for the Group companies' financing loans.

GROUP KEY FIGURES

EUR thousand	2021	2020
Net sales	179,334	160,082
Increase in net sales, %	12.0%	11.9%
Adjusted organic increase in net sales, %	0%	3%
EBITA, adjusted	21,146	20,633
% of net sales	11.8%	12.9%
EBITA	18,523	19,535
Operating profit (EBIT)	16,376	18,272
% of net sales	9.1%	11.4%
Balance sheet total	249,754	221,528
Cash and cash equivalents	19,353	15,463
Net debt	30,859	56,583
Cash flow from operating activities before financing items and taxes	22,818	31,508
Earnings per share (EUR)	0.22	9.69
Diluted earnings per share (EUR)	0.22	9.63
Earnings per share, continuing operations (EUR)	0.22	9.60
Diluted earnings per share, continuing operations (EUR)	0.22	9.54
Return on equity (ROE), %	8.7%	20.6%
Return on capital employed (ROCE), %	8.9%	12.1%
Equity ratio, %	46.0%	30.2%
Net debt / EBITDA, adjusted	1.4x	2.6x
Gearing, %	26.9%	84.6%
Average number of personnel	1,969	1,823
Full-time equivalent (FTE) on average	1,697	1,555
Utilization rate	76.6%	77.3%

ITEMS AFFECTING COMPARABILITY

EUR thousand	2021	2020
Restructuring expenses	181	253
Integration expenses	360	670
Mergers and acquisitions and associated expenses	1,323	-343
Listing expenses	196	408
Others	555	111
Items affecting comparability, expenses	2,615	1,098
Items affecting comparability, depreciation	8	0

FORMULAS FOR THE KEY FIGURES

Adjusted organic increase in net sales	=	Growth in net sales excluding acquisitions and divestments and taking into account the number of working days and the impact of exchange rates
EBITA	=	Operating result + 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 mainly related to M&A and integration costs, restructuring costs and IPO readiness costs
Net debt	=	Loans from financial institutions – cash and cash equivalents (Net debt does not include lease liabilities)
Return on equity (ROE), %	=	$\frac{\text{Profit for the period for the previous 12 months}}{\text{Total shareholders' equity, average}}$
Return on capital employed (ROCE), %	=	$\frac{(\text{Profit before taxes + financial expenses}) \text{ for the previous 12 months}}{(\text{Balance sheet total} - \text{non-interest-bearing liabilities}), \text{ average}}$
Equity ratio, %	=	$\frac{\text{Total shareholders' equity}}{\text{Balance sheet total}}$
Net debt / EBITDA, adjusted	=	$\frac{\text{Net debt}}{\text{EBITDA, adjusted}}$
Gearing, %	=	$\frac{\text{Net debt}}{\text{Total shareholders' equity}}$
Earnings per share	=	$\frac{(\text{Profit for the period} - \text{non-controlling interest} - \text{dividend for the financial period to be distributed, taking the tax effect into consideration})}{\text{Average weighted number of shares}}$
Diluted earnings per share	=	$\frac{(\text{Profit for the period} - \text{non-controlling interest} - \text{dividend for the financial period to be distributed, taking the tax effect into consideration})}{\text{Average diluted weighted number of shares}}$
Earnings per share (continuing operations)	=	$\frac{(\text{Profit from continuing operations for the period} - \text{non-controlling interest} - \text{dividend for the financial period to be distributed, taking the tax effect into consideration})}{\text{Average weighted number of shares}}$
Diluted earnings per share (continuing operations)	=	$\frac{(\text{Profit from continuing operations for the period} - \text{non-controlling interest} - \text{dividend for the financial period to be distributed, taking the tax effect into consideration})}{\text{Average diluted weighted number of shares}}$
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 9,657,719 and the company's distributable funds total EUR 109,854,282. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.10 per share be paid and that the remaining distributable funds be retained in unrestricted equity.

SIGNATURES TO THE FINANCIAL STATEMENTS AND BOARD OF DIRECTORS' REPORT

Espoo, March 1, 2022

Eero Heliövaara
Chair of the Board

Pekka Eloholma
CEO

Leif Gustafsson

Taina Kyllönen

Mirel Leino-Haltia

Elina Piispanen

Petri Rignell

Tomi Terho

Auditor's note

A report on the audit has been issued today.

Helsinki, March 1, 2022

KPMG Oy Ab
Audit firm

Turo Koila
Authorized Public Accountant (KHT)

AUDITING

AUDITOR'S REPORT

To the Annual General Meeting of Sitowise Group Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sitowise Group Plc (2767842-8) for the year ended 31 December 2021. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, profit and loss account, cash flow statement and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with 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.

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

Basis for Opinion

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

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 2.4.1 to the consolidated financial statements.

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

Materiality

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

Key Audit Matters

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

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

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Net sales (Accounting principles and note 2.1 to the consolidated financial statements)	
<p>Revenues arise from provision of services to customers in accordance with customer contracts, with the total net sales of EUR 179 million. Revenue reporting involves the risk of inappropriate timing or amount of revenue recognition due to management estimates and the large number of invoicing transactions.</p> <p>The 5-step model is applied to revenue recognition, which identifies the contract and performance obligations, determines the transaction price and allocates it to the performance obligations. Revenue is recognized as the performance obligation is satisfied and only in an amount that reflects the consideration to which the Group expects to be entitled in exchange for the services provided to the customer.</p>	<p>We evaluated the company's revenue recognition and accounting policies in relation to the principles defined under IFRS standards.</p> <p>We tested the effectiveness of key internal controls aimed at ensuring the completeness and appropriate timing of revenue reporting.</p> <p>We compared the total revenue estimates for the customer projects accounted for on the basis of progress measurement with the underlying customer contracts. In addition, we analyzed forecast and actual project costs and project margins. We also considered the process of updating cost estimates and completion rates, and assessed its appropriateness.</p> <p>Furthermore, we performed substantive audit procedures related to the completeness and timing of revenue recognition.</p>
Valuation of goodwill (Accounting principles and note 3.2 to the consolidated financial statements)	
<p>Goodwill of EUR 135 million represents a significant part, 54%, of the consolidated balance sheet total.</p> <p>Goodwill is tested for impairment annually and whenever there is any indication that the goodwill may be impaired. If any such indication exists, the recoverable amount of the asset is estimated. The recoverable amount is determined based on value in use. The preparation of goodwill impairment testing requires estimates be made about the future. Management estimates and associated critical uncertainties relate to the components of the calculation of recoverable amount, which include the discount rate, terminal growth rate, and the development of net sales and operating profit, including cost levels for the company.</p> <p>Due to the significance of the carrying amount and significant management judgments involved in the forecasts, valuation of goodwill is considered a key audit matter.</p>	<p>We critically assessed the management fundamentals and assumptions underlying the cash flow projections for the coming years.</p> <p>We utilised our own valuation specialists that assessed the appropriateness of the discount rate, the technical accuracy of the calculations and the assumptions used in relation to market and industry information.</p> <p>In addition, we considered the appropriate presentation of the disclosures on goodwill impairment testing in the financial statements.</p>

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.
- Identify and assess the risks of material misstatement of the

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes

public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting in 2018, and our appointment represents a total period of uninterrupted engagement of 4 years.

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

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information.

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

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

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

Helsinki, 1 March 2022

KPMG OY AB

Turo Koila
Authorised Public Accountant, KHT

INDEPENDENT AUDITOR'S REASONABLE ASSURANCE REPORT ON SITOWISE GROUP PLC ESEF FINANCIAL STATEMENTS

To the Board of Directors of Sitowise Group PLC

We have undertaken a reasonable assurance engagement on the iXBRL marking up of the consolidated financial statements for the year ended 31 December, 2021, included in the Sitowise Group PLC digital files [743700HOHMOHAANHFF73-2021-12-31-fi.zip] prepared in accordance with the requirements of Article 4 of EU Delegated Regulation 2018/815 (ESEF RTS).

The Responsibility of the Board of Directors and Managing Director

The Board of Directors and Managing Director are responsible for preparing the report of the Board of Directors and financial statements (ESEF financial statements) that comply with the requirements of ESEF RTS. This responsibility includes:

- preparation of ESEF financial statements in XHTML format in accordance with Article 3 of the ESEF RTS
- marking up the consolidated financial statements included in the ESEF financial statements with iXBRL tags in accordance with Article 4 of the ESEF RTS; and
- ensuring consistency between ESEF financial statements and audited financial statements.

The Board of Directors and the Managing Director are also responsible for such internal control as they deem necessary to prepare the ESEF financial statements in accordance with the requirements of the ESEF RTS.

Auditor's Independence and Quality Control

We are independent of the company in accordance with the ethical requirements applicable in Finland, which apply to the engagement we have performed, and we have fulfilled our other ethical obligations in accordance with these requirements.

The auditor applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's Responsibility

In accordance with the Engagement Letter our responsibility is to express an opinion on whether the marking up of the consolidated financial statements included in the ESEF financial statements comply in all material respects with the Article 4 of the ESEF RTS. We conducted our reasonable assurance engagement in accordance with *International Standard on Assurance Engagements 3000*.

The engagement involves procedures to obtain evidence whether;

- the consolidated financial statements included in the ESEF financial statements are, in all material respects, marked up with iXBRL tags in accordance with Article 4 of the ESEF RTS, and;
- the ESEF financial statements and the audited financial statements are consistent with each other.

The nature, timing and the extent of procedures selected depend on practitioner's judgement. This includes the assessment of the risks of material departures from the requirements set out in the ESEF RTS, whether due to fraud or error.

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

Opinion

In our opinion, the consolidated financial statements included in the ESEF financial statements of Sitowise Group PLC identified as [743700HOHMOHAANHFF73-2021-12-31-fi.zip] for the year ended 31 December, 2021 are marked up, in all material respects, in compliance with the ESEF Regulatory Technical Standard.

Our audit opinion relating to the consolidated financial statements of Sitowise Group PLC for the year ended 31 December, 2021 is set out in our Auditor's Report dated 1 March, 2022. In this report, we do not express an audit opinion, review conclusion or any other assurance conclusion on the consolidated financial statements.

Helsinki 25 March, 2022

KPMG OY AB

Turo Koila
Authorised Public Accountant, KHT

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