

Efecte Oyj
1509667-4

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Efecte Oyj

REPORT OF THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS

1.1.2021-31.12.2021

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REPORT OF THE BOARD OF DIRECTORS

EFECTE-GROUP IN BRIEF

Efecte is a Finnish software company that helps service organizations digitize and automate their work. Efecte's solutions allow our customers to flexibly manage all internal and external services in the organization, such as IT, human resources or finance services and customer service, as well as access rights. Efecte is one of the industry's leading software suppliers for medium-sized and public organizations in Finland and in the Nordic countries. Efecte has also become a competitive supplier in Germany. The company was founded in 1998 and is listed on the Nasdaq First North Growth Market Finland. Efecte operates throughout Europe and has offices in Finland, Sweden and Germany.

Efecte's business is based on the company's own software products and related services. Software products delivered primarily as a cloud service form the core of the company's business. Services that support software include, for example, implementation projects, integration work, training and the continuous development of customer environments.

NET SALES AND PROFIT

Net sales by type

Net sales, 1000 EUR	10-12/2021	10-12/2020	7-12/2021	7-12/2020	2021	2020
SaaS	2 930	2 358	5 692	4 640	10 886	8 806
Licenses	27	49	37	49	44	93
Maintenance	254	276	509	512	1 014	1 010
Services	1 640	1 359	2 841	2 295	5 820	4 980
Group total	4 853	4 042	9 078	7 495	17 764	14 888

Efecte's net sales in 1-12/2021 were 17.8 million euro (14.9), a growth of 19%. Net sales for customers outside Finland were 4.4 million euro (3.6), corresponding to 25% of total net sales (24%).

Software as a Service (SaaS) grew 24% and services net sales increased by 17%. Net sales of perpetual licenses continued to be insignificant in line with our strategy. Net sales generated by maintenance relating to perpetual licenses have also been on a long-term declining trend but did exceptionally not decline in absolute terms during the review period due to price increases and low churn. Our total recurring revenue (SaaS and maintenance) amounted to 11.9 million euro (9.8), corresponding to approximately 67% of net sales (66%).

SaaS MRR was 992 thousand euro in the end of December, growing 23% year-over-year. Of that growth, 15 percentage points came from existing customers (net retention rate 115%) and 8 percentage points from new customers since 12/2020. Gross churn amounted to 4.7% (3.4%). Our recurring gross margin at the end of December was 81% (77%). We determine recurring gross margin on a rolling 12-month basis through subtracting the total cost of support, cloud infrastructure, cloud operations, 3rd party licenses and enhanced service level packages from our total recurring revenue and dividing the outcome by total recurring revenue. In deviation to our previous reports, we included the costs of enhanced service level packages in the calculation. The change in the calculation method decreased recurring gross margin by approximately 1 percentage point.

Our average customer acquisition cost (CAC) on a rolling 12 months basis was 82 thousand euro, and the average lifetime value (LTV) of an acquired new customer was 678 thousand euro. Accordingly, the LTV/CAC ratio was 8.3. This means that the cost of customer acquisition is earned 8.3 times during the lifetime of the customer. LTV/CAC ratio was

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higher than usual due to a large order from the Social Insurance Institution of Finland (Kela). We determine customer acquisition cost through multiplying sales and marketing costs by 0.7 divided by number of new customers. The multiplier 0.7 reflects the fact that some of sales & marketing cost goes towards serving existing customers. Lifetime value is defined as MRR orders of new customers divided by gross churn multiplied by recurring gross margin divided by number of new customers.

Services net sales development was strong due to several significant new Efecte deployments and existing customers expanding the usage of Efecte, as well as a soft comparison period. Our strategy is to focus on growing our SaaS business and Services business is there to support adoption with the help of our partner network. SaaS formed already 61% of total net sales (59%).

EBITDA was 0.9 million euro (0.1) and operating profit was 0.4 million euro (-0.3). Profitability improved supported by topline growth and economies of scale.

Taxes corresponding to the profit of the period have been entered as tax expense. Efecte has confirmed tax losses in the taxation for Finland, so there was no income tax expense in Finland.

Net profit for the period was 0.4 million euro (-0.4).

FINANCE AND INVESTMENTS

At the end of the review period, the balance sheet for Efecte group totaled 10.5 million euro (8.7). Equity ratio was 46% (35%) and net gearing was -197% (-270%).

At the end of the review period, the Company's financial loans were 0 euro (0). The company's cash and liquid assets were 6.5 million euro (5.3).

Cash flow from operating activities for the reported period was 0.8 million euro (2.3) and cash flow from investing activities was -0.6 million euro (1.4). Investments in tangible and intangible assets were 0.6 million euro (0.5) and were mainly activated R&D expenses. Cash flow from financing activities was 0.9 million euro (0.2). Cash flow from financing activities consisted of subscriptions relating to stock options.

BUSINESS DEVELOPMENTS

During the review period, we focused again on helping customers digitalize and automate their work. Customers used our cloud-based service management platform to digitalize and automate processes in three key areas: IT Service Management (ITSM), Enterprise Service Management (ESM) and Identity Governance and Administration (IGA).

We were able to grow SaaS by 24%, supported by strong demand from both existing and new customers. On a rolling 12 months basis, existing customers accounted for 65% of the SaaS MRR growth. We helped them expand the usage of Efecte in ITSM, but increasingly also for ESM use cases such as HR, finance, and customer services. Several existing customers also expanded their Efecte usage with our IGA solution. We signed 38 new customers during the review period, of which 17 through partners. Winning a large public tender by the Social Insurance Institution of Finland (Kela) was a definite highlight of new customer acquisition.

Our professional services business performed well with services growing by 17%, and during Q3 and Q4 even over 20%. This was driven by strong demand from existing and new customers and a soft comparison period impacted by the pandemic. Our strategy has been to focus on SaaS growth, and that is the plan also going forward. Services play an important role in helping customers adopt Efecte and later expand their use. We continued to improve our delivery model and standardize solution offerings while also reaching high customer satisfaction in our professional services engagements.

The long-term trend of customers moving away from the legacy license and maintenance model continued. However, in the review period, our legacy maintenance sales remained at the level of the year before due to price increases and low churn.

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Our main markets continued to be Finland, Scandinavia and DACH regions. We saw all existing regions grow and started building a go-to-market in new markets through expanding our partner network. We added partners in Croatia, Czech Republic, Turkey and UK during the first three quarters year, and during Q4 we also added a new partner in the Netherlands. While creating a transactional partner business is a long-term effort, we were able to sign first customers in the UK and Czech Republic, and secured commitment for the first customer in Poland, with the actual purchase order received after year end in early 2022.

We also built a pipeline of additional partner candidates in multiple markets across the EMEA region (Europe, Middle East and Africa), and will continue to expand our partner ecosystem. That said, we will increasingly focus on sales enablement of existing partners during 2022. Exploring new direct markets in Europe is also part of the plan as we seek to expand our reach. We expect to pilot at least one new direct market in 2022.

During the review period, we also started to screen potential opportunities for inorganic growth. We are primarily looking for potential add-on technologies that can be integrated into our SaaS offering. Additionally, we are exploring inorganic opportunities for strengthening our market presence in selected geographies. During the year, we identified and started to engage with several interesting companies. We see this effort as a long-term initiative and will continue to have a high standard for any potential transaction.

EMPLOYEES

The number of full-time equivalent employees (FTE) at the end of the review period was 125 (106). Of these, 105 (88) were in Finland, 7 (7) in Sweden and 13 (11) in Germany. Our central team in Finland acts globally supporting customers, partners and sales in international markets and includes the FTEs responsible for our new markets operation. The average number of FTEs during Q4 was 122 (104) and during 2021 it was 114 (103).

During the review period, we continued active recruitment to support our growth ambitions. We are proud that so many new colleagues chose to join Efecte and that we maintained high employee satisfaction and attrition below 10% in a very challenging job market. We also built a pipeline of high-quality talent from various channels that we can leverage as we grow our team. This positions us well for growing our business again in the new year.

Santeri Jussila joined Efecte in March as new Chief Product Officer, driving Efecte's product strategy and roadmaps. Santeri has long experience in product leadership and a proven track record to build scalable world-class product management teams and processes.

At the end of the review period, the following people formed Efecte's leadership team: Niilo Fredrikson (CEO), Taru Mäkinen (CFO), Niina Hovi (people and culture), Steffan Schumacher (sales, marketing and services), Topias Marttila (technology) and Santeri Jussila (products).

We moved into new headquarters during the first half of 2021. The new premises were set up to support a modern way of working with a mix of remote and office work. Our people and our culture are central to Efecte's success, and the new headquarters provide a world-class environment for our team to thrive and grow.

MARKET OUTLOOK

There were no significant changes in the market outlook during the review period. IT service management (ITSM) platforms continue to be an enabler for digital transformation as servitization (everything as a service) becomes mainstream. Companies across different industries look for cloud-based solutions to digitalize and automate their operations to provide greater agility to the business, improve end-user experiences, and to save costs.

We expect the market for cloud ITSM solutions to continue on a strong growth trajectory. The pandemic has had both positive and negative impacts on the market: appetite for cloud solutions in general has increased, and at the same time some customers' decision making has become slower. We also see support for enterprise service management (ESM), customer and employee experience and increased automation being increasingly relevant for our customers and driving market growth.

Analyst estimates for global cloud ITSM market growth fall generally between 15-20% compound annual growth rate (CAGR) for the next three to five years. In Europe, growth is typically expected to be close to the global average, with

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Asia growing faster and North America slower. The global market is dominated by American companies. Efecte is mentioned in multiple analyst reports as a challenger, and we will continue to grow as the European Alternative to the global goliaths.

Cloud identity and access management (IAM) will according to analyst estimates grow between 19% and 27% annually for the next three to five years. We see high demand for focused IGA solutions that address the identity lifecycle management, governance and access management parts of IAM market. Widespread remote work, an evolving threat landscape, EU regulations and increasing digitalization of business services are driving small and medium size organizations to consider more affordable and easier alternatives than the traditional IAM system offerings. Our new IGA solutions aim to address this need and market.

RESEARCH AND DEVELOPMENT

During the review period, we continued to strengthen our offering guided by four strategic portfolio investment themes: User Experience, AI & Automation, Digital Identities and Platform Ecosystem.

We worked throughout the year on our user experience modernization program. Our flagship initiative to develop next generation self-service progressed well and is now ready to start early customer piloting. We also introduced a number of usability and accessibility improvements across our existing tools.

Our investments into AI & Automation capabilities continued. We released important new enhancements to our AI-feature Virtual Coach, including machine-suggested ticket categorization and Quickfill for automated new ticket population. We also improved our new customers' onboarding process, and by the end of the year enhanced cloud automation was in full swing, improving new customers' experience as they take Efecte into use.

For Digital Identities, the review period included a significant milestone with the release of a new IGA Starter solution. Traditionally, our user licenses have enabled all use cases in the respective solution area. IGA Starter is a new way of packaging and licensing Efecte solutions, with out-of-the-box configurations licensed only for a limited set of use cases. This includes access management, provisioning, governance and life-cycle management of digital identities. Going forward we plan to release upper-tier packages that enable the customer to further expand the usage. We believe the new packaging is compelling for customers and lowers the threshold for midmarket companies to get started with identity management.

We continued to strengthen our capabilities in the Platform Ecosystem area as well. In the first half of the year, we launched a new Efecte Whistleblower solution that provides a cost-efficient option for Efecte customers to expand the use of their platforms to address the requirements of the EU whistleblower directive. Later in the year, we released a new REST API that gives Efecte customers an open and more developer-friendly interface to connect the platform with other systems in the IT ecosystem. We also added support for RedHat LDAP, OpenLDAP and IBM Directory Server, as well as an updated integration to Office 365 that ensures future-proof use of Microsoft APIs.

Efecte's total research and development investment during the review period was 3.1 million euro (2.7). Research and development costs amounted to 2.6 million euro (1.9). In addition, 0.5 million euro (0.4) was capitalized, and 0.0 million euro (0.3) was covered through public funding. Research and development actions are performed in Efecte Finland Oy. In addition to own personnel, subcontractors are used to increase flexibility and cost efficiency. We are planning to grow investments in R&D during 2022 and expect the R&D capitalization level to substantially increase.

Group's research and development investment level in 2019-2021:

	2021	2020	2019
Research and development investment (million euro)	3.1	2.7	2.5
Research and development investment (% of net sales)	18%	18%	18%

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ANNUAL GENERAL MEETING AND GOVERNANCE

The Annual General Meeting held on 23 March 2021 adopted the financial statements for 1 January - 31 December 2020 and discharged the members of the Board of Directors and the CEO from liability. The Annual General Meeting decided that no dividend is distributed for the year 2020.

The Annual General Meeting decided that the Chairman of the Board is paid EUR 3 423 per month and the other members of the Board of Directors will be paid EUR 1 795 per month each. Approximately 40% of the remuneration was paid in Efecte Plc's shares and approximately 60% in cash.

Esther Donatz, Pertti Ervi, Brigitte Falk, Turkka Keskinen, Kari J. Mäkelä and Päivi Rekonen were re-elected as members of the Board of Directors. The organizational meeting of the Board of Directors elected Pertti Ervi as the Chairman of the Board of Directors.

Ernst & Young Oy acts as the auditor, and Juha Hilmola (KHT) is the auditor in charge.

SHARES AND TRADING

The company has one share series, and all shares carry equal rights. At the end of the review period, Efecte Plc's share capital consisted of 6 235 873 shares. The company owned 16 404 treasury shares, approx. 0.3% of the total amount of the shares.

The company's share has been trading on the Nasdaq First North Growth Market Finland marketplace. During the review period the highest share price was 17.10 euro, the lowest price 12.70 euro and the closing price 13.10 euro. The market value of shares was 81.5 million euro at the end of the period excluding the treasury shares.

SHAREHOLDERS

The company had a total of 2 696 owners on 31 December 2021 (2 376). The list of the largest owners and the distribution of shareholders can be found on the company's web site.

10 largest shareholders as of 31 December 2021:

	Shareholder	Shares	%
1	First Fellow Oy	810 499	13.0
2	Sijoitusrahasto Aktia Nordic Micro Cap	469 269	7.53
3	Oy Fincorp Ab	410 000	6.58
4	Op-Suomi Mikroyhtiöt -Erikoissijoitusrahasto	351 969	5.64
5	Keskinäinen Eläkevakuutusyhtiö Ilmarinen	290 909	4.67
6	Montonen Markku	210 571	3.38
7	Nordea Nordic Small Cap Fund	136 662	2.19
8	Ervi Pertti	88 391	1.42
9	Säästöpankki pienyhtiöt	80 000	1.28
10	Urpalainen Jörgen	72 939	1.17

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The ownership of the Board members, CEO and their controlled entities totaled approximately 3.2% at the end of the review period. Additionally, the options held by the CEO entitle him to subscribe shares representing approximately 1.8% of the outstanding shares.

The total proportion of nominee registered shares was approximately 25.7 % of all shares.

THE AUTHORIZATIONS GIVEN TO THE BOARD OF DIRECTORS

The Annual General Meeting held on 23 March 2021 authorized the Board of Directors to decide to acquire the company's own shares with distributable funds. A maximum of 450 000 shares may be acquired. The authorization is effective until the next Annual General Meeting, however, at the latest until 30 June 2022.

The Annual General Meeting held on 23 March 2021 authorized the Board of Directors to issue a maximum of 608 000 shares through a share issue and/or by issuing option rights or other special rights entitling to shares referred to in Chapter 10 Section 1 of the Limited Liability Companies Act. The Board may decide to issue new shares or shares held by the company. The authorization includes the right to issue shares and option rights and/or other special rights entitling to the shares through private offering, in other words, to deviate from the shareholders' pre-emptive right subject to the requirements set forth in the Limited Liability Companies Act. In addition, the authorization includes a right to issue shares and option rights and/or other special rights entitling to shares with or without payment. Under the authorization, the Board of Directors will be entitled to decide on the terms and conditions of any share issue and the issuance of option rights and other special rights entitling to shares, including the recipients and the remuneration to be paid. The authorization is effective until the next Annual General Meeting, however, at the latest until 30 June 2022.

OPTION PROGRAMS

Option program 2018

Option program 2018 consists of 450 000 options that entitle the holders to subscribe one share per option.

The options are divided into three series: A, B and C series. Series A consists of 170 000 options (of which 163 750 allocated) with subscription price of 5.75 euro/share and subscription period of 2 May 2021 - 31 May 2022; series B of 140 000 options (of which 132 325 allocated) with subscription price of 5.00 euro and subscription period of 2 May 2022 - 31 May 2023; and C series of 140 000 options (of which 124 250 allocated) with subscription price of 4.39 euro and subscription period of 2 May 2023 - 31 May 2024.

By 31 December 2021 a total of 154 750 shares have been subscribed with the options in the 2018 A series.

In connection with the 2018 option program, the Board of Directors has set a share-ownership requirement for the participants.

Option program 2021

Option program 2021 consists of 450 000 options that entitle the holders to subscribe one share per option.

The options are divided into three series: A series of 150 000 options (of which 139 350 allocated) with subscription price of 15.55 eur/share and subscription period of 2.5.2024 - 31.5.2026; B series of 150 000 options with subscription price of 20-day volume weighted average price after Q1/2022 results and subscription period of 2.5.2025 - 31.5.2027; and C series of 150 000 options with subscription price of 20-day volume weighted average price after Q1/2023 results and subscription period of 2.5.2026 - 31.5.2028. B series options are intended to be allocated in 2022 and C series in 2023.

In connection with the 2021 option program, the Board of Directors has set a share-ownership requirement for the participants.

ASSESSMENT OF RISKS AND UNCERTAINTIES

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Malfunctioning of the software or failures in operating the company's own services or the outsourced computing capacity and network connections may cause disruptions in services that may lead to reimbursement liabilities, reputational harm and to a decrease in customer satisfaction. This could lead to decreases in net sales and profitability.

Risks to data security such as non-intentional or intentional data breaches, including software vulnerabilities and ransomware attacks may cause reimbursement liabilities to customers or other third parties as well as significant reputational harm.

Competition for skillful personnel in the IT sector is increasing. If the company is unable to recruit and retain employees, the quality of its products and services may decrease, which can decrease revenue and profitability. Part of the research and development and service delivery are provided through subcontractors. If the operations of the subcontractors are disrupted, the effect is equivalent to lack of skilled personnel.

The company configures its products to operate with the customer's existing systems. Delays or unexpected warranty work related to customer projects may create costs and liabilities. Although most of the projects are time and materials based, there are also fixed price projects. Potential customer dissatisfaction could result in compensation claims, negative publicity, and loss of future business.

Investments in international growth such as forward-looking recruitments and ongoing investments in the partner program increase fixed costs. The costs may decrease profitability, if achieving growth turns out to be harder or slower than expected.

The company is exploring potential targets for mergers and acquisitions (M&A). Risks relating to potential M&A transactions include failure in the integration of the acquired business, failure to retain key personnel, target failing to meet forecasted financial performance as well as claims, disputes and litigation relating to the transaction.

Risks relating to intellectual property rights (IPRs) such as the loss/leaking of own IPRs to others, and breaches of third-party IPR by Efecte are material for Efecte. Efecte seeks to minimize the risk with strict control of customer agreements and with careful evaluation of third-party software components taken into use.

Efecte has entered into agreements with its customers concerning the processing of personal data. A failure to comply with contractual obligations in these agreements, or the requirements of the General Data Protection Regulation more broadly, may lead to significant liabilities or reputational harm.

Efecte operates in several jurisdictions and has customers and other business partners also in additional jurisdictions outside these. Exposure to different legal and tax frameworks heighten the risk of perceived or real non-compliance.

The company's equity stands at a sufficient level if the profitability development continues the planned trajectory. If changes in the operating environment or other factors would weaken the company's profitability, the company may have to strengthen its equity on terms that are not favorable to the company.

Some customer agreements especially in the public sector limit the Company's pricing power in case of rise in the costs of production. The Company might not be able to pass on increasing production costs in case of rapid inflation or an increase in the company's production costs.

An upsurge in the COVID-19 pandemic could cause delays in customers' and prospective customers' decision making, delays in purchases and cancellation of subscriptions. If many employees or subcontractors are infected by COVID-19 simultaneously, delays in customer projects or lower customer satisfaction could ensue.

PROFIT DISTRIBUTION PROPOSAL

The net profit of the parent company was 110 442.42 euro for the period and the distributable equity of the parent company was 8 119 330.33 euro. The Board of Directors proposes that no dividend is distributed from the financial period of 2021 and the profit is left in equity.

According to its strategy, Efecte will invest substantially in growth in the next few years, due to which the company does not aim to pay dividends for the foreseeable future.

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LONG-TERM FINANCIAL TARGETS

Long-term financial targets will be updated during strategy update in March.

GUIDANCE FOR THE YEAR 2022

SaaS net sales is expected to grow over 20% and EBITDA to be positive, excluding any potential costs from inorganic activities.

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Income statement, group

	1.1.-31.12.2021	1.1.-31.12.2020
NET SALES	17 764 451,93	14 887 948,07
Other operating income	50 107,17	291 578,33
Materials and services		
Materials and supplies		
Purchases during the financial year	-576 891,11	-523 556,82
External services	<u>-1 255 430,76</u>	<u>-739 837,68</u>
	-1 832 321,87	-1 263 394,50
Personnel expenses		
Wages and salaries	-9 167 881,79	-8 609 519,75
Social security expenses		
Pension expenses	-1 396 229,51	-1 020 021,33
Other social security expenses	<u>-542 539,84</u>	<u>-496 332,85</u>
	-11 106 651,14	-10 125 873,93
Depreciation and amortization		
Depreciation and amortization according to plan	-484 890,68	-439 216,95
Goodwill amortization	<u>-18 842,88</u>	<u>-18 842,88</u>
	-503 733,56	-458 059,83
Other operating expenses	-3 940 475,54	-3 664 692,50
OPERATING PROFIT (LOSS)	431 376,99	-332 494,37
Financial income and expenses		
Interest income and other financial income		
From others	14,05	3 806,72
Interest expenses and other financial expenses		
To others	<u>-9 112,82</u>	<u>-34 350,11</u>
	-9 098,77	-30 543,39
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES	422 278,22	-363 037,76
Income taxes		
Income taxes for the financial year	-10 614,35	-4 490,05
PROFIT (LOSS) FOR THE PERIOD	<u>411 663,87</u>	<u>-367 527,81</u>

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Balance sheet, group

	31.12.2021	31.12.2020
ASSETS		
NON-CURRENT ASSETS		
Intangible assets		
Development expenses	1 211 757,24	1 131 069,87
Other intangible assets	155 607,65	211 262,42
Goodwill	4 710,73	23 553,61
Other long-term expenses	9 024,15	
	1 381 099,77	1 365 885,90
Tangible assets		
Machinery and equipment	106 086,06	17 435,24
TOTAL NON-CURRENT ASSETS	1 487 185,83	1 383 321,14
CURRENT ASSETS		
Long-term receivables		
Other receivables	51 566,28	52 593,53
Short-term receivables		
Trade receivables	2 196 289,00	1 569 654,28
Other receivables	8 393,23	103 467,05
Prepayments and accrued income	290 371,67	211 716,85
	2 495 053,90	1 884 838,18
Cash and cash equivalents	6 507 521,95	5 390 865,16
TOTAL CURRENT ASSETS	9 054 142,13	7 328 296,87
TOTAL ASSETS	10 541 327,96	8 711 618,02

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Balance sheet, group

	31.12.2021	31.12.2020
EQUITY AND LIABILITIES		
EQUITY		
Share capital	80 000,00	80 000,00
Share issue	23 000,00	0,00
Other reserves		
Reserve of invested non-restricted equity	11 778 560,03	10 895 217,53
Retained earnings	-8 984 744,71	-8 608 846,21
Profit (loss) for the period	411 663,87	-367 527,81
TOTAL EQUITY	3 308 479,19	1 998 843,51
LIABILITIES		
Current liabilities		
Advances received	3 309 586,69	2 943 254,20
Trade payables	467 804,37	400 866,90
Other payables	819 262,88	834 933,33
Accruals	2 636 194,83	2 533 720,08
	<u>7 232 848,77</u>	<u>6 712 774,51</u>
TOTAL LIABILITIES	7 232 848,77	6 712 774,51
TOTAL EQUITY AND LIABILITIES	<u>10 541 327,96</u>	<u>8 711 618,02</u>

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Cash flow statement, group

	1.1.-31.12.2021	1.1.-31.12.2020
Cash flow from operating activities:		
Profit (loss) before appropriations and taxes	422 278,22	-363 037,76
Adjustments:		
Depreciation and amortization	503 733,56	458 059,83
Financial income and expenses	9 098,77	30 543,39
Other adjustments	-8 370,69	14 073,59
Cash flow before changes in working capital	<u>926 739,86</u>	<u>139 639,05</u>
Changes in working capital:		
Increase / decrease in trade and other receivables	-609 188,46	782 195,30
Increase / decrease in inventories	0,00	900,00
Increase / decrease in trade and other payables	520 074,26	1 414 016,50
Cash flow from operating activities before financial items and taxes	<u>837 625,65</u>	<u>2 336 750,86</u>
Interest and other financial cost paid	-9 112,82	-7 445,30
Interest received	14,05	0,00
Income taxes paid	-10 614,35	-4 490,05
Cash flow from operating activities	<u>817 912,53</u>	<u>2 324 815,51</u>
Cash flow from investing activities:		
Investments to tangible and intangible assets	-607 598,24	-545 512,76
Proceeds from short-term investments	0,00	1 949 810,63
Cash flow from investing activities	<u>-607 598,24</u>	<u>1 404 297,87</u>
Cash flow from financing activities:		
Share issue	906 342,50	187 188,30
Cash flow from financing activities	<u>906 342,50</u>	<u>187 188,30</u>
Change in cash and cash equivalents, increase (+) / decrease (-)	1 116 656,79	3 916 301,68
Cash and cash equivalents at the beginning of the financial year	5 390 865,16	1 474 563,47
Cash and cash equivalents at the end of the financial year	6 507 521,95	5 390 865,16
Change in cash and cash equivalents	1 116 656,79	3 916 301,68

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Key figures, group

1000 eur	2021	2020	2019	2018
Net sales	17 764	14 888	13 839	12 224
SaaS	10 886	8 806	7 094	5 754
Licenses	44	93	185	487
Maintenance	1 014	1 010	1 287	1 292
Services	5 820	4 980	5 272	4 691
Domestic net sales	13 365	11 314	11 275	10 374
International net sales	4 339	3 574	2 564	1 849
Domestic net sales (% of net sales)	75 %	76 %	81 %	85 %
International net sales (% net sales)	24 %	24 %	19 %	15 %
Recurring revenue	11 900	9 815	8 381	7 045
Recurring revenue, (% of net sales)	67 %	66 %	61 %	58 %
SaaS MRR, monthly net sales at the end of the period	992	808	640	523
Net sales growth %	19,3 %	7,6 %	13,2 %	15,2 %
EBITDA	935	126	-998	-1 988
EBITDA %	5,3 %	0,8 %	-7,2 %	-16,3 %
EBITA	450	-314	-1 377	-2 339
EBITA %	2,5 %	-2,1 %	-9,9 %	-19,1 %
Operating profit (EBIT)	431	-332	-1 396	-2 382
Operating profit (EBIT) %	2,4 %	-2,2 %	-10,1 %	-19,5 %
Profit for the period	412	-368	-1 373	-2 419
Earnings/share (EPS), eur	0,07	-0,06	-0,23	-0,42
Equity/share, eur	0,53	0,33	0,37	0,59
Balance sheet total	10 541	8 712	7 464	7 643
Equity	3 308	1 999	2 165	3 419
Net debt	-6 508	-5 391	-3 447	-4 209
Return on invested capital (ROI) %	16 %	-16 %	-49 %	-53 %
Equity ratio %	46 %	35 %	42 %	59 %
Net gearing %	-197 %	-270 %	-159 %	-123 %
Research and development cost	2 630	2 203	2 039	1 944
Research and development cost, % of net sales	15 %	15 %	15 %	16 %
Number of employees on average during the period	114	103	106	103
Number of employees at the end of the period	125	105	107	104
Number of shares (on average during the period)	6 136 005	5 955 842	5 864 987	5 704 025
Number of shares at the end of the period	6 219 469	5 987 901	5 921 375	5 809 235

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Income statement, parent company

	1.1.-31.12.2021	1.1.-31.12.2020
NET SALES	2 713 512,00	2 208 753,00
Personnel expenses		
Wages and salaries	-1 630 484,01	-1 335 705,65
Social security expenses		
Pension expenses	-274 902,07	-176 484,74
Other social security expenses	-41 141,52	-49 186,16
	<u>-1 946 527,60</u>	<u>-1 561 376,55</u>
Depreciation and amortization		
Depreciation and amortization according to plan	-56 864,77	-48 694,75
Other operating expenses	-1 592 621,21	-1 338 531,00
OPERATING PROFIT (LOSS)	-882 501,58	-739 849,30
Financial income and expenses		
Interest expenses and other financial expenses		
To others	-7 056,00	-26 573,46
	<u>-7 056,00</u>	<u>-26 573,46</u>
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES	-889 557,58	-766 422,76
Appropriations		
Group contributions, received	1 000 000,00	0,00
PROFIT (LOSS) FOR THE PERIOD	<u>110 442,42</u>	<u>-766 422,76</u>

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Balance sheet, parent company

	31.12.2021	31.12.2020
ASSETS		
NON-CURRENT ASSETS		
Intangible assets		
Intangible rights	155 427,65	209 284,37
Other long-term expenses	9 024,15	0,00
	<u>164 451,80</u>	<u>209 284,37</u>
Investments		
Holdings in group companies	2 254 042,44	2 254 042,44
Receivables from group companies	4 450 000,00	4 450 000,00
	<u>6 704 042,44</u>	<u>6 704 042,44</u>
TOTAL NON-CURRENT ASSETS	6 868 494,24	6 913 326,81
CURRENT ASSETS		
Long-term receivables		
Other receivables	39 118,28	36 108,18
Short-term receivables		
Receivables from group companies	1 205 049,98	523 123,11
Prepayments and accrued income	122 010,58	119 845,10
	<u>1 327 060,56</u>	<u>642 968,21</u>
Cash and cash equivalents	851 863,58	398 078,05
TOTAL CURRENT ASSETS	2 218 042,42	1 077 154,44
TOTAL ASSETS	<u>9 086 536,66</u>	<u>7 990 481,25</u>

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Balance sheet, parent company

	31.12.2021	31.12.2020
EQUITY AND LIABILITIES		
EQUITY		
Share capital	80 000,00	80 000,00
Share issue	23 000,00	0,00
Other reserves		
Reserve of invested non-restricted equity	11 778 560,03	10 895 217,53
Retained earnings	-3 792 672,12	-3 026 249,36
Profit (loss) for the period	110 442,42	-766 422,76
TOTAL EQUITY	8 199 330,33	7 182 545,41
LIABILITIES		
Current liabilities		
Trade payables	155 914,74	161 046,44
Payables to group companies	0,00	3 116,50
Other payables	83 535,10	102 906,78
Accruals	647 756,49	540 866,12
	<u>887 206,33</u>	<u>807 935,84</u>
TOTAL LIABILITIES	887 206,33	807 935,84
TOTAL EQUITY AND LIABILITIES	<u>9 086 536,66</u>	<u>7 990 481,25</u>

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Cash flow statement, parent company

	1.1.-31.12.2021	1.1.-31.12.2020
Cash flow from operating activities:		
Profit (loss) before appropriations and taxes	-889 557,58	-766 422,76
Adjustments:		
Depreciation and amortization	56 864,77	48 694,75
Financial income and expenses	7 056,00	26 573,46
Cash flow before changes in working capital	<u>-825 636,81</u>	<u>-691 154,55</u>
Changes in working capital:		
Increase/decrease in trade and other receivables	312 897,55	-40 221,54
Increase/decrease in trade and other payables	79 270,49	224 302,29
Cash flow from operating activities before financial items and taxes	<u>-433 468,77</u>	<u>-507 073,80</u>
Interest and other financial cost paid	-7 056,00	-6 131,41
Cash flow from operating activities	<u>-440 524,77</u>	<u>-513 205,21</u>
Cash flow from investing activities:		
Investments to tangible and intangible assets	-12 032,20	-96 054,06
Investments to group companies	0,00	-500 000,00
Proceeds from short-term investments	0,00	1 145 608,48
Cash flow from investing activities	<u>-12 032,20</u>	<u>549 554,42</u>
Cash flow from financing activities:		
Share issue	906 342,50	187 188,30
Cash flow from financing activities	<u>906 342,50</u>	<u>187 188,30</u>
Change in cash and cash equivalents, increase (+) / decrease (-)	453 785,53	223 537,51
Cash and cash equivalents at the beginning of the financial year	398 078,05	174 540,54
Cash and cash equivalents at the end of the financial year	851 863,58	398 078,05
Change in cash and cash equivalents	453 785,53	223 537,51

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Accounting principles

Measurement and recognition principles and methods

Measurement of non-current assets

Tangible and intangible assets are recognised in the balance sheet at cost less depreciation according to plan. Depreciation and amortization according to plan is calculated using the straight-line method based on the useful life of the assets or using 25% residual depreciation. Depreciation is started at the month when asset is taken into use.

The depreciation and amortization periods are as follows:

Development cost 5 years

Intangible rights 3 years

Goodwill 5 years

Other long-term expenditure 4 years

Machinery and equipment 25% residual depreciation

No changes have been made to the depreciation policy during the financial year.

The cost of tangible and intangible assets whose probable useful life is less than 3 years or whose value is low (less than 850€) is recognised as an expense as incurred.

Financial instruments are measured at fair value.

Recognition of net sales

SaaS payments and maintenance fees are recognised as net sales over the contract period in accordance with the accrual principle. The recognition is performed in equal installments over the contract period. Long-term fixed-price delivery projects are recognized as income based on the degree of readiness. The degree of readiness has been calculated on the basis of actual costs and the total cost estimate. The expected loss of unprofitable projects has been fully expensed.

Research and development cost and other long-term expenditure

Research and development cost are generally recognized as annual expenses in the year in which they are incurred. Development costs that generate income for several years have been capitalized in the balance sheet as development cost and are amortized over 5 years.

Pensions

Pension expenses are recognized as an annual expense.

Deferred taxes

The company applies prudence principle and has not recognized a deferred tax asset relating to tax losses carried forward.

Foreign currencies

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Receivables and liabilities denominated in foreign currencies have been translated into Finnish currency at the exchange rate on the balance sheet date.

Accounting principles for group consolidated financial statements

Scope of group consolidated financial statements

All group companies have been consolidated in the group consolidated financial statements.

Accounting principles

The group consolidated financial statements have been prepared using the acquisition cost method. The difference between the acquisition cost of the subsidiaries and the equity corresponding to the acquired share is presented as consolidated goodwill. Group goodwill is amortized over 5 years. Consolidated goodwill has been amortized in the financial year 2018.

Intra-group transactions, mutual receivables and liabilities have been eliminated.

The income statements of foreign group companies have been translated into Finnish currency at the ECB's average exchange rate for the financial year and the balance sheets at the closing exchange rate on the balance sheet date. Exchange differences arising on translation as well as translation differences arising on the translation of equity of foreign subsidiaries are presented separately in equity.

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Notes to the income statement

Net sales	Group		Parent company	
	1.1.-31.12.2021	1.1.-31.12.2020	1.1.-31.12.2021	1.1.-31.12.2020
Net sales by type				
SaaS	10 886 164,45	8 805 772,26	0,00	0,00
Licenses	43 888,95	92 702,16	0,00	0,00
Maintenance	1 013 899,03	1 009 658,33	0,00	0,00
Services	5 820 499,49	4 979 815,32	2 713 512,00	2 208 753,00
	17 764 451,92	14 887 948,07	2 713 512,00	2 208 753,00

Netsales by geography	Group		Parent company	
	1.1.-31.12.2021	1.1.-31.12.2020	1.1.-31.12.2021	1.1.-31.12.2020
Finland	13 365 219,54	11 314 119,86	2 713 512,00	2 208 753,00
Nordics	2 088 779,49	2 008 946,28	0,00	0,00
Other Europe	2 310 452,89	1 564 881,93	0,00	0,00
	17 764 451,92	14 887 948,07	2 713 512,00	2 208 753,00

Personnel

Number of employees on average during the period

	Group		Parent company	
	1.1.-31.12.2021	1.1.-31.12.2020	1.1.-31.12.2021	1.1.-31.12.2020
Finland	95,5	85,5	14,8	10,4
Nordics	7,1	6,5	0,0	0,0
Other Europe	11,7	11,0	0,0	0,0
	114,3	103,0	14,8	10,4

Management compensation	Group		Parent company	
	1.1.-31.12.2021	1.1.-31.12.2020	1.1.-31.12.2021	1.1.-31.12.2020
CEO and members of the board of directors	-1 041 438,30	-521 577,20	-1 041 438,30	-521 577,20

Other operating expenses	Group		Parent company	
	1.1.-31.12.2021	1.1.-31.12.2020	1.1.-31.12.2021	1.1.-31.12.2020
Marketing expenses	-714 519,87	-444 245,44	-445 577,03	-225 476,96
Administrative expenses	-180 564,10	-346 122,04	-72 830,02	-164 797,64
Telecom, IT and information expenses	-859 644,67	-664 182,01	-526 376,55	-409 807,35
Research & development expenses	-364 303,80	-378 904,10	0,00	0,00
Travel expenses	-62 222,79	-142 809,37	-14 147,43	-48 508,50
Facility expenses	-390 609,78	-406 982,01	-30 736,86	-27 755,94
Other operating expenses	-1 368 610,53	-1 281 447,53	-502 953,32	-462 184,61
	-3 940 475,54	-3 664 692,50	-1 592 621,21	-1 338 531,00

Auditor's fees	Group		Parent company	
	1.1.-31.12.2021	1.1.-31.12.2020	1.1.-31.12.2021	1.1.-31.12.2020
Audit	-62 930,00	-66 851,90	-26 260,00	-23 450,00
Assignments relating to Auditing Act section 1.1:2	-1 800,00	-1 800,00	-1 800,00	-1 800,00
Tax	-6 696,20	-19 794,00	-2 230,00	0,00
Other services	-26 856,35	-50 445,52	-5 700,00	-25 933,65
	-98 282,55	-138 891,42	-35 990,00	-51 183,65

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Non-current assets

Intangible assets

Development expenses

	Group		Parent company	
	1.1.-31.12.2021	1.1.-31.12.2020	1.1.-31.12.2021	1.1.-31.12.2020
Acquisition cost 1.1.	2 378 623,10	1 941 275,51	0,00	0,00
Additions	480 284,91	437 347,59	0,00	0,00
Acquisition cost 31.12.	2 858 908,01	2 378 623,10	0,00	0,00
Accumulated amortisation and impairment 1.1.	-1 247 553,23	-878 025,21	0,00	0,00
Amortisation during the period	-399 597,54	-369 528,02	0,00	0,00
Accumulated amortisation and impairment 31.12.	-1 647 150,77	-1 247 553,23	0,00	0,00
Carrying amount 31.12.	1 211 757,24	1 131 069,87	0,00	0,00
Carrying amount 1.1.	1 131 069,87	1 063 250,30	0,00	0,00

Intangible rights

	Group		Parent company	
	1.1.-31.12.2021	1.1.-31.12.2020	1.1.-31.12.2021	1.1.-31.12.2020
Acquisition cost 1.1.	376 537,72	280 480,12	354 964,52	258 910,46
Additions	0,00	96 057,60	0,00	96 054,06
Acquisition cost 31.12.	376 537,72	376 537,72	354 964,52	354 964,52
Accumulated amortisation and impairment 1.1.	-165 275,30	-113 453,60	-145 680,15	-96 985,40
Amortisation during the period	-55 654,78	-51 821,70	-53 856,72	-48 694,75
Accumulated amortisation and impairment 31.12.	-220 930,07	-165 275,30	-199 536,87	-145 680,15
Carrying amount 31.12.	155 607,65	211 262,42	155 427,65	209 284,37
Carrying amount 1.1.	211 262,42	167 026,53	209 284,37	161 925,06

Goodwill

	Group		Parent company	
	1.1.-31.12.2021	1.1.-31.12.2020	1.1.-31.12.2021	1.1.-31.12.2020
Acquisition cost 1.1.	86 357,63	86 357,63	0,00	0,00
Acquisition cost 31.12.	86 357,63	86 357,63	0,00	0,00
Accumulated amortisation and impairment 1.1.	-62 804,02	-43 961,14	0,00	0,00
Amortisation during the period	-18 842,88	-18 842,88	0,00	0,00
Accumulated amortisation and impairment 31.12.	-81 646,90	-62 804,02	0,00	0,00
Carrying amount 31.12.	4 710,73	23 553,61	0,00	0,00
Carrying amount 1.1.	23 553,61	42 396,49	0,00	0,00

Other long-term expenses

	Group		Parent company	
	1.1.-31.12.2021	1.1.-31.12.2020	1.1.-31.12.2021	1.1.-31.12.2020
Acquisition cost 1.1.	0,00	0,00	0,00	0,00
Additions	12 032,20	0,00	12 032,20	0,00
Acquisition cost 31.12.	12 032,20	0,00	12 032,20	0,00
Accumulated amortisation and impairment 1.1.	0,00	0,00	0,00	0,00
Amortisation during the period	-3 008,05	0,00	-3 008,05	0,00
Accumulated amortisation and impairment 31.12.	-3 008,05	0,00	-3 008,05	0,00
Carrying amount 31.12.	9 024,15	0,00	9 024,15	0,00
Carrying amount 1.1.	0,00	0,00	0,00	0,00

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Tangible assets

Machinery and equipment

	Group		Parent company	
	1.1.-31.12.2021	1.1.-31.12.2020	1.1.-31.12.2021	1.1.-31.12.2020
Acquisition cost 1.1.	223 803,18	211 695,61	129 547,99	129 547,99
Additions	115 281,89	12 107,57	0,00	0,00
Acquisition cost 31.12.	339 085,07	223 803,18	129 547,99	129 547,99
Accumulated depreciation and impairment 1.1.	-206 367,94	-188 500,71	-129 547,99	-129 547,99
Depreciation during the period	-26 631,07	-17 867,23	0,00	0,00
Accumulated depreciation and impairment 31.12.	-232 999,01	-206 367,94	-129 547,99	-129 547,99
Carrying amount 31.12.	106 086,06	17 435,24	0,00	0,00
Carrying amount 1.1.	17 435,24	23 194,90	0,00	0,00

Investments

Holdings in group companies

Subsidiary shares

	Parent company	
	1.1.-31.12.2021	1.1.-31.12.2020
Acquisition cost 1.1.	2 254 042,44	821 570,73
Additions	0,00	500 000,00
Transfers between balance sheet items	0,00	932 471,71
Acquisition cost 31.12.	2 254 042,44	2 254 042,44
Carrying amount 31.12.	2 254 042,44	2 254 042,44
Carrying amount 1.1.	2 254 042,44	821 570,73

Receivables from group companies

Loan and other receivables

	Parent company	
	1.1.-31.12.2021	1.1.-31.12.2020
Acquisition cost 1.1.	4 450 000,00	5 382 471,71
Transfers between balance sheet items	0,00	-932 471,71
Acquisition cost 31.12.	4 450 000,00	4 450 000,00
Carrying amount 31.12.	4 450 000,00	4 450 000,00
Carrying amount 1.1.	4 450 000,00	5 382 471,71

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Holdings in group companies

Group companies

	Ownership-%	Equity 31.12.2021	Profit for the period
Efecte Finland Oy, domicile Espoo.	100	1 421 355,36	260 333,86
Efecte Germany GmbH, domicile Munich.	100	76 579,88	18 188,70
Efecte AB, domicile Stockholm.	100	318 200,41	27 925,46

Notes relating to group

Parent company of Efecte Group is Efecte Oyj, domicile Espoo.

Copies of Efecte's consolidated financial statements are available from Efecte Group's head office at Säterinkatu 6, 02600 Espoo.

Receivables

Current receivables

	Group		Parent company	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Receivables from group companies				
Trade receivables, Efecte Finland Oy			23 860,98	523 123,11
Other receivables, Efecte Finland Oy			1 181 189,00	0,00
Total			1 205 049,98	523 123,11
Receivables from others				
Trade receivables	2 196 289,00	1 569 654,28	0,00	0,00
Other receivables	8 393,23	103 467,05	0,00	0,00
Prepayments and accrued income	290 371,67	211 716,85	122 010,58	119 845,10
Total	2 495 053,90	1 884 838,18	122 010,58	119 845,10
Total current receivables	2 495 053,90	1 884 838,18	1 327 060,56	642 968,21

Prepayments and accrued income

Material items of prepayments and accrued income

	Group		Parent company	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Accrued personnel expenses	28 081,83	22 461,91	22 476,24	19 470,51
Accrued net sales	111 576,51	26 124,02	0,00	0,00
Other accruals	150 713,33	163 130,92	99 534,34	100 374,59
Total	290 371,67	211 716,85	122 010,58	119 845,10

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Equity	Group		Parent company	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Restricted equity				
Share capital 1.1.	80 000,00	80 000,00	80 000,00	80 000,00
Share capital 31.12.	80 000,00	80 000,00	80 000,00	80 000,00
Total restricted equity	80 000,00	80 000,00	80 000,00	80 000,00
Non-restricted equity				
Share issue 1.1	0,00	0,00	0,00	0,00
Unregistered share issue	23 000,00	0,00	23 000,00	0,00
Share issue 31.12	23 000,00	0,00	23 000,00	0,00
Reserve of invested non-restricted equity 1.1.	10 895 217,53	10 708 029,23	10 895 217,53	10 708 029,23
Share issue	883 342,50	187 188,30	883 342,50	187 188,30
Reserve of invested non-restricted equity 31.12.	11 778 560,03	10 895 217,53	11 778 560,03	10 895 217,53
Retained earnings 1.1.	-8 976 374,02	-8 622 919,80	-3 792 672,12	-3 026 249,36
Translation differences	-8 370,69	14 073,59	0,00	0,00
Retained earnings 31.12.	-8 984 744,71	-8 608 846,21	-3 792 672,12	-3 026 249,36
Profit (loss) for the period	411 663,87	-367 527,81	110 442,42	-766 422,76
Total non-restricted equity	3 228 479,19	1 918 843,51	8 119 330,33	7 102 545,41
Total equity	3 308 479,19	1 998 843,51	8 199 330,33	7 182 545,41

Distributable non-restricted equity

	Parent company	
	31.12.2021	31.12.2020
Calculation of the parent company's distributable equity		
Retained earnings	-3 792 672,12	-3 026 249,36
Profit (loss) for the period	110 442,42	-766 422,76
Reserve of invested non-restricted equity	11 778 560,03	10 895 217,53
Unregistered share issue	23 000,00	0,00
	8 119 330,33	7 102 545,41

Development of number of shares

	Parent company	
	31.12.2021	31.12.2020
Number of shares		
Number of shares 1.1.	6 056 623	5 957 488
Exercise of share options	179 250	99 135
Number of shares 31.12.	6 235 873	6 056 623

On 31 December 2021 Efecte Plc owns 16 404 treasury shares, approx. 0.3% of the total amount of the shares.

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Notes to liabilities

Material items of accruals

	Group		Parent company	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Wages and salaries	2 211 461,20	1 891 800,90	509 044,74	475 013,37
Pension and other social security expenses	229 993,33	205 684,63	33 391,77	35 603,36
Other accruals	194 740,30	436 234,55	105 319,98	30 249,39
	2 636 194,83	2 533 720,08	647 756,49	540 866,12

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Commitments and contingent liabilities

Other guarantees provided on own behalf	Group		Parent company	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Rent security guarantees	51 566,28	48 556,18	39 118,28	36 108,18
Business mortgages	1 000 000,00	1 000 000,00	1 000 000,00	1 000 000,00
Total	1 051 566,28	1 048 556,18	1 039 118,28	1 036 108,18

Pension liabilities

The company's pension liabilities are insured with external pension insurance companies. Pension liabilities are fully covered.

Leasing liabilities	Group		Parent company	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Payable during next 12 months	50 108,17	91 954,90	47 128,75	85 483,86
Payable later	8 841,26	59 205,46	8 841,26	55 969,94
Total	58 949,43	151 160,36	55 970,01	141 453,80

Lease agreements for computer equipment are mainly three-year lease agreements, and the equipment can be purchased at the end of the period with approx. 2-5% remainder value.

Other commitments

Parent company Efecte Plc has a fixed-term office lease agreement of which first possible expiration date is 31.3.2024. The company's lease liability from this contract is approx. 420 thousand euro.

	Group		Parent company	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Payable during next 12 months	212 916,66	211 792,90	186 708,00	195 699,30
Payable later	233 385,00	420 093,00	233 385,00	420 093,00
Total	446 301,66	631 885,90	420 093,00	615 792,30

Other off- balance sheet commitments

The parent company's checking account includes limit of EUR 400,000.00 and a covenant condition. The agreed special condition is related to the company's equity ratio. A breach of the covenant may increase the cost of financing or result in the release of the limit. According to the company's management, the covenant condition is monitored.

Efecte Oyj
1509667-4

Signatures to the financial statements and to the report of board of directors

In Espoo 10 . 2 .2022

Pertti Ervi
Chairman of the board of directors

Turkka Keskinen
Member of the board of directors

Kari J. Mäkelä
Member of the board of directors

Päivi Rekonen
Member of the board of directors

Brigette Falk
Member of the board of directors

Esther Donatz
Member of the board of directors

Niilo Fredrikson
CEO

Auditor's note

An auditor's report has been issued today.

In Helsinki 10 . 2 .2022

Ernst & Young Oy
Audit firm

Juha Hilmola
APA

Efecte Oyj
1509667-4

List of accounting books and journal types and storage methods

General ledger	Electronic archive
Journal ledger	Electronic archive
Balance sheet specifications	Electronic archive
Bank journals	Electronic archive
Purchase invoices	Electronic archive
Sales invoices	Electronic archive
Memo journals	Electronic archive
Travel and expense invoices	Electronic archive

The accounting material to be archived in electronic form is stored in the following systems used by the company (Netsuite, Visma M2).

Efecte Oyj
1509667-4

Formulas for financial ratios

Operating profit/loss %	=	Operating profit/loss Net sales	x 100
Profit/loss % (before taxes)	=	Profit/loss before taxes Net sales	x 100
Return on equity % (ROE)	=	Profit/loss Equity (average during the financial year)	x 100
Return on investment % (ROI)	=	Profit/loss before taxes + financial expenses Equity + interest bearing financial liabilities (average during the financial year)	x 100
Equity ratio %	=	Equity Total assets – advances received	x 100
Gross investments to tangible and intangible assets, % net sales	=	Gross investments to tangible and intangible assets Net sales	x 100
Research and development cost, % net sales	=	Research and development cost Net sales	x 100
Gearing %	=	Interest bearing liabilities – cash and cash equivalents Equity	x 100



Building a better
working world

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AUDITOR'S REPORT (Translation of the Finnish original)

To the Annual General Meeting of Efecte Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Efecte Plc (business identity code 1509667-4) for the year ended 31 December, 2021. The financial statements comprise the balance sheets, the income statements, cash flow statements and notes for the group as well as for the parent company.

In our opinion, the financial statements give a true and fair view of the group's and the company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Basis for Opinion

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

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

The Board of Directors and the Managing Director are responsible for the preparation of 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 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 on 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Other reporting requirements

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors.

Our opinion on the financial statements does not cover the other information.

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

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

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

Helsinki 10.2.2022

Ernst & Young Oy
Authorized Public Accountant Firm

JUHA HILMOLA

Juha Hilmola
Authorized Public Accountant