

Efecte Oyj
1509667-4
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Efecte Oyj

REPORT OF THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS

1.1.2020-31.12.2020

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REPORT OF THE BOARD OF DIRECTORS

EFFECTE-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

Efecte's net sales in 1-12/2020 were 14.9 million euro (13.8), a growth of 8%. International net sales grew significantly. The foreign subsidiaries generated 3.6 million euro (2.6) net sales, corresponding to 24% of total net sales (19%).

Net sales for cloud-based solutions continued to grow well as SaaS grew by 24%. Services net sales decreased by 6%. Net sales of perpetual licenses decreased in line with our strategy by 50% and related maintenance decreased by 22%. Our total recurring revenue (SaaS and maintenance) amounted to 9.8 million euro (8.4), corresponding to approximately 66% of net sales (61%).

SaaS MRR was 808 thousand euro in the end of December, growing 26% year-over-year. Of that growth, 13 percentage points came from existing customers (net retention rate 113%) and 13 percentage points from new customers since 12/2019. Gross churn amounted to 3.4%. Our recurring gross margin stood at 78% in 2020 (77%). We determine recurring gross margin through dividing the total cost of support, cloud infrastructure, cloud operations and 3rd party licenses by our total recurring revenue.

Services net sales development was impacted by COVID-19 as expected. However, even without the pandemic, services growth would have been modest. Part of our strategy is to focus on growing our SaaS business. To support that, we are constantly developing our offering to be truly "Software as a Service". As an example of this are our new Plus and Premium service level offerings, which generated 0.3 million euro of SaaS net sales during the review period. SaaS formed already 59% of total net sales (51%).

Efecte's EBITDA was 0.1 million euro (-1.0) and operating profit was -0.3 million euro (-1.4). Profitability improved as growth brought economies of scale, foreign net losses shrank, and our cost saving measures helped keep costs down.

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 (-1.4).

FINANCE AND INVESTMENTS

At the end of the reporting period, the balance sheet for Efecte group totaled 8.7 million euro (7.5). Equity ratio was 35% (42%) and net gearing was -270% (-159%).

At the end of reporting period, the Company's financial loans were 0 euro (0). The company's cash and liquid assets were 5.3 million euro (3.4).

Cash flow from operating activities for the reported period was 2.3 million euro (-0.3) and cash flow from investing activities was 1.4 million euro (-0.3). Investments in tangible and intangible assets were 0.5 million euro (0.6) and were mainly activated R&D expenses and deployment costs for the new ERP system.

During the reporting period, 1.9 million euro were redeemed from short-term investments and turned into cash.

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BUSINESS DEVELOPMENTS

Customer demand changed during the pandemic caused by COVID-19. Accordingly, we adjusted our organization and go-to-market approaches for an increasingly on-line world, including launching a free online trial of Efecte's key offerings. With the help of these measures, we were able to continue strong SaaS growth. On the other hand, services net sales was impacted by the pandemic. However, this was driven more by softer demand for identity management projects than our main service management business, where customer demand was more solid. The long-term trend of customers moving from the legacy license and maintenance model to cloud-based solutions continued.

Expanding Efecte usage within existing customers was an important growth driver, with about half of our MRR growth attributable to our install base. Strong operational focus was put into helping our existing customers to take full benefit of the Efecte platform to ensure we provide them the experience, business agility and total cost of ownership that Efecte stands for. We continued helping customers expand their usage of Efecte solutions to services beyond IT Service Management to areas such as HR, finance, and customer service. In the identity and access management space, the Identity Governance and Administration (IGA) solution launched in 2019 saw healthy demand from both existing and new customers.

While new customer acquisition was slower than usual due to the pandemic, we were able to keep that motion going as well. We signed new customers in all our markets, including a logistics industry customer in Germany, a German company in the maintenance industry and a ServiceNow replacement deal with a public sector customer in Sweden. Overall, we signed 17 new direct customers during 2020 (33).

While we helped our customers to digitalize and automate their processes, we also moved into fully remote delivery process in the company. Digitalize & Automate was also the leading theme for our main customer event of the year. The event was held in virtual format over two days and exceeded our expectations. Over 1200 people signed up for the "Digitalize & Automate" event and over 1000 persons from 22 countries have watched one or more of the recorded sessions, which continue to generate on-demand views. This was a good example of a general drive to do more with less during the year, driving operational effectiveness, tight cost control and improved productivity across all our operations.

During 2020, we started to build digital go-to-market and partner capabilities to help us scale faster across Europe. Our digital sales & marketing capabilities combined with the new partner program we launched form the foundation for the second phase of our international expansion. They are our platform to cover new markets without having to have Efecte employees in each country, and they also helped us expand market reach in our existing markets. In December, as a concrete first milestone, we announced a partnership with Advatech to enter the Polish market. We have continued active partner recruitment and after the review period, in January 2021, we announced a partnership with Solutia in the Czech Republic. We continued also to strengthen partnerships in existing markets, and especially in DACH we saw good progress in this regard.

In our services business, we continued developing our delivery models and standardized solution offerings. The offerings will help us and our expanding partner ecosystem to deliver a more consistent experience to all customers. Customer satisfaction throughout the digital customer journey has been in our focus and we implemented operations improvements and established Customer Advisory boards in all our regions. Customer satisfaction measurement results showed significant improvement year-over-year.

EMPLOYEES

The number of full-time equivalent employees at the end of the review period was 106 (107). Of these, 88 (88) were in Finland, 7 (7) in Sweden and 11 (12) in Germany. The average number of employees during Q4 was 104 and during 1-12/2020 it was 103 (106).

During the first half of the year, we held co-determination negotiations in Finland to discuss measures to address circumstances caused by COVID-19 and to reorganize to adapt to the new market situation. As a result of the negotiations, role and organizational changes as well as part-time layoffs were implemented. In addition, a total of five employments were terminated. The part-time layoffs were ended during Q3, ahead of the original schedule.

During the second half of the year, we continued to develop our team and organization to support our growth ambitions. This included building a recruitment pipeline of high-quality talent, that we can leverage as we grow our team in 2021.

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The company's leadership team composition at the end of the review period was the following: Niilo Fredrikson (CEO), Taru Mäkinen (CFO), Niina Hovi (people and culture), Steffan Schumacher (sales, marketing and services), Topias Marttila (technology) and Peter Schneider (products).

MARKET OUTLOOK

IT Service Management (ITSM) platforms are an enabler for digital transformation as servicification (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. More and more organizations are becoming service driven.

We expect the market for cloud based ITSM solutions to continue 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. Accordingly, also the analysts' estimates indicate now a slightly broader spread between lower and upper estimates. The compound annual growth rate (CAGR) estimates for the next five years for cloud ITSM range between 15-21%. In Europe, growth is generally expected to be close to the global average, with Asia growing faster and North America slower. The global market is dominated by American companies, but Efecte is mentioned on various analysts' reports as a challenger, and we will continue to grow as the European Alternative to the global goliaths.

For the company's second business area, cloud-based identity and access management (IAM), analysts' estimates range between 17% and 26% annually for 2020-2025. As companies' operations are increasingly digitalized, managing identities for both persons as well as physical objects increases in importance, which in turn drives the demand for IAM solutions. The impact of the pandemic is ambiguous, as it is on one hand increasing demand for solutions enabling remote work, like IAM, but at the same time general economic uncertainty can impact demand in the opposite way.

RESEARCH AND DEVELOPMENT

During the reporting period, Efecte continued extending and improving its offering through investments in its platform and solutions. Highlights included the launch of the company's first AI-enabled feature, Virtual Coach, in November. The Virtual Coach helps support agents become more productive through AI-enabled insights. Better support for multi-language solution configurations was another important new feature, enabling international organizations to cooperate using the same process configuration across language borders.

Another focus area for R&D during the review period was continued investments in user experience. The first results of the user experience upgrades were released during the second half of 2020. User experience continues to be a focus area during 2021. Efecte will be investing in both end user and support agent user experience and improving our position in the enterprise application ecosystem through modern REST APIs. We will also invest in delivery standardization of our solution offering, documentation and additional language support in order to enable the success of service provider customers and our growing European partner ecosystem.

We extended our solution offering, adding Financial Operations Management, Enterprise Contract Management, Project Management, and Crisis Ops solutions to our portfolio running on the Efecte platform. We delivered significant improvements to the solution development capabilities for customers on the Efecte platform, enabling agile and controlled transport of innovations from development, to test, and then to production environments. Our Identity Governance and Administration (IGA) solution improved also during the year, as we develop it further based on feedback from the first customer deployments.

We received also external recognition for our efforts. In June, Efecte became the world's first ITSM vendor with ITIL4 certification for all 19 ITSM processes and received the ISO 27001 information security certification.

Efecte's total research and development investment during the review period was 2.7 million euro (2.5). Research and development costs amounted to 1.9 million euro (2.0). In addition, 0.4 million euro (0.4) was capitalized and 0.3 million euro (-) was covered through public funding from Business Finland. As described in our Business review on 1-3/2020, Business Finland granted Efecte funding for two separate projects that totaled 0.3 million euro, of which almost all was used during the review period. The funding was used for the development of the Virtual Coach, which received 0.2 million euro from Business Finland's R&D program, as well as user experience improvements and improvements in the IGA solution, which received 0.1 million euro from Business Finland's COVID-19 program. Research and development

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actions are performed in Efecte Finland Oy. In addition to own personnel, subcontractors are used to increase flexibility and cost efficiency.

Group's research and development investment level in 2018-2020

Million euro	2020	2019	2018
Research and development investment	2.7	2.5	2.3
Research and development investment, % of net sales	18%	18%	19%

ANNUAL GENERAL MEETING AND GOVERNANCE

The Annual General Meeting held on 22 April 2020 adopted the financial statements for 1 January - 31 December 2019 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 2019.

The Annual General Meeting decided that the Chairman of the Board is paid EUR 3 090 per month and the other members of the Board of Directors will be paid EUR 1 545 per month each. Approximately 40% of the remuneration was paid in Efecte Plc's shares and approximately 60% in cash.

Pertti Ervi, Turkka Keskinen, Kari J. Mäkelä and Päivi Rekonen were re-elected as members of the Board of Directors. Brigitte Falk and Esther Donatz were elected as new 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 6 056 623 shares. The company owned 24 289 treasury shares, approx. 0.4% 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 11.40 euro, the lowest price 3.90 euro and the closing price 10.80 euro. The market value of shares was 64.7 million euro at the end of the period excluding the treasury shares.

SHAREHOLDERS

The company had a total of 2 376 owners on 31 December 2020 (1 364). 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 2020:

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	Shareholder	Shares	%
1	First Fellow Oy	1 010 499	16.7
2	Oy Fincorp Ab	678 500	11.2
3	Sijoitusrahasto Aktia Nordic Micro Cap	475 530	7.9
4	Keskinäinen Eläkevakuutusyhtiö Ilmarinen	290 909	4.8
5	OP-Suomi Mikroyhtiöt	264 516	4.4
6	Montonen Markku	263 571	4.4
7	Stadigh Kari	250 053	4.1
8	Havacement Oy	89 407	1.4
9	Ervi Pertti	87 401	1.4
10	Rausanne Oy	75 000	1.2

The ownership of the Board members, CEO and their controlled entities totaled approximately 3.2% at the end of the reporting period. Additionally, the options held by the CEO entitle him to subscribe shares representing approximately 2.3% of the outstanding shares.

The total proportion of nominee registered shares was approximately 13.8% of all shares.

THE AUTHORIZATIONS GIVEN TO THE BOARD OF DIRECTORS

The Annual General Meeting held on 22 April 2020 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 2021.

The Annual General Meeting held on 22 April 2020 authorized the Board of Directors to issue a maximum of 1 000 000 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 2021.

OPTION PROGRAMS

Option program 2011

Option program 2011 consisted of 130 000 options that entitled the holders to subscribe a maximum of 390 000 new shares. Each option entitled to subscribe three new shares.

The share subscription period ended on 31 December 2020 and final shares subscribed with 2011 options were registered with the trade register on 24 February 2021, after the end of the reporting period.

By end of the subscription period on 31 December 2020, a total of 379 530 shares had been subscribed with the options, with the remaining 3490 options, which would have entitled to subscribe 10 470 shares, having been returned to the company.

Option program 2015

Option program 2015 consisted of 135 000 options that entitled the holders to subscribe a maximum of 405 000 shares. The options were divided to four series: A series 45 000 options (of which 24 500 allocated), B series 45 000 options (33 000 allocated), C series 30 000 options (26 500 allocated) and D series 15 000 options (all allocated). Each option entitled to subscribe three shares.

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The share subscription period for the options ended on 31 December 2020.

The right to subscribe shares had the following schedule: A series vested on 30 April 2017, B series on 30 April 2018 and C series on 30 April 2019 and D series options vested on 30 April 2020. In accordance with the vesting conditions defined by the Board of Directors, the vesting rate for the 10,000 options rights in D series allocated in November 2019 was 75%.

At the end of the subscription period on 31 December 2020, a total of 225 000 shares had been subscribed with the options. The remaining 60 000 options, which would have entitled to subscribe 180 000 shares, had been returned to the company or remained unvested at the end of the subscription period.

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 to 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 137 500 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 129 500 allocated) with subscription price of 4.39 euro and subscription period of 2 May 2023 - 31 May 2024.

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

EVENTS AFTER PERIOD-END

Since spring 2019, the company has had no employees in Denmark and its operations in Denmark have been carried out from the company's Scandinavian hub in Sweden. To simplify the company's legal structure, the company's Danish subsidiary, Efecte Denmark A/S, was merged into Efecte AB in a cross-border intra-group merger, completed and registered with the Swedish and Danish trade registers on 14-15 January 2021.

ASSESSMENT OF RISKS AND UNCERTAINTIES

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 the service that may lead to reimbursement liabilities, reputational harm and to a decrease in customer satisfaction. This could in future lead into decreases in net sales and profitability.

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 negative publicity, compensation claims and loss of future business.

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

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

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 significant 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.

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If the company is unable recruit and retain skillful employees, the quality of the services may decrease, which can decrease net sales 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 skillful personnel.

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. Efecte seeks to minimize the risk through using high quality advisors and auditors.

The company's equity stands at a sufficient level if the profitability development continues on 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.

While the risks relating to COVID-19 have decreased during the second half of 2020, risks still exist. A continued pandemic creates uncertainty in Efecte's operating environment including potential delays in customers' and prospective customers' decision making, delays in purchases and cancellation of subscriptions. A prolonged economic downturn can also affect Efecte's customers', partners', subcontractors' and other vendors' ability to honor their contractual commitments towards Efecte, for example due to insolvency.

PROFIT DISTRIBUTION PROPOSAL

The net loss of the parent company was -766,422.76 euro for the period and the distributable equity of the parent company was 7,102,545.41 euro. The Board of Directors proposes that no dividend is distributed from the financial period of 2020 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.

LONG-TERM FINANCIAL TARGETS

Efecte aims for over 20% annual organic growth of SaaS net sales on average in 2020 - 2023. Substantial investments in international growth and product development will decrease operating profit in the next few years, but the company aims for a double-digit operating profit percentage by the end of the strategy period.

GUIDANCE FOR THE YEAR 2021

SaaS net sales is expected to grow 20-24% and EBITDA margin to be 1-4%.

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Income statement, group

	1.1.-31.12.2020	1.1.-31.12.2019
NET SALES	14 887 948,07	13 838 949,00
Other operating income	291 578,33	135,40
Materials and services		
Materials and supplies		
Purchases during the financial year	-523 556,82	-508 972,26
External services	-739 837,68	-696 693,16
	<u>-1 263 394,50</u>	<u>-1 205 665,42</u>
Personnel expenses		
Wages and salaries	-8 609 519,75	-7 963 551,89
Social security expenses		
Pension expenses	-1 020 021,33	-1 134 471,39
Other social security expenses	-496 332,85	-602 713,49
	<u>-10 125 873,93</u>	<u>-9 700 736,77</u>
Depreciation and amortisation		
Depreciation and amortisation according to plan	-439 216,95	-378 474,89
Goodwill amortisation	-18 842,88	-18 842,88
	<u>-458 059,83</u>	<u>-397 317,77</u>
Other operating expenses	-3 664 692,50	-3 931 149,62
OPERATING PROFIT (LOSS)	-332 494,37	-1 395 785,17
Financial income and expenses		
Interest income and other financial income		
From others	3 806,72	37 838,79
Interest expenses and other financial expenses		
To others	-34 350,11	-12 973,19
	<u>-30 543,39</u>	<u>24 865,60</u>
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES	-363 037,76	-1 370 919,57
Income taxes		
Income taxes for the financial year	-4 490,05	-2 106,53
PROFIT (LOSS) FOR THE PERIOD	<u>-367 527,81</u>	<u>-1 373 026,10</u>

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Balance sheet, group

	31.12.2020	31.12.2019
ASSETS		
NON-CURRENT ASSETS		
Intangible assets		
Development expenses	1 131 069,87	1 063 250,30
Other intangible assets	211 262,42	167 026,52
Goodwill	23 553,61	42 396,49
	<u>1 365 885,90</u>	<u>1 272 673,31</u>
Tangible assets		
Machinery and equipment	17 435,24	23 194,90
TOTAL NON-CURRENT ASSETS	1 383 321,14	1 295 868,21
CURRENT ASSETS		
Inventories		
Work in progress	0,00	900,00
Long-term receivables		
Other receivables	52 593,53	60 188,27
Short-term receivables		
Trade receivables	1 569 654,28	2 445 501,63
Other receivables	103 467,05	338,80
Prepayments and accrued income	211 716,85	213 598,32
	<u>1 884 838,18</u>	<u>2 659 438,75</u>
Financial securities		
Other investments	0,00	1 972 911,94
Cash and cash equivalents	5 390 865,16	1 474 563,47
TOTAL CURRENT ASSETS	7 328 296,87	6 168 002,43
TOTAL ASSETS	<u>8 711 618,02</u>	<u>7 463 870,65</u>

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Balance sheet, group

	31.12.2020	31.12.2019
EQUITY AND LIABILITIES		
EQUITY		
Share capital	80 000,00	80 000,00
Other reserves		
Reserve of invested non-restricted equity	10 895 217,53	10 708 029,23
Retained earnings	-8 608 846,21	-7 249 893,69
Profit (loss) for the period	<u>-367 527,81</u>	<u>-1 373 026,10</u>
TOTAL EQUITY	1 998 843,51	2 165 109,43
LIABILITIES		
Current liabilities		
Received advances	2 943 254,20	2 316 330,07
Trade payables	400 866,90	449 981,77
Other payables	834 933,33	678 055,60
Accruals	<u>2 533 720,08</u>	<u>1 854 393,78</u>
	6 712 774,51	5 298 761,22
TOTAL LIABILITIES	6 712 774,51	5 298 761,22
TOTAL EQUITY AND LIABILITIES	<u>8 711 618,02</u>	<u>7 463 870,65</u>

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Cash flow statement, group

	1.1.-31.12.2020	1.1.-31.12.2019
Cash flow from operating activities:		
Profit (loss) before appropriations and taxes	-363 037,76	-1 370 919,57
Adjustments:		
Depreciation and amortisation	458 059,83	397 317,77
Financial income and expenses	30 543,39	-24 865,60
Other adjustments	14 073,59	-562,01
Cash flow before changes in working capital	<u>139 639,05</u>	<u>-999 029,42</u>
Changes in working capital:		
Increase / decrease in trade and other receivables	782 195,30	-390 232,26
Increase / decrease in inventories	900,00	923,20
Increase / decrease in trade and other payables	1 414 016,50	1 074 261,62
Cash flow from operating activities before financial items and taxes	<u>2 336 750,86</u>	<u>-314 076,85</u>
Interest and other financial cost paid	-7 445,30	-14 914,02
Interest received	0,00	192,37
Income taxes paid	-4 490,05	-2 106,53
Cash flow from operating activities	<u>2 324 815,51</u>	<u>-327 696,66</u>
Cash flow from investing activities:		
Investments to tangible and intangible assets	-545 512,76	-590 789,06
Investments to short-term investments	0,00	-1 300 000,00
Proceeds from short-term investments	1 949 810,63	1 545 767,87
Cash flow from investing activities	<u>1 404 297,87</u>	<u>-345 021,19</u>
Cash flow from financing activities:		
Share issue	187 188,30	120 100,00
Cash flow from financing activities	<u>187 188,30</u>	<u>120 100,00</u>
Change in cash and cash equivalents, increase (+) / decrease (-)	3 916 301,68	-552 617,85
Cash and cash equivalents at the beginning of the financial year	1 474 563,47	2 027 181,32
Cash and cash equivalents at the end of the financial year	5 390 865,16	1 474 563,47
Change in cash and cash equivalents	3 916 301,68	-552 617,85

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Key figures, group

1000 eur	2020	2019	2018	2017
Net sales	14 888	13 839	12 224	10 615
SaaS	8 806	7 094	5 754	4 645
Licenses	93	185	487	615
Maintenance	1 010	1 287	1 292	1 453
Services	4 980	5 272	4 691	3 901
Domestic net sales	11 314	11 275	10 374	9 102
International net sales	3 574	2 564	1 849	1 513
Domestic net sales (% of net sales)	76 %	81 %	85 %	86 %
International net sales (% net sales)	24 %	19 %	15 %	14 %
Recurring revenue	9 815	8 381	7 045	6 099
Recurring revenue, (% of net sales)	66 %	61 %	58 %	57 %
SaaS MRR, monthly net sales at the end of the period	808	640	523	425
Net sales growth %	7,6 %	13,2 %	15,2 %	27,5 %
EBITDA	126	-998	-1 988	305
EBITDA %	0,8 %	-7,2 %	-16,3 %	2,9 %
EBITA	-314	-1 377	-2 339	41
EBITA %	-2,1 %	-9,9 %	-19,1 %	0,4 %
Operating profit (EBIT)	-332	-1 396	-2 382	-110
Operating profit (EBIT) %	-2,2 %	-10,1 %	-19,5 %	-1,0 %
Profit for the period	-368	-1 373	-2 419	-841
Earnings/share (EPS), eur	-0,06	-0,23	-0,42	-0,19
Equity/share, eur	0,33	0,37	0,59	1,02
Balance sheet total	8 712	7 464	7 643	9 344
Equity	1 999	2 165	3 419	5 614
Net debt	-5 391	-3 447	-4 209	-6 098
Return on invested capital (ROI) %	-16,0 %	-49 %	-53 %	-3 %
Equity ratio %	34,7 %	42 %	59 %	71 %
Net gearing %	-270 %	-159 %	-123 %	-109 %
Research and development cost	2 203	2 039	1 944	1 624
Research and development cost, % of net sales	14,8 %	15 %	15,9 %	15,3 %
Number of employees on average during the period	103	106	103	77
Number of employees at the end of the period	105	107	104	96
Number of shares (on average during the period)	5 955 842	5 864 987	5 704 025	4 516 679
Number of shares at the end of the period	5 987 901	5 921 375	5 809 235	5 510 541

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Income statement, parent company

	1.1.-31.12.2020	1.1.-31.12.2019
NET SALES	2 208 753,00	1 892 734,00
Personnel expenses		
Wages and salaries	-1 335 705,65	-1 008 517,28
Social security expenses		
Pension expenses	-176 484,74	-157 638,89
Other social security expenses	-49 186,16	-38 102,21
	<u>-1 561 376,55</u>	<u>-1 204 258,38</u>
Depreciation and amortisation		
Depreciation and amortisation according to plan	-48 694,75	-6 826,34
Other operating expenses	-1 338 531,00	-1 385 317,43
OPERATING PROFIT (LOSS)	-739 849,30	-703 668,15
Financial income and expenses		
Interest income and other financial income		
From others	0,00	11 513,66
Interest expenses and other financial expenses		
To others	-26 573,46	-10 278,73
	<u>-26 573,46</u>	<u>1 234,93</u>
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES	-766 422,76	-702 433,22
PROFIT (LOSS) FOR THE PERIOD	<u>-766 422,76</u>	<u>-702 433,22</u>

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Balance sheet, parent company

	31.12.2020	31.12.2019
ASSETS		
NON-CURRENT ASSETS		
Intangible assets		
Intangible rights	209 284,37	161 925,06
Investments		
Holdings in group companies	2 254 042,44	821 570,73
Receivables from group companies	4 450 000,00	5 382 471,71
	<u>6 704 042,44</u>	<u>6 204 042,44</u>
TOTAL NON-CURRENT ASSETS	6 913 326,81	6 365 967,50
CURRENT ASSETS		
Long-term receivables		
Other receivables	36 108,18	36 108,18
Short-term receivables		
Receivables from group companies	523 123,11	475 076,70
Prepayments and accrued income	119 845,10	127 669,97
	<u>642 968,21</u>	<u>602 746,67</u>
Financial securities		
Other investments	0,00	1 166 050,53
Cash and cash equivalents	398 078,05	174 540,54
TOTAL CURRENT ASSETS	1 077 154,44	1 979 445,92
TOTAL ASSETS	<u>7 990 481,25</u>	<u>8 345 413,42</u>

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Balance sheet, parent company

	31.12.2020	31.12.2019
EQUITY AND LIABILITIES		
EQUITY		
Share capital	80 000,00	80 000,00
Other reserves		
Reserve of invested non-restricted equity	10 895 217,53	10 708 029,23
Retained earnings	-3 026 249,36	-2 323 816,14
Profit (loss) for the period	<u>-766 422,76</u>	<u>-702 433,22</u>
TOTAL EQUITY	<u>7 182 545,41</u>	<u>7 761 779,87</u>
LIABILITIES		
Current liabilities		
Trade payables	161 046,44	206 674,52
Payables to group companies	3 116,50	0,00
Other payables	102 906,78	61 007,58
Accruals	<u>540 866,12</u>	<u>315 951,45</u>
	807 935,84	583 633,55
TOTAL LIABILITIES	807 935,84	583 633,55
TOTAL EQUITY AND LIABILITIES	<u><u>7 990 481,25</u></u>	<u><u>8 345 413,42</u></u>

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Cash flow statement, parent company

	1.1.2020–31.12.2020	1.1.2019– 31.12.2019
Cash flow from operating activities:		
Profit (loss) before appropriations and taxes	-766 422,76	-702 433,22
Adjustments:		
Depreciation and amortisation	48 694,75	6 826,34
Financial income and expenses	26 573,46	-1 234,93
Cash flow before changes in working capital	-691 154,55	-696 841,81
Changes in working capital:		
Increase/decrease in trade and other receivables	-40 221,54	-148 647,20
Increase/decrease in trade and other payables	224 302,29	242 987,76
Cash flow from operating activities before financial items and taxes	-507 073,80	-602 501,25
Interest and other financial cost paid	-6 131,41	-10 278,73
Interest received	0,00	171,89
Cash flow from operating activities	-513 205,21	-612 608,09
Cash flow from investing activities:		
Investments to tangible and intangible assets	-96 054,06	-166 688,50
Investments to group companies	-500 000,00	0,00
Proceeds from short-term investments	1 145 608,48	450 000,00
Cash flow from investing activities	549 554,42	283 311,50
Cash flow from financing activities:		
Share issue	187 188,30	120 100,00
Cash flow from financing activities	187 188,30	120 100,00
Change in cash and cash equivalents, increase (+) / decrease (-)	223 537,51	-209 196,59
Cash and cash equivalents at the beginning of the financial year	174 540,54	383 737,13
Cash and cash equivalents at the end of the financial year	398 078,05	174 540,54
Change in cash and cash equivalents	223 537,51	-209 196,59

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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 amortisation 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 amortisation periods are as follows:

Other long-term expenditure 3 years

Machinery and equipment 25% residual depreciation

Goodwill 5 years

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 amortised 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

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

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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.

Correction of an error of the previous financial year

Other payables in the balance sheet included salary payables and bonus liabilities in the financial statements 2019. These items have been adjusted from other payables to accrued liabilities. As a result of the adjustment, the Group's accrued liabilities for the comparison year increased and other payables decreased by EUR 371,555 and the parent company's accrued liabilities increased and other payables decreased by EUR 124,447.

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Notes to the income statement

Net sales	Group		Parent company	
	1.1.-31.12.2020	1.1.-31.12.2019	1.1.-31.12.2020	1.1.-31.12.2019
Net sales by type				
SaaS	8 805 772,26	7 094 069,79	0,00	0,00
Licenses	92 702,16	185 012,62	0,00	0,00
Maintenance	1 009 658,33	1 287 395,51	0,00	0,00
Services	4 979 815,32	5 272 471,08	2 208 753,00	1 892 734,00
	14 887 948,07	13 838 949,00	2 208 753,00	1 892 734,00

Netsales by geography	Group		Parent company	
	1.1.-31.12.2020	1.1.-31.12.2019	1.1.-31.12.2020	1.1.-31.12.2019
Finland	11 314 119,86	11 274 645,12	2 208 753,00	1 892 734,00
Nordics	2 008 946,28	1 540 314,00	0,00	0,00
Other Europe	1 564 881,93	998 354,84	0,00	0,00
United States	0,00	25 635,04	0,00	0,00
	14 887 948,07	13 838 949,00	2 208 753,00	1 892 734,00

Personnel

Number of employees on average during the period

	Group		Parent company	
	1.1.-31.12.2020	1.1.-31.12.2019	1.1.-31.12.2020	1.1.-31.12.2019
Finland	85,5	85,1	10,4	9,6
Nordics	6,5	8,6	0,0	0,0
Other Europe	11,0	12,2	0,0	0,0
	103,0	105,8	10,4	9,6

Management compensation	Group		Parent company	
	1.1.-31.12.2020	1.1.-31.12.2019	1.1.-31.12.2020	1.1.-31.12.2019
CEO and members of the board of directors	-521 577,20	-372 997,40	-521 577,20	-372 997,40

Other operating expenses	Group		Parent company	
	1.1.-31.12.2020	1.1.-31.12.2019	1.1.-31.12.2020	1.1.-31.12.2019
Marketing expenses	444 245,44	490 982,02	225 476,96	233 840,09
Administrative expenses	346 122,04	613 929,38	164 797,64	312 566,30
Telecom, IT and information expenses	664 182,01	529 057,52	409 807,35	243 273,34
Research & development expenses	378 904,10	315 837,94	0,00	0,00
Travel expenses	142 809,37	420 750,29	48 508,50	50 981,88
Facility expenses	406 982,01	430 653,37	27 755,94	26 510,69
Other operating expenses	1 281 447,53	1 129 939,09	462 184,61	518 145,13
	3 664 692,50	3 931 149,62	1 338 531,00	1 385 317,43

Auditor's fees	Group		Parent company	
	1.1.-31.12.2020	1.1.-31.12.2019	1.1.-31.12.2020	1.1.-31.12.2019
Audit	66 851,90	60 000,00	23 450,00	29 824,00
Assignments relating to Auditing Act section 1.1:2	1 800,00	1 650,00	1 800,00	1 650,00
Tax	19 794,00	3 950,00	0,00	3 950,00
Other services	50 445,52	0,00	25 933,65	0,00
	138 891,42	65 600,00	51 183,65	35 424,00

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Non-current assets

Intangible assets

Development expenses

	Group		Parent company	
	1.1.-31.12.2020	1.1.-31.12.2019	1.1.-31.12.2020	1.1.-31.12.2019
Acquisition cost 1.1.	1 941 275,51	2 280 233,52	0,00	0,00
Additions	437 347,59	415 199,50	0,00	0,00
Disposals	0,00	-754 157,51	0,00	0,00
Acquisition cost 31.12.	2 378 623,10	1 941 275,51	0,00	0,00
Accumulated amortisation and impairment 1.1.	-878 025,21	-1 289 086,94	0,00	0,00
Accumulated amortisation relating to disposals	0,00	754 157,51	0,00	0,00
Amortisation during the period	-369 528,02	-343 095,78	0,00	0,00
Accumulated amortisation and impairment 31.12.	-1 247 553,23	-878 025,21	0,00	0,00
Carrying amount 31.12.	1 131 069,87	1 063 250,30	0,00	0,00
Carrying amount 1.1.	1 063 250,30	991 146,58	0,00	0,00

Intangible rights

	Group		Parent company	
	1.1.-31.12.2020	1.1.-31.12.2019	1.1.-31.12.2020	1.1.-31.12.2019
Acquisition cost 1.1.	280 480,12	113 812,53	258 910,46	92 221,96
Additions	96 057,60	166 667,59	96 054,06	166 688,50
Acquisition cost 31.12.	376 537,72	280 480,12	354 964,52	258 910,46
Accumulated amortisation and impairment 1.1.	-113 453,60	-103 124,94	-96 985,40	-92 221,96
Amortisation during the period	-51 821,70	-10 328,65	-48 694,75	-4 763,44
Accumulated amortisation and impairment 31.12.	-165 275,30	-113 453,60	-145 680,15	-96 985,40
Carrying amount 31.12.	211 262,43	167 026,53	209 284,37	161 925,06
Carrying amount 1.1.	167 026,53	10 687,59	161 925,06	0,00

Goodwill

	Group		Parent company	
	1.1.-31.12.2020	1.1.-31.12.2019	1.1.-31.12.2020	1.1.-31.12.2019
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.	-43 961,14	-25 118,26	0,00	0,00
Amortisation during the period	-18 842,88	-18 842,88	0,00	0,00
Accumulated amortisation and impairment 31.12.	-62 804,02	-43 961,14	0,00	0,00
Carrying amount 31.12.	23 553,61	42 396,49	0,00	0,00
Carrying amount 1.1.	42 396,49	61 239,37	0,00	0,00

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Tangible assets

Machinery and equipment	Group		Parent company	
	1.1.-31.12.2020	1.1.-31.12.2019	1.1.-31.12.2020	1.1.-31.12.2019
Acquisition cost 1.1.	211 695,61	202 773,67	129 547,99	129 547,99
Additions	12 107,57	8 921,94	0,00	0,00
Acquisition cost 31.12.	223 803,18	211 695,61	129 547,99	129 547,99
Accumulated depreciation and impairment 1.1.	-188 500,71	-163 450,29	-129 547,99	-127 485,09
Depreciation during the period	-17 867,23	-25 050,42	0,00	-2 062,90
Accumulated depreciation and impairment 31.12.	-206 367,94	-188 500,71	-129 547,99	-129 547,99
Carrying amount 31.12.	17 435,24	23 194,90	0,00	0,00
Carrying amount 1.1.	23 194,90	39 323,38	0,00	2 062,90

Investments

Holdings in group companies	Parent company	
Subsidiary shares	1.1.-31.12.2020	1.1.-31.12.2019
Acquisition cost 1.1.	821 570,73	821 570,73
Additions	500 000,00	0,00
Transfers between balance sheet items	932 471,71	0,00
Acquisition cost 31.12.	2 254 042,44	821 570,73
Carrying amount 31.12.	2 254 042,44	821 570,73
Carrying amount 1.1.	821 570,73	821 570,73

Receivables from group companies	Parent company	
Loan and other receivables	1.1.-31.12.2020	1.1.-31.12.2019
Acquisition cost 1.1.	5 382 471,71	5 382 471,71
Transfers between balance sheet items	-932 471,71	0,00
Acquisition cost 31.12.	4 450 000,00	5 382 471,71
Carrying amount 31.12.	4 450 000,00	5 382 471,71
Carrying amount 1.1.	5 382 471,71	5 382 471,71

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Holdings in group companies

Group companies

	Ownership-%	Equity 31.12.2020	Profit for the period
Efecte Finland Oy, domicile Espoo.	100	1 161 021,50	359 514,23
Efecte Germany GmbH, domicile Munich.	100	58 391,18	16 322,90
Efecte AB, domicile Stockholm.	100	238 456,19	25 565,79
Efecte Denmark A/S, domicile Copenhagen.	100	58 473,44	3 720,93

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 Vaisalantie 6, 02130 Espoo.

Receivables

Current receivables

	Group		Parent company	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Receivables from group companies				
Trade receivables, Efecte Finland Oy			523 123,11	475 076,70
Total			523 123,11	475 076,70
Receivables from others				
Trade receivables	1 569 654,28	2 445 501,63	0,00	0,00
Other receivables	103 467,05	338,80	0,00	0,00
Prepayments and accrued income	211 716,85	213 598,32	119 845,10	127 669,97
Total	1 884 838,18	2 659 438,75	119 845,10	127 669,97
Total current receivables	1 884 838,18	2 659 438,75	642 968,21	602 746,67

Prepayments and accrued income

Material items of prepayments and accrued income

	Group		Parent company	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Accrued personnel expenses	22 461,91	18 728,97	19 470,51	16 200,00
Accrued net sales	26 124,02	10 460,01	0,00	0,00
Other accruals	163 130,92	184 409,34	100 374,59	111 469,97
Total	211 716,85	213 598,32	119 845,10	127 669,97

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Equity	Group		Parent company	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
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				
Reserve of invested non-restricted equity 1.1.	10 708 029,23	10 587 929,23	10 708 029,23	10 587 929,23
Share issue	187 188,30	120 100,00	187 188,30	120 100,00
Reserve of invested non-restricted equity 31.12.	10 895 217,53	10 708 029,23	10 895 217,53	10 708 029,23
Retained earnings 1.1.	-8 622 919,80	-7 249 331,68	-3 026 249,36	-2 323 816,14
Translation differences	14 073,59	-562,01	0,00	0,00
Retained earnings 31.12.	-8 608 846,21	-7 249 893,69	-3 026 249,36	-2 323 816,14
Profit (loss) for the period	-367 527,81	-1 373 026,10	-766 422,76	-702 433,22
Total non-restricted equity	1 918 843,51	2 085 109,43	7 102 545,41	7 681 779,87
Total equity	1 998 843,51	2 165 109,43	7 182 545,41	7 761 779,87

Distributable non-restricted equity

Calculation of the parent company's distributable equity	Parent company	
	31.12.2020	31.12.2019
Retained earnings	-3 026 249,36	-2 323 816,14
Profit (loss) for the period	-766 422,76	-702 433,22
Reserve of invested non-restricted equity	10 895 217,53	10 708 029,23
	7 102 545,41	7 681 779,87

Development of number of shares

Number of shares	Parent company	
	31.12.2020	31.12.2019
Number of shares 1.1.	5 957 488	5 813 988
Directed share issue without consideration to the company itself	0	40 000
Exercise of share options	54 702	103 500
Number of shares 31.12.	6 012 190	5 957 488

On 31 December 2020 Efecte Plc owns 24 289 treasury shares, approx. 0.4% of the total amount of the shares.

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Notes to liabilities

Material items of accruals

	Group		Parent company	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Wages and salaries	1 891 800,90	1 448 766,60	475 013,37	268 785,17
Pension and other social security expenses	205 684,63	257 079,29	35 603,36	35 166,28
Other accruals	436 234,55	148 547,89	30 249,39	12 000,00
Total	2 533 720,08	1 854 393,78	540 866,12	315 951,45

Commitments and contingent liabilities

Other guarantees provided on own behalf

	Group		Parent company	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Rent security guarantees	48 556,18	56 169,74	36 108,18	36 108,18
Business mortgages	1 000 000,00	1 000 000,00	1 000 000,00	1 000 000,00
Total	1 048 556,18	1 056 169,74	1 036 108,18	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	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Payable during next 12 months	91 954,90	116 515,52	85 483,86	110 299,99
Payable later	59 205,46	120 742,46	55 969,94	111 419,17
Total	151 160,36	237 257,98	141 453,80	221 719,16

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

Efecte Plc has terminated the current office lease agreement and signed a new three-year office lease agreement starting on 1 April 2021. The company's lease liability from this contract is approx. 560 thousand euro.

	Group		Parent company	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Payable during next 12 months	211 792,90	300 636,15	195 699,30	235 465,92
Payable later	420 093,00	58 866,48	420 093,00	58 866,48
Total	631 885,90	359 502,63	615 792,30	294 332,40

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.

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

In Espoo ____ . ____ .2021

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

Brigitte 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 ____ . ____ .2021

Ernst & Young Oy
Audit firm

Juha Hilmola
APA

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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, Procountor, Visma M2).

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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

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, 2020. 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 24.2.2021

Ernst & Young Oy
Authorized Public Accountant Firm

JUHA HILMOLA

Juha Hilmola
Authorized Public Accountant