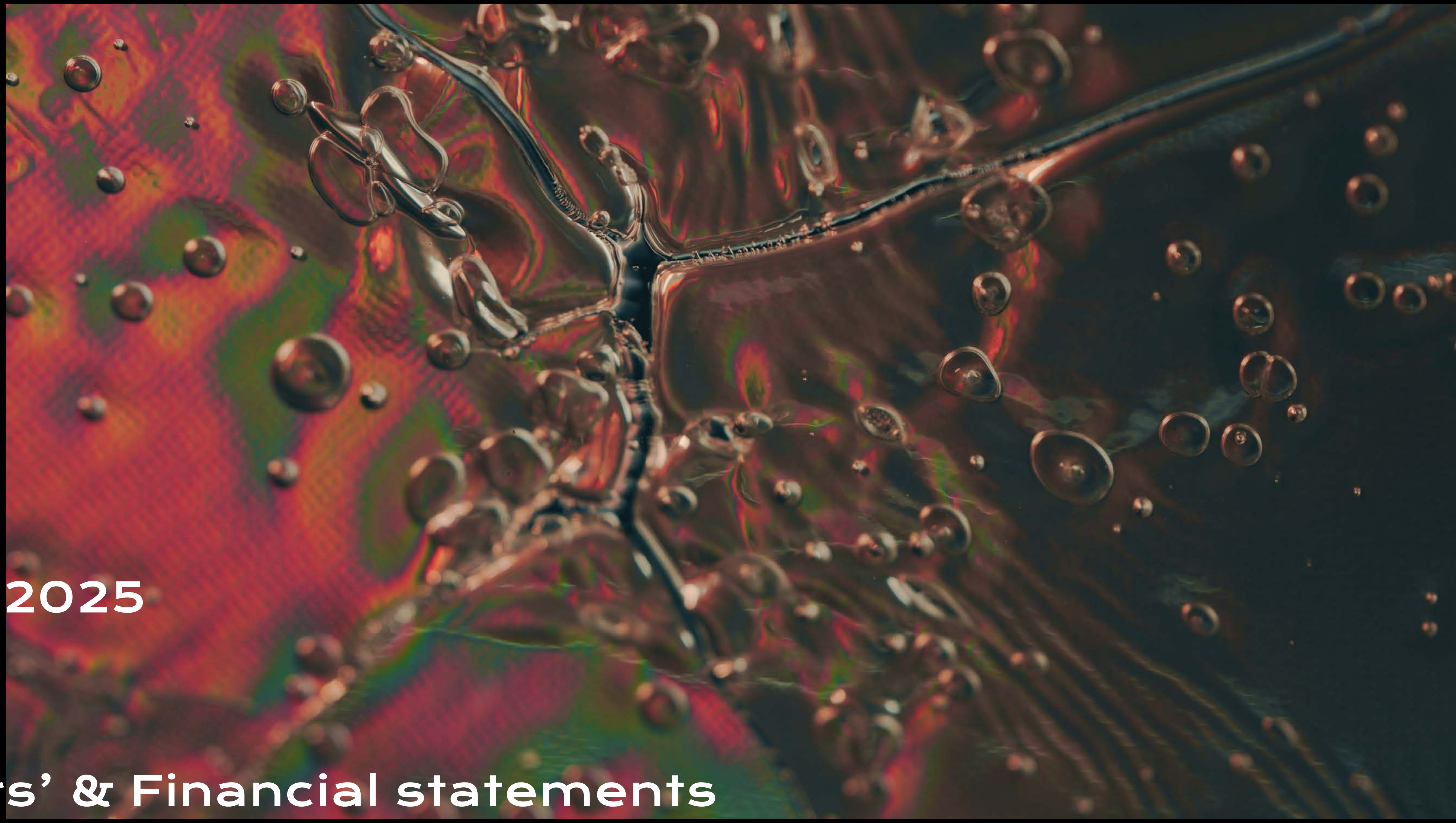
AVIDLY

Annual Report 2020

TOGETHER ONLINE

CONTENT



This is us

AVIDLY AT GLANCE

We are an European martech service provider deeply rooted in creating innovation in creativity, sales and technology. We use customer experience as a strategic tool to transform businesses and create bolder futures.

We partner with organizations of all sizes, from startups to Fortune 500 companies and are committed to create impactful solutions that help companies grow.

NETWORKS

Both in 2019 and 2020 Avidly was the Global Partner of the Year for **HubSpot,** a market leading growth platform with marketing, sales, and service software, and one of few Elite HubSpot Solutions Partner agencies in the world.

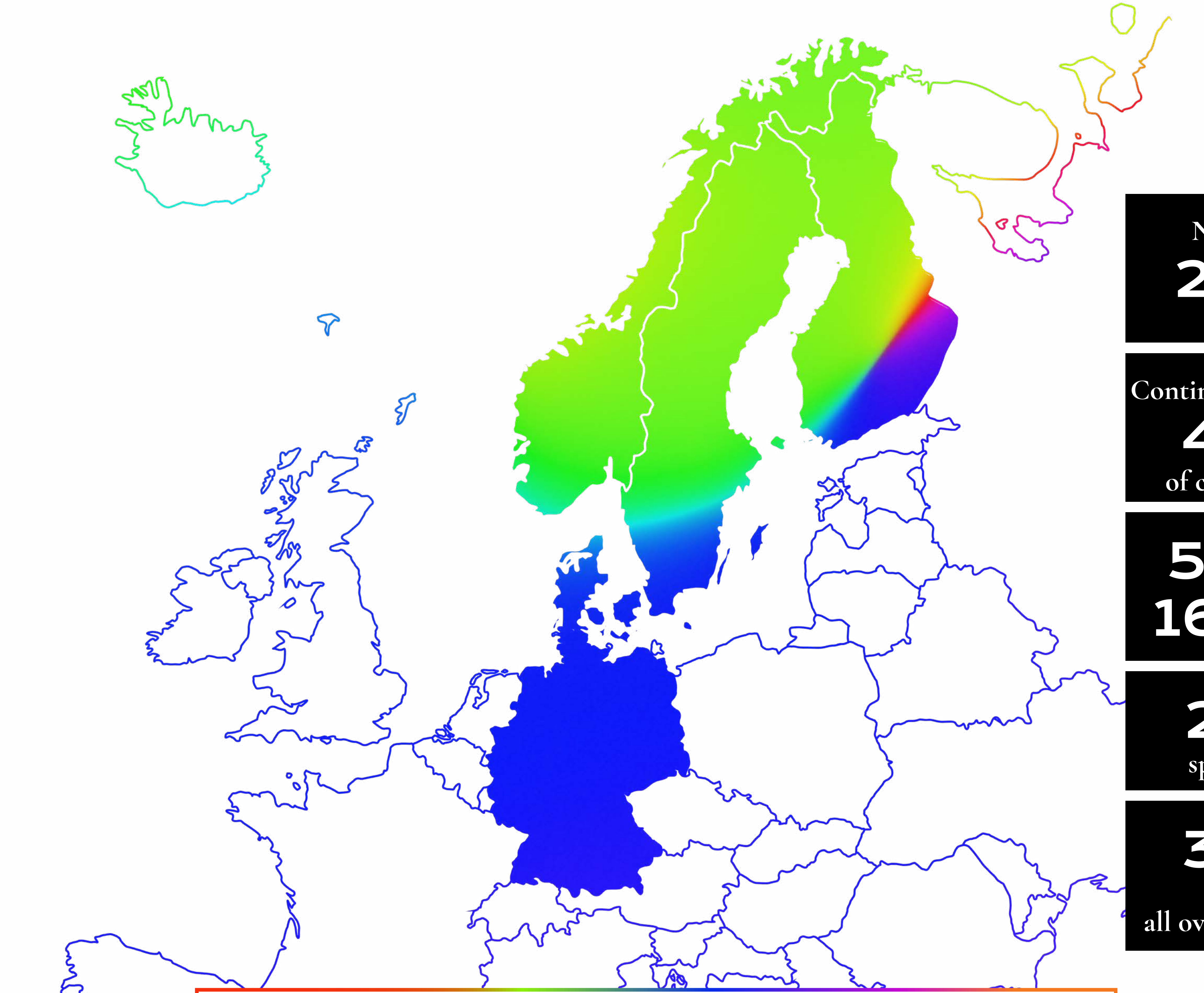
As part of **AMIN Worldwide,** a network of 50+ independent marketing agencies, we can gain global and local insight, tap into extensive industry experience and stay up-to-date on emerging trends all over the world.

Avidly was chosen as the partner of **FIBS ry,** the largest corporate responsibility network in the Nordic countries, for 2021–2022.

HubSpot 2020 IMPACT AWARDS
PARTNER OF THE YEAR

AMIN WORLDWIDE

FIBS



Net Sales
25.0
MEUR

Continuous services
42%
of cross profit

5 countries
16 locations

228
specialists

300
clients
all over the world

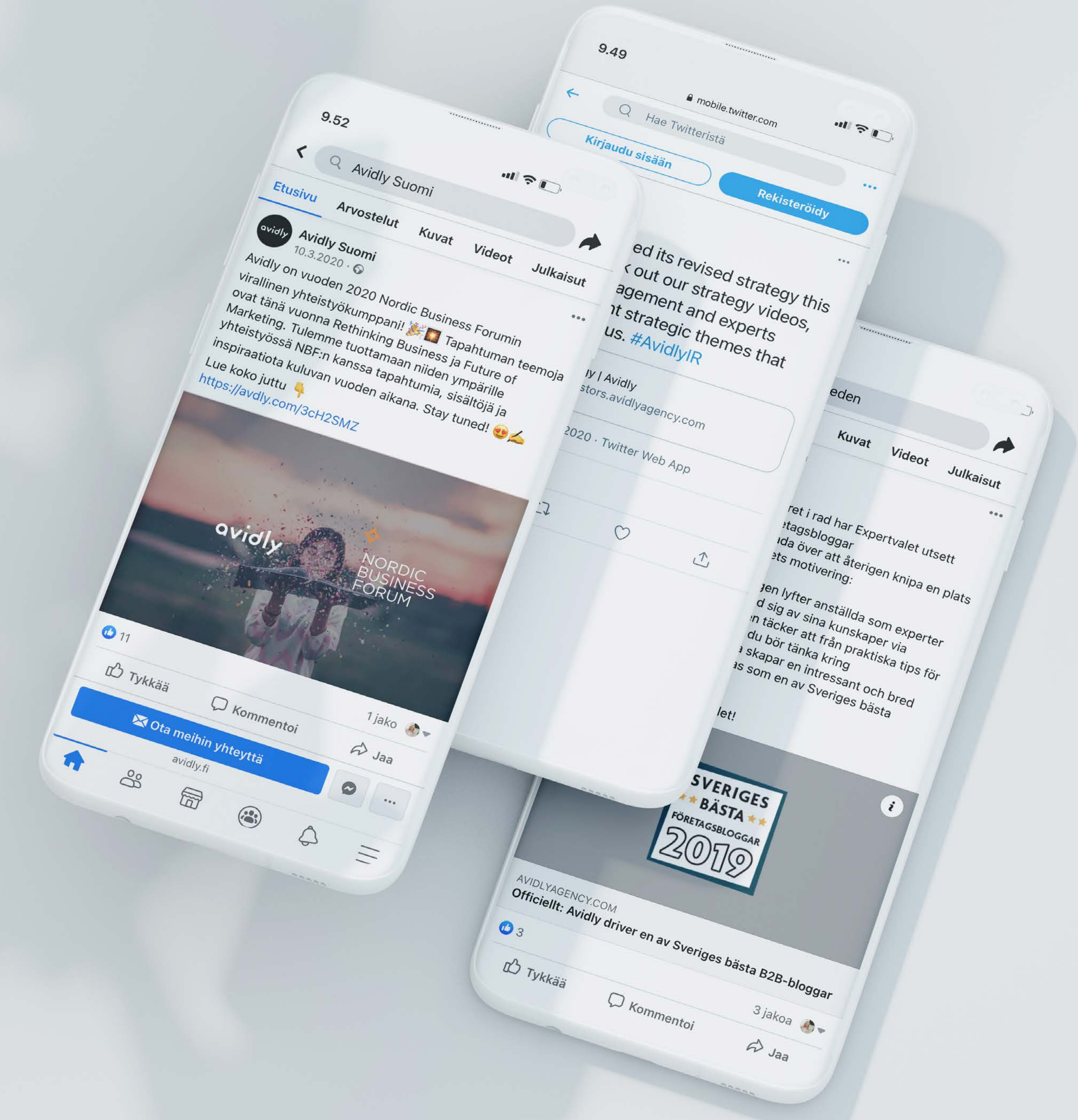
TOGETHER ONLINE

In 2020 our ways of working were revolutionized. We were forced to work out of office, missing the daily coffee breaks and spontaneous chats with colleagues around you. But we had technology, that brought us closer. It enabled us to see each other safely. To chat. To lead. To laugh. To brainstorm. To share and execute ideas like never before. We really made it work. And thus we know, that no matter where we are, we are always together.


TALLENNETAAN
Julia Vornanen
Erik Mashkilley...
Hans Parvikoski
Jufo Peltomaa
Niina Javanainen
Pekka Tainio
ja 24 muuta
15.05
Sinä
Petri Saarela
Arto Hoffren
Jesse Maula
Marisa Saarinen
Minna Lavinkoski
Teea Björklund
Maria Flemmich
Tiina Koskela
Sami Airaksinen
Jussi Snicker
Mari Floman
Jenni Alahuhta
Jarmo Holopai...
Olli-Pekka Salo...
Johanna Molin
Rasmus Ståhle
Olli Luukkonen
Mikko Nisula
Heidi Vidgren
Erno Bärlund
Ilkka Kallunki
Mirja Nikkari
Paula Miilumäki
Juho Ojala
Miikka Meronen
Arto Vartiainen
Annu Taipalus
Tiina Helminen
Hanna Lehtinen
Outi Behm
Nina Rintala
Eija Vierimaa
Soile Pyhänniska
Markus Rantan...
Maiju Huisman
Janne Lemmet...
Janne Vahvasel...
Roosa Räsänen
Leena Talvensa...
Heini Pääsky
Susanna Jokipii
Jukka Hakala
Eveliina Tuores
Mia Hakala
KK-info
Nosta käsi
Aloita esitys

Events in 2020

A YEAR FULL OF HAPPENINGS



1.1. Jesse Maula starts as the new CEO of Avidly Plc

1.2. Hans Parvikoski starts as the new CFO and a member of the Group's Management Team

13.2. Avidly named HubSpot's "Global Partner of the Year"

5.3. Avidly Group commences co-operation negotiations to improve efficiency of operations

17.3. Corona pandemic forces also us to start working remotely. In the end our official recommendation was to work remotely rest of the year.

7.5. First internal, international Avidly Family meeting

14.5. Avidly Plc's Board of Directors resolves on a rights issue

14.5. Avidly Plc commences negotiations on up to EUR 2.5 million debt financing

10.6. Avidly Plc's right issue was oversubscribed. Altogether 2.5 M€ of new equity was raised.

16.6. Jufo Peltomaa is been appointed Chief Creative Officer and a member of the Management Team of Avidly Plc

30.6. Avidly Plc agrees on EUR 2.5 million debt financing. The first tranche of the financing arrangement, totaling EUR 1.5 million, will be drawn down immediately

15.7. Avidly Plc's Board of Directors resolves to establish a share-based long-term incentive plan for the group management

23.7. Avidly pays additional purchase price on the Netpress GmbH acquisition in advance and directs a new share issue to the sellers of Netpress GmbH

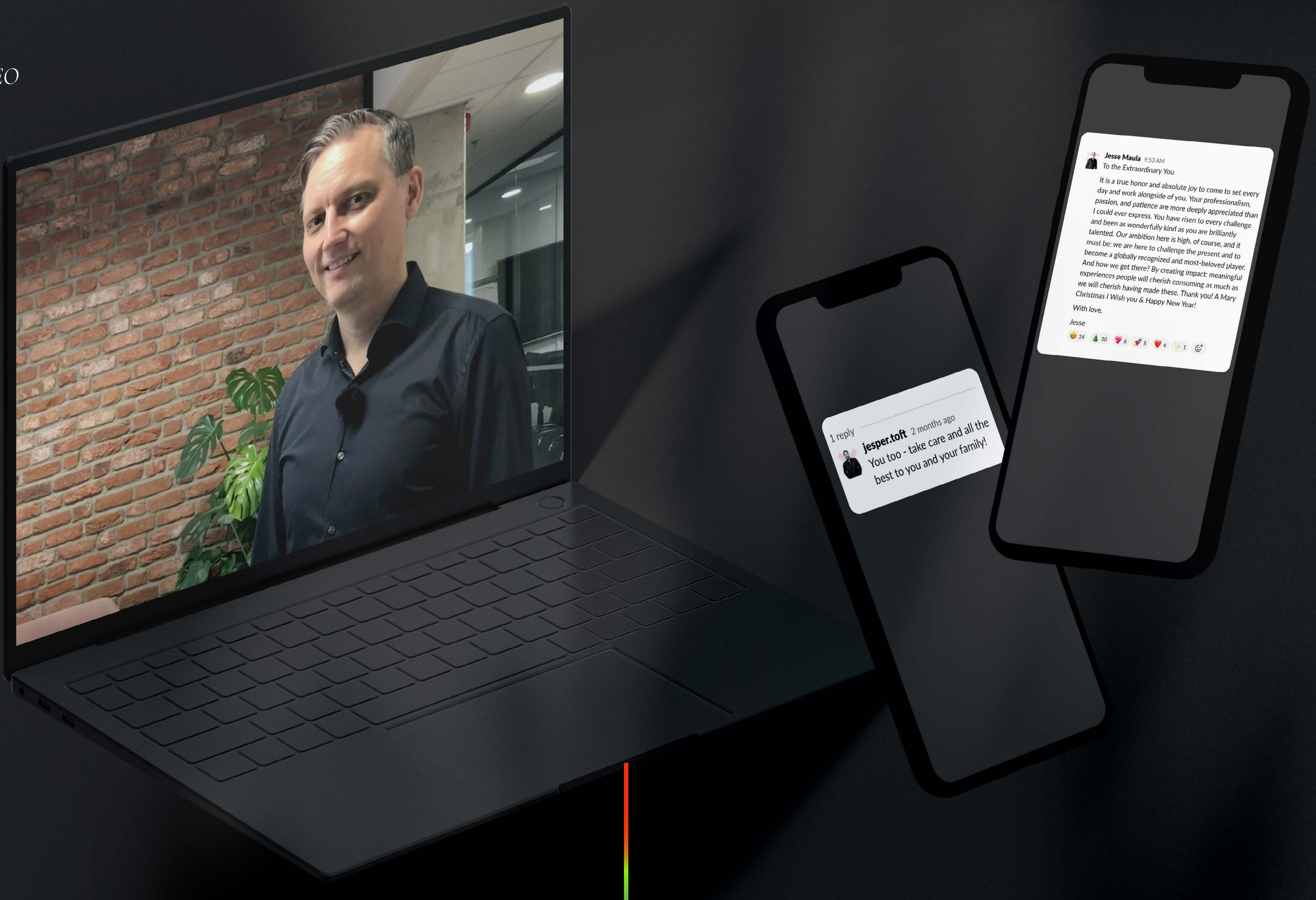
30.9. Avidly Plc acquires the minority shares of its subsidiary Avidly Media Oy

1.10. Barbro Fagerbakk is been appointed Chief Revenue Officer and a member of the Management Team of Avidly Plc

30.11. Avidly Plc agrees on drawing down the latter loan tranche of EUR 1.0 million from the previously announced EUR 2.5 million debt financing arrangement

11.12. Avidly Plc revises its strategy and financial targets for 2021–2025

Review by the CEO



TOWARDS PROFITABLE GROWTH

228 PROFESSIONALS 16 LOCATIONS 5 COUNTRIES 1 AVIDLY

The global pandemic made the year 2020 exceptionally challenging. Despite the difficult market situation, we managed to grow and turn our operating profit into positive during the second half of the year.

In 2020, the global pandemic posed significant challenges to both societies and businesses. Despite the times of uncertainty, we at Avidly carried out a determined strategy and development work. We have now defined the foundation on which we want to build our business. In December 2020, we announced our new strategy, which will give us a clear direction and milestones for the coming years. The brand, launched in March 2021, supports our goals.

We are on a path of growth: in 2020, our revenue grew by 13 percent and during the second half of the year by 16 percent. In these exceptional circumstances, these results were satisfactory. The full-year operating loss of 0,1 million euros was significantly decreased from the 2,4 million euros in the previous year. I am very pleased that despite the challenging situation in markets, we reached a positive operating result of 0,3 million euros in the second half of 2020. That is a significant improvement compared to the loss of 2,1 million euros in the same period in 2019. We have now reached the turning point, and it's good to continue from here.

PROFITABLE GROWTH

We have good starting points for 2021: as a marketing technology service company, we respond to global megatrends and the growing demand for digital marketing. With our services we help our customers in digital transformation and to meet the requirements of the experience economy. We combine creativity, technology and data to support our customers sustainable business growth.

We have defined clear strategic goals for the period 2021-2025: profitable growth, thought leadership, being the best place to work and the most loyal customers. To achieve these, we have action plans that we have already started to implement. All this has a significant impact on value of the company in the long run.

An essential part of our strategy is profitable international growth. Our goal is a revenue of more than 50 million euros and EBITA of at least 10% in 2025. We believe we can achieve this goal by taking advantage of the opportunities of market and service expansion and the overall growth of the martech market.

LONG-TERM SHAREHOLDER VALUE

We aim to increase the long-term shareholder value. For the time being, we don't distribute dividends, instead we will focus on growth. We believe that focusing on growing our business will benefit our owners and other stakeholders in the long run.

In 2021, the global economy is expected to gradually recover from the sharp recession experienced in 2020. However, predicting business is difficult and general economic activity affects to Avidly's operations. We will do everything we can to ensure both growth and a positive business result in 2021.

The long-term outlook for our business is good. With our unique expertise we're able to help our customers to improve their marketing technology and above all, the impact it creates.

I would like to warmly thank the whole Avidly's staff, our customers and partners for their resilience and excellent cooperation in the challenging conditions of 2020. I believe that together we will achieve a lot also in the future.

Jesse Maula
CEO

QUESTIONS?
Contact
jesse.maula@avidlyagency.com

Our Operating Environment

TRENDS & MARKETS

What is going on

MEGATRENDS ARE SHAPING OUR BUSINESS

The world of work and professional services is changing dramatically. Forces like digitalization, customer experience, technological development, humanity, gender equality, sustainability, customer-activism, personalization, data and automation make the world around us different, but also generate an enormous number of opportunities.

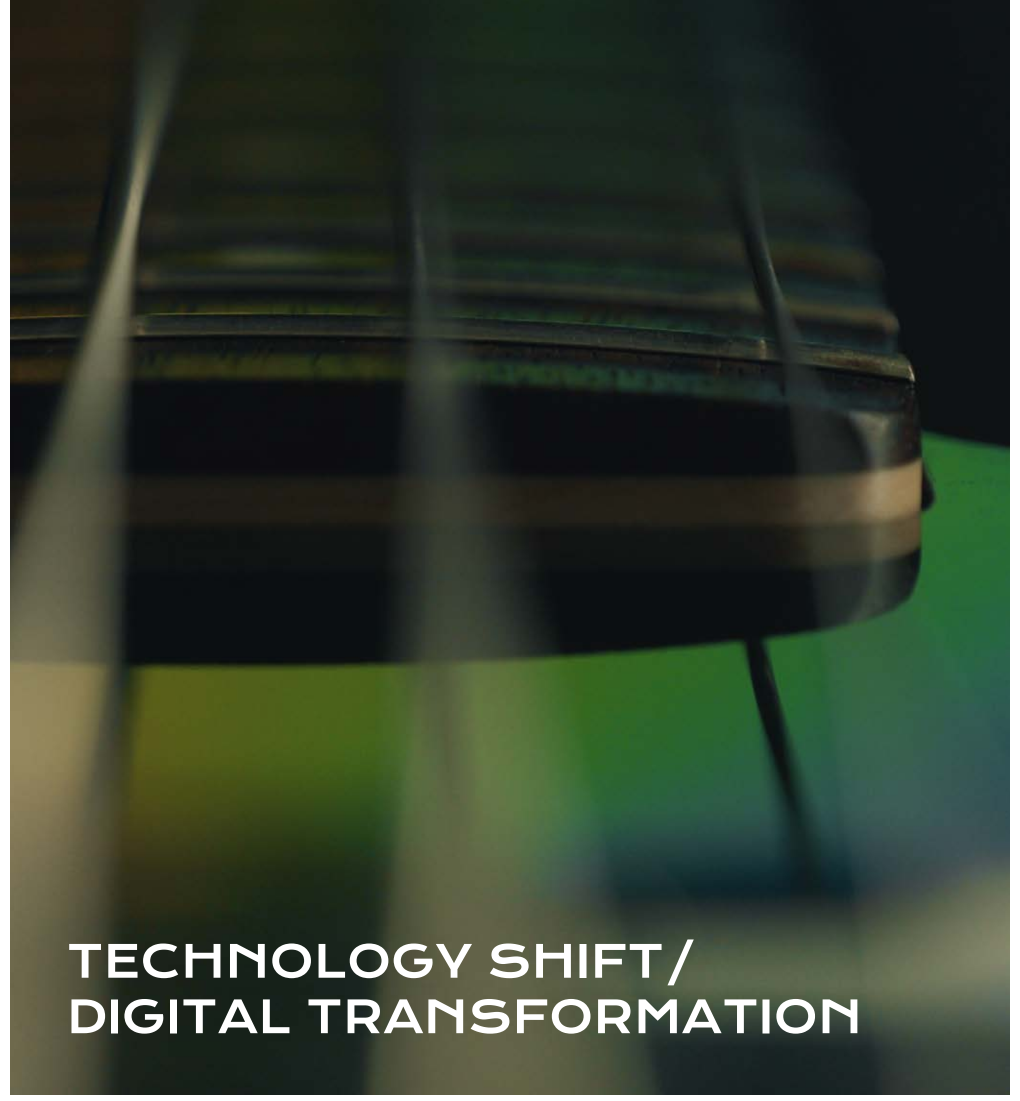
The rapid martech market growth and HubSpot growth are supporting our business.

MEGATRENDS SHAPING OUR BUSINESS

The main megatrends affecting our operating environment and offering unique opportunities for us to grow are the following:

- technology shift/digital transformation
- sustainability
- ecosystem thinking
- experience economy

WATCH OUR STRATEGY VIDEOS



TECHNOLOGY SHIFT/ DIGITAL TRANSFORMATION

The technology shift will change the way we work and the content of our work. Artificial intelligence, robotics, automation, and the power of data will make this shift fast and unpredictable. What can be automated will be automated. The value of the work will be redefined.

An ever-increasing amount of different marketing technologies will change the industry. There is a constant need to not only understand them but to also combine this technology shift with a comprehensive understanding of the customer and how to make a genuine impact.

Our key future themes

- **Holistic technology capabilities**
- **Agile, adaptive & smart network based operating models**

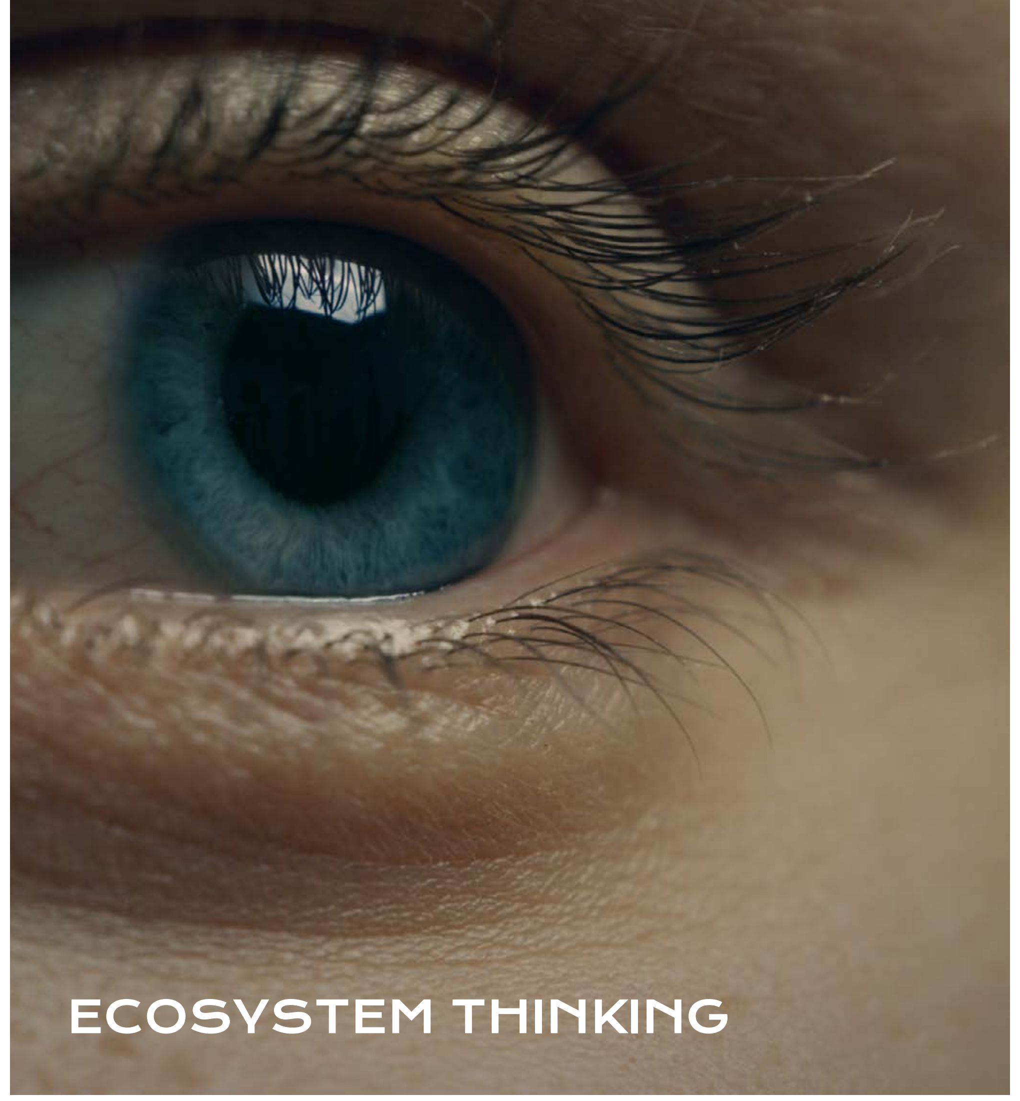
SUSTAINABILITY

The world is facing a dramatic change with all the ecological problems ahead. Increasing demand for purpose and impact arises from the need to change how we live our lives on our planet.

Sustainable growth and conscious capitalism are new concepts that are gaining momentum. People of this planet are demanding companies to not only focus on profit but also create strong purpose-led offerings. Also, by pretty much every measure of brand health, customers are more likely to try, stay loyal, pay more, and advocate for brands that genuinely do good and focus on sustainability: people, profit, planet. This will affect how companies see their main goals moving away from pure profit.

Our key future themes

- **Focus on impact-driven growth**
- **Purpose & profit combined**



ECOSYSTEM THINKING

Networks and interaction will have more and more influence in the future as networking and building new networks will be essential for businesses. Networks will drive development – be it between partners or within a company. Old hierarchical organizations will disappear and self-guided individuals and tribes will replace them. Also, the number of partners in the company's network will grow and help future growth.

Our key future themes

- **Building network models**

EXPERIENCE ECONOMY

The experience economy is defined as "an economy in which many goods or services are sold by emphasizing the effect they can have on people's lives."* Experiences are their own category, just like "goods" and "services". Customer experience will become the winning factor on top of branding, marketing, sales and service and thus the importance of brand experience grows.

Our key future themes

- **Winning the trust of the customer through great holistic customer experiences**

** Source: Cambridge Business English Dictionary © Cambridge University Press*

We are **a leading martech service provider** offering holistic digital marketing and sales services.

?

MARTECH IS THE BLENDING OF MARKETING AND TECHNOLOGY

Virtually anyone involved with digital marketing is dealing with martech, since digital by its very nature is technologically-based. The term "martech" especially applies to major initiatives, efforts and tools that harness technology to achieve marketing goals and objectives.

Martechtoday.com

The new era of technology

GLOBAL MARTECH MARKET IS HUGE & GROWING

The estimated global market value $121.5bn

Year-on-year value increase 22%

The single largest area of investment when it comes to marketing resources and programs.

Source: BDO, WARC & Bristol University: Martech 2020 & beyond

Why martech matters

TRENDS BEHIND GLOBAL MARTECH MARKET GROWTH

THE RISE OF CREATIVITY, DATA & INSIGHTS

Too big focus on data and technology has caused a decline in creativity (1). At the same time analytics and insights remain the most strategically important marketing capabilities (2).

UNCOVERING GROWTH

Worldwide spending on digital transformation will reach $2.3 trillion in 2023 and the distribution and services sector will outpace the overall market (3).

INCREASE IN MARTECH BUDGET ALLOCATIONS

Nearly 1/3 of CMO budgets are allocated to marketing technology (3).

SMARTER WAYS OF WORKING AND TAPPING THE POTENTIAL

Companies struggle to effectively manage their marketing technology stack and leave the growth potential untapped. Marketing leaders report utilizing only 58% of their martech stack's potential, down from 61% in 2018 (3).

NEED FOR TALENTS

System integration and identifying and recruiting the right martech talent are the largest hurdles companies must overcome. At the same time trust in external teams has increased significantly (+20%) (3).

MARTECH MARKET GROWTH

Sources:
1: BDO, WARC & Bristol University: Martech 2020 & beyond | 2: International Data Corporation (IDC) Worldwide Semiannual Digital Transformation Spending Guide | 3: Gartner's CMO Spend Survey 2019–2020

Our strategy

DELIVERING IMPACT-DRIVEN GROWTH

INTRODUCING OUR IMPACT-DRIVEN GROWTH STRATEGY

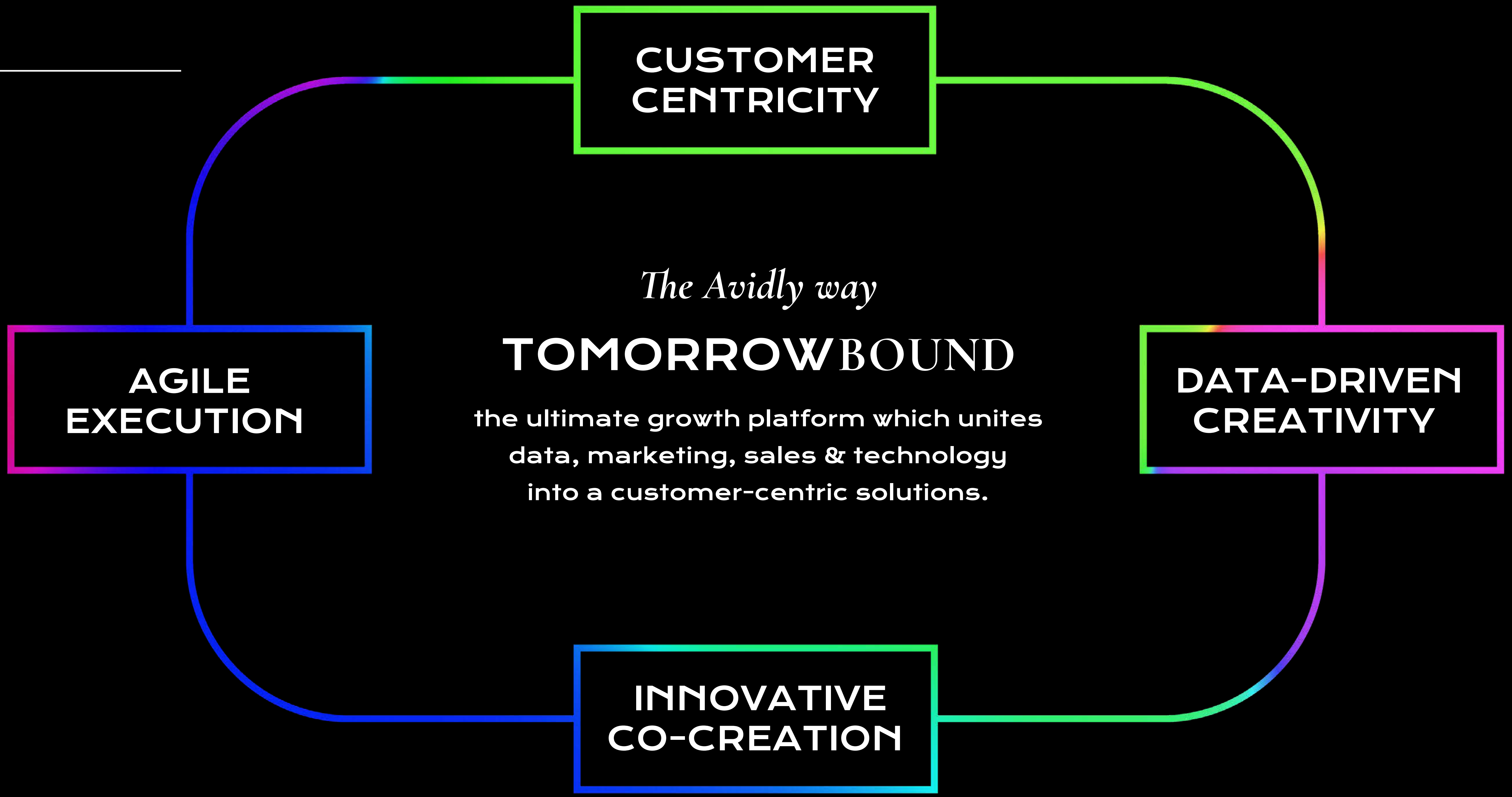
Our strategy is based on providing impactul solutions that bring growth to our clients. With this strategy we aim to profitable growth and a position as a leading European martech service provider.

WATCH VIDEOS

WINNING TOGETHER

MEGATRENDS

- Technology shift
- Sustainability
- Ecosystem thinking
- Experience economy
- The new normal



STRATEGIC TARGETS

- Most loyal customers
- Best place to work
- Thought leader
- Profitable growth

CUSTOMER PROMISE

We create impactful solutions that help companies grow.

VISION

A globally recognized and most beloved digital marketing & sales partner known for the impact we create.

MISSION: We co-tailor solutions that help companies grow	**VALUES:** Courage, Respect & Ambition
PURPOSE: We create positive impact by reimagining businesses	**CULTURE:** Safe & inclusive playground

Our offering

THE BEST SERVICES FOR IMPACT-SEEKING FORERUNNERS

Our Offering

TECHNOLOGY REQUIRES CONTENT. CONTENT NEED STORIES. PEOPLE CREATE STORIES.

Avidly's Marketing services stand for creative storytelling, performance marketing, and global brand-building at scale. At the same time, our Inbound line is celebrated for its world-class digital marketing, sales, and technology skills. With increased demand for digital transformation and technology-driven capabilities, the combination will create a powerful new proposition for clients as a leading martech solutions company with a worldwide footprint. At Avidly, result-oriented and data-driven sales, marketing, technology and adventurous creative design all work in tandem to boost innovation.

Covering every aspect of customer experience:

- Advertising & promotion
- Content & experience
- Social & relationships
- Commerce & sales
- Data & management
- Technologies.

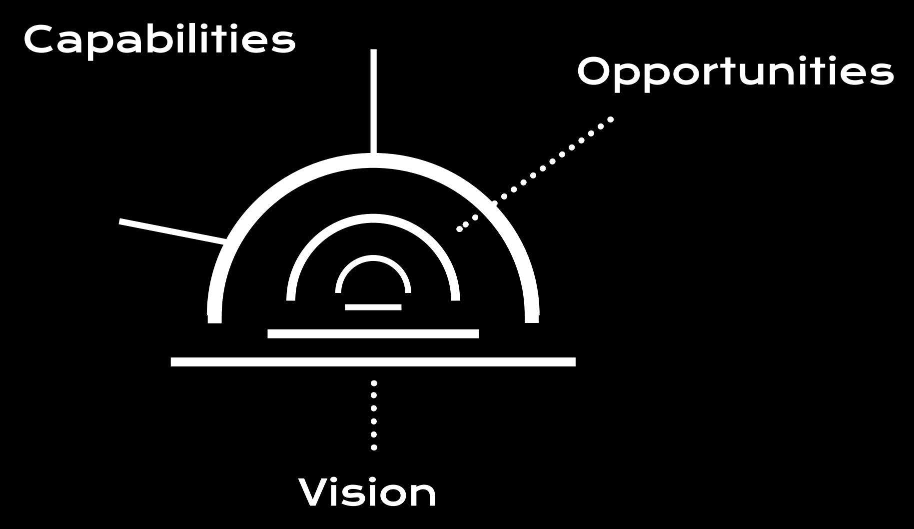
TOMORROWAVE

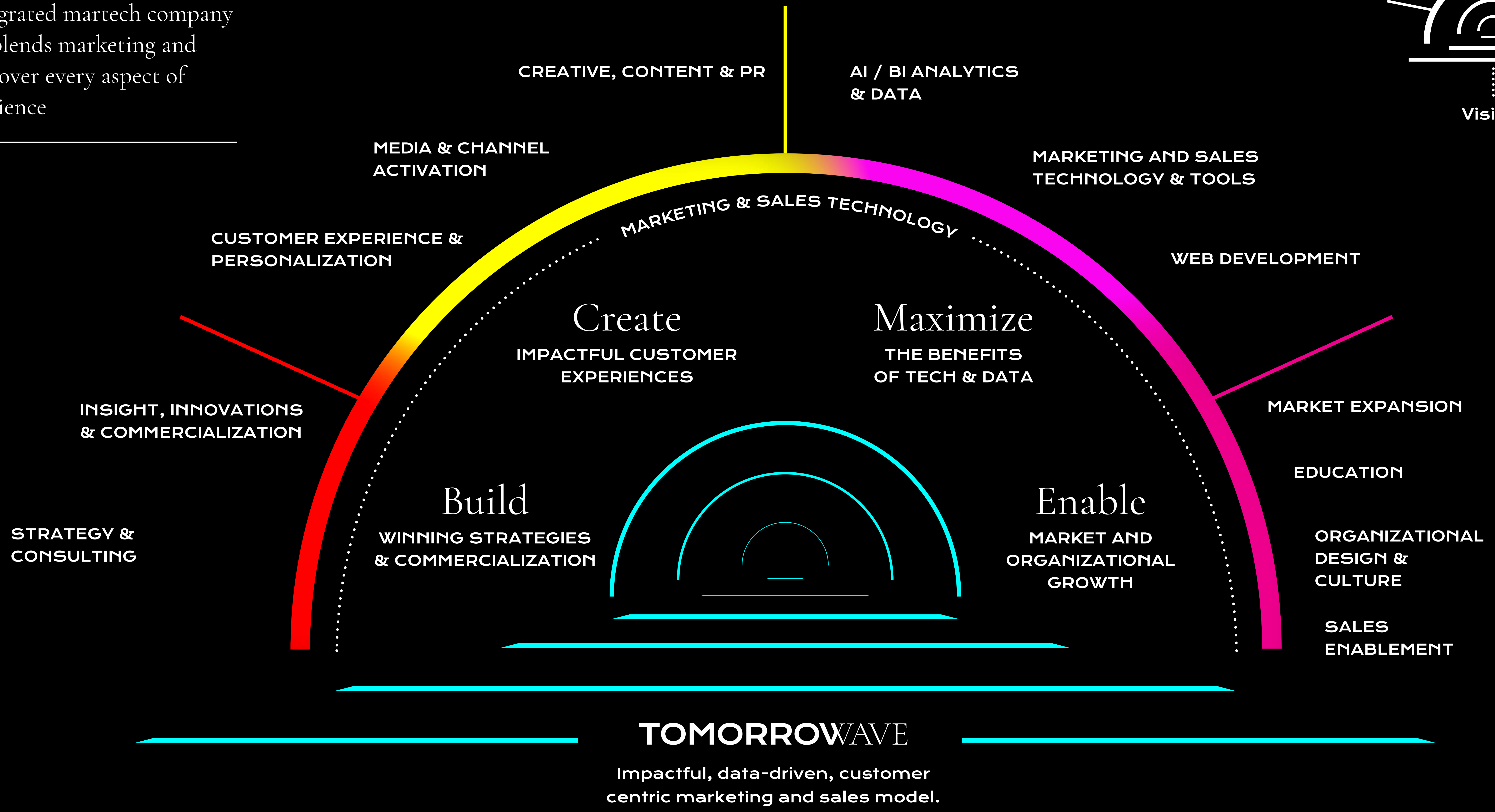
Impactful, data-driven, customer centric growth model. It's the big wave every business wants to catch. Creating growth by analysing and developing marketing and sales based on the customer experience.

WATCH VIDEO

OUR OFFERING

We're fully integrated martech company that smoothly blends marketing and technology to cover every aspect of customer experience





Cases

THINGS WE'VE DONE

Case Hätälä

FROM LOCAL TO GLOBAL WITH MULTIDISCIPLINARY APPROACH

CLIENT: Hätälä is Finland's leading fish house and a fourth-generation family business from Oulu.

TYPE: Brand, Creative Concepts & Design

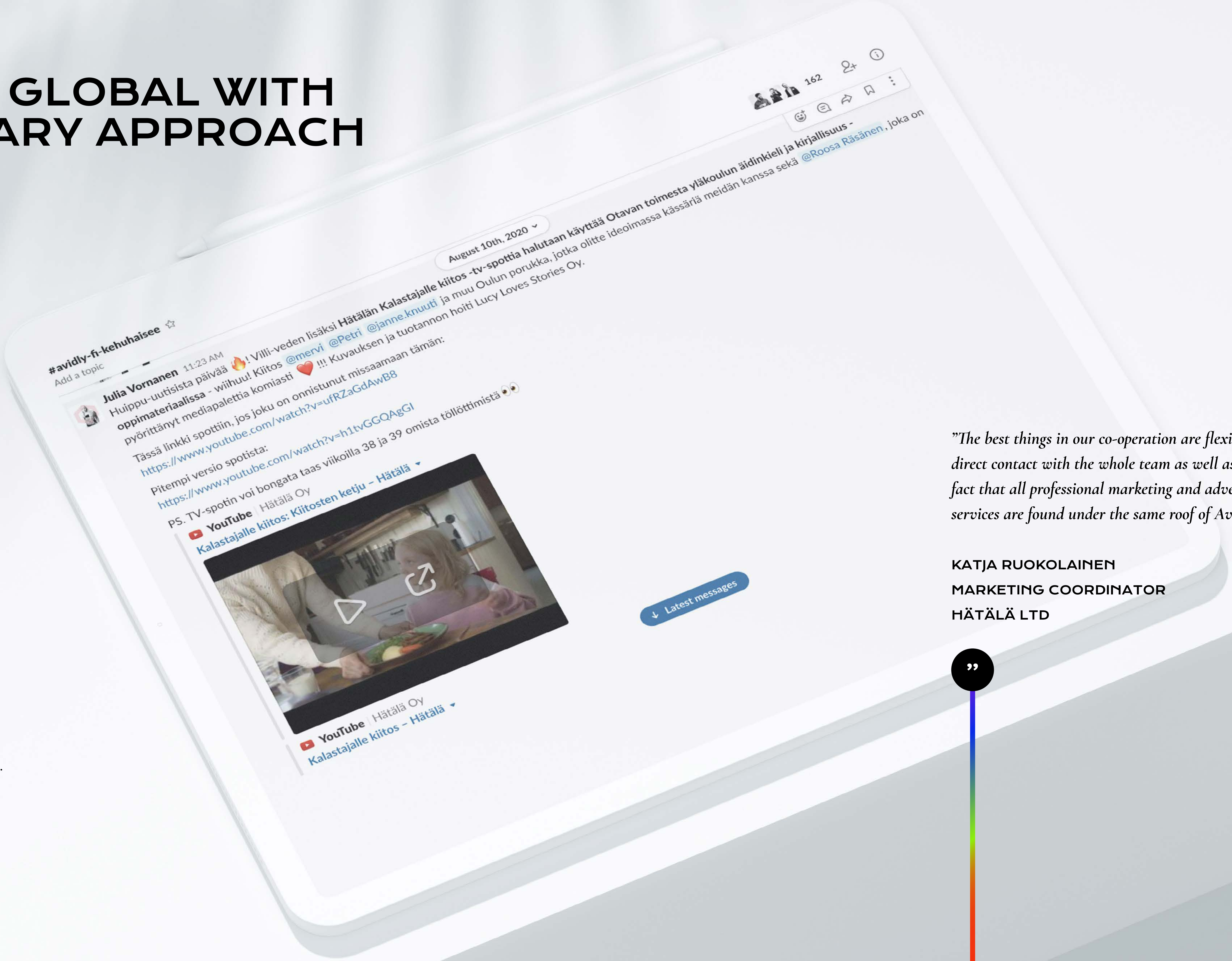
DELIVERABLES:

- Strategy
- CX & Personalization
- Creative Concepts & Design
- Media & Channels
- Web development
- Data & Measurement
- Contect Production

THE RESULTS:

During our cooperation, Hätälä's net sales have increased from EUR 11.5 million to more than EUR 113.8 million (2019). The retail channels have diversified from supermarkets in the Oulu region to national and international retail chains - Hätälä's fish products are now eaten e.g. Sweden, France, Austria and Germany. An investment program is underway in Hätälä, which will give the factory an extension of 15,000 square meters.

SEE MORE
avidlyagency.com/case-hatala



"The best things in our co-operation are flexibility, direct contact with the whole team as well as the fact that all professional marketing and advertising services are found under the same roof of Avidly."

KATJA RUOKOLAINEN
MARKETING COORDINATOR
HÄTÄLÄ LTD

Case Tiger Balm

TIGER BALM STRENGTHENS ITS BRAND WITH A NEW INSPIRING WEBSITE

CLIENT: Tiger Balm's well-known product has been manufactured for over 100 years and has its origins in Chinese medicine. As a blood circulation liniment, it is used to increase the blood supply in the desired body part but also for pain relief and tension relief.

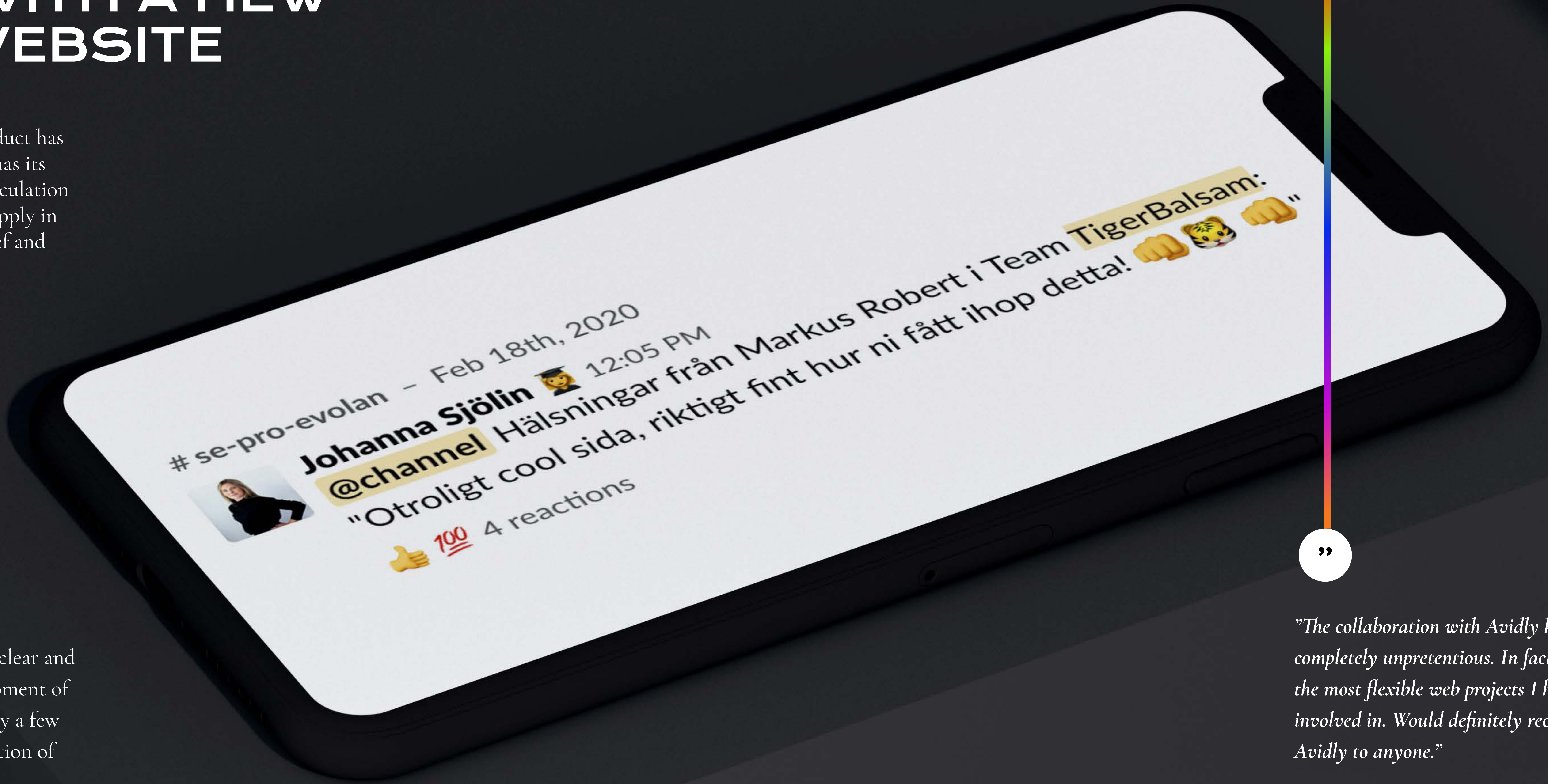
TYPE: Web

DELIVERABLES:

- Web Design
- Hubspot Development
- Photography
- Video

THE RESULTS:
The main goal of Tiger Balm's new site was to highlight the products more and to inform about their use and benefits in a clear and inspiring way. After the design and development of the new website was completed, it took only a few days after the launch until the first registration of interest to become a reseller came in.

SEE MORE
avidlyagency.com/case/tiger-balm



"The collaboration with Avidly has been completely unpretentious. In fact, one of the most flexible web projects I have been involved in. Would definitely recommend Avidly to anyone."

MARZENA LANGSDALE
CONSULTING ART DIRECTOR
EVOLAN PHARMA

Case Oslo Business Forum

OSLO BUSINESS FORUM WANTED MORE FREEDOM – ENTERED INTO COOPERATION WITH AVIDLY

CLIENT: Oslo Business Forum organizes events and courses that inspire business leaders towards better leadership.

TYPE: Integrated marketing

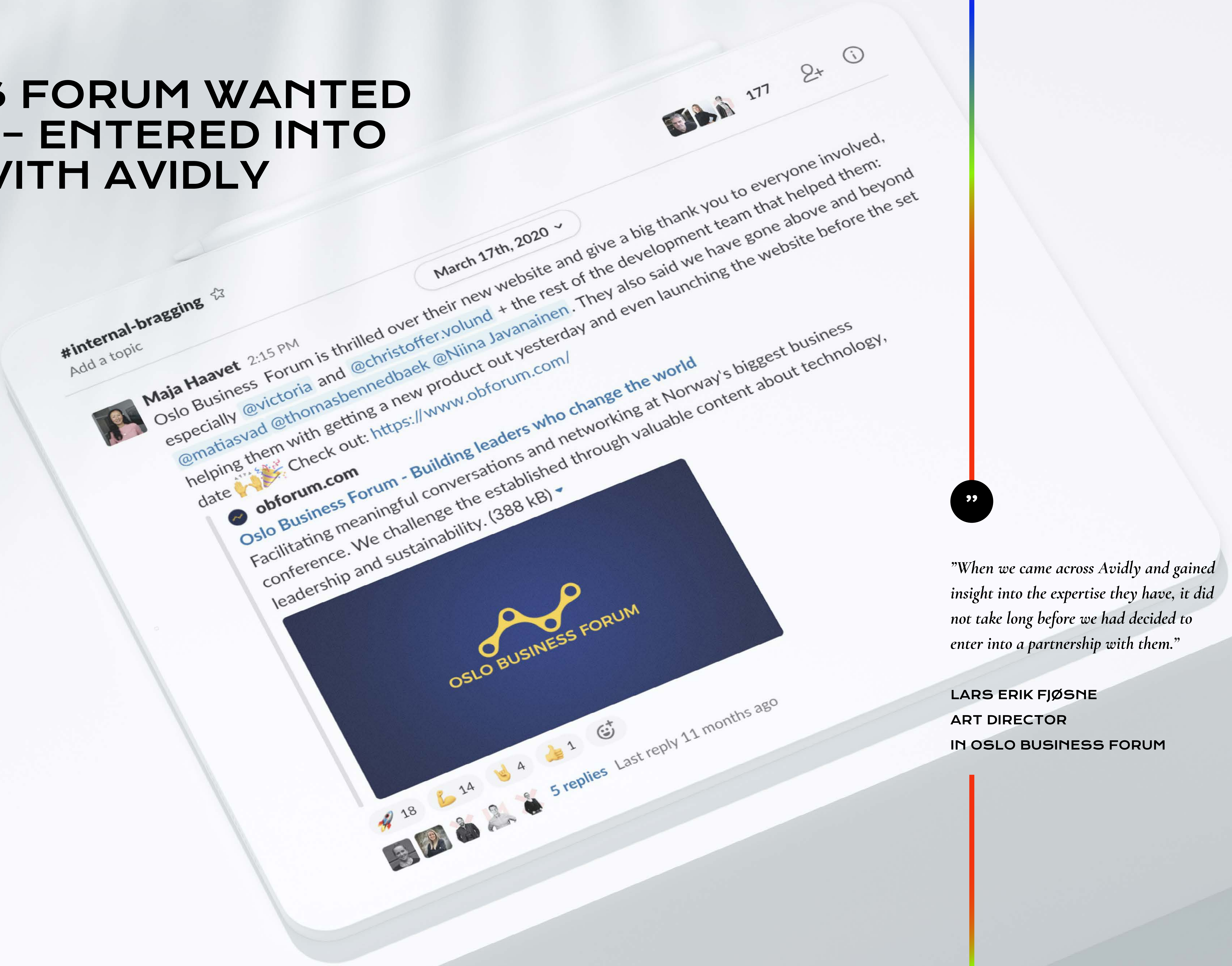
DELIVERABLES:

- Sales Enablement
- CRM
- Web development

THE RESULTS:

Together with Avidly, Oslo Business Forum got a modern and innovative e-learning platform, a team that works smarter with sales and a far more user-friendly website.

! **SEE MORE**
avidlyagency.com/cases-oslo-business-forum



"When we came across Avidly and gained insight into the expertise they have, it did not take long before we had decided to enter into a partnership with them."

LARS ERIK FJØSNE
ART DIRECTOR
IN OSLO BUSINESS FORUM

Case Learningbank

NEW HUBSPOT WEBSITE REDUCES LEARNINGBANK'S WEBSITE MANAGEMENT BY 20 HOURS A MONTH

CLIENT: Learningbank builds, implements, and advises on digital learning.

TYPE: Integrated marketing

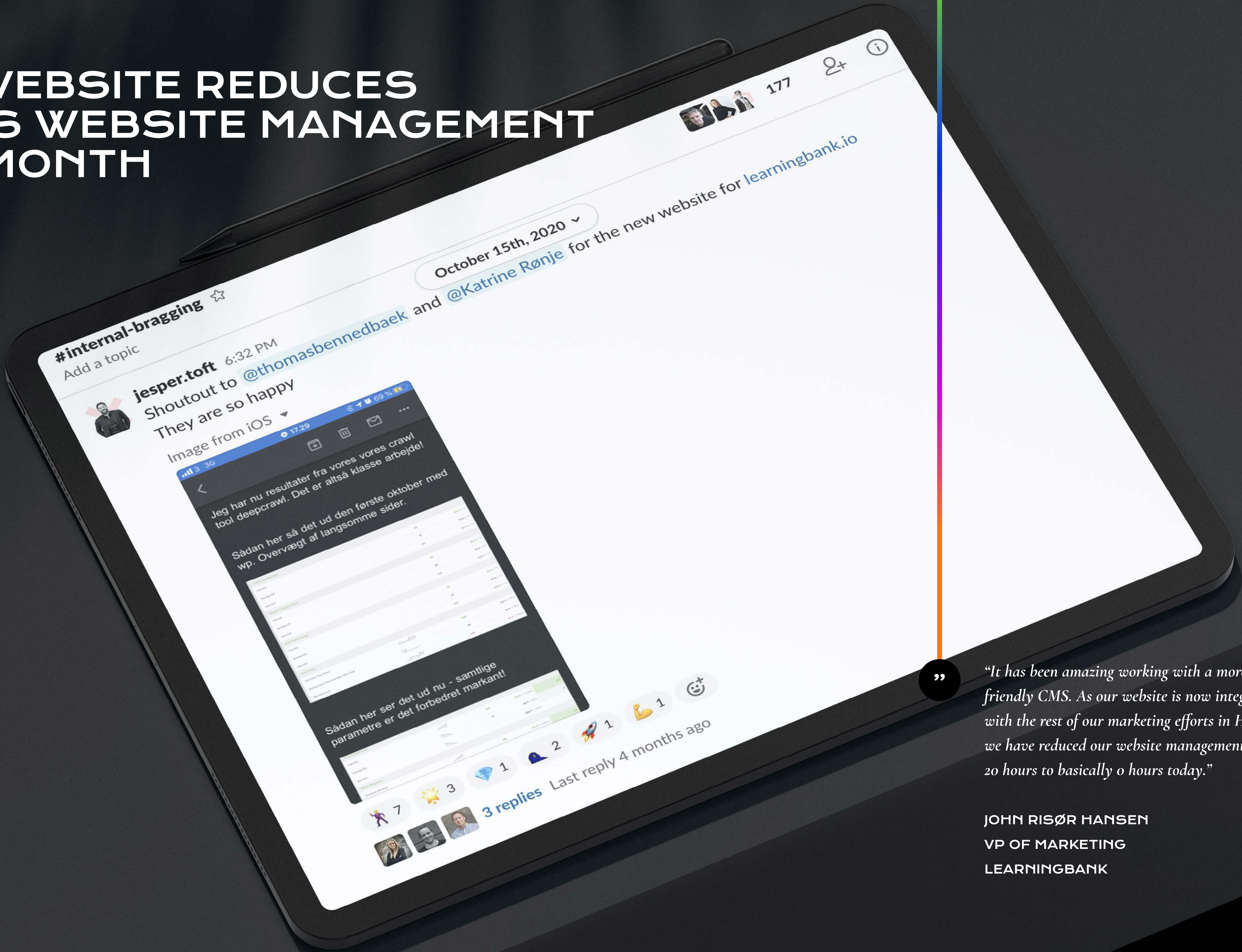
DELIVERABLES:

- Migration from WordPress to HubSpot CMS
- Web Design
- Web Development
- Project Management and Counseling

THE RESULTS:

In collaboration with Avidly, Learningbank chose to move their WordPress website to HubSpot CMS. The migration has resulted in a 20 hour reduction on website management each month, higher page speed, a streamlined web design, and a website that is integrated with the rest of Learningbank's marketing efforts in HubSpot.

SEE MORE
avidlyagency.com/cases-learningbank



"It has been amazing working with a more user-friendly CMS. As our website is now integrated with the rest of our marketing efforts in HubSpot, we have reduced our website management from 20 hours to basically 0 hours today."

JOHN RISØR HANSEN
VP OF MARKETING
LEARNINGBANK

Our Corporate Culture

WE'RE TOMORROWBOUND TOGETHER

“We’re more **Tomorrowbound** than ever”

With the new strategy we dig even deeper into Tomorrowbound thinking, and shape it to be our company philosophy that’s built on courage, respect and ambition. It’s our moral compass that guides our everyday work, and inspires us to think forward to make tomorrow better for both people and companies.

At the heart of Tomorrowbound is the idea of challenging the present. Doing things differently. More wisely. More optimistically. It encourages us to embrace the explorer mindset. To recognise our colleagues and clients. And, of course, to have fun at work.

We're Tomorrowbound together

WHAT WE BELIEVE IN

Year 2020 brought fundamental changes into the ways we have used to do things.

We went online all the way from recruitment to onboarding to workshops with customers.
We needed to create new methods to replace the familiar and safe encounters and above all, we needed to find purpose for one's own work in the middle of change. A purpose thrives us forward and brings real meaning to your daily work. Our purpose is to create impactful solutions that help companies to grow. And behind each purpose is the company's unique culture which is a combination of people and joint values. We call it One Avidly.

In order to deliver our customer promise, ie. impact, we need to be ambitious. We have to have courage to say things that others are still thinking. We have to honor and listen to our colleagues' and customers ideas since that leads towards a better future.

WE CHALLENGE THE PRESENT

For us ambitions means encouraging each and everyone of us to explore new territories and to grow both together and also as individuals. In order to create real impact we have to challenge our ideas every single day. And also to find better and better solutions to speed up the desired change.

Continuous development together with finding new ideas and insights are crucial for the success of our company. To support these targets we established in 2020 Competence Groups to spread the knowhow inside our company and CX Sauna, a new idea incubator. Good results from both of these have already been transferred to support the growth of our customers.

A real challenge on our way was to make our every employee understand the purpose of his own role in the bigger picture, in supporting Avidly's strategy and vision. At the same time we wanted to support personal development. And all of this had to be done online, of course.

The things mentioned above are the cornerstones of inner motivation and personal success but also at the same time building blocks towards our organisational goal of best place to work.

In the end of 2020 we started to implement our strategy in a team and individual level by utilising the OKR approach. We will further exploit the approach in 2021 also in developing personal competencies and career planning.

eNPS:
19
(12/2020)

Employees:
228

Women
59%
(12/2020)

Share of women in the Management Team:
43%
(3/7)

WE ARE EXPLORERS

Courage is about challenging the present and jumping into the unknown without a fear of failure. This is vital in nurturing creativity. Building psychological safety, developing employee autonomy and shifting leadership gradually towards coaching leadership have risen to an important role, and have been emphasized when creating our operating conditions in 2020.

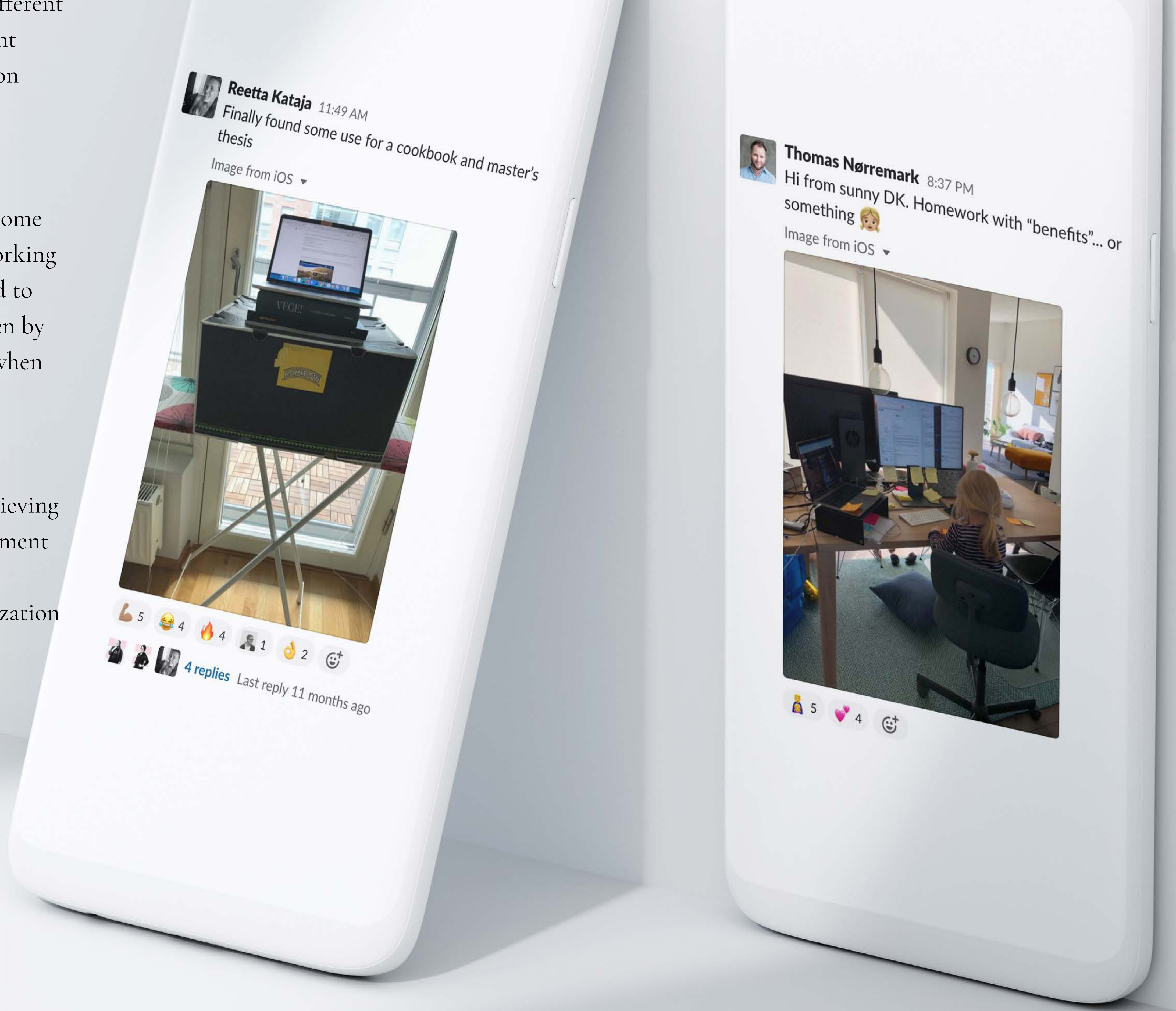
If we don't respect one another's ideas and comments, we might lose the actual answer to the problem or the winning idea. We want to offer means that support our goal of a creative and safe working environment where we can challenge ourselves and others. One of these concepts is the amazing Avidly Standard concept which helps us to improve the quality of our work and to create new ideas. In 2020 we also wanted to challenge our courage by seeking new ways of thinking with the help of innovative breaks. With these we can notice how much we can achieve if we have courage to do and say things in new ways. Jumping into the unknown is crucial for creativity and bold ideas.

WE ARE ON THIS EXPLORATION TOGETHER

Respecting our customers, each other and the environment and taking into consideration different lifestyle situations and sustainable development principles form the foundation for our common values.

Respecting different situations in life and supporting the resilience of employees has become an essential issue during the current online working environment. During the pandemic we wanted to support the lives of families with small children by enabling 60% working time with a full salary when the situation got worse in spring 2020.

We believe that common values and strong corporate culture play a significant role in achieving strategic goals. That's why continuous development of operating methods, and combining agile experimental culture with autonomous organization are essential for future development.



QUESTIONS?

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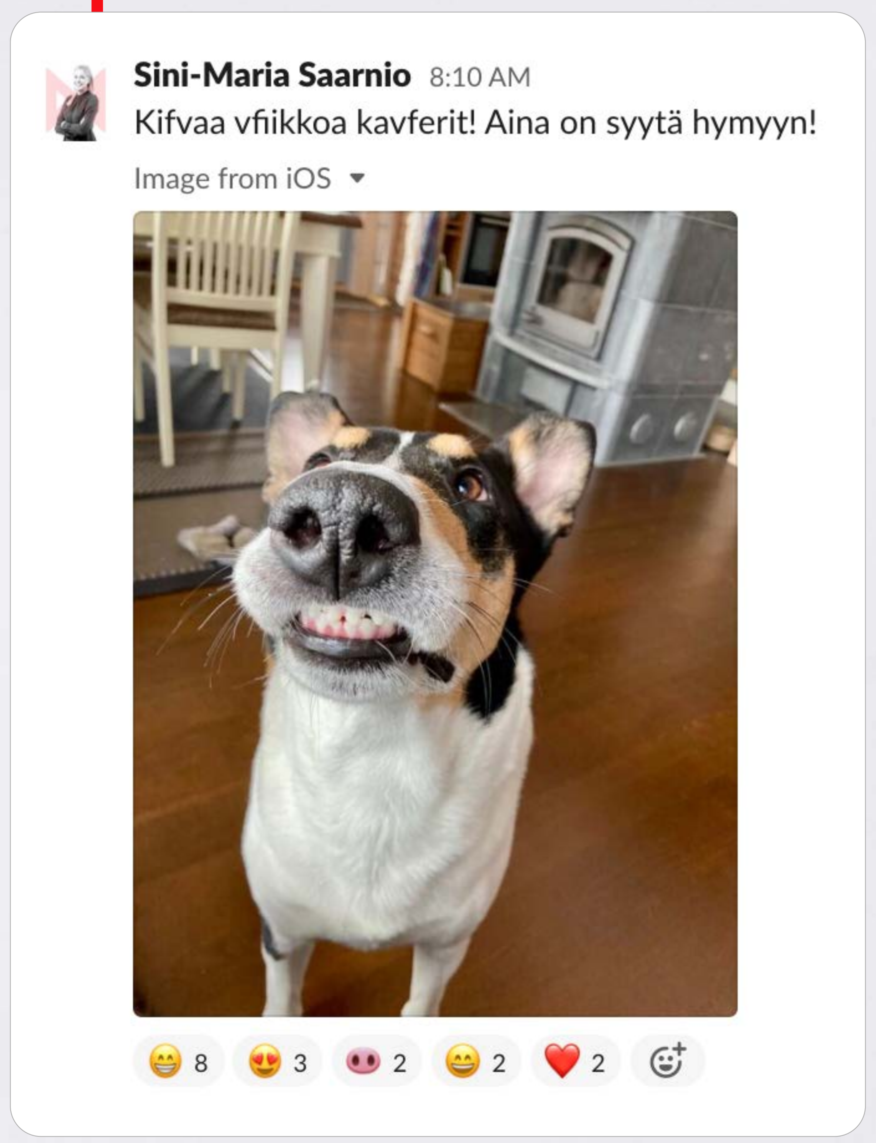
Terhi Paavola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Kifvaa vfiikkoa kavferit! Aina on syytä hymyyn!
Image from iOS
8 3 2 2 2


Together towards
CREATIVITY

Together towards Creativity

EXCEPTIONAL PROBLEM SOLVING CAPABILITY

Creativity is a bit like intelligence: very hard to define and almost impossible to tame. In 2020, despite the challenging circumstances, many superinteresting initiatives, processes and events took place to catalyze creativity at every level and every position at Avidly. Here are some worth mentioning:

Avidly Standard safeguards and raises the quality of all Avidly work - and enables faster personal growth stories. In practice we go through our works in progress together with the respective teams and compare the craft and quality to a predefined Avidly Standard. The idea is to help the team to push their work to match the Avidly Standard quality. From the first meeting that took place in Finland in 2020, the gatherings have had an exceptionally nice and encouraging atmosphere.

Avidly TorchBearers is a creative direction group that began to form in late 2020. TorchBearers are normal Avidlians leading from inside, as peers. The 11 TorchBearers are from all Avidly countries & studios, from both tech and marketing fields. This is an assertive initiative to further increase Avidly's quality and ambition levels. The group sets its own goals and is very autonomous. And awesome!

Avidly CX Sauna is our weekly shared brainstorming session, where we throw around ideas in a relaxed atmosphere. It is an excellent medium for e.g. sparring new business ideas or widen the idea horizon for our existing cases and customers. It's hot, but hey – no sweat!

Avidly Concept Bootcamp took place in September 2020 and was an opportunity to learn about advertising, branding and conceptual thinking. In practice this meant some lectures and a lot of practical exercises with real customers.

QUESTIONS?

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Other creativity-enabling systems and endeavors included e.g. **Avidly Neo channels** (a way to internally crowdsource our trend and phenomenon knowledge gathering, **Avidly Competence Groups** (competence mentors make sure that our competences are top notch in their own substance area), **Avidly Academy** (a novel learning platform in development) and of course the many many webinars that were bombarding our customers in hopes of enabling growth and creativity in their own businesses. And we won't stop here, the show will go on and grow even faster during 2021!

Our Financial targets for 2020-2025

WHY INVEST IN AVIDLY

OUR FINANCIAL TARGETS FOR THE 2021–2025 PERIOD

REVENUE

- Delivering on growth strategy is priority No. 1
- Organic growth target +10% annually, higher speed of international growth
- M&A to support growth

EBITA*

- Deliver positive EBITA* in FY2021
- Reach EBITA* of min. 10% in FY2025

TOTAL EXPENSES

- Balanced approach to enable profitable growth

DIVIDEND POLICY

- Company's aim is to use Net profit for growth investments and not distribute dividends until further notice

	2021	2022	2023	2024	2025
REVENUE	↗	↗	↗	↗	Min. 50M€
EBITA*	Positive	↗	↗	↗	Min. 10% of revenue
TOTAL EXPENSES	Less than revenue growth	Less than revenue growth	Less than revenue growth	Less than revenue growth	Less than revenue growth
INVESTMENT FUNDING	Utilising the previous rights issues & loans	Utilising the previous rights issues & loans	Cash flow	Cash flow	Cash flow

** EBITA = EBIT + depreciations and impairments on acquisitions*

KEY FIGURES, FULL YEAR

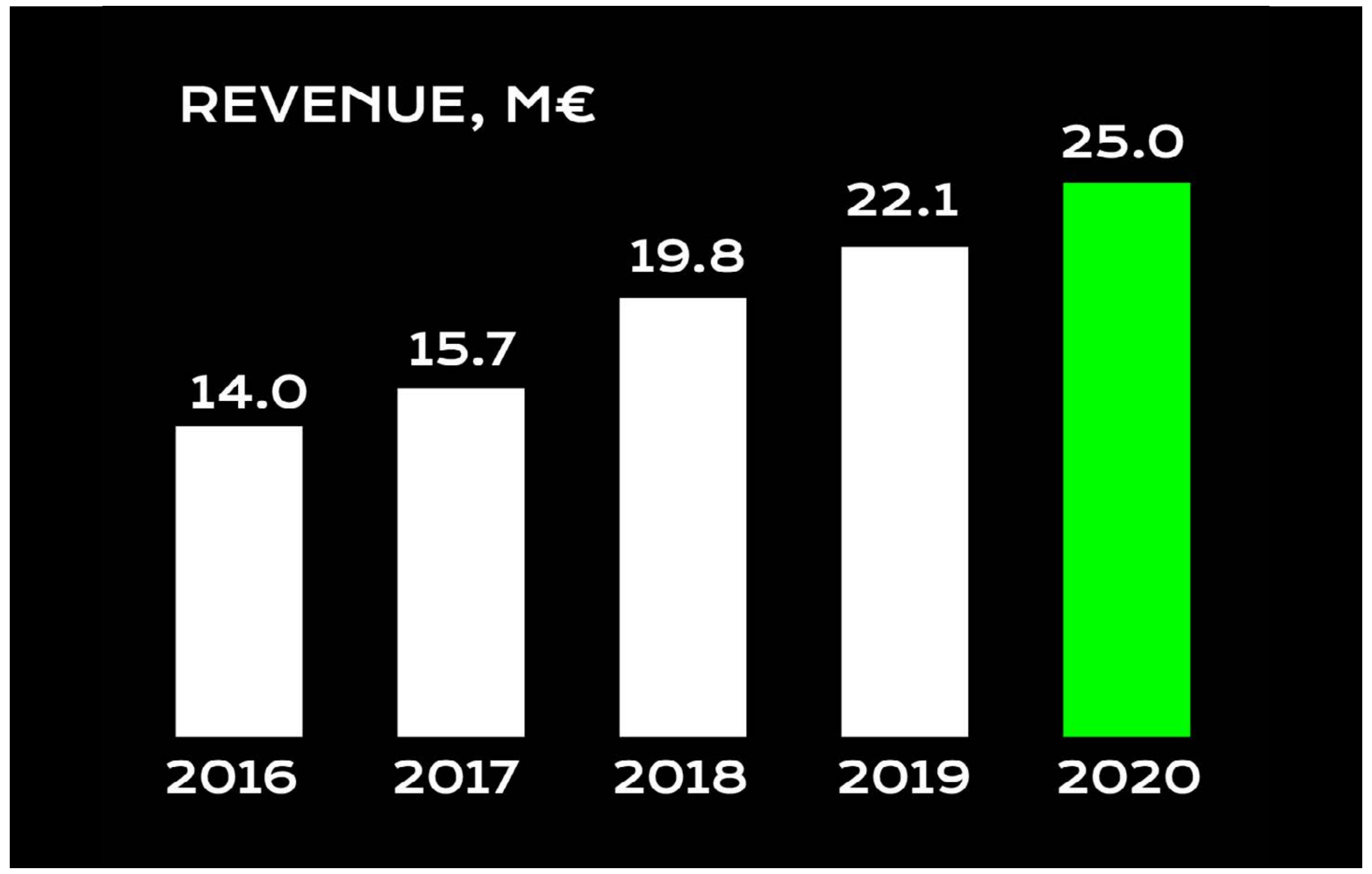
EUR 1,000	1–12 2020	1–12 2019
Revenue	24,970	22,131
Gross profit	18,649	17,266
EBITDA	1,724	- 603
Operating result (EBIT)	- 61	- 2,392
Adjusted operating result (EBITA) *	168	- 2,195
Profit before taxes	- 400	- 2,593
Personnel, average	228	246
Earnings/share, EUR	- 0.09	- 1.03
Earnings/share (diluted), EUR	- 0.08	- 1.03
Equity ratio, %	40.91	38.50
Return on equity, ROE	-4.07	-32.20
Equity/share, EUR	1.85	2.84
Gearing, %	14.3	60.7
Number of outstanding shares, weighted, average during the period	3,954,023	2,409,549
Number of outstanding shares, at the end of the period	5,279,531	2,473,290
Diluted number of outstanding shares, weighted, average during the period **	4,218,683	2,409,549

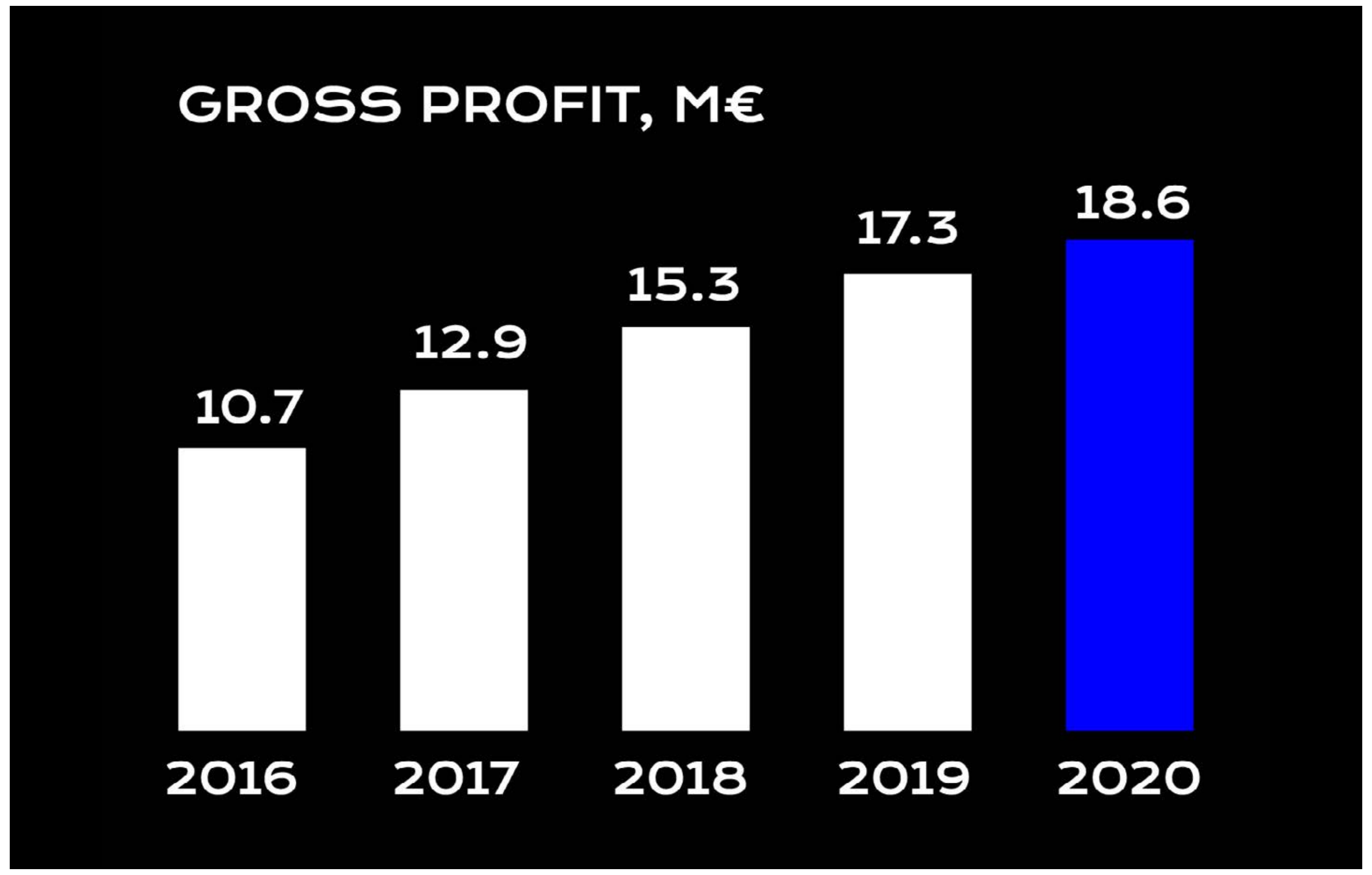
* EBITA = EBIT added with depreciations and impairments on acquisitions

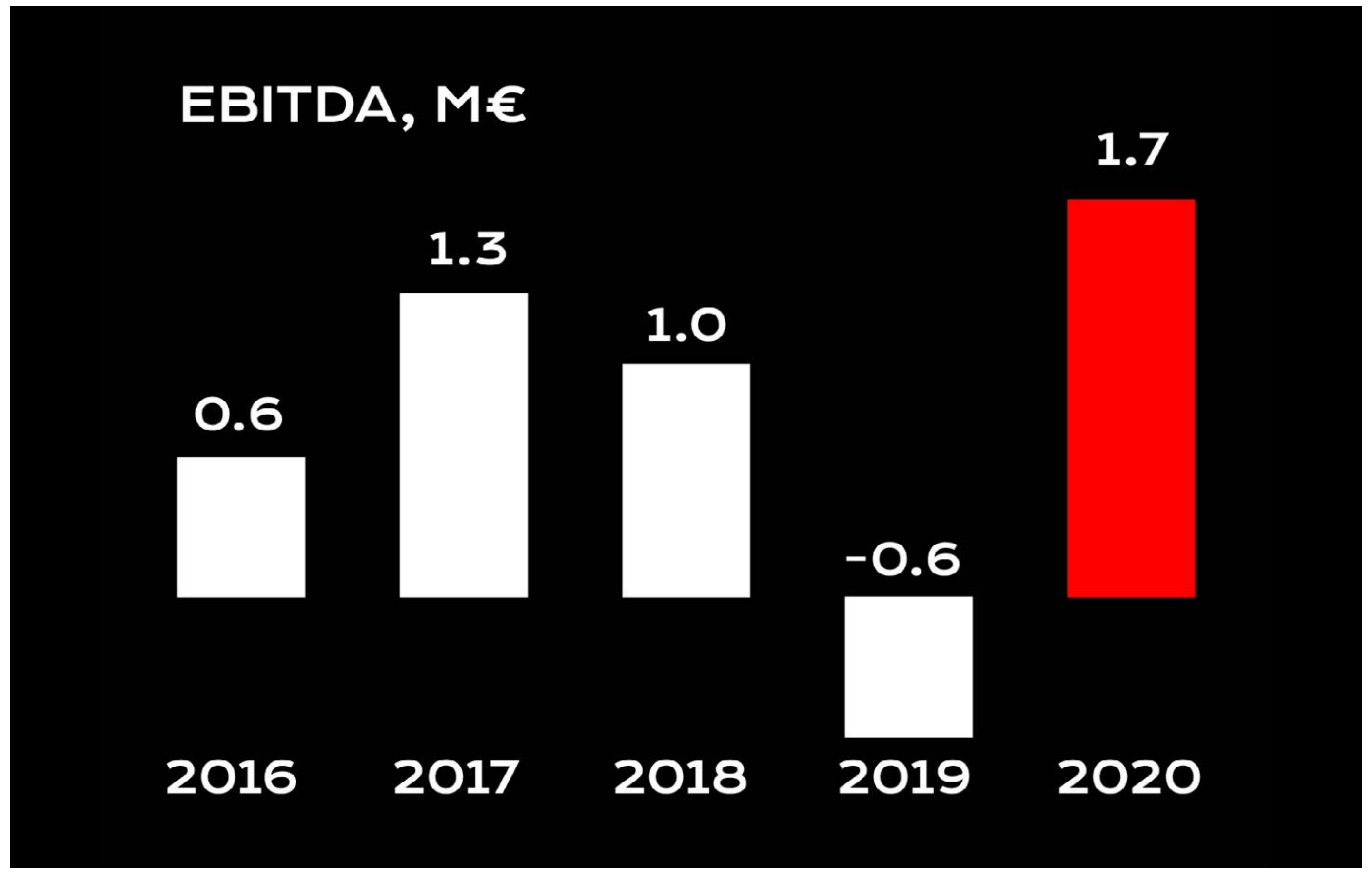
** Dilution effect includes Management share-based incentive program's potential dilution effect from new shares calculated with the closing share price at the end of the year

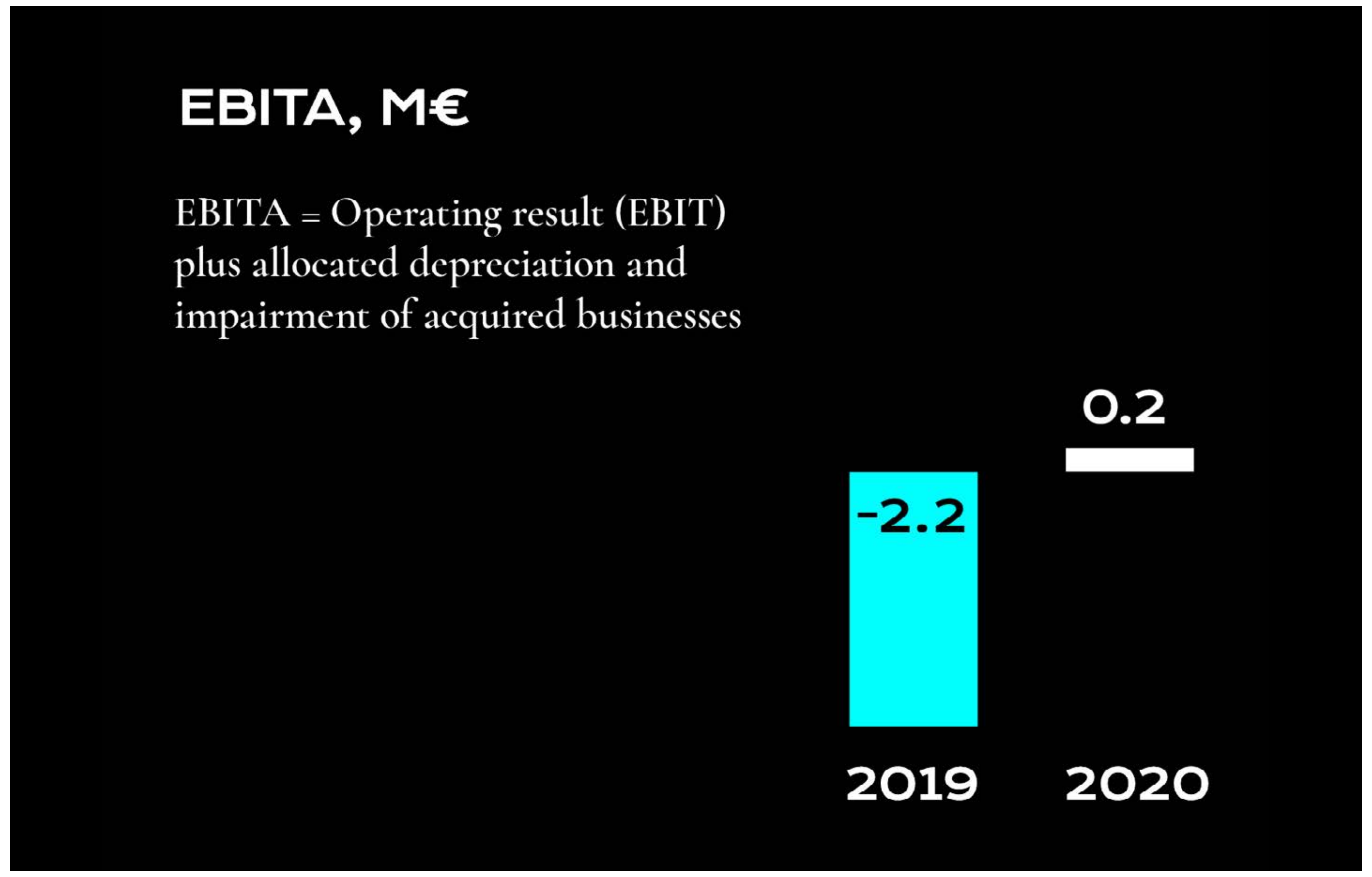
EUR 1,000	2020	2019
Equity ratio		
Equity	9,792	7,034
Balance sheet total	23,935	18,258
%	40.9	38.5
Return on equity, ROE		
Profit for the period	-342	-2,478
Equity, average	8,413	7,695
%	-4.1	-32.2
Equity/share, EUR		
Equity at balance sheet date	9,792	7,034
Number of outstanding shares, at the end of the period	5,280	2,473
Equity/share, EUR	1.85	2.84
Gearing		
Interest baring debt	7,565	4,755
Cash and cash equivalents	6,161	484
Equity at balance sheet date	9,792	7,034
%	14.3	60.7

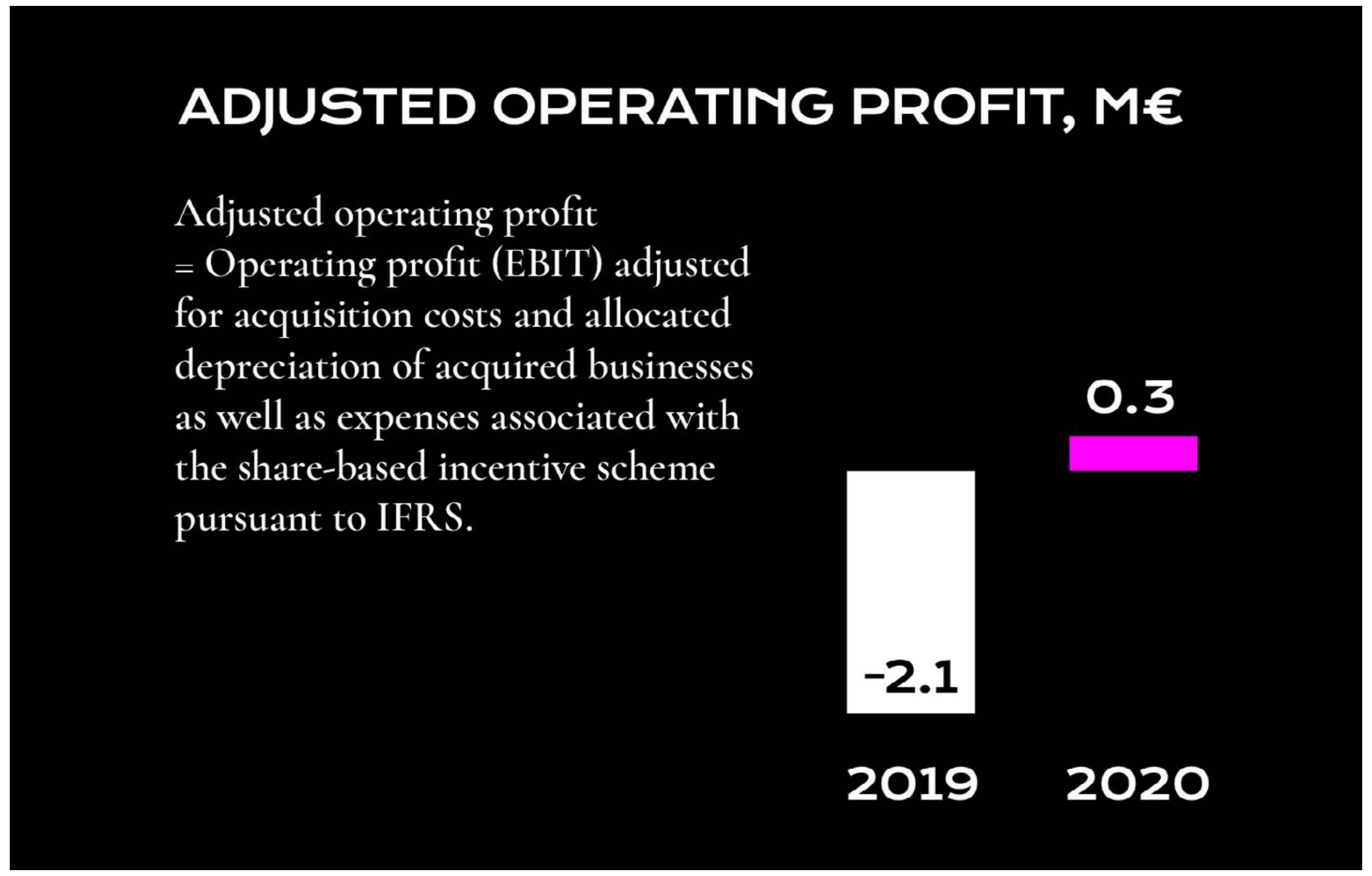
KEY FIGURE TRENDS

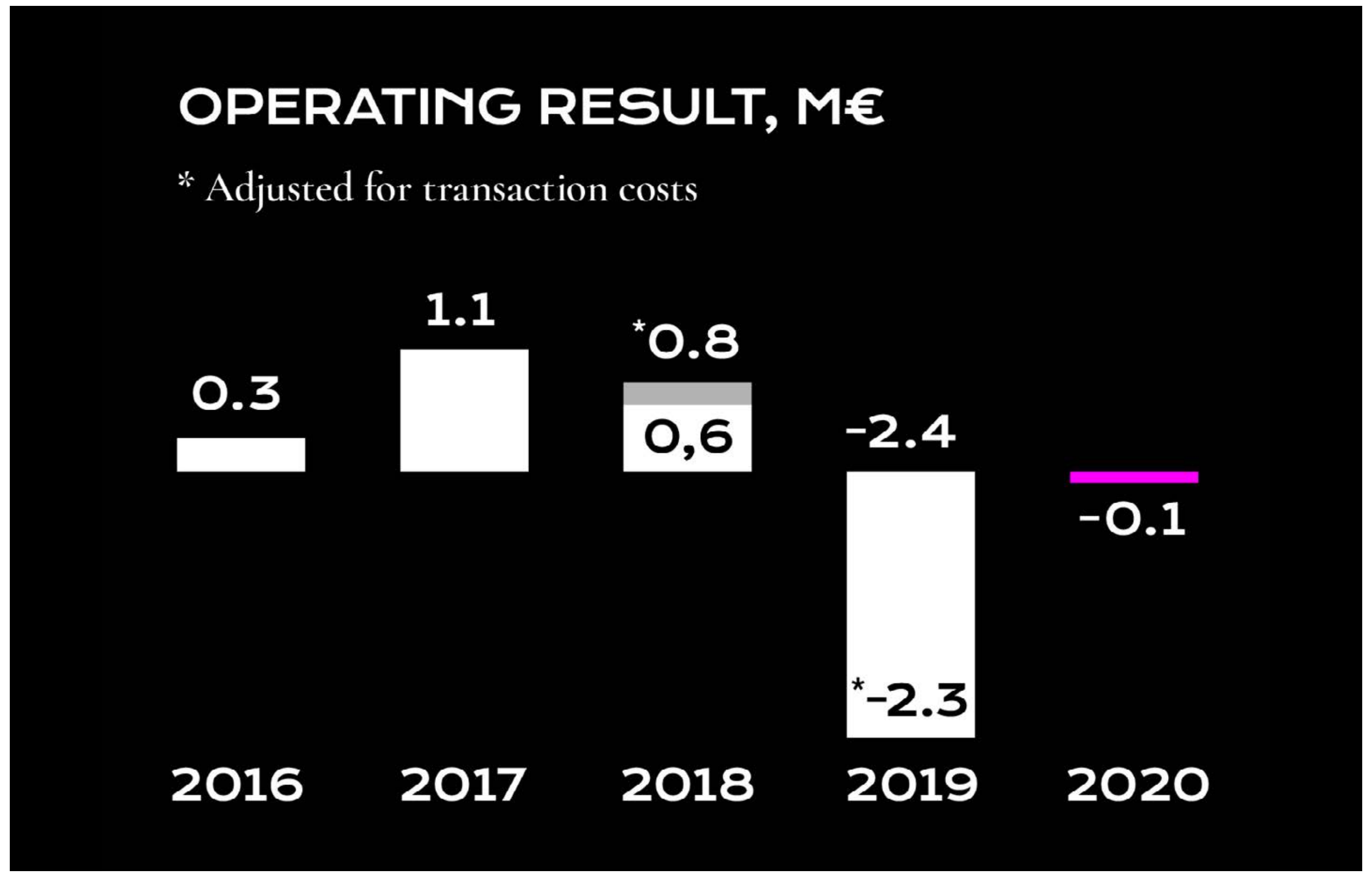




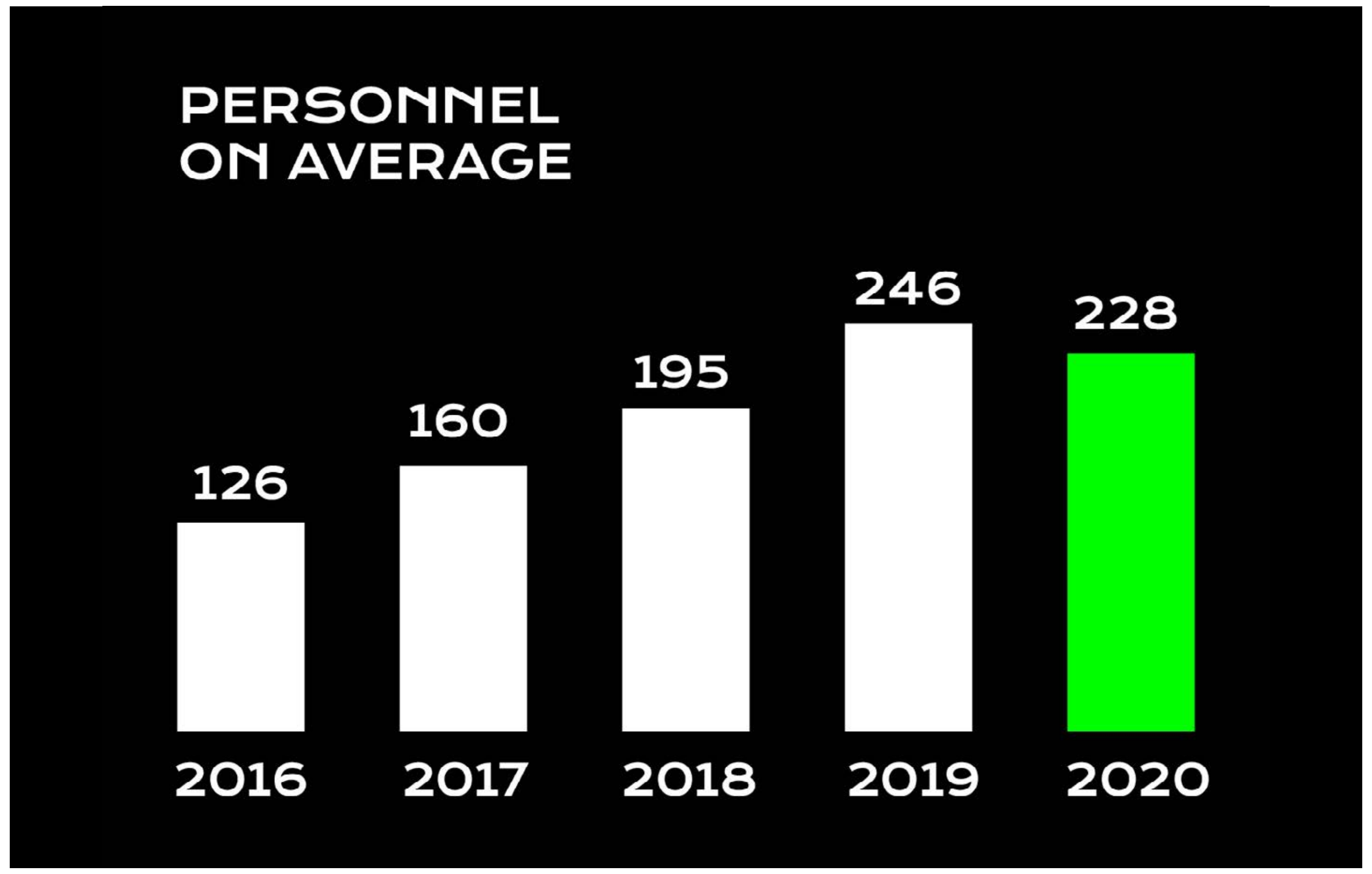


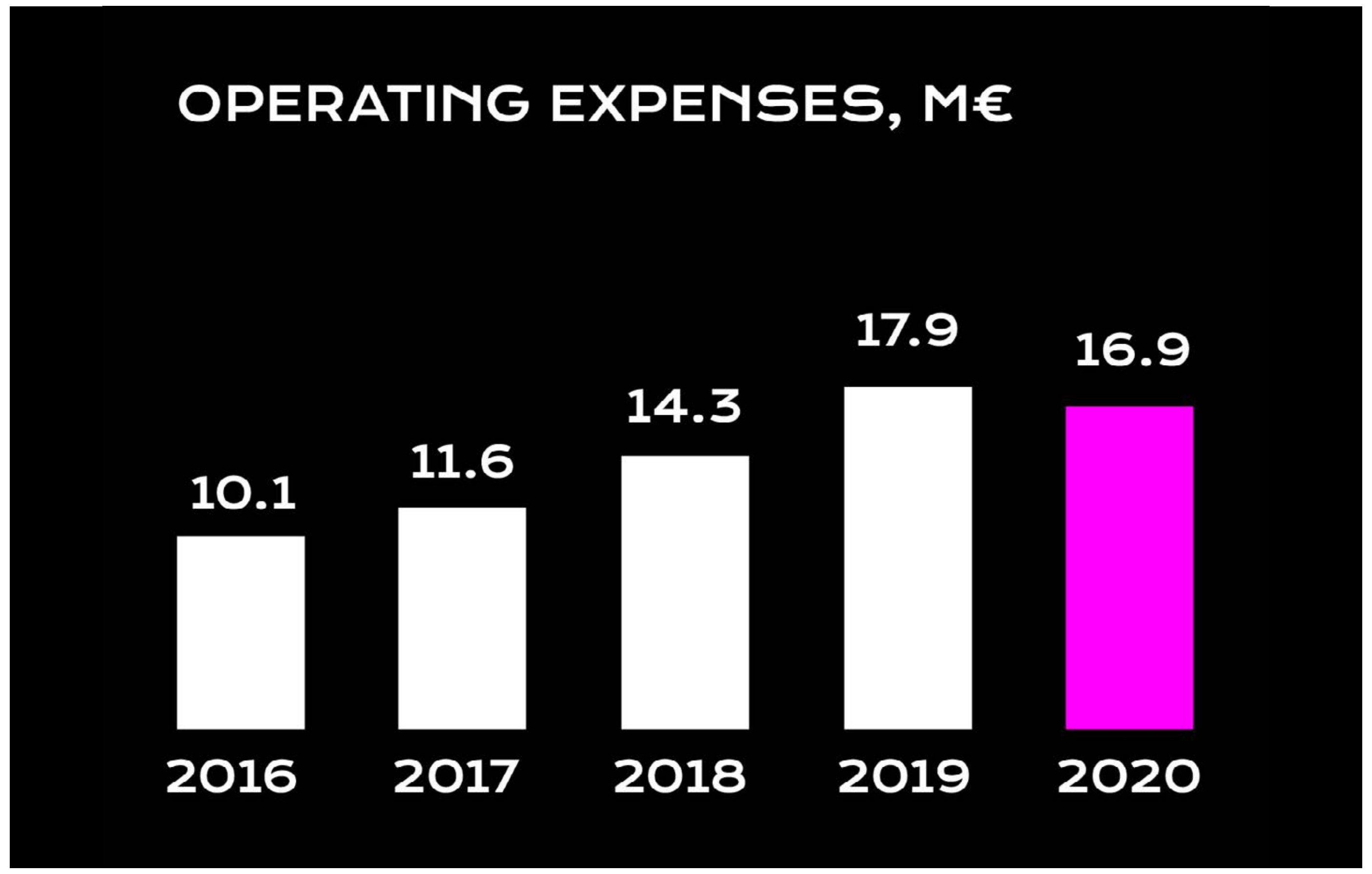


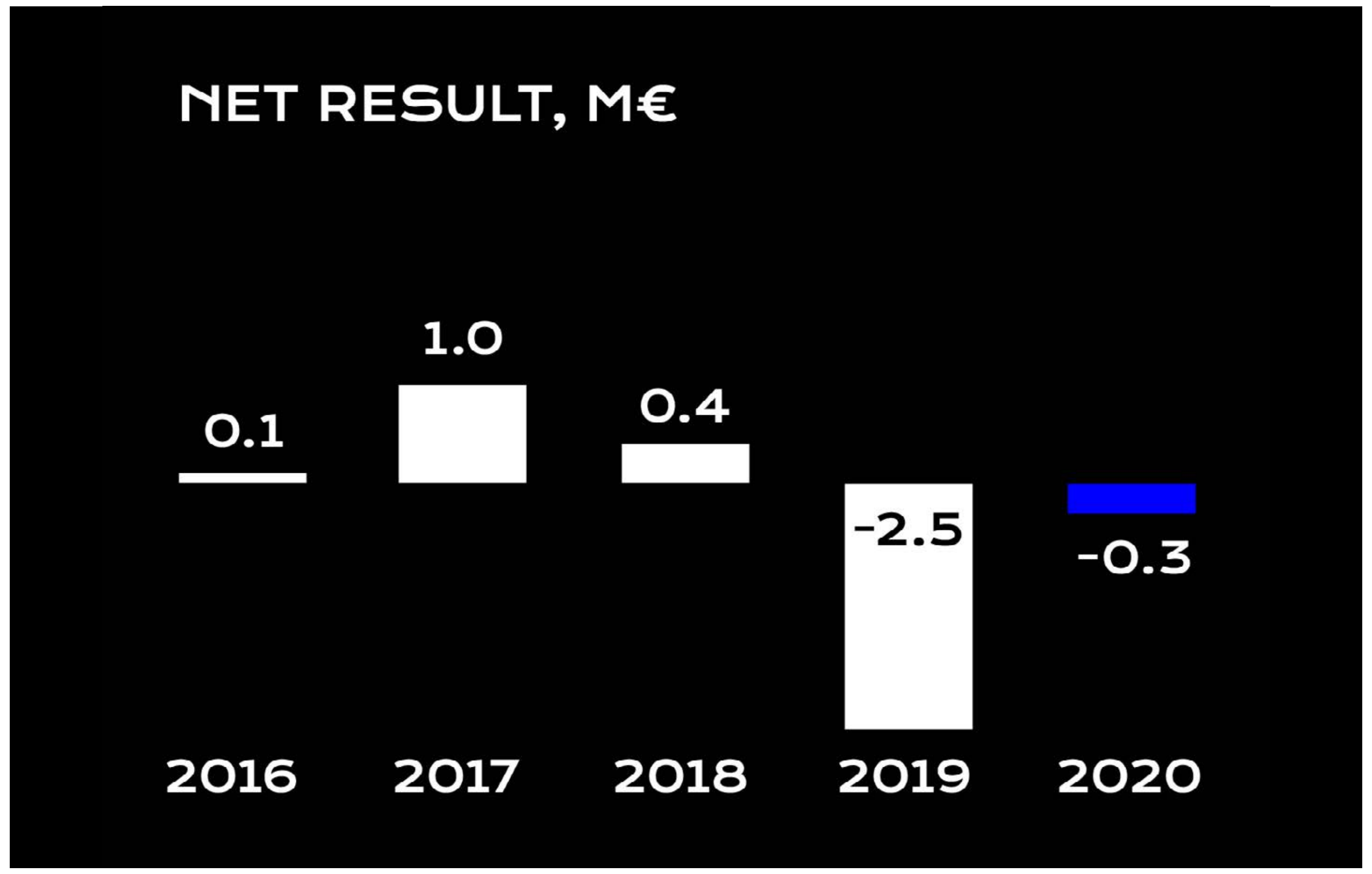


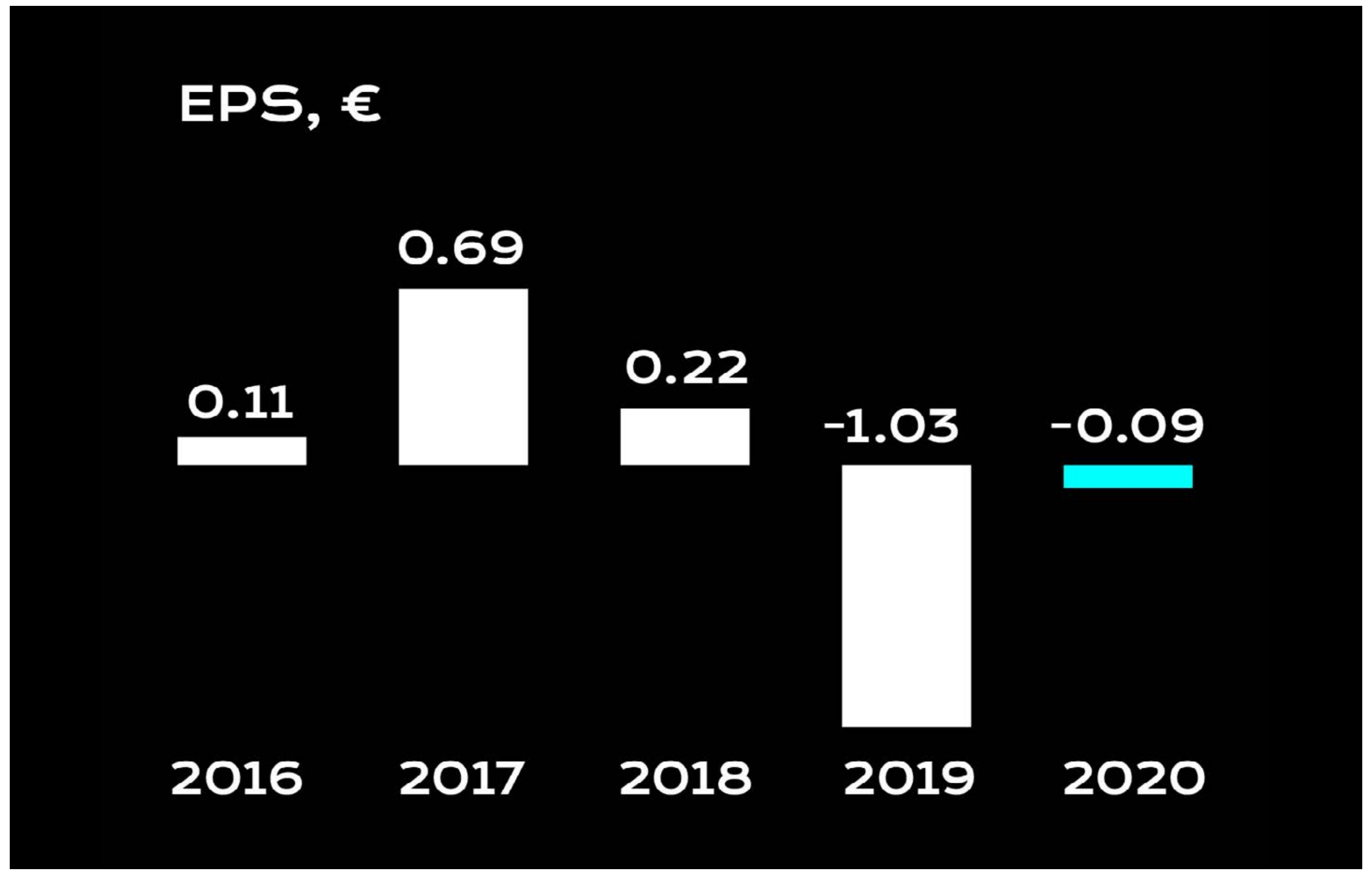


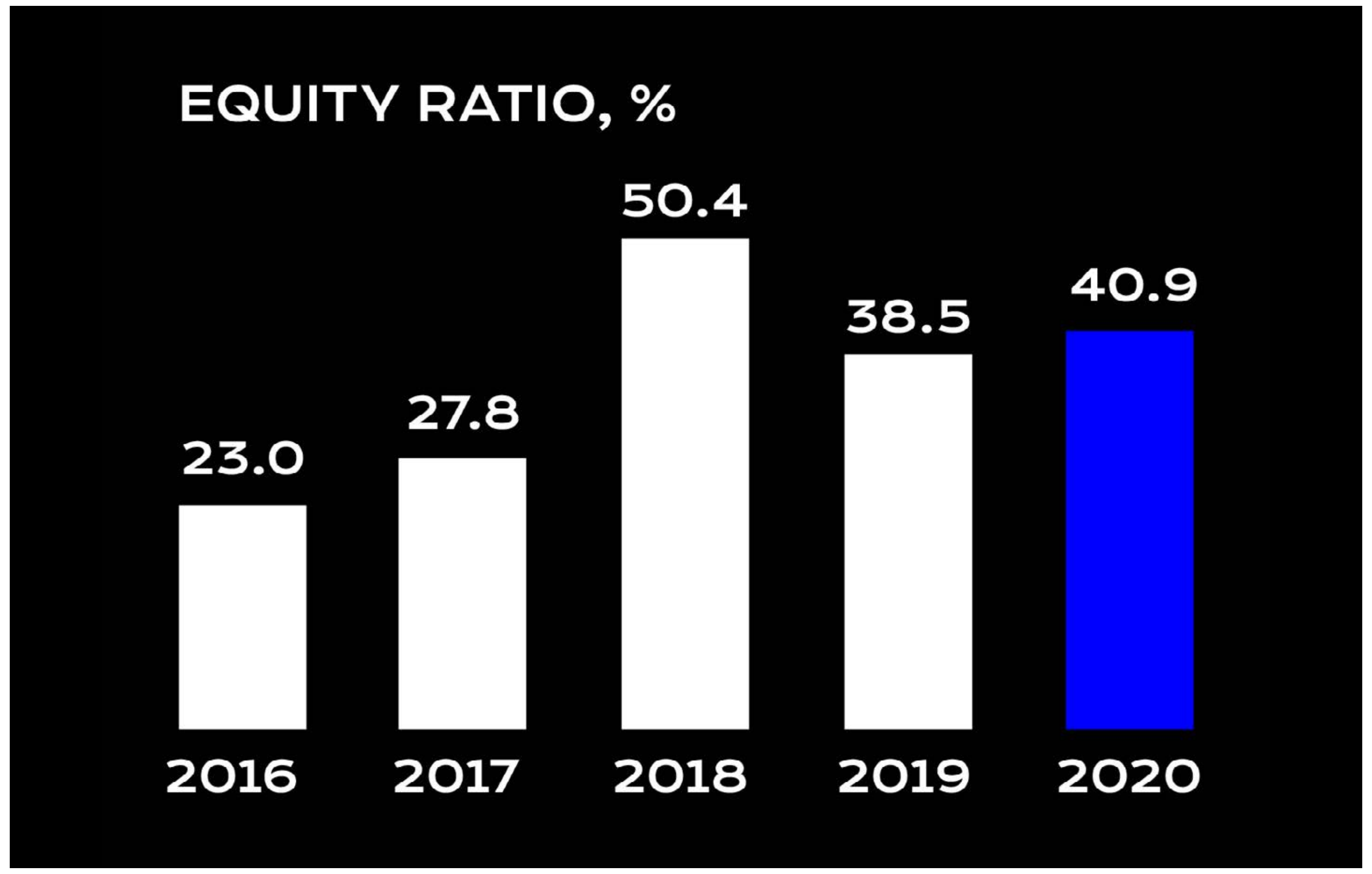
KEY FIGURE TRENDS

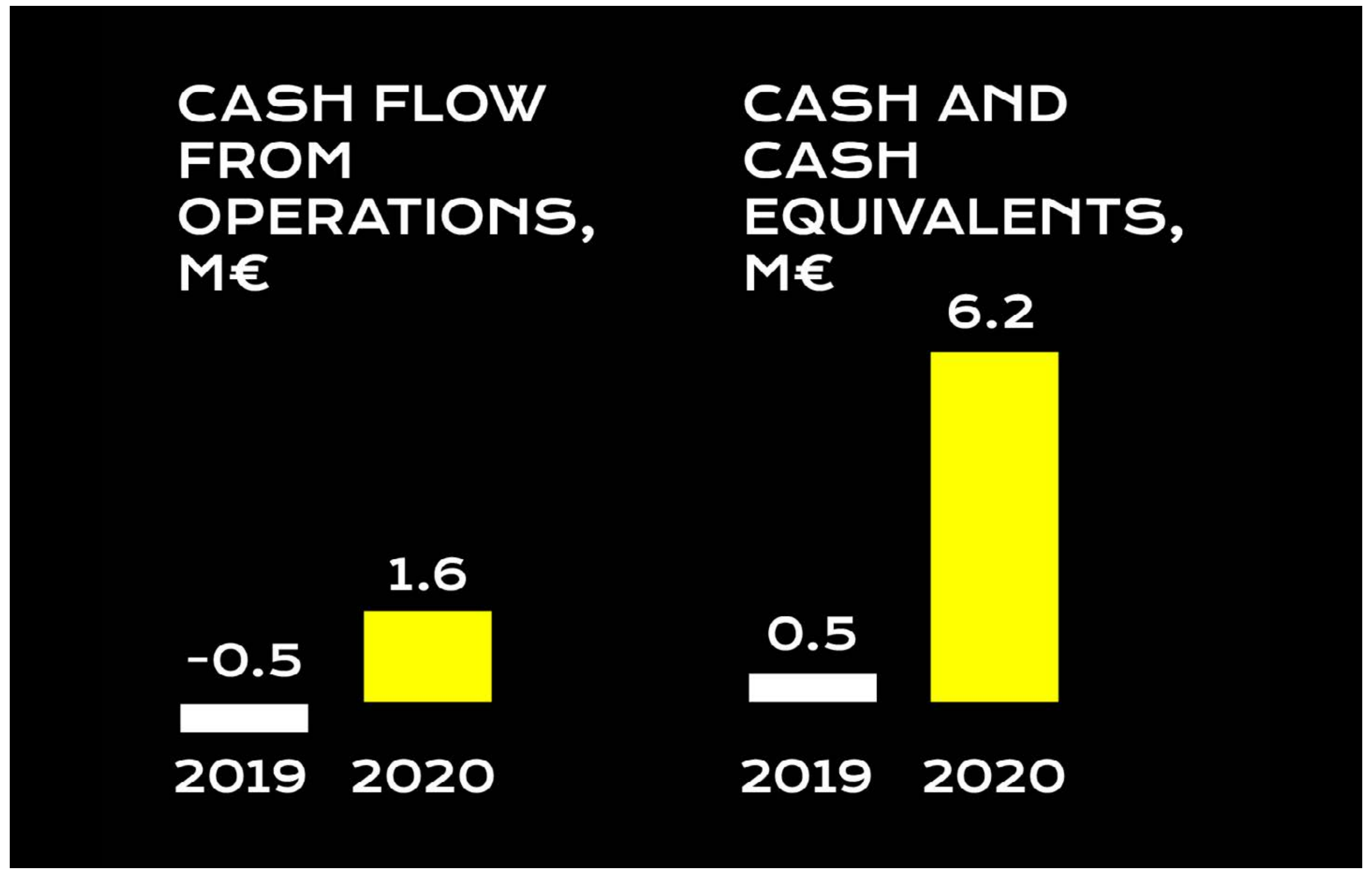












WHY INVEST IN AVIDLY?

- We have a unique business model as a holistic, impact-driven martech service provider.
- We are a technology leader with deep HubSpot expertise.
- Avidly is one of the largest and highest Elite-level companies in the world for HubSpot.
- Our growth is supported by industry trends and megatrends.
  In addition, we have recognised growth opportunities in market expansion, service expansion, and in clientele.
- We have strong competence in all areas of martech with a unique, international competence pool.
- We have a dedicated management team with a proven track record.
- We have ambitious growth and profitability targets and a clear roadmap on how to reach them.
- We have a good financial position and committed owners supporting our impact-driven growth.

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twitter.com/AvidlyI

WWW
investors.avidlyagency.com/en

REPORT OF THE BOARD OF DIRECTORS' & FINANCIAL STATEMENTS

CONTENTS

REPORT OF THE BOARD OF DIRECTORS

1 JAN–31 DEC 2020

MARKET SITUATION

According to the Business Tendency Survey (January 2021) carried out by the Confederation of Finnish Industries, service companies in the information and communications industry in Finland consider the business situation to have continued to be moderate during the early winter. Sales have increased, but expectations of sale growth for the coming months are weak. However, it seems that recovery will continue during the coming months.[1]

A total of 1,126 million euros was spent on media advertising in 2020 and the volume of advertising decreased by 11.3% year-on-year. The impact of the COVID-19 crisis on the volume of advertising was at its highest in April–May, but the situation began to normalize during the summer and autumn, and changes in advertising volume in the last months of the year were already moderate.[2]

Online advertising was the only media group to grow in 2020 (+2%). The share of online advertising increased to almost one-half of all advertising in Finland, accounting for 47%. Within online advertising, the fastest growth was seen in social media advertising (approximately 8%) and search engine advertising (approximately 5%).[3]

Group M estimates that global media advertising decreased by some 4.8% in 2020, while it is estimated to grow by 10.2% in 2021. Digital advertising accounted for some 59% of global media advertising in 2020, and it is estimated to increase by some 14% in 2021. Search engine advertising is estimated to increase by some 11% and other digital advertising by some 16% in 2021.[4]

The size of the global Martech market in 2019 was estimated to be $121.5 billion, and market growth in 2020 was forecasted at 22 percent.[5] Avidly estimates that martech's rapid growth will continue in 2021. Hubspot forecasts that its revenue will increase by over 30% in 2021. Between Q3 2014 and Q4 2020 its CARG has been 40%.[6]

According to Avidly's view, total investments in marketing in the existing markets will increase during 2021, with strong growth continuing in the martech sector in particular.

SIGNIFICANT EVENTS DURING THE REVIEW PERIOD

Cooperation negotiations to increase operational efficiency

Due to Avidly's financial loss for 2019 and need for reforming the organization, the Avidly Group commenced cooperation negotiations concerning all of the employees of Avidly Marketing Oy, Avidly Media Oy and Avidly Inbound Finland Oy and the employees in Avidly Plc's Helsinki office. As a result of the cooperation negotiations, the employment relationships of 13 employees were terminated and three employees were temporarily laid off during 2020. In addition, some employees resigned during the negotiations.

With the adjustment measures, the Avidly Group aimed at savings of approximately 1.0 million euros during 2020, the majority of which concerned the second half of the year. The non-recurring expenses associated with the adjustment measures were some 50 thousand euros in the first half of the year.

Rights issue of 2.5 million euros to strengthen the company's equity

In May, the Board of Directors of Avidly Plc decided on a directed rights issue to shareholders based on the authorization granted by the Annual General Meeting of 2020. The purpose of the issue was to strengthen the company's equity. The issue was fully subscribed, as a result of which the number of shares doubled from 2,487,502 to 4,975,004 shares.

The subscription price of the share was 1.00 euros in the issue, i.e. the total size of the issue was approximately 2.5 million euros. Non-recurring expenses associated with the issue were approximately 0.1 million euros in the first half of the year, so the net impact of the issue on equity was approximately 2.4 million euros.

1) Source: Confederation of Finnish Industries Business Tendency Survey, January 2021.
2) Source: Kantar & IAB Finland.Kantar's monthly media monitoring as well as an annual separate study, with partners from media associations.
3) Source: Kantar & IAB Finland. The figures for search engine and social media advertising are estimates by IAB Finland.
4) Source: GroupM (This Year Next Year Global End-of-Year Forecast, December 2020). The figures include political advertising in the US. Global media advertising excluding political advertising in the US decreased by 5.8% in 2020, while it is estimated to grow by 12.3% in 2021.
5) Source: BDO, WARC & Bristol University: Martech 2020 & beyond.
6) Hubspot Q4 and FY 2020 earnings release and presentations at ir.hubspot.com/news.

Financing arrangement of 2.5 millions to improve the company's liquidity

At the end of June, Avidly announced that it had agreed on long-term debt financing of 2.5 million euros with the company's current bank and two Finnish insurance companies to strengthen the company's liquidity and support growth. The financing arrangement includes a third-party guarantee.

The first instalment of the financing arrangement, 1.5 million euros, was taken out on 30 June 2020, and the second instalment at the end of 2020. The financing agreement includes terms and conditions ordinary for financing agreements, such as a covenant relating to equity ratio.

Payment of the earn-out of the NetPress GmbH acquisition and directed issue to the sellers of NetPress

Avidly Plc paid the earn-out of 357,184.72 euros to the sellers of NetPress on July 23, 2020. The earn-out was paid in full with a directed issue of 238,282 new Avidly shares without consideration, and it did not include a cash portion. The shares issued as the earn-out are subject to a limitation on disposal valid until August 29, 2021.

Furthermore, the Board of Directors decided on a targeted share issue to the sellers of NetPress, accelerating the integration process and committing the sellers of NetPress more strongly to the Avidly Group. A total of 76,718 new Avidly shares were offered in the share issue for consideration with a subscription price of EUR 1.499 per share. The total subscription price of the share issue was 115,000.00 euros.

Updated strategy and financial objectives

The Board of Directors of Avidly Plc approved the company's updated strategy on December 10, 2020. Avidly pursues impact, profitable growth and a leading position as a European martech service provider. The strategic targets approved by the Board of Directors are:

- **Most loyal customers**
- **Best place to work**
- **Thought leader**
- **Profitable growth.**

In addition, the Board of Directors approved the following financial targets for the strategy period extending to 2025:

- **Growth**
  - Annual growth of more than 10% in organic revenue, faster international growth.
  - Revenue of more than 50 million euros in 2025.
- **Profitability**
  - Positive adjusted operating profit (EBITA[1]) in 2021.
  - Adjusted operating profit (EBITA) at least 10% of revenue in 2025.
- **Dividend policy**
  - The company's aim is to use the net profit for growth and not distribute dividends until further notice.

FINANCIAL DEVELOPMENT

Revenue and gross profit

Avidly Group's revenue increased by 12.8% to 24,970 thousand euros (22,131) in 2020. Revenue increased by 6.0% in Marketing Services and by 34.0% in Inbound Services.

REVENUE BY SEGMENT

EUR 1,000	1-12 2020	1-12 2019
Marketing Services	17,725	16,723
Inbound Services	7,245	5,408
Avidly Group, total	**24,970**	**22,131**

Gross profit increased by 8.0% during the review period to 18,649 thousand euros (17,266). Gross profit grew at a slower rate than revenue, influenced by the inclusion of SOK's outsourcing agreement that expired in 2019 in the reference figures for 2019, the increase in the relative share of pass-through-invoiced media advertising from the reference year and the partnership model in use in Germany. Continuous services accounted for approximately 42 % (35%) of gross profit. Avidly signed several new continuous service agreements during the year.

GROSS PROFIT BY SEGMENT

EUR 1,000	1-12 2020	1-12 2019
Marketing Services	12,388	12,299
Inbound Services	6,262	4,967
Avidly Group, total	**18,649**	**17,266**

FINANCIAL RESULT

The Group's profit improved in 2020 following growth in revenue, increased operational efficiency and measures to adjust costs.

Employee benefit expenses decreased by 2.6% from the reference year to 13,558 thousand (13,924), while the average number of personnel decreased by 7.3%. A total of -169 thousand euros (0) of cost pursuant to IFRS associated with the share-based incentive scheme (technical, no impact on cash flow) was recognized in the Group's employee benefit expenses in the second half of the year. The Group's EBITDA improved clearly to 1,724 thousand euros (-603), or 6.9% of revenue (-2.7%).

EBITA[1] increased to 168 thousand euros (-2,195), or 0.7% of revenue (-9.9%). Considering also the expenses associated with the share-based incentive scheme pursuant to IFRS, the adjusted operating

1) EBITA = EBIT plus allocated depreciation and impairment of acquired businesses.

profit increased to 337 thousand euros (-2,065). Avidly's operating profit improved to -61 thousand euros (-2,392). Operating profit accounted for -0.2% of revenue (-10.8%) and for -0.3% (-13.9%) of gross profit. The Group's operating profit adjusted for organizational costs of acquisitions was -61 thousand euros (-2,262) in 2020.

OPERATING PROFIT BY SEGMENT

EUR 1,000	1-12 2020	1-12 2019
Marketing Services	-301	-1,301
Inbound Services	240	-1,091
Avidly Group, total	**-61**	**-2,392**

ADJUSTED OPERATING PROFIT* BY SEGMENT

EUR 1,000	1-12 2020	1-12 2019
Marketing Services	-301	-1,301
Inbound Services	240	-961
Avidly Group, total	**-61**	**-2,262**

* Avidly publishes its operating profit adjusted for acquisition costs as an alternative performance measure (APM). This alternative performance measure is not defined or specified in IFRS. Its purpose is to describe the financial development of continuous business operations and enhance comparability from period to period. In 2020, Avidly had no acquisition costs. In the reference period, acquisition costs amounted to EUR 130 thousand.

BALANCE SHEET AND FINANCIAL POSITION

On December 31, 2020, Avidly's balance sheet total was 23,935 thousand euros (18,258). The share issue and financing arrangement carried out during the review period increased the balance sheet total.

The goodwill on the balance sheet amounted to 7,687 thousand euros at the end of the review period (7,731). The change in goodwill was due to the earn-out of NetPress GmbH, acquired in 2019, being determined in more detail during the review period. The impairment tests carried out in connection with the preparation of the financial statements did not reveal any indications of the impairment of assets.

The first instalment of the financing arrangement announced in late June, 1.5 million euros, was taken out on June 30, 2020, and the second instalment of 1.0 million euros at the end of 2020, which can be seen as an increase in financial liabilities. The earn-out of 357 thousand euros relating to the NetPress GmbH acquisition completed in 2019, paid in 2020, and earn-out of 80 thousand euros relating to the acquisition of the marketing communications agency Pakkahuone completed in 2017 had an impact on the other liabilities on the balance sheet.

The Group's equity increased by 2,487,502 euros as a result of the rights issue primarily carried out during the review period and decreased due to the loss for the review period. The Group's equity totaled 9,792 thousand euros at the end of December (7,034). The equity ratio was 40.9% (38.5%) on December 31, 2020. Equity per share was 1.85 euros (2.84).

ASSETS BY SEGMENT

EUR 1,000	Dec 31, 2020	Dec 31, 2019
Marketing Services	19,172	14,897
Inbound Services	4,763	3,361
Avidly Group, total	**23,935**	**18,258**

LIABILITIES BY SEGMENT

EUR 1,000	Dec 31, 2020	Dec 31, 2019
Marketing Services	9,232	7,779
Inbound Services	4,911	3,445
Avidly Group, total	**14,143**	**11,224**

The Group's cash flow from operations was 1,611 thousand euros (-467), influenced by the significant improvement of the operating result and change of more than 300 thousand euros in working capital in particular.

Cash flow from financing was 3,933 thousand euros (3,362), and it was particularly affected by the rights issue and financing arrangements implemented during the review period.

The Group's interest-bearing net debt was -1,404 thousand euros (-4,271) and gearing 14.3% (60.7%) on December 31, 2020. If not for IFRS-compliant lease liabilities, gearing would have been -17.5% (33.1%). The non-interest bearing restructuring debt of one of the Group's subsidiaries was fully repaid in accordance with the program in 2020, and this item has, therefore, been derecognized from financial liabilities.

INVESTMENTS AND R&D EXPENSES

Avidly's cash flow from investments totaled 133 thousand euros (-5,436) in 2020. During the review period, Avidly received 100 thousand euros of funding for business development projects from Business Finland for the disruption caused by the COVID-19 pandemic. In the reference year, the adoption of IFRS 16 Leases had an impact of -2,664 thousand euros, acquisitions of -1,839 thousand euros and other investments of -933 thousand euros.

OTHER EVENTS DURING THE REVIEW PERIOD

Changes in reporting structure

The Board of Directors of Avidly Plc decided to amend Avidly's reporting practice on December 10, 2020. Avidly is discontinuing separate reporting on the Marketing Services and Inbound Services segments and will report its operations based on two geographical segments, Finland and Other countries, for the financial period starting January 1, 2021. Reference figures pursuant to the new segment reporting will be published by April 29, 2021. In addition, the company will begin to publish business reviews for the periods January 1–March 31 and January 1–September 30.

Avidly Plc's disclosure policy has been updated correspondingly, and it is available at **investors.avidlyagency.com/en/governance/disclosure-policy**

Mergers and acquisitions and changes in Group structure

Avidly did not carry out new acquisitions in 2020. During the year, the company paid the earn-out for NetPress GmbH, acquired in 2019, and the marketing communications agency Pakkahuone, acquired in 2017, to the sellers of these companies. The earn-outs were paid on account of the favorable financial development of the acquired companies.

The Group clarified its group structure and the Group's fully owned subsidiaries Avidly Nitroid Oy and Avidly Media Oy were merged into Avidly Plc as subsidiary mergers on 30 November 2020.

PARENT COMPANY

The revenue of the Group's parent company Avidly Plc for 2020 amounted to 9,314 thousand euros (7,843), operating profit to -193 thousand euros (-470) and profit for the period -280 thousand euros (-411).

At the end of December 2020, the parent company's balance sheet total was 21,202 thousand euros (14,356) and equity 12,861 thousand euros (9,899). The equity ratio was 60.7% (68.9%).

PROPOSAL OF THE BOARD OF DIRECTORS CONCERNING THE USE OF PROFITS

The Board of Directors of Avidly Plc proposes to the Annual General Meeting that no dividends be distributed for 2020.

PERSONNEL

During the financial period, the Group had an average of 228 (246) employees. At the end of the financial period, the number of employees was 223 (239). The number of personnel decreased as the result of the cooperation negotiations completed in March, among other reasons. Salaries and other remuneration paid for the financial year totaled 11,683 thousand euros (11,800), which includes a technical expense of -169 thousand euros (0) with no cash flow impact pursuant to IFRS associated with the management's long-term share-based incentive scheme.

Due to the corona pandemic, our way of operating changed significantly in 2020. We moved to operate remotely, from recruitment and induction to leadership. We also spent significant time building our corporate culture and human resources practices to best support Avidly's strategic goals in the future. The definition of personnel processes and operating methods, the specification of the targets for leadership and management, and the building of basic elements related to well-being have also created the basis for building the company of the future.

CORPORATE RESPONSIBILITY

For Avidly, sustainability means above all social responsibility, ensuring the well-being of personnel and creating an inspiring work environment that promotes creativity.

Avidly invests strongly in personnel development and well-being at work, wanting to provide its employees with an enthusiastic working community that pulls together. In conjunction with the company's strategy update in December 2020, Avidly's values were crystallized. The new values are Ambition, Respect and Courage.

Employee satisfaction is surveyed on a bi-weekly basis. According to the survey, Avidly people's satisfaction with their work and employer is at a good level. The company's eNPS was 19 on December 2020. In addition, Avidly measures customer satisfaction. Based on the results, customer satisfaction developed positively in 2020 and is at a good level.

Avidly's environmental impacts have been estimated to be minor, and they are associated with the environmental impacts of normal office-based knowledge work, such as the electricity consumption of IT hardware, printing, recycling, general energy use and travel by the personnel. In 2020, business travel decreased as a result of the COVID-19 pandemic and, therefore, the carbon footprint of business travel also decreased significantly.

Avidly works pro bono every year for the item of its choice. In 2020, the target was Planet Company, a startup that specializes in developing a community of responsible business practices. During the year, Avidly was chosen as the partner of FIBS ry, the largest corporate responsibility network in the Nordic countries, for 2021–2022. Avidly's pro bono partnership includes the implementation of the FIBS corporate responsibility survey aimed at Finnish large corporation, and Avidly will also be involved in developing corporate responsibility communications to FIBS member companies in the years to come.

Avidly is also involved in the Corporate Social Responsibility working group of the AMIN advertising agency network. In September 2020, the working group published a report on the expectations of the general public of business and brands in a situation in which climate change, inequality, COVID-19 and racial equality have emerged as symbols of a new era. The report is available here:
www.aminworldwide.com/wp-content/uploads/2020/09/AMIN-CSR-Ebook.pdf

Avidly's subsidiary Sugar Helsinki, established in 2015, is a PR office focusing on sustainable and ecological values. The competitive advantages of the customers of Sugar Helsinki are, without exceptions, based on an ecologically sustainable operating model or products

In accordance with Avidly's Impact Driven Growth strategy published in December 2020, Avidly is a growth company. Profitable growth continues to be at the core of the company's financial responsibility. Alongside it, Avidly's mission is to achieve positive change by revising the business of our customers.

Avidly plans to define during 2021 the key areas of corporate responsibility from the point of view of its own business, how they will be measured and how the company's corporate responsibility will be reported on going forward.

SHARES AND SHARE CAPITAL

The Company has a single share series. Each share confers one vote. Avidly Plc's shares are listed on the Nasdaq First North Growth Market marketplace in Helsinki under the code AVIDLY.

Trading in shares and market capitalization

In 2020, a total of 2,143,933 (369,664) Avidly shares were traded, representing approximately 54% (15%) of all shares (based on the average number of shares during the period). On the final trading day of the reporting period, the share price was EUR 3.98 (5.02). The highest quoted price during the year was EUR 5.22 (6.64) and the lowest EUR 1.10 (4.61). The market value of Avidly Plc's outstanding shares at the end of the year was 21,013 thousand euros (12,416).

Share capital, number of shares and share ownership

At the beginning of 2020, the number of Avidly shares was 2,487,502, the share capital was 322 thousand euros and the total number of shareholders was 847.

In May, the Board of Directors of Avidly Plc decided on a directed rights issue to shareholders to strengthen the company's equity based on the authorization granted by the Annual General Meeting of 2020. All of the shares offered were subscribed for in the rights issue, and the number of shares increased by 2,487,502 shares as a result of the issue. The subscription price of the share was 1.00 euros in the issue, i.e. the total size of the issue was approximately 2.5 million euros.

The Board of Directors decided on two directed share issues in July. The earn-out for the NetPress GmbH acquisition was paid in full with a directed issue of 238,282 new Avidly shares without consideration. The shares issued as the earn-out are subject to a limitation on disposal valid until August 29, 2021. The Board of Directors also decided on a targeted share issue to the sellers of NetPress, accelerating the integration process and committing the sellers of NetPress more strongly to the Avidly Group. A total of 76,718 new Avidly shares were offered in a share issue for consideration in July with a subscription price of EUR 1.499 per share. The total subscription price of the share issue was 115,000 euros, which was recognized in Avidly's invested non-restricted equity reserve.

At the end of December, the number of company shares was 5,290,004, of which 5,279,531 were outstanding. The share capital continued to be 322 thousand euros. The number of shareholders increased from the reference year to 1,243 (847).

The average number of shares during the review period was 3,954,023 (2,409,549).

Holdings of the Board of Directors and the CEO

The holdings of the Board of Directors, the CEO and the bodies they control (directly or indirectly) totaled approximately 15% (13.5%) at the end of December.

Management's share-based incentive scheme

In July, the company's Board of Directors decided to establish a new long-term share-based incentive scheme for the Group's management. The purpose of the incentive scheme is to align the goals of the shareholders and management to increase the company's long-term value, increase the commitment of the management to the company and offer them a competitive remuneration plan. The target group of the incentive scheme includes CEO Jesse Maula, CFO Hans Parvikoski and COO Ingunn Bjøru.

The incentive scheme has one earnings period (1 June 2020–31 May 2023), during which the participants of the incentive scheme can earn an investment-based reward and a performance-based reward. If the terms and conditions of the incentive scheme are met, the rewards will be paid in full as shares in the company by the end of September 2023.

The company's Board of Directors decides on whether new shares in the company, treasury shares or cash will be granted as the reward. The rewards paid based on the earnings period are a maximum of 569,580 company shares, which corresponds to a dilution effect of a maximum of 10.27 per cent if the reward is paid in full as new shares in the company.

The terms and conditions of the incentive scheme and conditions relating to the issue of the shares are described in more detail in the company release issued on July 15, 2020
investors.avidlyagency.com/en/company-news?news=70D0A1F4CE568A07

Treasury shares

The number of treasury shares held by the company decreased by a total of 3,739 shares in 2020. At the end of December, the company held 10,473 treasury shares, accounting for 0.2% of all shares and votes.

Valid authorizations

The Annual General Meeting of Avidly authorized on April 1, 2020 that, revoking prior unused authorizations, the Board of Directors to decide on the repurchase of shares in one or more tranches as proposed by the Board of Directors. The number of shares to be repurchased may be a maximum of 248,750 shares, corresponding to a maximum of approximately 10% of all shares in Avidly Plc on the date of the notice of the AGM (approximately 5% at the end of the review period). Treasury shares may only be acquired using the company's non-restricted equity and at the price determined in trading on the Nasdaq First North Growth Market marketplace maintained by Nasdaq Helsinki Ltd (Helsinki Stock Exchange) at the time of the acquisition.

The Board of Directors is authorized to decide on all of the conditions of the repurchase, including how the shares will be acquired, in other respects. The acquired treasury shares may be held by the company, cancelled or transferred. The authorization is valid until June 30, 2021. During the review period, Avidly did not repurchase shares based on this or a prior authorization.

The Annual General Meeting of April 1, 2020 also authorized the Board of Directors to decide on one or several share issues for and/or without consideration, including the right to issue new shares or transfer treasury shares held by the company or decide on option rights or other special rights entitling to shares referred to in chapter 10, section 1 of the Limited Liability Companies Act.

The maximum number of shares that can be issued under the authorization, either by issuing new shares, transferring treasury shares held by the company or by issuing option and other special rights entitling to shares referred to in chapter 10, section 1 of the Limited Liability Companies Act, is 3,700,000 shares, which corresponds to a maximum of approximately 59.8% of all shares in Avidly Plc after the shares issued and/or transferred by a decision made under the authorization and/or shares issued based on option rights and other special rights entitling to shares referred to in chapter 10, section 1 of the Limited Liability Companies Act. The authorization does not exclude the right of the Board of Directors to resolve upon directed issues of shares or option and other special rights entitling to shares as set out in chapter 10, section 1 of the Limited Liability Companies Act.

The company's Board of Directors used the authorization in May to decide on the issue of 2,487,502 new shares to shareholders in a rights issue and in July to decide on a share issue directed at the sellers of NetPress and for the management's share-based incentive scheme. At the end of December 2020, the number of shares in the unused authorization was 327,918 shares. The authorization is valid until June 30, 2021.

The resolutions of the Annual General Meeting are available in full on Avidly's website
investors.avidlyagency.com/en/company-news

CORPORATE GOVERNANCE

Annual General Meeting

Avidly's Annual General Meeting was held in Helsinki, Finland, on April 1, 2020. The AGM adopted the financial statements and consolidated financial statements for 2019 and discharged the Board members and CEO from liability for the financial year 2019.

The AGM decided in accordance with the proposal of the Board of Directors that the losses indicated by the balance sheet adopted for the financial year ended December 31, 2019 be carried over in retained earnings and that no dividends be paid from distributable assets.

The AGM elected Joakim Fagerbakk, Juha Mikkola, Ville Skogberg and Jari Tuovinen as members of the Board of Directors for a term ending at the close of the company's next Annual General Meeting. In its first meeting, the Board of Directors elected Joakim Fagerbakk as the chair of the Board.

Changes in company management

Jesse Maula, M.Soc.Sc., started as Avidly's CEO on January 1, 2020, and Hans Parvikoski, M.Sc.(Econ.) started as the company's CFO on February 1, 2020.

Jufo Peltomaa was appointed as Chief Creative Officer of Avidly Plc and member of the management team on June 16, 2020. He assumed his post on August 1, 2020.

Barbro Fagerbakk was appointed as Avidly Plc's Chief Revenue Officer and member of the management team as of October 1, 2020. As Avidly's Chief Revenue Officer, Fagerbakk is responsible for the sales of Avidly's services and solutions and their comprehensive management, coordination and development. In addition, she is responsible for coordinating Avidly's own marketing at the Group level.

In 2020, the company's management team also included Deputy CEO Ismo Nikkola, Teea Björklund, COO for Finland, and Ingunn Bjøru, COO for international operations.

Avidly's corporate governance principles are available on the company's investor site at: investors.avidlyagency.com/en/governance

CERTIFIED ADVISOR

The Company's certified advisor, as required by the Nasdaq First North Growth Market marketplace rules, has been Oaklins Merasco Oy during the accounting period.

AUDITOR

The AGM of 2020 elected Authorized Public Accountant Jari Paloniemi as the auditor of Avidly Plc and its Group and Authorized Public Accountant Veikko Terho as the deputy auditor.

BUSINESS RISKS AND UNCERTAINTIES

COVID-19

Due to the COVID-19 pandemic, the economic development of Avidly's main markets currently involves significant uncertainties. As a result of the COVID-19 pandemic, customer companies' decisions on investments can be slower or postponed, and projects can be postponed or cancelled altogether. However, Avidly is well positioned to also serve its customers during the pandemic, as remote working has not significantly affected Avidly's ability to provide services to the customer companies. Employees' safety and health play a key role in the company being able to provide services in the current disruption.

The company's management has closely monitored the impacts of the pandemic and surveyed its potential impacts on forecasts and the measurement principles of balance sheet items. Based on the management's monitoring and assessment, the COVID-19 pandemic has not had significant negative impacts on the company's business so far. According to current knowledge, the impacts do not make it necessary to adjust the long-term objectives.

Strategic risks

Avidly aims to grow faster than the market both organically and by actively concluding M&A transactions. Digitalization is currently rapidly changing the marketing communications industry. This has brought, and will continue to bring, many new, agile operators into the industry, and defining the entire industry segment has become more difficult than before. This has made competition tougher, and Avidly will need to compete even more against both the established industry operators and entirely new competitors.

Operational risks

The general market situation has a major impact on demand for marketing communications services. The company has continuously aimed to improve its cost-efficiency and financial control and, thereby, its ability to react to any changes in the market situation.

The continuing strong shift of focus in the marketing communications industry towards digital services demands that the current personnel acquire new competences and are able to rapidly renew themselves. Furthermore, it must be possible to recruit new expertise, which makes Avidly's employer brand very important.

Marketing communications projects commonly use a fixed price. Profitability requires that the projects are assessed and priced correctly. It is possible that the pricing of the projects will fail and the projects' profitability will suffer. Pricing projects focused on software is particularly challenging. Furthermore, there is increased price competition in public administration projects in particular, which may affect the profitability of the projects. With regard to outsourcing services, the service contracts signed with clients will often have a long duration, and if Avidly should fail in the negotiations and pricing related to them, this may have a negative impact on the development of profitability within Avidly.

In line with its strategy, Avidly has concluded and will continue to aim to conclude M&A transactions in order to extend the Group's service offering and grow its geographical coverage. In the longer term, Avidly aims to conclude even more M&A transactions in Europe. Concluding acquisitions outside of Finland and the Nordic countries may be more difficult than in a domestic context. There is uncertainty related to the completion of acquisition in terms of finding suitable companies and determining the correct price. The integration phase occurring after an acquisition includes the risk of the customers and personnel of the acquired companies leaving following the arrangement.

Financial risks

Avidly's total interest-bearing liabilities are approximately 7.6 million euros, of which approximately 3.1 million lease liabilities under IFRS16 Leases. Changes in reference rates do not have a material impact on Avidly's financing costs, as the majority of loans from financial institutions are hedged with an interest rate collar.

The Group's currency risk mainly consists of currency translation risk in foreign operations. Avidly's long-term financing is in euros and does not have any exchange rate risk. Avidly estimates its exchange rate risks to be minor on the closing date.

Accident and interruption insurance has been taken out in order to protect against interruptions in Avidly's business due to accidents. In order to ensure business continuity, most of Avidly's documents are also automatically backed up in a secured storage located outside of the office locations.

One of Avidly's subsidiaries has two pending interlinked disputes in the Helsinki District Court related to the termination of employment of two former employees. Avidly is not aware of any other litigation related to the Parent Company or other Avidly Group companies or risks related to measures by the authorities.

EVENTS AFTER THE END OF THE ACCOUNTING PERIOD

Transfer of management incentives

The incentive of Avidly Plc's former CEO Jyrki Vaittinen, 17,813 shares in Avidly Plc, and former CFO Mikko Marttinen's incentive of 10,000 shares in Avidly Plc were transferred to current members of the company's management team in share transactions between the buyers and sellers on January 28, 2021.

Recognitions received

Avidly reached the finals in the Vuoden Toimisto 2021 (Office of the Year 2021) in the advertising agencies with gross profit of more than 5 million euros category. The Vuoden Toimisto survey by Regi Research & Strategi is the most significant recognition in the marketing communications industry in both Finland and Sweden.

In early February, Avidly won the esteemed global partner of the year award at HubSpot's 2020 Impact Awards for the second consecutive year. The recognition received is very much in line with Avidly's crystallized strategy.

Avidly provided preliminary information on the 2020 performance

On 16 February 2021, Avidly published preliminary information for the financial development for July – December 2020 and for the full year 2020, as the company did not have financial guidance for 2020 in place. In its preliminary information, Avidly estimated that the company's revenue in July–December 2020 will increase to approximately EUR 12.0 million and operating profit to approximately EUR 0.3 million. Revenue for the full year 2020 was estimated to increase to approximately EUR 25.0 million and the operating result to be approximately EUR -0.1 million.

OUTLOOK FOR 2021

Avidly estimates that its revenue will grow in 2021 (revenue in 2020: 25.0 million euros) and that its adjusted operating result will be profitable (adjusted operating result in 2020: 0.3 million euros).

Adjusted operating result refers to operating result (EBIT) adjusted for the acquisition costs and allocated depreciation of acquired businesses as well as expense associated with the share-based incentive scheme pursuant to IFRS.

We continuously monitor the impacts of the COVID-19 pandemic on our customers' business and our demand outlook and, if necessary, will adjust our operations to match the demand.

Helsinki, March 3, 2021

AVIDLY PLC

BOARD OF DIRECTORS

CONSOLIDATED INCOME STATEMENT, IFRS

EUR 1,000	Note	Jan 1–Dec 31 2020	Jan 1–Dec 31 2019
REVENUE	2,3	24,970	22,131
Other operating income	4	258	21
Materials and services	5	-6,579	-4,886
Employee benefit expenses	6, 21	-13,558	-13,924
Depreciation and amortization	7	-1,785	-1,790
Other operating expenses	8	-3,368	-3,935
Share of profit in associated companies		0	-10
OPERATING PROFIT		-61	-2,392
Financial income and expenses	9	-339	-201
PROFIT BEFORE TAX		-400	-2,593
Income taxes	10	58	115
Profit for the period		-342	-2,478

EUR 1,000	Note	Jan 1–Dec 31 2020	Jan 1–Dec 31 2019
ATTRIBUTABLE TO:			
Parent company shareholders		-342	-2,478
Minority shareholders		0	0
EARNINGS PER SHARE CALCULATED FROM PROFIT ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS, EUR:			
Undiluted	11	-0,09	-1,03
Diluted	11	-0,08	-1,03
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, EUR 1,000			
Profit for the period		-342	-2,478
Items that may be reclassified to profit or loss in subsequent periods			
Translation differences		-38	-7
Total comprehensive profit for the period		-380	-2,485
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Parent company shareholders		-380	-2,485
Minority shareholders		0	0

CONSOLIDATED BALANCE SHEET, IFRS

EUR 1,000	Note	Dec 31 2020	Dec 31 2019
ASSETS			
Non-current assets			
Intangible rights	13	540	774
Goodwill	13, 14	7,687	7,731
Buildings	12	2,483	2,176
Machinery and equipment	12	780	1,006
Other tangible assets	12	106	83
Investments in associated companies	15	316	316
Deferred tax assets	16	525	551
Total non-current assets		12,437	12,637
Current assets			
Work in process	17	645	1,061
Accounts receivables	18	3,278	2,642
Deferred tax assets	16	388	388
Other receivables	18	463	432
Prepayments and accrued income	18	563	614
Cash and cash equivalents	19	6,161	484
Total current assets		11,498	5,621
Total assets		23,935	18,258

EUR 1,000	Note	Dec 31 2020	Dec 31 2019
EQUITY AND LIABILITIES			
Equity			
Share capital	20	322	322
Invested unrestricted equity fund	20	12,659	9,690
Retained earnings	20	-3,189	-2,978
Total equity		9,792	7,034
Non-current liabilities			
Financial liabilities	22, 24	4,316	3,243
Deferred tax liabilities	16	209	289
Total non-current liabilities		4,525	3,532
Current liabilities			
Financial liabilities	22, 24	3,249	1,512
Received advances	23	609	226
Accounts payable	23, 24	1,174	1,888
Other liabilities	23, 24	2,636	2,542
Accrued expenses and deferred income	23, 24	1,950	1,524
Total current liabilities		9,618	7,692
Total liabilities		14,143	11,224
TOTAL EQUITY AND LIABILITIES		23,935	18,258

CONSOLIDATED CASH FLOW STATEMENT, IFRS

EUR 1,000	Jan 1–Dec 31 2020	Jan 1–Dec 31 2019
CASH FLOW FROM OPERATIONS		
Operating profit	-61	-2,392
Adjustments to operating profit	1,890	1,790
Change in working capital	-6	337
Received financial income	18	17
Financial expenses paid	-233	-218
Taxes paid	3	-1
Cash flow from operations	1,611	-467
CASH FLOW FROM INVESTMENTS		
Investments in tangible and intangible assets	133	-3,597
Business acquisitions	-	-1,839
Cash flow from investments	133	-5,436

EUR 1,000	Jan 1–Dec 31 2020	Jan 1–Dec 31 2019
CASH FLOW FROM FINANCING		
Business acquisitions	-80	372
Changes in short-term loans	1,737	1,062
Changes in long-term loans	1,073	2,671
Dividends	-	-188
Sale of treasury shares	10	29
Share issue	2,592	688
Lease payments	-1,399	-1,271
Cash flow from financing	3,933	3,362
TOTAL CASH FLOWS	5,677	-2,541
Changes in cash and cash equivalents	5,677	-2,541
Cash and cash equivalents at 1 Jan	484	3,025
Cash and cash equivalents at 31 Dec	6,161	484

CHANGES IN CONSOLIDATED EQUITY, IFRS

EUR 1,000	Share capital	Invested unrestricted equity fund	Retained earnings	Total
EQUITY AT 1 JANUARY 2019	322	8,338	-305	8,355
Share issue		1,323		1,323
Dividends			-188	-188
Transfer of treasury shares		29		29
Translation difference			-7	-7
Profit for the period			-2,478	-2,478
EQUITY AT 31 DECEMBER 2019	322	9,690	-2,978	7,034

EUR 1,000	Share capital	Invested unrestricted equity fund	Retained earnings	Total
EQUITY AT 1 JANUARY 2020	322	9,690	-2,978	7,034
Share issue		2,959		2,959
Transfer of treasury shares		10		10
Share-based incentive program			169	169
Translation difference			-38	-38
Profit for the period			-342	-342
EQUITY AT 31 DECEMBER 2020	322	12,659	-3,189	9,792

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

BASIC INFORMATION ON THE GROUP

Avidly is a leading martech service provider listed on the Nasdaq First North Growth Market marketplace in Helsinki. We offer holistic digital marketing and sales services and customer experience, data and technology are closely entwined into our impact-driven growth strategy. We are a team of approximately 230 persons in 16 locations in Finland, Sweden, Norway, Denmark and Germany.

The group's parent company is Avidly Plc. The parent company's domicile is Helsinki, its country of incorporation is Finland and its registered address is Konepajankuja 1, 00510 Helsinki, Finland.

A copy of the consolidated financial statements is available at Konepajankuja 1, 00510 Helsinki, Finland. Avidly Plc's Board of Directors has approved these financial statements for publication in its meeting on 3 March, 2021. Pursuant to the Finnish Limited Liability Companies Act, shareholders may approve or reject the financial statements in a General Meeting held following their publication. The General Meeting may decide on amending the financial statements.

Accounting policies

The consolidated financial statements are drawn up according to the International Financial Reporting Standards (IFRS), and the IAS and IFRS standards and SIC and IFRIC interpretations in force as of 31 December 2020 have been used during their preparation. In the Finnish Accounting Act and the regulations issued based on it, the International Financial Reporting Standards refer to the standards approved for application within the EU according to the procedure decreed in EU Regulation no. 1606/2002. The notes to the consolidated financial statements are also in line with the Finnish accounting and company legislation that supplements the IFRS regulations.

Unless otherwise stated in these accounting policies, the consolidated financial statements are based on historical cost.

The financial statements are presented in thousands of euros.

The consolidated financial statements utilize the exemptions available for first-time adopters in the IFRS 1 standard for business acquisitions prior to 1 January 2015. Any other exemptions allowed by the IFRS 1 standard have not been applied.

POLICIES REQUIRING MANAGEMENT JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements pursuant to the IFRS standards requires certain estimates and judgments from the group management. Furthermore, judgment is required in the application of the accounting policies and in the preparation of estimates for depreciation periods and impairment tests, for example.

The estimates made during the preparation of the financial statements are based on the management's best available outlook on the final date of the reporting period. The estimates are based on earlier experience as well as assumptions concerning the future that are considered to be the most likely at the time of the closing of the accounts. Any changes in the estimates or assumptions are entered in the accounting records for the accounting period during which the estimate or assumption is adjusted, and for all accounting periods following it.

In Avidly group, the key assumptions concerning the future and the key sources of estimation uncertainty on the date of the financial statements are related to the determination of fair value of the assets and liabilities of acquired businesses, the allocation of acquisition cost to unrecognized assets of the acquired company, and the impairment testing of goodwill and intangible assets with an unlimited useful life. The valuation of inventories involves estimates and judgment especially as regards the obsolescence of inventories.

Each year, the group performs impairment tests on goodwill and those intangible assets with an unlimited useful life, and estimates any indications of impairment. The recoverable amounts from units generating cash flow have been determined using calculations based on value in use. Preparing these calculations requires using estimates. Additional information regarding the sensitivity of the recoverable amount to changes in the assumptions is available in note 13, "Intangible assets".

Share-based payments include discretion especially related to the estimation of the amount of the shares, which are assumed to be vested at the end of the performance period.

CONSOLIDATION PRINCIPLES

Policies for preparation of the consolidated financial statements

Subsidiaries are companies that the group has control over. Control is created when the group, by participating in an entity, is exposed to the entity's variable profit or is entitled to partake in its variable profit, and it is able to affect the said profit by exercising its control over the entity.

The acquisition method has been used to eliminate share ownership between group companies. The transferred consideration and the acquired company's identifiable assets and liabilities have been recognized at fair value at the time of acquisition. Costs related to the acquisition have been recognized as expenses. The consideration transferred does not include transactions that are treated separately from the purchase. These are usually recognized in profit or loss. Any possible contingent purchase price is valued at fair value at the time of acquisition, and it is classified as either liability or equity. A contingent purchase price classified as a liability is valued at fair value at the end of each reporting period, and the resulting profit or loss is recognized in profit or loss. A contingent purchase price classified as equity is not valued again. Any possible non-controlling interests in the object of the acquisition are recognized either at fair value or at an amount corresponding to the non-controlling interests' proportional share of the object's identifiable net assets. The recognition principle is defined separately for each business acquisition. The treatment of goodwill resulting from the purchase of subsidiaries is described in the section titled "Goodwill".

Acquired subsidiaries are included in the consolidated financial statements from the moment the group gains control, and transferred subsidiaries are included up to the moment the control ceases to exist. Any business transactions between group companies, receivables, liabilities and unrealized gains as well as the internal distribution of profits are eliminated when the consolidated financial statements are prepared. Unrealized losses are not eliminated if the loss is due to impairment. Changes in the Parent Company's ownership interest in the subsidiary that do not lead to loss of control are treated as business transactions concerning equity.

Associated companies are companies that the group has significant influence over. Significant influence is generally established when the group owns more than 20% of the votes in the company or when the group otherwise has significant influence but no control.

Associated companies are consolidated into the consolidated financial statements by means of the equity method. If the group's share of the losses of an associate exceed the investment's book value, the investment is recorded at zero value and losses exceeding book value are not consolidated unless the group is committed to fulfilling the obligations of associates. Investments in associates include the goodwill created by the acquisition. Unrealized gains and losses between the group and the associate have been eliminated in proportion to the group's ownership interest. Unrealized losses are not eliminated if the business transaction points toward the impairment of the transferred asset. The share of profit in an associated company, proportional to the group's ownership interest, is presented prior to operating profit. Correspondingly, the group's share of any changes recognized under other items in the associated companies' comprehensive income is recognized under other items in the group's comprehensive statement of income. The group's associated companies have had no such items during the accounting periods 2015–2020.

Avidly group does not have any joint ventures.

SEGMENT INFORMATION

Group reports two segments, Marketing Services and Inbound Services.

CONVERSION OF ITEMS DENOMINATED IN A FOREIGN CURRENCY

The consolidated financial statements are presented in euros, which is the operation and presentation currency of the group's parent entity.

Receivables and liabilities are converted at the closing rate. Exchange differences caused by the conversion are recognized in profit or loss.

REVENUE RECOGNITION POLICIES AND REVENUE

Income from the sales of products and services, adjusted for indirect taxes and discounts, is presented as revenue.

Revenue is recognized when the service has been rendered and the control has been transferred to the customer. The control is transferred when the group is entitled to receive payment from the service, the risks and benefits are transferred to the customer, and the customer has approved the service.

OTHER OPERATING INCOME

Other operating income includes, for example, profit from the sales of fixed assets and income from the transfer of business operations.

EMPLOYEE BENEFITS

Pension plans are classified as defined benefit plans and defined contribution plans. Avidly's statutory and voluntary pension plans are defined contribution plans.

The pension insurance fees for defined contribution pension plans are paid to the pension insurance company. Payments into defined contribution plans are recognized as expenses in the income statement for the accounting period that it concerns.

SHARE-BASED PAYMENTS

The group has incentive plans where the payments are being performed as equity instruments.

The granted benefits of the plan are valued at fair value on the reporting date and recognized as an expense in the income statement during the contractual life. The impact on the profit and loss is presented in the employee benefit expenses.

The determined expense of the shares on the reporting date is based on the group's estimate of the number of shares that are assumed to be allocated at the end of the contractual life. The group updates the estimate on the final number of the assumed shares on each reporting date. The changes in the assumptions are recognized in the income statement and retained earnings in the group's equity.

Additional information on the share-based payments are presented in the Note 21 "Share-based payments".

OPERATING PROFIT

The group has defined operating profit as follows: operating profit is the net sum received from revenue added by other operating income and subtracted by costs from materials and services adjusted for inventory changes, employee benefit expenses, depreciations and any possible impairment losses, other operating expenses, and share of profit in associated companies. All other income statement items than those listed above are presented below the operating profit.

INCOME TAXES

The income taxes in the consolidated income statement consist of current and deferred taxes. Taxes are recognized in profit or loss, except for when they are directly related to items recognized as equity or other items in the comprehensive income statement. In this case, the tax is also recognized under these items.

Deferred taxes are calculated from the temporary differences between book value and the tax base. The largest temporary differences arise from the treatment of finance leases and the amortization differences between sales recognition and incomplete work. No deferred tax is recognized for goodwill impairment that is not tax deductible. Deferred taxes are calculated using tax rates that have been enacted or substantively enacted by the date of the financial statements.

Deferred tax assets are recognized up to an amount of probable future taxable income against which the deferred tax assets can be utilized; this approach has been applied in the calculation of deferred tax assets from losses confirmed in taxation. Deferred tax liabilities are recognized in full.

The group will subtract deferred tax assets from deferred tax liabilities in cases where the group has a legally enforceable right to settle current tax assets and liabilities and the deferred tax assets and liabilities are related to income taxes collected by the same recipient, from either the same taxpayer or different taxpayers who aim to settle the current tax assets and liabilities or realize the receivables and pay off the liabilities contemporaneously.

TANGIBLE ASSETS

Tangible assets are valued at acquisition cost deducted by accrued depreciations and impairment losses. Acquisition cost includes costs directly resulting from the purchase of tangible assets. Other expenses, such as normal maintenance and repair, are recognized as costs in the income statement.

Tangible assets consist of machinery and equipment. A straight-line method of depreciation is used accounting to the useful life of 3–5 years.

INTANGIBLE ASSETS

Goodwill

Goodwill created from business acquisitions is recognized at the amount by which the total sum of the transferred consideration, non-controlling interests in the object of purchase, and the previously owned share exceed the fair value of the acquired net assets.

According to the Finnish financial reporting framework, goodwill is calculated as the difference of the purchase price and the subsidiary's equity, and registered to those subsidiary assets that are considered to be the cause of the difference. In IFRS financial statements, the identifiable assets and liabilities of the acquired subsidiary are valued at fair value on the date of acquisition, which will usually reduce the portion of goodwill. The consolidated financial statements retroactively apply the IFRS 3 standard. Pursuant to the requirement in IFRS 1, all goodwill is tested for impairment at the time of transition. The test did not lead to recognition of impairment in the IFRS balance sheet.

Other intangible assets

In business acquisition, a part of the difference between the purchase price and the subsidiaries' equity is registered to customer relationships for which a 5-year straight-line depreciation is used.

IMPAIRMENTS

The book values of assets are regularly assessed in order to detect any possible signs of impairment. If signs of impairment are observed, the recoverable amount for the asset is determined. Goodwill is registered to cash generating units. It is tested for impairment annually. Impairment loss is generated if the book value of an asset or cash-generating unit exceeds the asset's recoverable amount.

Impairment loss is registered in the income statement. Impairment loss from a cash-generating unit is primarily registered as a reduction of goodwill for the cash-generating unit and secondarily as a reduction of other assets in the unit on a pro rata basis.

The recoverable amount from intangible and tangible assets is defined as either the fair value less costs to sell or the value in use, whichever is higher. When determining value in use, the estimated future cash flows are discounted to present value using discount rates that depict the average capital cost before tax for the cash-generating unit in question. Impairment loss related to tangible assets and other intangible assets, except goodwill, is reversed if the estimates used when determining the asset's recoverable amount have changed. Impairment loss is reversed at most up to the amount that would have been determined as the book value for the asset if no impairment loss had been registered in previous years.

LEASES

Avidly group applies IFRS 16 Leases -standard. As a result, non-cancellable leases are recognized in the group's balance sheet. Rental expenses included in the income statement's other operating expenses are replaced by interest expenses and depreciation.

INVENTORIES

Inventories consist of work in process that is valued under variable expenses in a manner where the value of the work in process does not exceed the net realizable value available from it. Net realizable value is the estimated selling price for the inventories received during ordinary course of business, deducted by the estimated costs for completion and the estimated necessary selling costs.

ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets held for sale and asset related to discontinued operations are valued pursuant to the IFRS 5 standard at book value or fair value, whichever is lower, deducted by the estimated selling costs. Once an asset has been classified as a non-current asset held for sale or a disposal group, no depreciation is made. Non-current assets classified as held for sale and assets included in the disposal group are presented as separate items in the balance sheet. Debt related to a disposal group is also presented as a separate item in the balance sheet.

A discontinued operation is a component of the group that has been disposed of or classified as held for sale and that meets the classification criteria for a discontinued operation pursuant to IFRS 5. Earnings from discontinued operations are presented as a separate item in the consolidated statement of comprehensive income.

On the date of the financial statements, the group has no discontinued operations or non-current assets held for sale pursuant to IFRS 5.

ACCOUNTS RECEIVABLE

Accounts receivable are valued at acquisition cost, and receivables from which no future profit is expected are registered as impairment. Based on the available information, the company's management assesses the client's ability to fulfil its responsibilities and, if it appears probable that the entire sum cannot be collected, estimates the amount of credit loss.

FINANCIAL INSTRUMENTS

Group's financial instruments are valued and classified according to IFRS 9 standard in the following groups: financial instruments at amortized cost, financial instruments at fair value through comprehensive income statement, and financial instruments at fair value through profit and loss. The financial instruments are classified based on targets related to the business model and the contractual cash flow nature at the original trade date. Financial instruments at fair value through profit and loss includes contingent purchase price receivables and derivative financial instruments.

Contingent purchase price receivables are recorded in business acquisitions. Purchase price receivables and derivative financial instruments are recorded at fair value in balance sheet on the trade date and revalued at the end of the accounting period. Changes in the contingent purchase price receivables is recorded in financial items in income statement. The valuation of contingent purchase price receivables and contingent considerations is based on estimated discounted values of corresponding cash flows. The valuation is done on each reporting day based on the conditions set in purchase agreement. Management estimates the fulfillment of conditions on each reporting day.

Financial instruments valued at amortized cost include account receivables and other receivables. According to IAS 39, these items were included in item 'loans and other receivables'. Account receivables and contractual assets are written off from balance sheet as final credit loss when no payment within reason can be expected. Indications on no payment being expected include significant financial difficulties of debtor, likelihood of bankrupt, nonpayment of bills or late payments of over 180 days. Impairment loss related to account receivables and contractual assets are presented in other operating expenses in income statement. Shares in unlisted companies are classified as financial instruments at fair value through comprehensive income statement and the profit or loss related to the changes in fair value is recorded in other items of comprehensive income statement and are not recognized in profit or loss when sold. The dividends from these shares are recorded in financial income when the group is entitled to a dividend.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash, and that are subject to an insignificant risk of change in value.

PROVISIONS AND CONTINGENT LIABILITIES

Provisions are entered in the balance sheet when the group has, as a consequence of a past event, a present legal or constructive obligation, it is probable that meeting the obligation will require a payment or cause a financial loss, and the amount of the obligation can be reliably assessed. Provisions may be related to restructuring of operations, onerous contracts, litigation, and tax risks. A contingent liability presented in the notes is either a potential obligation generated as a consequence of past events whose realization is uncertain, or a present obligation that will probably not require making a payment or the amount of which cannot be reliably determined.

APPLIED NEW AND AMENDED STANDARDS AND INTERPRETATIONS

No such new or amended standards and interpretations came into force in 2020 that would have had an impact on Avidly group's accounting policies.

NEW AND RENEWED STANDARDS AND INTERPRETATIONS TO BE APPLIED LATER

On the reporting date, the group has not identified any such new or renewed standards and interpretations that would have an impact on Avidly group's accounting policies.

2. SEGMENT REPORTING

Group reports two segments, Marketing Services and Inbound Services

EUR 1,000	1–12 2020	1–12 2019
REVENUE BY SEGMENT		
Marketing Services	17,725	16,723
Inbound Services	7,245	5,408
Avidly Group, Total	24,970	22,131
GROSS PROFIT BY SEGMENT		
Marketing Services	12,388	12,299
Inbound Services	6,262	4,967
Avidly Group, Total	18,649	17,266
OPERATING PROFIT BY SEGMENT		
Marketing Services	-301	-1,301
Inbound Services	240	-1,091
Avidly Group, Total	-61	-2,392
ADJUSTED OPERATING PROFIT* BY SEGMENT		
Marketing Services	-301	-1,301
Inbound Services	240	-961
Avidly Group, Total	-61	-2,262

EUR 1,000	Dec 31, 2020	Dec 31, 2019
ASSETS BY SEGMENT		
Marketing Services	19,172	14,897
Inbound Services	4,763	3,361
Avidly Group, Total	23,935	18,258
LIABILITIES BY SEGMENT		
Marketing Services	9,232	7,779
Inbound Services	4,911	3,445
Avidly Group, Total	14,143	11,224

* Avidly publishes its operating profit adjusted for acquisition costs as an alternative performance measure (APM). This alternative performance measure is not defined or specified in IFRS. Its purpose is to describe the financial development of continuous business operations and enhance comparability from period to period. In 2020, Avidly had no acquisition costs. In the reference period, acquisition costs amounted to EUR 130 thousand.

3. REVENUE

EUR 1,000	2020	2019
Finland	19,343	18,202
Other countries	5,627	3,929
Total	24,970	22,131

4. OTHER OPERATING INCOME

EUR 1,000	2020	2019
Profit from the sale of fixed assets	0	12
Rental income	0	0
Other income	258	9
Total	258	21

5. MATERIALS AND SERVICES

EUR 1,000	2020	2019
Purchases during the accounting period	4,341	3,338
Changes in inventory	395	-145
External services	1,843	1,693
Total	6,579	4,886

6. EMPLOYEE BENEFIT EXPENSES

EUR 1,000	2020	2019
Salaries	11,683	11,800
Pension expenses, defined contribution plan	1,445	1,842
Other employee benefit expenses	430	282
Total	13,558	13,924
Average number of group personnel during the accounting period	228	246

Salaries include in total of 169 thousand euros of shared-based incentive related IFRS-bookings (not cash flow related). More details are presented in the Note 21. Share-based payments.

Information regarding the management's employee benefits is presented in note 26. Related party transactions

7. DEPRECIATIONS AND AMORTIZATIONS

EUR 1,000	2020	2019
Intangible assets	325	235
Finance lease + rental properties	1,403	1,500
Other tangible assets	57	55
Total	1,785	1,790

8. OTHER OPERATING EXPENSES

EUR 1,000	2020	2019
Expenses of premises	437	378
Expenses of acquisitions	0	130
Other expenses	2,931	3,427
Total	3,368	3,935

AUDITOR'S FEES

EUR 1,000	2020	2019
Statutory Audit	61	55
Other services	25	10
Total	86	65

9. FINANCIAL INCOME AND EXPENSXES

FINANCIAL INCOME

EUR 1,000	2020	2019
Interest income from others	26	17
Total	26	17

FINANCIAL EXPENSES

EUR 1,000	2020	2019
Interest expenses for financial liabilities valued at amortized cost	107	87
Other financial expenses	258	131
Change in contingent purchase price	0	0
Total	365	218

10. INCOME TAXES

EUR 1,000	2020	2019
Tax based on taxable income from accounting period	0	2
Prior accounting periods taxes	-3	0
Deferred taxes:		
Created and reversed temporary differences	-55	-117
Total	-58	-115

RECONCILIATION OF THE TAX EXPENSE RECOGNIZED IN THE CONSOLIDATED STATEMENT OF INCOME AND INCOME TAXES CALCULATED AT THE FINNISH STATUTORY TAX RATE 20%

EUR 1,000	2020	2019
Profit before tax	-400	-2,593
Income taxes at current tax rate	-80	-519
Unbooked tax receivable based on the profit for the period	22	404
Booking of unused confirmed losses	0	0
Total	-58	-115

11. EARNINGS PER SHARE

EUR 1,000	2020	2019
Profit for the period attributable to parent company shareholders	-342	-2478
Profit for the period attributable to parent company shareholders in order to calculate earnings per share, continuing operations	-342	-2478
Number of shares, weighted average during accounting the period	3,954,023	2,409,549
Undiluted earnings per share, continuing operations	-0.09	-1.03

12. TANGIBLE ASSETS

2020 EUR 1,000	Machinery and equipment	Other tangible assets	Buildings	Total
Acquisition cost at 1 Jan	2,576	83	3,105	5,764
Additions	145	23	1,396	1,564
Deductions	0	0	0	0
Acquisition cost at 31 Dec	2,721	106	4,501	7,328
Accumulated depreciations and impairment at 1 Jan	-1,570	0	-929	-2,499
Depreciation	-371	0	-1,089	-1,460
Accumulated depreciation from deductions	0	0	0	0
Accumulated depreciations and impairment at 31 Dec	-1,941	0	-2,018	-3,959
Book value at Jan 1 2020	1,006	83	2,176	3,265
Book value at 31 Dec 2020	780	106	2,483	3,369

2019 EUR 1,000	Machinery and equipment	Other tangible assets	Buildings	Total
Acquisition cost at 1 Jan	1,969	13	2,644	4,626
Additions	607	70	461	1,138
Deductions	0	0	0	0
Acquisition cost at 31 Dec	2,576	83	3,105	5,764
Accumulated depreciations and impairment at 1 Jan	-944	0	0	-944
Depreciation and amortization	-626	0	-929	-1,555
Accumulated depreciations and impairment at 31 Dec	-1,570	0	-929	-2,499
Book value at Jan 1 2019	1,025	13	2,644	3,682
Book value at 31 Dec 2019	1,006	83	2,176	3,265

13. INTANGIBLE ASSETS

2020

EUR 1,000	Goodwill	Intangible rights	Total
Acquisition cost at 1 Jan	7,731	2,313	10,044
Additions	20	91	111
Deductions	-64	0	-64
Acquisition cost at 31 Dec	7,687	2,404	10,091
Accumulated depreciations and impairment at 1 Jan	0	-1,539	-1,539
Depreciation and amortization	0	-325	-325
Accumulated depreciations and impairment at 31 Dec	0	-1,864	-1,864
Book value at Jan 1 2020	7,731	774	8,505
Book value at 31 Dec 2020	7,687	540	8,227

2019

EUR 1,000	Goodwill	Intangible rights	Total
Acquisition cost at 1 Jan	6,408	2,002	8,410
Additions	1,323	311	1,634
Deductions	0	0	0
Acquisition cost at 31 Dec	7,731	2,313	10,044
Accumulated depreciations and impairment at Jan 1	0	-1,304	-1,304
Depreciation and amortization	0	-235	-235
Accumulated depreciations and impairment at 31 Dec	0	-1,539	-1,539
Book value at Jan 1 2019	6,408	698	7,106
Book value at 31 Dec 2019	7,731	774	8,505

IMPAIRMENT TESTING

The group has two reportable segments. For the purposes of impairment testing, goodwill is allocated on the segments in question. The combined value of goodwill allocated on the Group is EUR 7,687 thousand. The cash flow forecasts used in impairment testing are based on company and group level forecasts approved by the management which cover a five-year period and affect the terminal period. Cash flows following the forecast period approved by the management have been extrapolated by using a steady growth factor of 3%.

The key variables used in calculating value in use are as follows:

1. Volume increase based on an estimate of sales development.

2. A discount rate determined on the basis of average weighted capital cost for the industry segment that describes the total cost of equity and liabilities. The factors in the discount rate are as follows:

- market-specific risk-free interest rate
- market risk premium
- non-equity capital cost
- equity ratio

A discount rate of 10% has been used.

Sensitivity analyses were carried out using a downside projection. In the projection, sales growth was reduced from the management estimate or interest rates were increased.

According to the goodwill testing sensitivity analysis, value in use would continue to match book value for all cash-generating units if:

- Revenue growth during the terminal period would not exceed 1%.
- Discount rate would increase by 5 percentage points.

Based on the impairment testing and completed sensitivity analyses, there is no need for recognizing impairment.

14. ACQUIRED BUSINESS

ACQUISITIONS DURING THE ACCOUNT PERIOD 2020

The group did not do any acquisitions during accounting period 2020.

ACQUISITIONS DURING THE ACCOUNT PERIOD 2019

BUSINESS ACQUISITION

At the end of August 2019, Avidly acquired the German inbound and content marketing agency NetPress GmbH for a purchase price of 369 thousand euros.

In 2020 Avidly Plc. paid in total 357 thousand euros as additional purchase price to the sellers. The additional purchase price was paid through a directed share issue of 238,282 new shares without payment and it does not include a cash component. The new shares issued as additional purchase price are subject to transfer restriction (lock-up) until 29 August 2021.

SURRENDERED CONSIDERATION

EUR 1,000	
Cash	85
Fair value of issued shares	284
Contingent consideration	421
Total acquisition cost	**790**

The group has recognized costs of EUR 65 thousand in total. These costs are included under "Other operating expenses" in the consolidated financial statement.

THE VALUES OF THE ACQUIRED ASSETS AND ASSUMED LIABILITIES AT THE TIME OF ACQUISITION WERE AS FOLLOWS:

EUR 1,000	Recognized
Property, plant and equipment	2
Intangible assets	10
Customer contracts	224
Work in process	0
Accounts receivable and other receivables	132
Cash and cash equivalents	1
Total assets	**369**
Deferred tax liabilities	45
Other liabilities	474
Total liabilities	**519**
Net assets	-150

GOODWILL RESULTING FROM THE ACQUISITIONS

EUR 1,000	
Surrendered consideration	790
Net identifiable assets of the acquired entity	-150
Goodwill	**940**

BUSINESS ACQUISITION

On 31 March 2019, the Group purchased all shares in Hehku Marketing Oy. The purchase price was EUR 360 thousand. The additional purchase price was not paid.

SURRENDERED CONSIDERATION

EUR 1,000	
Cash	0
Fair value of issued shares	353
Contingent consideration	-
Total acquisition cost	**353**

The group has recognized costs of EUR 40 thousand in total. These costs are included under "Other operating expenses" in the consolidated financial statement

THE VALUES OF THE ACQUIRED ASSETS AND ASSUMED LIABILITIES AT THE TIME OF ACQUISITION WERE AS FOLLOWS:

EUR 1,000	Recognized
Property, plant and equipment	0
Intangible assets	48
Customer contracts	90
Work in process	0
Accounts receivable and other receivables	1
Cash and cash equivalents	10
Total assets	**149**

EUR 1,000	Recognized
Deferred tax liabilities	18
Other liabilities	150
Total liabilities	**168**
Net assets	-19

GOODWILL RESULTING FROM THE ACQUISITIONS

EUR 1,000	
Surrendered consideration	353
Net identifiable assets of the acquired entity	-19
Goodwill	**372**

15. PARTICIPATIONS IN ASSOCIATED COMPANIES

EUR 1,000	2020	2019
Opening balance	316	296
Additions	0	20
Book value at 31 Dec	**316**	**316**

Name	PCKT Money Oyj
Main industry segment	Offering of payment cards
Domicile	Espoo, Finland
Ownership interest	25%

16. DEFERRED TAX ASSETS AND LIABILITIES

2020

EUR 1,000	Jan 1	Recognized in income statement	Recognized as equity	Dec 31
Deferred tax assets				
Differences related to income recognition	188	45	0	233
Confirmed losses	713	-71	0	642
Acquired businesses	38	0	0	38
Total	939	-26	0	913
Deferred tax assets Dec 31, 2020	939	-26	0	913

2020

EUR 1,000	Jan 1	Recognized in income statement	Recognized as equity	Dec 31
Deferred tax liabilities				
Differences related to income recognition	103	-46	0	57
Acquired businesses	139	0	0	139
Other	47	-34	0	13
Total	289	-80	0	209
Deferred tax liabilities Dec 31, 2020	289	-80	0	209

2019

EUR 1,000	Jan 1	Recognized in income statement	Recognized as equity	Dec 31
Deferred tax assets				
Differences related to income recognition	150	38	0	188
Confirmed losses	617	96	0	713
Acquired businesses	38	0	0	38
Total	805	134	0	939
Deferred tax assets Dec 31, 2019	805	134	0	939

2019

EUR 1,000	Jan 1	Recognized in income statement	Recognized as equity	Dec 31
Deferred tax liabilities				
Differences related to income recognition	127	-24	0	103
Acquired businesses	81	0	0	139
Other	42	5	0	47
Total	250	-19	0	289
Deferred tax liabilities Dec 31, 2019	250	-19	0	289

17. INVENTORIES

EUR 1,000	2020	2019
Work In Process	639	1,054
Goods	6	7
Total	**645**	**1,061**

18. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

EUR 1,000	2020	2019
Current		
Loans and receivables		
Accounts receivable	3,278	2,642
Deferred tax assets	388	388
Other receivables	123	92
Loan receivables	340	340
Income tax receivables	0	0
Prepayments and accrued income	563	614
Total	**4,692**	**4,076**

During the accounting period, the group has recognized an impairment loss for accounts receivable totaling EUR 73 thousand (2019: EUR 106 thousand). There are no significant credit risk concentrations related to the receivables. The book value of the accounts receivable corresponds to their fair value. The maximum amount of the credit risk related to accounts receivable and other current receivables is their book value. The group has no securities for accounts receivable or other receivables.

AGE BREAKDOWN FOR ACCOUNTS RECEIVABLE

EUR 1,000	2020	2019
Undue and overdue for less than 30 days	3,041	2,260
Overdue for 31–60 days	113	141
Overdue for 61-90 days	68	35
Overdue for more than 90 days	56	206
Total	**3,278**	**2,642**

SIGNIFICANT ITEMS IN PREPAYMENTS AND ACCRUED INCOME

EUR 1,000	2020	2019
Other non-interest bearing receivables	364	464
Other expense advances	100	102
Advance invoicing	99	48
Total	**563**	**614**

19. CASH AND CASH EQUIVALENTS

EUR 1,000	2020	2019
Cash on hand and bank accounts	6,161	484
Recognized cash and cash equivalents	**6,161**	**484**

20. EQUITY

SHARE CAPITAL

Share subscription price in connection with share issues is credited to share capital unless it is resolved in the share issue decision that it shall be recorded in invested unrestricted equity fund.

Avidly Plc has one share class. At the end of the accounting period Avidly had 5,290,004 shares. There is no maximum number of shares in Acticles of Association. The share has no nominal value. The shares are in book-entry system.

Changes in number of shares and corresponding changes in equity are presented below.

EUR 1,000	Number of shares (thousand)	Share capital	Invested unrestricted equity fund	Treasury shares
1 Jan 2019	2,259	322	8,338	19
Share issue	229		1,323	
Transfer of treasury shares			29	-5
31 Dec 2019	2,488	322	9,690	14
Share issue	2,802		2,959	
Transfer of treasury shares			10	-4
31 Dec 2020	5,290	322	12,659	10

The Group had 10,473 treasury shares at the end of the period (2019: 14,212 shares).

INVESTED UNRESTRICTED EQUITY FUND

Invested unrestricted equity fund includes other equity additions as well as the part of share subscription price that according to the share issue decision is not to be credited to the share capital.

DIVIDENDS

In 2020, a dividend of EUR 0.00 per share was paid, amounting to a total of EUR 0 thousand (2019: EUR 0.08 per share, totalling EUR 188 thousand).

After the accounting period, the Board of Directors has proposed a dividend of EUR 0.00 per outstanding share.

21. SHARE-BASED PAYMENTS

Avidly Plc's Board of Directors has resolved on July 15, 2020 to establish a new share-based long-term incentive plan for the group management.

The incentive plan includes one performance period. The performance period will commence on 1 June 2020 and end on 31 May 2023. The participants may earn an investment-based reward and a performance-based reward from the performance period.

The prerequisites for receiving investment-based reward on the basis of the plan is that a participant acquires Company's shares or allocates previously owned Company's shares up to the number determined by the Board of Directors and has not terminated his/her employment or service relationship with the Company or a company belonging to the same group upon reward payment. The performance-based reward from the plan is based on the total shareholder return of the Company's shares and on a participant's employment or service relationship upon reward payment. As a general rule, no performance-based reward will be paid, if a participant's employment or service relationship ends before the reward payment.

The performance based part of the reward will be paid, subject to meeting other conditions, if the Company's share price exceeds EUR 2.30 at the time of review. A share price of EUR 6.50 at the time of review is required to receive the full performance based reward.

The rewards of the incentive plan will be paid in full in the form of the Company's shares by the end of September in 2023. The Board of Directors determines whether the reward will be Company's new shares or treasury shares. Shares paid as a reward may not be transferred during a one-year commitment period set for the shares with exception to shares gradually released from the transfer restriction. The Board of Directors has the right to resolve that the reward is paid fully or partly in cash. As a general rule, a participant must hold a minimum of 25 per cent of the shares given on the basis of the plan after payment of taxes, until the participant's shareholding in the Company in total corresponds to the value of the participant's fixed annual gross salary and for as long as the participant's employment or service in a company belonging to the group continues.

The target group of the plan includes Jesse Maula, the Company's CEO, Hans Parvikoski, CFO, and Ingunn Bjøru, Chief Operating Officer, Inbound. The rewards to be paid on the basis of the performance period amount up to a maximum of 569,580 the Company's shares.

Effect on the result of the period and the financial position in 2020

EFFECT OF SHARE-BASED INCENTIVES ON THE RESULT AND FINANCIAL POSITION DURING 2020

EUR 1,000	2020	2019
Expenses for the financial year, share-based payments	169	0
Value recignized in the balance sheet's retained earnings	169	0

VALUATION PARAMETERS FOR INSTRUMENTS GRANTED DURING THE FINANCIAL PERIOD

EUR	Incentive plan 2020-2023 investment-based reward	Incentive plan 2020-2023 performance-based reward
Share price at the time of grant	1.55	1.55
Share price at 31 Dec 2020	3.98	3.98
Expected dividends	0	0
Fair value at 31 Dec 2020, EUR 1,000	524	527

INFORMATION ON SHARE-BASED INCENTIVE PLAN

	Incentive plan 2020-2023 investment-based reward	Incentive plan 2020-2023 performance-based reward
Maximum number of shares	132,000	437,580
Initial grant date	15 July, 2020	15 July, 2020
Vesting date	31 May, 2023	31 May, 2023
Vesting conditions	Share ownership and employment	Share ownership and employment
Maximum contractual life, years	3.0	3.0
Remaining contractual life, years	2.4	2.4
Number of persons	3	3
Payment method	Shares or cash	Shares or cash

CHANGES IN 2020

EUR 1,000	Incentive plan 2020-2023 investment-based reward	Incentive plan 2020-2023 performance-based reward
Outstanding at 1 Jan, 2020	0	0
Granted	0	0
Forfeited	0	0
Exercised, gross	0	0
Outstanding at 31 Dec, 2020	0	0

22. FINANCIAL LIABILITIES

BOOK VALUE

EUR 1,000	2020	2019
Non-current financial liabilities valued at amortized cost		
Loans from credit institutions	2,440	885
Finance lease liabilities + rental properties	1,876	1,360
Contingent purchase price liabilities	0	501
Checking account limit	0	497
Total	4,316	3,243

Current financial liabilities valued at amortized cost	2020	2019
Loans from credit institutions	904	137
Restructing debt	0	583
Factoring	1,105	398
Finance lease liabilities + rental properties	1,240	806
Total	3,249	1,924
Total financial liabilities valued at amortized cost	7,565	5,167

The book value for loans from credit institutions has been calculated with the effective interest method and fair value has been defined using the discounted cash flow method where the discount rate used has been a rate at which the group could receive a similar external loan at the end of the accounting period.

All loans from credit institutions are denominated in euros.

23. TRADE AND OTHER PAYABLES

EUR 1,000	2020	2019
Current		
Accounts payable	1,174	1,888
Advances received	609	226
Other current liabilities	2,636	2,542
Income tax liabilities	0	0
Accrued expenses and deferred income	1,950	1,524
Total	6,369	6,180

The fair value of trade payables and other current liabilities corresponds to their book value. Advances received include amounts invoiced for incomplete work.

SIGNIFICANT ITEMS IN ACCRUED EXPENSES AND DEFERRED INCOME

EUR 1,000	2020	2019
Holiday pay expenses	1,183	844
Other accruals and deferred income	767	680
Total	1,950	1,524

24. FINANCIAL RISK MANAGEMENT

The Group is exposed to several financial risks in its business. The aim of the Group's risk management is to minimize the adverse impacts of changes in the financial market on the Group's earnings. The key financial risks are currency risk, interest rate risk, liquidity risk, and credit risk. The general principles of the Group's risk management are approved by the Board of Directors and their practical implementation is the responsibility of the Group's finance department. The Group's finance department identifies and assesses the risks and if necessary, acquires the instruments to shield against the risks.

CURRENCY RISK

The Group's currency risk mainly consists of currency translation risk in foreign operations. The Group has not hedged this risk. Avidly's long-term financing is in euros and does not have exchange rate risk. The Group has not hedged the currency risk related to equity investments.

Avidly estimates its exchange rate risks at the time of closing the accounts to not be substantial.

INTEREST RATE RISK

Interest rate variations affect the Group's interest expenses and earnings. The purpose of the Group's interest rate risk management is to reduce the uncertainty related to earnings caused by interest rate variations.

INTEREST RATE RISK SENSITIVITY ANALYSIS

EUR 1,000	2020	2019
Loans with varying interest rates		
Loans from credit institutions	3,344	1,519
Impact of a change of 1% in the market rate of interest on earnings after tax		
Change + 1 %	33	15
Change -1 %	-33	-15

LIQUIDITY RISK

Liquidity risk refers to the company's risk of becoming insolvent due to insufficient liquid funds or difficulties in acquiring financing. It is the Group's understanding that it has a sufficient amount of liquid assets to mitigate the liquidity risk.

Shares from the Group companies and corporate mortgages are used as collateral for the Group's loans.

A company restructuring program according to the Restructuring of Enterprises Act was confirmed on 9 July 2014 for Avidly Marketing Oy, a subsidiary of Avidly Plc. Avidly Marketing Oy finalized the restructuring programme in 2020.

CASHFLOWS BASED ON FINANCIAL LIABILITY AGREEMENTS (INCLUDING FINANCIAL EXPENSES)

EUR 1,000	Carrying amount	2021	2022	2023+	Total
2020					
Loans from credit institutions	3,344	949	949	1,613	3,511
Financial leaee liabilities + rental properties	3,116	1,277	1,343	589	3,209
Factoring	1,105	1,121	0	0	1,121
Checking account limit	0	0	0	0	0
Restructuring debt	0	0	0	0	0
Accounts payable	1,174	1,174	0	0	1,174
Total	8,739	4,521	2,292	2,202	9,016

CASHFLOWS BASED ON FINANCIAL LIABILITY AGREEMENTS (INCLUDING FINANCIAL EXPENSES)

EUR 1,000	Carrying amount	2020	2021	2022+	Total
2019					
Loans from credit institutions	1,022	140	903	0	1,042
Financial leaee liabilities + rental properties	2,166	830	1,401	0	2,231
Factoring	398	402	0	0	402
Checking account limit	497	0	0	507	507
Restructuring debt	583	590	0	0	590
Accounts payable	1,888	1,888	0	0	1,888
Total	6,554	3,850	2,304	507	6,660

Loans from financial institutions contain standard covenant terms concerning the equity ratio.

CREDIT RISK AND COUNTERPARTY RISK

The Group's credit risk consists of accounts receivable and prepayments. The Group's most common payment term is 14 days net. Accounts receivable involve no significant credit risk, since the receivables consist of a large number of small receivables. During the accounting period, the Group recognized EUR 73 thousand in credit loss (2019: EUR 106 thousand). The age analysis for accounts receivable is presented in note 18, "Accounts receivable and other receivables".

In order to minimize the counterparty risk related to prepayments in purchasing, the Group aims to work with suppliers that it has known for an extensive period of time.

CAPITAL STRUCTURE MANAGEMENT

The aim of capital management is to achieve an efficient capital structure that ensures normal prerequisites for business and increases shareholder value in the long term. In order to preserve or alter the capital structure, the Group may, for example, modify the amount of dividends paid to shareholders or adjust the amount or timing of investments The capital being managed is the equity indicated in the consolidated statement of financial position.

25. CONTINGENT LIABILITIES

GUARANTEES GIVEN ON OWN BEHALF

EUR 1,000	2020	2019
Corporate mortgages	4,600	2,100
Total	4,600	2,100

26. RELATED PARTY TRANSACTIONS

The group's related parties include the parent entity and subsidiaries. The Group's parent and subsidiary relationships are as follows:

Company	Domicile	Group ownership interest %	Parent company ownership interest %
Avidly Oyj	Finland		
Avidly Marketing Oy	Finland	100	100
Avidly Inbound Finland Oy	Finland	100	100
Sugar Helsinki Oy	Finland	100	100
Avidly Ab	Sweden	100	100
Avidly Sweden Ab	Sweden	100	0
Avidly Norway AS	Norway	100	0
Avidly Denmark APS	Denmark	100	0
Netpress GmbH	Germany	100	100

Avidly Plc's subsidiaries Avidly Nitroid Oy and Avidly Media Oy were merged to the parent company on 30 November 2020. In addition, related parties include parties that are able to exercise control or significant influence over Avidly Plc's in decisions concerning its finances and business operations, such as the major shareholders, board members, chief executive officer, their immediate family, companies under their direction and other parties defined as related parties pursuant to the IAS 24 standard.

Receivables from related parties amount to EUR 29 thousand in total.

MANAGEMENT BENEFITS, WAGES AND REMUNERATION

EUR 1,000	2020	2019
Wages and other short-term benefits as well as remuneration		
CEO	201	207
Other members of the management team	561	405
Joakim Fagerbakk (Chairman of the Board)	42	18
Jari Tuovinen (Vice Chairman of the Board)	39	42
Juha Mikkola (Member of the Board)	0	0
Ville Skogberg (Member of the Board))	24	21
Marko Häkkinen (Member of the Board)	0	3
Lasse Järvinen (Member of the Board)	6	21
Ingunn Björu (Member of the Board)	0	3
Ayed Mosa Alshamrani (Member of the Board)	0	3
Total	873	723

27. EVENTS AFTER THE REPORTING PERIOD

After the reporting period the former CEO's (Jyrki Vaittinen) 17,813 Avildy Oyj shares and former CFO's (Mikko Marttinen) 10,000 Avidly Oyj's shares have been transferred to the new leadership.

PARENT COMPANY FINANCIAL STATEMENTS

PARENT COMPANY INCOME STATEMENT (FAS)

EUR	Jan 1–31 Dec 2020	Jan 1–31 Dec 2019
REVENUE	9,314,298.97	7,843,299.48
Other operating income	106,182.92	12,096.19
Materials and services		
External services	-2,152,741.32	-1,480,487.90
Total materials and services	-2,152,741.32	-1,480,487.90
Employee benefit expenses		
Wages	-3,892,669.80	-3,559,806.21
Other employee expenses		
Pension expenses, defined contribution plan	-597,088.01	-595,828.08
Other employee benefits	-97,924.00	-68,277.54
Total employee benefit expenses	-4,587,681.81	-4,223,911.83
Depreciation and amortization	-174,817.65	-155,575.43
Other operating expenses	-2,698,225.72	-2,465,312.28
OPERATING PROFIT	-192,984.61	-469,891.77

EUR	Jan 1–31 Dec 2020	Jan 1–31 Dec 2019
Financial income and expenses		
Other interests and financial income		
From group companies	61,217.00	35,013.00
From others	6,901.14	2,224.60
Interests and other financial expenses		
To others	-155,114.44	-108,547.95
PROFIT BEFORE TAX	-279,980.91	-541,202.12
Group contributions received	0.00	130,200.00
Taxes from the current and previous accounting periods	0.00	-154.93
PROFIT FOR THE PERIOD	-279,980.91	-411,157.05

PARENT COMPANY BALANCE SHEET (FAS)

EUR	2020	2019
ASSETS		
NON-CURRENT ASSETS		
Intangible assets		
Intangible rights	13,090.27	22,113.43
Goodwill	1,144,076.53	612,002.70
Other intangible assets	67,564.41	78,680.01
Total intangible assets	1,224,731.21	712,796.14
Tangible assets		
Machinery and equipment	70,845.74	40,043.37
Total tangible assets	70,845.74	40,043.37
Investments		
Shares in group companies	8,475,616.73	8,676,410.44
Participating interests	30,012.50	30,012.50
Total investments	8,505,629.23	8,706,422.94
TOTAL NON-CURRENT ASSETS	9,801,206.18	9,459,262.45

EUR	2020	2019
CURRENT ASSETS		
Inventories		
Work in process	76,043.00	158,262.32
Total inventories	76,043.00	158,262.32
Non-current receivables		
Receivables from group companies	30,000.00	-
Total non-current receivables	30,000.00	-
Current receivables		
Accounts receivables	1,957,440.52	567,819.89
Receivables from group companies	3,959,374.62	3,575,017.70
Loan receivables	244,111.82	242,011.00
Other receivables	65,051.76	18,862.15
Prepayments and accrued income	225,359.75	217,499.92
Total current receivables	6,451,338.47	4,621,210.66
Cash and cash equivalents	4,843,512.45	117,595.14
TOTAL CURRENT ASSETS	11,324,850.92	4,738,805.80
TOTAL ASSETS	21,202,100.10	14,356,330.57

PARENT COMPANY BALANCE SHEET (FAS)

EUR	2020	2019
EQUITY AND LIABILITIES		
EQUITY		
Share capital	322,400.00	322,400.00
Invested unrestricted equity fund	12,916,743.38	9,947,544.38
Retained earnings	-97,736.37	39,806.36
Profit (loss) for the period	-279,980.91	-411,157.05
TOTAL EQUITY	12,861,426.10	9,898,593.69
LIABILITIES		
NON-CURRENT LIABILITIES		
Financial liabilities	2,232,142.28	996,684.23
TOTAL NON-CURRENT LIABILITIES	2,232,142.28	996,684.23
CURRENT LIABILITITES		
Financial liabilities	892,857.72	125,000.00
Accounts payable	678,441.85	359,475.97
Liabilities to group companies	1,408,433.69	2,045,303.59
Other liabilities	2,064,718.01	564,784.67
Accrued expenses and deferred income	1,064,080.45	366,488.42
TOTAL CURRENT LIABILITIES	6,108,531.72	3,461,052.65
TOTAL LIABILITIES	8,340,674.00	4,457,736.88
TOTAL EQUITY AND LIABILITIES	21,202,100.10	14,356,330.57

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

PARENT COMPANY ACCOUNTING PRINCIPLES

Avidly Oyj's financial statements have been compiled in accordance with FAS.

The group consists of parent company Avidly Oyj, Avidly Marketing Oy, Avidly Inbound Finland Oy, Sugar Helsinki, Avidly Ab, Avidly Sweden Ab, Avidly Denmark APS, Avidly Norway As and NetPress GmbH. Subsidiaries Avidly Nitroid Oy and Avidly Media Oy have merged to the parent company on 30 November 2020. The merger difference of Avidly Nitroid Oy has been recognized as goodwill and Avidly Media's merger difference in Retained earnings.

NON-CURRENT ASSETS AND CURRENT ASSETS ARE VALUED AND PERIODIZED BASED ON THE FOLLOWING PRINCIPLES AND METHODS:

Fixed assets are valued at acquisition cost deducted by accrued depriciations.

Depreciation according to plan is based on the initial acquisition cost and estimated as follows:

Intangible rights	3 year straight-line depreciation
Goodwill	7 year straight-line depreciation
Other intangible assets	4–5 year straight-line depreciation
Machinery and equipment	25 % residual depreciation

EUR	2020
INTANGIBLE ASSETS	
Intangible rights	
Acquisition costs 1 Jan	22,113.43
Additions/Disposals	0.00
Planned amortizations	-9,023.16
Acquisition costs 31 Dec	13,090.27
Goodwill	
Acquisition costs 1 Jan	612,002.70
Additions/Disposals	660,610.14
Planned amortizations	-128,536.31
Acquisition costs 31 Dec	1,144,076.53

EUR	2020
Other intangible assets	
Acquisition costs 1 Jan	78,680.01
Additions/Disposals	10,185.00
Planned amortizations	-21,300.60
Acquisition costs 31 Dec	67,564.41
TANGIBLE ASSETS	
Machinery and equipment	
Acquisition costs 1 Jan	7,204.07
Additions/Disposals	13,500.47
Acquisition costs 31 Dec	20,704.54
Planned amortizations	-1,083.24
Acquisition costs 31 Dec	19,621.30
Equipment and other tangible assets	
Acquisition costs 1 Jan	32,839.30
Additions/Disposals	33,259.48
Acquisition costs 31 Dec	66,098.78
Planned amortizations	-14,874.34
Acquisition costs 31 Dec	51,224.44

	2020
Personnel	
Permanent employees	72

ACQUISITION AND TRANSFER OF TREASURY SHARES AND OWNERSHIP INTERESTS

Basis for acquisitions made during the accounting period

During the year, the company has sold in total of 3 739 treasure shares.

NUMBER OF ALL SHARES ACQUIRED AND HELD BY THE COMPANY

The company holds a total of 10,473 own shares.

EUR	2020
AUDITOR'S FEES	
Other operating expenses include the following amount of fees paid to the auditor:	
Audit	27,325.00
Auditor's fees total	**27,325.00**

EUR	2020
LIABILITIES AND CONTINGENT LIABILITIES	
Loans from financial institutions	3,125,000.00
Pledged accounts receivables	652,116.32
Quarantees given on behalf of subsidiaries	925,000.00
Corporate mortgages	4,000,000.00
Leasing liabilities	823,040.57
Rental liabilities	
Rental liabilities to be paid during the next accounting period	765,435.76
Rental liabilities to be paid later (over 12 months)	1,200,583.39
Total	1,966,019.15
Rental deposits	54,825.18

EUR	2020
RELATED PARTY LOANS	
Loan receivables	29,120.00
EQUITY	
Equity	
Share capital 1 Jan	322,400.00
Share capital 31 Dec	322,400.00
Unrestricted equity	
Invested unrestricted equity fund 1 Jan	9,947,544.38
Transfer of treasury shares	9,512.00
Netpress additional purchase price	357,184.72
Share issues	2,602,502.28
Invested unrestricted equity fund 31 Dec	12,916,743.38
Retained earnings 1 Jan	-97,736.37
Profit for the period	-279,980.91
Distributable equity 31 Dec	12,539,026.10
Total equity	12,861,426.10

GROUP COMPANIES

NAME OF THE COMPANY	Domicile	Parent company ownership
Avidly Marketing Oy	Helsinki	100%
Sugar Helsinki Oy	Helsinki	100%
Avidly Inbound Finland Oy	Helsinki	100%
Avidly AB	Stockholm	100%
NetPress GmbH	Munich	100%

PROPOSAL OF THE BOARD OF DIRECTORS ON THE DISPOSAL OF THE PROFIT/LOSS FOR THE FINANCIAL YEAR

The Board of Directors of Avidly proposes that no dividend will be paid.

SIGNATURES TO THE FINANCIAL STATEMENTS

Helsinki March 3, 2021

Joakim Fagerbakk
Chairman of the Board

Juha Mikkola
Member of the Board

Jesse Maula
CEO

Jari Tuovinen
Vice Chairman of the Board

Ville Skogberg
Member of the Board

AUDITOR’S NOTE

Our Auditor’s report has been issued today.

Tampere March 3, 2021

Jari Paloniemi
Authorized Public Accountant

AUDITOR'S REPORT

TO THE ANNUAL GENERAL MEETING OF AVIDLY OYJ

(Translation of the Finnish original)

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

OPINION

I have audited the financial statements of Avidly Oyj (business identity code 2018481-2) for the year ended 31 December, 2020. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement and notes.

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

BASIS FOR OPINION

I conducted my audit in accordance with good auditing practice in Finland. My responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of my report.

I am independent of the company in accordance with the ethical requirements that are applicable in Finland and are relevant to my audit, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 an 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 company'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 company or cease operations, or there is no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES IN THE AUDIT OF FINANCIAL STATEMENTS

My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 company'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 company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I are required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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

I 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 I identify during my 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 and the information included in the Annual Report but does not include the financial statements and my auditor's report thereon. I have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to me after that date.

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

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

In my 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 I have performed on the other information that I obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Tampere 3.3.2021

JARI PALONIEMI

Authorized Public Accountant

CORPORATE GOVERNANCE

The administration and management of Avidly Plc complies with Finnish law, Avidly Plc's ("the Company") Articles of Association, and the rules of the Nasdaq First North Growth Market marketplace maintained by the Helsinki Stock Exchange.

WEBSITE

The Company's principles of governance are maintained on its website **investors.avidlyagency.com**.

All Company notices, financial statements and interim reports are also available on the Company's website.

GENERAL MEETINGS

The Shareholders General Meeting is the Company's highest governing body. The Annual General Meeting is held once a year. Shareholders exercise their decision-making powers in the Company's affairs in the Shareholders General Meeting. The General Meeting handles matters provided for in the Limited Liability Companies Act and in the Articles of Association, from deciding on the distribution of dividends to amending the Articles of Association. The General Meeting elects the Board of Directors and the auditors and decides on their remuneration. An Extraordinary General Meeting is called when necessary.

According to the Finnish Limited Liability Companies Act, a shareholder has the right to have a matter falling within the competence of the General Meeting dealt with by the General Meeting, if the shareholder so demands in writing from the Board of Directors well in advance of the meeting, so that the matter can be mentioned in the notice.

The notice of the General Meeting must be published on the Company's website and, in other respects, as provided in the Limited Liability Companies Act with regard to notices of meetings. The Board of Directors may also decide to publish the notice in some other manner. A shareholder must inform the Company's Board of Directors of their participation in the General Meeting no later than on the date specified by the Board of Directors, which may not be earlier than ten days prior to the General Meeting. Information on an obligation to register will be given in the notice of the meeting.

BOARD OF DIRECTORS

According to the Articles of Association, the Board of Directors may be composed of three to nine members. The term of Board members begins at the closing of the General Meeting and continues until the next Annual General Meeting. The duties and responsibilities of the Company's Board are determined on the basis of the Limited Liability Companies Act and other applicable legislation.

The Board of Directors sees to the Company's administration and the appropriate organisation of its operations, and handles and makes decisions on all of the most significant matters pertaining to the Company's operations. The Board appoints and discharges the Company's Chief Executive Officer and confirms the appointment of the Management Team pursuant to the CEO's proposal. The CEO is not a member of the Board of Directors.

The Board convenes at the invitation of its Chair, as often as the Company's affairs require it. The Board has quorum when more than half of its members are present in a meeting. Matters are decided according to the majority opinion, if necessary by vote. When the votes are tied, the Chair has the casting vote. When the votes are tied and the Chair is absent from the vote, the election is decided by drawing lots.

The Annual General Meeting of 1 April 2020 confirmed the number of members of the Board at four. Avidly Plc's Board of Directors is chaired by

Joakim Fagerbakk. Members of the Board of Directors are presented on the Annual Review's pages 83–84.

CEO

The CEO appointed by the Board of Directors sees to the daily administration of the Company as provided in the Limited Liability Companies Act and the instructions and orders given by the Board. The CEO ensures the legality of the Company's accounting and the reliable organisation of asset management. The CEO participates in Board meetings as a presenter and chairs the Management Team.

Jesse Maula has been company's CEO from 1 January 2020.

MANAGEMENT TEAM

The principal duty of Avidly Plc's Management Team is to assist the CEO in operative management. The duties of the Management Team include the Group's strategic planning and finance, decision-making in sales and significant business transactions as well as the development of the Company's internal cooperation.

The members of the Management Team report to the CEO. The Management Team convenes regularly, at least quarterly. In addition, the Management Team holds extra meetings for the purpose of strategic planning.

At the end of 2020, the Group's Management Team composed of seven members, including the CEO. The members of the management team are presented on the Annual Review's pages 85–86.

REMUNERATION

The General Meeting confirms the remuneration of Board members annually, and the Board confirms the CEO's salary and other benefits. The incentives of the CEO are decided by the Board of Directors.

Board members are remunerated solely on the basis of their Board membership, excluding the Chair of the Board, who participates in business transactions made by the Company in an operational capacity. On 1 April 2020, the Company's Annual General Meeting decided that the remuneration of the Chairman of the Board shall be EUR 4,000 per month, for the deputy chairman of the Board EUR 3,000 and for each of the other members of the Board EUR 2,000 per month. Travel expenses of Board members will be compensated for pursuant to the Company's travel policy and that other meeting fees will not be paid.

INTERNAL CONTROL

Internal supervision and risk management ensure that the Company's operation is as efficient and productive as possible, that information is reliable, and that regulations and operating principles are complied with. The principal responsibility for accounting and the supervision of asset management lies with the Company's Board of Directors, and the CEO is responsible for the practical organisation of the control system and risk management. The Company's financial standing and development is monitored on a monthly basis, and the information is published in the Financial Statement and in the Half-year Financial Report.

INSIDERS

Avidly Plc complies with the insider rules of Nasdaq Helsinki, which is complemented with the Company's internal insider rules.

AUDITING

According to the Articles of Association, the Company has one auditor and one deputy auditor. The auditor, whose term ends at the closing of the next Annual General Meeting, is appointed by the General Meeting. The auditor provides an auditor's report in connection to the Company's annual financial report.

The statutory auditing is tasked with verifying that the financial statements provide a true and fair account of the Company's result and financial standing. Auditing provides shareholders with an independent statement on how the Company's accounting, financial statements and administration have been managed.

The auditor usually reviews the Company's administration, accounting, payroll administration and other necessary auditing targets three to four times a year.

The Annual General Meeting of 1 April 2020 appointed Jari Paloniemi, APA, as the Company's Auditor, and Veikko Terho, APA, as its Deputy Auditor.

BASIC INFORMATION ON AVIDLY SHARE

The Company's shares have been traded on the Nasdaq First North Growth Market marketplace maintained by the Helsinki stock exchange as of 3 December 2007.

BOARD OF DIRECTORS

Board of Directors at the end of 2020.

The Board members' shareholdings in the company and their dependency on the company or its largest shareholders are described on the company's investor pages at **investors.avidlyagency.com/en/governance/board-of-directors**

JOAKIM FAGERBAKK

Chairman of the Board since 2020,
Board member since 2019.
Born in 1965

Education

Master of Business Administration, University of Linköping, Sweden, 1987–1991
Escuela de Alta Distribución e Administración, EADA, Barcelona, Spain, 1990

Key work experience

- Stockholm Holding WLL, Partner (2020-)
- Mecom Mobile Ltd, CEO (2011-2019)
- Majan Telecommunication LLC, CEO, CFO and launch consultant, Muscat, Oman (2008–2013)
- 3 (3G operator), Senior Business Control, Stockholm, Sweden (2001–2005)
- Freetel AB (publ.), CFO, Stockholm, Sweden (2001)
- Extended Capital Group (publ.), CFO, Stockholm, Sweden (2000)
- LM Ericsson AB, Senior Financial Advisor, Miami, USA (1998–2000)
- BTS AB, Senior Consultant AB, Stockholm
- EMT AB, CFO, Stockholm, Sweden (1991–1994)

JARI TUOVINEN

Vice Chaiman of the Board since 2020,
Chairman of the Board between 2012–2020,
Board member since 2011.
Born in 1968

Education

Student of technology and philosophy, ABM

Key work experience

- Nordic Food Tech venture Capital Oy, partner (2019-)
- Visionplus Management Oy, Partner/Managing Director (2012–)
- Zeeland Oyj, CEO (2007–2011)
- Privanet Capital Oyj, CEO, Board member (2003–2009)
- Finance Group International Finland Oyj, CEO (2001–2004)
- Innofactor Oyj (former TJ Group Oyj), EVP (1999–2001)
- Tietovalta Oy, founder, Director (1988–1999)

Keskeiset luottamustoimet

- Gobelet Oy, Board member (2014–)
- Visionplus GP I Oy, Board member (2012 –)
- Visionplus Oyj, Board member (2015 –)
- Bonusway Oy, Board member (2017–)
- Naughty Group Oyj, Chairman of the Board (2018–)
- Tam-Silk Oy, Board member (2018–)
- Solar Foods Oy, Board member (2018–)
- LähiTapiola PKS, Board member (10/2019-)
- Nordic Food Tech Venture Capital Oy, Board member (8/2019-)
- Nordic Food Tech GP I Oy, Board director (1/2020-)
- Gotribe Oy, Board member (3/2020-)
- Kotkan tapahtumakeskus Oy, Chairman of the Board (4/2020-)
- Warmos Lämmitys Oy, Chairman of the Board (12/2020-)
- Transfluent Oy, Chairman of the Board (6/2019-)
- TLD Registry Ltd Oy,Chairman of the Board (2/2018-)
- AddSearch, Board member (8/2019)

JUHA MIKKOLA

Board member since 2018.
Born in 1961

Education

B. Sci, MBA

Key work experience

- CapMan Growth Equity, Managing Partner and member of the management team (2017-)
- Norvestia Industries Oy, CEO and head of investments (2011–2017)
- Eqvitec Oy, Partner (1998–2010)
- Aboa Venture Oy, CEO (1993–1998)

Key positions of trust

- Digital Workforce Services Oy, Board member
- Picosun Oy, Board member
- Unikie Oy, Chairman of the Board
- Front.Ai, Chairman of the Board
- Arctic Security, Chairman of the Board

VILLE SKOGBERG

Board member since 2009.
Born in 1980

Education

-

Key work experience

- Nebula Oy, Strategic Director (2014–2015) and Managing Director (2002–2014)

Key positions of trust

- Likeit Nepton Group Oy, Board member (2021-)
- Cuuma Communications Oy, Board director (2018-)
- Innohome Group Oy, Board member (2017–)
- Drop Design Pool Oy, Chair of the Board of Directors (2017–2020)
- FusionLayer Inc., Board member (2017–2019)
- Nebula Oy, Board member (2015–2017)

SALLA TUOMINEN

External secretary of the Board of Directors since 2012.
Born in 1976

Education

Attorney, Master of Laws, trained on the bench

Key work experience

- Partner, DLA Piper Finland Attorneys Ltd. (2020–)
- Senior Counsel, DLA Piper Finland Attorneys Ltd (2017–2019)
- Bird & Bird Attorneys Ltd, Counsel (2008–2017)
- Asianajotoimisto White & Case Oy, Counsel (2006–2008)
- OMX Exchanges Group (2004–2006)
- District Court of Helsinki (court training) (2003–2004)
- Hex Oyj (2000–2003)

Key positions of trust

- Zonta International, Director (2018–2020)
- Zonta International Foundation, Director (2018–2020)

MANAGEMENT TEAM

Management Team at the end of 2020.

JESSE MAULA

CEO, joined Avidly in 2020
Born in 1976

Education
M.Soc.Sc

Main occupation
CEO

Key work experience
- Idean Enterprises Oy, Chief Design Officer, Co-Founder
- Idean Enterprises Oy, Chief Executive Officer, Co-Founder
- Idean Enterprises Oy, Vice President, Design

Key positions of trust
- Member of the board of advisors, SOK
- Member of the board, BDS Bynfo Oy

Shareholding in company
155,565 shares

HANS PARVIKOSKI

CFO, joined Avidly in 2020
Born in 1973

Education
M.Sc. (Econ.), CEFA

Key work experience
- Digitalist Group, CFO
- Idean Enterprises, CFO
- Aalto University School of Business, Head of Finance
- Basware Plc., VP, Business Control
- Basware Plc., VP, Financial Shared Services Center
- Ixonos Plc., Financial Manager
- Raute Plc., North America, Director Finance and Administration
- Luottokunta, Financial Manager
- Carnegie Investment Bank, Head of Finance
- KPMG, Auditor

Area of responsibility
- Finance, IT and administration

Shareholding in company
105,562 shares

ISMO NIKKOLA

Deputy CEO, joined Avidly in 2015
Born in 1970

Education
M.Sc. (Econ.)

Main occupation
Chief Strategy Officer, Deputy CEO

Key work experience
- The Family Inc. Advertising Network Oy, Managing Director
- Zeeland Oyj, Vice President, advertising business
- Strategismo Oy, Managing Director
- Fazer Bakeries Finland, Marketing Director
- SEK&Grey, Team Leader

Key positions of trust
- AMIN EMEA, Board member (2014–), Vice President (2019–)
- Inline Market Evolution Oy, Board member (2015–)
- Helsingin Kisa-Veikot ry., Board member (2016–)

Area of responsibility
- International customers, strategy

Shareholding in company
125,562 shares

INGUNN BJØRU

COO, joined Avidly in 2018
Born in 1989

Education

University of East Anglia
BA Hons, Society, Media and Culture, Society, Media and Culture, 2008–2011

Key work experience

- Avidly Plc, COO of international operations
- Avidly Plc, Country Manager, Norway and COO of Inbound Business
- tobecontinuedcontent, consultant
- Inbound Group AS, CEO
- Inbound Group AS, IMC Manager
- Idium AS, Digital Marketing consultant
- Findexa Forlag AS, Project Manager

Area of responsibility

- COO of Avidly Inbound Business line, country manager Norway

Shareholding in company

25,512 shares through 100% owned AMRAP Holding AS (nominee registered)

TEEA BJÖRKLUND

COO, joined Avidly in 2017
Born in 1976

Education

M. Sc. (Econ.)

Key work experience

- Avidly Plc, VP Strategy & Creative
- Avidly Plc, Head of B2C, Client Service Director
- Valio Oy, Category Business Manager, Marketing Manager

Area of responsibility

- COO of Avidly Finland

Shareholding in company

13,000 shares

JUFO PELTOMAA

Chief Creative Officer 2020
Born in 1971

Education

Matriculation exam

Key work experience

- Innofactor Plc, CTO
- AI/Robotic recycling company ZenRobotics (Business idea, CMO), co-founder
- Hybrid Graphics (CMO), co-founder
- AR company Immersal (Business idea, CMO), co-founder
- SEK & GREY, AD
- Keynote speaker

Area of responsibility

- Creativity, customer experience

BARBRO FAGERBAKK

Chief Revenue Officer
Born in 1983

Education

Bachelor Comparative politics, UIB
Elementary & Intermediate Chinese, Harvard University

Key work experience

- Founder & CSO, 2017-, Avidly Norway
- Founder & CSO, 2015-2017, Inbound Group
- Marketing Consultant, 2013-2015, Idium
- Journalist, 2010-2013, TV2 New
- Trainee, 2010-2011, PwC
- TV Host, 2004-2007, TV2

Area of responsibility

- Revenue-generating activities, service and solutions offering, Avidly's marketing operations on the Group level

Shareholding in company

22,000 shares through 100% owned Pink Panda Holding AS (nominee-registered)

INVESTOR INFORMATION

Avidly Plc's share is operated by Nasdaq listed on the Nasdaq First North Growth Market marketplace Helsinki under the code AVIDLY. Avidly share is covered by Inderes.

For more information about the Company, visit our investor website: investors.avidlyagency.com or please contact CEO Jesse Maula, tel. +358 40 548 0248.

Oaklins Merasco Oy acts as Avidly Plc's Certified Advisor, tel +358 9 6129 670.

In 2021, Avidly Plc will publish Q1 and Q3 Business reviews in addition to Half-Year Report

ANNUAL GENERAL MEETING 2021

Avidly Plc's Annual General Meeting is planned to be held on Tuesday 13 April 2021. Avidly Plc's Board of Directors will summon the meeting at a later date.

INVESTORS CALENDAR 2021

EVENT	Time	Place
Financial Statements Release 2020	4.3.2021	
Annual Report 2020 including the Financial Statements and the Report of Board of Directors	week 10, 2021	
Silent time and closed period begins	31.3.2021	
Annual General Meeting 2021	13.4.2021	Helsinki, Konepajankuja 1
Business review 1–3/2021	30.4.2021	
Silent time and closed period begins	28.7.2021	
Half-Year Report 1–6/2021	28.7.2021	
Silent time and closed period begins	29.9.2021	
Business review 1–9/2021	29.10.2021	

AVIDLY PLC'S 30 LARGEST SHAREHOLDERS ON 31 DECEMBER, 2020

	SHAREHOLDERS	Number of shares	% of total shares
1	CAPMAN GROWTH EQUITY FUND 2017 KY	851,722	16.10
2	EUROCLEAR BANK SA/NV	421,719	7.97
3	NORDEA BANK ABP	407,627	7.71
4	GOBELET OY*	371,662	7.03
5	SKOGBERG VILLE JOHANNES	252,595	4.77
6	PALCMILLS OY	220,000	4.16
7	AMLAX OY	194,745	3.68
8	MAULA JESSE JOUNI SAKARI	150,000	2.84
9	NIKKOLA ISMO TAPANI	120,000	2.27
10	LOMBARD INTERNATIONAL ASSURANCE S.A.	100,000	1.89
11	PARVIKOSKI HANS AUGUST	100,000	1.89
12	VIENTO OY	95,559	1.81
13	CLEARSTREAM BANKING S.A.	94,442	1.79
14	NORDNET BANK AB	92,637	1.75
15	IMPOLA JUHA HENRIK	88,380	1.67

	SHAREHOLDERS	Number of shares	% of total shares
16	MANNINEN ANTTI AKSELI	77,000	1.46
17	RIO GROUP OY	70,000	1.32
18	SCHENGEN INVESTMENT OY	65,031	1.23
19	SKANDINAVISKA ENSKILDA BANKEN AB (PUBL) HELSINGIN SIVUKONTTORI	63,605	1.20
20	VIIMA HELSINKI OY	62,000	1.17
21	ICT FINANCE GROUP OY	55,900	1.06
22	PALOSAARI JUHA KAARLO	37,133	0.70
23	BJÖRKLUND AKI HENRIK	35,122	0.66
24	VÄISÄNEN VILLE ANTERO	27,000	0.51
25	VIHERTO TERO	23,201	0.44
26	AIRISTO KARI TUOMAS	22,600	0.43
27	SANDSTRÖM CARL-ERIK	20,066	0.38
28	JÄRVINEN LASSE JAAKKO	18,920	0.36
29	MEDIADRIVE OY	18,715	0.35
30	VON TROIL CARL-GUSTAF	18,696	0.35

* Gobelet Oy is Jari Tuovinen's controlled corporation.

Treasury shares held by the Company totalled 10,473 equalling 0.20% of total shares at the end of the month.
You can find up-to-date information from website at investors.avidlyagency.com.

AVIDLY PLC'S SHAREHOLDERS BY SECTORS ON 31 DECEMBER, 2020

Sector	Number of shares	% of total shares	Number of shareholders	% of total shareholders
Households	1,943,268	37%	1,179	95%
Finnish companies	2,150,820	41%	54	4%
Financial and insurance instituti-ons	587,118	11%	7	1%
Foreign shareholders	608,798	12%	3	0%
TOTAL	5,290,004	100%	1,243	100%

CALCULATION OF KEY FINANCIAL FIGURES

Gross Profit	=	Revenue + Other Operating Income - Materials and Services
EBITDA	=	Earnings before interest, tax, depreciation and amortisation
Earnings / share	=	Profit for the period / Number of outstanding shares (weighted average during the period)
Earnings / share, diluted	=	Profit for the period / Diluted number of outstanding shares (weighted average during the period)
Equity ratio, %	=	Total equity / Balance sheet total x 100
Return on equity, ROE	=	Profit for the period / Total equity (average) x 100
Equity/share	=	Total equity / Number of outstanding shares at the end of the period (undiluted)
Gearing, %	=	(Interest bearing debt - Cash and cash equivalents) / Total equity x 100

AVIDLY