# FINANCIAL STATEMENTS 2020

AVIDLY

# CONTENTS

AVIDLY PLC FINANCIAL STATEMENTS 1 JAN–31 DEC 2020

## FINANCIAL STATEMENTS AND REPORT OF THE BOARD OF DIRECTORS'

# 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<br>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<br>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 |

### 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 |

### 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 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 treasury 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

AVIDLY

AVIDLYAGENCY.COM
INVESTORS.AVIDLYAGENCY.COM