

Efecte Oyj
1509667-4

Säterinkatu 6
02600 Espoo

Efecte Oyj

REPORT OF THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS

1.1.2022-31.12.2022

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REPORT OF THE BOARD OF DIRECTORS

EFECTE-GROUP IN BRIEF

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

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

NET SALES AND PROFIT

Net sales by type

Net sales, 1000 EUR	10-12/2022	10-12/2021	7-12/2022	7-12/2021	2022	2021
SaaS	3 734	2 930	7 318	5 692	13 760	10 886
Licenses	33	27	33	37	48	44
Maintenance	219	254	442	509	901	1 014
Services	1 924	1 640	3 458	2 841	6 899	5 820
Group total	5 910	4 853	11 251	9 078	21 607	17 764

Efecte's net sales in 1-12/2022 were 21.6 million euro (17.8), a growth of 22%. Net sales for customers outside Finland were 5.3 million euro (4.4), corresponding to 25% of total net sales (25%).

Software as a Service (SaaS) grew 26% and services net sales increased by 19%. Net sales of perpetual licenses continued to be insignificant in line with our strategy. Net sales generated by maintenance related to perpetual licenses continued its declining trend. Our total recurring revenue (SaaS and maintenance) amounted to 14.7 million euro (11.9), corresponding to approximately 68% of net sales (67%).

SaaS MRR was 1 270 thousand euro in the end of December, growing 28% year-over-year. Of that growth, 14 percentage points came from existing customers (net retention rate 114%) and 14 percentage points from new customers since 12/2021 and from customers of acquired InteliWISE. Gross churn amounted to 2.3% (4.7%) and our recurring gross margin at the end of December was 80% (81%).

During the review period, we started selling enhanced support packages that include improved support services for our solutions. The revenue from the support packages is included in our SaaS revenue. At the end of the period, the total SaaS MRR attributable to such enhanced support packages was 3 thousand euro.

Our average customer acquisition cost (CAC) on a rolling 12-month basis was 98 thousand euro (82), and the average life-time value (LTV) of an acquired new customer was 994 thousand euro (678). Accordingly, the LTV/CAC ratio was 10.2 (8.3). This means that the cost of customer acquisition is earned 10.2 times during the lifetime of the customer. Net retention, churn, recurring gross margin, CAC and LTV were calculated based on Efecte numbers excluding InteliWISE.

Services net sales development was strong due to several significant new Efecte deployments, especially in the public sector, existing customers expanding the usage of Efecte, and the InteliWISE acquisition. Our strategy is to focus on growing our SaaS business and the services business is there to support adoption with the help of our partner network. SaaS formed already 64% of total net sales (61%).

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EBITDA was -0.0 million euro (0.9) and operating profit was -0.9 million euro (0.4). Profitability was affected by go-to-market and R&D investments.

Adjusted EBITDA was 0.5 million euro (0.9). Adjusted EBITDA is calculated from EBITDA by deducting the costs affecting comparability. During the review period these items included costs related to inorganic activities amounting to 0.5 million euros.

Income tax expenses were 0.6 million euro (-0.0) positive due to the recognition of deferred tax assets from unused tax losses in Finnish taxation. Total confirmed losses from years 2013-2020 are 3.1 million euros for Efecte Finland Oy and 3.5 million euros for Efecte Oyj. Total tax impact of 20% is 1.3 million euros of which 0.7 million euros were capitalized during the review period. Taxes corresponding to the profit of the period have been entered as tax expense. Efecte has confirmed tax losses in the taxation for Finland, so there was no income tax expense in Finland.

Net profit for the period was -0.3 million euro (0.4).

FINANCE AND INVESTMENTS

At the end of the review period, the balance sheet for Efecte group totaled 15.4 million euro (10.5). Equity ratio was 39% (46%) and net gearing was -28% (-197%).

At the end of the review period, the Company's financial loans were 1.9 million euro (0). The company's cash and liquid assets were 3.1 million euro (6.5).

Cash flow from operating activities for the reported period was 0.5 million euro (0.8) and cash flow from investing activities was -7.2 million euro (-0.6). The cash impact of increased investments was mainly attributable to the acquisition of InteliWISE. Investments in tangible and intangible assets were 1.4 million euro (0.6) and were mainly activated R&D expenses. Cash flow from financing activities was 3.3 million euro (0.9). Cash flow from financing activities consisted of a bank loan to finance the acquisition of InteliWISE, share subscriptions by key individuals of InteliWISE agreed as part of their compensation for the transaction, as well as subscriptions relating to stock options.

BUSINESS DEVELOPMENTS

During the review period we took further steps to becoming the Leading European Alternative in our space. Our teams focused on helping our customers to digitalize and automate their business processes across IT Service Management (ITSM) and Enterprise Service Management (ESM), Identity Governance and Administration (IGA) and Conversational AI.

We were able to grow SaaS by 26%, supported by strong demand from both existing and new customers. On a rolling 12-month basis, existing customers accounted for 14 percentage points of the SaaS MRR growth. We helped our customers to expand the usage of Efecte in ITSM and also for ESM use cases such as HR, finance, and customer service while also adding Conversational AI capabilities. Several existing customers also expanded their Efecte usage with our IGA solution. We signed 40 new customers during 2022, of which 21 through partners. Through the former InteliWISE business, we signed additionally 9 new customers during Q4.

Our professional services business performed also well and grew by 19%. Main drivers were demand in new customers, expansion opportunities in existing customers and for a smaller part the InteliWISE acquisition. The latter part of the review period our teams worked very closely with our partners to implement Efecte ITSM/ESM and IGA solutions for the new wellbeing services counties in Finland. Efecte solutions have supported the new wellbeing service counties to smoothly onboard new employees and manage their IT landscape effectively. Significant go-lives during the year included also the Social Insurance Institution of Finland (Kela), who went successfully to production during Q4. Overall, professional services play an important role in helping customers adopt Efecte and later expand their use. They also help drive customer satisfaction and reduce churn.

During the review period, we added Poland (through the acquisition of InteliWISE) and Spain as new direct markets in addition to our traditional main markets of Finland, Scandinavia and DACH. In Spain, we hired our first employee and established a subsidiary during H2. We have been accelerating our go-to-market efforts in Spain and see good early demand for our solutions. We saw growth in most of the regions and continued building a go-to-market in new markets

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through expanding our partner network. While we continued seeing some slowness in customer decision making across our markets, we were happy to see solid sales in Poland, including the 9 new customers during Q4. In Scandinavia, we made changes in Q3 and focused in Q4 on executing the new growth plan. In New Markets, we shifted focus from recruiting new partners towards sales enablement of our existing partner network. New Markets turned already into a meaningful contributor to new orders received during the year.

We executed our first acquisition as a listed company (InteliWISE) during the review period. The integration of InteliWISE operations has progressed according to plan and we have closed first customers with the integrated Efecte Chat for Service Management product. We also continued to develop our M&A pipeline of potential targets. We are looking for potential add-on technologies that can be integrated into our SaaS offering as well as inorganic opportunities for strengthening our presence in selected geographies and market segments. We think about this long-term and will continue to have a high standard for any potential transaction.

EMPLOYEES

The number of full-time equivalent employees (FTE) at the end of the review period was 194 (125). Of these, 125 (105) were in Finland, 44 (0) in Poland, 19 (13) in Germany, 6 (7) in Sweden and 1 (0) in Spain. Our central team in Finland acts globally supporting customers, partners and sales in international markets and includes the FTEs responsible for our new markets operation. The average number of FTEs during Q4 was 193 (122) and during 2022 it was 161 (114).

During the review period, we welcomed 44 new Efectians through the acquisition of InteliWISE. We focused a lot on people and culture in the process and are proud that we were able to maintain high employee satisfaction and attrition below 10% despite the integration. We continued also quality recruitment in all our countries, while slowing down the pace of recruitment during the second half of the year as planned. We also built a pipeline of junior talent via our summer trainee program. Our strong culture feels like a differentiator when attracting new talent, engaging with customers, and developing our people.

At the end of the review period, the following people formed Efecte's leadership team: Niilo Fredrikson (CEO), Taru Mäkinen (CFO), Niina Hovi (people and culture), Steffan Schumacher (sales, marketing and services), Topias Marttila (technology) and Santeri Jussila (products). After the review period, Marcin Strzalkowski was appointed as a member of the leadership team, responsible for marketing and the operations in Poland.

MARKET OUTLOOK

We expect the market opportunity in our main offerings Service Management, IGA and Conversational AI continue to grow as organizations continue to embracing the megatrends of digitalization and servitization (everything as a service). Despite the current macroeconomic uncertainty and recession fears, companies across industries continue to look for cloud-based solutions to digitalize and automate their operations to provide greater agility to the business, improve end-user experiences, and to save costs.

The move from on-premises software to cloud will also continue. While cloud adoption in the Nordics has reached 70%, cloud adoption in the rest of Europe is still only around 40%. Service management solutions are extremely sticky, with replacement cycles often being five years or longer.

Our estimate of the total current cloud ITSM and ESM market size in Europe is 1.2 billion euro, the IGA market 1.3 billion euro and the Conversational AI market 1.4 billion euro. Analysts estimates for compound annual growth for the next three years have come slightly down but are still generally over 15% for all these markets. Especially in service management, the market is today being divided by a few strong global players and a larger number of smaller local vendors.

We continue to see many European customers prioritize privacy, security and data location. This has been particularly visible in public sector decisions to move away from global cloud platforms. We have a significant opportunity to serve those customers with our competitive product and cloud deployment models that address European customers' concerns about privacy, security and data location.

Although some customers' decision making has become slower, our offering can also attract new demand in uncertain times. Our tools help customers to operate more efficiently and save costs – both on top of many customers' agendas

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at the moment. And while inflation is certainly a concern, we are generally well positioned to address it as most of our agreements allow us to raise prices to cover increased costs.

We are confident about our position in the market, but accelerating inflation, competitive pressures and disruptive technologies such as Chat GPT and other generative models mean that we must stay vigilant and execute our strategy solidly to succeed.

RESEARCH AND DEVELOPMENT

During the review period, we continued to systematically develop our three main offerings: Service Management (including IT and Enterprise Service Management), Identity Governance & Administration (IGA) and Conversational AI.

In Service Management, our main focus was on user experience modernization. We released the first generally available (GA) version of our next generation self-service product. The product was extensively piloted during the year and received positive feedback from pilot customers. We also started modernization of our agent user interface by releasing the first updated parts and introduced net-new user interfaces such as the Gantt view for enhanced project management.

Our IGA offering took significant steps forward guided by our vision to make identity management easy. We released the IGA Growth and IGA Enterprise product offerings – complementing the IGA Starter package that was released the year before. Our approach of providing IGA use cases in productized packages lowers the threshold for midmarket companies to get started with identity management and was well received in the marketplace. We got several new customers during the year, more than doubling the number of IGA customers.

With the acquisition of IntelliWISE, we added Conversational AI including AI Chat Bots and AI Voice Bots as the third pillar of our portfolio. We also launched the first integrated product based on IntelliWISE technology, Efecte Chat for Service Management. It is available for our service management customers and seamlessly integrates into Efecte platform. Efecte Chat was released in record time during Q4 and has already been deployed to the first customers.

We also continued to strengthen our common agile platform stack, a key underlying element of our product strategy. We expanded our integration with the always important Microsoft ecosystem by releasing Microsoft Teams Bot for Efecte and plug-and-play dashboards on Microsoft PowerBI. We launched partnerships and integrated solutions with multiple technology partners: with Device 42 to provide our customers with enterprise-grade IT asset discovery solutions and Signicat to provide strong authentication capabilities. We also piloted a new continuous deployment (CD) process with the first customers and released hundreds of smaller improvements and fixes to our platform.

We have been closely following the recent developments around generative language models like GPT-3. We see an opportunity to increase automation in service management while also improving user experience. With our conversational AI team and technology, we have an existing platform where to explore and test the new technology, including how to still honor data privacy and security.

Efecte's total research and development investment during the review period was 4.4 million euro (3.1). Research and development costs amounted to 3.1 million euro (2.6). In addition, 1.3 million euro (0.5) was capitalized, and 0.0 million euro (0.0) was covered through public fundin (all amounts excluding IntelliWISE).

Research and development actions are mainly performed in Efecte Finland Oy and after the acquisition in 2022, also in IntelliWISE S.A and its subsidiaries in Poland. In addition to our own personnel, subcontractors were used to increase flexibility and cost efficiency.

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Group's research and development investment level in 2020-2022 (all amounts excluding InteliWISE):

	2022	2021	2020
Research and development investment (million euro)	4.4	3.1	2.7
Research and development investment (% of net sales)	21%	18%	18%

ANNUAL GENERAL MEETING AND GOVERNANCE

The Annual General Meeting held on 17 March 2022 adopted the financial statements for 1 January - 31 December 2021 and discharged the members of the Board of Directors and the CEO from liability. The Annual General Meeting decided that no dividend is distributed for the year 2021.

The Annual General Meeting decided that the annual remuneration for the Chairman of the Board is EUR 45,000 and for the other members of the Board of Directors EUR 25,000 each. Approximately 40% of the remuneration was paid in Efecte Plc's shares and approximately 60% in cash.

Esther Donatz, Pertti Ervi, Turkka Keskinen and Päivi Rekonen were re-elected as members of the Board of Directors, and Eric Gustavsson was elected as a new member of the Board of Directors. The organizational meeting of the Board of Directors elected Pertti Ervi as the Chairman of the Board of Directors.

Ernst & Young Oy was elected as the auditor, with Juha Hilmola as the auditor in charge.

SHARES AND TRADING

The company has one share series, and all shares carry equal rights. At the end of the review period, Efecte Plc's share capital consisted of 6 383 590 shares. The company owned 11 433 treasury shares, approx. 0.2% of the total amount of the shares.

The company's share has been trading on the Nasdaq First North Growth Market Finland marketplace. During the review period the highest share price was 15.35 euro, the lowest price 7.6 euro and the closing price 10.15 euro. The market value of shares was 64.7 million euro at the end of the period excluding the treasury shares.

SHAREHOLDERS

The company had a total of 2 657 owners on 31 December 2022 (2 696). The list of the largest owners and the distribution of shareholders can be found on the company's web site.

10 largest shareholders as of 31 December 2022:

	Shareholder	Shares	%
1	First Fellow Oy	810 499	12.70
2	Sijoitusrahasto Aktia Nordic Micro Cap	469 269	7.35
3	Oy Fincorp Ab	444 928	6.97
4	Keskinäinen Eläkevakuutusyhtiö Ilmarinen	290 909	4.56
5	Montonen Markku August	210 571	3.30
6	Op-Suomi Mikroyhtiöt -Erikoissijoitusrahasto	202 834	3.18
7	Nordea Nordic Small Cap Fund	116 662	1.83
8	Ervi Pertti	89 934	1.41
9	Säästöpankki Pienyhtiöt	80 000	1.25
10	Urpalainen Jörgen Mikael	76 366	1.20

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The ownership of the Board members, CEO and their controlled entities totaled approximately 2.4% at the end of the review period. Additionally, the options held by the CEO entitle him to subscribe shares representing approximately 1.6% of the outstanding shares.

The total proportion of nominee registered shares was approximately 28.1% of all shares.

THE AUTHORIZATIONS GIVEN TO THE BOARD OF DIRECTORS

The Annual General Meeting held on 17 March 2022 authorized the Board of Directors to decide to acquire the company's own shares with distributable funds. A maximum of 450 000 shares may be acquired. The authorization is effective until the next Annual General Meeting, however, at the latest until 30 June 2023.

The Annual General Meeting held on 17 March 2022 authorized the Board of Directors to issue a maximum of 620 000 shares through a share issue and/or by issuing option rights or other special rights entitling to shares referred to in Chapter 10 Section 1 of the Limited Liability Companies Act. The Board may decide to issue new shares or shares held by the company. The authorization includes the right to issue shares and option rights and/or other special rights entitling to the shares through private offering, in other words, to deviate from the shareholders' pre-emptive right subject to the requirements set forth in the Limited Liability Companies Act. In addition, the authorization includes a right to issue shares and option rights and/or other special rights entitling to shares with or without payment. Under the authorization, the Board of Directors will be entitled to decide on the terms and conditions of any share issue and the issuance of option rights and other special rights entitling to shares, including the recipients and the remuneration to be paid. The authorization is effective until the next Annual General Meeting, however, at the latest until 30 June 2023.

OPTION PROGRAMS

Option program 2018

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

The options are divided into three series: A, B and C series. Series A consists of 170 000 options (of which 163 750 allocated and all of which subscribed) with subscription price of 5.75 euro/share and subscription period of 2 May 2021 - 31 May 2022; series B of 140 000 options (of which 134 325 allocated and 23 916 subscribed) with subscription price of 5.00 euro and subscription period of 2 May 2022 - 31 May 2024; and C series of 140 000 options (of which 140 000 allocated) with subscription price of 4.39 euro and subscription period of 2 May 2023 - 31 May 2025.

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

The subscription period for series B and series C of option program 2018 were extended by 12 months during the review period to make the subscription period equally long as in the option program 2021 and to extend the commitment effect.

Option program 2021

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

The options are divided to three series: A series of 150 000 options (of which 146 350 allocated) with subscription price of 15.55 eur/share and subscription period of 2.5.2024 - 31.5.2026; B series of 150 000 options with subscription price EUR 11.23 and subscription period of 2.5.2025 - 31.5.2027; and C series of 150 000 options (of which 135 855 allocated) with subscription price of 20-day volume weighted average price after Q1/2023 results and subscription period of 2.5.2025 - 31.5.2027. A series options were allocated in 2021, B series in 2022 and C series is intended to be allocated in 2023.

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

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EVENTS AFTER PERIOD-END

On 26 January 2023, Efecte announced its intention to launch an Employee Share Savings Plan (ESSP), subject to final Board approval in H1/2023.

In February, Efecte announced the appointment of Marcin Strzalkowski as the Chief Marketing Officer, Country Manager Poland and a member of the leadership team of the company.

ASSESSMENT OF RISKS AND UNCERTAINTIES

Efecte manages the risks and uncertainties facing its operations and all material risks are reviewed quarterly in the leadership team and at least annually with the Board of Directors. The key risks identified include:

- Risks to data security such as non-intentional or intentional data breaches, including software vulnerabilities, phishing and ransomware attacks may cause reimbursement liabilities to customers or other third parties as well as financial losses or significant reputational harm.
- Malfunctioning of the software or failures in operating the company's own services or the outsourced computing capacity and network connections may cause disruptions in services that may lead to reimbursement liabilities, reputational harm and to a decrease in customer satisfaction. This could lead to decreases in net sales and profitability.
- The rate of inflation increased substantially during 2022 compared to previous years. While most of our customer agreements allow Efecte to increase pricing, some customer agreements especially in the public sector limit our pricing power. Inflation and higher interest rates may also limit our capacity to acquire funding for M&A or other growth investments on terms favorable to Efecte.
- Competition for skillful personnel in the IT sector continues to be tight. If the company is unable to recruit and retain employees, the quality of its products and services may decrease, which can decrease revenue and profitability. Part of the research and development and service delivery are provided through subcontractors. If the operations of the subcontractors are disrupted, the effect is equivalent to lack of skilled personnel.
- Uncertainties in the macroeconomic environment, including an increase in the energy costs, supply chain issues, and slowdown in cross-border trade could result in a prolonged recession in Efecte's key markets. A recession could slow down customer decision making and reduce customer demand.
- The company is pursuing mergers and acquisitions (M&A) as part of its strategy and concluded its first acquisition as a listed company by acquiring InteliWISE in 2022. Risks relating to M&A include failure in the integration of the acquired business, failure to retain key personnel, failing to meet forecasted financial performance as well as claims, disputes and litigation relating to the transaction.
- The company configures its products to operate with the customer's existing systems. Delays or unexpected warranty work related to customer projects may create costs and liabilities. Although most of the projects are time and materials based, there are also fixed price projects. Potential customer dissatisfaction could result in compensation claims, negative publicity, and loss of future business.
- Investments in international growth such as forward-looking recruitments and ongoing investments in the partner program increase fixed costs. The costs may decrease profitability, if achieving growth turns out to be harder or slower than expected.
- Risks relating to intellectual property rights (IPRs) such as the loss/leaking of own IPRs to others, and breaches of third-party IPR by Efecte are material for Efecte. Efecte seeks to minimize the risk with strict control of customer agreements and with careful evaluation of third-party software components taken into use.
- Efecte has entered into agreements with its customers concerning the processing of personal data. A failure to comply with contractual obligations in these agreements, or the requirements of the General Data Protection Regulation more broadly, may lead to significant liabilities or reputational harm.

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- Efecte operates in several jurisdictions and has customers and other business partners also in additional jurisdictions outside these. Exposure to different legal and tax frameworks heighten the risk of perceived or real non-compliance.
- The company's equity stands at a sufficient level if the profitability development continues the planned trajectory. If changes in the operating environment or other factors would weaken the company's profitability, the company may have to strengthen its equity on terms that are not favorable to the company.

PROFIT DISTRIBUTION PROPOSAL

The net profit of the parent company was -875 701.41 euro for the period and the distributable equity of the parent company was 8 658 186.04 euro. The Board of Directors proposes that no dividend is distributed from the financial period of 2022 and the profit is left in equity.

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

LONG-TERM FINANCIAL TARGETS

By 2025, grow organically to 35 MEUR total net sales, maintain an average SaaS growth of over 20% and reach a double-digit EBITDA margin.

Through organic growth and acquisitions, become eventually the largest European service management vendor with total net sales over 100 MEUR and EBITDA margin exceeding 25 %.

GUIDANCE FOR THE YEAR 2023

SaaS net sales is expected to grow over 20% and adjusted EBITDA to be positive.

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Income statement, group

	1.1.-31.12.2022	1.1.-31.12.2021
NET SALES	21 607 376.32	17 764 451.93
Other operating income	115 362.56	50 107.17
Materials and services		
Materials and supplies		
Purchases during the financial year	-765 234.33	-576 891.11
External services	-1 574 051.44	-1 255 430.76
	<u>-2 339 285.77</u>	<u>-1 832 321.87</u>
Personnel expenses		
Wages and salaries	-11 269 262.70	-9 167 881.79
Social security expenses		
Pension expenses	-1 800 466.41	-1 396 229.51
Other social security expenses	-627 604.81	-542 539.84
	<u>-13 697 333.92</u>	<u>-11 106 651.14</u>
Depreciation and amortization		
Depreciation and amortization according to plan	-567 846.01	-484 890.68
Goodwill amortization	-283 088.68	-18 842.88
	<u>-850 934.69</u>	<u>-503 733.56</u>
Other operating expenses	-5 698 928.74	-3 940 475.54
OPERATING PROFIT (LOSS)	-863 744.24	431 376.99
Financial income and expenses		
Interest income and other financial income		
From others	553.51	14.05
Interest expenses and other financial expenses		
To others	-71 945.55	-9 112.82
	<u>-71 392.05</u>	<u>-9 098.77</u>
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES	-935 136.28	422 278.22
Income taxes		
Income taxes for the financial year	-12 315.76	-10 614.35
Deferred taxes	658 155.85	0.00
	<u>645 840.09</u>	
Minority	2 157.88	0.00
PROFIT (LOSS) FOR THE PERIOD	<u>-287 138.31</u>	<u>411 663.87</u>

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Balance sheet, group

	31.12.2022	31.12.2021
ASSETS		
NON-CURRENT ASSETS		
Intangible assets		
Development expenses	2 058 539.57	1 211 757.24
Intangible rights	102 051.62	155 607.65
Goodwill	0.00	4 710.73
Consolidated goodwill	5 403 732.59	0.00
Other long-term expenses	5 013.42	9 024.15
	7 569 337.20	1 381 099.77
Tangible assets		
Machinery and equipment	125 215.03	106 086.06
TOTAL NON-CURRENT ASSETS	7 694 552.22	1 487 185.83
CURRENT ASSETS		
Long-term receivables		
Deferred tax assets	658 155.85	0.00
Other receivables	117 586.82	51 566.28
	<u>775 742.67</u>	<u>51 566.28</u>
Short-term receivables		
Trade receivables	3 355 186.58	2 196 289.00
Other receivables	130 697.57	8 393.23
Prepayments and accrued income	343 693.17	290 371.67
	<u>3 829 577.31</u>	<u>2 495 053.90</u>
Financial securities		
Other investments	534.10	0.00
Cash and cash equivalents	3 080 054.57	6 507 521.95
TOTAL CURRENT ASSETS	7 685 908.66	9 054 142.13
TOTAL ASSETS	<u>15 380 460.88</u>	<u>10 541 327.96</u>

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Balance sheet, group

	31.12.2022	31.12.2021
EQUITY AND LIABILITIES		
EQUITY		
Share capital	80 000.00	80 000.00
Share issue	5 000.00	23 000.00
Other reserves		
Reserve of invested non-restricted equity	13 211 117.15	11 778 560.03
Retained earnings	-8 611 782.09	-8 984 744.71
Profit (loss) for the period	-287 138.31	411 663.87
TOTAL EQUITY	4 397 196.74	3 308 479.19
LIABILITIES		
Non-current liabilities		
Financial loans	1 571 428.58	0.00
Other payables	918.65	0.00
	<u>1 572 347.23</u>	<u>0.00</u>
Current liabilities		
Financial loans	290 088.70	0.00
Advances received	4 005 012.71	3 309 586.69
Trade payables	1 023 409.13	467 804.37
Other payables	1 069 266.77	819 262.88
Accruals	3 023 139.60	2 636 194.83
	<u>9 410 916.91</u>	<u>7 232 848.77</u>
TOTAL LIABILITIES	10 983 264.14	7 232 848.77
TOTAL EQUITY AND LIABILITIES	<u>15 380 460.88</u>	<u>10 541 327.96</u>

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Cash flow statement, group

	1.1.-31.12.2022	1.1.-31.12.2021
Cash flow from operating activities:		
Profit (loss) before appropriations and taxes	-935 136.28	422 278.22
Adjustments:		
Depreciation and amortization	850 934.69	503 733.56
Financial income and expenses	71 392.05	9 098.77
Other adjustments	0.00	-8 370.69
Cash flow before changes in working capital	<u>-12 809.55</u>	<u>926 739.86</u>
Changes in working capital:		
Increase / decrease in trade and other receivables	-1 155 222.34	-609 188.46
Increase / decrease in inventories	0.00	0.00
Increase / decrease in trade and other payables	1 798 438.15	520 074.26
Cash flow from operating activities before financial items and taxes	<u>630 406.26</u>	<u>837 625.65</u>
Interest and other financial cost paid	-71 945.55	-7 445.30
Interest received	553.51	14.05
Income taxes paid	-12 315.76	-10 614.35
Cash flow from operating activities	<u>546 698.46</u>	<u>817 912.53</u>
Cash flow from investing activities:		
Investments to tangible and intangible assets	-1 367 495.89	-607 598.24
Proceeds from short-term investments	-5 880 277.66	0.00
Cash flow from investing activities	<u>-7 247 773.55</u>	<u>-607 598.24</u>
Cash flow from financing activities:		
Share issue	1 414 557.12	906 342.50
Withdrawal of non-current financial loans	2 000 000.00	0.00
Repayment of non-current financial loans	-140 949.41	0.00
Cash flow from financing activities	<u>3 273 607.71</u>	<u>906 342.50</u>
Change in cash and cash equivalents, increase (+) / decrease (-)	-3 427 467.38	1 116 656.79
Cash and cash equivalents at the beginning of the financial year	6 507 521.95	5 390 865.16
Cash and cash equivalents at the end of the financial year	3 080 054.57	6 507 521.95
Change in cash and cash equivalents	-3 427 467.38	1 116 656.79

Key figures, group

1000 eur	2022	2021	2020	2019
Net sales	21 607	17 764	14 888	13 839
SaaS	13 760	10 886	8 806	7 094
Licenses	48	44	93	185
Maintenance	901	1 014	1 010	1 287
Services	6 899	5 820	4 980	5 272
Domestic net sales	16 275	13 365	11 314	11 275
International net sales	5 332	4 339	3 574	2 564
Domestic net sales (% of net sales)	75 %	75 %	76 %	81 %
International net sales (% net sales)	25 %	24 %	24 %	19 %
Recurring revenue	14 661	11 900	9 815	8 381
Recurring revenue, (% of net sales)	68 %	67 %	66 %	61 %
SaaS MRR, monthly net sales at the end of the period	1 270	992	808	640
Net sales growth %	21.6 %	19.3 %	7.6 %	13.2 %
EBITDA	-13	935	126	-998
EBITDA %	-0.1 %	5.3 %	0.8 %	-7.2 %
EBITA	-581	450	-314	-1 377
EBITA %	-2.7 %	2.5 %	-2.1 %	-9.9 %
Operating profit (EBIT)	-864	431	-332	-1 396
Operating profit (EBIT) %	-4.0 %	2.4 %	-2.2 %	-10.1 %
Profit for the period	-287	412	-368	-1 373
Earnings/share (EPS), eur	-0.05	0.07	-0.06	-0.23
Equity/share, eur	0.69	0.53	0.33	0.37
Balance sheet total	15 380	10 541	8 712	7 464
Equity	4 397	3 308	1 999	2 165
Net debt	-1 219	-6 508	-5 391	-3 447
Return on invested capital (ROI) %	-4.5 %	16 %	-16 %	-49 %
Equity ratio %	38.7 %	46 %	35 %	42 %
Net gearing %	-28 %	-197 %	-270 %	-159 %
Research and development cost	3 128	2 630	2 203	2 039
Research and development cost, % of net sales	14.5 %	15 %	15 %	15 %
Number of employees on average during the period	161	114	103	106
Number of employees at the end of the period	194	125	105	107
Number of shares (on average during the period)	6 282 167	6 136 005	5 955 842	5 864 987
Number of shares at the end of the period	6 372 157	6 219 469	5 987 901	5 921 375

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Income statement, parent company

	1.1.-31.12.2022	1.1.-31.12.2021
NET SALES	3 034 646.00	2 713 512.00
Personnel expenses		
Wages and salaries	-1 669 128.85	-1 630 484.01
Social security expenses		
Pension expenses	-294 373.10	-274 902.07
Other social security expenses	-32 915.84	-41 141.52
	<u>-1 996 417.79</u>	<u>-1 946 527.60</u>
Depreciation and amortization		
Depreciation and amortization according to plan	-57 867.45	-56 864.77
Other operating expenses	-2 096 387.16	-1 592 621.21
OPERATING PROFIT (LOSS)	-1 116 026.40	-882 501.58
Financial income and expenses		
Interest income and other financial income		
From group companies	1 730.75	0.00
Interest expenses and other financial expenses		
To group companies	-67 350.03	0.00
To other	-44 055.73	-7 056.00
	<u>-109 675.01</u>	<u>0.00</u>
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES	-1 225 701.41	-889 557.58
Appropriations		
Group contributions, received	350 000.00	1 000 000.00
PROFIT (LOSS) FOR THE PERIOD	<u>-875 701.41</u>	<u>110 442.42</u>

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Balance sheet, parent company

	31.12.2022	31.12.2021
ASSETS		
NON-CURRENT ASSETS		
Intangible assets		
Intangible rights	101 570.93	155 427.65
Other long-term expenses	5 013.42	9 024.15
	<u>106 584.35</u>	<u>164 451.80</u>
Investments		
Holdings in group companies	8 241 004.70	2 254 042.44
Receivables from group companies	4 450 000.00	4 450 000.00
	<u>12 691 004.70</u>	<u>6 704 042.44</u>
TOTAL NON-CURRENT ASSETS	12 797 589.05	6 868 494.24
CURRENT ASSETS		
Long-term receivables		
Receivables from group companies	142 000.00	0.00
Other receivables	61 844.25	39 118.28
	<u>203 844.25</u>	<u>39 118.28</u>
Short-term receivables		
Receivables from group companies	608 005.19	1 205 049.98
Other receivables	3 172.58	0.00
Prepayments and accrued income	138 554.02	122 010.58
	<u>749 731.79</u>	<u>1 327 060.56</u>
Cash and cash equivalents	379 279.57	851 863.58
TOTAL CURRENT ASSETS	1 332 855.61	2 218 042.42
TOTAL ASSETS	<u>14 130 444.66</u>	<u>9 086 536.66</u>

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Balance sheet, parent company

	31.12.2022	31.12.2021
EQUITY AND LIABILITIES		
EQUITY		
Share capital	80 000.00	80 000.00
Share issue	5 000.00	23 000.00
Other reserves		
Reserve of invested non-restricted equity	13 211 117.15	11 778 560.03
Retained earnings	-3 682 229.70	-3 792 672.12
Profit (loss) for the period	-875 701.41	110 442.42
TOTAL EQUITY	8 738 186.04	8 199 330.33
LIABILITIES		
Non-current liabilities		
Financial loans	1 571 428.58	0.00
Payables to group companies	2 550 000.00	0.00
	<u>4 121 428.58</u>	<u>0.00</u>
Current liabilities		
Financial loans	287 622.01	0.00
Trade payables	206 530.40	155 914.74
Payables to group companies	16 172.96	0.00
Other payables	93 738.18	83 535.10
Accruals	666 766.49	647 756.49
	<u>1 270 830.04</u>	<u>887 206.33</u>
TOTAL LIABILITIES	5 392 258.62	887 206.33
TOTAL EQUITY AND LIABILITIES	<u>14 130 444.66</u>	<u>9 086 536.66</u>

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Cash flow statement, parent company

	1.1.-31.12.2022	1.1.-31.12.2021
Cash flow from operating activities:		
Profit (loss) before appropriations and taxes	-1 225 701.41	-889 557.58
Adjustments:		
Depreciation and amortization	57 867.45	56 864.77
Financial income and expenses	109 675.01	7 056.00
Cash flow before changes in working capital	-1 058 158.95	-825 636.81
Changes in working capital:		
Increase/decrease in trade and other receivables	-95 397.20	312 897.55
Increase/decrease in trade and other payables	79 828.74	79 270.49
Cash flow from operating activities before financial items and taxes	-1 073 727.41	-433 468.77
Interest and other financial cost paid	-95 232.80	-7 056.00
Interest and other financial income received	1 730.75	0.00
Cash flow from operating activities	-1 167 229.46	-440 524.77
Cash flow from investing activities:		
Investments to tangible and intangible assets	0.00	-12 032.20
Investments to group companies	-5 986 962.26	0.00
Loans to group companies	-142 000.00	0.00
Cash flow from investing activities	-6 128 962.26	-12 032.20
Cash flow from financing activities:		
Share issue	1 414 557.12	906 342.50
Non-current loans, increase	2 000 000.00	0.00
Non-current loans, decrease	-140 949.41	0.00
Non-current internal loans	2 550 000.00	0.00
Group contribution received	1 000 000.00	0.00
Cash flow from financing activities	6 823 607.71	906 342.50
Change in cash and cash equivalents, increase (+) / decrease (-)	-472 584.01	453 785.53
Cash and cash equivalents at the beginning of the financial year	851 863.58	398 078.05
Cash and cash equivalents at the end of the financial year	379 279.57	851 863.58
Change in cash and cash equivalents	-472 584.01	453 785.53

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Accounting principles

Measurement and recognition principles and methods

Measurement of non-current assets

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

The depreciation and amortization periods are as follows:

Development cost 5 years

Intangible rights 3 years

Goodwill 5 years

Consolidated goodwill 10 years

Other long-term expenditure 4 years

Machinery and equipment 25% residual depreciation

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

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

Financial instruments are measured at fair value.

Recognition of net sales

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

Research and development cost and other long-term expenditure

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

Pensions

Pension expenses are recognized as an annual expense.

Deferred taxes

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

Foreign currencies

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

Accounting principles for group consolidated financial statements

Scope of group consolidated financial statements

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

Accounting principles

The group consolidated financial statements have been prepared using the acquisition cost method. The difference between the acquisition cost of the subsidiaries and the equity corresponding to the acquired share is presented as consolidated goodwill. Group goodwill is amortized over 10 years.

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

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

Deferred taxes

Deferred tax assets from unused tax losses in Finnish taxation have been recognized in the group consolidated financial statements. Total confirmed losses from years 2013-2020 are 3.1 million euros for Efecte Finland Oy and 3.5 million euros for Efecte Oyj. Total tax impact of 20% is 1.3 million euros of which 0.7 million euros were capitalized during the review period.

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Notes to the income statement

Net sales	Group		Parent company	
	1.1.-31.12.2022	1.1.-31.12.2021	1.1.-31.12.2022	1.1.-31.12.2021
Net sales by type				
SaaS	13 760 061,08	10 886 164,45	0,00	0,00
Licenses	48 023,78	43 888,95	0,00	0,00
Maintenance	900 789,80	1 013 899,03	0,00	0,00
Services	6 898 501,66	5 820 499,49	3 034 646,00	2 713 512,00
	21 607 376,32	17 764 451,92	3 034 646,00	2 713 512,00

Netsales by geography	Group		Parent company	
	1.1.-31.12.2022	1.1.-31.12.2021	1.1.-31.12.2022	1.1.-31.12.2021
Finland	16 274 993,52	13 365 219,54	3 034 646,00	2 713 512,00
Other	5 332 382,80	4 399 232,38	0,00	0,00
	21 607 376,32	17 764 451,92	3 034 646,00	2 713 512,00

Personnel

Number of employees on average during the period

	Group		Parent company	
	1.1.-31.12.2022	1.1.-31.12.2021	1.1.-31.12.2022	1.1.-31.12.2021
Finland	116,6	95,5	16,2	14,8
Other Europe	44,6	18,8	0,0	0,0
	161,2	114,3	16,2	14,8

CEO and members of the board of directors	Group		Parent company	
	1.1.-31.12.2022	1.1.-31.12.2021	1.1.-31.12.2022	1.1.-31.12.2021
	-503 267,85	-1 041 438,30	-503 267,85	-1 041 438,30

Other operating expenses

	1.1.-31.12.2022	1.1.-31.12.2021	1.1.-31.12.2022	1.1.-31.12.2021
Marketing expenses	-745 955,80	-714 519,87	-326 691,29	-445 577,03
Administrative expenses	-399 104,44	-180 564,10	-182 394,85	-72 830,02
Telecom, IT and information expenses	-1 002 899,15	-859 644,67	-666 435,03	-526 376,55
Research & development expenses	-748 716,50	-364 303,80	0,00	0,00
Travel expenses	-316 492,38	-62 222,79	-96 531,68	-14 147,43
Facility expenses	-431 276,23	-390 609,78	-31 042,15	-30 736,86
Other operating expenses	-2 054 484,25	-1 368 610,53	-793 292,16	-502 953,32
	-5 698 928,74	-3 940 475,54	-2 096 387,16	-1 592 621,21

Auditor's fees

Auditor's fees	Group		Parent company	
	1.1.-31.12.2022	1.1.-31.12.2021	1.1.-31.12.2022	1.1.-31.12.2021
Audit	-71 500,00	-62 930,00	-33 300,00	-26 260,00
Assignments relating to Auditing Act section 1.1:2	-2 400,00	-1 800,00	-2 400,00	-1 800,00
Tax	-9 862,00	-6 696,20	-9 862,00	-2 230,00
Other services	-23 800,00	-26 856,35	-23 800,00	-5 700,00
	-107 562,00	-98 282,55	-69 362,00	-35 990,00

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Non-current assets

Intangible assets

Development expenses

	Group		Parent company	
	1.1.-31.12.2022	1.1.-31.12.2021	1.1.-31.12.2022	1.1.-31.12.2021
Acquisition cost 1.1.	2 858 908,01	2 378 623,10	0,00	0,00
Additions	1 320 192,95	480 284,91	0,00	0,00
Acquisition cost 31.12.	4 179 100,96	2 858 908,01	0,00	0,00
Accumulated amortisation and impairment 1.1.	-1 647 150,77	-1 247 553,23	0,00	0,00
Amortisation during the period	-473 410,62	-399 597,54	0,00	0,00
Accumulated amortisation and impairment 31.12.	-2 120 561,39	-1 647 150,77	0,00	0,00
Carrying amount 31.12.	2 058 539,57	1 211 757,24	0,00	0,00
Carrying amount 1.1.	1 211 757,24	1 131 069,87	0,00	0,00

Intangible rights

	Group		Parent company	
	1.1.-31.12.2022	1.1.-31.12.2021	1.1.-31.12.2022	1.1.-31.12.2021
Acquisition cost 1.1.	376 537,72	376 537,72	354 964,52	354 964,52
Additions	480,69	0,00	0,00	0,00
Acquisition cost 31.12.	377 018,41	376 537,72	354 964,52	354 964,52
Accumulated amortisation and impairment 1.1.	-220 930,07	-165 275,30	-199 536,87	-145 680,15
Amortisation during the period	-54 036,72	-55 654,78	-53 856,72	-53 856,72
Accumulated amortisation and impairment 31.12.	-274 966,79	-220 930,07	-253 393,59	-199 536,87
Carrying amount 31.12.	102 051,62	155 607,65	101 570,93	155 427,65
Carrying amount 1.1.	155 607,64	211 262,42	155 427,65	209 284,37

Goodwill

	Group		Parent company	
	1.1.-31.12.2022	1.1.-31.12.2021	1.1.-31.12.2022	1.1.-31.12.2021
Acquisition cost 1.1.	86 357,63	86 357,63	0,00	0,00
Acquisition cost 31.12.	86 357,63	86 357,63	0,00	0,00
Accumulated amortisation and impairment 1.1.	-81 646,90	-62 804,02	0,00	0,00
Amortisation during the period	-4 710,73	-18 842,88	0,00	0,00
Accumulated amortisation and impairment 31.12.	-86 357,63	-81 646,90	0,00	0,00
Carrying amount 31.12.	0,00	4 710,73	0,00	0,00
Carrying amount 1.1.	4 710,73	23 553,61	0,00	0,00

Consolidated goodwill

	Group		Parent company	
	1.1.-31.12.2022	1.1.-31.12.2021	1.1.-31.12.2022	1.1.-31.12.2021
Acquisition cost 1.1.	0,00	0,00	0,00	0,00
Additions	5 682 110,55	0,00	0,00	0,00
Acquisition cost 31.12.	5 682 110,55	0,00	0,00	0,00
Accumulated amortisation and impairment 1.1.	0,00	0,00	0,00	0,00
Amortisation during the period	-278 377,95	0,00	0,00	0,00
Accumulated amortisation and impairment 31.12.	-278 377,95	0,00	0,00	0,00
Carrying amount 31.12.	5 403 732,59	0,00	0,00	0,00
Carrying amount 1.1.	0,00	0,00	0,00	0,00

Other long-term expenses

	Group		Parent company	
	1.1.-31.12.2022	1.1.-31.12.2021	1.1.-31.12.2022	1.1.-31.12.2021
Acquisition cost 1.1.	12 032,20	0,00	12 032,20	0,00
Additions	0,00	12 032,20	0,00	12 032,20
Acquisition cost 31.12.	12 032,20	12 032,20	12 032,20	12 032,20
Accumulated amortisation and impairment 1.1.	-3 008,05	0,00	-3 008,05	0,00
Amortisation during the period	-4 010,73	-3 008,05	-4 010,73	-3 008,05
Accumulated amortisation and impairment 31.12.	-7 018,78	-3 008,05	-7 018,78	-3 008,05
Carrying amount 31.12.	5 013,42	9 024,15	5 013,42	9 024,15
Carrying amount 1.1.	9 024,15	0,00	9 024,15	0,00

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Tangible assets

Machinery and equipment

	Group		Parent company	
	1.1.-31.12.2022	1.1.-31.12.2021	1.1.-31.12.2022	1.1.-31.12.2021
Acquisition cost 1.1.	339 085,07	223 803,18	129 547,99	129 547,99
Additions	55 516,90	115 281,89	0,00	0,00
Acquisition cost 31.12.	394 601,97	339 085,07	129 547,99	129 547,99
Accumulated depreciation and impairment 1.1.	-232 999,01	-206 367,94	-129 547,99	-129 547,99
Depreciation during the period	-36 387,94	-26 631,07	0,00	0,00
Accumulated depreciation and impairment 31.12	-269 386,95	-232 999,01	-129 547,99	-129 547,99
Carrying amount 31.12.	125 215,02	106 086,06	0,00	0,00
Carrying amount 1.1.	106 086,06	17 435,24	0,00	0,00

Investments

Holdings in group companies

Subsidiary shares

	Parent company	
	1.1.-31.12.2022	1.1.-31.12.2021
Acquisition cost 1.1.	2 254 042,44	2 254 042,44
Additions	5 986 962,26	0,00
Acquisition cost 31.12.	8 241 004,70	2 254 042,44
Carrying amount 31.12.	8 241 004,70	2 254 042,44
Carrying amount 1.1.	2 254 042,44	2 254 042,44

Receivables from group companies

Loan and other receivables

	Parent company	
	1.1.-31.12.2022	1.1.-31.12.2021
Acquisition cost 1.1.	4 450 000,00	4 450 000,00
Acquisition cost 31.12.	4 450 000,00	4 450 000,00
Carrying amount 31.12.	4 450 000,00	4 450 000,00
Carrying amount 1.1.	4 450 000,00	4 450 000,00

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Holdings in group companies

Group companies

	Ownership-%	Equity 31.12.2022	Profit for the period
Efecte Finland Oy, domicile Finland.	100	1 769 827,15	348 471,79
Efecte Germany GmbH, domicile Germany.	100	99 551,14	22 971,26
Efecte AB, domicile Sweden.	100	320 907,24	28 940,11
InteliWISE S.A., domicile Poland.	100	180 923,08	-174 712,46
Intelidesk Sp. z o.o., domicile Poland.	54	-11 580,88	-24 583,69
Limtel Sp. z o.o., domicile Poland.	100	19 784,32	-5 363,14

Notes relating to group

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

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

Receivables

Current receivables

	Group		Parent company	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Receivables from group companies				
Trade receivables, Efecte Finland Oy			35 734,44	23 860,98
Other receivables, Efecte Finland Oy			570 540,00	1 181 189,00
Other receivables, InteliWISE S.A.			1 730,75	0,00
Total			608 005,19	1 205 049,98
Receivables from others				
Trade receivables	3 355 186,58	2 196 289,00	0,00	0,00
Other receivables	130 697,57	8 393,23	3 172,58	0,00
Prepayments and accrued income	343 693,17	290 371,67	138 554,02	122 010,58
Total	3 829 577,31	2 495 053,90	141 726,60	122 010,58
Total current receivables	<u>3 829 577,31</u>	<u>2 495 053,90</u>	<u>749 731,79</u>	<u>1 327 060,56</u>

Prepayments and accrued income

Material items of prepayments and accrued income

	Group		Parent company	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Accrued personnel expenses	29 822,75	28 081,83	25 959,88	22 476,24
Accrued net sales	113 833,32	111 576,51	0,00	0,00
Other accruals	200 037,10	150 713,33	112 594,14	99 534,34
Total	343 693,17	290 371,67	138 554,02	122 010,58

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Equity	Group		Parent company	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Restricted equity				
Share capital 1.1.	80 000,00	80 000,00	80 000,00	80 000,00
Share capital 31.12.	80 000,00	80 000,00	80 000,00	80 000,00
Total restricted equity	80 000,00	80 000,00	80 000,00	80 000,00
Non-restricted equity				
Share issue 1.1	23 000,00	0,00	23 000,00	0,00
Unregistered share issue	5 000,00	23 000,00	5 000,00	23 000,00
Registration of share issue	-23 000,00	0,00	-23 000,00	0,00
Share issue 31.12	5 000,00	23 000,00	5 000,00	23 000,00
Reserve of invested non-restricted equity 1.1.	11 778 560,03	10 895 217,53	11 778 560,03	10 895 217,53
Share issue	1 432 557,12	883 342,50	1 432 557,12	883 342,50
Reserve of invested non-restricted equity 31.12.	13 211 117,15	11 778 560,03	13 211 117,15	11 778 560,03
Retained earnings 1.1.	-8 573 080,84	-8 976 374,02	-3 682 229,70	-3 792 672,12
Translation differences	-38 701,26	-8 370,69	0,00	0,00
Retained earnings 31.12.	-8 611 782,09	-8 984 744,71	-3 682 229,70	-3 792 672,12
Profit (loss) for the period	-287 138,31	411 663,87	-875 701,41	110 442,42
Total non-restricted equity	4 317 196,74	3 228 479,19	8 658 186,04	8 119 330,33
Total equity	4 397 196,74	3 308 479,19	8 738 186,04	8 199 330,33

Distributable non-restricted equity

Calculation of the parent company's distributable equity	Parent company	
	31.12.2022	31.12.2021
Retained earnings	-3 682 229,70	-3 792 672,12
Profit (loss) for the period	-875 701,41	110 442,42
Reserve of invested non-restricted equity	13 211 117,15	11 778 560,03
Unregistered share issue	5 000,00	23 000,00
	8 658 186,04	8 119 330,33

Development of number of shares

Number of shares	Parent company	
	31.12.2022	31.12.2021
Number of shares 1.1.	6 235 873	6 056 623
Directed share issue	111 801	0
Exercise of share options	35 916	179 250
Number of shares 31.12.	6 383 590	6 235 873

On 31 December 2022 Efecte Plc owns 11.433 treasury shares, approx. 0.2% of the total amount of the shares.

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Notes to liabilities

Material items of accruals

	Group		Parent company	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Wages and salaries	2 549 741,12	2 211 461,20	531 707,39	509 044,74
Pension and other social security expenses	293 140,58	229 993,33	36 626,95	33 391,77
Other accruals	180 257,89	194 740,30	98 432,15	105 319,98
	3 023 139,60	2 636 194,83	666 766,49	647 756,49

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Commitments and contingent liabilities

Other guarantees provided on own behalf	Group		Parent company	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Rent security quarantees	101 965,13	51 566,28	61 844,25	39 118,28
Business mortgages	1 000 000,00	1 000 000,00	1 000 000,00	1 000 000,00
Total	1 101 965,13	1 051 566,28	1 061 844,25	1 036 108,18

Pension liabilities

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

Leasing liabilities	Group		Parent company	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Payable during next 12 months	61 547,50	50 108,17	59 663,50	47 128,75
Payable later	86 596,54	8 841,26	83 770,54	8 841,26
Total	148 144,04	58 949,43	143 434,04	55 970,01

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

Other commitments

Parent company Efecte Plc has a fixed-term office lease agreement of which first possible expiration date is 31.3.2024. The company's lease liability from this contract is approx. 263 thousand euro.

	Group		Parent company	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Payable during next 12 months	291 959,76	212 916,66	210 082,08	186 708,00
Payable later	138 252,20	233 385,00	52 520,52	233 385,00
Total	430 211,96	446 301,66	262 602,60	420 093,00

Other off- balance sheet commitments

The parent company's checking account includes limit of EUR 400,000.00 and a covenant condition. In addition parent company's financial loan agreement includes covenant conditions. The agreed special conditions is related to the company's equity ratio and to the ratio of interest-bearing netdebt to EBITDA . A breach of the covenants may increase the cost of financing or result in the release of the limit and financial loans. According to the company's management, the covenant conditions are regularly monitored and have not been violated.

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

In Espoo ____ . ____ .2023

Pertti Ervi
Chairman of the board of directors

Esther Donatz
Member of the board of directors

Eric Gustavsson
Member of the board of directors

Turkka Keskinen
Member of the board of directors

Päivi Rekonen
Member of the board of directors

Niilo Fredrikson
CEO

Auditor's note

An auditor's report has been issued today.

In Helsinki ____ . ____ .2023

Ernst & Young Oy
Audit firm

Juha Hilmola
APA

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List of accounting books and journal types and storage methods

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

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

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Formulas for financial ratios

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



Building a better
working world

Ernst & Young Oy
Alvar Aallon katu 5 C
FI-00100 Helsinki
FINLAND

Tel: +358 207 280 190
www.ey.com/fi
Business ID: 2204039-6,
domicile Helsinki

AUDITOR'S REPORT (Translation of the Finnish original)

To the Annual General Meeting of Efecte Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Efecte Plc (business identity code 1509667-4) for the year ended 31 December 2022. The financial statements comprise the balance sheets, the income statements, cash flow statements and notes for the group as well as for the parent company.

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

Basis for Opinion

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

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

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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



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

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

Other reporting requirements

Other information

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

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

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

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

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

Helsinki 28.2.2023

Ernst & Young Oy
Authorized Public Accountant Firm

JUHA HILMOLA

Juha Hilmola
Authorized Public Accountant