

SOLWERS PLC

**REPORT BY THE BOARD OF
DIRECTORS**

and

FINANCIAL STATEMENTS

2021

REPORT BY THE BOARD OF DIRECTORS

BUSINESS REVIEW

Solwers is a fast-growing group of expert companies that designs unique and sustainable living environments. Solwers serves as a growth platform for the companies it owns, supports their growth, and challenges the traditional practices in the built environment consulting industry. Solwers combines the efficiency, entrepreneurial culture, and flexibility of the companies with the resources and vision of a larger group.

Solwers' operations in their current form began in 2017 when Solwers acquired Finnmap Infra Oy. The company has grown quickly, both through acquisitions and organically, in Finland and Sweden. Solwers offers a broad range of design and project management services through its companies and employs approximately 570 professionals. The companies Solwers acquires are, as rule, financially profitable, many of them have a long history and they have a well-established position among their customers. Solwers currently consists of 22 operational companies that specialize in providing solutions in the areas of architectural design, technical consulting, electrical and automation engineering, environmental impact monitoring, project management and monitoring, circular economy and digital solutions.

Business development

Revenue amounted to EUR 44.7 (32.6) million, with the year-on-year increase of 36.8% being mainly attributable to acquisitions. The Company continued to execute its growth strategy by acquiring three companies in Finland and two in Sweden

EBITA for 2021 was 10.5%. Profitability remained at a good level but declined somewhat year-on-year due to a temporary reduction in business volume in a couple of companies. In the latter part of the year, the Omicron variant of COVID-19 increased sickness-related absences, and the same trend has continued in early 2022. This will affect revenue and profit performance in a few of the Company's subsidiaries for as long as the COVID-19 related absences continue.

Acquisitions

Solwers' growth strategy is based on the implementation of a systematic acquisition plan. In February 2021, Solwers acquired the entire share capital of Inmeco Oy Rakennuskonsultit, which provides expert services related to construction. Inmeco's revenue for 2021 was just under EUR 1.8 (1.5) million and its average number of employees was 16 (13).

In May, Solwers acquired the entire share capital of LVI-insinööri-toimisto Meskanen Oy. Meskanen's revenue for 2021 was EUR 1.1 (1.0) million and its average number of employees was 10 (9). The acquisition supplements the Company's expertise in technical HVAC design. In November, Solwers acquired the entire share capital of Lukkaroinen Architects. In 2021, Lukkaroinen had an average of 73 (67) employees and its revenue amounted to EUR 6.5 (6.0) million.

Solwers also acquired two companies in Sweden. Falk Construction Management AB, which had an average of 16 (13) employees and revenue of EUR 3.5 (3.1) million in 2021, strengthens the Solwers companies' project management and structural engineering offering in the Stockholm region. At the end of December, Solwers acquired ELE Engineering AB, which had an average of 77 (76) employees and revenue of EUR 6.5 (6.3) million in 2021. ELE Engineering operates in Västerås, providing comprehensive electricity, power transmission and automation design services for industrial customers, thereby expanding the Solwers companies' service offering in consulting related to energy production. Demand for expertise in this area is growing due to the need to strengthen local energy production.

Other key events

The listing of the Company on the First North Growth Market Finland marketplace maintained by Nasdaq Helsinki in the spring was a large project that kept much of the organization busy. As part of the project, the acquisition of minority interests in the subsidiaries was negotiated. Following these arrangements, Solwers now has a

shareholding of more than 90% in all of its subsidiaries except Taitotekniikka and Contria. The successful IPO saw Solwers issue 1.2 million new shares and raise gross proceeds of EUR 9.0 million, which supports the execution of the Company's strategy. In connection with the IPO, the Company's financing structure was also changed by converting the capital loans on the Company's balance sheet into equity and by signing a new financing agreement with the Company's primary financing bank, which made it possible to finance new acquisitions partly with debt. The group structure was also streamlined in the fall by the transfer of ownership of all Swedish subsidiaries under Solwers Sweden AB at the end of September.

Solwers companies had over 3,800 (2,100) projects during the year, with most of these being relatively small assignments valued at less than EUR 10,000. Examples of major projects during the year included Architects Davidsson Tarkela designing the renovation projects of Lahti City Hall and the National Museum of Finland in Helsinki. The same company also participated in the architectural and conceptual design competition for Elielinaukio and Asema-aukio as part of the partnership that submitted the winning proposal, "Klyyga", which was described as distinctive and full of character.

Insinööri toimisto Pontek won a competition organized by the City of Oulu for designing Hartaansilta bridge. Pontek is involved in designing the construction of the new main police station in Vantaa, while Finnmap Infra was responsible for the construction plan for the Turku Ring Road development project. One good example of active cooperation between the Company's subsidiaries is a project related to the excavation and development of a large sports center in former caves in Kuopio's Savilahti district. Of the Solwers companies, Architects Davidsson Tarkela, Rockplan and Pontek are involved in the architectural and structural design of the project.

In the Swedish market, demand was stable and strong throughout the year. In Northern Sweden, Licab is involved in a large battery industry project and, in the developing region of Norrbotten, Licab's customers include the Swedish Transport Administration and the local municipalities. In Southern Sweden, Dreem Architects has several design projects under way, including the conversion of abandoned old shopping centers in small concrete towns built in the 1960s into offices, schools and active urban centers.

SUSTAINABILITY

Supporting customers' sustainability goals

Solwers environmental handprint emerges through the choices made by its customers. Solwers companies' expert services include many sustainable solutions; for example, designing energy storage solutions and promoting sustainable mobility (walking and cycling), the use of secondary raw materials in road structures, taking groundwater and other environmental factors into consideration in design and engineering activities, the optimization of construction materials, the conversion of existing buildings, passive house solutions, circular economy projects and life-cycle calculations. The Pasila circular economy project is pending a decision by the City of Helsinki to transfer the property in question.

A responsible employer

In the area of social responsibility, the priority is to support the well-being of personnel. Personnel satisfaction and well-being are supported with development of leadership and supervisory work, as well as by providing personnel with company bicycles, massage services and recreational opportunities as well as by organizing employee events and trips. Local sports and children's hobbies are supported and Solwers makes also donations to beneficiaries in third countries, for example.

The largest donations in 2021 were to the following beneficiaries:

- Good Holiday Spirit campaign for low-income families with children in Finland
- Barncancerfonden, the Swedish Childhood Cancer Fund

Good corporate citizenship

In the business operations, Solwers observe Finnish and Swedish legislation, Solwers' Articles of Association and the Nasdaq Helsinki guidelines for First North companies. Solwers works in close cooperation with the audit firm, which regularly reviews the accounts and financial statements of the Company and subsidiaries. A common Code of Conduct is in use, with compliance supported by the Whistleblow reporting channel implemented in 2021 to allow the personnel to anonymously report any suspicions of unethical conduct.

Solwers joined the UN Global Compact network in 2021. It provides a framework for the sustainability efforts along with a network that will help to realize Solwers vision of being the preferred partner in visionary and sustainable design and engineering.

Strategy and medium-term targets

Solwers' strategy is based on acquisitions and organic growth, the Company's attractiveness as a good employer for professionals in various fields and the continuous development of competence. Solwers aims to continue its growth and expansion. Smaller acquisitions of subsidiaries may also be made to strengthen local expertise and capacity.

Growth is supported by the megatrend of urbanization, which increases the construction of above ground and underground infrastructure. Business growth is also supported by the increasing emphasis on sustainability, new circular economy projects and the EU's introduction of stricter energy efficiency regulations. In addition, the maintenance backlog in society creates new business opportunities, and Solwers' strategy and business model – which are based on cost-efficiency – is a good fit with these opportunities.

The Solwers operating model supports the Solwers companies' different cultures, which increase job satisfaction while promoting innovation and creativity. Solwers also wants to give employees the opportunity to learn and develop their skills together with fellow professionals in workplace communities of manageable size.

In late 2021, Solwers Plc acquired ELE Engineering AB in Sweden. The acquisition expands Solwers companies' service offering into the electricity, automation and power transmission markets. The growing demand for electricity, new sustainable energy production activities and the EU's increasingly strict energy regulations drive demand and create new customer assignments.

The Company will keep a close eye on the effects of the developing geopolitical situation, but nevertheless maintains its mid-term financial targets as set out in the prospectus published on 3 June 2021 in connection with the IPO. The targets are as follows:

- Growth: Revenue growth over 20% (12 months)
- Profitability: EBITA margin over 12%
- Equity ratio: Over 40%

Outlook

The level of investment varies from one year to the next and in different ways in different sectors. Public and private sector investments affect employment and profitability in the entire design and engineering sector, including Solwers. Expanding the service portfolio and the diversification of business and the geographical scope of operations through the Solwers companies provides balance and supports the achievement of the targets set by the Company. The demand for infrastructure design and engineering services in Finland is stable, and the demand for industrial and infrastructure design and project management services in Northern Sweden is expected to remain strong.

The Solwers companies do not operate in Russia or Ukraine, but the change in the geopolitical situation may affect customers' willingness to invest in Finland and Sweden.

The acquisitions made last year will increase Solwers' revenue in 2022 and strengthen the Company's expertise and market position. Solwers intends to make further acquisitions. The Company's priorities in its business operations are growth and profitability improvement. The order stock of the few subsidiaries that previously suffered from a temporarily reduced business volume have returned to normal and profitability has improved in the first couple of months of the year.

The COVID-19 pandemic has continued and, in the early part of the year, the number of sickness-related absences among the Company's personnel has increased substantially compared to previous years due to Omicron infections. This will affect the Company's revenue and profit performance for as long as the COVID-19 related absences continue.

REVENUE, PROFIT AND PROFITABILITY TREND

Solwers Plc's revenue grew in January–December by EUR 12.0 (6.8) million, mainly due to acquisitions. The relative rate of revenue growth was 36.8% (26.5%).

Operating expenses amounted to EUR 41.7 (29.4) million and represented 93.4% (90.0%) of revenue. The relative growth in expenses was mainly due to the acquisition of a few companies whose profitability was below the target level during the past two years, postponed projects in a couple of subsidiaries during the past year and their decreased revenue due to the temporarily reduced business volume.

For these reasons, the EBITA margin was 3.0 percentage points lower than in the previous year and amounted to 10.5% (13.6%). For largely the same reasons, the EBIT margin was 3.3 percentage points lower than in the previous year and amounted to 7.5% (10.8%).

Net financing expenses increased by EUR 1.2 million year-on-year and came to EUR 1.3 (0.1) million. The increase was mainly attributable to interest on capital loans amounting to EUR 0.8 (0.0) million and expenses of EUR 0.1 (0.0) million arising from a new financing agreement signed with the Company's main financing bank. Financing expenses were also increased by net foreign exchange losses of EUR 0.2 (0.0) million arising from SEK-denominated loans and financing of the Swedish subsidiary.

Mainly due to the afore mentioned reasons, the profit for the financial year decreased by EUR 1.0 million year-on-year and amounted to EUR 1.7 (2.7) million.

Key figures

Solwers Plc group consolidated					
EUR thousand	2021	2020	2019 ²⁾	2018 ¹⁾	2017 ¹⁾
Revenue	44,662	32,649	25,802	25,334	16,107
EBITDA	5,495	4,970	2,446	2,543	842
EBITDA-%	12.3%	15.2%	9.5%	10.0%	5.2%
EBITA	4,708	4,427	2,083	-	-
EBITA-%	10.5%	13.6%	8.1%	-	-
EBIT	3,371	3,539	1,478	2,185	639
EBIT-%	7.5%	10.8%	5.7%	8.6%	4.0%
Net Profit	1,672	2,675	1,013	1,998	641
Net Profit-%	3.7%	8.2%	3.9%	7.9%	4.0%
Earnings per Share (EPS), EUR	0.20	0.40	0.15	0.40	0.14
Revenue per person	112	110	102	119	120
Revenue growth	36.8 %	26.5 %	1.8 %	57.3 %	-
Billing rate	82.2 %	85.7 %	-	-	-
Adjusted Equity ²⁾	31,908	17,869	11,577	9,586	6,486
Net debt	14,119	12,741	10,887	8,375	4,340
Equity Ratio, %	45.4%	31.8%	21.0%	17.2%	18.1%
Adjusted Equity Ratio, % ^{2), 3)}	45.4%	44.7%	41.6%	42.7%	40.7%
Total Assets	70,354	40,017	27,862	22,438	15,933
Headcount, average	397	297	253	213	134
Headcount, at year end	571	371	257	229	150

¹⁾ year 2017-20 EPS adjusted for comparability with year 2021 (share split in 2021)

²⁾ capital loans classified as equity

³⁾ ratio's denominator is value at year end

⁴⁾ IFRS 16 Leases applied for the first time

⁵⁾ IFRS 16 Leases not yet in force

LIQUIDITY, FINANCING AND CAPITAL LOANS

Liquidity

The Company's liquidity has remained good during the year.

Financing structure

The Company's financing and liquidity and medium-term financing have been ensured during the financial year by various share issues and by a new financing agreement signed with the Company's main financing bank on 28 May 2021.

The Company's medium-term objective is to maintain an equity ratio of at least 40%, which in practice means 50/50 for the target capital structure (equity/interest-bearing and non-interest-bearing liabilities excluding working capital items).

At the date of the financial statements, the equity ratio (covenant 1 of the financing agreement) was 45.2%, which is above the minimum of 35.0% mentioned in the financing agreement with the main financing bank 10.2 percentage points.

In addition to the above, the Company's financial position and liquidity are measured using the key figure [net debt/12-month Pro Forma EBITDA] (covenant 2). At the date of the financial statements, this ratio was 2.04, while the upper limit of the financing agreement is 3.00.

Capital loans

Capital loans of EUR 5,126 thousand included in the financial statements for 2020 have been converted into shares during the financial year.

Loans granted

At the financial statements date, the total amount of loans granted by the parent company to related parties was EUR 1,147 (267) thousand. The loans have been used for the acquisition of parent company shares aimed at engaging the commitment of key personnel. The loans were granted on market terms.

Balance sheet and financing

The balance sheet total was EUR 70.4 (40.0) million at the end of the financial year. The increase in total assets was due to share issues carried out during the year for the purpose of the Company's expansion and increased debt financing for the same purpose.

The capital invested in the Company was increased during the financial year by strengthening shareholders' equity through various share issues and by increasing debt financing. Due to the balanced increase in assets, the (adjusted) equity ratio remained excellent, amounting to 45.4% (44.7%) at the end of the year.

The Company's equity was strengthened by a total of EUR 24.9 million during the year. EUR 12.0 million of that total came from paid share issues, of which EUR 9.0 million came from the gross proceeds raised from the IPO. The remaining EUR 12.9 million consisted of various directed share issues without consideration, relating to the conversion of capital loans, the acquisition of minority interests, company acquisitions and a share issue to key personnel.

At the end of the year, interest-bearing liabilities totaled EUR 26.8 (19.2) million, consisting of EUR 15.8 (8.1) million in loans from financial institutions, EUR 5.9 (2.4) million in purchase price liabilities arising from acquisitions, EUR 4.3 (3.3) million in lease liabilities, EUR 0.8 (0.3) million in other interest-bearing liabilities and EUR 0.0 (5.1) million in capital loans.

At the end of the year, the Company's net debt totaled EUR 14.1 (12.7) million. Cash and cash equivalents amounted to EUR 12.6 (6.1) million at the end of the financial year.

Cash flow

Net cash flow from operating activities was positive at EUR +4.7 (+4.3) million, net cash flow from investing activities was negative at EUR -11.4 (-2.7) million, and net cash flow from financing activities was positive at EUR +13.3 (+0.2) million.

Net cash flow from operating activities was reduced by EUR -0.8 (-0.0) million in interest expenses on capital loans and expenses of EUR -0.1 (-0.0) million arising from a new financing agreement.

Most of the cash and cash equivalents used for investments consisted of net cash assets used in acquisitions, EUR -10.0 (-2.5) million, and cash assets of EUR -0.9 (-0.0) million used in the acquisition of non-controlling interests in subsidiaries.

Of the cash flow from financing activities, EUR 9.0 (0.0) million was derived from the gross proceeds raised from the IPO, EUR 3.6 (0.7) million from the proceeds of other paid share issues, and EUR 15.0 (2.2) million from withdrawals of loans from credit institutions.

The Company paid EUR -0.9 (0.0) million in IPO-related expenses and EUR -0.2 (0.0) million in expenses related to other paid share issues.

The Company repaid debts totaling EUR -11.2 (-3.4) million during the financial year. Of this total, repayments of loans from financial institutions amounted to EUR -8.0 (-1.4) million, repayments of lease liabilities amounted to EUR -1.9 (-1.1) million and repayments of other non-interest-bearing loans amounted to EUR -1.3 (-1.0) million.

Dividends paid amounted to EUR -2.0 (-0.6) million, of which EUR -0.5 (-0.2) million was paid to the parent company's shareholders.

BUSINESS RISKS AND UNCERTAINTIES

Solwers' operating environment includes risks related to business operations, strategy, Company personnel and management. In addition, there are legal risks, risks related to the IT systems and intellectual property rights and risks related to financing and the financial position as well as shares.

The personnel risks of Solwers companies are related to employee retention, the well-being of employees and the availability of suitable professional experts. The business of the companies is based on experts, and skilled personnel are the basis for growth. The prolonged COVID-19 pandemic has increased sickness absences considerably and working remotely continuously may have a negative impact on employee well-being and their commitment to the Company.

Operational risks of Solwers companies include project work risks and information security risks. There are also risks in the growth strategy based on acquisitions if there are no suitable companies to acquire or if the terms or liabilities of the transactions cannot be agreed at the right level of valuation.

The changed geopolitical situation and the war in Ukraine both entail strategic and economic risks related to the uncertainty of the financial markets, the rise in interest rates or other factors that affect the availability and price of funding. The implementation of Solwers' growth strategy requires external funding. A deterioration in the financial situation, a reduced willingness of customers to invest and the postponement and cancellation of infrastructure investments could weaken the demand for Solwers' services and adversely affect its operating result, particularly in the construction sector. Unfavorable developments in the economic situation of the public sector, both in central government and in municipalities, may adversely affect the construction in the public sector and reduce infrastructure investments.

Solwers' operating results depend on customer demand and the price level. A weaker demand for services may lead to a decrease of revenue, and the Company may not be able to adjust its costs in response to the weakened demand. In addition, Solwers may not be able to make the necessary staff reductions in a downturn, which may have a negative impact on the profitability of operations.

Global epidemics and pandemics may decrease activity in private and public sectors, lead to a reduction or delay in projects and investments and reduce the demand for services provided by Solwers companies. The COVID-19-pandemic has had and continues to have a significant adverse effect on the national economies of Finland

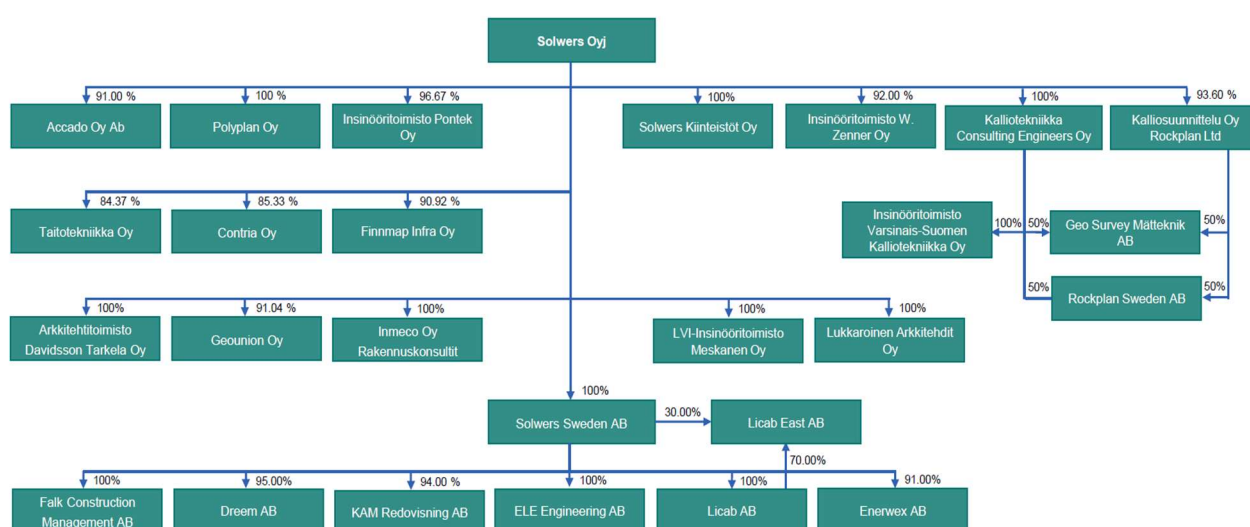
and Sweden. Economic uncertainty has decreased economic activity of companies and the public sector as well as confidence in the economy, which has also affected the customers of Solwers companies. In the public sector, the effects of the COVID-19 pandemic have been, and may continue to be, reflected in a reduction or delay in planned investments.

In the short term, Solwers' business may also be affected by the rescheduling, suspension, or postponement of projects or if the overall financial situation becomes tighter. The materialization of the above risks may have a significant negative impact on Solwers' operations, financial position, results, and outlook.

The Company's prospectus, published on 4 June 2021 in connection with the IPO (www.solwers.fi), provides an extensive overview of the risks and uncertainties associated with the Company's operations due to the nature of its operations and its line of business.

GROUP STRUCTURE

The figure below shows the subsidiaries owned directly by Solwers Plc, including its holdings in them.



PERSONNEL AND REMUNERATION

Number of employees and salary expenses

The Solwers companies' average number of employees during the financial year was 397 (297), with the parent company having an average of 5 (4) employees. At the end of the period, the Solwers companies employed a total of 571 (371) people.

Salary and commission expenses of the Solwers companies amounted to EUR 20,572 (15,130) thousand, of which the expenses of the parent company amounted to EUR 536 (249) thousand.

Remuneration of key personnel

The company's key personnel are paid a fixed monthly salary and variable annual performance-related bonuses under the incentive scheme. The remuneration of key personnel is reviewed on an annual basis.

The introduction of a share-based long-term incentive scheme is planned to be started in 2022.

The company's Board of Directors decides on the salary and other remuneration of the President and CEO annually. In the financial year 2021, a total of EUR 156,744 was paid to the President and CEO, which includes the salaries and remunerations paid by the subsidiary Finnmap Infra Oy. The CEO of Solwers also acted as the CEO of Finnmap Infra Oy from 1 January to 3 June 2021.

Related party transactions

The company's related party consists of the persons in key management positions and the external companies, in which Solwers Plc's management personnel exercises significant influence.

No guarantees or commitments had been made on behalf of related parties.

At the end of the financial year 2021, a total of EUR 1,147 (267) thousand was owed by related parties in connection with the incentive scheme aimed at the engagement of key personnel.

The Company's loans to related parties in the financial statements for 2020 amounted to EUR 3,976 thousand. These were converted into shares during 2021. Accrued interests of EUR 614 thousand were in connection with the conversion paid to the debtor, of which EUR 74 thousand were accumulated in 2021.

MANAGEMENT AND AUDITOR

Board of Directors

The Annual General Meeting held on 22 April 2021 re-elected five members to the Board of Directors: Leif Sebbas (Chairman of the Board), Hanna-Maria Heikkinen, John Lindahl, Mari Pantsar and Emma Papakosta. The Annual General Meeting decided that the members of the Board will be paid a meeting fee of EUR 2,000 per meeting.

Auditor

The Annual General Meeting elected the audit firm Revico Grant Thornton Oy to continue as the Company's auditor. Satu Peltonen, Authorized Public Accountant, will continue as the auditor with principal responsibility.

Group management

Solwers Plc's CEO is Stefan Nyström. He also served as the Managing Director of another Solwers company, Finnmap Infra Oy, from 1 January to 3 June 2021. Roger Lindqvist is the Company's CFO, Taina Erkkilä is the Head of Communications (and acting HR Director during Nina Nikander's parental leave), and Olli Kuusi is the Company's General Counsel. The management teams in charge of operations in Finland and Sweden include the senior management of Solwers Plc as well as the Managing Directors of the subsidiaries.

SHARES AND SHAREHOLDERS

Changes in the number of shares

At the end of 2021, Solwers Plc's share capital consisted of 8,621,043 shares, of which 41,220 were held by the Company. The average number of shares during the year was 7,239,224.

In connection with the acquisition of ELE Engineering AB, the Company carried out a directed share issue of 178,761 shares to the selling parties. The shares were registered on 31 January 2022. The Company's share capital subsequently consists of 8,799,804 shares, of which 41,220 are held by the Company.

The Company has a single series of shares, and its registered share capital was EUR 1,000,000.

Trading in the Company's shares

The closing price of the Company's share on 31 December 2021 was EUR 8.30. Solwers Plc's market capitalization at the end of the financial year was EUR 72.7 million.

Largest shareholders on 31 December 2021

On 31 December 2021, the Company had 2,266 shareholders. The Company's 10 largest shareholders on the last day of the financial year are shown in the table below.

Shareholder	Number of shares	% of total
Finnmap Engineering Oy	3,622,661	42.0 %
CEB Invest Oy	737,690	8.6 %
Keskinäinen työeläkevakuutusyhtiö Varma	381,922	4.4 %
Nyström, Stefan	312,000	3.6 %
Erikoissijoitusrahasto Aktia Mikro Markka Osake	281,481	3.3 %
Sebbas, Leif	266,540	3.1 %
Sijoitusrahasto Säästöpankki pienyhtiöt	261,481	3.0 %
Joensuun Kauppa ja Kone Oy	133,940	1.6 %
Työeläkevakuutusyhtiö Elo	130,000	1.5 %
WIP Nordic Equity	110,000	1.3 %
10 largest shareholders, total	6,237,715	72.4 %
Nominee registered shares	578,548	6.7 %
Other shareholders	1,804,780	20.9 %
Number of shares, total	8,621,043	100.0 %
Of which treasury shares	41,220	0.5 %

EVENTS AFTER THE BALANCE SHEET DATE

Number of shares

On 30 December 2021, the Company announced it was acquiring the entire share capital of ELE Engineering AB. The parties agreed that part of the consideration would be paid in new shares in the Company, subscribed for by the selling parties in a directed share issue.

A total of 178,761 new shares were registered on 31 January 2021, bringing the total number of shares in the Company to 8,799,804.

Trading in the new shares began on Nasdaq First North Growth Market Finland, a multilateral trading facility maintained by Nasdaq Helsinki Oy, on 1 February 2022. An 18-month transfer restriction was entered in the seller's book-entry account.

Acquisition

Lukkaroinen Arkkitehdit Oy, a subsidiary of Solwers, acquired the entire share capital of Arkkitehtitoimisto Sabelström Arkitektkontor Oy in a corporate acquisition on 23 March 2022. Architectural agency Arkkitehtitoimisto Sabelström Arkitektkontor Oy was founded in 2003, and it has strong experience in architectural and interior design. The core expertise of the agency is the design of new buildings, renovations, and alterations as well as the interior design of public and private interiors.

THE BOARD'S PROPOSAL FOR THE DISTRIBUTION OF PROFIT

At the end of the financial year 2021, Solwers Plc's distributable funds amounted to EUR 32,490,306.98, of which the loss for the financial year was EUR 883,403.88.

The Board of Directors proposes to the Annual General Meeting that the loss for the financial year be transferred to retained earnings and that a dividend of EUR 0.04 per share be paid, corresponding to EUR 350,343.36 in total, be paid from retained earnings.

SOLWERS PLC

FINANCIAL STATEMENTS 2021

CONSOLIDATED (IFRS)

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INCOME STATEMENT

Consolidated, IFRS

EUR THOUSAND	NOTE	2021	2020
REVENUE	4	44,662	32,649
Other operating income	5	423	284
Materials and services	6	-6,302	-5,154
Employee benefit expenses	7	-27,138	-19,347
Amortization, depreciation and impairment	8	-2,124	-1,431
Other operating expenses	9	-6,150	-3,462
OPERATING PROFIT		3,371	3,539
Financial income and expenses	10	-1,266	-105
PROFIT BEFORE TAXES		2,105	3,434
Income taxes	11	-433	-759
PROFIT FOR THE FINANCIAL YEAR		1,672	2,675
Profit for the financial year attributable to			
Parent company shareholders		1,437	1,735
Non-controlling interest		235	940
Earnings per share (EUR)			
Earnings per share, non-diluted	12	0.20	0.40
Earnings per share, diluted	12	0.20	0.40
Average number of shares during the financial year			
Non-diluted	12	7,239,224	4,349,576
Diluted	12	7,239,224	4,349,576
¹⁾ Comparison year adjusted for effect of 2021 share split			
Other comprehensive income			
Items that may later be recognized through profit or loss			
Translation differences		80	21
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		1,752	2,696
Total comprehensive income for the financial year attributable to			
Parent company shareholders		1,516	1,748
Non-controlling interest		235	949

BALANCE SHEET

Consolidated, IFRS

EUR THOUSAND	NOTE	31.12.2021	31.12.2020
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	13, 16	34,421	16,994
Tangible assets	14	5,850	4,816
Investments	15	1,898	1,568
Receivables	17	1,410	537
NON-CURRENT ASSETS, TOTAL		43,580	23,915
CURRENT ASSETS			
Inventories	18	163	262
Receivables	19	13,637	9,428
Investments	20	332	311
Cash and cash equivalents		12,642	6,101
CURRENT ASSETS, TOTAL		26,774	16,102
ASSETS, TOTAL		70,354	40,017
EQUITY AND LIABILITIES			
EQUITY			
Subscribed capital		1,000	1,000
Share issue		1,453	3,332
Share premium account		20	20
Other reserves		29,676	2,841
Retained earnings		-2,326	1,522
Profit for the financial year		1,437	1,735
EQUITY, TOTAL	22	31,259	10,450
NON-CONTROLLING INTEREST		649	2,292
LIABILITIES			
Non-current liabilities	24	20,309	14,102
Current liabilities	25	18,136	13,172
LIABILITIES, TOTAL		38,445	27,275
EQUITY AND LIABILITIES, TOTAL		70,354	40,017

CASH FLOW STATEMENT

Consolidated, IFRS

EUR THOUSAND	2021	2020
Cash flow from operating activities		
Profit for the financial year	1,672	2,675
Adjustments		
Amortization, depreciation and impairment	2,124	1,431
Financial net	1,266	105
Income tax	597	759
Gain from sale of intangible and tangible assets	-274	-26
Sales losses and scrapping of intangible and tangible assets	234	0
Cash flow before change of working capital	<u>5,618</u>	<u>4,945</u>
Change of working capital		
Change of inventories	98	294
Change of current non-interest bearing receivables	1,470	-1,260
Change of current investments	-20	31
Change of current non-interest bearing payables	-224	764
Change of net working capital, total	<u>1,324</u>	<u>-171</u>
Financial net and income tax		
Interest paid on loans from credit institutions and other interest bearing loans	-949	-244
Interest paid on leasing debt	-106	-78
Interest received	4	7
Other financial items paid and received (net)	-20	9
Income tax paid	-1,187	-180
Net cash flow from operating activities	4,685	4,288
Cash flow from investment activities		
Investment in intangible non-current assets	-552	-131
Investment in tangible non-current assets	-259	-165
Investment in non-current receivables (net)	-307	6
Proceeds from sale of non-current assets	612	49
Business combinations	-10,004	-2,512
Change of non-controlling interest	-913	9
Net cash flow from investment activities	-11,424	-2,745
Cash flow from financing activities		
Cash received from the IPO (gross)	8,951	0
Costs paid for the IPO	-864	0
Other share issue	3,601	659
Capital loans raised	-187	0
Loans raised from credit institutions	15,038	2,230
Net change in other interest -bearing liabilities	-51	0
Repayment of capital loans	0	-600
Repayment of loans and other interest bearing debts	-7,999	-1,399
Repayment of leasing debt	-1,902	-1,050
Repayment of non-interest bearing debt	-1,309	-980
Dividends paid	-1,998	-636
Net cash flow from financing activities	13,280	224
Change of cash and cash equivalents	6,541	1,766
Cash and cash equivalents, opening balance 1.1.	<u>6,101</u>	<u>4,335</u>
Cash and cash equivalents, closing balance 31.12.	12,642	6,101

STATEMENT OF CHANGES OF EQUITY

Consolidated, IFRS

FINANCIAL YEAR 2021

EUR THOUSAND

TOTAL EQUITY										
EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS										
	Subscribed Capital	Share Issue	Share Premium Account	Other Restricted Reserves	Invested Non-restricted Equity Reserve	Translation Differences	Retained Earnings	TOTAL	Non-Controlling Interest	TOTAL EQUITY
Opening Balance 1.1.	1,000	3,332	20	22	2,818	19	3,239	10,450	2,292	12,742
Comprehensive income										
Profit for the period	-	-	-	-	-	-	1,437	1,437	235	1,672
Other comprehensive income										
Translation differences	-	-	-	-	-	79	-	79	1	80
Total comprehensive income, net of tax	0	0	0	0	0	79	1,437	1,516	236	1,752
Transactions with equity holders										
Business combinations	-	1,453	-	-	1,800	-	-	3,253	-	3,253
Acquisition of non-controlling interest 4.3.2021	-	-	-	-	1,766	-	-2,617	-851	-318	-1,169
Acquisition of non-controlling interest 4.5.2021	-	-	-	-	1,427	-	-1,391	35	-982	-947
Increase of non-controlling interest	-	-	-	-	-	-	-26	-26	26	0
Decrease of non-controlling interest	-	-	-	-	-	-	3	3	-3	0
Prior year adjustments	-	-	-	-	-	-	-45	-45	117	72
Share issue 21.12.2020-10.1.2021	-	-3,332	-	-	3,824	-	-	492	-	492
Discount (10 %) for staff; share issue 21.12.2020-10.1.2021	-	-	-	-	-36	-	-	-36	-	-36
Directed share issue to key personnel 4.5.2021	-	-	-	-	990	-	-	990	-	990
Directed share issue to anchor investors 10.5.2021	-	-	-	-	3,000	-	-	3,000	-	3,000
Directed issue to capital loan creditors 10.5.2021	-	-	-	-	5,126	-	-	5,126	-	5,126
IPO share issue 7.-14.6.2021	-	-	-	-	9,000	-	-	9,000	-	9,000
Discount (10 %) to key personnel; IPO share issue 7.-14.6.2021	-	-	-	-	-49	-	-	-49	-	-49
Share issue expenses	-	-	-	-	-	-	-1,051	-1,051	-	-1,051
Dividend distribution	-	-	-	-	-	-	-535	-535	-718	-1,253
Transactions with equity holders, total	0	-1,879	0	0	26,848	0	-5,663	19,307	-1,878	17,429
Other changes										
Other changes, total	-	-	-	-14	-	-	-	-14	-	-14
Closing Balance 31.12.	1,000	1,453	20	8	29,666	98	-987	31,260	650	31,909

FINANCIAL YEAR 2020

EUR THOUSAND

TOTAL EQUITY										
EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS										
	Subscribed Capital	Share Issue	Share Premium Account	Other Restricted Reserves	Invested Non-restricted Equity Reserve	Translation Differences	Retained Earnings	TOTAL	Non-Controlling Interest	TOTAL EQUITY
Opening Balance 1.1.	1,000	0	20	0	1,463	7	1,699	4,189	1,662	5,851
Comprehensive income										
Profit for the period	-	-	-	-	-	-	1,735	1,735	940	2,675
Other comprehensive income										
Business combinations	-	-	-	-	-	-	-	0	-26	-26
Translation differences	-	-	-	-	-	12	-	12	9	21
Total comprehensive income, net of tax	0	0	0	0	0	12	1,735	1,748	923	2,670
Transactions with equity holders										
Business combinations	-	-	-	22	1,355	-	-24	1,354	158	1,511
Increase of non-controlling interest	-	-	-	-	-	-	-11	-11	11	0
Decrease of non-controlling interest	-	-	-	-	-	-	10	10	-10	0
Share issue	-	3,332	-	-	-	-	-	3,332	-	3,332
Dividend distribution	-	-	-	-	-	-	-170	-170	-452	-622
Transactions with equity holders, total	0	3,332	0	22	1,355	0	-196	4,514	-293	4,221
Closing Balance 31.12.	1,000	3,332	20	22	2,818	19	3,239	10,450	2,292	12,742

NOTES TO THE FINANCIAL STATEMENTS

Consolidated, IFRS

1. GENERAL INFORMATION ABOUT THE COMPANY

Solwers is a Group formed by companies specialising in technical consulting and engineering. The parent company Solwers Plc (Business ID 0720734-6) is a Finnish public limited company incorporated under Finnish law. It has its registered head office in Espoo at Kappellikuja 6 B, and its domicile is Kauniainen. Solwers Plc operated as Finnmap Partners Oy until 17 March 2017.

At the financial statements date, 31 December 2021, Solwers Group consisted of the following companies owned directly or indirectly by the parent company Solwers Plc.

Subsidiaries - direct ownership	Number of shares	Holding-%
<i>Finland</i>		
Accado Oy Ab	4,550	91.00 %
Arkkitehdit Davidsson Tarkela Oy	16,000	100.00 %
Contria Oy	128	85.33 %
Finnmap Infra Oy	59,901,420	90.92 %
Geounion Oy	874	91.04 %
Inmeco Oy Rakennuskonsultit	40	100.00 %
Insinööritoimisto Pontek Oy	206,875	96.67 %
Insinööritoimisto W. Zenner Oy	138	92.00 %
Kalliosuunnittelu Oy Rockplan Ltd	585	93.60 %
Kalliotekniikka Consulting Engineers Oy	1,000	100.00 %
Lukkaroinen Arkkitehdit Oy	24,000	100.00 %
LVI-insinööritoimisto Meskanen Oy	2,500	100.00 %
Oy Polyplan Ab	163	100.00 %
Solwers Kiinteistöt Oy	100	100.00 %
Taitotekniikka Oy	16,368	84.37 %
<i>Sweden</i>		
Solwers Sweden AB	1,000	100.00 %

Subsidiaries - indirect ownership	Parent company	Holding
<i>Finland</i>		
Insinööritoimisto Varsinais-Suomen Kalliotekniikka Oy	Kalliotekniikka Consulting Engineers Oy	100.00 %
<i>Sweden</i>		
DREEM AB	Solwers Sweden AB	95.00 %
ELE Engineering AB	Solwers Sweden AB	100.00 %
Enerwex AB	Solwers Sweden AB	91.00 %
Falk Construction Management AB	Solwers Sweden AB	100.00 %
KAM Redovisning AB	Solwers Sweden AB	94.00 %
LICAB AB	Solwers Sweden AB	100.00 %
LICAB East AB	Solwers Sweden AB (30%) + LICAB AB (70 %)	100.00 %
Rockplan Sweden AB	Kalliosuunnittelu Oy Rockplan Ltd (50 %) + Kalliotekniikka Consulting Engineers Oy (50 %)	96.80 %
Geo Survey Mäteteknik AB	Kalliosuunnittelu Oy Rockplan Ltd (50 %) + Kalliotekniikka Consulting Engineers Oy (50 %)	96.80 %

2. ACCOUNTING PRINCIPLES

Accounting policies

The Group's financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), with the application of the IAS and IFRS interpretations in force at 31 December 2021. International Financial Reporting Standards refer to the standards and their interpretations approved for application in the EU in accordance with the procedure stipulated by Regulation (EC) No 1606/2002. The notes to the consolidated financial statements also comply with the provisions of Finnish accounting and corporate legislation that supplement the IFRS regulations.

The consolidated financial statements have been prepared under the historical cost convention unless otherwise mentioned in the accounting policies. The information in the financial statements is presented in thousands of euros unless otherwise mentioned.

Preparing financial statements in accordance with IFRS requires the Group's management to make certain estimates and judgement-based decisions. Information on the judgements made by the management in the application of the Group's accounting policies, which also have a significant impact on the figures presented in the financial statements, is given under the heading "Estimates subject to management judgement and sources of material estimate uncertainties included in such estimates."

Principles of consolidation

The consolidated financial statements comprise the parent company Solwers Plc and all its subsidiaries and sub-group companies. Subsidiaries are entities that are directly or indirectly controlled by the Group. Control is established when the Group holds more than half of the voting rights or otherwise has control over the entity. The acquired subsidiaries are consolidated from the date when the Group has acquired control of their business and decision-making.

The shareholdings of the parent company Solwers Plc in its subsidiaries are eliminated using the acquisition method.

The Group's internal transactions, receivables and payables, internal margins on inventories and fixed assets and the internal distribution of profit are eliminated in the consolidated financial statements.

Participating interest companies are entities in which Solwers Plc holds 20–50% of the voting rights in the general meeting of the target company. They are consolidated using the equity method. Investments in participating interest companies include any goodwill arising from their acquisition.

The Group's share of the profits of the participating interest companies is presented as a separate line after operating profit in the consolidated income statement.

Items in foreign currencies

The consolidated financial statements are presented in euros, which is the functional and presentation currency of the Group's parent company. Transactions in foreign currencies are recorded in euros at the exchange rate on the transaction date. In practice, the Group uses an exchange rate corresponding approximately to the exchange rate of the transaction date. At the end of the financial year, receivables and payables denominated in foreign currencies are measured at the exchange rates effective on the financial statements date.

The income statements of foreign subsidiaries are converted from their currency to euro using the average exchange rates of the financial year, while their balance sheets are converted into euro using the exchange rates at the financial statements date.

Conversion of profit for the period using different exchange rates for the income statement and the balance sheet results in an exchange difference that is recognised under other items in the statement of comprehensive income. The year-on-year change in translation differences resulting from the elimination of acquisition costs of foreign subsidiaries and the translation of equity items accrued after the date of acquisition is also recognised under other items in the statement of comprehensive income.

Tangible assets of non-current assets

Non-current tangible assets include machinery and equipment and are measured at cost less any accumulated depreciation and any accumulated impairment losses. The straight-line depreciation under the plan is calculated on the basis of the estimated probable economic life of the assets.

Gains on the sale of non-current tangible assets are recognised in other operating income and losses thereon are recognised in other operating expenses. Expenses arising from the decommissioning of said assets are also recognised in other operating expenses

Intangible assets of non-current assets

Goodwill arising from business combinations is not subject to regular planned depreciation. By contrast, goodwill is tested annually for impairment. As a result, goodwill is measured at original acquisition cost less any impairment losses. Goodwill arising from the acquisition of foreign units is translated into euros at the exchange rates effective on the financial statements date.

Other intangible assets include software and other capitalised long-term expenses.

Intangible assets are recognised when the criteria for recognition in the balance sheet under IAS 38 are met. Intangible assets with a finite useful life are entered on the balance sheet at acquisition cost and depreciated on a straight-line basis during their estimated useful lives.

Intangible assets with an unlimited useful life are not subject to depreciation. Instead, they are tested annually for impairment.

Leasing contracts and leases

Leasing contracts and leases are recognised in accordance with IFRS 16, which entered into force at the beginning of 2019. This standard requires leasing contracts and leases to be presented as assets and the related financial liability as lease liabilities in the consolidated balance sheet. Solwers applies this standard to virtually all of its leasing contracts and leases, mainly covering the financing of vehicles and various office equipment as well as most of the office leases of the group companies.

In order to be recognised in accordance with IFRS 16, a leasing contract or lease must meet certain basic conditions. The total lease term of an asset must be longer than 12 months and, in addition, its acquisition cost must be over EUR 5,000. On the other hand, the only condition applicable to right of use contracts or leases of offices is that the minimum lease term, i.e. the period from the entry into force of the agreement until the first possible expiry date, is longer than 12 months.

When the above conditions are met, the discounted net present value of future lease payments is recognised in tangible assets in the balance sheet, and the corresponding financial liability is recognised as a lease liability in debt capital in the balance sheet. Leasing and lease payments are recognised as interest expenses and amortisation of the lease liability, while the acquisition cost of the leased or rented asset is amortised over the lease term at its residual value determined for the end of the lease term.

The Company's management determines the interest rate used to calculate the net present value of the lease so that it corresponds to the estimated market rate of interest applicable at the time when the leasing agreement or lease begun.

If the above conditions are not met, leasing and lease payments are recognised as periodic expenses in the operating expenses of the income statement.

Impairment of tangible and intangible non-current assets

Goodwill, intangible assets with an unlimited useful life and intangible assets that have not yet been put into use are tested annually for impairment. In addition, the existence of indications of impairment for a particular asset or cash-generating unit is assessed on a regular basis. If such indications are found, an estimate is made of the recoverable amount of the cash-generating unit. If the carrying amount of an asset or cash-generating unit is higher than its estimated recoverable amount, the difference is recognised as an impairment loss in the income statement.

Financial assets and liabilities

Determination of fair value

The fair value of an asset or liability is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring fair value, an entity uses the assumptions that market participants would use when pricing the asset or the liability under current market conditions. Otherwise, other valuation techniques are applied.

Fair values are classified as follows for the different levels of the fair value hierarchy. The levels reflect the significance of the inputs used in the valuation techniques:

- Level 1: Quoted fair values in active markets for similar assets and liabilities
- Level 2: Fair values are determined using information other than quoted fair values included in Level 1, and they can be verified, directly or indirectly, in respect of the asset or liability in question
- Level 3: Fair value for assets or liabilities are determined using information that is not based on observable market data.

The carrying amount of current trade receivables, trade payables and cash and cash equivalents is considered to correspond to the best estimate of their fair value. The carrying amount of loans and other long-term liabilities of financial institutions is also considered to correspond to the best estimate of their fair value.

Classification and measurement of financial assets

Financial assets consist of long-term investments and receivables as well as short-term trade receivables, other receivables, and investments as well as cash and cash equivalents.

Financial assets are classified as the amortised cost and fair value through other comprehensive income. The classification is based on the business models and contractual cash flow characteristics of financial assets defined by the company's management.

At initial recognition, financial assets are measured at fair value plus transaction costs that are directly attributable to the acquisition, except for trade receivables, which are measured at the transaction price when they do not contain any significant financing component. After initial recognition, financial assets are measured at fair value.

Non-current financial assets consist of investments in shares of real estate and housing companies and long-term loan and trade receivables maturing in more than one year. These items have been initially measured at acquisition cost deducted by annual depreciation and possible separately recognised impairment, and their fair value has been determined using non-observable market data.

The carrying amount of trade and other receivables corresponds to the best estimate of their fair value. Impairment losses on trade receivables are recognised in the estimated amount of expected credit losses on trade receivables. The model for expected credit losses is forward-looking and is based on the historical amount of credit losses as well as both receivables and customer-specific estimates.

Financial assets that are not measured at amortised cost are classified as at fair value through profit or loss. The change in fair value is recognised in these items through comprehensive income.

Cash and cash equivalents include cash and bank deposits that can be drawn on demand. Short-term deposits are considered easily convertible into cash when they have an original maturity of three months or less. Cash and cash equivalents presented in the balance sheet correspond to cash and cash equivalents presented in the cash flow statement.

Financial assets are written down from the balance sheet when the contractual rights to the cash flows have been lost or significant risks and rewards of ownership have been transferred outside Solwers.

Classification and measurement of financial liabilities

Financial liabilities consist of loans from financial institutions, lease and lease liabilities, purchase price liabilities of acquisitions and trade payables.

Financial liabilities measured at amortised cost include loans from financial institutions and trade payables. Financial liabilities are classified as current unless there is an unconditional right to defer the payment of the debt to at least 12 months from the end of the financial period. In the event of a refinancing of loans, unrecognised loan-related expenses are recognised as financial expenses in the income statement.

Loans from credit institutions are initially recognised at fair value and deducted for transaction costs. They are measured at fair value using the effective interest rate method. Loans are subsequently measured at amortised cost and changes in fair values are expensed through the statement of income in the reporting period in which it arises.

The fixed parts of the purchase price liabilities of acquisitions are measured at amortised cost. Contingent purchase price liabilities related to the future earnings development are recognised at the estimated fair value. Changes in fair value during the 12 months following the transaction are recognised as a deduction from goodwill arising on the transaction. Subsequently, they are recognised in the statement of comprehensive income as financial income or expense.

Revenue and revenue recognition

Solwers offers a wide range of design and project management solutions for building individual and sustainable environments in Finland and Sweden. Solwers companies are specialised in providing architecture, technical consulting, environmental monitoring, project management, circular economy and digital solutions. In addition, two subsidiaries offer financial services.

In accordance with the IFRS 15 standard Solwers applies a five-step model for revenue recognition. In this model, the contract and performance obligations are identified, the transaction price is determined and the transaction price is allocated to each performance obligation. Revenue is recognised when a performance obligation is satisfied. Revenue is recognised only to the extent that each selling Solwers entity assesses itself to be entitled based on the services delivered.

Identifying the contract

IFRS15 establishes the principles for individualising and combining contracts. In general, Solwers only enters into one contract per customer and project, hence there is generally no need to combine contracts. Separate Solwers entities usually operate in separate geographical regions and as the entities usually follow their own general agreements there is normally no need to combine contracts from a revenue recognition perspective. This conclusion is based on contract negotiations often being handled by different people and have not been negotiated as one whole.

The duration of the customer contracts ranges normally from one month to a couple of years depending on the field and type of contract (general agreement or separate service agreement with the customer). An exception from this are the customer agreements in the financial services field, where the contracts are usually open-ended.

Contract modifications

In contracts, extra work is usually considered to be part of the project, i.e. as an expansion of the project. In some cases, modifications and extra work can, however, be considered as separate projects and as separate performance obligations. In case a project's coverage is extended because the additional work is separable, the total price is increased by the separate price of the extra work modification and extra work is treated as separate performance obligations and revenue is recognised as separate projects.

Identifying the performance obligations

At the contract date, the agreed services are evaluated and the performance obligations to the customer are identified.

In general, the subprojects of a customer contract are considered to be one performance obligation. This applies to architectural design, technical consulting, project management and electrical and automation engineering services. Revenue for the projects is recognised based on the progression of the work regardless of whether the contract is fixed-price or hourly rate based. Revenue for fixed-price projects is recognised based on a project's specific overall profitability estimate made by the management of the selling company.

The determination of revenue to be recognised over time is based on the stage of completion. The degree of readiness is defined separately for each project as the proportion of the total workload and subcontracting costs of the work carried out up to the time of the review to the total estimated workload and costs of the project. If the service package includes software or their maintenance services, then their licence and maintenance revenues are recognised as income for the contract period.

In the overall profitability estimate for the project, the total revenue and costs for providing the service are estimated. As the project proceeds, the revenue for the project and the costs are recognised based on the maturity of the project. This also includes post-production work. Therefore, the profitability for work in progress during the accounting period and in the financial statements reflects the overall profitability of the project as accurately as possible. The management determines that the project service sales don't lead to assets that the company would have an alternative use for and that the company, therefore, has a right to receive a payment by balance sheet date for provided project services.

The revenue recognition for environmental monitoring, digital solutions and financial services is based on passage of time. It is considered that the customer gets the benefit at the time of performance of the service.

The management's view is that the above-described revenue recognition principles give the most accurate picture of delivery of services as this efficiently minimises the effect of an uneven project revenue which in the worst case could substantially skew reported profits between accounting periods.

Assets based on the recognition of customer contracts are presented in Note 19 and Liabilities in Note 25.

Other operating income

Gain from the sale of fixed assets and investments are recognized as other operating income as is other income not directly attributable to the Company's active marketing and sales efforts.

Research and development expenses

Research expenses are recognised as non-recurring expenses in income statement at the time they are incurred.

Development expenses are recognised as non-recurring expenses in income statement at the time they are incurred. However, if development expenses constitute, on the long term, a tangible or intangible asset that generates revenue, they are recognised as an investment in the relevant non-current asset item in the balance sheet, calculated at direct cost.

Development expenses recognised as investments in non-current assets are amortised according to the plan over their estimated useful life.

Subsidies received

Subsidies received from public bodies are, as a rule, recognised in the income statement within the same period and in the same proportion as the expenditure on which they are based is recognised as an expense on an accrual basis. However, if the subsidies received concern intangible or tangible assets that are recognised as investments in the balance sheet, they are recognised as a reduction in the amount of the investment in the relevant long-term asset in the balance sheet.

Employee benefits

The Group's pension plans comply with the local regulations and practices in each country of operation. Under IAS 19, pension plans are classified as defined contribution plans or defined benefit plans.

All the current pension plans in the Solwers Group are defined contribution plans. Payments to pension insurance companies are recognised as an expense on an accrual basis in the income statement of the period to which they relate.

Provisions

Expense provisions are recognised when a legal or constructive obligation has arisen for the Group as a result of past events and it is probable that the obligation will require the transfer of financial resources away from the Group and the amount of the obligation can be reliably estimated.

Income tax and deferred taxes

Income taxes in the income statement consist of the Company's taxable income for the financial year and deferred taxes. Taxes based on taxable income for the financial year are calculated on the basis of the tax legislation applicable in each country of operation.

Deferred taxes are calculated on the basis of the tax rate in force at the financial statements date. However, the statutory rate which will be applicable after the balance sheet date already applies to deferred taxes presented in the financial statements. Deferred taxes are calculated on the basis of the temporary differences between the carrying amount of an asset or liability and its taxable value.

Deferred tax liabilities are recorded in full in the balance sheet. Deferred tax assets, on the other hand, are recognised up to the extent that it is probable that taxable profit will be available in the future, against which deductible temporary differences can be used.

Deferred tax is not recognised for non-deductible goodwill. In addition, no deferred tax is recognised on undistributed profits of subsidiaries to the extent that the temporary difference is unlikely to be recovered in the near future.

The Group's most significant temporary differences arise from the fair value measurement of assets and tax losses in connection with a business combination.

Estimated items requiring management judgement and main sources of uncertainty in the estimates

The preparation of the financial statements requires the Company's management to make estimates and assumptions regarding the future. In addition, the Company's management should use judgement when applying

the accounting and accounting principles of the financial statements. Although the Company's management relies on the best estimates at the financial statements date, the actual events in the future may differ from these estimates and assumptions.

The estimates made by Solwers' management are mainly related to the measurement of the value of assets, the impairment of trade receivables, deferred tax assets and cost provisions for design projects.

Solwers conducts annual impairment tests for goodwill and intangible assets with an unlimited useful life and assesses whether there are indications of impairment in the application of the accounting principles described in the notes above. The recoverable amounts of cash-generating units used in impairment tests are determined on the basis of their value in use calculations, which require the use of estimates.

Solwers recognises an impairment loss for trade receivables if their payment delay exceeds 360 days or, on a case-by-case basis, at the discretion of management when independent evidence is available, indicating that the recovery of the receivable will not result in payment by the customer.

For goodwill impairment tests, the management's estimates and related critical uncertainties related to the components of the recoverable amount of calculations include the discount rate, growth rate after the forecast period and changes in revenue and operating profit, including changes in the company's cost level.

Related parties

The parties are considered to be related parties if one party can have a dominant influence or shared dominant influence or notable influence of power on the other party regarding decision making related to finances and business activities.

Significant shareholders, subsidiaries and key persons in the management are considered related parties of the parent company. Members of the board, the CEO, members of the Group's management team and their close family members are considered key persons in the management.

3. SEGMENT REPORTING

Solwers' management monitors the profitability of the Group's operations with the so-called single segment reporting model, which covers all Group companies in all geographical areas of the company (Finland and Sweden). Therefore, all information concerning profitability, assets and the capital presented in these financial statements, including all notes, follow the single segment reporting and presentation model.

4. REVENUE

	2021	2020
Revenue by country		
Finland	28,772	25,794
Sweden	15,890	6,855
Total	44,662	32,649

In accordance with the practices defined in the accounting principles, the Group's net sales consist of sales revenue based on customer agreements, which is recognised over time.

The assets and liabilities related to customer agreements at the balance sheet date and the changes in them during the financial year are presented in the two tables below. The assets shown in the tables are included in the accrued income shown in Note 19, and the liabilities in the prepayments received are disclosed in Note 25.

	2021	2020
Customer related assets		
Work in progress 1.1.	1,935	1,991
Business combinations	1,309	0
Additions	830	683
Invoicing	-982	-722
Other changes	23	-17
Customer related assets 31.12.	3,115	1,935

	2021	2020
Customer related liabilities		
Received prepayments 1.1.	0	283
Business combinations	112	0
Opening balance received prepayments recognized as revenue	0	-283
Customer related liabilities 31.12.	112	0

5. OTHER OPERATING INCOME

	2021	2020
Other operating income, break-down by category		
Insurance compensations	3	9
Gain on sale of non-current assets	272	28
Received apprenticeship subsidies	0	2
Other subsidies from public entities	108	227
Other items	40	18
Total	423	284

6. MATERIALS AND SERVICES

	2021	2020
Materials and services expenses, break-down by category		
Subcontracting services	-5,607	-4,280
Other variable expenses	-695	-874
Total	-6,302	-5,154

7. EXPENSES ARISING FROM EMPLOYEE BENEFITS

	2021	2020
Employee benefit expenses, break-down by category		
Salaries, wages and other remuneration	-20,572	-15,130
Pension costs	-4,023	-2,700
Compulsory social charges	-1,592	-715
Other voluntary employee expenses	-951	-802
Total	-27,138	-19,347

8. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

	2021	2020
Amortization, depreciation and impairment of non-current assets		
Amortization of intangible assets	-108	-65
Depreciation of tangible assets	-2,016	-1,366
Total	-2,124	-1,431

Leases for the offices reported in accordance with IFRS 16 that were presented as intangible assets in the financial statements for previous years have been transferred to the category of tangible assets. The distribution of depreciation for the reference year 2020 has been adjusted in this respect by transferring the depreciation of leased premises under IFRS 16, EUR 821 thousand, from the depreciation of intangible assets to the depreciation of tangible assets.

9. OTHER OPERATING EXPENSES

	2021	2020
Other operating expenses, break-down by category		
Business premises expenses	-768	-594
ICT expenses	-1,889	-1,100
Travel expenses	-643	-372
Machinery and equipment expenses	-1,108	-375
Marketing expenses	-315	-223
Administrative services expenses	-679	-394
Other administration expenses	-599	-332
Other operating expenses	-149	-72
Total	-6,150	-3,462

	2021	2020
Fees to auditors, summarized by cost category		
Audit	-89	-67
Tax consultation	-24	-2
Other advisory services	-131	-34
Total	-243	-103

10. FINANCIAL INCOME AND EXPENSES

	2021	2020
Financial income and expenses, break-down by category		
Financial income		
Interest income	14	18
Dividend income	89	40
Exchange rate gains	43	215
Fair valuation of current investments	8	6
Gain from sale of current investments	103	32
Other financial income	1	3
Total	258	314
Financial expenses		
Interest expenses	-1,062	-319
Exchange rate losses	-280	-54
Other financial expenses	-182	-46
Total	-1,524	-419
Net financial income and expenses	-1,266	-105

11. INCOME TAX

	2021	2020
Income tax expense		
Income tax charge for the financial year	-928	-637
Change of deferred taxes	495	-122
Total	-433	-759

	2021	2020
Reconciliation of income tax expense		
Profit before tax	2,105	3,434
Tax on profit before tax by applying parent company's tax rate (20,00%)	-421	-687
Tax adjusting effect of the following items		
Tax rate difference	16	15
Tax non-deductible expenses	-43	-24
Tax exempt income	7	8
Use of tax losses carried forward	38	0
Use of non-recognized tax losses carried forward from prior years	41	16
Tax losses incurred but not recognised	-13	-62
Other items	-58	-23
Total tax expense recognized in the income statement	-433	-759

12. EARNINGS PER SHARE

	2021	2020
Earnings per share, non-diluted		
Profit attributable to parent company shareholders; EUR	1,437,189	1,735,376
Average number of shares during the financial year	7,239,224	4,349,576
Earnings per share; EUR/share	0.20	0.40
Comprehensive net income per share, non-diluted		
Comprehensive profit attributable to parent company shareholders; EUR	1,516,415	1,747,554
Average number of shares during the financial year	7,239,224	4,349,576
Comprehensive profit per share; EUR/share	0.21	0.40

Diluted earnings per share correspond to basic earnings per share presented above.

13. INTANGIBLE ASSETS

	2021	2020
Intangible assets specified by category		
Intangible assets	914	399
Goodwill	33,507	16,595
Carrying value, closing balance 31.12.	34,421	16,994

The movement of the two categories of intangible assets mentioned above is presented in the following two tables.

	2021	2020
Movement of intangible assets		
Carrying value, opening balance 1.1.	399	252
Increase	644	242
Increase due to business combinations	54	92
Decrease	-76	-30
Decrease	0	-1
	1,021	555
Amortization for the financial year	-108	-155
Carrying value, closing balance 31.12.	914	399

Intangible assets mainly consist of IT software used in consultancy.

Leases for the offices reported in accordance with IFRS 16 that were presented as intangible assets in the financial statements for previous years have been transferred to the category of tangible assets. The data for the comparison year 2020 have been adjusted to correspond to the new classification.

Movement of goodwill

Carrying value, opening balance 1.1.	16,595	11,143
Increase due to business combinations	17,516	5,256
Translation difference	-603	196
Carrying value, closing balance 31.12.	33,507	16,595

Goodwill impairment testing

Regular amortisation of goodwill recognised in the balance sheet is not recognised. Instead, goodwill is tested annually for impairment in accordance with IAS 36 Impairment of Assets.

The objective of the test is to determine the recoverable amount of cash-generating units based on their value in use. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The preparation of goodwill impairment testing requires estimates to be made about the future. The management's estimates and related critical uncertainties relate to the components of the calculation of recoverable amount, which include the discount rate, the growth rate after the forecast period, and the development of revenue and operating profit, including changes in the company's cost level. The discount rate reflects the estimates of the time value of money at the time of testing and the relevant risk premium, which in turn reflects the risks and uncertainties that have not been taken into account in adjusting the corresponding cash flow estimates.

When calculating the value in the use of a cash-generating unit, the discount rate used in the calculation is based on the weighted average cost of capital before taxes (WACC before taxes). The components of the test calculation are risk-free return, business risk, market risk premium, market-based beta, cost of debt and the target capital structure of the company's invested capital [equity/interest-bearing and non-interest-bearing liabilities].

The impairment tests for 2021 were allocated to the balance sheet date on 31 December 2021. In the tests, two of the company's subgroups and other directly or indirectly owned subsidiaries were considered as separate cash-generating units. The reason for testing both sub-groups instead of the separate companies they form is that the two sub-groups are of a technical nature and their business is controlled from their immediate parent company.

The test was performed for all cash-generating units to which goodwill has been allocated and acquired before 2021. For companies acquired in 2021, the impairment test is performed for the first time in 2022. The discount rate (WACC before taxes) used in the calculations was 7.58 (8.93)%.

The key variables used in the calculations were revenue growth and profitability (EBITDA%), which were based on both the 2022 budget approved by the Board of Directors and the long-term profitability, cost and profitability estimates of the company's management. The 2022 budget was used for the first year of the short-term (5 years) impairment testing. The average annual revenue growth used in the calculations for the forecast five-year period was 1.00–2.00 (1.00). 1.00-2.00 (1.00)% was used as the terminal growth rate. However, the projected profitability of the cash-generating units was adjusted on a case-by-case basis to reflect actual performance in recent years and/or any known or probable future changes in profitability.

The tests performed concluded that the assets of none of the cash-generating units were impaired. Therefore, no impairment loss was recognised based on testing. Based on the calculations made, the value in use of the assets of the cash-generating units exceeded their book values by 14.90-1,078.62 (12.96-312.25)%. The sensitivity analysis performed showed that the recoverable amount would have been determined by the carrying amount of the assets if the discount rate had been 0.77-75.69 (1.83-26.88) percentage points higher than currently used.

14. TANGIBLE ASSETS

Tangible assets mainly consist of measuring devices used for risk assessment and other consultancy equipment related to client assignments as well as leased tangible assets in accordance with IFRS 16.

Leased tangible assets comprise leased office equipment, passenger cars used by personnel and other vehicles used in business operations as well as leased premises.

	2021	2020
Movement of tangible assets		
Carrying value, opening balance 1.1.	4,816	3,126
Increase	3,198	845
Increase due to business combinations	276	2,127
Increase due to IFRS 16 for leases	0	0
Decrease	-419	-28
Translation difference	-5	22
	<u>7,866</u>	<u>6,092</u>
Depreciation for the financial year	<u>-2,016</u>	<u>-1,276</u>
Carrying value, closing balance 31.12.	5,850	4,816

15. NON-CURRENT INVESTMENTS

The movement of non-current investments and their content are presented in the following two tables.

	2021	2020
Movement of non-current investments		
Carrying value, opening balance 1.1.	1,568	1,634
Additions due to business combinations	654	338
Decrease	<u>-323</u>	<u>-403</u>
Carrying value, closing balance 1.1.	1,898	1,568

	2021	2020
Non-current investments specified by category		
Real estate and housing company shares	1,863	1,541
Other shares	<u>35</u>	<u>27</u>
Total	1,898	1,568

16. BUSINESS COMBINATIONS

Solwers Group's growth strategy is implemented with the objective of systematic organic growth and on the basis of an active acquisition plan. All the entities acquired are companies specialising in design and/or consultancy with expertise complementing one another.

The costs related to the acquisitions, e.g. expert fees, are posted performance based on the periods the services are received in.

Most of the acquisition have been smaller and supplementary acquisitions, which, as separate additions, have had an effect of less than 10% in Solwers Group's net sales in 2021. Increasing human resources and local expertise has been the main driver of acquisitions. The value of acquisitions therefore mainly consists of skilled personnel, and as a result, the value exceeding the net assets acquired ends up in goodwill.

The prices of acquisitions made in 2021 generally include conditional acquisition prices tied to the future 2–3 year performance of the acquired item. Contingent purchase price liabilities are measured at estimated fair value in the financial statements. On 31 December 2021, the Company has contingent purchase price liabilities resulting from acquisitions in 2021 totalling EUR 4,327 thousand in its balance sheet, of which EUR 1,309 thousand is short-term. On 31 December 2021, the Company has contingent purchase price liabilities of EUR 5,066 thousand in its balance sheet, of which EUR 2,048 thousand is short-term.

In 2021, the Company made five acquisitions, of which three in Finland and two in Sweden. A summary of the financial impact of the acquisitions made is given in the table below.

	2021
Acquisition consideration	
Cash consideration	17,744
Consideration paid with exchange of shares	3,263
Acquisition consideration, total	21,007
Acquired identifiable net assets	
Non-current assets	
Intangible assets	54
Tangible fixed assets	276
Investments	654
Non-current receivables	54
Current assets	
Trade receivables and other receivables	4,989
Deferred tax assets	0
Investments	2
Cash and cash equivalents	3,413
Assets, total	9,442
Non-current liabilities	
Interest bearing	355
Non-interest bearing	54
Current liabilities	
Interest bearing	890
Deferred tax liabilities	34
Non-interest bearing	4,618
Liabilities, total	5,951
Acquired identifiable net assets	3,491
Goodwill	17,516
Acquired net assets, total	21,007
Net cash flow effect	
Total acquisition consideration	-21,007
Consideration paid with exchange of shares	3,263
Contingent consideration	4,327
Cash and cash equivalents at the acquisition date of the the acquired entities	3,413
Net cash flow effect, total	-10,004

In February 2021, the Company acquired the entire share capital of Inmeco Oy Construction Consultants, a company that provides expert services related to construction. Inmeco, which is based in Jyväskylä, was partly acquired through a share swap in which 34,480 (adjusted) new Solwers shares were directed to the sellers as consideration. Inmeco's revenue for 2021 (2020) was just under EUR 1.8 (1.5) million and its average number of employees was 16 (13).

In May, Solwers acquired the entire share capital of LVI-insinööritoimisto Meskanen Oy. The acquisition was partly made by means of a share swap in which 88,900 new Solwers shares were directed to the seller as consideration. The company in the field of technical HVAC design had a revenue for 2021 (2020) of EUR 1.1 (1.0) million and its average number of employees was 10 (9). The company's registered office is in Oulu.

The entire share capital of Lukkaroinen Arkkitehdit Oy, architects in Oulu, was acquired in November. This acquisition as well was partly made by means of a share swap in which 133,888 new Solwers shares were directed to the sellers as consideration. In 2021 (2020), Lukkaroinen had an average of 73 (67) employees and its revenue amounted to EUR 6.5 (6.0) million.

The entire share capital of Falk Construction Management AB, a Swedish company providing project management and structural engineering services, was acquired through a cash transaction concluded in October. Falk Construction Management AB, domiciled in Kista, employed an average of 16 (13) people in 2021 (2020) and had a turnover of EUR 3.5 (3.1) million.

At the end of December, Solwers acquired ELE Engineering AB, which had an average of 77 (76) employees and revenue of EUR 6.5 (6.3) million in 2021 (2020). The acquisition was partly made by means of a share swap in which 178,761 new Solwers shares were directed to the seller as consideration. Ele Engineering, based in Västerås, provides comprehensive electrical, electrical transmission and automation design for the industry. ELE Engineering AB has been consolidated in the consolidated financial statements for 2021 only with respect to the balance sheet.

17. NON-CURRENT RECEIVABLES

	31.12.2021	31.12.2020
Non-current receivables specified by category		
Loan receivables	1,147	267
Deferred tax assets	0	57
Security cash deposits	263	213
Total	1,410	537

Non-current deferred tax assets

Non-current deferred tax assets consist of timing differences between accounting and taxation, which are expected to materialize later than within one year. Non-current deferred tax assets are presented by source in the following table.

	31.12.2021	31.12.2020
Non-current deferred tax assets specified by source		
Other investments	0	57
Total	0	57

18. INVENTORIES

	31.12.2021	31.12.2020
Inventories specified by category		
Work in progress	91	57
Goods and products	73	59
Other inventories	0	146
Total	163	262

Work in progress consists of the fair value of consultancy work performed by the end of the financial year but not invoiced, from which the Group's internal margin has been eliminated.

19. CURRENT RECEIVABLES

	31.12.2021	31.12.2020
Current receivables specified by category		
Trade receivables	8,718	6,585
Deferred tax assets	651	117
Other receivables	347	160
Prepaid expenses and accrued income	3,922	2,565
Total	13,637	9,428

The carrying amount of trade receivables is based on management's assessment of their fair value. Current receivables do not include credit risks differing significantly from the long-term average.

	31.12.2021	31.12.2020
Trade receivables specification by maturity		
Not due	7,579	5,286
Overdue by aging category		
< 30 days	874	677
31 – 60 days	118	159
61 – 90 days	31	134
> 90 days	116	329
Total	8,718	6,585

Current deferred tax assets

Current deferred tax assets consist of timing differences between accounting and taxation, which are expected to materialize within one year. Current deferred tax assets are presented by source in the following table.

	31.12.2021	31.12.2020
Current deferred tax assets specified by source		
Tax losses carried forward	687	76
Other items	-37	42
Total	651	117

	31.12.2021	31.12.2020
Prepaid expenses and accrued income major items		
Accrued income	3,115	1,935
Accrued interest income	10	3
Income tax receivables	27	32
Insurance premium prepayments	2	15
Other prepaid expenses	11	383
Other items	757	196
Total	3,922	2,565

20. CURRENT INVESTMENTS

	31.12.2021	31.12.2020
Current investments specified by category		
Shares	20	25
Investments funds	312	286
	332	311

Investment funds are valued and presented at fair market value at the end of the financial year. All short-term investments are included in category 1, i.e. their valuation is based on the public market quotations used to value similar financial instruments.

21. FINANCIAL ASSETS

The classification and valuation of financial assets are presented in the two tables below.

	Valuation at amortized cost	Valuation at fair value through compreh. income statement	Carrying value total	Fair value	Level 1	Level 2	Level 3
Financial assets 31.12.2021							
Non-current							
Investments		1,898	1,898	1,898			1,898
Receivables		1,410	1,410	1,410			1,410
Current							
Trade receivables	8,718		8,718	8,718		8,718	
Investments		332	332	332	332		
Cash and cash equivalents	12,642		12,642	12,642		12,642	
Total	21,360	3,640	25,000	25,000			

	Valuation at amortized cost	Valuation at fair value through compreh. income statement	Carrying value total	Fair value	Level 1	Level 2	Level 3
Financial assets 31.12.2020							
Non-current							
Investments		1,568	1,568	1,568			1,568
Receivables		537	537	537			537
Current							
Trade receivables	6,585		6,585	6,585		6,585	
Investments		311	311	311	311		
Cash and cash equivalents	6,101		6,101	6,101		6,101	
Total	12,687	2,416	15,102	15,102			

22. NUMBER OF SHARES

Company's shares

Solwers Plc's share capital consists of one series of shares. Each share entitles its holder to one vote in the General Meeting.

Share issue authorization granted by the Annual General Meeting to the Board of Directors

On 22 April 2021, the Annual General Meeting granted the Board of Directors an authorization to issue a maximum of 4,166,667 new shares. This authorization did not override previous authorizations entitling the Board of Directors to decide on the issuance of shares or special rights entitling to shares.

The shares issued pursuant to the authorization may be new and/or own shares held by the Company, and the Board of Directors may also issue options and/or other special rights entitling to shares pursuant to Chapter 10 of the Finnish Limited Liability Companies Act. The authorization is valid until 30 April 2023. On the basis of the authorization, the Board of Directors may decide on all the terms and conditions of the share issue. The share issue may deviate from shareholders' pre-emptive rights (private placement) if a compelling economic reason for the Company exists.

The Board of Directors may use the authorization to carry out acquisitions or other restructuring measures related to the Company's business operations and capital structure, the implementation of an incentive scheme for the Group's personnel or for other purposes as decided by the Board of Directors.

On the basis of the authorization, the Board of Directors may decide that the subscription price may be set off against the Company's receivable or that the specific rights to be granted are subject to the condition that the receivable be used to set off the subscription price of the share.

Share issues made in 2021 based on authorizations granted by the General Meeting

The Board of Directors used the share issue authorizations received from the General Meetings of 29 September 2020 and 22 April 2021 as follows in 2021:

Date of decision	Operation	Changes in the number of shares	Subscription price (EUR)	Number of shares after the operation	Share capital (EUR)	Date of registration in the Trade Register
4 Mar 2021	Directed share issue to the seller of Inmeco Oy Rakennuskonsultit Oy	1,724	116.00	304,163*	1,000,000.00	18 Jan 2021
4 Mar 2021	Directed share issue to the seller of Accado Oy Ab	925	116.00	304,163*	1,000,000.00	18 Jan 2021
4 Mar 2021	Directed share issue to the sellers of Architects Davidsson Tarkela Oy	1,508	116.00	304,163*	1,000,000.00	18 Jan 2021
4 Mar 2021	Directed share issue to the seller of Dreem AB	3,759	116.00	304,163*	1,000,000.00	18 Jan 2021
4 Mar 2021	Directed share issue to the seller of KAM Redovisning AB	7,503	116.00	304,163 *	1,000,000.00	18 Jan 2021
4 Mar 2021	Directed share issue to the seller of Zenner Engineers	1,531	116.00	304,163*	1,000,000.00	18 Jan 2021
4 Mar 2021	Directed share issue to key employees of Solwers Group	8,536	116.00	304,163*	1,000,000.00	18 Jan 2021
4 May 2021	Directed share issue to the sellers of Insinööritoimisto Pontek Oy	961	116.00	304,163*	1,000,000.00	18 Jan 2021
4 May 2021	Directed share issue to the sellers of Contria Ltd	2,118	116.00	304,163*	1,000,000.00	18 Jan 2021
4 May 2021	Directed share issue to the sellers of Taitotekniikka Oy	2,873	116.00	304,163*	1,000,000.00	18 Jan 2021
4 May 2021	Directed share issue to Finnmap Infra Oy's sellers	5,264	116.00	304,163*	1,000,000.00	18 Jan 2021
4 May 2021	Directed share issue to the seller of Kalliosuunnittelu Oy Rockplan Ltd	671	116.00	304,163*	1,000,000.00	18 Jan 2021
4 May 2021	Directed share issue to the seller of Licab East AB	431	116.00	304,163*	1,000,000.00	18 Jan 2021
4 May 2021	Bonus issue (split of shares) implemented free of charge in relation to present holdings	5,779,097	-	6,083,260	1,000,000.00	6 May 2021
10 May 2021	Directed share issue to investors	444,444	6.75	6,527,704	1,000,000.00	18 May 2021

10 May 2021	Directed share issue to issuers of capital loans	759,451	6.75	7,287,155	1,000,000.00	18 May 2021
14 May 2021	Directed share issue to the seller of LVI-insinööritoimisto Meskanen Oy	88,900	6.75	7,287,155	1,000,000.00	18 May 2021
3 Jun 2021	Equity issue in connection with the listing on Nasdaq First North Growth Market	1,135,000	7.50	8,422,155	1,000,000.00	17 Jun 2021
3 Jun 2021	Personnel issue in connection with the aforementioned listing	65,000	6.75	8,487,155	1,000,000.00	17 Jun 2021
29 Nov 2021	Directed share issue to the sellers of Lukkaroinen Architects Ltd	133,888	7.47	8,621,043	1,000,000.00	23 Dec 2021
30 Dec 2021	Directed share issue to the sellers of ELE Engineering AB	178,761	8.13	8,621,043	1,000,000.00	31 Dec 2022

*) Shares held by the Company were issued in the share issue

Of the assets accumulated from the aforementioned share issues, EUR 24,970 thousand has been recognized in the financial statements as EUR 24,970 thousand in the reserve for invested non-restricted equity and EUR 1,453 thousand in the equity issue account. As a result, the Company's share capital has not been increased during the financial year.

Number of shares in the Company

The change in the number of shares in the Company is presented in the following table. The number of shares in the comparison year 2020 has been adjusted to be comparable with respect to the splitting of shares implemented in 2021.

	2021	2020
Number of shares outstanding (pcs)		
Opening balance 1.1.	4,538,180	4,304,740
Directed share issue 18 Dec. 2020	0	178,520
Directed share issue 16 Oct. 2020	0	31,240
Directed share issue 29 Oct. 2020	0	23,680
Directed share issue 21 Dec. 2020 - 10 Jan. 2021	659,280	0
Directed share issue 29 Feb. 2021	34,480	0
Directed share issue 4 March 2021	304,520	0
Directed share issue 4 March 2021	170,720	0
Directed share issue 4 May 2021	245,960	0
Directed share issue 10 May 2021	444,444	0
Directed share issue 10 May 2021	170,370	0
Directed share issue 10 May 2021	589,081	0
Directed share issue 21 May 2021	88,900	0
IPO 7-14 June 2021	1,200,000	0
Directed share issue 29 Nov. 2021	133,888	0
Directed share issue 30 Dec. 2021	178,761	0
Closing balance 31.12.	8,758,584	4,538,180

The shares subscribed for in the aforementioned issue of 30 December 2021 were registered in the Trade Register on 31 January 2022, after which the total number of shares in the Company was 8,799,804, of which the Company owns 41,220 shares.

With respect to the changes in equity, see the separate "Statement of changes in equity" included in the financial statements.

23. FINANCIAL AND CAPITAL RISKS

Financial risk management

Solwers' financial risk management aims to ensure the Group's financial stability and the availability of sufficient financing options in various market situations. The Group is exposed to various market risks. Changes in these risks affect the Company's assets, liabilities and anticipated business transactions.

Risks arise from changes in interest rates and exchange rates. Financial risk management is implemented as part of the Group's risk management. The basis for financial risk management is the principles of business continuity.

The situation of financial risks is regularly reported to the company's Board of Directors and management. The most significant decisions in principle concerning risk management are made by the company's Board of Directors. The Board handles all the most significant financial matters, such as the Group's external loan arrangements.

Subsidiaries are responsible for managing the risks associated with their own business and for forecasting their cash flows. Solwers' cash and liquidity remained at a good level throughout 2021.

Currency risk

The most significant source of currency risk is the Swedish krona through the business operations of the subsidiaries in Sweden, but also through bank loans denominated in Swedish kronor. Solwers do not actively hedge currency risks because the income and expenses of the business are generally in the same currency (so-called natural hedge). The translation risk arises mainly from the parent company's domestic loans denominated in foreign currencies. The translation risk is not hedged.

Interest rate risk

Solwers is exposed to financial risks in its operations, such as the effects of changes in interest rates and the availability of competitive financing. Changes in the macroeconomic environment or the general situation in financial markets may adversely affect the availability, price and other conditions of financing. An increase in interest rates could have an essential direct effect on the cost of the available financing and the Company's existing financing costs. An increase in interest rates may thus affect the company's cost of debt financing in the future.

The company constantly strives to anticipate and monitor the need for financing its business so that the company has sufficient liquidity to finance its operations and to repay maturing loans.

Credit risk

Credit risk is the risk of financial loss arising if a customer fails to meet its contractual obligations. Credit risk relates to counterparties with open receivables or long-term agreements.

Ensuring the adequacy of the working capital is essential, as a significant part of the Group's business consists of project-based design work. The policies created to ensure this are the critical selection of reliable partners, risk-sharing through alliances with other competitors, the timely allocation of project costs to project revenues and the use of prepayment terms in clients' engagement agreements.

At the end of each reporting period, the Group companies assess whether there is objective evidence that a financial asset or a group of financial assets is impaired. If there is reasonable evidence of impairment, the financial asset is recorded as a credit loss. Credit losses are expensed in the income statement.

Liquidity risk

In order to manage liquidity risk, the company maintains sufficient liquidity reserves to hedge against fluctuations in the working capital requirements.

Capital risk management

The capital invested in the Company's operations is monitored and controlled by the Company's management on an ongoing monthly basis during the financial year. The procedures for executing this, besides the monthly operative reporting, is also the management's periodic business reviews with each group Company following a rolling scheme. For potential new business combinations, the control starts already at the beginning of the acquisition negotiations and the due diligence process.

The Company's present long-term capital structure policy is to limit the Company's equity ratio to a minimum of 40 % on a consolidated level. Within the Group, this ratio may vary from company to company due to differences in the business operations of the subsidiaries, for example. To maintain and secure this balanced capital structure continuously, including under the Company's active business acquisition policy, the Company's equity has been increased during 2021 by means of both paid and unpaid (directed) share issues.

The Company's capital structure is furthermore controlled by means of two covenants stated in the terms of the financing agreement with the Company's major financing bank. These are:

Covenant 1:

$$\frac{\text{Adjusted Equity}}{\text{Adjusted Total Assets}}$$

Covenant 2:

$$\frac{\text{Interest-bearing liabilities}}{\text{EBITDA (12 months)}}$$

The current limit for Covenant 1 is a "minimum of 35%" and for Covenant 2 a "maximum value of 3". The maximum value of Covenant 2 will change in the future so that it does not exceed a value of 2.75 on 30 June 2022 and a value of 2.50 on 31 December 2022 and thereafter.

Solwers monitors the two mentioned covenants in its business and responds with business and financial adjustments as needed. At the date of the financial statements, the value of Covenant 1 was 45.4% while Covenant 2 was 2.04.

24. NON-CURRENT LIABILITIES

	31.12.2021	31.12.2020
Non-current liabilities specified by category		
Interest bearing		
Capital loans	0	5,126
Loans from credit institutions	14,004	5,966
Leasing liabilities	2,241	1,813
Shareholder loans	0	0
Other liabilities	119	119
	16,365	13,025
Non- interest bearing		
Deferred tax liabilities	133	55
Other liabilities	3,811	1,022
	3,945	1,077
Total	20,309	14,102

Loans from financial institutions and lease liabilities

Of the loans from financial institutions, EUR 1,980 (1,265) thousand are foreign currency loans in Swedish kronor.

The Company's debt financing was renewed during the financial year by a new financing agreement signed with the Company's main financing bank on 28 May 2021. The weighted average interest rate on loans from financial institutions is 1.65 (2.17) %.

The simulated weighted average capital cost for lease liabilities is 2.81 (3.45) % for the office premises and 2.86 (3.50) % for other leased assets.

Future repayments of loans from financial institutions and of the lease liabilities are shown below in the table "Liabilities by maturity".

Other interest-bearing liabilities

Other liabilities, EUR 119 thousand, are interest-bearing debt other than loans from financial institutions.

Non-current deferred tax liabilities

Non-current deferred tax liabilities consist of timing differences between accounting and taxation, which are expected to materialise later than within one year. Non-current deferred tax liabilities are presented by source in the following table.

	31.12.2021	31.12.2020
Non-current deferred tax liabilities specified by source		
Accumulated depreciation in excess of plan	0	2
Tax deductible voluntary provisions	34	36
Capitalization of development costs	99	18
Total	133	55

Other non-interest-bearing liabilities

Other non-interest-bearing liabilities are contingent purchase price liabilities (3.796 (1.022) thousand, resulting from acquisitions.

Valuation of non-current liabilities

The fair value of non-current liabilities essentially corresponds to their balance sheet value.

Total liabilities by maturity

The total amounts of liabilities (non-current and current) at 31 December 2021 are presented by maturity category in the following table.

	Current	Non-current					Total
		Due within < 1 year	Due within 1 - 2 years	Due within 2 - 3 years	Due within 3 - 4 years	Due within 4 - 5 years	
Capital loans	-	-	-	-	-	-	0
Loans from credit institutions	1,483	1,479	2,009	2,131	8,385	-	15,487
Leasing liabilities	2,076	951	609	206	158	316	4,317
Other liabilities	7,141	2,890	538	503	-	-	11,072
Deferred tax liabilities	113	133	-	-	-	-	246
Trade payables	1,849	-	-	-	-	-	1,849
Accruals and deferred income	5,474	-	-	-	-	-	5,474
Total	18,136	5,453	3,156	2,841	8,543	316	38,445

25. CURRENT LIABILITIES

	31.12.2021	31.12.2020
Current liabilities specified by category		
Interest bearing		
Loans from credit institutions	1,483	2,089
Leasing liabilities	2,076	1,477
Other liabilities	244	133
	<u>3,803</u>	<u>3,699</u>
Non-interest bearing		
Deferred tax liabilities	113	76
Received prepayments	112	0
Accounts payable	1,849	1,287
Other liabilities	6,785	3,940
Accrued expenses and deferred income	5,474	4,170
	<u>14,333</u>	<u>9,473</u>
Total	18,136	13,172

Other interest-bearing liabilities

Other liabilities, EUR 244 (133) thousand, are interest-bearing debt other than loans from financial institutions.

Valuation of current liabilities

The fair value of current liabilities essentially corresponds to their balance sheet value.

Non-current deferred tax liabilities

Non-current deferred tax liabilities consist of timing differences between accounting and taxation, which are expected to materialise later than within one year. Non-current deferred tax liabilities are presented by source in the following table.

	31.12.2021	31.12.2020
Current deferred tax liabilities specified by source		
Depreciation in excess of plan	37	37
Tax deductible voluntary provisions	39	31
Fair valuation of financial assets	5	3
Capitalization of development costs	32	4
Total	113	76

Other non-interest-bearing liabilities

Other non-interest-bearing liabilities includes contingent purchase price liabilities EUR 2.123 (1.407) thousand, resulting from acquisitions.

	31.12.2021	31.12.2020
Accrued expenses and deferred income major items		
Holiday pay and other salary accruals	3,343	2,713
Accrued pension costs	402	227
Accrued other compulsory social charges	778	268
Accrued interest expenses	29	19
Accrued income tax	125	350
Other accruals	796	593
Total	5,474	4,170

26. FINANCIAL LIABILITIES

The total amounts of liabilities (non-current and current) 2021 are presented by maturity category in the following table.

	Valuation at amortized cost	Valuation at fair value through compreh. income statement	Carrying value total	Fair value	Level 1	Level 2	Level 3
Financial liabilities 31.12.2021							
Non-current							
Loans from credit institutions	14,004		14,004	14,004		14,004	
Leasing and rental agreements	2,241		2,241	2,241			2,241
Acquisition debt		3,796	3,796	3,796			3,796
Current							
Loans from credit institutions	1,483		1,483	1,483		1,483	
Leasing and rental agreements	2,076		2,076	2,076			2,076
Acquisition debt		2,123	2,123	2,123			2,123
Trade payables	1,849		1,849	1,849		1,849	
Total	21,653	5,919	27,572	27,572			

	Valuation at amortized cost	Valuation at fair value through compreh. income statement	Carrying value total	Fair value	Level 1	Level 2	Level 3
Financial liabilities 31.12.2020							
Non-current							
Loans from credit institutions	5,966		5,966	5,966		5,966	
Leasing and rental agreements	1,813		1,813	1,813			1,813
Acquisition debt		1,022	1,022	1,022			1,022
Current							
Loans from credit institutions	2,089		2,089	2,089		2,089	
Leasing and rental agreements	1,477		1,477	1,477			1,477
Acquisition debt		1,407	1,407	1,407			1,407
Trade payables	1,287		1,287	1,287		1,287	
Total	12,633	2,429	15,061	15,061			

27. RELATED PARTY TRANSACTIONS AND MANAGEMENT REMUNERATION

Related party transactions

Related party transactions include transactions between Group companies and the members of the Board of Directors, the key members of the Company's management as well as their family members or companies under

their control. Therefore, related parties also include the Company's largest shareholder, Finnmap Engineering Oy, whose holding of the company was 42% at the balance sheet date. The related party transactions presented in the table below are on an accrual basis.

	2021	2020
Related party transactions by category		
Salary and other remuneration	44	44
Other operating expenses	3	1
Financial expenses	614	2
Loan receivables	230	8
Capital loans	0	3,976

The transactions between Solwers Plc and its subsidiaries have been eliminated in the consolidated financial statement and, therefore, are not reported in this note. The transactions between these parties have been carried out on market terms.

Remuneration of management

The Annual General Meeting decides on the remuneration of the members of the Board. On 22 April 2021, the Annual General Meeting decided that the remuneration to be paid to the members of the Board as well as to the Chairman of the Board is EUR 2,000 per meeting.

The company's Board of Directors decides on the CEO's salary and other remuneration annually. The CEO's remuneration consists of a total salary, which includes a fixed monthly salary, a car benefit and a telephone benefit as well as a short-term incentive in the form of an annual performance bonus. In addition, the benefits for the CEO include supplementary pension insurance.

The company's key personnel receive a fixed monthly salary and a variable annual performance-based pay in accordance with the Group's incentive programme. The remuneration of key personnel is reviewed annually.

A share-based incentive scheme for long-term remuneration purposes is planned to be introduced in 2022.

	2021	2020
Remuneration		
Remuneration to the Board of Directors	75	46
Managing Director salary & remun. (incl. fringe benefits)	157	136
Management Team salary & remun. (incl. fringe benefits)	297	174
	<u>528</u>	<u>356</u>

Board of Directors and Management Team Holdings

	Number of shares	Holding
Management holdings		
Leif Sebbas ¹⁾	266,540	3.1 %
Hanna-Maria Heikkinen	5,112	0.1 %
John Lindahl ²⁾	10,000	0.1 %
Mari Pantsar	2,151	0.0 %
Emma Papakosta ³⁾	4,180	0.0 %
Stefan Nyström	312,000	3.6 %
Roger Lindqvist	53,791	0.6 %
Nina Nikander	7,460	0.1 %
Taina Erkkilä	8,620	0.1 %
Olli Kuusi	17,360	0.2 %

¹⁾ Adding the total shareholding of Finnmap Engineering Oy and CEB Invest Oy to the total shareholding 2,330,480 shares and ownership 27%

²⁾ In addition to Topix Ab's indirect shareholding, a total of 16,000 shareholdings and a 0.2% shareholding

³⁾ Nominee registered

28. COLLATERAL PROVIDED AND CONTINGENT LIABILITIES

	31.12.2021	31.12.2020
Collateral to secure own commitments		
Floating charges, nominal value	16,500	9,455
Pledged subsidiary shares, carrying value	<u>40,632</u>	<u>12,375</u>
Total	57,132	21,831
Pledged as security for		
Loans from credit institutions	15,038	8,043
	31.12.2021	31.12.2020
Other collateral to secure own commitments		
Pledged bank deposits	275	290
Guarantees	<u>212</u>	<u>228</u>
Total	488	518
Pledged as security for		
Rental commitments	275	290
Subsidiary loans and bank overdraft limits from credit institutions	<u>188</u>	<u>203</u>
Total	463	493
	31.12.2021	31.12.2020
Future minimum lease payments (incl. VAT)		
Due before the end of the next financial year	2,141	1,744
Due beyond the end of the next financial year	<u>2,962</u>	<u>1,861</u>
Total	5,103	3,605
	31.12.2021	31.12.2020
Fair value of financial derivatives		
Interest rate swap and cap agreements	<u>-3</u>	<u>-7</u>
Total	-3	-7

Lease liabilities presented in long-term and short-term interest-bearing liabilities form a significant part of the total of EUR 5,103 thousand (EUR 3,605 thousand) of the above minimum future leases.

29. EVENTS AFTER THE FINANCIAL YEAR

Number of shares

On 30 December 2021, the Company announced it was acquiring the entire share capital of ELE Engineering AB. The parties agreed that part of the consideration would be paid in new shares in the Company, subscribed for by the selling parties in a directed share issue.

A total of 178,761 new shares were registered on 31 January 2021, bringing the total number of shares in the Company to 8,799,804.

Trading in the new shares began on Nasdaq First North Growth Market Finland, a multilateral trading facility maintained by Nasdaq Helsinki Oy, on 1 February 2022. An 18-month transfer restriction was entered in the seller's book-entry account.

Company acquisition

Lukkaroinen Arkkitehdit Oy, a subsidiary of Solwers, acquired the entire share capital of Arkkitehtitoimisto Sabelström Arkitehtkontor Oy in a corporate acquisition on 23 March 2022. Architectural agency Arkkitehtitoimisto Sabelström Arkitehtkontor Oy was founded in 2003, and it has strong experience in architectural and interior design. The core expertise of the agency is the design of new buildings, renovations and alterations as well as the interior design of public and private interiors.

CALCULATION FORMULAS FOR KEY FIGURES

Revenue per person Growth	Revenue / average total number of employees Revenue growth for the most recently concluded reporting period compared to revenue for the corresponding period in the previous year
Invoicing rate	Sum of the Solwers companies' sales margins / (company1 sales margin / company1 invoicing rate) + (company2 sales margin / company2 invoicing rate) + ... + (company sales margin / company invoicing rate) where n = the number of Solwers companies for which the invoicing rate is an applicable performance Indicator
EBITDA	EBITDA = EBIT + depreciation, amortization and impairment of tangible and intangible assets
EBITDA-%	EBITDA % = (EBIT + depreciation, amortization and impairment of tangible and intangible assets) / revenue x 100
EBITA	Adjusted EBIT excluding depreciation, amortization and impairment of intangible assets and leased premises = EBIT + amortization of intangible assets and leased premises + impairment
EBITA-%	Adjusted EBIT % = (Operating profit + amortization of intangible assets and leased premises depreciation of intangible assets + impairment) / revenue x 100
EBIT	Operating profit
EBIT-%	EBIT / revenue x 100
Net Profit	Profit/loss for the financial period
Net Profit-%	(Profit/loss for the financial period) / revenue x 100
EPS	Earnings per share = Share of the net profit for the period attributable to the owners of the parent company / average number of outstanding shares during the period
Adjusted equity Net debt	Equity + non-controlling interest + capital loans Interest-bearing liabilities + lease liabilities + other liabilities comparable to interest-bearing liabilities - cash and cash equivalents
Equity ratio Adjusted equity ratio	(Equity + non-controlling interest) / balance sheet total (Equity + non-controlling interest + capital loans) / balance sheet total

SOLWERS OYJ

FINANCIAL STATEMENTS 2021

PARENT COMPANY (FAS)

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INCOME STATEMENT

Parent company, FAS

EUR THOUSAND	NOTE	2021	2020
REVENUE	3	297	271
Materials and services		-2	13
Personnel costs	4	-659	-368
Amortization, depreciation and impairment	5	-3	-3
Other operating expenses	6	-678	-332
OPERATING RESULT		-1,044	-419
Financial income and expenses	7	-27	1,262
RESULT BEFORE APPROPRIATIONS AND TAXES		-1,071	843
Appropriations	8	188	273
NET RESULT FOR THE FINANCIAL YEAR		-883	1,116

BALANCE SHEET

Parent company, FAS

EUR THOUSAND	NOTE	31.12.2021	31.12.2020
ASSETS			
NON-CURRENT ASSETS			
Tangible assets	9	10	10
Investments	10	27,636	15,861
Receivables	11	1,919	285
NON-CURRENT ASSETS, TOTAL		29,565	16,157
CURRENT ASSETS			
Inventories	12	105	68
Receivables	13	20,825	8,375
Financial securities		1	1
Cash and cash equivalents		2,499	564
CURRENT ASSETS, TOTAL		23,431	9,008
ASSETS, TOTAL		52,996	25,165
EQUITY AND LIABILITIES			
EQUITY			
Subscribed capital		1,000	1,000
Share issue		1,453	3,332
Share premium account		20	20
Other reserves		29,667	2,818
Retained earnings		3,707	3,126
Profit for the financial year		-883	1,116
EQUITY, TOTAL	14	34,963	11,412
LIABILITIES			
Non-current liabilities	15	15,583	10,839
Current liabilities	16	2,450	2,913
LIABILITIES, TOTAL		18,032	13,752
EQUITY AND LIABILITIES, TOTAL		52,996	25,165

NOTES TO THE FINANCIAL STATEMENTS

Parent company, FAS

1. GENERAL INFORMATION ABOUT THE COMPANY

Solwers Plc (Business ID 0720734-6) is a Finnish public limited company incorporated under Finnish law. It has its registered head office in Espoo at Kappelikuja 6 B. The Company's domicile is Kauniainen.

Solwers Plc operated as Finnmap Partners Oy until 17 March 2017.

Solwers Plc's financial statements have been prepared in accordance with the Finnish Accounting Standards (FAS) and other Finnish corporate and tax legislation guiding the preparation and presentation of financial statements.

2. ACCOUNTING PRINCIPLES

Accrual principle

The accrual principle is the most important guiding principle for the recognition of income and expense in the income statement. Further information on the accounting policies applied is presented below to the extent that more detailed disclosure is deemed necessary to understand the content of the financial statements.

Revenue recognition principles

Income is recognised as income in the income statement at the time when the customer has received the services that are the subject of the transaction. As Solwers Plc's main source of income is the services it provides to its subsidiaries, the passage of time is a decisive factor in revenue recognition.

Employee expenses

Salaries and social security contributions are recognised as an expense in the income statement in accordance with the accrual principle. The same applies to all other personnel costs, including voluntary personnel costs. Since the Company's statutory TyEL pension scheme is classified as a defined contribution plan, pension insurance premiums are also recognised as an expense in accordance with the accrual principle described above.

Non-current assets

Fixed tangible assets are recognised and presented at original acquisition cost less annual amortisation and any impairment losses recognised separately. The recognition of depreciation is based on the estimate of the useful life of the assets.

Shares in subsidiaries are recognised and presented at original acquisition cost less annual amortisation and any impairment losses recognised separately. In addition to the acquisition cost, their original cost includes all indirect costs incurred from or related to the acquisition.

Current receivables

Current receivables are generally recognised at original acquisition cost, but not at a value higher than the estimated amount that can be recovered from them in the future based on the management's estimate. The estimates made by the Company's management are based on the prevailing market situation and other factors known at the time of the preparation of the financial statements that affect the valuation of the receivables.

Classification current/non-current

Tangible and intangible assets are classified as non-current when their estimated economic life exceeds 12 months. Assets that do not meet this condition are classified as current assets.

Receivables are classified as non-current when their future recoverable cash flow is estimated to be realised later than 12 months after the end of the financial year. Receivables that do not meet this condition are classified as current receivables.

Debt items are classified as non-current when their future cash outflow is estimated to be realised later than 12 months after the end of the financial year. Debt items that do not meet this condition are classified as current.

Items in foreign currencies

Transactions in foreign currencies are recorded in euros at the exchange rate on the transaction date. At the end of the financial year, receivables and payables denominated in foreign currencies are measured at the exchange rates effective on the financial statements date. Exchange gains and losses are presented in the profit and loss account item in which the transaction that caused the exchange difference is recorded.

3. REVENUE

	2021	2020
Revenue, break-down by category		
Management fee income from group companies	297	271
Total	297	271

4. EMPLOYEE EXPENSES AND NUMBER OF EMPLOYEES

	2021	2020
Personnel costs, break-down by category		
Salaries, wages and other remuneration	-536	-295
Pension costs	-84	-51
Compulsory social charges	-15	1
Other voluntary employee expenses	-23	-22
Total	-659	-368

Number of employees

Average during the financial year	6	4
At the end of the financial year	6	5

5. DEPRECIATION, AMORTISATION AND IMPAIRMENT

	2021	2020
Amortization, depreciation and impairment of non-current assets		
Depreciation of tangible non-current assets	-3	-3
Total	-3	-3

6. OTHER OPERATING EXPENSES

	2021	2020
Other operating expenses, break-down category		
Business premises expenses	-39	-39
ICT expenses	-77	-29
Travel expenses	-11	-9
Machinery and equipment expenses	-15	0
Marketing expenses	-80	-14
Administrative services expenses	-186	-21
Other administration expenses	-111	-34
Other operating expenses	-159	-187
Total	-678	-332

	2021	2020
Other operating expenses, specified by group internal and external expenses		
Group internal expenses	-131	-130
External expenses	-28	-57
Total	-159	-187

	2021	2020
Fees to auditors, summarized by cost category		
Audit fees	-11	-11
Tax consultation fees	-24	-1
Other assignments as referred to in the Finnish Auditing Act	-125	-34
Total	<u>-159</u>	<u>-46</u>

7. FINANCIAL INCOME AND EXPENSES

	2021	2020
Financial income and expenses, break-down by category		
Financial income		
Dividend income from subsidiaries	2,072	1,427
Interest income from subsidiaries	188	91
Other interest income	11	3
Foreign currency exchange rate gains	43	49
Total	<u>2,314</u>	<u>1,569</u>
Financial expenses		
Interest expenses on loans from credit institutions	-181	-150
Interest expenses on other loans	-753	-77
Other financial expenses	-185	-49
Other financial expenses	-1,222	-32
Total	<u>-2,341</u>	<u>-307</u>
Net financial income and expenses	-27	1,262

8. APPROPRIATIONS

	2021	2020
Appropriations, break-down by category		
Group contributions received	188	273
Total	<u>188</u>	<u>273</u>

9. TANGIBLE ASSETS

	2021	2020
Movement of machinery and equipment		
Carrying value		
Opening balance 1.1.	10	12
Investments	3	2
Depreciation	-3	-3
Closing balance 31.12.	<u>10</u>	<u>10</u>

10. NON-CURRENT INVESTMENTS

	2021	2020
Movement of non-current investments		
Subsidiary shares		
Acquisition cost		
Opening balance 1.1.	15,861	13,423
Additions	13,486	2,540
Divestments	-1,712	-101
Closing balance 31.12.	<u>27,636</u>	<u>15,861</u>

Shareholdings in subsidiaries 31.12.2021, specified by country

	<u>Domicile</u>	<u>Acquisition date</u>	<u>Holding</u>
Finland			
Direct ownership			
Accado Oy Ab	Espoo	13.10.2017	91.00 %
Arkkitehdit Davidsson Tarkela Oy	Helsinki	3.7.2018	100.00 %
Contria Oy	Vaasa	18.12.2018	85.33 %
Finnmap Infra Oy	Helsinki	31.12.2016	90.92 %
Geounion Oy	Helsinki	29.10.2020	91.04 %
	Jyväskylä	26.2.2022	100.00 %
Insinööritoimisto Pontek Oy	Espoo	21.12.2017	96.67 %
Insinööritoimisto W. Zenner Oy	Helsinki	17.12.2018	92.00 %
Kalliosuunnittelu Oy Rockplan Ltd	Helsinki	20.6.2017	93.60 %
Kalliotekniikka Consulting Engineers Oy	Helsinki	20.6.2017	100.00 %
	Oulu	30.11.2022	100.00 %
	Oulu	21.5.2022	100.00 %
Oy Polyplan Ab	Vaasa	23.3.2018	100.00 %
Solwers Kiinteistöt Oy	Helsinki	20.6.2017	100.00 %
Taitotekniikka Oy	Helsinki	13.12.2018	84.37 %
Indirect ownership			
Insinööritoimisto Varsinais-Suomen Kalliotekniikka Oy	Turku	20.6.2017	100.00 %
Sweden			
Direct ownership			
Solwers Sweden Ab	Stockholm	31.12.2017	100.00 %
Indirect ownership			
Dreem AB	Gothenburg	22.8.2019	95.00 %
	Västerås	30.12.2021	100.00 %
Enerwex AB	Växjö	16.10.2020	91.00 %
	Kista	29.10.2021	100.00 %
Geo Survey Mätteknik AB	Stockholm	20.6.2017	96.80 %
KAM Redovisning AB	Stockholm	14.6.2019	94.00 %
Licab AB	Luleå	18.8.2020	100.00 %
Licab East AB	Luleå	18.8.2020	100.00 %
Rockplan Sweden AB	Stockholm	20.6.2017	96.80 %

11. LONG-TERM RECEIVABLES

	31.12.2021	31.12.2020
Non-current receivables specified by category		
	752	0
Loan receivables	1,147	267
Security cash deposits	18	18
Other receivables	2	0
Total	1,919	285

Loan receivables consist of loans granted by Solwers Plc and its subsidiaries to key personnel.

12. INVENTORIES

	31.12.2021	31.12.2020
Inventories		
Work in progress	105	68
Total	105	68

13. CURRENT RECEIVABLES

	31.12.2021	31.12.2020
Current receivables specified by category		
Receivables from group companies	20,722	8,072
Prepaid expenses and accrued income	36	208
Share issue receivables	0	84
Other receivables	67	11
Total	20,825	8,375

	31.12.2021	31.12.2020
Receivables from group companies consist of the following items		
Trade receivables	196	140
Loan receivables	17,218	4,921
Prepaid expenses and accrued income	210	130
Dividend receivables	2,909	2,609
Group contribution receivables	188	273
Total	20,722	8,072

14. SHARES AND AMOUNT OF SHARE CAPITAL

Company's shares

Solwers Plc's share capital consists of one series of shares. Each share entitles its holder to one vote in the General Meeting.

Share issue authorisation granted by the Annual General Meeting to the Board of Directors

On 22 April 2021, the Annual General Meeting granted the Board of Directors an authorisation to issue a maximum of 4,166,667 new shares. This authorisation did not override previous authorisations entitling the Board of Directors to decide on the issuance of shares or special rights entitling to shares.

The shares issued pursuant to the authorisation may be new and/or own shares held by the Company, and the Board of Directors may also issue options and/or other special rights entitling to shares pursuant to Chapter 10 of the Finnish Limited Liability Companies Act. The authorisation is valid until 30 April 2023. On the basis of the authorisation, the Board of Directors may decide on all the terms and conditions of the share issue. The share issue may deviate from shareholders' pre-emptive rights (private placement) if a compelling economic reason for the Company exists.

The Board of Directors may use the authorisation to carry out acquisitions or other restructuring measures related to the Company's business operations and capital structure, the implementation of an incentive scheme for the Group's personnel or for other purposes as decided by the Board of Directors.

On the basis of the authorisation, the Board of Directors may decide that the subscription price may be set off against the Company's receivable or that the specific rights to be granted are subject to the condition that the receivable be used to set off the subscription price of the share.

Share issues made in 2021 based on authorisations granted by the General Meeting

The Board of Directors used the share issue authorisations received from the General Meetings of 29 September 2020 and 22 April 2021 as follows in 2021:

Date of decision	Operation	Changes in the number of shares	Subscription price (EUR)	Number of shares after the operation	Share capital (EUR)	Date of registration in the Trade Register
4 Mar 2021	Directed share issue to the seller of Inmeco Oy Rakennuskonsultit Oy	1,724	116.00	304,163*	1,000,000.00	18 Jan 2021
4 Mar 2021	Directed share issue to the seller of Accado Oy Ab	925	116.00	304,163*	1,000,000.00	18 Jan 2021
4 Mar 2021	Directed share issue to the sellers of Architects Davidsson Tarkela Oy	1,508	116.00	304,163*	1,000,000.00	18 Jan 2021
4 Mar 2021	Directed share issue to the seller of Dreem AB	3,759	116.00	304,163*	1,000,000.00	18 Jan 2021
4 Mar 2021	Directed share issue to the seller of KAM Redovisning AB	7,503	116.00	304,163 *	1,000,000.00	18 Jan 2021
4 Mar 2021	Directed share issue to the seller of Zenner Engineers	1,531	116.00	304,163*	1,000,000.00	18 Jan 2021
4 Mar 2021	Directed share issue to key employees of Solwers Group	8,536	116.00	304,163*	1,000,000.00	18 Jan 2021
4 May 2021	Directed share issue to the sellers of Insinööritoimisto Pontek Oy	961	116.00	304,163*	1,000,000.00	18 Jan 2021
4 May 2021	Directed share issue to the sellers of Contria Ltd	2,118	116.00	304,163*	1,000,000.00	18 Jan 2021
4 May 2021	Directed share issue to the sellers of Taitotekniikka Oy	2,873	116.00	304,163*	1,000,000.00	18 Jan 2021
4 May 2021	Directed share issue to Finnmap Infra Oy's sellers	5,264	116.00	304,163*	1,000,000.00	18 Jan 2021
4 May 2021	Directed share issue to the seller of Kalliosuunnittelu Oy Rockplan Ltd	671	116.00	304,163*	1,000,000.00	18 Jan 2021
4 May 2021	Directed share issue to the seller of Licab East AB	431	116.00	304,163*	1,000,000.00	18 Jan 2021
4 May 2021	Bonus issue (split of shares) implemented free of charge in relation to present holdings	5,779,097	-	6,083,260	1,000,000.00	6 May 2021
10 May 2021	Directed share issue to investors	444,444	6.75	6,527,704	1,000,000.00	18 May 2021
10 May 2021	Directed share issue to issuers of capital loans	759,451	6.75	7,287,155	1,000,000.00	18 May 2021
14 May 2021	Directed share issue to the seller of LVI-insinööritoimisto Meskanen Oy	88,900	6.75	7,287,155 *	1,000,000.00	18 May 2021

3 Jun 2021	Equity issue in connection with the listing on Nasdaq First North Growth Market	1,135,000	7.50	8,422,155	1,000,000.00	17 Jun 2021
3 Jun 2021	Personnel issue in connection with the afore mentioned listing	65,000	6.75	8,487,155	1,000,000.00	17 Jun 2021
29 Nov 2021	Directed share issue to the sellers of Lukkaroinen Architects Ltd	133,888	7.47	8,621,043	1,000,000.00	23 Dec 2021
30 Dec 2021	Directed share issue to the sellers of ELE Engineering AB	178,761	8.13	8,621,043	1,000,000.00	31 Dec 2022

*) Shares held by the Company were issued in the share issue

Of the assets accumulated from the afore mentioned share issues, EUR 24,970 thousand has been recognised in the financial statements as EUR 23,517 thousand in the reserve for invested non-restricted equity and EUR 1,453 thousand in the equity issue account. As a result, the Company's share capital has not been increased during the financial year.

	2021	2020
Number of shares outstanding (pcs)		
Opening balance 1.1.	4,538,180	4,304,740
Directed share issue 18 Dec. 2020	0	178,520
Directed share issue 16 Oct. 2020	0	31,240
Directed share issue 29 Oct. 2020	0	23,680
Directed share issue 21 Dec. 2020 - 10 Jan. 2021	659,280	0
Directed share issue 29 Feb. 2021	34,480	0
Directed share issue 4 March 2021	304,520	0
Directed share issue 4 March 2021	170,720	0
Directed share issue 4 May 2021	245,960	0
Directed share issue 10 May 2021	444,444	0
Directed share issue 10 May 2021	170,370	0
Directed share issue 10 May 2021	589,081	0
Directed share issue 21 May 2021	88,900	0
IPO 7-14 June 2021	1,200,000	0
Directed share issue 29 Nov. 2021	133,888	0
Directed share issue 30 Dec. 2021	178,761	0
Closing balance 31.12.	8,758,584	4,538,180

The shares subscribed for in the afore mentioned issue of 30 December 2021 were registered in the Trade Register on 31 January 2022, after which the total number of shares in the company was 8,799,804, of which the Company owns 41,220 shares.

	2021	2020
Movement in equity		
Restricted equity		
Subscribed capital		
Opening balance 1.1.	1,000	1,000
Closing balance 31.12.	<u>1,000</u>	<u>1,000</u>
Share issue		
Opening balance 1.1.	3,332	0
Additions	1,453	3,332
	<u>-3,332</u>	<u>0</u>
Closing balance 31.12.	1,453	3,332
Share premium reserve		
Opening balance 1.1.	20	20
Closing balance 31.12.	<u>20</u>	<u>20</u>
Total restricted equity, closing balance 31.12.	2,473	4,352
	2021	2020
Unrestricted equity		
Invested unrestricted equity reserve		
Opening balance 1.1.	2,818	1,463
Conversion to capital loan		
Directed share issue 18 Dec. 2020	0	1,036
Directed share issue 16 Oct. 2020	0	181
Directed share issue 29 Oct. 2020	0	137
Directed share issue 21 Dec. 2020 - 10 Jan. 2021	3,788	0
Directed share issue 29 Feb. 2021	200	0
Directed share issue 4 March 2021	1,766	0
Directed share issue 4 March 2021	990	0
Directed share issue 4 May 2021	1,427	0
Directed share issue 10 May 2021	3,000	0
Directed share issue 10 May 2021	1,150	0
Directed share issue 10 May 2021	3,976	0
Directed share issue 21 May 2021	600	0
IPO 7-14 June 2021	8,951	0
Directed share issue 29 Nov. 2021	1,000	0
Closing balance 31.12.	<u>29,667</u>	<u>2,818</u>
Retained earnings		
Opening balance 1.1.	4,242	3,296
Dividend distribution	-535	-170
Closing balance 31.12.	<u>3,707</u>	<u>3,126</u>
Profit for the period	-883	1,116
Total unrestricted equity, closing balance 31.12.	32,490	7,060
Total equity, closing balance 31.12.	34,963	11,412
	31.12.2021	31.12.2020
Calculation of distributable equity		
Invested unrestricted equity reserve	29,667	2,818
Retained earnings	3,707	3,126
Profit for the period	-883	1,116
Distributable equity	<u>32,490</u>	<u>7,060</u>

15. NON-CURRENT LIABILITIES

	31.12.2021	31.12.2020
Non-current liabilities, break-down by category		
Interest bearing		
Capital loans	0	5,126
Loans from credit institutions	<u>13,701</u>	<u>5,674</u>
	13,701	10,800
Non-interest bearing		
Other liabilities	<u>1,882</u>	<u>39</u>
	1,882	39
Total	15,583	10,839

Loans from financial institutions

Loans from financial institutions consist of interest-bearing loans from the Company's main financing bank.

Of the loans from financial institutions, EUR 1,980 (1,265) thousand are foreign currency loans in Swedish kronor.

The Company's debt financing was renewed during the financial year by a new financing agreement signed with the Company's main financing bank on 28 May 2021. The weighted average interest rate on loans from financial institutions is 1.65 (2.17) %.

Other non-interest-bearing liabilities

Other non-interest-bearing liabilities include contingent purchase price liabilities resulting from acquisitions in the amount of EUR 1,878 (39) thousand.

16. CURRENT LIABILITIES

	31.12.2021	31.12.2020
Current liabilities, break-down by category		
Interest bearing		
Loans from credit institutions	1,338	2,094
Shareholder loans	0	0
Other liabilities	<u>0</u>	<u>0</u>
	1,338	2,094
Non-interest bearing		
Trade payables	116	46
Liabilities to group companies	411	129
Other liabilities	387	531
Accruals and deferred income	<u>198</u>	<u>113</u>
	1,112	819
Total	2,450	2,913

Other non-interest bearing liabilities

Other non-interest bearing liabilities consist of contingent company acquisition liabilities of EUR 256 (521) thousand.

	31.12.2021	31.12.2020
Non-interest bearing liabilities to group companies consist of the following items		
Acquisition cost consideration unpaid at year end	354	0
Accounts payable	23	91
Other accruals	35	38
Total	411	129

	31.12.2021	31.12.2020
Accruals and deferred income consist of the following major items		
Holiday pay provisions and other salary accruals	157	78
Pension cost accruals	9	6
Other compulsory social charge accruals	3	2
Interest accruals	25	19
Other accruals	4	7
Total	198	113

17. COLLATERAL PROVIDED AND CONTINGENT LIABILITIES

	31.12.2021	31.12.2020
Collateral to secure own commitments		
Floating charges, nominal value	15,000	8,500
Pledged subsidiary shares, carrying value	27,636	12,556
Total	42,636	21,056

The above floating charges and subsidiary shares have been pledged for
Loans from credit institutions

15,038	7,768
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	31.12.2021	31.12.2020
Other collateral to secure own commitments		
Pledged bank deposits	18	18
Guarantees	212	228
Total	230	246

The above bank deposits and guarantees have been pledged for
Lease commitments (future minimum lease payments incl. VAT)
Subsidiary loans and bank overdraft limits from credit institutions
Total

18	18
188	203
206	221

	31.12.2021	31.12.2020
Future minimum lease payments (incl. VAT)		
Due before the end of the next financial year	45	81
Due beyond the end of the next financial year	38	0
Total	83	81

	31.12.2021	31.12.2020
Fair value of financial derivatives		
Interest rate swap and cap agreements	-3	-7
Total	-3	-7

18. EVENTS AFTER THE BALANCE SHEET DATE

Number of shares

On 30 December 2021, the Company announced it was acquiring the entire share capital of ELE Engineering AB. The parties agreed that part of the consideration would be paid in new shares in the Company, subscribed for by the selling parties in a directed share issue.

A total of 178,761 new shares were registered on 31 January 2021, bringing the total number of shares in the Company to 8,799,804.

Trading in the new shares began on Nasdaq First North Growth Market Finland, a multilateral trading facility maintained by Nasdaq Helsinki Oy, on 1 February 2022. An 18-month transfer restriction was entered in the seller's book-entry account.

Acquisition

Lukkaroinen Arkkitehdit Oy, a subsidiary of Solwers, acquired the entire share capital of Arkkitehtitoimisto Sabelström Arkitektkontor Oy in a corporate acquisition on 23 March 2022. Arkkitehtitoimisto Sabelström Arkitektkontor Oy architects was founded in 2003, and it has strong experience in architectural and interior design. The core expertise of the agency is the design of new buildings, renovations and alterations as well as the interior design of public and private interiors.

SIGNATURES OF THE BOARD OF DIRECTORS' REPORT AND FINANCIAL STATEMENTS

SIGNATURES OF THE BOARD OF DIRECTORS

Espoo 29 March, 2022

Leif Sebbas
Chairman of the Board

John Lindahl
Board member

Mari Pantsar
Board member

Hanna-Maria Heikkinen
Board member

Emma Papakosta
Board member

Stefan Nyström
CEO

AUDITOR'S NOTE

A report on the audit carried out has been submitted today.

Helsinki 29 March, 2022

Revico Grant Thornton Oy
Audit firm

Satu Peltonen, APA