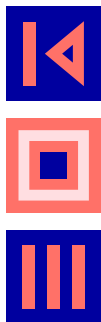




**Avidly Plc,
Financial
Statements
Release,
5 March 2020
at 8.30**

avidly

#TOMORROWBOUND



AVIDLY FINANCIAL STATEMENTS RELEASE 2019

Revenue increased by 11.9% to EUR 22.1 million, operating result was EUR -2.4 million

In line with its strategy, Avidly's revenue increased significantly during 2019. The inbound business, in particular, grew strongly. Revenue growth in Marketing Services fell short of expectations in the second half of the year, which together with the growth investments in Inbound Marketing led to a clear decline in profitability.

July–December 2019

- Revenue was EUR 10,350 thousand (10,100), an increase of 2.5%.¹
- Gross profit was EUR 7,851 thousand (8,385), a decline of -6.4%. Continuous services amounted to approximately 38% (44%) of gross profit.
- EBITDA was EUR -1,031 thousand (516), a decrease of -299.8%.
- Operating profit of Marketing Services was EUR -1,417 thousand (518).
- Operating profit of Inbound Marketing was EUR -676 thousand (-254).
- The Group's operating profit (EBIT) was EUR -2,093 thousand (264), i.e. -20.2% of revenue (2.6%). Operating profit adjusted for acquisition costs was EUR -2,029 thousand (420).²
- Profit for the period was EUR -2,050 thousand (153), i.e. -19.8% of revenue (1.5%).
- Earnings per share were EUR -0.84 (0.08).

January–December 2019

- Revenue was EUR 22,131 thousand (19,770), an increase of 11.9%.
- Gross profit was EUR 17,266 thousand (15,327), an increase of 12.7%. Continuous services amounted to approximately 35% (42%) of gross profit.
- EBITDA was EUR -603 thousand (1,047), a decrease of -157.6%.
- Operating profit of Marketing Services was EUR -1,301 thousand (799), including a cost of EUR 98 thousand connected to employee co-operation negotiations concluded in February.
- Operating profit of Inbound Marketing was EUR -1,091 thousand (-183) due to investments in growth initiatives.
- The Group's operating profit (EBIT) was EUR -2,392 thousand (616), i.e. -10.8% of revenue (3.1%). Operating profit adjusted for acquisition costs was EUR -2,262 thousand (811).²
- Profit for the period was EUR -2,478 thousand (352), i.e. -11.2% of revenue (1.8%).
- Earnings per share were EUR -1.03 (0.22).
- Board proposes to the AGM that no dividend be paid for the year 2019 (0.08 EUR in 2018).

1) Unless otherwise stated, comparisons and figures in parentheses refer to the comparison period, i.e. the same period last year.

2) Avidly publishes its operating profit adjusted for acquisition costs as an alternative performance measure (APM). This alternative performance measure is not defined or specified in IFRS. Its purpose is to describe the financial development of continuous business operations and enhance comparability from period to period. In H1 2019, Avidly's acquisition costs amounted to EUR 66 thousand (0), and in H2 EUR 64 thousand (195).

Outlook for 2020

At this stage Avidly does not provide estimate on revenue and operating result for 2020.

CEO Jesse Maula:

The year 2019 was Avidly's first full year of operations. However, investment and effort directed towards internationalisation and growth in the domestic market did not realise as expected, which led to weaker result development than projected. Avidly's full-year revenue in 2019 grew by 12 percent to 22.1 million euro, but the business result was negative at -2.4 million euro.

The operating loss was mainly affected by the weak revenue development of Marketing Services. The replacement of our outsourcing agreement with the Finnish retail company SOK, that expired at the end of 2018, with new clients progressed more slowly than planned. In the Inbound Marketing our revenue more than doubled thanks to the acquisitions made in 2018–2019, but upfront recruitment and other growth investment put pressure on profitability.

During the year, Avidly employees did an excellent job of serving our clients and providing high quality design. We are especially proud of our successful sales and marketing services that are particularly focused on commercialising products and services, enabling our clients' international growth, and constructing customer experiences differentiating our clients from their competitors.

It is clear that we need to change the way we operate and turn Avidly into a profitable company. In 2020, we will continue the profitability project started in autumn 2019, and focus especially on creating profitable growth through activities such as critical cost monitoring and renewing operating and leadership models.

At the same time, we are going to invest in our strong brand and content competencies in 2020, as well as combining digital operations with sales and marketing technologies, thereby creating synergy benefits. Encouraging examples exist within our client base.

KEY FIGURES

EUR 1,000	1-12 2019	1-12 2018	Change, %
Revenue	22,131	19,770	11.9
Gross profit	17,266	15,327	12.7
EBITDA	-603	1,047	-157.6
Operating result (EBIT)	-2,392	616	-488.3
Profit before taxes	-2,593	256	-1,112.9
Personnel, average	246	195	26.2
Earnings/share, EUR	-1.03	0.22	-564.1
Earnings/share, diluted, EUR	-1.03	0.22	-568.2
Equity ratio, %	38.5	50.4	-11.9 pp.*
ROI, %	-32.2	6.2	-38.4 pp.*
Equity/share, EUR	2.84	3.73	-23.9
Gearing, %	55.1	-14.7	69.8 pp.*
Number of outstanding shares, weighted average during the period	2,409,549	1,585,980	
Number of outstanding shares, at the end of the period	2,473,290	2,239,560	

*pp. = percentage points

Market situation

According to the Business Confidence Indicators Survey (January 2020), compiled by the Confederation of Finnish Industries (EK), the market situation of Communication service companies operating in Finland improved during the latter part of year 2019. However, expectations for spring 2020 are cautious and the business environment is expected to remain unchanged.

In Finland, a total of EUR 1,259 million was spent on media advertising in 2019, an increase of +1.2% over the previous year. The data is based on Kantar TNS' monthly media monitoring as well as an annual separate study, with partners from media associations.

Investments by media groups increased in radio, online media, film and outdoor advertising compared to 2018. Print and television investments, on the other hand, declined. The amount of trade fair advertising remained almost at the previous year's level. The highest percentage growth was in outdoor advertising (+19%). Online media accounts for the largest share of advertising (37%). Social media advertising continued to grow strongly.

According to IAB-Finland, an online advertising organization, in 2019 advertisers in Finland invested a total of EUR 462 million in digital advertising. Compared to the previous year, growth was 9.1%. The fastest growth in advertising investment in 2019 was in social media channels (+19%) and search advertising (+9.4%). Search and social media advertising already accounted for over 20% of all media cake.

Avidly estimates that the total marketing spend in its current markets will grow moderately in 2020.

Revenue and gross profit

In 2019, Avidly Group's revenue grew by 11.9% and was EUR 22,131 thousand (19,770). Revenue decreased by 5.1% in the Marketing Services business, primarily due to the expiration of the Finnish retail company SOK's outsourcing agreement in 2018. Inbound business, on the other hand, increased its sales by 151.1% and expanded its business significantly through acquisitions.

REVENUE BY SEGMENT

EUR 1,000	7-12 2019	7-12 2018	Change, %	1-12 2019	1-12 2018	Change, %
Marketing Services	7,548	8,459	-10.8	16,723	17,616	-5.1
Inbound Marketing	2,802	1,641	70.7	5,408	2,154	151.1
Avidly Group, total	10,350	10,100	2.5	22,131	19,770	11.9

Gross profit increased by 12.7% during the reporting period and was EUR 17,266 thousand (15,327). Gross profit grew more than revenue, which is explained, in particular, by the growth of the Inbound Marketing business. Continuous services amounted to some 35% (42%) of gross profit. Avidly signed several new continuous service contracts during the year, but they did not fully compensate for the loss of the outsourcing contract with SOK at the end of 2018.

GROSS PROFIT BY SEGMENT

EUR 1,000	7-12 2019	7-12 2018	Change, %	1-12 2019	1-12 2018	Change, %
Marketing Services	5,291	6,831	-22.5	12,299	13,263	-7.3
Inbound Marketing	2,560	1,554	64.7	4,967	2,064	140.6
Avidly Group, total	7,851	8,385	-6.4	17,266	15,327	12.7

Financial result

The Group's result decreased in 2019 as Avidly invested heavily in the growth of Inbound Marketing while revenue growth in Marketing Services was lower than expected.

Employee benefit expenses were up by 26% year-on-year to EUR 13,924 thousand (11,079); an increase corresponding to the growth rate in average number of employees. The operating profit of the Marketing Services business included also a cost of EUR 98 thousand, connected to employment contracts terminated as a result of employee co-operation negotiations concluded in February. The Group's EBITDA decreased by 157.6% and was EUR -603 thousand (1,047), or -2.7% of revenue (5.3%). In addition, the Group's EBITDA was also impacted by the implementation of the IFRS 16 Leases standard: other operating expenses decreased by approximately EUR 900 thousand, but depreciation and amortization expenses increased correspondingly.

Avidly's operating result decreased by 488.3% and was EUR -2,392 thousand (616). Operating result as a percentage of revenue was -10.8% (3.1%) and as a percentage of gross profit -13.9% (4.0%). The Group's operating profit for the reporting period, adjusted for acquisition costs, was EUR -2,262 thousand (811).

OPERATING PROFIT BY SEGMENT

EUR 1,000	7-12 2019	7-12 2018	Change, %	1-12 2019	1-12 2018	Change, %
Marketing Services	-1,417	518	-373.6	-1,301	799	-262.8
Inbound Marketing	-676	-254	-166.1	-1,091	-183	-496.2
Avidly Group, total	-2,093	264	-892.8	-2,392	616	-488.3

ADJUSTED OPERATING PROFIT* BY SEGMENT

EUR 1,000	7-12 2019	7-12 2018	Change, %	1-12 2019	1-12 2018	Change, %
Marketing Services	-1,417	518	-373.6	-1,301	838	-255.3
Inbound Marketing	-612	-98	-524.5	-961	-27	-3,459.3
Avidly Group, total	-2,029	420	-583.1	-2,262	811	-378.9

* Avidly publishes its operating profit adjusted for acquisition costs as an alternative performance measure (APM). This alternative performance measure is not defined or specified in IFRS. Its purpose is to describe the financial development of continuous business operations and enhance comparability from period to period. In 2019, Avidly's acquisition costs amounted to EUR 130 thousand. In the reference period, acquisition costs amounted to EUR 195 thousand.

Balance sheet and financial position

On 31 December 2019, Avidly's balance sheet total was EUR 18,258 thousand (16,561). Hehku Marketing Oy's balance sheet has been consolidated with the Group's balance sheet as of 1 April 2019 and NetPress GmbH's balance sheet as of 28 August 2019.

The goodwill in balance totalled EUR 7,731 thousand (6,408). The increase was due to the acquisitions of inbound marketing agencies Hehku Marketing Oy and NetPress GmbH in 2019. The impairment tests carried out in connection with the preparation of financial statements have not revealed any indications of impairment of assets.

The implementation of the IFRS 16 Leases standard that impacted non-current balance sheet assets and long- and short-term interest-bearing loans was the main reason for increased balance sheet total.

Other liabilities include a total provision of approximately EUR 500 thousand for additional purchase price payments related to the acquisition of NetPress GmbH in 2019 and the acquisition of the marketing communications agency Pakkahuone in 2017. Avidly's decision to cut down on using invoice factoring as well as loan repayments made during the reporting period reduced accounts receivable and cash and cash equivalents.

The Group's equity totalled EUR 7,034 thousand (8,355) at the end of the year. Equity increased by EUR 687,500 due to a directed share issue to Palcmills Plc in January, aimed at raising funds for implementing the Group's future growth strategy. Equity decreased following the dividends paid for the financial year 2018 and because of the loss for the year 2019. Avidly's equity ratio on 31 December 2019 was 38.5% (50.4%). Equity per share was EUR 2.84 (3.73).

ASSETS BY SEGMENT

EUR 1,000	31 Dec 2019	31 Dec 2018	Change, %
Marketing Services	14,897	13,085	13.8
Inbound Marketing	3,361	3,476	-3.3
Avidly Group, total	18,258	16,561	10.2

LIABILITIES BY SEGMENT

EUR 1,000	31 Dec 2019	31 Dec 2018	Change, %
Marketing Services	7,779	7,184	8.3
Inbound Marketing	3,445	1,022	237.1
Avidly Group, total	11,224	8,206	36.8

The Group's cash flow from operations was EUR -467 thousand (934). The cash flow was weakened especially by the loss recorded for the financial year 2019.

The Group's interest-bearing net debt on 31 December 2019 was EUR -3,873 thousand (-1,227) and gearing 55.1% (-14.7%). The interest-bearing net debt was increased by the implementation of the IFRS 16 Leases standard, by EUR 2,166 thousand. The net debt only includes interest-bearing loans from financial institutions. A non-interest bearing restructuring debt for one of the subsidiaries, to be repaid according to schedule in 2020, contributes to the Group's debts.

Investments and R&D expenses

The Group's cash flow from investments in 2019 totalled EUR 5,436 thousand (1,261). The effect of adopting IFRS 16 leases was EUR -2,664 thousand, acquisitions EUR -1,839 thousand and other investments EUR -933 thousand.

Parent company

In 2019, the Group's parent company Avidly Plc's revenue totalled EUR 7,843 thousand (4,870), its operating profit was EUR -470 thousand (363) and result for the period was EUR -411 thousand (88).

At the end of the year, the Parent Company's balance sheet total was EUR 14,356 thousand (13,651) and equity was 9,899 thousand (9,081). Equity ratio was 68.9% (66.5%).

Board's proposal for distribution of profits

Avidly Plc's Board of Directors proposes to the Annual General Meeting that no dividend be paid for the financial year.

Avidly's strategy, financial targets and dividend policy

Avidly Plc's Board of Directors approved on 30 January 2019 the new strategy and mid-term financial targets for Avidly and confirmed a new dividend policy.

The new strategy rests on two strong pillars:

1. Avidly aims to substantially grow its services based on HubSpot technology both organically and by means of acquisitions in existing markets (Finland, Sweden, Norway, Denmark, and Germany), and by expanding into selected regions, mainly within Europe.
2. In Finland, Avidly continues its organic growth as a marketing agency offering a comprehensive range of services and serving customers throughout the country. The company focuses on offering continuous, comprehensive marketing services to medium-sized companies and individual marketing services to large enterprises.

In January 2019, the Board of Directors also updated Avidly's dividend policy to better reflect the strong growth mode of the strategy period. Avidly may distribute at the most 50% of its annual net result as dividends during the strategy period of 2019–2024 given that distribution of the dividends does not affect Avidly's capability on reaching its growth targets for the period of 2019–2024.

Changes in Avidly's reporting structure

The Board of Directors of Avidly Plc decided to change the company's reporting structure and disclosure policy on 28 January 2019. Avidly reports two segments, Marketing Services and Inbound Marketing, from the accounting period starting from 1 January 2019 onwards, and publishes its financial reports and releases both in Finnish and English.

Acquisitions and changes in the Group structure

At the end of March 2019, Avidly acquired the inbound and content marketing agency Hehku Marketing. The purchase price, EUR 360,220, was paid by offering 62,000 new Avidly Plc shares in a directed issue. The additional purchase price specified in the purchase agreement will not be paid in 2020. The new shares issued as consideration are subject to a two-year transfer restriction (lock-up). Hehku Marketing's operations were consolidated with the Group figures as of 1 April 2019.

At the end of August 2019, Avidly acquired the German inbound and content marketing agency NetPress GmbH, which is located in Munich. The purchase price, EUR 425,476, was paid by offering 56,730 new Avidly Plc shares in a directed issue and through a cash payment of EUR 85,096,00. In addition, Avidly will pay the sellers an additional purchase price in 2021, provided the conditions set for the additional purchase price are met. The new shares issued as consideration are subject to a two-year transfer restriction (lock-up). NetPress' operations were consolidated with the Group figures as of 28 August 2019.

Avidly simplified its group structure by merging Avidly Nitroid 360 Oy and Avidly Nitroid xD Oy, subsidiaries of Avidly Nitroid Oy, fully owned by the Group, with Avidly Nitroid Oy as a subsidiary merger on 31 March 2019.

Personnel

The number of personnel increased by 26.2% as a result of acquisitions and upfront growth recruitments. The Group employed an average of 246 (195) people during the financial year. The number of personnel at the end of the financial year was 239 (239). Salaries and other remuneration paid for the financial year amounted to EUR 11,800 thousand (9,362).

Avidly's contract with the Finnish retail company SOK on outsourcing the production of marketing materials, signed on 1 January 2017, was terminated on 31 December 2018. On 7 February 2019, Avidly announced the completion of co-operation negotiations related to the discontinuation of the contract. As a result, 7 employees became redundant and 11 were temporarily laid off until further notice. In addition, 11 persons working in the department mostly affected by the SOK deal have moved over to other companies.

Sustainability

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

Avidly places strong emphasis on personnel development and well-being, offers learning opportunities for future professionals and wants to provide its employees with an enthusiastic work community that pulls together. Avidly's refined values and culture code, which also facilitate the integration of acquired businesses and improve the success of recruitments, were launched in June 2019. Avidly's values are **Be True. Stay real, Challenge the obvious, Dare to be bold, It's about Respect, and Smells like team spirit.**

Employee satisfaction is measured on a weekly basis. According to the study, the personnel's satisfaction with their work and their employer is at a good level.

Avidly's environmental impacts are estimated to be low, and they are related to the environmental impacts of normal office work performed by knowledge workers, such as electricity consumption by IT equipment, printing, recycling, general energy consumption, and travelling.

For 2019, Avidly chose climate change mitigation and minimising the CO2 footprint of the Finns as the subject of its #Tomorrowbono sustainability programme.

The aim is to reduce emissions from our own operations, eg by reducing business travel, encouraging employees to use public transport, and eliminating emissions from air travel in cooperation with CO2Esto, a Finnish company specialising in climate change mitigation.

During the review period, our carbon footprint decreased by 13% and with the elimination of emissions from air travel by 37%. Each year Avidly works pro bono for its chosen destination.

According to its strategy published in January 2019, Avidly is primarily a growth company. Despite its clear growth objectives, the core of Avidly's financial responsibility continues to be profitable growth and good dividend yield.

Shares and share capital

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

Trading in shares and market value

In 2019, a total of 369,664 (625,710) Avidly shares were traded, representing approximately 15% (39%) of all shares. On the final trading day of the reporting period, the share price was EUR 5.02 (5.16). The highest quoted price during the year was EUR 6.64 (7.96) and the lowest EUR 4.61 (4.58). The market value of Avidly Plc's outstanding shares at the end of the year was EUR 12,487 thousand (11,556).

Share capital, number of shares and share ownership

At the beginning of 2019, the number of Avidly shares was 2,258,772, the share capital was EUR 322 thousand, and the total number of owners was 934.

During the reporting period, Avidly had three directed share issues where new shares were issued, connected to implementing the company's growth strategy. In January, a directed share issue to Palcmills resulted in the registration of 110,000 new shares. In March, as part of the acquisition of Hehku Marketing Oy, 62,000 new shares were directed to Viima Helsinki Oy. In August, as a part of the acquisition of NetPress GmbH, 56,730 new shares were directed to the owners of NetPress.

On 21 January 2019, Avidly announced a directed share issue to Palcmills Oy. A total of 110,000 shares were issued with a price of EUR 6.25 per share. In total, Avidly received EUR 687,500 in this issue. With the issue, the total funding raised by Avidly in order to execute its growth strategy increased to EUR 3.3 million.

Following the directed issue described above, Palcmills Oy became the company's fifth largest shareholder, holding 4.4% of the company's shares and votes at the end of 2019.

At the end of December, the number of Avidly shares was 2,487,502, of which 14,212 are held by the company. The share capital still remained at EUR 322 thousand. The number of shareholders decreased during the year and was 847 (934).

The average number of shares during the second half of 2019 was 2,454,380 (1,795,435) and 2,409,549 (1,585,980) in 2019.

The holdings of the Board of Directors and the CEO

The holdings of the Board of Directors, the CEO and the bodies they control (directly or indirectly) totalled approximately 13.5% (25.8%) at the end of December. The company currently has no options plan.

Treasury shares

At the start of the reporting period, the company held 19,212 treasury shares, which represented 0.9% of all shares and voting rights in the company. In April, Avidly Plc transferred 5,000 company-held treasury shares against payment to the company COO Teea Björklund as part of a commitment and incentive plan. At the end of the reporting period, the company held 14,212 treasury shares, corresponding to 0.6% of all shares and voting rights in the company.

Transfers of management incentives

Management incentive given to the former Avidly CEO Tuomas Airisto, 17,813 Avidly shares, was transferred to the company's then CEO Jyrki Vaittinen in an options contract between a buyer and a seller in April as part of a commitment and incentive plan.

The intention is to further transfer these 17,813 Avidly shares to the new CEO Jesse Maula, who started in his position on 1 January 2020. The former CEO Jyrki Vaittinen left the company on 5 August 2019. The transfer is expected to happen in the first half of 2020.

Share authorisations

Cancelling any previous unused authorisations, the Annual General Meeting (AGM) held on 1 April 2019 authorised the Board of Directors to resolve upon the acquisition of treasury shares in one or more instalments. The maximum number of shares to be acquired under the authorisation is 236,877, corresponding to a maximum of approximately 10% of all Avidly Plc shares on the date of the notice to the AGM. Any acquisition under the authorisation may only be carried out by using the company's non-restricted equity and at a value formed at the Nasdaq First North Growth marketplace maintained by Nasdaq Helsinki at the time of the applicable acquisition. The Board is authorised to make any other decisions concerning the terms of the acquisition including on how the shares are acquired. The company may hold on to the shares or cancel or transfer them. The authorisation is valid until 30 June 2020. Avidly did not use this or any former authorisation during the reporting period.

The AGM held on 1 April 2019 also authorised the Board of Directors to resolve upon one or more share issues without payment and/or share issues against payment. The authorisation includes the right to transfer treasury shares or to resolve upon issuing of option rights or other special rights entitling to shares as set out in the Finnish Limited Liability Companies Act Chapter 10 Section 1. The maximum number of shares that can be issued under the authorisation, either by issuing new shares, transferring treasury shares and/or issuing option and other special rights entitling to shares as set out in the Finnish Limited Liability Companies Act Chapter 10 Section 1, is 1,000,000, corresponding to some 30 percent of all shares after all shares that can be issued, all treasury shares that can be transferred and/or all shares that can be issued based on option and other special rights entitling to shares as set out in the Finnish Limited Liability Companies Act Chapter 10 Section 1 have been issued and/or transferred. The authorisation is valid until 30 June 2020. During the period under review, the Board of Directors exercised the authorization to transfer shares against a payment and for a commitment to the Company's COO Teea Björklund, and to finance the acquisitions of Hehku Marketing Oy and NetPress GmbH.

The aforementioned share issue authorization shall not revoke the valid authorisation granted to the Board of Directors on 31 August 2018 to directly issue, without payment, maximum of 800 000 new company shares in order to pay an additional purchase price for Avidly AB's shares. The additional purchase price specified in the Avidly AB purchase contract will not be paid.

Administration

Annual General Meeting 2019

Avidly's annual general meeting (AGM) was held in Helsinki, Finland, on 1 April 2019. The AGM decided to pay a dividend of EUR 0.08 (0.16) per share. The record date for dividend payment was 3 April 2019, and the dividend was paid on 10 April 2019.

The AGM elected Joakim Fagerbakk, Lasse Järvinen, Juha Mikkola, Ville Skogberg and Jari Tuovinen as Members of the Board for a term continuing until the end of the company's next AGM. At its organising meeting, the Board elected Jari Tuovinen as the Chairman of the Board.

Changes in the company management

As of the beginning of 2019, Avidly's operations were organised into two business segments and the composition of the management team changed. Jyrki Vaittinen became the CEO on 1 January 2019. From that date onward, Avidly's management team comprised Jyrki Vaittinen, CEO; Ismo Nikkola, Chief Strategy Officer and Deputy CEO; Mikko Marttinen, CFO; Teea Björklund, COO, Finland; and Ingunn Bjørnu, COO, Avidly International Activities.

Avidly announced on 5 August 2019 that Jyrki Vaittinen left the company and CFO Mikko Marttinen was appointed as interim CEO as of 6 August 2019. Jesse Maula was appointed the new CEO of the company on 18 November 2019, and he started in this position at the beginning of 2020

Mikko Marttinen announced his resignation from the company on 7 November 2019, Hans Parvikoski was appointed the new CFO and he started in this position on 1 February 2020.

Avidly's corporate governance can be found on the company's investor pages: investors.avidlyagency.com/corporation

Certified advisor

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

Auditor

The AGM 2019 elected Jari Paloniemi, Authorized Public Accountant, as the Auditor of Avidly Group, and Veikko Terho, Authorized Public Accountant, as the deputy.

Short-term business risks and uncertainties

Avidly's short-term risks and uncertainties are connected to the general economic development and the success of the acquisitions.

In the short term, risks connected to acquisitions and globalisation may weaken the company's profitability.

In the longer term, the company's solvency may cause uncertainty unless the company manages to maintain its profitability. The company's risks will be described in more detail in the Annual Report 2019 that will be published on 10 March 2020.

Events after the end of accounting period

As announced previously Jesse Maula began as the CEO of the company on 1 January 2010 and Hans Parvikoski as the CFO of the company on 1 February 2020.

Avidly issued profit warning on 19 February 2020 where it specified its 2019 EBIT guidance based on the preliminary unaudited annual accounts. Avidly estimated in the release that its EBIT in 2019 will be approximately -2.4 million euros.

Annual General Meeting 2020

Avidly Plc's Annual General Meeting is planned to be held on 1 April 2020 in Helsinki. The notice to the Annual General Meeting will be published later.

Financial information

On 10 March 2020, Avidly will publish its Annual Report 2019, which will include the Board of Directors' Report and Financial Statements for 2019. Avidly will publish its half-yearly report on 25 August 2020.

Helsinki, 5 March 2020

AVIDLY PLC

BOARD OF DIRECTORS

Accounting policies

This Financial Statements Release has been prepared in accordance with the International Financial Reporting Standards (IFRS). The accounting policies are available online at investors.avidlyagency.com

All figures have been rounded from exact figures. The financial statements for 2019 and 2018 have been audited. The auditor's report has been given on 4 March 2019.

The new IFRS 16 Leases standard was adopted by Avidly Group on 1 January 2019. As a result, non-cancellable leases were recognized in the Group. The Group followed a simplified approach to the transition. Comparative year figures have not been restated and equity has not been restated due to the adoption of the standard. The effect of the adoption of the standard on the Group's balance sheet items on 1 January 2019 was EUR 2,644 thousand. Correspondingly, the lease liability amounting to EUR 2,644 thousand has been recognized in non-current and current interest-bearing liabilities on 1 January 2019. The adoption of the standard had no significant impact on operating profit.

CONSOLIDATED INCOME STATEMENT, IFRS

EUR 1,000	7-12 2019	7-12 2018	1-12 2019	1-12 2018
REVENUE	10,350	10,100	22,131	19,770
Other operating income	7	12	21	83
Materials and services	-2,506	-1,727	-4,886	-4,527
Employee benefit expenses	-6,732	-5,935	-13,924	-11,079
Depreciation and amortization	-1,062	-252	-1,790	-431
Other operating expenses	-2,140	-1,934	-3,935	-3,243
Share of profit in associated companies	-10	0	-10	43
OPERATING PROFIT	-2,093	264	-2,392	616
Financial income and expenses	-82	-270	-201	-359
PROFIT BEFORE TAX	-2,174	-7	-2,593	256
Income taxes	124	160	115	96
Profit for the period	-2,050	153	-2,478	352

Attributable to:

Parent company shareholders	-2,050	153	-2,478	352
Minority shareholders	0	0	0	0

Earnings per share calculated from profit attributable to parent company shareholders, EUR:

Undiluted	-0.84	0.08	-1.03	0.22
Diluted	-0.84	0.08	-1.03	0.22

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, EUR 1,000

Profit for the period	-2,050	153	-2,478	352
Items that may be reclassified to profit or loss in subsequent periods				
Translation differences	-8	0	-7	0
Total comprehensive profit for the period	-2,058	153	-2,485	352

Total comprehensive income attributable to:

Parent company shareholders	-2,058	153	-2,485	352
Minority shareholders	0	0	0	0

CONSOLIDATED BALANCE SHEET, IFRS

EUR 1,000	31 Dec 2019	31 Dec 2018
ASSETS		
Non-current assets		
Intangible rights	774	698
Goodwill	7,731	6,408
Buildings	2,176	0
Machinery and equipment	1,006	1,025
Other tangible assets	83	13
Investments in associated companies	316	296
Deferred tax assets	551	440
Total non-current assets	12,637	8,880
Current assets		
Work in process	1,061	1,195
Accounts receivable	2,642	2,163
Deferred tax assets	388	365
Other receivables	432	392
Prepayments and accrued income	614	541
Cash and cash equivalents	484	3,025
Total current assets	5,621	7,681
Total assets	18,258	16,561
EQUITY AND LIABILITIES		
Equity		
Share capital	322	322
Invested unrestricted equity fund	9,690	8,338
Retained earnings	-2,978	-305
Total equity	7,034	8,355
Non-current liabilities		
Financial liabilities	3,243	1,157
Deferred tax liabilities	289	250
Other non-current items	-	665
Total non-current liabilities	3,532	2,072
Current liabilities		
Financial liabilities	1,114	641
Received advances	226	211
Accounts payable	1,888	701
Other liabilities	2,542	2,039
Accrued expenses and deferred income	1,922	2,542
Total current liabilities	7,692	6,134
Total liabilities	11,224	8,206
TOTAL EQUITY AND LIABILITIES	18,258	16,561

CONSOLIDATED CASH FLOW STATEMENT, IFRS

EUR 1,000	1-12 2019	1-12 2018
CASH FLOW FROM OPERATIONS		
Operating profit	-2,392	616
Adjustments to operating profit	1,790	431
Change in working capital	136	-108
Financial income in the income statement	-17	-15
Financing expenses in the income statement	218	375
Received financial income	17	15
Financial expenses paid	-218	-375
Taxes paid	-1	-5
Cash flow from operations	-467	934
CASH FLOW FROM INVESTMENTS		
Investments in tangible and intangible assets	-933	-713
Business acquisitions	-1,839	-548
IFRS 16 impact	-2,664	-
Cash flow from investments	-5,436	-1,261
CASH FLOW FROM FINANCING		
Business acquisitions	372	405
Changes in short-term loans	-233	442
IFRS 16 impact	2,664	-
Changes in long-term loans	30	-1,250
Dividends	-188	-222
Purchase of treasury shares	-	-176
Sales of treasury shares	29	104
Share issue	688	2,600
Cash flow from financing	3,362	1,903
Total cash flows	-2,541	1,576
Change in cash and cash equivalents	-2,541	1,576
Cash and cash equivalents at 1 Jan	3,025	1,449
Cash and cash equivalents at 31 Dec	484	3,025

CHANGES IN CONSOLIDATED EQUITY, IFRS

EUR 1,000	Share capital	Invested unrestricted equity fund	Retained earnings	Total
Equity at 1 Jan 2018	322	3,162	-428	3,056
Share issue		5,248		5,248
Dividends			-222	-222
Purchase of treasury shares		-176		-176
Transfer of treasury shares		104		104
IFRS 15 change			-7	-7
Profit for the period			352	352
Equity at 31 Dec 2018	322	8,338	-305	8,355

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

FINANCIAL LIABILITIES

BOOK VALUE

EUR 1,000	2019	2018
Non-current financial liabilities valued at amortized cost		
Loans from credit institutions	885	502
Finance lease liabilities	1,360	242
Contingent purchase price liabilities	501	80
Checking account limit	497	415
Restructuring debt	0	583
Total	3,243	1,822
Current financial liabilities valued at amortized cost		
Loans from credit institutions	137	260
Restructuring debt	583	553
Factoring	398	1,344
Finance lease liabilities + rental properties	806	381
Total	1,924	2,538
Total financial liabilities valued at amortized cost	5,167	4,360

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

CONTINGENT LIABILITIES

MINIMUM RENTS PAID ON THE BASIS OF BINDING BUSINESS PREMISES LEASE AGREEMENTS

EUR 1,000	2019	2018
Within one year	0	1,080
Within more than one and at most five years	0	4,320
In more than five years	0	0
Total	0	5,400

LEASING PAYMENTS

EUR 1,000	2019	2018
Within one year	0	381
Within more than one and at most five years	0	232
Total	0	613

GUARANTEES GIVEN ON OWN BEHALF

EUR 1,000	2019	2018
Corporate mortgages	2,100	2,100
Pledged shares by book value	0	0
Pledged bank accounts	0	0
Total	2,100	2,100