



ANNUAL REPORT 2019

Mtech Digital Solutions Oy



Mtech Digital Solutions Oy is a digital solutions provider specialised in the bioeconomy and a limited liability company owned by the Finnish agricultural producers' organisations ProAgria, Faba and the Central Union of Agricultural Producers and Forest Owners (MTK). Our mission is to promote the continuous development of our customers' operating methods and competitiveness through digital solutions.



128 professionals



€12.95 million



€0.47 million

Over 20,000 agricultural entrepreneurs
Over 100 companies and organisations



WHERE BIOECONOMY AND ICT EXPERTISE MEET

Mtech Digital Solutions Oy is a digital solutions provider specialised in the bioeconomy and a limited liability company owned by the Finnish agricultural producers' organisations ProAgria, Faba and the Central Union of Agricultural Producers and Forest Owners (MTK). Our mission is to promote the continuous development of our customers' operating methods and competitiveness through digital solutions. Our vision is to be the leading provider of digital bioeconomy solutions. We have over 20,000 agricultural entrepreneurs and more than 100 companies and organisations as our customers. Our customers include farm enterprises, companies linked to the bioeconomy, advisory organisations, breeding associations and public authorities. Examples of organisations that are already taking advantage of Mtech's expertise include ProAgria, Faba, Växa Sverige, Seges, Geno, Valio, Atria, Animal Health ETT, the Finnish Ministry of Agriculture and Forestry, Viking Genetics, Evira, Sagafurs, HKScan, Honkajoki and Napapiirin Energia ja Vesi Oy (NEVE).

Mtech Group also includes the subsidiary Nevisso Oy. The associated companies Biocode Oy and ProEventus Oy also play an important role in the Group. Our subsidiary Nevisso is a Kauhajoki-based IT company that provides software solutions and IT services. Nevisso's main product in the international market is Nevisso ABP logistics software for managing animal by-products. Biocode, which is owned by Mtech and the Association of ProAgria Centres in equal shares, is a Finnish service innovation that helps food companies, farmers and consumers make eco-friendly choices. ProEventus is a provider of financial management, controller and payroll services that is owned by Mtech, Faba and ProAgria. Mtech owns 28 per cent of ProEventus.

Mtech combines expertise in digital technology and the bioeconomy. This enables the company to be on the leading edge of development and helps make use of digital technology to enhance the competitiveness of the entire bioeconomy sector. Our services play an important role in the

food chain. We provide various parties in the food chain with information systems, software and services that are customised according to the needs of primary production and the companies, organisations and public administrative bodies involved in it.

Our customer base is broad and well-established. We actively pursue growth and development through expanding into new areas of activity and through startup initiatives in Finland and internationally. The added value we create arises from understanding the customer's business and needs and the provision of new and innovative digital solutions that benefit the customer's business.

In the responses to open-ended questions in a survey conducted by Taloustutkimus in 2019, our corporate customers described us as highly competent, professional and service-minded. We also received praise for our flexibility, cooperation, reliability and industry expertise.

BOARD OF DIRECTORS AND CEO

Board of Directors

Chair *Merja Keisala*, Alavus
Vice Chair *Tiina Mitikka*, Iitti
Joel Puhakainen, Juva
Antti Latva-Rasku, Helsinki
Juha Nuutila, Helsinki
Vesa Nuolioja, Oulu
Frans Westerlund, Nurmijärvi
Johan Åberg, Parainen
Vesa Syrjäkari, Helsinki



Merja Keisala



Tiina Mitikka

Owners

- Association of ProAgria Centres, 500 shares
- Faba co-op, 500 shares
- The Central Union of Agricultural Producers and Forest Owners (MTK), 100 shares

Total number of shares: 1,100

MTECH in brief

- Established in 1986
- 128 employees in 2019
- Total revenue EUR 12.95 million in 2019
- A pioneer in ICT solutions for the bioeconomy
- Owned by agricultural advisory, breeding and advocacy organisations
- Offices in Jokiniemi and Tikkurila in Vantaa as well as Jyväskylä, Kauhajoki and Rovaniemi
- Microsoft Gold Certified Partner

Management

- CEO *Christian Jurvanen*, MA, MBA
- Deputy CEO *Jarkko Ilomäki*, M.Sc.



Christian Jurvanen



Jarkko Ilomäki

EFFECTIVE ICT SOLUTIONS FOR THE BIOECONOMY

MTECH FOR COMPANIES



Digital services
Information systems and integrations
Mobile services
Project deliveries and turnkey solutions
Quality assurance and testing
IT infrastructure/cloud services

SOFTWARE



Cattle production software
Plant production software
Financial management software
Sheep and goat production software

REGISTER AND CUSTOMER SERVICES



Official livestock movement register and related customer service
Dairy farm advisory database and related customer service
Agricultural software support and advisory services
Breeding data services for cattle and pigs

biocode
ECOLOGICAL FOOD EXPERIENCE



Biocode Oy

Climate change mitigation solutions for the entire food chain

Ecological solutions for food production and processing

neviso
KUMPPANI TIEDOSSA

Neviso Oy

Software services
Support, maintenance and data centre services

NEVISO
ABP LOGISTICS SOFTWARE

Neviso ABP Logistics software

Animal by-product processing software

Neviso TracERP

ERP system for the wood processing industry

CEO'S REVIEW

General review

Mtech had a very interesting and rewarding year in 2019. The Group's business saw good growth in Finland and the international markets. We managed to improve our profitability to an excellent level in challenging market conditions by developing our products and services as well as by enhancing the efficiency of our operations.

We were particularly pleased to see our international revenue grow in line with our strategy, by more than 30 per cent, reaching approximately EUR 1.5 million. During the year, our subsidiary Neviso Oy signed a very significant Neviso ABP licensing deal and consulting agreement with Darling Inc., the world's largest company in the field of animal by-product processing. This played a crucial role in Neviso Oy's financial development. The parent company, for its part, signed significant letters of intent with several international partners. The aim for 2020 is to create an entirely new business concept that will present the company with a significant growth opportunity in software and information systems in the international markets.

The company made significant capital investments to support the implementation of the associated company (50% stake) Biocode Oy's business plan related to the digitalisation of environmental responsibility. Biocode Oy generated an order book of hundreds of thousands of euros in 2019 and completed a significant round of debt financing with Business Finland. Biocode Oy is now in an excellent financial position to continue the rapid growth and development of its business in 2020 and 2021. Biocode Oy's customer base already includes many leading companies in the Finnish food industry. Biocode Oy has also set its sights firmly on the quickly growing international cleantech market.



In Finland, we successfully launched the new MyFarm Wisu software on the MyFarm platform. The revenue from software on the MyFarm platform grew by more than 8 per cent year-on-year and exceeded EUR 3.5 million. Since the platform was launched on 1 January 2016, the revenue from farm software has grown by nearly 50 per cent in spite of a significant concurrent decrease in the number of farms. This shows that the investments made in the MyFarm platform have been successful both financially and operationally. We will continue the active development of the MyFarm platform and MyFarm Wisu.

The new office opened in Rovaniemi in 2018 became well-established in 2019. By the end of the year, it had grown to a unit of nine employees and an annual order book of hundreds of thousands of euros achieved through new customer acquisition. The Rovaniemi office has enabled us to work with companies in the area and expand our field of operations beyond our traditional strength, which is the digitalisation of the food supply chain. Our strength in Northern Finland is built on our strong IT competence and local expertise. The people who work in Mtech's Rovaniemi office are from the area.

Based on customer feedback, Mtech achieved its primary purpose to a good extent during the year: 95% of corporate customers and 85% of end users are at least satisfied with the company's operations and the customers have a fairly high level of willingness to recommend the company's services and products.

The Board of Directors and the company's management are satisfied with the past year and particularly with the strong contribution made by Mtech's personnel.

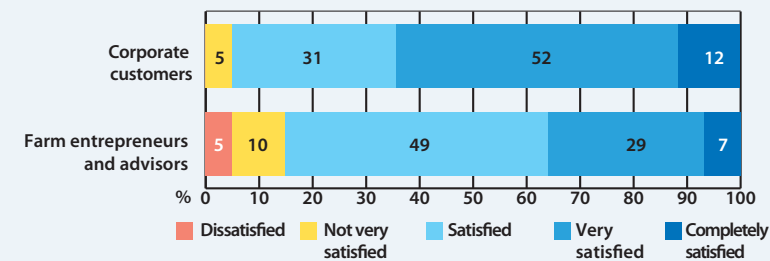
Christian Jurvanen

CEO



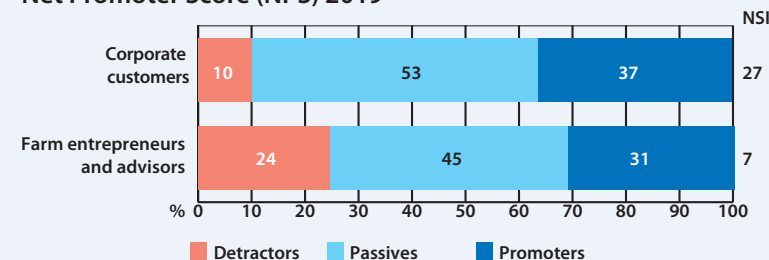
Based on customer feedback, 95% of corporate customers and 85% of end users are at least satisfied with Mtech's operations.

Overall satisfaction with Mtech in 2019



Source: Customer 360° customer satisfaction survey 2019, Taloustutkimus

Net Promoter Score (NPS) 2019



The Net Promoter Score (NPS) measures the customers' willingness to recommend a company on a scale of 0–10. The NPS is calculated by subtracting the number of detractors from the number of promoters. An NPS of 20 is good and 40 is excellent.

Source: Customer 360° customer satisfaction survey 2019, Taloustutkimus



The company's finances

The parent company's revenue totalled EUR 11,828,379.28, which represents an increase of 0.3 per cent (the previous year: EUR 11,798,348.55). The operating profit was EUR 305,307.08 (the previous year: EUR -43,236.87) and the net profit was EUR 478,778.62 (the previous year: EUR 11,486.38). While the parent company's revenue did not grow much at all, the measures taken to improve profitability meant that operating profit was positive by a clear margin in spite of the company's continued large investments in product development. Thanks to excellent financial income and dividends from the subsidiary Neviso Oy, the parent company's net profit rose to an excellent level.

The subsidiary Neviso Oy's revenue totalled EUR 1,187,793.9, an increase of 56 per cent (the previous year: EUR 761,257.75). The operating profit was EUR 285,492.6 (the previous year: EUR 125,207.68) and the net profit was EUR 228,616.01 (the previous year: EUR 101,582.13). Neviso Oy's revenue and profit grew particularly due to a significant licensing deal and consulting agreement related to the Neviso ABP business.

The Group's total revenue amounted to EUR 12,946,946.36 (the previous year: EUR 12,352,405.55), the operating profit was EUR 528,036.33 (the previous year: an operating loss of EUR 38,653.01) and net profit was EUR 467,383.73 (the previous year: a loss of EUR 62,675.07). The Group's revenue and profit performance improved dramatically year-on-year thanks to the improved revenue and profitability of Neviso Oy in particular.

The Group maintained a strong balance sheet and excellent liquidity. The equity ratio was 58.08 per cent (the previous year: 56.84 per cent) and equity amounted to EUR 4,890,515.25 (the previous year: EUR 4,631,736.63).

Measured in person-work years, the Group had an average of 128 employees, which is one fewer than in the previous year, in spite of the consolidated revenue increasing by 4.81 per cent.



The major themes in the Group's finances and business development continue to be internationalisation, the MyFarm and Business+ platforms as well as the expansion and development of the consulting and service business in the Rovaniemi economic area.



Outlook for the coming year

The outlook for the coming year is favourable both financially and operationally, although the coronavirus situation creates an exceptional degree of uncertainty. The Group's product and service development will continue at a high level in 2020, with the focus being particularly on the development and international productisation of the MyFarm platform and related solutions. The major themes in the Group's finances and business development continue to be internationalisation, the MyFarm and Business+ platforms as well as the expansion and development of the consulting and service business in the Rovaniemi economic area.

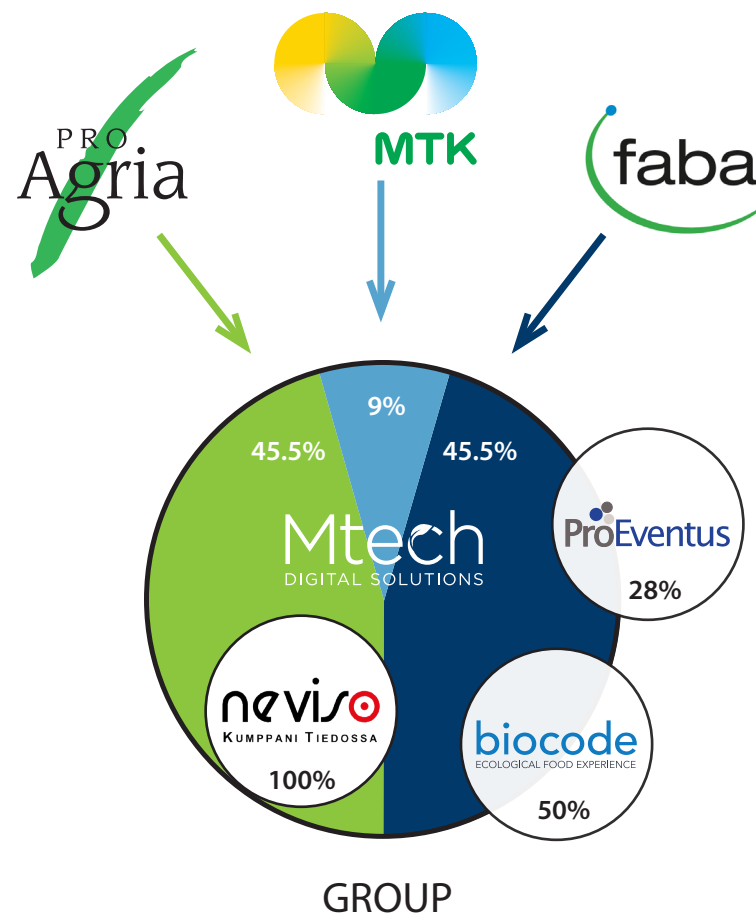
With regard to internationalisation, the Group's targets for 2020 are quite ambitious, and the coronavirus situation presents new challenges in new customer acquisition, particularly with respect to international growth. The Group achieved the ambitious targets it had set for 2019, with international revenue rising to EUR 1.5 million (an increase of more than 30 per cent). The goal for 2020 is continued growth. Growth will be primarily derived from the Neviso ABP Logistics Software (www.nevisologistics.com) product developed and marketed by Neviso Oy, the parent company's agricultural product and service business and the associated company Biocode Oy's cleantech services.

OWNERSHIP AND GROUP STRUCTURE

Based in Kauhajoki, Neviso Oy is an IT company established in 2000 that employs approximately 10 specialists. Neviso's annual revenue in 2019 amounted to approximately EUR 1.19 million. Neviso Oy specialises in bioeconomy and processing industry logistics, ERP and ICT solutions. Neviso Oy's best-known products are the Neviso ABP Logistics Software, which is an ERP solution designed for the animal by-product industry, and the TracERP solution for the wood processing industry. Neviso Oy's operations are international to a significant extent and its business is growing particularly in the international markets.

Based in Vantaa, Biocode Oy is a cleantech start-up established in 2017, owned jointly by Mtech (50 per cent) and the Association of ProAgria Centres (50 per cent). Biocode is developing a digital platform, product/service concept and expert services for the calculation of environmental impact and footprint figures (e.g. CO2 eq.) and the digitalisation of good food. Biocode aims to achieve significant domestic and international growth.

Based in Vantaa, ProEventus Oy is an authorised accounting office established in 2004. It provides its customers with financial management services including bookkeeping, accounts payable/receivable, payroll management and controller services, either with in-house resources or produced by partners. ProEventus is a provider of financial management, controller and payroll services that is owned by Mtech, Faba and ProAgria. Mtech owns 28 per cent of ProEventus.



THE NORTHERN DIMENSION

In 2016–2017, we assessed the opportunities to expand our recruitment market and business perspective beyond the industry we had traditionally operated in. The company had a strong profile as an IT provider in primary production and the food supply chain, which had generated earnings and supported Mtech's development as an IT company, but we were intrigued by the possibility of offering our expertise to customers outside our traditional sector of operation.

After many steps, some of which were quite unplanned, the Lapin Kansa newspaper wrote the following on 11 September 2017: *"Mtech, a digital solutions provider specialising in the bioeconomy, is interested in opening an office in Rovaniemi."*

The interest referred to in the newspaper article became a reality in March 2018 when Mtech opened an office in the city centre of Rovaniemi. By the time the office opened, Mtech Rovaniemi had recruited four local experts.





The Rovaniemi team is characterised by a strong spirit of working together, which is typical of the people of Lapland.



Mtech's northern dimension in 2019

Mtech now has nine IT professionals working at its Rovaniemi office on Aionkatu. In spite of the rapid growth, the Rovaniemi team is characterised by a strong spirit of working together, which is typical of the people of Lapland. The unit's operating model is based on the Kokonaisketterä agile concept, which is extensively used by Mtech. The core idea is to organise digital workshops together with the customer to identify the customer's key processes from the perspective of business benefits and to make these processes easier through digitalisation. This inspiring and straightforward approach to process development has quantifiable business benefits for the customer.

Mtech made slight changes to its organisational structure in the summer 2019. As part of these changes, the Rovaniemi office was merged into the Customer Solutions Finland business unit. This change was not aimed at making substantial changes to the office's field of operations. The focus of its activities remained on Lapland. We want to serve our customers in close proximity to them.

As is always the case when creating something new, you do not get anything for free. But, given time, an approach based on perseverance and innovation will always pay off. We started from scratch to build something new, although we did have the strong support of a large IT company behind us. The operating environment and the customer industries were completely new to us.

From the perspective of learning, our best insights were related to the productisation of services or, to be more accurate, productising our expertise into services. Software robotics and machine learning are good examples of this. There is tremendous demand for products based on these technologies. However, inviting competitive bids for these solutions — let alone purchasing them — is not yet simple enough from the customer's perspective. Successful productisation makes it easy for the customer to recognise the business benefits and make the purchase decision.

We have learned many lessons along the way, but there is still much more to be learned. Most importantly, we have successfully established ourselves as a Rovaniemi-based software vendor and started customer relationships and partnerships with several very significant local organisations. We are proud to say that Mtech now genuinely has a northern dimension.

Petri Oinonen

Director, Customer Solutions Finland

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We have successfully established ourselves as a Rovaniemi-based software vendor.



PERSONNEL

The Group had 128 employees on average in 2019. Employee attrition was very low: only one person left the Group to pursue other career opportunities in 2019. The average age of the personnel grew by about one year and was approximately 41 years. Employees have typically stayed at Mtech for a long time and, in spite of new recruitment, the average duration of employment remained at eight years. Women represented 43 per cent of the Group's employees, which is a high figure for a software company.

Mtech's employees particularly appreciate the company's good benefits and positive workplace atmosphere. In personnel satisfaction surveys, the highest scores are typically given to the quality of managerial work and the ability to maintain a healthy work-life balance. This reflects our strong focus on managerial work and encouraging our employees to maintain a healthy balance between work and other parts of life, which also helps them cope with the demands of work. We offer remote work opportunities and flexible hours to help our employees balance family life and work. In addition to a more comprehensive occupational well-being survey carried out by Taloustutkimus, we conducted smaller pulse surveys throughout the year to monitor the development of well-being at work.



Mtech carried out the Mtech Happy development project focused on the happiness of the workplace community.



In 2019, Mtech carried out the Mtech Happy development project focused on the happiness of the workplace community. The aim was to find out what makes Mtech a good workplace and to further strengthen the factors that support a high level of job satisfaction. All of the Group's employees participated in the development effort through joint workshops. In the workshops, the participants held discussions in a positive spirit, developed good ideas and voted on which ideas to put into action.

Mtech's recreational committee organised fun events throughout the year to provide a counterbalance to work. The recreational activities for employees in 2019 included a visit to a microbrewery, a fishing trip, a visit to a VR gaming venue and golf lessons. The year's recreational activities culminated in a pre-Christmas party with a Mexican theme.

Netta Laukkanen

HR Manager



INCOME STATEMENT

Mtech Digital Solutions Oy

EUR	Group 1.1.–31.12.2019	Group 1.1.–31.12.2018	Mtech 1.1.–31.12.2019	Mtech 1.1.–31.12.2018
REVENUE	12,946,946.36	12,352,405.55	11,828,379.28	11,798,348.55
Other operating income	173,613.32	113,672.67	164,602.78	92,675.21
Materials and services				
Raw materials and consumables				
Purchases during the period	-238,336.17	-338,814.11	-238,336.17	-316,939.96
External services	-922,461.30	-1,297,047.06	-861,798.59	-1,289,151.96
Materials and services, total	-1,160,797.47	-1,635,861.17	-1,100,134.76	-1,606,091.92
Personnel expenses				
Wages and salaries	-6,298,013.94	-5,919,495.86	-5,822,500.98	-5,605,541.65
Social security expenses				
Pension expenses	-1,143,743.57	-1,238,821.19	-1,058,804.73	-1,197,786.80
Other social security expenses	-178,052.64	-225,239.60	-168,609.39	-222,337.13
Personnel expenses, total	-7,619,810.15	-7,383,556.65	-7,049,915.10	-7,025,665.58
Depreciation and impairment				
Planned depreciation	-630,632.82	-474,718.72	-622,804.54	-462,325.79
Depreciation of goodwill and reduction of negative consolidation difference	-62,763.35	-58,089.15		
Depreciation and impairment, total	-693,396.17	-532,807.87	-622,804.54	-462,325.79

INCOME STATEMENT

Mtech Digital Solutions Oy

EUR	Group 1.1.–31.12.2019	Group 1.1.–31.12.2018	Mtech 1.1.–31.12.2019	Mtech 1.1.–31.12.2018
Other operating expenses	-3,118,519.56	-2,952,505.54	-2,914,820.58	-2,840,177.34
OPERATING PROFIT (LOSS)	528,036.33	-38,653.01	305,307.08	-43,236.87
Financial income and expenses				
Income from other investments held as non-current assets	1,575.00	1,485.00	76,575.00	1,485.00
Other interest and financial income	140,445.35	128,161.33	139,607.02	125,739.01
Interest and other financial expenses	-15,288.47	-31,057.71	-15,285.92	-31,045.57
Impairment of investments held as non-current assets	42,580.19	-41,455.19	42,580.19	-41,455.19
Share of the profit (loss) of associated companies	-102,247.55	-61,175.75		
Financial income and expenses, total	67,064.52	-4,042.32	243,476.29	54,723.25
PROFIT (LOSS) BEFORE TAXES	595,100.85	-42,695.32	548,783.37	11,486.38
Income taxes	-127,717.12	-19,979.75	-70,004.75	0.00
Minority interest in the profit for the period				
PROFIT (LOSS) FOR THE PERIOD	467,383.73	-62,675.07	478,778.62	11,486.38

BALANCE SHEET

Mtech Digital Solutions Oy

	Group 1.1.–31.12.2019	Group 1.1.–31.12.2018	Mtech 1.1.–31.12.2019	Mtech 1.1.–31.12.2018
ASSETS				
NON-CURRENT ASSETS				
Intangible assets				
Intellectual property rights	1,321,748.54	765,004.77	1,318,401.78	760,542.43
Construction in progress	950,708.30	1,458,717.82	950,708.30	1,458,717.82
	2,272,456.84	2,223,722.59	2,269,110.08	2,219,260.25
Goodwill	313,816.74	290,445.75		
	-120,852.50	-58,089.15		
Intangible assets, total	2,465,421.08	2,456,079.19	2,269,110.08	2,219,260.25
Property, plant and equipment				
Machinery and equipment	357,174.14	408,056.38	337,036.04	392,436.15
Other property, plant and equipment	4,111.84	4,111.84	4,111.84	4,111.84
	361,285.98	412,168.22	341,147.88	396,547.99
Investments				
Shares in associated companies	1,542,820.52	1,561,644.78	2,191,478.97	2,168,107.98
Other shares and holdings	88,678.62	91,527.13	0.00	2,848.51
Receivables from associated companies	88,526.71	0.00	171,950.00	0.00
	1,720,025.85	1,653,171.91	2,363,428.97	2,170,956.49
NON-CURRENT ASSETS, TOTAL	4,546,732.91	4,521,419.32	4,973,686.93	4,786,764.73

BALANCE SHEET

Mtech Digital Solutions Oy

	Group 1.1.–31.12.2019	Group 1.1.–31.12.2018	Mtech 1.1.–31.12.2019	Mtech 1.1.–31.12.2018
CURRENT ASSETS				
Receivables				
Non-current				
Long-term rent guarantees paid	28,664.25	27,338.04	28,664.25	27,338.04
	28,664.25	27,338.04	28,664.25	27,338.04
Current				
Trade receivables	1,910,527.27	1,669,632.03	1,695,451.13	1,566,277.16
Trade receivables from Group companies	0.00	0.00	36,793.28	807.49
Trade receivables from associated companies	0.00	0.00	0.00	0.00
Other receivables	1,577.26	82,155.05	1,577.26	83,115.93
Prepayments and accrued income	264,683.73	323,078.17	261,828.44	307,479.17
	2,176,788.26	2,074,865.25	1,995,650.11	1,957,679.75
Financial securities				
Other securities	1,223,809.50	1,492,120.77	1,223,809.50	1,492,120.77
Cash in hand and at banks	374,591.70	197,022.60	9,002.28	4,540.65
CURRENT ASSETS, TOTAL	3,803,853.71	3,791,346.66	3,257,126.14	3,481,679.21
ASSETS, TOTAL	8,350,586.62	8,312,765.98	8,230,813.07	8,268,443.94

BALANCE SHEET

Mtech Digital Solutions Oy

	Group 1.1.–31.12.2019	Group 1.1.–31.12.2018	Mtech 1.1.–31.12.2019	Mtech 1.1.–31.12.2018
EQUITY AND LIABILITIES				
SHAREHOLDERS' EQUITY				
Share capital	185,006.72	185,006.72	185,006.72	185,006.72
Retained earnings (losses)	4,152,568.46	4,435,243.53	4,226,729.91	4,435,243.53
Profit (loss) for the period	467,383.73	-62,675.07	478,778.62	11,486.38
SHAREHOLDERS' EQUITY, TOTAL	4,804,958.91	4,557,575.18	4,890,515.25	4,631,736.63
LIABILITIES				
Non-current				
Loans from financial institutions	707,086.19	960,305.91	707,086.19	960,305.91
Current				
Loans from financial institutions	100,000.00	100,026.06	100,000.00	100,026.06
Advances received	77,440.00	120,000.00	77,440.00	120,000.00
Trade payables	573,566.49	708,539.68	562,314.29	698,863.21
Trade payables to Group companies	0.00			
Other payables	442,049.50	362,627.13	415,698.38	327,904.16
Accrued expenses	1,645,485.53	1,503,692.02	1,477,758.96	1,429,607.97
Current liabilities, total	2,838,541.52	2,794,884.89	2,633,211.63	2,676,401.40
LIABILITIES, TOTAL	3,545,627.71	3,755,190.80	3,340,297.82	3,636,707.31
EQUITY AND LIABILITIES, TOTAL	8,350,586.62	8,312,765.98	8,230,813.07	8,268,443.94

DIGITAL SOLUTIONS FOR THE BIOECONOMY



Mtech Digital Solutions Oy
Urheilutie 6, PO Box 25, 01301 VANTAA, FINLAND
tel. +358 20 747 2300
mtech.fi