

Mtech Digital Solutions



Annual Report 2022

BUILDING A SMART FOOD ECOSYSTEM

Mtech Digital Solutions is Finland's leading provider of digital solutions throughout the food supply chain, or the food ecosystem. We want to help our customers respond to key macro trends, which include the reduction of carbon emissions, consumer interest in sustainable food choices, and improving cost-effectiveness across the production chain.

We combine strong industry expertise and technology to provide our domestic and international customers with comprehensive services ranging from the design of digital solutions to their implementation. We help customers find the right digital solutions for developing competitive and sustainable business, from farm to fork. Mtech is also the leading provider of farm management software in Finland.

Our customers are companies and organisations that participate in the food supply chain in Finland and internationally: farm enterprises, advisory organisations, breeding associations and public authorities. Among the organisations already taking advantage of Mtech's expertise are: ProAgria, Faba, Växa Sverige, VikingGenetics, iDDEN, Seges, Geno, Nordic Cattle Genetic Evaluation (NAV), International Committee for Animal Recording (ICAR), Valio, Atria, Animal Health ETT, the Finnish Food Authority, Sagafurs, HKScan and Biosirk Norge. Mtech is a limited liability company owned by the Finnish agricultural producers' organisations ProAgria, Faba and the Central Union of Agricultural Producers and Forest Owners (MTK).

The competitiveness of the food supply chain of the future will be increasingly based on data-driven management. We are proud to be on the leading edge of our industry. We want to continue to be a reliable partner for our customers and a trendsetter in the digital transformation.

We actively pursue growth and development both in Finland and internationally. Through our strong industry expertise, we deliver added value to our customers. Our innovative digital solutions benefit our customers' business operations and help them achieve renewal and competitive success today and in the future. Together with our partners, we combine artificial intelligence with common sense and do things smarter than before.

Mtech – From Smart Farm to Smarter Food



115 professionals



11.8 M€

Over 20,000 agricultural entrepreneurs

Over 100 companies and organisations

CEO'S REVIEW

General review

The year 2022 was characterised by financial and operational challenges. In spite of these challenges, we successfully ensured the continuity of services for our customers as well as the employment of our personnel, and we also started the process of renewing our strategy.

Our 30-year cooperation in the field of bovine registration ended when the Finnish Food Authority's new animal register was deployed in April 2022. The cooperation was financially significant, representing approximately 15 per cent of the total revenue for the year. We began to prepare for this change in 2021 by carrying out significant restructuring and cost saving measures. We continued to pursue cost savings in 2022 by scaling down our office premises and reducing the use of external services. The deployment of the Finnish Food Authority's new animal register has also required investments of several millions of euros in Mtech's own information systems, customers' information systems and the MyFarm platform.

The new bovine register was deployed in April 2022. Following its deployment, the operational reliability and performance of the Finnish Food Authority's animal register was initially poor, and there were also teething problems with various system components and the MyFarm software. We worked very hard in collaboration with our customers and the Finnish Food Authority in the spring and summer to resolve the problems, and the situation had improved by the summer.



We also took significant steps in our development during the year. Mtech's subsidiary Neviso Oy was merged with the parent company on 31 March 2022. The merger improved the conditions for developing Neviso's products and services and improving customer service. We also strengthened our position as the leading provider of farm software in Finland by acquiring Datatech Oy's financial management and crop planning software business on 1 March 2022. In addition, we started a multi-year investment in the renewal of the Web-Wakka financial management software on the MyFarm platform. The project is the final part of Mtech's 10-year goal of creating a comprehensive modern software platform to meet the needs of the farm of the future and its partners. We also expanded our customer base and increased our revenue from international markets. The company now has customers in nearly 20 countries.

Based on customer feedback, the company's performance during the year could be characterised as excellent: 93% of corporate customers and 87% of end users are at least satisfied with our operations, and customers are willing to recommend the company's services and products. In light of the challenging circumstances, our result for the year can be considered to be very good.

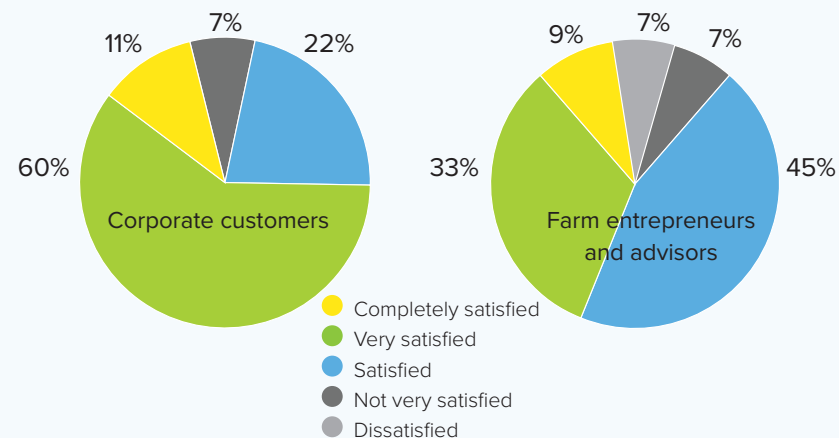
The company's Board of Directors and management are very satisfied with, and grateful for, the cooperation of the personnel and customers during this difficult period.

Christian Jurvanen
 CEO
 Mtech Digital Solutions Oy

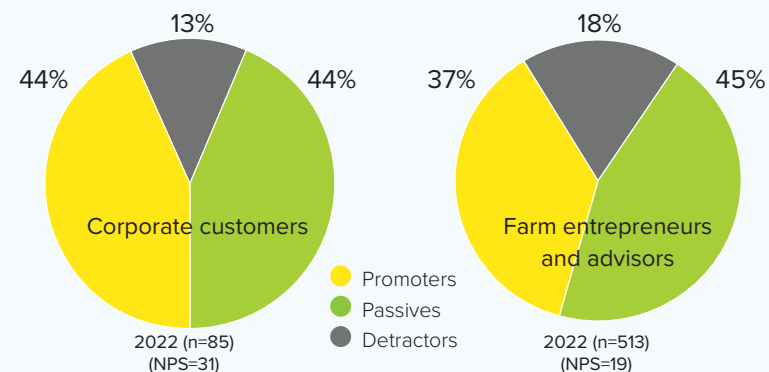


Based on customer feedback, 93% of corporate customers and 87% of end users are at least satisfied with Mtech's operations.*

Overall satisfaction with Mtech in 2022*



Net Promoter Score (NPS) 2022*



The Net Promoter Score (NPS) measures 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.

*Customer 360° customer satisfaction survey 2022. Taloustutkimus



The company's finances

Mtech's financial performance for 2022 was weaker than in the previous year mainly due to the end of the agreement with the Finnish Food Authority and the related additional expenses and investment needs. Revenue totalled EUR 11,837,907.86, which represents a year-on-year decrease of 9.82% (the previous year: EUR 13,126,561.68). The operating profit was EUR -120,002.32 (the previous year: EUR 676,674.80) and the net profit was EUR -42,618.06 (the previous year: EUR 462,222.79).

The company maintained a strong balance sheet and excellent liquidity. The equity ratio was 65.21% (the previous year: 63.94%) and equity amounted to EUR 4,919,988.11 (the previous year: EUR 5,466,525.38).

Measured in person-work years, Mtech had an average of 115 employees, a decrease of 24 from the previous year. The decrease in the number of personnel was due to previously implemented adaptation measures.

Outlook for the coming year

The outlook for the coming year is considerably more positive than a year ago. The financial goal is to return the company to the path of growth, taking into account the business impact of the terminated agreement with the Finnish Food Authority, and to return to profitability.

In late 2022, we began an extensive strategy development effort aimed at articulating the company's updated strategy until 2030. The focus of the new strategy will be on how we respond to our customers' challenges in the context of key macro trends, which include the reduction of carbon emissions, consumer interest in sustainable food choices, and improving cost-effectiveness across the production chain. Our goal is to strengthen our position as a leading provider of digital solutions in the expanded farm-to-fork ecosystem. The MyFarm platform will remain at the core of achieving this goal, and the company will continue to invest in the development of financial, bovine and crop management solutions. We want the MyFarm platform to remain a superior management software solution for farms, the companies that serve farms, and their partners, both in Finland and internationally. The company also has a favourable outlook for continued international growth spearheaded by the provision of digital solutions and services for the cattle industry. Mtech is recognised worldwide for its state-of-the-art expertise in Finland.

WE RELY ON A HYBRID MODEL IN SERVICE PRODUCTION

Our hybrid model enables us to provide scalability and flexibility while ensuring that we serve customer needs with a high level of information security.

Mtech's values include reliable partnership, which emphasises the company's commitment to its customers' success. It is very important for a software company that its infrastructure is appropriate, reliable and flexible so that it can develop and produce services for its customers in the best possible manner. This is particularly emphasised in Mtech's operations, as we serve customers around the world and we need to respond to various requirements concerning the service level, reliability, expandability and security. For these reasons, we have decided to use a hybrid model in our service production.

We implement hybrid cloud infrastructure by combining public and private environments into a single integrated system. Public cloud infrastructure managed by third-party service providers provides scalability and flexibility for certain software components. At the same time, private data centres are practically fully controlled by the organisation, which means that they provide more operational opportunities with regard to information security, for example.



Significant potential in cloud services

Mtech's vision is to leverage the significant potential offered by cloud services as a technology solution that, together with other innovative technologies, enables even more efficient and flexible operations. This enables the achievement of the desired benefits, such as the satisfaction of intermittent computing requirements and the leveraging of emerging technologies, including machine learning and artificial intelligence applications.

Mtech's technology strategy is to operate independently of cloud service providers, which prevents potential vendor lock-in and ultimately rising costs for customers. The company's own data centre also ensures that data is securely located to satisfy high information security requirements. Private environments also enhance the optimisation of the use of server and software licences, which is a significant cost driver.

Although the use of the cloud service model has increased significantly in the provision of software production services, it does not suit all purposes and may involve higher costs. On the other hand, doing everything in-house is not optimal either. The hybrid model enables us to make choices that suit customer needs precisely. By selecting this approach, Mtech aims to produce all of its own services, and services for customers, in a cost-effective and secure manner.

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PERSONNEL

Mtech had 115 employees in 2022. The proportion of women among the company's employees was 40 per cent. The average duration of employment was 8.3 years. Employment relationships at Mtech are, as a rule, full-time and valid indefinitely. The average age of the personnel is 42 years. In 2022, the company used a hybrid work model and launched an overseas remote work pilot project.

Company culture and the employee experience

We launched Mtech Way, a journey of change to develop our workplace culture, and began to put the related operating practices into action throughout our organisation. The aim is to respond to the changing requirements of working life, customers and employees. During the year, all of our personnel participated in workplace community training, and all supervisors completed training on using a coaching-style approach to leadership.

Mtech regularly measures the employee experience and job satisfaction of the company's employees. As part of job satisfaction, we also regularly monitor our employees' satisfaction with team spirit and maintaining a healthy work-life balance. Some 86 per cent of our employees feel that Mtech is the best employer they have ever had.

Based on the results of the personnel survey we conducted during the year, we decided to make our strategy work more visible, clarify organisational structures, make more extensive use of expertise, and link remuneration to targets. Our focus areas for 2023 include the execution of the new strategy and the development of Mtech's company culture.

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BOARD OF DIRECTORS AND MANAGEMENT TEAM

Board of Directors



Merja Keisala

- Chair



Anna Lappalainen

- Vice Chair

ORDINARY MEMBERS

Harri Mäki vuokko

Joel Puhakainen

Jussi Juhola

Johan Åberg

Antti Latva-Rasku

Vesa Syrjäkari

Management team



Christian Jurvanen

- MSc, MBA
- CEO



Jarkko Iilomäki

- MSc (Tech.), MBA
- COO
- CTO



Antti Laukkonen

- MSc (Tech.)
- Director – Finland
- Member of the management team since 1 April 2022.



Sanna Keski-Nisula

- MSc (Agric.), MSc (Applied biotech)
- Director – Agriservices



Mikko Jääskeläinen

- MSc (Forestry), MBA
- Chief Innovation Officer
- Member of the management team since 1 April 2022.



Patrik Nordgren

- MSc (Agric.)
- Director – Global



Mikko Hakojärvi

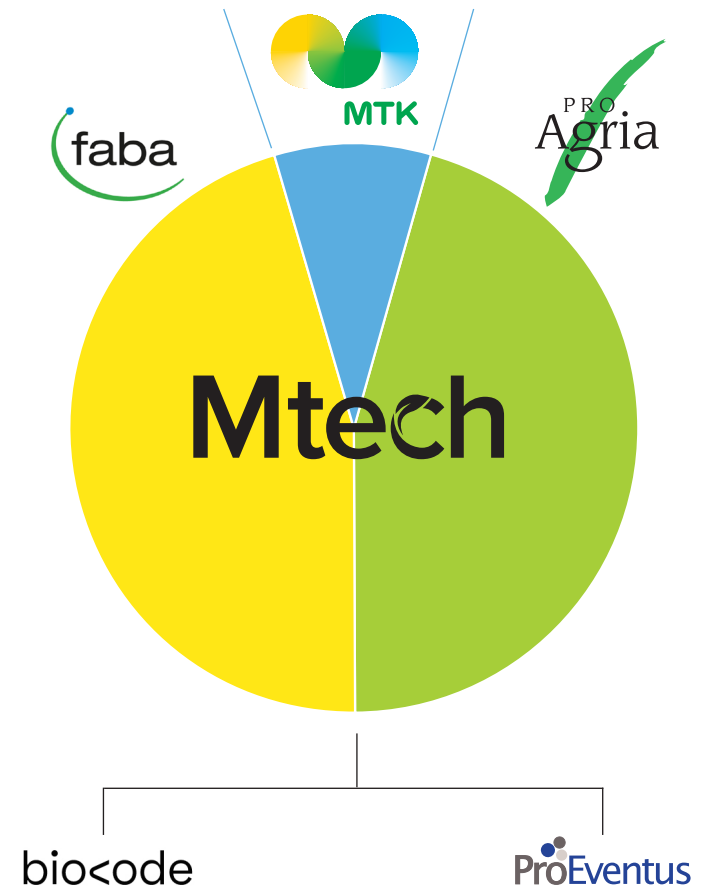
- DSc (Agric.)
- Director – Farm management software, 1 December 2022
- Member of the management team since 1 September 2022.

Sinikka Tommila, MSc (Agric.), until 31 November 2022.

MTECH – SHAREHOLDINGS

Biocode Oy was established in 2017 as Mtech and ProAgria sought solutions for reducing carbon dioxide emissions in food production. In 2022, the company launched a carbon footprint calculator for food companies. Biocode is owned by Mtech Digital Solutions Oy, the Association of ProAgria Centres and Faba coop. Biocode aims to achieve significant domestic and international growth.

ProEventus Oy is a centre of expertise that produces and develops financial management services and provides its customers with bookkeeping, accounts payable/receivable, payroll management and controller services. Established in 2004, ProEventus owned by Mtech, Faba and ProAgria. Mtech owns 25% of ProEventus.



INCOME STATEMENT

EUR	Mtech Digital Solutions Oy	Mtech Digital Solutions Oy
	11.–31.12.2022	11.–31.12.2021
REVENUE	11,837,907.86	13,126,561.68
Production for own use	58,766.87	0.00
Other operating income	136,078.32	250,327.52
Materials and services		
Raw materials and consumables		
Purchases during the period	-533,007.85	-391,863.11
External services	-1,205,108.01	-934,727.09
Materials and services, total	-1,738,115.86	-1,326,590.20
Personnel expenses		
Wages and salaries	-6,038,008.54	-6,834,336.69
Social security expenses		
Pension expenses	-1,069,195.44	-1,191,703.56
Other social security expenses	-223,885.11	-243,597.55
Personnel expenses, total	-7,331,089.09	-8,269,637.80
Depreciation and impairment		
Planned depreciation	-631,886.04	-527,780.88
Depreciation and impairment, total	-631,886.04	-527,780.88

EUR	Mtech Digital Solutions Oy	Mtech Digital Solutions Oy
	11.–31.12.2022	11.–31.12.2021
Other operating expenses	-2,451,664.38	-2,576,205.52
OPERATING PROFIT (LOSS)	-120,002.32	676,674.80
Financial income and expenses		
Income from other investments held as non-current assets	20,088.59	7,728.00
Other interest and financial income	69,540.00	23,703.00
Interest and other financial expenses	-11,811.17	-10,074.53
Financial income and expenses, total	77,817.42	21,356.47
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES	-42,184.90	698,031.27
Appropriations		
Group contributions granted	0.00	-100,000.00
Total appropriations	0.00	-100,000.00
PROFIT (LOSS) BEFORE TAXES	-42,184.90	598,031.27
Income taxes	-433,16	-135 808.48
PROFIT (LOSS) FOR THE PERIOD	-42,618.06	462,222.79

BALANCE SHEET

	Mtech Digital Solutions Oy	Mtech Digital Solutions Oy
	31.12.2022	31.12.2021
ASSETS		
NON-CURRENT ASSETS		
Intangible assets		
Intellectual property rights	1,580.97	1,580.97
Goodwill	564,731.92	0.00
Other intangible assets	1,035,839.68	1,092,658.91
Construction in progress	139,230.88	21,650.00
	1,741,383.45	1,115,889.88
Property, plant and equipment		
Machinery and equipment	239,411.05	203,094.32
Other property, plant and equipment	4,111.84	4,111.84
	243,522.89	207,206.16
Investments		
Holdings in Group companies	0.00	738,029.56
Shares in associated companies	1,626,320.52	1,626,320.52
Receivables from associated companies	494,878.59	359,450.00
Other shares and holdings	143,023.26	2,564.24
	2,264,222.37	2,726,364.32
NON-CURRENT ASSETS, TOTAL	4,249,128.71	4,049,460.36

	Mtech Digital Solutions Oy	Mtech Digital Solutions Oy
	31.12.2022	31.12.2021
CURRENT ASSETS		
Receivables		
Non-current		
Long-term rent guarantees paid	6,273.78	6,273.78
	6,273.78	6,273.78
Current		
Trade receivables	1,355,574.45	2,150,403.34
Receivables from Group companies	0.00	8,458.39
Other receivables	39,566.75	22,369.47
Prepayments and accrued income	657,653.62	632,993.61
	2,052,794.82	2,814,224.81
Financial securities		
Other securities	1,161,298.25	1,521,888.23
Cash in hand and at banks	75,278.67	159,231.58
CURRENT ASSETS, TOTAL	3,295,645.52	4,501,618.40
ASSETS, TOTAL	7,544,774.23	8,551,078.76

	Mtech Digital Solutions Oy	Mtech Digital Solutions Oy
	31.12.2022	31.12.2021
EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		
Share capital	185,006.72	185,006.72
Retained earnings (losses)	4,777,599.45	4,819,295.87
Profit (loss) for the period	-42,618.06	462,222.79
SHAREHOLDERS' EQUITY, TOTAL	4,919,988.11	5,466,525.38
LIABILITIES		
Non-current		
Loans from financial institutions	0.00	50,000.00
Current		
Loans from financial institutions	403,032.44	100,000.00
Advances received	0.00	1,246.20
Trade payables	465,528.53	630,391.26
Payables to Group companies	0.00	100,000.00
Other payables	316,035.35	488,838.29
Accrued expenses	1,440,189.80	1,714,077.63
Current liabilities, total	2,624,786.12	3,034,553.38
LIABILITIES, TOTAL	2,624,786.12	3,084,553.38
EQUITY AND LIABILITIES, TOTAL	7,544,774.23	8,551,078.76

Mtech

From Smart Farm to Smarter Food



Mtech Digital Solutions Oy
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