ANNUAL REPORT

PROFIT HOLDING LTD

(01.01. - 31.12.2017)

.

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PROFIT HOLDING OY

Y-tunnus 2630484-6

Bertel Jungin Aukio 7B, 02600 Espoo

Merkitty kaupparekisteriin 08.08.2014

Verotuskunta Espoo

The Board of Director' Report

Profit Holding Ltd (originally Shelco 51 Ltd) was established on 1st July 2014 and registered in the Trade Register on 8th August 2014. Profit Holding Ltd acquired Profit Software Oy's shares on 30th September 2014 whereby Profit Holding Ltd Group was formed. Profit Holding Ltd Group consists of the parent company Profit Holding Ltd, Profit software Ltd and its subsidiaries Profit Software Oü in Estonia and Profit Software AB.

FINANCIAL RESULTS

Parent company Profit Holding Ltd's income was generated from management of the group companies, as the Managing Director of the Group operates under Profit Holding Ltd. Profit Holding Ltd operates otherwise as the financing company of Profit Software Ltd. Profit Holding Ltd's fiscal year 2017 net sales amounted to EUR 428 thousand (2016: EUR 318 thousand). The parent company's profit for the period was EUR 5 300 thousand (2016: EUR 494 thousand). Company's total assets on 31st December 2017 were EUR 41 413 thousand (2016: EUR 23 715 thousand) and shareholders' equity EUR 16 916 thousand (2016: EUR 9 910 thousand)

The Group's net sales from 1 January to 31 December 2017 was EUR 21 013 thousand (2016: EUR 11 748 thousand) and the result before taxes was EUR 5857 thousand (2016: EUR 3 009 thousand) and net profit was EUR 4 427 thousand (2015: EUR 2 404 thousand). The consolidated balance sheet per 31st December 2017 was in total EUR 45 877 thousand (2016: EUR 24 878 thousand) and shareholders' equity was EUR 17 824 thousand (2016: EUR 11 641 thousand)

Information about the Group's operational activities are presented in Profit Software Ltd's, the subgroup's financial statements. The Group's financial ratios are presented in the notes to the financial statements.

SUBGROUP

Profit Holding Ltd Group consists of the parent company Profit Holding Ltd, Evolvit Ltd, Profit software Ltd and its subsidiaries Profit Software Oü in Estonia and Profit Software AB in Sweden.

RESEARCH AND DEVELOPMENT

The 2017 research and development costs were EUR 1,7 million (2016: 2,9; 2015: 1.5)

In 2017, the Profit Life & Pension group pension module was launched to the market in connection with the release of the new product version. Over the past year, we also started implementing the changes required by the new GDPR data protection setting. This version will be released in 2018.

User interface renewal of Profit Life & Pension was done based on the results received from the usability study. The first part of the renewal was implemented, and it will be released in 2018. In addition, we continued investing in product development and quality assurance.

ProtoX-product development team, founded in 2016, continued mapping the new business areas and solutions in the Fintech-market. During the year, the team has worked on multiple different prototypes which have raised interest among clients and led to further development.

In addition, we have continued expanding the software business to other Nordic countries, and mapped out the coverage of our solutions in these markets. To promote and speed up the expansion two new employees started at our Stockholm office

PERSONNEL

At the end of 2017, the number of employees was 218 (2016: 112). At the end of the year the number of employees was 221. The parent Company has 1 employee (2016: 1).

BOARD OF DIRECTORS AND AUDITORS

Members of Board were elected in Profit's Annual General Meeting held on 2nd March 2017. The members are Benjamin Kramarz, Björn Norrbom and Ilkka Lohi. Authorized Public Accountant Mauri Eskelinen and KPMG Oy were re-nominated as the company's auditors. Ilkka Starck continues as the company's CEO.

SHARES, OPTIONS AND SHARE ISSUES

The parent company has in total 9 896 109 shares and one share series.

The raise of invested unrestricted equity fund implemented during the accounting period is based on the share issue decision made in 14th June 2017. Payments of EUR 2 970 000 received from share subscriptions is booked on invested unrestricted equity (SVOP) -fund.

The option holders of the company had subscribed for a total of 84 202 new shares in accordance with the option agreements dated 30th September 2014 by making payments of EUR 1 per share.

The subsidiary Profit Software Ltd had on the fiscal year closing date 1 014 330 own shares which represents approximately 1.3% of all shares.

ASSESSMENT OF SIGNIFICANT RISKS AND UNCERTAINTIES

Risk management is part of the Group's normal planning, operational and monitoring processes. Risk management aims to identify, estimate, monitor and mitigate the operation-threatening risks. Risks can be classified into a few main categories, such as strategic, operational, financial and accidental risks.

Strategic, operational and financial risks:

Strategic and operational risks:

Profit's main business areas are Finland and the Nordic countries; therefore, the company is exposed especially to the business risks of these areas. All clients of Profit are in the insurance sector. The success of Profit highly depends on general development of the insurance industry and the clients' willingness to invest. To mitigate business risks and dependency on key projects, Profit will expand the product range and actively develop new business concepts and areas.

As Profit works in Finland as well as in Estonia and Sweden, changes in the taxation and legislation of these countries may affect Profit's financial position. Business and personnel management in three different countries with different juridical, cultural and language environments is also challenging.

Accidental risks:

In principal, the Group has insurances to cover the damages caused by accidents, litigation and other legal proceedings.

Financial risks:

To manage the interest rate risk, the Group's loans are diversified with fixed and floating rates. The Group's finance department is responsible for taking procedures to cover the financial risks when necessary. Majority of the Group's cash flows are in euro, thus exchange rate risk is very small.

Most of the parent company's loans are at a floating rate. The bank loan EUR 18 million lent by OP merchant is charged with a floating rate of six-month Euribor plus 1.5%-2,5% margin. The financial impact caused by the fluctuations in the market may be considerable. One percentage increase in interest rate weakens the company's result by EUR 0.18 million. The bank loans contain covenant, which may have impact on the future financial costs.

POST FISCAL YEAR-END EVENT

Evolvit Ltd, the subsidiary of Profit, merged to the other subsidiary, Profit Software Ltd on 1st January 2018.

BUSINESS OUTLOOK FOR YEAR 2018

The Group continues to invest in innovation and product development as well as training of the employees. The acquisition of Evolvit Ltd enables the company to expand its offering of services and expertise to cover more widely the needs in whole financial sector. As a result, the company can offer new solutions to support existing and new customers' system solutions, which implementation needs to be rapid in a rapidly changing environment.

The main objectives of 2018 are growth of profitable business in expanding the business from Profit Life & Pension and related products to consulting, analytics and software development services, and supply of new products in FinTech sector. Growth is sought both in Finland and the Nordic countries. Sweden is the focus of the company's growth. The expansion of the company in Sweden is accelerated by hiring more experts in different fields.

THE BOARD'S PROPOSAL FOR DISTRIBUTION OF PROFIT

The Board of Directors proposes to the Annual General Meeting that no dividend shall be paid for the financial year 2017. Profit of the year 2016 will be transferred to the profit/loss account.

Board

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

Consolidated Statement of Comprehensive Income (IFRS)

	Notes	01.01.-31.12.2017	01.01.-31.12.2016
REVENUE	1	**21 012 941**	**11 747 644**
Other Income	2	73 964	65 791
External Services		-306 622	-65 445
Personnel Expenses	3	-10 752 037	-6 567 114
Depreciations and Amortizations	4	-442 854	-171 792
Other Operational Expenses	5	-3 179 063	-1 480 654
INCOME BEFORE INTERESTS AND INCOME TAXES		**6 406 329**	**3 528 429**
Financing Income and Expenses	7	-548 856	-519 289
FINANCING INCOME AND EXPENSES		**-548 856**	**-519 289**
INCOME BEFORE INCOME TAXES		**5 857 472**	**3 009 140**
Income Taxes	8	-1 430 612	-605 489
NET INCOME		**4 426 860**	**2 403 651**
TOTAL COMPREHENSIVE INCOME		**4 426 860**	**2 403 651**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Parent Company		4 426 860	2 403 651
Non-controlling Interests			
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Parent Company		4 426 860	2 403 651
Non-controlling Interests			
Basic Earnings per Share	20	0,45	0,29
Diluted Earnings per Share	20	0,33	0,20

Consolidated Statement of Financial Position (IFRS)

	Notes	31.12.2017	31.12.2016
ASSETS			
FIXED ASSETS			
Intangible Assets	9	7 760 000	50 186
Goodwill	9	27 541 524	20 196 789
Tangible Assets	10	262 578	41 149
Deferred Taxes	13		46
FIXED ASSETS		**35 564 102**	**20 288 170**
CURRENT ASSETS			
Accounts Receivables and Other Receiv	12	4 209 586	1 677 867
Cash and Cash Equivalents	14	6 103 033	2 911 440
CURRENT ASSETS		**10 312 618**	**4 589 306**
TOTAL ASSETS		**45 876 721**	**24 877 476**
LIABILITIES AND EQUITY			
OWNER'S EQUITY			
Share Capital		2 500	2 500
Reserve for Invested Non-Restricted Equity		8 741 029	6 984 840
Retained Earnings		9 080 198	4 653 603
TOTAL OWNER'S EQUITY	15	**17 823 728**	**11 640 943**
LIABILITIES			
LONG-TERM LIABILITIES			
Loan Payable		16 843 458	8 954 505
Deferred Tax Liabilities		1 683 990	160 050
TOTAL LONG-TERM LIABILITIES		**18 527 448**	**9 114 555**
CURRENT LIABILITIES			
Loan Payable		4 081 007	1 807 804
Accounts Payable and Other Payables		1 914 410	661 058
Accrued Liabilities		3 530 129	1 653 116
Deferred Taxes Liabilities		0	0
TOTAL CURRENT LIABILITIES		**9 525 546**	**4 121 978**
TOTAL LIABILITIES	16	**28 052 993**	**13 236 533**
TOTAL LIABILITIES AND EQUITY		**45 876 721**	**24 877 476**

Consolidated Statement of Cash Flows (IFRS)

	1.1.-31.12.2017	1.1.-31.12.2016
CASH FLOW FROM OPERATING ACTIITIES		
Net Income	4 426 860	2 403 651
Adjustments to Reconcile Net Income		
Depreciation and Amortization	450 660	171 792
Financial Income and Expenses	592 831	519 289
Taxes	1 484 912	605 489
Other Adjustments	102 200	-11
Change in Operating Assets and Liabilities		
Change in Short-Term Receivables	-4 271 723	-573 252
Change in Short-Term Liabilities	4 595 517	882 578
Paid and Received Interest	-590 110	-284 261
Paid and Received Tax	-713 334	-54 921
CASH FLOW FROM OPERATING ACTIVITIES	**6 077 813**	**3 670 356**
CASH FLOW FROM INVESTING ACTIVITIES		
Investment in Fixed Assets	-279 622	0
Purchase of Subsidiary's Shares	-11 236 624	0
CASH FLOW FROM INVESTING ACTIVITIES	**-11 516 246**	**0**
CASH FLOW BEFORE FINANCING ACTIVITIES	**-5 438 432**	**3 670 356**
Loan Withdrawls	17 920 000	6 800 000
Loan Payments	-8 139 492	-8 400 000
Finance Lease Repayments	-39 354	
Received Capital Return	-1 195 331	-3 500 000
Issue of Shares	84 202	217 891
Purchase of Own Shares		
NET CASH FROM FINANCING ACTIVITIES	**8 630 025**	**-4 882 109**
CHANGES IN CASH AND CASH EQUIVALENTS	**3 191 593**	**-1 211 753**
NET CASH ON BALANCE SHEET		
Cash and Cash Equivalents at the Beginning of Period	2 911 440	4 616 914
Cash and Cash Equivalents at the End of Period	6 103 033	2 911 440
CHANGES IN CASH AND CASH EQUIVALENTS	**3 191 593**	**-1 705 474**

Consolidated Statement of Changes in Equity (IFRS)

	Share Capital	Retained Earnings	Reserve for Invested Non-Restricted Equity	Total Equity
SHARE CAPITAL 1.1.2017	**2 500**	**4 653 603**	**6 984 840**	**11 640 943**
Comprehensive Income				
Net Income		4 426 860		4 426 860
Other Comprehensive Income				
Total Comprehensive Income		**4 426 860**		**4 426 860**
Transactions with Shareholders				
Return of Capital			-1 195 331	-1 195 331
Convertible Loans			-102 682	-102 682
Issues of Shares			3 054 202	3 054 202
Other Changes		-264		-264
Transactions with Shareholders in Total		**-264**	**1 756 189**	**1 755 925**
SHARE CAPITAL 31.12.2017	**2 500**	**9 080 198**	**8 741 029**	**17 823 728**

	Share Capital	Retained Earnings	Reserve for Invested Non-Restricted Equity	Total Equity
SHARE CAPITAL 1.1.2016	**2 500**	**2 408 653**	**8 878 166**	**11 289 319**
Comprehensive Income				
Net Income		2 403 651		2 403 651
Other Comprehensive Income				0
Total Comprehensive Income		**2 403 651**		**2 403 651**
Transactions with Shareholders				
Return of capital			-2083432	-2083432
Convertible loans			-180766	-180766
Issues of shares			370871	370871
Other Changes		-158 701	0	-158 701
Transactions with Shareholders in Total		**-158 701**	**-1 893 326**	**-2 052 027**
SHARE CAPITAL 31.12.2016	**2 500**	**4 653 603**	**6 984 840**	**11 640 943**

Notes to Consolidated Financial Statements

ACCOUNTING POLICIES

Profit Holding Group develops and delivers software and system solutions for the financial sector, particularly for the insurance business.

The parent company Profit Holding Ltd is a Finnish private limited company domiciled in Espoo Finland. Its registered address is Bertel Jungin Aukio 7B, 02600 Espoo.

Copies of the Annual Report 2017 are available at Bertel Jungin Aukio 7B, 02600 Espoo.

Profit Holding Ltd.'s Board of Directors authorized the Financial Statements for issue on 23nd March 2018.

ACCOUNTING PRINCIPLES

The consolidated financial statements of Profit Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union and in accordance with the standards and interpretations effective on 31st December 2016. The consolidated financial statements also comply with Finnish IFRS as adopted by accounting and corporate law requirements.

The consolidated financial statements for the period 01.01.2017 - 31.12.2017 is prepared in accordance with the application of accepted international accounting standards (International Financial Reporting Standards, IFRS) effective on 31st December 2015, such as IAS and IFRS standards and SIC and IFRIC interpretations. The International Financial Reporting Standards applied here are the IFRS standards and interpretations which comply with both the Finnish Accounting Act and the EU Directives (EC) No 1606/2002. The notes to the consolidated financial statements are also in compliance with the Finnish accounting and corporate law requirements complementary to the IFRS-standards.

The consolidated financial statements have also been prepared in accordance with the going-concern principle. The going-concern principle is defined on the basis of the business and financial plans approved by the Board of Directors. The main risks are associated with fixed-price projects' schedule of completion and how quickly the market of the Company's products recovers from the recession. Materialization of such risks could weaken the Company's financial position and jeopardize the continuity of its operation.

The consolidated financial statements are presented in euro and prepared under the historical cost convention except as disclosed below.

Preparation of the financial statements in accordance with the IFRS-standards requires the Group's management to make certain estimates and judgements in applying the accounting policies, as described in more detail at the end of the accounting principles.

CONSOLIDATION PROCEDURES

The subsidiaries are entities controlled by the Group. Control is presumed to exist when the Group is involved in the business activities of the subsidiary and is exposed or entitled to the variable return of the subsidiary, and has the power to influence the variable return. Acquired subsidiaries are consolidated from the date on which the Group obtain the control and divested subsidiaries are consolidated till the date on which the control ceases.

The consolidated financial statements include the accounts of the parent company Profit Software Oy and its wholly owned subsidiary Profit Software OÜ that is entirely under the control of the parent company.

The subsidiaries are consolidated to the Group's financial statements by using the acquisition method. All internal transactions, internal profits, profit distributions and mutual shareholdings of Group companies are eliminated as part of the consolidation process

FOREIGN CURRENCY TRANSLATION

The presentation and measurement currency of the Group's parent company is euro.

Receivables and liabilities in foreign currencies are converted into euros at the average exchange rate of the closing date. Gains and losses arising from the transactions in foreign currencies are entered in comprehensive income or loss.

Income statements of the foreign subsidiaries have been converted monthly into euros using the monthly average rate quoted by the European Central Bank on the balance sheet dates.

Foreign exchange gains and losses are included in the corresponding items above the operating profit, otherwise they are recognized in financial items.

REVENUE RECOGNITION

The rendered services are recognized as revenue on a monthly basis. Annual maintenance fees are always recognized as revenue over the term of the contract

For the long-term and fix-priced projects, revenue is recognized on the basis of the percentage of completion in condition that the outcome of the project can be estimated reliably. The stage of completion is determined by Percentage of Completion method: the pro-portion that costs incurred to date bearing to the estimated total costs of the transaction. If the estimates of the project change, the recognized sales and income in the period in which the change first becomes known and estimable. When the outcome of a project cannot be estimated reliably, the costs incurred are recognized as an expense, and project revenue is recognized only to the extent that contract costs incurred will be recoverable. An expected loss is recognized immediately as an expense as soon as such loss is probable.

License revenue is recognized in accordance with the substance of the agreement.

OTHER OPERATING INCOME

Grants received as compensation for expenses incurred are recognized in the income statement at the same time when the expenditure of the grant are entered as an expense. Such grants are included in other operating income.

OPERATING PROFIT

IAS 1 *Presentation of Financial Statements* doesn't not define the concept of operating profit. Profit Software's operating profit is calculated as follows:

Operating profit is equal to revenue plus other operating income less the acquisition costs of materials and services including subcontractor costs, personnel costs, depreciation and impairment costs, and other operating costs. All other income statement items not mentioned here are presented below the operating profit. Foreign currency translation differences generated from operating activities are included in the operating profit.

RESEARCH AND DEVELOPMENT COSTS

Research costs are expensed as incurred. Research and development costs incurred to develop new products and significant improvements in containing the development of new product versions will be capitalized as intangible assets, provided that the product is technically feasible, commercially exploitable, and that is expected to generate future economic benefits. Capitalized development costs include material, work and testing costs that are directly attributable to preparing the asset for its intended use.

Product Development expenditure is recognized as an expense and amortized over their useful lives. The estimated useful life of the capitalized development costs n the balance sheet is 5 years. Technological obsolescence, as well as the typical life cycle of products is taken into consideration in determining the useful life.

Amortization begins when the product version is released and is available for sale. Maintenance of existing products and minor enhancements are recognized as an expense.

INTANGIBLE ASSETS

Intangible assets including goodwill, computer software and capitalized development costs are initially recognized at the original acquisition costs, provided that the cost can be measured reliably and the future economic benefits attributable to the asset will flow to the company.

Subsequently, intangible assets are stated at historical cost less accumulated depreciation and any impairment losses.

Intangible assets are amortized in the income statement on straight-line basis over their useful lives. The estimated useful lives are 5 to 10 years.

Goodwill arising from business combinations is recognized when total combined value of the consideration transferred, the non-controlling interest in the acquiree and previously owned portion exceeds the fair value of the net assets acquired.

Goodwill is not amortized, but is tested for impairment annually and whenever there is any indication that the carrying value may be impaired. For this purpose, goodwill is allocated to cash-generating units. Goodwill is stated at cost less accumulated impairment losses.

TANGIBLE ASSETS

Tangible assets include IT machinery and equipment. Tangible assets are measured at original acquisition costs less accumulated depreciation and eventual impairment. The estimated economic lifetime of IT machinery and equipment is 4-5 years. These assets are depreciated over their estimated useful life. Historical cost includes expenditure that is directly attributable to the acquisition of the tangible assets.

The useful life and residual value of the tangible assets are reviewed at least at each financial statement, and the necessary adjustments are made to meet the expected economic benefits changes.

Capital gains and losses from sale of tangible assets are recognized as operating income or expenses.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

The company will review on each balance sheet date whether there is any indication of decline in value for an asset. Whenever such indication appears, impairment test should be conducted and the carrying value of an asset or a group of identical assets should be compared to its recoverable amount. Impairment test is done automatically for the on-going R&D projects on annual basis regardless whether indication of impairment exists. The recoverable amount is the fair value or the asset less the costs of its sale, or its value in use, whichever is the higher. The value in use is the present value of the future cash flows expected to be derived from an asset or cash generating units. When the recoverable amount of an asset is less than its carrying amount, the carrying amount should be reduced to the recoverable amount. The impairment loss should be recognized as an expense immediately.

The impairment losses should be reversed in case of changes in situation and the recoverable value of an impaired asset has changed. Impairment losses on goodwill are not reversible under any circumstances.

LEASE – THE GROUP AS A LESSEE

Leases of tangible assets where the Group has a substantial part of the ownership risks and rewards are classified as finance leases. A finance lease is an asset in the balance sheet at the inception of the lease term of the leased asset at fair value or, if lower, the present value of minimum leases. Plant and equipment acquired under finance leases are depreciated over their useful life or over the lease term, which could be shorter than the useful life. Finance lease contracts are recorded in tangible assets, which are subject to impairment test as described above.

The present value of the finance lease liabilities is recorded as interest-bearing liabilities, which are categorized into current and non-current liabilities. Lease payments are recorded as financing costs and a reduction in debt during the lease period.

The rents of the rental agreements, for which substantially all the risks and benefits remain with the lessor are recognized as an expense on a straight-line basis over the lease period. Such leases mainly include real estate rentals and leasing cars.

ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

Trade receivables are generated from sales of products, software licenses and services. They are classified into loans and other receivables – category, which is measured at acquisition cost. They are included in current assets, except when they mature more than 12 months.

Trade receivables are considered impaired when there is objective evidence that the receivable will not be recovered in full. If the amount of the impairment loss decreases later, the recognized impairment loss is reversed through profit and loss.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash, call deposits with banks and rent deposits. The utilized amount of a credit limit is booked as a short-term loan liability in short-term liabilities.

FINANCIAL LIABILITIES

Financial liabilities are initially recognized at their fair value. Transaction costs are included in the original book value of the financial liabilities. Later, all financial liabilities are discounted with the effective interest method

Financial liabilities are categorized, on the basis of their due dates, into two main categories, long-term and short-term liabilities.

The fair value of the convertible loan has been calculated by using the market interest rate at the time when the loan was issued. The liability component is measured at amortized cost until it is amortized completely by converting the loan into shares or paying back the loan. The remainder of the amount of money, in other words, the equity component net of tax, is recorded to the invested non-restricted equity fund.

FINANCIAL COSTS

Financial costs, which are directly attributable to the acquisition, construction or production of a qualifying asset, are capitalized as part of the cost of the asset when it is probable that they will generate future economic benefits, and the costs can be measured reliably. Financing costs are recognized as an expense in the period in which they are incurred. The Group has no such costs fulfilling the conditions of financing costs at the reporting date.

PENSIONS

Profit Holding Ltd's subsidiaries' statutory pension scheme is handled through pension insurance companies. Pension schemes for foreign subsidiary comply with the relevant regulations and practices in the relevant country where the group applies defined-contribution pension plan and has no obligation to make additional subsequent payments. The related costs are recognized in the income statement in the relevant period.

PROVISIONS

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, the payment obligation is probable and the amount can be reliably estimated. A provision for onerous contracts is recognized when the unavoidable costs of meeting the obligations exceed the benefits received from the contract. A warranty provision is recognized when the product or service subject to the warranty terms and conditions have been sold and the magnitude of potential guarantee costs can be accurately enough to predict.

SHARES, OPTIONS AND OWN SHARES

Dividends are deducted from shareholders' equity when the Annual General Meeting has made the decision of dividend distribution. Purchase of own shares and its related direct purchase costs are recognized as a reduction in shareholders' equity.

INCOME TAXES AND DEFERRED TAXES

Tax expenses in the income statement comprise tax based on taxable income for the period and deferred taxes. Income tax is recognized otherwise in the income statement unless it's recognized directly under equity or under comprehensive profit, in which case the tax impact will be also incorporated in the aforementioned items.

Deferred taxes are calculated on all temporary differences between the book value and taxable value. Investments in subsidiaries do not generate deferred taxes, as the Group is able to control the timing for the reversal of the temporary difference, and the temporary difference is unlikely to be reversed in the foreseeable future. Deferred taxes are recorded in using the statutory tax bases effective by the closing date of the fiscal year. However, a deferred tax liability is not recognized from the initial recognition of goodwill or if it arises from initial recognition of an asset or liability, as it is not a business combination and its transaction has no impact on the accounting profit or on the taxable income.

Tax losses carried forward is recognized as a deferred tax asset, assuming that the company generates in the future taxable income against which the losses can be utilized. Recognition of deferred tax assets is assessed at each reporting date.

ACCOUNTING PRINCIPLES AND MAJOR UNCERTAINTIES AFFECTING MANAGEMENT'S ESTIMATES

The preparation of the financial statements requires management to make estimates and assumptions relating to the future. Actual results may differ from these estimates and assumptions. In addition, management must make judgements in applying the accounting principles and in recognizing revenue of the projects in progress. These estimates are based on management's best knowledge of current events and actions. Possible changes in estimates and assumptions are recognized in the period which the estimate or assumption is adjusted and in all subsequent periods.

The most important estimates included in the financial statements relate to the valuation of assets, trade receivables saleability, deferred tax asset arising from losses, impairment test of goodwill from business combinations, capitalization of product development costs.

DETERMINATION OF FAIRE VALUE OF AN ASSET ACQUIRED IN A BUSINESS COMBINATION

The Group's management believes that the estimates and assumptions used are sufficiently accurate for determining the fair values. In addition, the Group assesses at each balance sheet date whether there are any indications of tangible and intangible assets impairment.

IMPAIRMENT TEST

The Group carries out annually impairment test of goodwill, intangible assets and intangible assets with an indefinite useful life. In accordance with the accounting policies set out above, the Group assesses indications of impairment. The recoverable amounts of cash-generating units are calculated on the basis of value in use. These calculations require estimates.

ADOPTION OF NEW AND AMENDED STANDARDS & INTERPRETATIONS

The same accounting policies have been applied as in the 2016 consolidated financial statements.

The narrow legislative amendment entering into force in year 2017 had no impact on the consolidated financial statements.

In the subsequent years, the following standards will enter into force. Their potential impact on the consolidated financial statement will be evaluated in future periods.

New IFRS 15: Sales of the customer agreements (applicable on or after 1.1.2018 for annual periods beginning): IFRS 15 provides a comprehensive framework to determine whether the sales revenue remitted to how much and when. IFRS 15 replaces the existing guidance on revenue recognition, for example. IAS 18 Revenue, IAS 11 Construction Contracts, and IFRIC 13 Customer Loyalty Programmes. IFRS 15 requires an entity to record sales as a monetary amount that reflects the consideration to which the entity expects to be entitled to the goods or services received. The Group will evaluate the potential impact of the new standards in the coming fiscal year.

The new IFRS 9 Financial Instruments (applicable on or after 1.1.2018 for annual periods beginning): The new standard replaces the current IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 o'clock included in the revised guidelines of financial instruments recognition and measurement. This also includes the new, expected credit losses on the accounting treatment of the model, which applies to the financial assets recognized in the determination of impairment losses. The standard general hedge accounting provisions have also been updated. IAS 39, provisions for financial instruments in the balance sheet recording and de-recognition has been retained. The Group will evaluate the potential impact of the new standards in the coming fiscal year.

Other issued new or amended standards and interpretations, that are not mentioned here, are not assessed to have a significant impact on the Group's consolidated financial statements.

The new IFRS 16 Leases (applicable on or after 1.1.2019 for annual periods beginning): The new standard replaces the current IAS 17 Leases – standards and its interpretations. The new standard changes essentially accounting practices related to Lessees. The division under finance and operating leases is removed. The new standard requires that certain type of facilities shall be considered in future Lessees balance sheet. Lessor's accounting practices remain largely unchanged.

Other unlisted but already published new or amended standards and interpretations are not expected to have any significant impact on the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Revenue

	1.1.-31.12.2017	1.1.-31.12.2016
Custoer support and Maintenance	4 701 001	5 048 982
Project work	11 880 804	5 359 947
Annual Licenses and Maintenance	2 983 349	1 103 817
Other Revenue	1 447 787	234 897
Total Revenue	**21 012 941**	**11 747 643**

2. Other Income

	1.1.-31.12.2017	1.1.-31.12.2016
Grants	31 323	65 791
Other Income	42 641	0
Other Income in Total	**73 964**	**65 791**

3. Personnel and Related Parties

	1.1.-31.12.2017	1.1.-31.12.2016
Salaries	8 627 212	5 163 705
Pension Costs	1 376 383	676 243
Other Personnel Costs	748 442	727 166
Total Personnel Expenses	**10 752 037**	**6 567 114**

Average Number of Employees

Finland	169	65
Sweden	3	0
Estonia	46	47
Total Number of Employees	**218**	**112**

Related Party Transactions

Profit Software Group consists of the parent company and its subsidiary.
Other related party consists of the Board of Directors and the Management.

Salaries and bonuses were paid to the Management team and to the members of the Board as follows:

	1.1.-31.12.2017	1.1.-31.12.2016
Salaries and Other Compensations to the Management	948 968	622 205
Compensations Paid for Board Members	20 000	20 000

No material/service transactions with the members of related parties took place during the fiscal year.
Via Venture Partners II K/S has granted to the parent company convertible loan which is further described in in Note 16.

Major Shareholders:

Owner	Number of Shares	Percentage
Via Venture Partners Fond II K/S	4 017 500	40,60 %
Finnish Industry Investment Ltd	2 998 830	30,30 %
Ilkka Starck	1 026 605	10,37 %
Other Owners	1 853 174	18,73 %
	9 896 109	100,00 %

Sales to Profit Software Ltd	531 096	394 688
Interests payable to Profit Software Ltd	55 000	41 861
Group Contribution from Profit Software Ltd	4 670 000	1 100 000
Long-term Loans payable to Profit Software Ltd	2 000 000	2 000 000

4. Depreciation and Amortizations

Depreciations and Amortizations	1.1.-31.12.2017	1.1.-31.12.2016
Intangible Assets		
Amortization of Activated R&D Costs	50 186	143 652
Amortization of Goodwill	314 000	0
Total Intangible Assets	**364 186**	**143 652**
Tangible Assets		
Machinery and Equipment	46 342	28 141
Finance Lease Amortizations	32 327	0
Total Tangible Assets	**78 669**	**28 141**
Depreciations and Amortizations in Total	**442 854**	**171 792**

5. Other Operating Expenses

	1.1.-31.12.2017	1.1.-31.12.2016
Office Rent	731 393	341 376
IT and Software Costs	523 969	379 180
Optional Personnel Expenses	500 295	136 824
Subcontractors	429 650	143 834
Other Expenses	993 756	479 440
Other Operating Expenses	**3 179 063**	**1 480 654**

Auditors fee

Audit	30 881	28 046
Other services	45 218	16 629
Total	**76 098**	**44 675**

6. R&D Costs

R&D costs totalled EUR 1,7 million in the subsidiary in 2017. Development costs include costs that are directly attributable to preparing the asset for its intended use, i.a. personnel costs.

7. Financing Income and Expenses

	1.1.-31.12.2017	1.1.-31.12.2016
Financing Income		
Interest Expenses on Loans Measured at Amortised Cost	0	0
Other Financing Income and Expenses	15 679	13 598
Financing Income	**15 679**	**13 598**
Financial Expenses		
Interest Expenses on Loans Measured at Amortised Cost	0	0
Other Financial Expenses	-564 536	-532 887
Interest on Finance Lease	0	0
Financial Expenses	**-564 536**	**-532 887**
Financing Income and Expenses Total	**-548 856**	**-519 289**

8. Income Taxes

	1.1.-31.12.2017	1.1.-31.12.2016
Taxes payable for the Fiscal Year	-1 484 912	-546 320
Change in Deferred Tax Assets	62 707	-78 429
Change in Deferred Tax Liabilities	-8 700	19 260
Total	**-1 430 906**	**-605 489**

Change in deferred tax assets has been recorded in the income statement.

Tax Booked Directly in Own Equity

EUR 804669,31 was paid back to the convertible loan issued in financial year 2014. In following the original terms of the loan, EUR 1 057 683 before taxes and EUR 846 146 after taxes of the loan was booked into own equity at issuance of the loan. The repayment made n the financial year 2017 has been divided into own equity and liability in accordance with the proportions of the own equity as follows:

2017

Repayment	804 669
Repayment of Liabilities	676 316
Repayment of Equity	128 353
Equity Before Tax	128 353
Taxes	25 671
Equity after Tax	102 682

Reconciliation of Income Taxes	**1.1.-31.12.2017**	**1.1.-31.12.2016**
Income before Taxes	5 857 472	3 009 140
Taxes Calculated at the Domestic Tax Rate	-1 171 494	-601 828
Foreign Subsidiaries' Taxes	-180 285	81 350
Non-Deductible Expenses	-516	-1 190
Marketing Expenses 50%	-3 259	-1 039
Tax Loss Carry-forward not Accrued Earlier	-78 475	-78 474
Unrecorded Deferred Tax Liabilities		
Other	3 417	-4 305
Reconciliation of Income Taxes	-1 430 612	-605 487
Effective Tax	24,4 %	20,1 %

9. Intangible Assets

2017	Customer Relations	R&D Costs	Goodwill	Total
Acquisition Costs 1.1	0	478 903	20 196 789	20 675 692
Additions	8 074 000	0	7 344 736	15 418 736
Acquisition				
Acquisition Costs 31.12	8 074 000	478 903	27 541 525	36 094 428
Accumulated Amortization and Impairment 1.1	0	-428 718	0	-428 718
Amortization	-314 000	-50 185	0	-364 185
Accumulated Amortization and Impairment 31.12	-314 000	-478 903	0	-792 903
Net Book Value 1.1	**0**	**50 185**	**20 196 789**	**20 246 974**
Net Book Value 31.12	**7 760 000**	**0**	**27 541 525**	**35 301 524**

2016	R&D Costs	Goodwill	Total
Acquisition Costs 1.1	478 903	20 196 789	20 675 692
Acquisition Costs 31.12	478 903	20 196 789	20 675 692
Accumulated Amortization and Impairment 1.1	-285 066	0	-285 066
Amortization	-143 652	0	-143 652
Accumulated Amortization and Impairment 31.12	-428 718	0	-428 718
Net Book Value 1.1	**193 837**	**20 196 789**	**20 390 626**
Net Book Value 31.12	**50 185**	**20 196 789**	**20 246 974**

Goodwill Impairment Test

Goodwill impairment is conducted annually. The company has no intangible assets with an indefinite useful life.

Impairment test is conducted at a cash generating unit level which generates its own cash inflow independent from the other cash generating units. No impairment loss was recognized from the impairment test conducted autum 2016.

In addition to the impairment test, the company assesses on continous basis the indications for the impairment of assets or goodwill. In case such internal or external indications exist, the Company performs impairment test by measuring the recoverable amount of an asset or a cash generating unit.

The recoverable amount of an asset or a cash generating unit is its fair value less costs to sell or its value in use, whichever is higher. The fair value is determined by discounting the future cash flow generated by the asset. The recoverable amount used in the company's impairment test is determined on its value in use.

If the carrying amount of an asset exceeds its recoverable value, an impairment loss is recognized. The impairment loss is recorded in profit or loss. The impairment loss recognized in previous fiscal years from other assets than goodwill can be reversed, if there has been change in the values used in the impairment tests which resulted in an impairment loss.

The key assumptions which the management uses in estimating future cash flow cover the most recent budgets/forecasts. The key assumptions have the most sensitive impact on the recoverable value of the cash generating unit. The key assumptions which affect the forecasts are the profitability and the business volume of the company.

Profit Holding as a whole is the cash-generating unit in the impairment test and its goodwill has been allocated fully on the group level.

Impairment test 2017

The goodwill at the moment of the financial statement 2017 is 27,5 EUR (2016 20,2M EUR). The tested total carrying amount of cash generating unit exceeded the amount of goodwill at the moment of testing.

The key assumptions used in impairment test are following:

The operating profit of the company with the amortization was 6,9 EUR (2016 3,7M EUR) in the accounting period of 2017. Discount rate before taxes used in the testing was 10,4%. The growth rate of the forecast period was 2% which is down the line with the inflation expectations.

Based on the impairment test any somewhat possible change in key assumprions does not cause a situation where units accounting value would exceed recoverable amount of cash.

Impairment test 2016

The goodwill at the monent of the financial statement is 20,2M EUR. The tested total carrying amount of cash generating unit is 25M EUR at the moment of testing.

Key assumptions used in the impairment test are following:

The operating profit of the company with the amortization was 3,7M EUR (2015: 3,5M EUR) in the accounting period 1.1.2016-31.12.2016. Discount rate before taxes used in the testing was 11,79%. The growth rate of the forecast period was 2% which is down teh line with the inflation expectations.

Based on the impairment test any somewhat possible change in key assumtions does not cause a situation where units accounting value would exceed recoverable amount of cash.

10. Tangible Assets

2017	Machinery and Equipment	Machinery and Equipment/Finance Lease	Total
Capital Costs 1.1	84 376	39 464	123 840
Additions	187 289	117 097	304 386
Acquisition			
Capital Costs 31.12	271 665	156 561	428 226
Accumulated Depreciations 1.1	-58 839	-23 853	-82 692
Depreciations	-50 629	-32 327	-82 956
Accumulated Depreciations 31.12	-109 468	-56 180	-165 648
Net Book Value 1.1	**25 537**	**15 611**	**41 148**
Net Book Value 31.12	**162 197**	**100 381**	**262 578**

2016	Machinery and Equipment	Machinery and Equipment/Finance Lease	Total
Capital Costs 1.1	84 376	20 462	104 838
Additions	0	19 002	19 002
Capital Costs 31.12	84 376	39 464	123 840
Accumulated Depreciations 1.1	-38 505	-16 047	-54 551
Depreciations	-20 334	-7 806	-28 141
Accumulated Depreciations 31.12	-58 839	-23 853	-82 691
Net Book Value 1.1	**45 872**	**4 415**	**50 287**
Net Book Value 31.12	**25 537**	**15 611**	**41 149**

11. Acquisitions

Business Acquisitions 2017

Subsidiary acquisition 2017

Group acquired the whole share capital of Evolvit oy on 14.6.2017 and thus gained control. Business activities of Evolvit includes Consulting and Business Intelligence Services. Acquisition complements the range of services and expands the customer base. The purchase price was 14,5 Million Euros and more detail of the purchase price is presented below

Thousand Euro	Returned consideration
Cash	11 530
Paid in shares	2 970
Cost	**14 500**

Million Euros from the amount paid cash is on the escrow account and will be paid later as certain conditions are fulfilled The amount is not discounted because the risk free interest level is negative or close to zero and the effect of discounting is not essential.

Group has booked 0,2 million euros of transaction fee incurred during the acquisition process for valuation and consulting services from the bank. The fees are included in other operational expenses of the consolidated income statement.

The values of acquired assets and liabilities at the acquisition date are as follows.

Thousand Euros	Booked Values
Intangible Assets	8 074
Tangible Assets	97
Accounts receivables	3 328
Other Receivables	374
Cash and Cash Equivalents	293
Total assets	**12 165**
Accounts payables	1431
Deffered Tax Liabilities	1615
Other Liabilities	1964
Total liabilities	**5 010**
Net Assets	**7 155**

Goodwill on Acquisition

Purchase price	14 500
Net assets of the acquired object	-7 155
Goodwill	**7 345**

The acquisition gained 7,3 Million Euros of Goodwill which is based on the synergy benefits expected from the acquisition of Evolvit Oy.

Evolvit's turnover of 6 million euros and net profit of 0,7 milloion euros gained in the seven months' period are included in the consolidated statement of comprehensive income of 2017. 2017 would have resulted a turnover of 26 million euros and profit of of 5,5 million euros if the acquired business would have been included from the beginning of accounting period of 2017.

Business Acquisitions 2016

There were no business acquisitions in 2016.

Deferred Tax Liabilities	199
Accounts Payable	67 908
Advances Received	47 000
Other Liabilities	1 291 911
Total Liabilities	1 407 018
Net Asset	3 108 631
Emergence of Goodwill:	
Acquisition Cost	23 305 420
Net Value of the Acquiree's	3 108 631
Goodwill	20 196 789

The acquisition resulted in goodwill of EUR 20 196 789 on the basis of the expected synergy benefits from the acquistion.
of Profit Software Ltd. The company's management believes that the value of software, the value of its related intangible
intellectual property rights and the value of customer relations are limited without the know-how of the employees.
The acquisition did not differentiate between intangible assets and customer relations acquired.
The recognized goodwill is not deductible for tax purposes.

12. Account Receivable and Other Receivables

	31.12.2017	31.12.2016
Accounts Receivable	4 103 975	1 581 317
Other Receivables	12 590	1 149
Accrued Income	93 021	95 401
Trade Receivables and Other Receivables	**4 209 586**	**1 677 867**

	31.12.2017	31.12.2016
Accounts Receivables Aging	2 305 765	1 143 549
Accounts Receivables Aging Due in 1-30 Da	1 798 210	437 768
Total	**4 103 975**	**1 581 317**

No credit loss has been recorded in the fiscal year 2017. The accounted value of sales and deposits
is an evaluation of their fair value and the book values correspond with the amount that
is the maximum amount of credit risk.

13. Deferred Tax Assets and Liabilities

Deferred Tax Assets	1.1.2017	Booked in earnings	Booked in own equity	uired Business Operations	31.12.2017
Loss Confirmed	0	0	0		0
Other Assets	46	0	-46		0
Deferred Tax Assets	**46**	**0**	**-46**	**0**	**0**

Deferred Tax Assets	1.1.2016	Booked in earnings	Booked in own equity		31.12.206
Loss Confirmed	78 647	-78 647	0		0
Other Assets	51	-5	0		46
Deferred Tax Assets	**78 698**	**-78 652**	**0**	**0**	**46**

Deferred Tax Liabilities	1.1.2017	Booked in earnings	Booked in own equity		31.12.2017
Convertible Loan	144 631	-8 857	-37 234		98 540
Acquisition	0	-63 000		1 615 000	1 552 000
Financial Instruments	15 892	17 557	0		33 449
Other Liabilities	0	0			0
Deferred Tax Liabilities	**160 523**	**-54 300**	**-37 234**	**1 615 000**	**1 683 989**

Deferred Tax Liabilities	1.1.2016	Booked in earnings	Booked in own equity		31.12.2016
Convertible Loan	199 497	9 675	45 191		144 631
Financial Instruments	25 477	9 585	0		15 892
Other Liabilities					0
Deferred Tax Liabilities	**224 975**	**19 260**	**45 191**		**160 523**

14. Cash and Cash Equivalents

	31.12.2017	31.12.2016
Bank Accounts	5 898 377	2 825 651
Rental Deposits	204 656	85 789
Cash and Cash Equivalents	**6 103 033**	**2 911 440**

15. Shareholders' Equity

Restricted Own Equity

	2017	2016
Additions During the Period		
Capital Stock 31.12.	**2 500**	**2 500**
Total Invested Restricted Equity 31.12.	**2 500**	**2 500**
Reserve for Invested Non-Restricted Equity		0
Shares	10 039 042	8 402 891
Convertible Loans	-102 682	665 381
Capital Return from the Invested Non-Restricted Equity Fund	-1 195 331	-2 083 432
Reserve for Invested Non-Restricted Equity 31.12.	**8 741 029**	**6 984 840**
Retained Earnings	4 793 782	2 249 952
Purchase of Own Shares	-140 443	
Profit of the Financial Period	4 426 860	2 403 651
Non-restricted Equity Total	**17 821 228**	**11 638 443**
Total Equity	**17 823 728**	**11 640 943**

The parent company has 9 896 109 shares and one share series. The nominal value of one share is one euro.

The share capital 2 500 euros was paid in connection with the establishment of the company. The increase in the Invested non-restricted equity carried out in financial year 2014 was based the issue of shares completed on 26th September 2014. The proceeds of EUR 8 032 020 from the share subscriptions were recorded in the Invested Non-Restricted equity fund.

It was decided in the board meeting held on the 5th January 2016 that the deferred purchase price of EUR 152 980 owed to Ilkka Starck under the Share Purchase Agreement relating to the shares in Profit Software Oy becomes immediately due and accordingly, that Ilkka Starck had subscribed and paid for 152 980 new shares issued to him pursuant to the shareholder resolution dated 30 September 2014 by setting the entire EUR 152 980 receivable from the company against the subscription of the shares. The option holders of the company had subscribed for a total 217 891 new shares in accordance with the option agreements dated 30 September 2014 by making payments of EUR 1 per share.

The subsidiary Profit Software Ltd has a supply of 1 014 330 own shares on the closing date. The parent company Profit Holding Ltd does not have any own shares.

Option Schemes

The company has two subscription right based option schemes, of which one entitles to subscribe 5 715 000 shares and the other 1 390 250 shares.

The Company took from Via Venture Partners Fond II K/S a convertible loan of EUR 5 715 000 in terms and conditions that the loan is associated with a right to subscribe for shares in the Company by setting off the receivables against the subscription price of the shares. The subscription rights shall be issued gratuitously.
In order to be entitled to receive the subscription rights Via Venture Partners Fond II K/S is required to sign a separate loan agreement. The loan agreement was signed on 30th September 2014.

The other scheme of 1 390 250 options are reserved for the Company's or its subsidiary's key employees, managers or consultants and board members. In year 2014, 973 175 options were granted to the Management Shareholders. The vesting schedule of these options spans four years, and one forth of the granted options shall vest and become exercisable on each anniversary of the agreement date.

The subscription time of the shares begins immediately and ends on 31st of December 2020 at the latest.
The shares are paid at the time of subscription. Management determines all other operations related to share subscription.

The nominal value of one share is one euro in both of the option schemes. The value is based on the current value of the share at the time of the scheme arrangement. The nominal value is recorded in the Invested Non-Restricted Equity Fund in its entirety.

16. Liabilities

Long-Term Interest Bearing Liabilities	**Fair Value**		**Book Value**	
	2017	**2016**	**2017**	**2016**
Loans from Financial Institutions	13 248 455	4 922 905	13 248 455	4 922 905
Convertible Loans	3 547 081	4 023 562	3 547 081	4 023 562
Finance Lease Liabilities	47 922	8 038,14	47 922	8 038
Long-Term Interest Bearing Debts	**16 843 458**	**8 954 505**	**16 843 458**	**8 954 505**
Short-Term Interest Bearing Liabilities				
Finance Lease Liabilities	54 340	7 804	54 340	7 804
Current Portion of Long-Term Debts	4 026 667	1 800 000	4 026 667	1 800 000
Short-Term Interest Bearing Debts	**4 081 007**	**1 807 804**	**4 081 007**	**1 807 804**
Total Interest-Bearing Financial Liabilities	**20 924 465**	**10 762 309**	**20 924 465**	**10 762 309**

	2017	2016
Finance lease liabilities, minimum rent total amount		
During one year	57636	7804,02
Over one year and no more than five years	49 352	8 038
Finance lease liabilities, minimum rent present value		
Over one year	54 340	7 804
Over one year and no more than five years	47921,52	8038
Future financial costs	4 727	0
finance lease liabilities total amount	106 989	15 842

IT equipment is included in the finance lease liabilities. Finance lease contracts last 3-5 years.
The book values of finance lease liabilities are equivalent to their fair values.

In the accounting period fo 2017 the company has renewed financing arrangements with which financing debts raised in previous periods are paid. New financing arrangements contains two bank loans with nominal values fo 6,1 and 12,0 million Euros. With the new bank loans the company has paid back the previous laons and financed company arrangements.

The interest rate of the bank loan is 6 months Euribor plus 1.5% margin. During the year 2017 EUR 1 360 000 of the loan will mature. Repayments and interest are payable semi-annually starting from the 30th March 2017.

The convertible loan has a fixed interest rate of 3.5% p.a. The loan and all accrued interest shall become due and payable in its entirety on the tenth anniversary of its drawndown date. The loan may not be pre-paid in whole or partly without the lender's prior written consent. The withdrawal fees of EUR 200 000 related to the loan have been accrued for the term of the loan using the effective interest rate method.

The bank loan terms include convenants that may affect the future financial expenses. The convenants are tested semi-annually and the next checkpoint is 31st December 2017. The Company has complied with all convenants
Finance lease liabilities include it

		Convertible bond loan	Long-term loan from financial	Finance lease	**Total**
	1.1.2017	**4 023 561,65**	**6 722 905,17**	**15 842,16**	**10 762 308,98**
No effect on cash flow	**Convertible Bond**	328 188,66			328 188,66
	Efektiivisen koron vaikutus		-26 753,86		-26 753,86
	Finance lease new contracts			125 773,39	125 773,39
Effect on cash flow	**Payment of convertible bonds**	-804 669,31			-804 669,31
	Raise of loans		17 920 000,00		17 920 000,00
	Repayment of credits		-7 341 029,31		-7 341 029,31
	Finance lease loans paid			-39 354,00	-39 354,00
	31.12.2017	**3 547 081,00**	**17 275 122,00**	**102 261,55**	**20 924 464,55**

17. Non-Interest bearing liabilities

Short-term amortized non-interest bearings valued to acquisition cost

	31.12.2017	31.12.2016
Accounts Payable	340 383	75 170
Accured Liabilities	3 507 209	1 627 474
Outstanding Interest	22 920	25 642
Other Liabilities	1 574 026	585 888
Total	**5 444 539**	**2 314 174**

18. Other Rental Agreements/Continget Liabilities

Minimum Rents Payable based on Other Non-Cancellable Leases:

	31.12.2017	31.12.2016
During one year	726 157	303 229
Over one year and no more than 5 years	342 897	314 001
Over five years	0	0
Total	**1 069 054**	**617 230**

The group has rented all of its office space in use. Rent agreements are continuing with a 3-6 month notice. The group also has lease cars. The regular term of operating lease contracts is 3 years. Employee housing has one month notice period.

SECURITIES AND CONTINGENT LIABILITIES
(Summat sis. ALV)

1. Type	Rahoittaja	Due 2018 leasing payments leasing-maksut	After 2019	2017 liability 2017	2016 Liability
Car lease	Leasing company	69 935	131 569	38 155	58 336
IT-leasing	Atea ja Nordea Finance	96 222	69 333	0	0
Copy machine leasing	Toshibakeskus	0	0	2 937	5 875
Camera Rent	Ikano Bank	14 642	9 636	10 252	8 661
Leasing-vastuut 31.12.2017		**180 800**	**210 538**	**51 344**	**72 872**

Contingent liabilities	2017	2016
Business Mortgage (Profit Software Ltd and Evolvit Ltd)	32000000	2 385 000

Company mortgages have been given as guarantees for bank loans in 2017 (EUR 32 000 000).

19. Shares Owned by the Group

Group Companies	Home City	Home Country	Shareholding	Percentage of Voting Rights
Profit Holding Oy	Helsinki	Suomi	Emoyhtiö	
Profit Software Oy	Helsinki	Suomi	100 %	100 %
Profit Software Oü	Tallinna	Viro	100 %	100 %
Evolvit Oy	Espoo	Suomi	100 %	100 %
Profit Software AB	Tukholma	Ruotsi	100 %	100 %

Profit Software Oy is owned by Profit Holding Oy. (100%)
Profit Software OÜ is owned by Profit Software Oy. (100%)
Profit Software AB was founded during the accounting period

20. Financial Risk Management

The external financing and finance risks of Profit Software are focused on the financial management of the group parent company which is responsibe for liquidity, adequacy of funding and financial risk management for the group.

The main financial risks are interest rate risk, credit risk and liquidity risk. The risk management group of the company aims to minimize negative effects caused by changes in financial markets that may affect the group result. The Board of Directors accepts the general principles of the risk management, and the finance management is responsible for their practical implementations along with business groups.

On closing date 31st of December 2017, the group did not hold hedging instruments, thus the group does not apply hedge accounting.

Interest Rate Risk

The Group is not significantly but somewhat exposed to interest rate risks mainly due to the floating rated bank loan. The Group's convertible loan has a fixed interest rate.

The bank loan of EUR 6.8 million lent by OP is charged with a floating rate of six month Euribor plus 1.5% margin. The margin may also change based on the compliance of the convenant terms. The financial impact caused by the fluctuations in the market may be considerable. One percentage increase in interest rate weakens the company's result by EUR 0.1 million. Management believes that the Group is not significantly exposed to interest rate risks.

Credit Risk

The clients of the group are well-known and solvent domestic and foreign insurance companies, therefore the group has no significant credit risks. Credit risks related to commercial activities are primarily the responsibility of business units. The group has no significant receivable credit concentrations. Financial management supervises that terms and follow the given principles of financial politics.

Liquidity Risk

The group aims to constantly estimate and follow the amount of funding required by the business so that there would be enough liquids to finance the operation and to repay maturing loans. Maturity analysis based on contracts of discounted equities and interest payments in financial statement 2017 and 2016 are presented in the following table.

The following table demonstrates th maturity analysis based on the contracts of discounted equities an interest payments in financial statement 2017 and 2016

	Balance Sheet Value	31.12.2017 Cash flows	Under 1 Year	1-2 years	2-5 years	Over 5 years
Loans from financing institution	17 275 122	18 267 434	4 352 817	4 271 165	9 643 452	0
Convertible bonds	3 547 081	8 061 572	0	0	0	8 061 572
Finance lease liabilities	102 262	106 987	57 636	37 705	11 646	
Accounts payables	340 383	340 383	340 383	0	0	
Total	**21 264 848**	**26 776 376**	4 750 836	4 308 870	9 655 098	8 061 572

	Balance Sheet Value	31.12.2016 Cahs flows	Under 1 year	1-2 years	2-5 years	Over 5 years
Loans from financing institution	19 716 814	7 080 500	1 456 900	1 436 500	4 187 100	
Convertible bonds	4 023 562	6 161 039	0	0	0	0
Finance lease liabilities	15 842	15 844	7 806	8 038	0	
Accounts payables	82 974	82 974	82 974	0	0	
Total	**23 839 191**	**13 340 357**	1 547 680	1 444 538	4 187 100	0

Currency Risk

The most significant currency risk is related to the Swedish krona. The Group is exposed to currency fluctuations causing transaction risks. The Group has traded kronas into euros when the krona has been strong.

21. Capital Management

The aim of capital management is to ensure going concern by using the optimal capital structure and is to ensure the increase of shareholders' value. The optimal structure is supported by decisions related to distribution of dividend and issue of shares.

Pin numbers that describe the optimal capital structure are solvency ratio and net gearing.
At the end of 2017, the interest bearing net debts of the group were EUR 20 905 683 EUR (31.12.2016: EUR 13 263 804).
When calculating the net gearing, the interest bearing debt is divided with the amount of own equity.
Net debts are interest bearing debts with reduced cash and cash equivalents.

	2017	**2016**
Interest Bearing Liabilities	20 924 465	10 762 309
Cash and Cash Equivalents	5 898 377	2 825 651
Net Interest Bearing Liabilities	15 026 088	7 936 658
Total Equity	17 823 728	11 640 943
Net Gearing %	84 %	68 %

22. Earnings per Share

Undiluted earnings per share is calculated by diving the parent company's attributable profit by the weighted average number of shares during the financial year.

	2017	**2016**
Profit of the Financial Year	4 426 860	2 403 651
Weighted Average Number of Shares During the Period	9 896 109	8 405 391
Undiluted Earnings per Share	0,45	0,29

While calculating earnings per share with diluted number of shares, the weighted average takes into account all the dilutive effect of dilutive potential common shares. The Group's dilutive potential ordinary shares arise from convertible loans.

The convertible loan's dilutive effect has been calculated on assumption that the exchange of convertible loans to shares takes place at the time of their issuance.

The interest expenses adjusted by tax impact is added to the earnings of the financial year.

	2017	**2016**
Profit of the financial year	4 426 860	2 403 651
Interest of the convertible loan (adjusted by tax impact)	145 177	170 417
Diluted profit of the financial year	4 572 037	2 574 069
Weighted average number of shares during the period	9 896 109	8 405 391
Convertible loans changed to shares	4 076 057	4 298 432
Diluted number of shares	13 972 166	12 703 823
Diluted earnings per share	0,33	0,20

PARENT COMPANY STATEMENT OF INCOME (FAS)

Parent Company Statement of Income (FAS)

	Notes	01.01.-31.12.2017	1.01.-31.12.2016
REVENUE	1	**428 304**	**318 297**
Other Income	2	0	0
Materials and Services			
External Services		-6	15
Materials and Services in Total		**-6**	**15**
Personnel Expenses			
Salaries and Bonuses		-238 187	-231 592
Pension Costs		-48 468	-37 376
Other Personnel Expenses		-6 794	-5 930
Personnel Expenses in Total	3	**-293 449**	**-274 898**
Depreciations, Amortizations and Impairments			
Depreciations and Amortizations		0	0
Impairments		0	0
Total Depreciations, Amortizations and Impairmen	4	**0**	**0**
Other Operating Expenses	5,6	**-149 533**	**-66 634**
OPERATING INCOME		**-14 685**	**-23 221**
Financing Income and Costs			
Earnings from Group Companies		2 000 000	0
Earnings from Other Investments			
Interest and Financing Income		201	3
Interest Costs and Other Financing Costs		-621 420	-455 338
Total Financing Income and Costs	7	**1 378 781**	**-455 336**
NET INCOME BEFORE EXTRAORDINARY ITEMS		1 364 097	-478 556
Extraordinary Items			
Received (Given) Grants from Group Companies		**4 670 000**	**1 100 000**
NET INCOME BEFORE TAX		**6 034 097**	**621 444**
Income Taxes	8	**-733 806**	**-127 169**
NET INCOME		**5 300 290**	**494 275**

Parent Company Balance Sheet (FAS)

ASSETS	Notes	31.12.2017	31.12.2016
FIXED ASSETS			
Intangible Assets			
Total Intangible Assets	9	**0**	**0**
Tangible Assets			
Total Tangible Assets	10	**0**	**0**
Investments			
Shares in Group Companies	11	38 048 620	23 469 600
Total Investments		**38 048 620**	**23 469 600**
FIXED ASSETS IN TOTAL		**38 048 620**	**23 469 600**
CURRENT ASSETS			
Short-Term Receivables			
Accounts Receivables	12	0	0
Receivables from Group Companies	12	3 284 450	183 076
Other Receivables	12	12 019	495
Accrued Receivables	12	286	1 717
Total Short-Term Receivables		**3 296 755**	**185 287**
Cash and Cash Equivalents	14	**67 866**	**60 527**
CURRENT ASSETS IN TOTAL		**3 364 621**	**245 814**
ASSETS		**41 413 241**	**23 715 414**

LIABILITIES AND EQUITY	Notes	31.12.2017	31.12.2016
OWN EQUITY			
Share Capital		2 500	2 500
Reserve for Invested Non-Restricted Equity		8 178 331	6 319 459
Retained Earnings		3 435 015	3 093 720
Profit of the Period		5 300 290	494 275
OWN EQUITY IN TOTAL	15	**16 916 136**	**9 909 954**
LIABILITIES			
Long-Term			
Convertible Loans		4 076 057	4 735 549
Loans from Financial Institutions		13 413 333	5 440 000
Loans from Group companies		2 000 000	2 000 000
Total Long-Term		**19 489 390**	**12 175 549**
Short-Term			
Loans from Financial Institutions		4 026 667	1 360 000
Advances Received		0	0
Accounts Payable		7 786	5 509
Loan from Group Companies		27 500	28 111
Other Liabilities		61 831	44 050
Accrued Liabilities		62 436	59 376
Deferred Tax Liabilities		821 497	132 865
Short-Term Liabilities		**5 007 716**	**1 629 911**
TOTAL LIABILITIES	16	**24 497 106**	**13 805 460**
TOTAL LIABILITIES AND EQUITY		**41 413 241**	**23 715 414**

Parent Company Cash Flow Statement (FAS)

	01.01.-31.12.2017	01.01.-31.12.2016
Cash Flow from Operating Activities:		
Net Income Before Taxes	5 300 290	494 275
Deferred Taxes	821 497	132 865
Depreciations	0	0
Financing Income and Costs	**621 219**	455 336
NET CASH FROM OPERATING ACTIVITIES	**6 743 006**	**1 082 475**
Change in Long-Term Liabilities	145 177	386 327
Changes in Working Capital:		
Changes in Accounts Receivable	-3 111 468	4 161 573
Changes in Accounts Payable	22 506	-257 986
Interest Paid	-621 420	-455 338
Interests Received	201	3
Paid Taxes	-132 865	-5 696
Change in Accruals		
CASH FLOW FROM OPERATING ACTIVITIES	**3 045 137**	**4 911 357**
Cash Flow from Investing Activities:		
Investments in Fixed Assets	0	0
Purchase of Subsidiaries' Shares	-11 762 000	0
CASH FLOW FROM INVESTING ACTIVITIES	**-11 762 000**	**0**
Cash Flow before Financing	**-8 716 863**	**4 911 357**
Cash Flow from Financial Activities		
Loan Withdrawal	12 000 000	6 800 000
Loan Repayment	-1 360 000	-8 400 000
Paid Capital Refunds	-2 000 000	-3 500 000
Payments from Issue of Shares	84 202	217 891
Sale of Own Shares		0
Purchase of Own Shares		0
CASH FLOW FROM FINANCING	**8 724 202**	**-4 882 109**
NET CASH FLOW FROM FINANCING	**7 339**	**29 248**
Changes in Cash and Cash Equivalents		
Cash and Cash Equivalents at the Beginning of the Period	60 527	31 279
Cash and Cash Equivalents at the End of the Period	67 866	60 527
CHANGES IN CASH AND CASH EQUIVALENTS	**7 339**	**29 248**

Notes to the Parent Company's Financial Statements

ACCOUNTING PRINCIPLES

The financial statements of Profit Holding Ltd and Profit Holding Group for the period 01.01.2017 - 31.12.2017 are prepared in accordance with the Finnish Accounting Acts. Profit Holding Ltd (originally Shelco 51 Ltd, change registered on 6th November 2014) acquired Profit Software Ltd's shares on 30th September 2014 whereby Profit Holding Ltd Group was formed.

The financial statements of Profit Holding Group are prepared by the purchase method. The excess of purchase price over the acquiree's share equity value is allocated partially to fixed assets and shown as goodwill.

All internal transactions, internal profits, profit distributions and mutual shareholdings of Group companies are eliminated as part of the consolidation process.

Profit Holding Group develops and delivers software and system solutions for the financial sector, particularly for the insurance business.

The parent company Profit Holding Ltd is a Finnish private limited company domiciled in Espoo Finland. Its registered address is Bertel Jungin Aukio 7B, 02600 Espoo.

Copies of the Annual Report 2017 are available at Bertel Jungin Aukio 7B, 02600 Espoo.

FINANCIAL LIABILITIES

Financial liabilities related transaction costs are recognized as an expense.

LEASING

The leasing payments in the financial statements are recognized as an expense in accordance with the Finnish Accounting Standards.

INCOME TAXES

The taxes are recorded in accordance with the applicable Finnish law.

Tax losses carried forward have been recognized as deferred tax asset with extreme caution.

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

1. Revenue

	1.1.-31.12.2017	1.1.-31.12.2016
Other Revenue	428 304	318 297
Total Revenue	**428 304**	**318 297**

2. Other Operating Income

	1.1.-31.12.2017	1.1.-31.12.2016
Other Income	0	0
Grants	0	0
Total of Other Operating Income	0	0

3. Personnel Expenses

	1.1.-31.12.2017	1.1.-31.12.2016
Salaries	-238 187	-231 592
Pension Costs	-48 468	-37 376
Other Personnel Expenses	-6 794	-5 930
Total Personnel Expenses	**-293 449**	**-274 898**

The Group's average number of employees during the financial year

Finland	169	65
Estonia	46	47
Total Personnel	**215**	**98**

Related Party Transactions

Profit Holding Group's related parties include the parent company and its subsidiaries.
The Group's related parties include members of the Board of Directors and the management.

There has been no transaction of goods and services with the related parties during the fiscal year.

	1.1.-31.12.2017	1.1.-31.12.2016
Receivables from Profit Software Oy per 31.12	3 284 450	183 076
Payables to Profit Software Oy per 31.12	-2 027 500	-2 028 111

4. Depreciation, Amortization and Impairments

Profit Holding Oy has no depreciable tangible assets on its balance sheet.

5. Other Operating Expenses

	1.1.-31.12.2017	1.1.-31.12.2016
Rent Costs		0
IT hardware and software expenses	16 980	6 958
Other Personnel costs	817	492
External Services	102 522	17 523
Other Expenses	29 215	41 661
Total Other Operating Expenses	**149 533**	**66 634**

6. R&D Costs

There were no R&D costs for Profit Holding Ltd. In 2017.

7. Financial Income and Expenses	**1.1.-31.12.2017**	**1.1.-31.12.2016**
Income from ownership in Group Companies	2 000 000	0
Other Interest and financial Income	201	3
Interest and other financial expenses to Group Compani	-55 000	-41 861
Interest and other financial expenses to others	-566 420	-413 477
Financial Income and Expenses	**1 378 781**	**2 956 227**

8. Income Tax

	1.1.-31.12.2017	1.1.-31.12.2016
Taxes for the Current and Previous Periods	-733 806	-127 169
Total Income Tax	**-733 806**	**-127 169**

Changes in deferred tax assets have been recognized in the consolidated income statement.

9. Intangible Assets 2017

The parent company has not been in possession of intangible assets during the period 1.1.2017-31.12.2017.

10. Tangible Assets 2017

The parent company has not been in possession of tangible assets during the period of 1.1.2017-31.12.2017.

11. Investments

	31.12.2017	**31.12.2016**
Shares in Group Companies		
Initial Balance	23 316 620	23 316 620
Additions	14 732 000	152 980
Net Book Value 31.12.2015	**38 048 620**	**23 469 600**

12. Short-Term Accounts Receivable and Other Receivables

	31.12.2017	**31.12.2016**
Accounts Receivable	0	0
Receivables from Group Companies	3 284 450	183 076
Other Receivables	12 019	495
Accrued Receivables	286	1 717
Total Trade Receivables and Other Receivables	**3 296 755**	**185 287**

The company has not recognized deferred tax assets of EUR 364 743.89 carried forward from previous years' losses.

14. Cash and Cash Equivalents

	31.12.2017	**31.12.2016**
Bank Accounts	67 866	60 527
Rent Deposits	0	0
Cash and Cash Equivalents	**67 866**	**60 527**

15. Own Equity

Restricted Own Equity

	2017	2016
Initial Balance	**2500**	**2500**
Additions	0	0
Share Capital 31.12.	**2 500**	**2 500**
Total Restricted Own Equity 31.12.	**2 500**	**2 500**

Non-Restricted Equity

Invested Non-restricted Equity Fund		
Initial Balance	6 319 459	8 032 020
Issue of Shares	3 054 202	217 891
Return of Capital	-1 195 331	-2 083 432
Escrow Shares	0	152 980
Invested Non-restricted Equity Fund 31.12.	**8 178 331**	**6 319 459**
Retained Earnings	3 435 015	3 095 463
Tax Paid on Purchase of Own Shares	0	-1 743
Profit of the Financial Period	5 300 290	494 275
Invested Non-restricted Equity Fund 31.12.	**16 913 636**	**9 907 454**
Total Equity	**16 916 136**	**9 909 954**

The parent company has 9 896 109 shares and one share series. The nominal value of one share is one euro. The share capital 2 500 euros was paid in connection with the establishment of the company. The increase in the invested non-restricted equity carried out in financial year 2017 was based on the issue of shares completed on 14th June 2017 (2 970 000e) and the share subscription on 30th September 2014 done based on option agreement determined on 20th February 2017 (84 202e). Payments worth 3 054 202 EUR received during the year are registered to the non-restricted Equity fund.

The company has two subscription right based option schemes, of which one entitles to subscribe 5 715 000 shares and the other 1 390 250 shares.

The subsidiary Profit Software Ltd had a supply of 1 014 330 own shares on the closing date.

16. Liabilities

	31.12.2017	31.12.2016
Long-Term Liabilities		
Convertible Loans	4 076 057	4 735 549
Loans from Financial Institutions	13 413 333	5 440 000
Liailities to Group Companies	2 000 000	2 000 000
Total Long-Term Liabilities	**19 489 390**	**12 175 549**

Short-Term Liabilities

	31.12.2017	31.12.2016
Loans from Financial Institutions	**4 026 667**	**1 360 000**
Accounts Payable	**7 786**	**5 509**
Liabilities to Group Companies	**27 500**	**28 111**
Other Liabilities	**61 831**	**44 050**
Accrued Liabilities		
Vacation Pay Accrual	37 096	36 367
Interest Payable	22 920	25 642
Other Accrued Liabilities	2 420	-2 632
Accrued Liabilities	**62 436**	**59 376**
Deferred Tax Liabilities	821 497	132 865
Total Short-Term Liabilities	**5 007 716**	**1 629 911**

Long-term liabilities consist of the bank loan and the convertible loan taken on the 30th September 2016. The carrying amount of the convertible loan consists of the loan principal of EUR 3 493 762,19 and the capitalized interest of EUR 602 943,17. Long-term liabilities also include long-term liabilities to Profit Software Ltd.

The interest rate of the bank loan is 6 months Euribor plus 1.5% margin. During the year 2017 EUR 1 360 000 + 4 666 666,66 will mature. Repayments and interest are payable semi-annually.
The bank loan terms include covenants that may affect the future financial expenses. The convenants are tested semi-annually and the next checkpoint is 31st of May 2017. The Company has complied with all covenants of the bank loan during the period of 2017.

The convertible loan has a fixed interest rate of 3.5% p.a.. The interest shall be compounded annually and accrued interest with the same fixed interest rate as the loan. The loan and all accrued interest shall become due and payable in its entirely on the tenth anniversary of its drawdown date. The loan may not be pre-paid in whole or partly without the lender's prior written consent.

NOTES TO THE PARENT COMPANY’S FINANCIAL STATEMENTS

NOTES ON PERSONNEL

Parent Company Profit Holding Ltd.'s Staff During the Financial Ye	1.1.2016-31.12.207	1.1.2015-31.12.206
Headcount	1	1
Board of Directors	2	2
	3	3

HOLDINGS IN OTHER COMPANIES

Profit Holding Ltd's subsidiary Profit Software Ltd. Finland located in Helsinki
Address: Bertel Jungin Aukio 7 B, 02660 Espoo
Profit Holding Ltd. Owns 100% of Profit Software Ltd. Finland.
Profit Holding Ltd's subsidiary Evolvit Oy is located in Helsinki.
Address: Bertel Jungin Aukio 7 B, 02660 Espoo
Profit Holding Ltd. Owns 100% of Evolvit Oy.
Profit Software Ltd. Finland's subsidiary Profit Softwaren Ltd. Estonia located in Tallinn
Address: Pärnu mnt 127b, 11314 Tallinn, Estonia.
Profit Software Ltd. Finland owns 100% of Profit Software Ltd. Estonia.
Profit Holding Ltd's subsidiary Profit Software AB is located in Stockholm
Address: c/o True Value Redovisning AB, Platensgatan 20, 59135 Motala, Sweden
Profit software Ltd. Owns 100% of Profit Software AB.

Group Companies	Location		Shareholdings	Percentage of Voting Rights
Profit Holding Ltd.	Helsinki	Finland	Parent Company	100 %
Evolvit Oy	Helsinki	Finland	100 %	100 %
Profit Software Ltd.	Helsinki	Finland	ubgroup Parent Compan	100 %
Profit Software OÜ	Tallinna	Estonia	100 %	100 %
Profit Software AB	Stockholm	Sweden	100 %	100 %

Parent Company's Shares in Subsidiary

Name	Nom. Value	Amount	Book Value	Shareholding
Profit Software Oy		76 274 333	23 316 620	100/100
Evolvit Oy		2 128	14 732 000	100/100

CALCULATION OF DISTRIBUTABLE FUNDS OF THE PARENT

Reserve for Invested Non-Restricted Equity	8 178 330,72	6319459,42
Retained Earnings/Loss	3 435 014,56	3095462,91
Purchase of Own Shares	0,00	-1742,98
Net Income of the Period	5 300 290,29	494274,63
Total Distributable Funds	**16 913 635,57**	**9 907 453,98**

LIST OF ACCOUNT BOOKS USED

Procountor accounting software has been used for the accounting of the company.

	Document Numbers	
Annual Report		in paper
Accounting Journal and General Ledger		in electronic format
Purchase Invoices	10001 Accounts Payable	in electronic format
Sales Invoices	20001 Accounts Receivable	in electronic format
Bank Receipts	30001 Nordea	in electronic format
Bank Receipts	40001 Sampo	in electronic format
Bank Receipts	50001 Nordea EEK	in electronic format
Wage Receipts		in electronic format
Ledger Entries	90001 Memo	in electronic format

Signatures for the Financial Statements

SIGNATURES OF THE BOARD OF DIRECTORS

Helsinki .   2018

Kramarz Benjamin Chairman of the Board	**Ilkka Lohi** Member of the Board
Björn Norrbom Member of the Board	**Ilkka Starck** Chief Executive Officer

Auditor's Signature

A report of completed inspection has been given today.

Helsinki . 2018

KPMG OY AB

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Mauri Eskelinen, KHT

Auditor’s Report