

Fondia continues its growth, internationalisation and profitability

January to June 2018 in brief (comparison period January to June 2017 results in brackets, unless noted otherwise, Jansson&Norin reported as a part of Fondia as from 1.2.2018)

- Net sales increased by 21.0% to €10.70 million (8.84). The acquisition in Sweden is estimated to equal to approximately 8 percent of the increase in the net sales.
- Operating profit (EBIT) increased by 41.2% to €1.62 million (1.15). Operating margin was 15.1% (13.0).
- Comparable operating profit increased by 16.2% to €1.62 million (1.39). Comparable operating profit margin was 15.1%. The comparability was affected by the expenses affecting the result of financial year 2017 associated with the First North listing.
- Profit for the period increased by 102.7% to €1.26 million (0.62).
- Comparable profit for the period increased by 16.2% to €1.26 million (1.09).
- Recurring monthly invoicing accounted for 44% of net sales (43; excluding business acquisition).
- In January, Fondia acquired all shares of Swedish law firm Jansson & Norin Ltd. The integration of Swedish business operations is proceeding as planned.

Key figures

Fondia Plc Group	1-6/2018	1-6/2017	Change, %	2017
Net sales, 1000 euros	10,696	8,840	21.0	17,462
Operating profit (EBIT), 1000 euros	1,617	1,145	41.2	2,295
% of net sales	15.1	13.0		13.1
Comparable operating profit (EBIT)*	1,617	1,392	16.2	2,542
% of net sales*	15.1	15.7		14.6
Profit for the period, 1000 euros	1,261	622	102.7	1,494
% of net sales	11.8	7.0		8.6
Comparable profit for the period*	1,261	1,085	16.2	1,957
% of net sales*	11.8	12.3		11.2
Net gearing %	-89.6	-98.7		-109.1
Equity ratio %	57.8	63.5		63.8
Earnings (ROE) %	18.9	14.4		41.1
Number of personnel, average	138	115		118
Balance sheet total, 1000 euros	11,720	9,029		10,345

Net earnings per share, euros	0.32	0.17	0.39
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* Comparable profit for the period was affected by expenses associated with the First North listing in the financial year 2017, which totalled €570 thousand. Of the non-recurring listing expenses, €324 thousand was attributed to financial expenses and €247 thousand to personnel and other expenses.

CEO Salla Vainio: “Fondia showed excellent development in the first half of 2018”

“Fondia had a fast-paced first half of 2018. We made significant progress in our internationalisation efforts with our first acquisition in Sweden. We also further developed the capabilities of our digital service platform, MyFondia, which allows us to better help our customers anticipate the impact of regulatory reform on their business. We managed to increase our net sales by 21% compared to the first half of last year, while our operating profit margin exceeded the medium term target a record level of 15%.

Fondia Sweden’s positive business performance during the first half of the year was a welcome result. We have seen LDaaS demand grow in the Swedish market and we are now better able to respond to this demand, having strengthened our position in Sweden at the beginning of the year by acquiring the Swedish law firm Jansson & Norin Ltd. We have focused on the integration of this acquisition during this financial period, which has progressed well. The similarity of our business cultures has helped us during the integration process: we both invest heavily in employee satisfaction, our values and new types of customer-focused service models.

A key cornerstone of Fondia’s strategy is our continuous service business model, whereby the legal department covering the daily business law needs of a client company can be produced for companies as a Legal Department as a Service (LDaaS) service. Continuous monthly invoicing accounted for 44% (43%) of our net sales in the first half of 2018. We are also constantly developing our digital working environment, MyFondia, which enables our customers’ and our lawyers’ co-operation regardless time or place communicate and makes Fondia’s services easily approachable in a timely manner. Furthermore, we gained new employees both with the acquisition in Sweden and active recruitment. We will continue to focus on recruitment that supports our growth and on the development of know-how that benefits our customers’ business.

The legal services market

Fondia operates in the legal services market, which is comprised of two parts: lawyers who are employed by companies, and law firms and other legal service providers. The market for law firms and legal service providers grew in 2016 to approximately €846 million (approx. €830 million in 2015).

Some of the key growth drivers for the legal services market are inter alia:

- Increasing amount of international agreements, and in particular EU regulation
- The growing need for legal advice of SMEs that operate without their own lawyer or with limited legal resources
- The opportunity offered by the outsourcing trend to provide customers with a legal department as a service
- Increasing digitalisation across all industries, which generates new demands for legislation and the application of laws (e.g., information or privacy issues)

In addition to market growth, more and more companies that purchase legal services are scrutinising the services they receive and striving to find new ways and models to meet their legal needs.

People purchasing legal services increasingly require the following from companies and their experts:

- Broad business expertise that extends beyond law as well as multifaceted approaches and solutions
- Knowledge of digitalisation and new technologies as well as their utilisation in the production of legal services
- Proactive counselling, especially in identifying and responding to growing statutory obligations
- Transparent, value-based pricing that is based on the content and added value of work rather than on an hourly rate

Fondia's strategy

Key benefits of an in-house lawyer or legal department are their extensive knowledge of a company's business and the ability to lead and anticipate legal matters to effectively support business. On the other hand, external service providers, especially the largest law firms, possess a full range of expertise in various areas of law. Fondia's strategy is to provide customer benefits by combining the benefits of an internal legal department and outsourced legal services into a service concept loved by customers.

A key cornerstone of Fondia's strategy is the continuous service business model, whereby the legal department covering the daily business law needs of a client company can be produced as a service to companies. Alongside the LDaaS service, individual assignment and project services (such as mergers and acquisitions) are offered to both LDaaS and non-LDaaS customers, enabling customers to acquire all business law services efficiently from one service provider.

Fondia's strategy is also supported by the MyFondia platform, which is a digital working environment developed by Fondia intended for internal collaborative working as well as cooperation and communication between Fondia's lawyers and their customers. MyFondia was launched for customer use at the turn of the year 2016/2017 and is constantly being developed further.

MyFondia aims to allow customers to view the full-service package, monitor completed and on-going assignments and projects, communicate easily with the expert team, approve actions and outputs, and manage the use of resources through a dynamic legal service plan.

Fondia aims to be the best workplace in the business law industry.

Medium-term financial objectives

Fondia's medium-term goals are annual average revenue growth of approximately 15% and average operating profit margin of approximately 15%. In accordance with the profit distribution policy, the company's objective is to distribute at least two thirds (2/3) of its earnings per share as dividends to shareholders. Profit distribution will take into consideration Fondia's profit development and prospects as well as future investment needs.

Financial growth

The Group's net sales for the financial period were €10,696 thousand (8,840). Net sales increased by 21.0% from the comparison period. The Swedish acquisition is estimated to account for approximately 8% of the growth in net sales. In total, Swedish operations accounted for approximately 15% of total net sales. An increase in the number and volume of customers was the biggest contributing factor to the growth in net sales.

The Group's operating profit for the first half of the year was €1,617 thousand (1,145). The Swedish acquisition did not have a significant impact on operating profit. Operating profit increased by 41.2% from the comparison period when operating profit was affected by the non-recurring personnel and other expenses associated with the First North listing, which totalled €247 thousand. Without these non-recurring expenses, operating profit for the comparison period would have been €1,392 thousand.

The Group's operating profit margin was 15.1% (15.7%). Profitability is at a good level in accordance with the target and no significant changes has occurred in the cost structure or the efficiency.

Profit for the period was €1,261 thousand (622). Profit for the comparison period was affected by expenses associated with the First North listing, which totalled €570 thousand. Of the non-recurring listing expenses, €324 thousand was attributed to financial expenses and €247 thousand to personnel and other expenses. Without these non-recurring expenses, profit for the comparison period would have been €1,085 thousand.

During the early 2018 the recurring monthly revenue accounted for 44% (43) of the net sales. The net sales of customers with recurring billing was 74% (75).

Instalments affecting comparability

1000 euros	1-6/2018	1-6/2017	2017
Comparable profit for the period	1 261	1 085	1 957
Finance expenses associated with the listing		-324	-324
Personnel and other expenses associated with the listing		-247	-247
Taxes		108	108

Profit for the period	1 261	622	1 494
Comparable operating profit (EBIT)	1 617	1392	2 542
Personnel and other expenses associated with the listing		-247	-247
Operating profit (EBIT)	1 617	1 145	2 295

At the end of the financial period, the consolidated balance sheet total was €11,720 (9,029).

Correction: In the Financial Statement release 1.1. -31.12.2017 the average number of shares for the year 2017 was reported to be 3 710 613 shares (this is the number of shares during 1.1.2017-30.6.2017), the correct number is 3 808 372 shares. Profit per share is 0.39 euros instead of the reported profit of 0.38 euros due to a rounding difference.

Acquisitions

Fondia strengthened its position in Sweden at the beginning of the year by acquiring all shares of the law firm Jansson & Norin Ltd (J&N). The acquisition is based on Fondia Plc's growth and internationalisation strategy. In 2017, J&N's net sales totalled €1.4 million, and they employed 21 people. J&N has been reported as part of Fondia since 1 February 2018.

The purchase price was approximately €1.6 million, of which approximately €1.3 million was paid in cash and the remainder in the shares of Fondia Plc. The shares are subject to a transfer restriction, which applies to 50% of the shares until 31 July 2018 and to the remaining shares until 31 January 2019.

An additional purchase price of up to €0.7 million, which is tied to the development of net sales in Sweden over the next two years, was linked to the terms of the transaction. The amount will be paid in both shares and cash and across several instalments after the financial statements for the years 2018 and 2019 have been completed. The company records amortisation affecting its result, which is approximately €19,900 a month.

Personnel, management and administration

Fondia continues to invest in its unique business culture and values. As a result, the company is able to attract experienced business law and industry experts. At the end of the financial period, the Group employed 150 people, of whom 104 were lawyers (126 employees at the end of 2017). The company's personnel increased by 20 people as of 1 February 2018 with the acquisition of J&N. We have also been actively recruiting in Sweden following the acquisition.

Fondia Group's management team consists of CEO Salla Vainio; Team Leaders Erkki Hyvärinen, Pirjo Valtanen, Petri Ruisaho, Timo Tuuli, Bradley Mitchell, and Susanne Mattsson; CFO Kirsi Untala; Talent Director Wilma Laukkanen; and Managing Director of Fondia Sweden Niclas Gottlieb.

The Board of Directors (“The Board”) consists of Chairman of the Board Juha Sarsama, Vice Chairman Tuomo Lähdesmäki, and members Johan Hammarén, Joséphine Mickwitz and Laura Saulo.

Shares and shareholders

Shares issued and share capital

At the end of the financial period, there were a total of 3,930,035 Fondia shares. The average number of shares issued between 1 January and 30 June 2018 was 3,923,450 shares (3,710,613 shares in the comparison period). At the end of June 2018, the company’s share capital totalled €100,000.

At the end of the financial period, Fondia did not own any of its own shares.

Trading in shares

Share closing price on 30 June 2018 was €12.20. The lowest trading price for the financial period was €11.55 and the highest €13.00. At the end of the financial period, the market value of Fondia Plc was €47.9 million.

Authorisations granted to the Board of Directors

Share issue authorisation

The Annual General Meeting (AGM) held on 15 March 2018 decided, as proposed by the Board, to authorise the Board to decide on the issue of shares as well as the issue of stock options and other special rights entitling to shares as referred to in Chapter 10, Section 1 of the Companies Act in one or more instalments as follows:

Up to 400,000 shares (including shares issued under special rights) may be issued under this authorisation, representing approximately 10.2% of all current company shares.

The Board shall decide on the terms for issuing shares as well as on the issue of stock options and other special rights entitling to shares. Under this authorisation, both new shares and shares held by the company may be issued. New shares may be issued, and shares held by the company may be surrendered either in return for payment or free of charge. The issue and surrender of shares, stock options and other special rights entitling to shares may be exempt from the shareholders’ pre-emptive subscription rights (directed offering) if there is a significant financial reason for this from the company’s point of view.

This authorisation annuls the authorisation given by the AGM on 16 February 2017. This authorisation is valid until the next AGM, but no later than 30 June 2019.

Acquisition of company shares

The AGM decided, as proposed by the Board, to authorise the Board to decide on the acquisition of company shares as follows:

The number of company shares acquired under this authorisation may not exceed 300,000 shares, representing approximately 7.6% of all current company shares. However, the company may not, together with its subsidiaries, own and/or hold at any one time more than 10% of all company shares. Under this authorisation, company shares may only be acquired using unrestricted equity.

Company shares may be acquired at market price on the acquisition date or at the price resulting from multilateral trading.

The Board is authorised to decide on how shares will be acquired. Company shares may be acquired non-proportionally to the number of shares held by shareholders (directed acquisition) if there is a significant financial reason for this from the company's point of view.

Company shares may be acquired to develop the company's capital structure; transferred to finance or implement possible acquisitions, investments or other business arrangements; used in the company's incentive schemes; or otherwise transferred, held or cancelled.

This authorisation annuls the authorisation given by the AGM on 16 February 2017. This authorisation is valid until the end of the next AGM, but no later than 30 June 2019.

Shareholders

At the end of the financial period, Fondia had 3,762 owners.

Annual General Meeting 2018

Fondia's AGM was held in Helsinki on 15 March 2018. The AGM confirmed the company's financial statements for the financial year 2017 and discharged the Board and CEO from liability for the financial year 1 January to 31 December 2017.

The AGM decided, as proposed by the Board, that a dividend of €0.35 per share is to be paid from the parent company's distributable funds.

As proposed by shareholders representing more than 43% of the company's shares and votes, the AGM decided to pay the following remuneration to the Board members: €2,500 per month to the Chairman of the Board, €2,500 per month to the Vice Chairman of the Board and €1,500 per month to the other members of the Board.

Travel expenses are reimbursed according to the maximum amount of travel allowance established by the Finnish Tax Administration.

As proposed by shareholders representing more than 43% of the company's shares and votes, the AGM confirmed the number of Board members as five. Johan Hammarén, Tuomo Lähdesmäki, Joséphine Mickwitz, and Juha Sarsama were re-elected as Board members and Laura Saulo as a new member. The Board's term of office ends at the end of the 2018 AGM.

As proposed by the Board, the AGM re-appointed Revico Grant Thornton Ltd as the company's auditor, with Peter Åhman, Authorized Public Accountant, continuing as the principal auditor.

In addition, the AGM authorised the Board to decide on the issue of new shares and/or the surrender of company shares in one or more instalments and on the repurchase of company shares

in one or more instalments. Authorisations granted to the Board are described in more detail under 'Shares and shareholders'.

Organisation of the Board of Directors

The Board elected Juha Sarsama as Chairman of the Board and Tuomo Lähdesmäki as Vice Chairman at a Board organisation meeting held after the AGM.

The Board assessed the independence of its members at the meeting in accordance with the Finnish Corporate Governance Code and found that Juha Sarsama, Tuomo Lähdesmäki, Johan Hammarén, Joséphine Mickwitz, and Lara Saulo are independent of the company and that Juha Sarsama, Tuomo Lähdesmäki, Joséphine Mickwitz, and Lara Saulo are independent of the company's major shareholders.

Risks and business uncertainties

The risks relating to Fondia's operations have been comprehensively described in the corporate brochure, published in March 2017. Short-term uncertainties are related to how well the company succeeds in recruiting, motivating and retaining skilled staff. Moreover, although financial goals to date have been achieved, there is no guarantee that Fondia's profitable growth will continue at the same level. The company's management has also assessed that Fondia is dependent on its information systems and that shortcomings, disturbances or problems in IT systems may adversely affect business.

Half-year financial report accounting principles

The half-year financial report has been prepared in accordance with good accounting practice and Finnish legislation. The figures included in the report are unaudited and have been prepared in accordance with national law (FAS). The information is presented to the extent required by the First North regulations in section 4.4 (e). The figures included in the report have been rounded from raw figures.

Significant events after the reporting period

Fondia reports no significant events that deviated from normal business after the reporting period.

Financial information

Fondia will publish a financial statement release for 2019 on 14 February 2019. Unofficial translations of the half-year financial report and financial statement release will be published in English in the form of press releases.

Consolidated income statement

1000 euros	1-6/2018	1-6/2017	2017
Net sales	10,696	8,840	17,462
Other operating income	49	43	91
Materials and services	-297	-315	-680
Personnel expenses	-6,531	-5,434	-10,672
Depreciation and impairment	-236	-106	-213
Other operating	-2,064	-1,882	-3,693
Operating profit	1,617	1,145	2,295
Net financial income and expenses	-19	-328	-339
Profit before appropriations and taxes	1,598	817	1,956
Income taxes	-337	-195	-462
Profit for period	1,261	622	1,494

Consolidated balance sheet

1000 euros	30.6.2018	30.6.2017	31.12.2017
ASSETS			
Non-current assets			
Intangible assets			
Intangible rights	0	1	0
Goodwill	2,285	0	0
Other non-current expenses	216	151	198
Tangible assets	198	104	89
Non-current assets total	2,699	256	288
Current assets			
Non-current receivables			
Loans	61	268	115
Other receivables	23	9	9
Current receivables			
Loans	84	0	84
Accounts receivable	2,409	2,564	2,354
Other receivables	72	19	40
Prepayments and accrued income	306	211	256
Cash and cash equivalents	6,065	5,700	7,198
Current assets total	9,021	8,773	10,057

ASSETS TOTAL	11,720	9,029	10,345
LIABILITIES			
Equity			
Share capital	100	100	100
Fund for invested unrestricted equity	3,528	3,234	3,234
Profit for previous financial years (-loss)	1,869	1,750	1,750
Profit for period (-loss)	1,261	622	1,494
Translation differences	8	16	19
Equity total	6,766	5,722	6,598
Foreign equity			
Non-current			
Other loans	535	0	0
Current			
Loans from financial institutions	0	51	0
Advance payments	10	12	10
Accounts payable	634	277	380
Other payables	1,555	1,079	974
Accrued liabilities	2,221	1,887	2,382
Foreign equity total	4,954	3,306	3,747
LIABILITIES TOTAL	11,720	9,029	10,345

Changes in equity

1000 euros	Share capital	Fund for invested unrestricted equity	Profit (loss) for previous financial periods	Profit (loss) for period	Translation differences	Total
Equity 1.1.2018	100	3,234	3,244		19	6,598
Directed offering		294				294
Divided distribution			-1,376			-1,376
Profit/loss for period				1,261		1,261
Change in translation difference					-11	-11
Equity 30.6.2018	100	3,528	1,869	1,292	7	6,766
Equity 1.1.2017	100	307	2,499	0	19	2,926
Initial public offering		2,927				2,927
Dividend distribution			-750			-750
Profit/loss for period				622		622

Change in translation difference					-3	-3
Equity 30.6.2017	100	3,234	1,750	622	16	5,722
Equity 1.1.2017	100	307	2 499	0	19	2 926
Initial public offering		2,927				2,927
Dividend distribution			-750			-750
Profit/loss for period				1,494		1,494
Change in translation difference					0	0
Equity 31.12.2017	100	3,234	1,750	1,494	19	6,598

Consolidated statement of cash flows

1000 euros	1-6/2018	1-6/2017	2017
Cash flow from operating activities			
Profit (-loss) before appropriations and taxes	1,598	817	1,956
Planned depreciations	236	106	213
Unrealised exchange rate gains and losses	-22	-6	-11
Financial income and expenses	19	328	339
Cash flow before change in working capital	1,831	1,245	2,497
Change in working capital:			
Increase (-) / decrease (+) in current non-interest-bearing receivables	116	-542	-398
Increase (+) / decrease (-) of current non-interest-bearing liabilities	81	102	497
Cash flow from operating activities before financial items and taxes	2,028	805	2,592
Interest paid and other financial income	-8	-328	-333
Received interest and other financial income	0	3	6
Direct taxes paid	-359	-302	-473
Cash flow from operating activities (A)	1,661	177	1,795
Cash flow from investing activities:			
Investments in intangible and tangible assets	-230	-72	-210
Acquired subsidiary shares	-1,037	0	0
Loan payment	-205	0	0
Repayment of loan receivables	53	14	84
Cash flow from investing activities (B)	-1,418	-57	-126
Cash flow from financing activities			
Initial public offering	0	2,927	2,927
Dividend distribution	-1,376	-750	-750
Repayment of loans	0	0	-51

Cash flow from financing activities (C)	-1,376	2,177	2,126
Change in cash and cash equivalents (A+B+C) increase (+) / decrease (-)	-1,133	2,298	3,796
Cash and cash equivalents at the beginning of period	7,198	3,402	3,402
Cash and cash equivalents at the end of period	6,065	5,700	7,198
Change in cash and cash equivalents	-1,133	2,298	3,796

Calculation of key figures

Operating profit (EBIT)	=	Net sales + other operating income - materials and services - personnel expenses - other operating expenses - depreciation and impairment	
Operating profit as % of net sales	=	$\frac{\text{Operating profit}}{\text{Net sales}}$	x 100
Profit for period as % net sales	=	$\frac{\text{Profit for period}}{\text{Net sales}}$	x 100
Equity ratio, %	=	$\frac{\text{Equity + Minority interest}}{\text{Balance sheet total - advances received}}$	x 100
Earnings (ROE), %	=	$\frac{\text{Profit after financing rounds - Income taxes}}{\text{Equity + Minority interest (on average during the year)}}$	x 100
Net gearing, %	=	$\frac{\text{Interest-bearing liabilities - cash and cash equivalents}}{\text{Equity + Minority interest}}$	x 100

Press and analyst conference

Fondia will publish its half-year financial report for January to June 2018 on Thursday 30 August 2018 at 08:00.

A press and analyst conference will be held in Finnish on the same day at 10:00 at Fondia's headquarters at Lönnrotinkatu 5, Helsinki. The report will be presented by CEO Salla Vainio. You can also watch a livestream of the presentation at <https://www.inderes.fi/videot/fondian-tulosjulkistus-osavuositulosauksesta-308-alkaen-klo-1000>. The livestream recording and presentation materials will be published later at <http://www.fondia.fi/sijoittajille>.

Helsinki, 18 August 2017

Fondia Plc Board of Directors

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Fondia in brief

Fondia is a full-service business law firm that offers new service models and utilises digital technologies. Fondia operates in Finland, Sweden and Estonia, and the Group's net sales in 2017 were approximately €17.5 million. Fondia employs approximately 160 people.

www.fondia.com

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