Efore Group

Financial Statements Release 2018

EFORE PLC Financial Statements Release February 13, 2019 at 9.00 a.m.

EFORE PLC'S FINANCIAL STATEMENTS RELEASE 1 JANUARY – 31 DECEMBER 2018

July – December 2018 in brief:

- Net sales totalled EUR 27.8 million (EUR 30.5 million)
- Operating profit was EUR -3.3 million (EUR -0.9 million)
- Adjusted operating profit was EUR -2.7 million (EUR -0.9 million)
- Earnings per share were EUR -0.06 (EUR -0.01)

Financial year 2018 in brief:

- Net sales totalled EUR 52.4 million (EUR 69.9 million)
- Operating profit was EUR -7.2 million (EUR -0.2 million)
- Adjusted operating profit was EUR -6.7 million (EUR -0.2 million)
- Earnings per share were EUR -0.14 (EUR -0.01)
- The Board of Directors proposes that no dividend will be distributed

Key indicators, EUR million	7-12/18 6 mo	7-12/17 6 mo	1-12/18 12 mo	1-12/17 12 mo
Net Sales	27,8	30,5	52,4	69,9 *
Telecom**	10,6	13,2	18,7	33,6
Industrial**	17,2	17,3	33,7	36,3
Adjusted EBITDA	-0,7	1,0	-2,3	3,6
EBITDA	-1,2	1,0	-2,9	3,6
Adjusted operating profit/loss	-2,7	-0,9	-6,7	-0,2
Operating profit/loss	-3,3	-0,9	-7,2	-0,2
Profit/loss before taxes	-4,0	-1,3	-8,5	-1,0
Profit/loss for the period	-3,5	-0,6	-7,8	-0,6
Earnings per share, EUR	-0,06	-0,01	-0,14	-0,01
Solvency ratio, %	20,6	17,9	20,6	17,9
Gearing, %	100,6	115,6	100,6	115,6
Cash flow from operating activities	2,5	2,3	-2,8	4,7

Key indicators Half year, EUR million	H2/2018	H1/2018	H2/2017	H1/2017
Net Sales	27,8	24,6	30,5	39,4
Telecom **	10,6	8,2	13,2	20,4
Industrial **	17,2	16,5	17,3	19,0
Adjusted EBITDA	-0,7	-1,6	1,0	2,6
EBITDA	-1,2	-1,6	1,0	2,6
Adjusted operating profit/loss	-2,7	-4,0	-0,9	0,7
Operating profit/loss	-3,3	-4,0	-0,9	0,7

* Telecom business net sales included approximately EUR 2 million of sales of components to Wuxi Hodgen Technology with no margin.

** The Group has revised Industrial and Telecommunication net sales classification to better reflect the current management structure. Comparative information has been restated accordingly. This revision has no material impact on the reported amounts in Telecom nor Industrial net sales or changes between prior periods.

EUR million	**7-12/18**	**7-12/17**	**1-12/18**	**1-12/17**
ADJUSTED OPERATING PROFIT/LOSS	**6 mo**	**6 mo**	**12 mo**	**12 mo**
Operating profit/loss	**-3,3**	**-0,9**	**-7,2**	**-0,2**
Adjustments in operating profit/loss				
Transaction costs related to the acquisition of Powernet International	0,3		0,3	
Advisory fees related to unrealized projects	0,1		0,1	
Resctructuring costs related to personnel	0,1		0,1	
Adjustments in operating profit/loss Total	**0,5**	**0,0**	**0,5**	**0,0**
Adjusted operating profit/loss Total	**-2,7**	**-0,9**	**-6,7**	**-0,2**

	7-12/18	**7-12/17**	**1-12/18**	**1-12/17**
ADJUSTED EBITDA	**6 mo**	**6 mo**	**12 mo**	**12 mo**
EBITDA	**-1,2**	**1,0**	**-2,9**	**3,6**
Adjustments in EBITDA				
Transaction costs related to the acquisition of Powernet International	0,3		0,3	
Advisory fees related to unrealized projects	0,1		0,1	
Resctructuring costs related to personnel	0,1		0,1	
Adjustments in EBITDA Total	**0,5**	**0,0**	**0,5**	**0,0**
Adjusted EBITDA Total	**-0,7**	**1,0**	**-2,3**	**3,6**

Estimate of financial development in 2019 financial period

The target for 2019 is to achieve over EUR 70 million net sales, clearly positive EBITDA (adjusted for items affecting comparability) and positive cash flows from operating activities.

Vesa Leino, CEO:

As we expected after the first half 2018, the most significant positive change during the second half compared to the first was in the cashflow from operating activities. In addition also second half year EBIT improved from first half remaining however clearly negative. EBIT was partly impacted by more expensive component purchases in order to mitigate availability challenges and the inventory value impairment done in the end of 2018.

In Q3 review published on 28 November 2018 we reported July-September cashflow from operating activities having turned to EUR 0.8 million positive. Similar development continued through the rest of the year and second half cashflow from operating activities was EUR 2.5 million. First half cashflow from operating activities was EUR -5.3 million.

Orders in both Telecom and Industrial businesses increased after the first half as was expected. However, due to the challenges in component availability we were not able to deliver all the orders as planned by the end of the year. The second half net sales was EUR 27.8 million which is clearly better than first half. Our target is that we are able to clear delayed orders in Industrial business early in 2019 and in Telecom business by the end of April 2019.

Demand in Telecom business picked up clearly during the third quarter and same positive development continued during the rest of the year. New Efore products developed for small base stations were launched to the market during the summer which affected positively to the development of net sales in Telecom business.

Industrial business net sales grew compared to the first half. During the early second half Efore launched Strato EVO products designed especially indoor, architectural and outdoor lighting. These products will have more substantial impact on net sales in 2019.

Industrial business product range was expanded also by bringing to the market new generation product MHE (Modular High Efficiency). MHE has 97% efficiency ratio making it an excellent product for high energy conversion power supply market. Product ramp-up of MHE was delayed to the beginning of 2019. MHE product impact to net sales and profitability will be visible during 2019.

In February 2018 Efore announced to investigate different structural alternatives to secure the long-term profitability of the Telecom business and 27 November 2018 letter of intent was signed with a Chinese power supply partner. Negotiations related to structural arrangements in Telecom business and expanding the product offering have proceeded well and target is still to complete the arrangement in Q1 2019.

In the end of 2018 Efore organized the rights issue which was successfully completed and as a result we collected the EUR 11 million gross proceeds as planned. Proceeds are used to further progress in strategy implementation and to strengthen Efore financial position and net working capital.

In the end of 2018 after successful rights issue completion we also completed the acquisition of Powernet International Oy. Efore DC Systems business and Powernet business have in the beginning of 2019 been consolidated and are now managed as one Digital Power Systems business line. The unit forms a strong platform based on Finnish know-how dating back years, on which Efore can build new and growing business. The acquisition further shifts Efore’s focus towards higher value-added products and solutions built on high level of expertise and strengthens Efore’s capabilities in solution life cycle management.

Strategy and medium-term financial targets

Efore Plc’s Board of Directors has confirmed 21 November 2018 the updated company strategy and financial targets for the period 2019–2021. Following four cornerstones will be important elements in Efore future operations: lifetime value, smart customization, partnerships and cost efficiency.

These four cornerstones create solid ground for building the future growth of Efore.

Lifetime value

Efore focuses on delivering demanding power systems and supplies for a wide range of challenging industry applications including telecom, industrial automation, advanced lighting systems, military electronics, transport systems, material handling equipment, and electricity storage systems. Efore's own product development and innovation focuses on the intelligent, customized, modular and high-performance systems in close partnership with key customers. Efore products focus strongly on lifecycle management and total cost optimisation.

Smart customization

Regional market expertise and capability to listen to customers' industry-specific needs continue to be an important part of Efore operating model. Product development and product management is based on product platform and modularity thinking. Flexible combination of efficient product platform and module development enable that customer and customization needs can be fulfilled cost-efficiently and fast.

Partnerships

Efore own technologies and product development capabilities and capacity are strengthened by close co-operation with carefully selected partners. Simple mass market products time to time needed by our key customers are manufactured together with our partners specializing in high volume production. In addition to own capacity and resources, Efore utilizes also complementary regional partners in product and system lifecycle management and maintenance.

Cost efficiency

Efore continues to improve its operations and cost efficiency by renewing the operational IT systems and by improving the raw material availability and cost-efficiency with close partnerships. Efore organizational model supports also simple and fast decision making, which is further improving the cost efficiency. Efore targets to further reduce the group general and administration costs by EUR 0.5 million and the operating costs in Italy, Tunisia and the United States by a total of EUR 1 million.

Success in future business requires growth

Efore target is to achieve strong net sales and profitability growth in both Industrial and Telecom businesses.

Efore also aims to offer further expanded product portfolio and larger solutions to current customers, and make Efore even more significant partner for them.

In addition, we are actively seeking new customers for demanding and harsh environment products and solutions. Flexibility built by product platforms and module approach will be strong contributor in making this happen.

Future growth areas for both Efore own and partner products will be areas such as computer centers, power electronics for solar panel systems and expanding to solutions for railway and other demanding transportation systems.

Medium-term financial targets as follows:

- 10% organic growth in net sales annually
- net sales of over EUR 90 million in 2021
- at least 10% EBITDA margin in 2021
- a significant improvement in equity ratio from the first half 2018 level.

July - December net sales and result

The net sales in July – December totalled EUR 27.8 million (EUR 30.5 million).

Industrial business net sales decreased 0.7% year-on-year totaling to EUR 17.2 million (EUR 17.3 million). The decrease in net sales was primarily due to the demand of certain key customers being lower than anticipated and planned product launches moving from the second half of year 2018 to the beginning of the year 2019.

Telecom business net sales decreased 19.7 % year-on-year totaling to EUR 10.6 million (EUR 13.2 million). The second half net sales was over 30 % higher than the first half net sales but still lower than second half 2017. The market situation in the Telecom business improved after a challenging first half of the year.

Challenges in the availability of material and components continued in the second half of the year and had a negative impact on both net sales development as well as partially in profitability in all businesses. Profitability was further impacted by EUR 0.6 million inventory value impairment done in the end of 2018.

The operating profit July – December improved from the first half of the year totaling to EUR -3.3 million but staying below the second half of 2017 (EUR -0.9 million). The main reasons for the negative result development were the low level of net sales and challenges in the availability of components, which delayed some deliveries in both Telecom and Industrial businesses from 2018 to 2019.

Net sales and result of the full year

Net sales totalled EUR 52.4 million (EUR 69.9 million).

Industrial business net sales decreased 7.2 % on a year-on-year basis totaling to EUR 33.7 million (EUR 36.3 million). Due to demand of certain key customers being lower than anticipated and the phasing of planned product launches as well as changes in exchange rates adversely affected the net sales development of Industrial business.

Telecom business net sales decreased 44.2 % year-on-year totaling to EUR 18.7 million (EUR 33.6 million). The challenging market situation in Telecom business as well as challenges in the availability of material and components affected negatively to development of net sales in Telecom business.

The operating profit was EUR -7.2 million (EUR -0.2 million). The main reason for the negative result development was the low level of net sales. The operating profit includes EUR 0.8 million impairments of capitalized product development costs and EUR 0.6 million inventory value impairment done in the end of 2018.

Business development

Industrial business

Efore Industrial business was strengthened in December 2018 by the acquisition of the entire share capital of Powernet International Oy, a company specializing in developing and manufacturing customized power supplies and systems. With this acquisition, Efore shifts its focus towards higher value-added products and solutions. These include, for example, customized power supply solutions and turnkey-projects for railway industry.

The introduction of MHE-rectifier that has a 97% efficiency ratio was extremely well received by the market. However, due to component availability, the first volume deliveries have been delayed and will begin in early 2019. By the end of 2018, MHE had developed a strong order book which provides a solid foundation for revenue growth in 2019.

Digital Power and Light product portfolio was expanded through new product introductions. Multiple new customer specific products built on existing platforms were delivered to key customers. In addition, we introduced a new high voltage (200 W) product family designed specifically for digital displays and home medical equipment. In line with Efore capabilities, we also introduced high IP-class products to be utilized in demanding conditions such as humid environments, surgical operating rooms and demanding automation solutions.

In spring 2018, a new higher-power Strato EVO product family was also introduced and the first products were delivered during the second half of the year. Specifically designed for indoor, architectural and outdoor lighting, Strato EVO products are a continuation of the successful Strato family. Thanks to these price competitive and fully programmable power supplies customers can reduce the number of stock keeping units and simultaneously respond faster to market demand.

At the end of the financial year, we also started deliveries of a new higher power (1500 W) power supplies. These products are used, among others, in sports stadium and airport lighting. The interest for the 1500 W has seen clearly increased which supports the higher power product strategy and provides a strong foundation for revenue growth in 2019.

Telecom business

Telecom business had a very mixed year. In the first half, revenue was clearly below the level of 2017 and also full year revenue was below 2017 but in the second half Telecom revenue improved due to growing demand and exceeded the first half. Due to the relatively fast recovery in demand, revenue growth was limited by component availability issues especially during the second half.

The telecommunication market is still going through a transformation phase which places new requirements to the industry players. In response to the market change, Efore has been focusing its product development investments primarily on smaller base station products already since 2017. The product portfolio has also been extended to include products that can be used regardless of specific network technology. Products based on 5G technology will play a key role in future network expansions.

System products designed for both telecommunication and industrial markets will play a more prominent role in Efore's future product offering. In this context, system products refer to more comprehensive solutions which will include in addition to Efore current products also e.g. electromechanics and cabling. The development of these products will draw on our experience and in-house expertise gained from development of rectifier systems.

Other developments

Due to the component shortage, Efore was not able to deliver all the products to customers according to their needs. Consequently, purchases had to be made at spot price which increased product costs. The Company will continue its efforts to secure the availability of components. Moreover, operational capability of the Tunisia plant will be developed further by investing in production equipment and quality assurance.

The Group continued to develop its operational activities. As a part of this process, the organizational structure was renewed at the beginning of 2018 by moving to a business line based organization. In the new business line organization, Efore has two businesses, Industrial business and Telecom business. The Industrial business consists of two product lines: Digital Power & Light and Systems. Telecom business has one product line, Telecom. The new organization structure enables Efore to be more customer oriented, as well as to further improve operational efficiency and ability to capitalize on new business opportunities.

Efforts to reduce the balance sheet were continued and as a part of improving cost efficiency, Telecom business product development operations in Sweden were discontinued and centralized to Finland and China during the financial year. Measures to adapt the fixed cost structure and improve operational efficiency were also continued during the second half of the year.

Market outlook

In the Industrial business, power supplies for LED lighting, measuring equipment, healthcare equipment and infrastructure continue to offer several growth opportunities. Efore will be investing in customer segments where high reliability and long product life-cycles are key business drivers. The product development efforts of Efore's Telecom business customers are increasingly focused on 5G-technology. The new products introduced to the market by Efore support both current technology as well as future 5G-technology. Therefore, the new product solutions introduced to the market by Efore create opportunities for growth.

Short-term risks and factors of uncertainty

The overall economic development may have an effect on Efore's business environment. Due to the nature of its business, Efore is facing some notices of defects, and their final outcome cannot be predicted. Based on the current information, these claims are not expected to have a material impact on the financial position of the Efore Group.

The most significant business risks are related to the market success of key customers' products. The progress of Efore's product development projects depends partly on the customers' project schedules. Furthermore, demand fluctuations typical in the market cause rapid changes in Efore's business.

The lead times for component deliveries have become longer, and there are occasionally challenges in the availability of certain components. This may have an impact on Efore's delivery capability also in the future. Efore estimates that the component shortage will continue until 2020.

Expanding the product portfolio to system-level solutions in the Industrial business may lead to an increased product liability risk.

The rights offering in the end of year 2018 improved significantly Efore’s solvency and decreased gearing. However, there are some risks related to the adequacy of financing. The Company is aiming to manage these risks by the active planning and implementation of different options.

Powernet International acquisition

Efore plc acquired Powernet International Oy's entire share capital in December 2018. Powernet International is specialized in development and manufacture of customer specific power supplies and systems. The acquisition further shifts Efore’s focus towards higher value-added products and solutions. Efore’s Systems business and Powernet International form a strong platform based on Finnish know-how dating back years, on which Efore can build new and growing business.

From the beginning of 2019 Efore’s Systems business and Powernet International Oy formed a new business line in the Industrial business. This new business line is called Digital Power Systems.

Powernet International, founded in 1992, develops and manufactures customer specific power supplies and systems, of which examples are customised power supply and power distribution packages as well as turnkey project deliveries, e.g. for the rail industry. Powernet International has also been a forerunner in the development of IoT enabled condition monitoring of power supply and power distribution packages, which is utilized in e.g. smart battery chargers. Powernet International is well recognized especially in the North and Central Europe. Powernet International has approximately 30 employees and in financial year 2018 its turnover was EUR 9.0 million, EBITDA EUR 0.2 million and operating profit EUR -0.7 million.

The purchase price on a cash and debt free basis (enterprise value) was EUR 4.5 million and the purchase price for the shares at closing of the transaction was EUR 2.5 million. Additionally, the parties have agreed on an earn-out based on sales margin generated by Powernet products for financial year 2019. The maximum amount of the earn-out is EUR 1.5 million.

Investments and product development

The Group’s investments during the year amounted to EUR 6.8 million (EUR 5.2 million), which includes capitalization of product development costs amounting to EUR 2.9 million (EUR 3.4 million) and Powernet International acquisition that amounted to EUR 2.8 million including transaction costs related to the acquisition. At the end of the year, the capitalized product development investments amounted to EUR 9.4 million (EUR 8.8 million).

During the year the Group recognized an impairment of EUR 0.8 million in the capitalized product development costs mainly as a result of changes in the volume expectations of certain customers and their products in the telecommunication business and in Digital Power and Light business.

The full financial year product development expenditure amounted to EUR 9.0 million (EUR 9.2 million), of which EUR 2.9 million (EUR 3.4 million) were capitalized and EUR 6.0

million (EUR 5.8 million) were recognized as an expense including depreciations, 11.5 % (8.3 %) of net sales respectively.

During the financial year an impairment of EUR 5.0 million reducing the equity was recognised in the parent company's holdings in group companies.

Financial position

The net interest-bearing liabilities were EUR 9.4 million (EUR 8.1 million) at the end of the financial year. The consolidated net financial expenses were EUR 1.3 million (EUR 0.9 million).

The cash flow from operating activities during January-December were EUR -2.8 million (EUR 4.7 million). The negative cash flow is a result from the loss for the period. The cash flow after investments was EUR -9.6 million (EUR -0.5 million). The Group's solvency ratio in the end of December was 20.6 % (17.9 %) and net gearing ratio 100.6 % (115,6 %).

The liquid assets excluding undrawn credit facilities totalled EUR 3.7 million (EUR 4.5 million) in the end of December. At the end of the financial year the Group had the undrawn credit facilities excluding factoring limits EUR 1.5 million (EUR 3.4 million). The balance sheet total was EUR 45.7 million (EUR 39.3 million).

In 31 May 2018 Efore raised a long-term credit of EUR 2.0 million in Italy. This credit has covenants regarding net debt/ebitda and net debt/net equity. The covenants were breached at the end of the 2018 financial year. The official credit proposal requires the completed Efore Spa financial statement. The management of the Company believes that the negotiations will result in acceptable results.

Efore's interest-bearing liabilities increased EUR 1.9 million as a result of Powernet International acquisition, from this bank loans were EUR 0.6 million and other interest-bearing liabilities were EUR 1.2 million. The creditor is Efore's main financier bank. The loan has covenants which were breached on 31 December 2018 and the bank has committed to grant a waiver.

The Company has agreed with its main financier bank on a reorganisation of its loans. A new payment programme for the next five years has been negotiated for the repayment of the EUR 6.0 million in loans from the main financier bank maturing on 31 December 2018. Bank also waived it's right for early expiration of the loans. Efore has amortized loan by EUR 0.2 million in the end of the year and as at 31 December 2018 Efore had loans with its main financier bank totaling to EUR 5.8 million. As a result of succesfully completed rights issue Efore has pledged to set off loans from main financier bank by additional EUR 0.6 million in the beginning of the year 2019.

Efore Plc's rights issue was successfully completed in December 2018 to strengthen capital structure and working capital. As a result of the rights issue the Company raised the targeted gross proceeds of approximately EUR 11 million. The Company paid back short-term loan including interest EUR 4.6 million to its main owners , completed Powernet International acquisition and financed general net working capital needs.

Group structure

At the end the financial year Efore Group consisted of the parent company Efore Plc and its directly or indirectly wholly owned subsidiaries Efore (USA) Inc. in the United States, Efore(Suzhou) Electronics Co. Ltd in China, Efore (Suzhou) Automotive Technology Co., Ltd in China, Efore OU in Estonia, Efore AB in Sweden, Efore (HongKong) Co. Ltd in China, FI-Systems Oy and Efore Telecom Oy in Finland as well as Efore S.p.A. in Italy , Efore Sarl in Tunisia and Efore Inc. in the U.S.A.

Powernet International Oy and its subsidiary Powernet Oy came part of the Group structure as from 31 December 2018.

Personnel

Average number of the Group’s own personnel was 406 (432) in 2018 and at the end of the financial year 442 (406). The increase in personnel amount at the end of financial year was due of acquisition of Powernet International Oy.

Board of Directors and Executive Management Team

The Annual General Meeting on 12 April 2018 Marjo Miettinen, Antti Sivula and Tuomo Lähdesmäki were re-elected as members of the Board of Directors and Taru Narvanmaa as well as Matti Miettunen were elected as new member of the Board of Directors. Jarmo Simola continued as a member of the Board of Directors until 28 March 2018.

The members of the Executive Management Team and their global responsibilities at the end of the financial year were as follows: Jorma Wiitakorpi (President and CEO), Vesa Leino (Finance and ICT), Ari Kemppainen (Telecom Business), Carlo Rosati, (Digital Power and Light), Samuli Räisänen (Systems Business) and Ruben Tomassoni (Operations).

Vesa Leino, (born 1969), who has served as the Group CFO from summer 2017, has been appointed Efore Plc President and CEO beginning 1 January 2019. At the same time, the Group Controller Olli Mustonen, (born 1985), has been appointed Efore CFO and member of the Management Team beginning 1 January 2019. Jorma Wiitakorpi, who has worked as Efore Plc President and CEO from 2016, will continue as Efore Group Business Development Director until June 30, 2019. His main responsibilities will be the implementation of the planned restructuring in China and activities related to Efore Group cost-efficiency improvements. Wiitakorpi will continue as a member of Efore Group Management Team.

Carlo Rosati, Finance & Administration Manager in Italy, has been nominated as Executive Vice President of Efore Digital Power and Light Business Line. Alessandro Leopardi, Executive Vice President of Efore Digital Light and Digital Power business line left the Company on 26 October 2018.

Heikki Viika has been nominated 1.1.2019 as the Executive Vice President of the new business line, Digital Power Systems, and he will be a member of the Efore Group management team. Efore’s Systems business and acquired Powernet International Oy form a new business line, Digital Power Systems.

Auditors

The Annual General Meeting on April 12, 2018 appointed KPMG Oy Ab as Efore's auditors, with Authorized Public Accountant Henrik Holmbom as principal auditor.

Share, share capital and shareholders

At the end of the financial year the number of the Group's own shares was 421 636 788 pcs. As a result of the Offering in December 2018, the number of shares increased by 365 863 897 shares.

At the end of the financial year the number of the Group's own shares was 3 506 620 (3 501 995) pcs.

The highest share price during the financial year was EUR 0.22 (EUR 0.70) and the lowest price was EUR 0.03 (EUR 0.42). The average price during the financial year was EUR 0.10 (EUR 0.60) and the closing price was EUR 0.04 (EUR 0.43). The market capitalization calculated at the final trading price at the end of the financial year was EUR 16.9 million (EUR 22.5 million).

The total number of Efore shares traded on the Nasdaq Helsinki during the financial year was 39.0 million pcs (9.4 million pcs) and this accounted for 9.3 % (16.9 %) of the total number of shares. In the end of financial year, Efore's total number of shares was 421 636 788 (55 772 891) and the number of shareholders totalled 4 131 (3 830).

Flagging notifications

- Evli Bank Plc's share of ownership and votes in Efore Plc went down 5 per cent on 20 December 2018. Share of total number of shares and votes of Evli Bank Plc following the flagging notification is 0.25 %

- Skandinaviska Enskilda Banken AB's share of ownership and votes in Efore Plc exceeded 5 per cent on 20 December 2018. Share of total number of shares and votes of Skandinaviska Enskilda Banken AB following the flagging notification is 9.15 %

- Jussi Capital Oy's share of ownership and votes in Efore Plc went over 15 per cent on 28 December 2018. Share of total number of shares and votes of Jussi Capital Oy following the flagging notification is 18.90 %

- Soinitilat Oy's share of ownership and votes in Efore Plc exceeded 5 per cent on 29 December 2018. Share of total number of shares and votes of Soinitilat Oy following the flagging notification is 5.87 %

Decisions of the Annual General Meeting

The Extraordinary General Meeting on 3 May 2018 resolved on the proposal of the Board of Directors to authorise the Board of Directors to decide on a share issue according to the pre-emption rights of shareholders.

The authorisation entitles the Board to issue a maximum of 390 410 237 shares. The share issue may be implemented by issuing new shares or transferring shares now in possession of the Company. The Board can use the authorisation in one or more parts. The Board of directors was authorised to decide on any other conditions of the issuance of shares.

The authorization was valid until 31 December 2018. The Board used this authorization in 2018.

The Annual General Meeting held on 12 April 2018 resolved on the proposal of the Board of Directors to authorize the Board of Directors to, in one or more transactions, decide on the issuance of shares and the issuance of options and other special rights entitling to shares referred to in chapter 10 section 1 of the Companies Act as follows:

The number of shares to be issued based on the authorization may in total amount to a maximum of 11 150 000 shares, corresponding to approximately 20.0 % of all the shares in the Company.

The Board of Directors decides on all the terms and conditions of the issuances of shares, options and other special rights entitling to shares. The authorization concerns both the issuance of new shares as well as the transfer of treasury shares. The issuance of shares and special rights entitling to shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue).

The authorization cancels the authorization given by the Annual General Meeting on 5 April 2017 to decide on the issuance of shares and special rights entitling to shares.

The authorization is valid until the close of the following Annual General Meeting, however, no longer than until 30 June 2019. The Board did not use this authorization in 2018.

Board of Directors’ proposal for the distribution of dividend

The Board of Directors will propose to the Annual General Meeting on April 11, 2019 that no dividend will be distributed.

Events after the end of the Financial year

Skandinaviska Enskilda Banken AB’s share of ownership and votes in Efore Plc went below 5 per cent on 2 January 2019.

The following persons have been appointed on 14 January 2019 as members of Efore Plc’s Shareholders’ Nomination Board:
- Jussi Capital Oy: Jarkko Takanen
- Rausanne Group: Jarmo Malin
- Jaakko Heininen and related parties: Jaakko Heininen

In addition, Tuomo Lähdesmäki, Chairman of the Board of Efore Plc, is a member of the Nomination Board. At the constitutive meeting of the Nomination Committee Jarkko Takanen was elected as the chairman.

The Shareholders' Nomination Board of Efore Plc has prepared proposals on the composition of the Board of Directors and the remuneration of the Board of Directors to the Annual General Meeting to be held on 11 April 2019. Proposals were published in Stock Exchange Release on 16 January 2019 as follows:

- The Nomination Board proposes to the Annual General Meeting that four (4) members be elected to the Board of Directors

- The Nomination Board proposes that Tuomo Lähdesmäki, Matti Miettunen, Taru Narvanmaa and Antti Sivula be re-elected as members of the Board for a term starting at the end the General Meeting at which he or she has been elected and expires at the closing of the Annual General Meeting 2020. Marjo Miettinen, who has been a member of the Board of Efore since 2013, has announced that she is not available for re-election to the Board for time management related reasons

- All Board member candidates are considered to be independent of the company and its major shareholders

- The candidate information relevant for serving in the Board of Directors is presented at the company website www.efore.com

- The Nomination Board proposes to the Annual General Meeting that the remuneration paid to the members of the Board of Directors and the Chairman of the Board of Directors be increased so that the fee of the Chairman would be 3,750 euro per month (in 2018: 3,500 euro) and the fee of other Board members 2,000 euro per months (in 2018: 1,750 euro). In addition, the Nomination Board proposes that the Board member functioning as Chairman of the Audit Committee be paid 750 euro per month in the upcoming term (in 2018: no separate fee)

- In addition, the Nomination Board proposes that travel expenses are payable against receipt

- The proposals of the Nomination Board will be included in the notice to the Annual General Meeting

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (unaudited)

EUR, million	7-12/18 6 mo	7-12/17 6 mo	1-12/18 12 mo	1-12/17 12 mo
Net sales	**27,8**	**30,5**	**52,4**	**69,9**
Change in inventories of				
finished goods and work in progress	0,1	-0,6	-0,6	-1,9
Work performed for own purposes and capitalized	0,1	0,0	0,1	0,1
Other operating income	0,1	0,1	0,2	0,5
Materials and services	-20,0	-21,0	-36,6	-48,0
Employee benefits expenses	-5,3	-4,9	-10,8	-11,0
Depreciation	-1,9	-1,8	-3,6	-3,7
Impairment	-0,1	-0,1	-0,8	-0,1
Other operating expenses	-4,0	-3,2	-7,6	-6,0
Operating profit/loss	**-3,3**	**-0,9**	**-7,2**	**-0,2**
Financing income	0,6	0,7	1,6	2,6
Financing expenses	-1,4	-1,1	-2,9	-3,5
Profit/loss before tax	**-4,0**	**-1,3**	**-8,5**	**-1,0**
Tax on income from operations	0,4	0,7	0,7	0,5
Profit/loss for the period	**-3,5**	**-0,6**	**-7,8**	**-0,6**
Other comprehensive income				
Items that will not be reclassified to statement of income				
Remeasurements of the net defined benefit liabilty	0,0	0,1	0,0	0,1
Items that may be reclassified subsequently to profit or loss				
Translation differences	0,0	0,0	0,0	0,0
Total comprehensive income	**-3,5**	-0,5	**-7,8**	-0,6
Profit (loss) attributable to:				
Equity holders of the parent	-3,5	-0,6	-7,8	-0,6
Non-controlling interests	0,0	0,0	0,0	0,0
Total comprehensive income attributable to:				
Equity holders of the parent	-3,5	-0,6	-7,8	-0,6
Non-controlling interests	0	0,0	0	0,0
EARNINGS PER SHARE CALCULATED ON PROFIT(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT:				
Earnings per share, basic, eur	-0,06	-0,01	-0,14	-0,01

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION, EUR million (unaudited)	31.12.2018	31.12.2017
ASSETS		
NON-CURRENT ASSETS		
Intangible assets	11,7	10,2
Goodwill	4,3	1,1
Tangible assets	3,3	2,9
Other receivables, non-current	0,5	0,1
Other long-term investments	0,1	0,1
Deferred tax asset	3,7	2,9
Total non-current assets	**23,6**	**17,3**
CURRENT ASSETS		
Inventories	9,0	8,7
Trade receivables and other receivables	9,3	8,5
Tax receivable, income tax	0,1	0,3
Cash and cash equivalents	3,7	4,5
Total current assets	**22,1**	22,0
TOTAL ASSETS	**45,7**	**39,3**
EQUITY AND LIABILITIES		
EQUITY		
Share capital	15,0	15,0
Treasury shares	-2,4	-2,4
Other reserves	38,8	28,7
Translation differences	3,3	3,3
Retained earnings	-45,3	-37,5
Equity attributable to equity holders of the parent	9,4	7,0
Equity attributable to non-controlling interests	0,0	0,0
Total equity	**9,4**	**7,0**
NON-CURRENT LIABILITIES		
Deferred tax liabilities	0,4	0,2
Interest-bearing liabilities *	5,4	0,9
Other liabilities	0,7	0,0
Pension provisions	1,2	1,3
Provisions	0,6	0,3
Total non-current liabilities	**8,3**	**2,7**
CURRENT LIABILITIES		
Interest-bearing liabilities *	7,7	11,7
Trade payables and other liabilities	19,8	17,3
Tax liabilities	0,3	0,2
Provisions	0,2	0,3
Total current liabilities	**28,0**	29,6
Liabilities	**36,3**	32,3
TOTAL EQUITY AND LIABILITIES	**45,7**	**39,3**

*Reclassified EUR 0.4 million from non-current interest-bearing liabilities to current interest-bearing liabilities as at 31 December 2017

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)	1-12/18	1–12/17
EUR million	**12 mo**	**12 mo**
Cash flows from operating activities		
Cash receipts from customers	52,1	74,8
Cash paid to suppliers and employees	-53,7	-69,6
Cash generated from operations	-1,3	5,2
Interest paid	-0,5	-0,4
Interest received	0,1	0,1
Other financial items	-1,1	-0,1
Income taxes paid	0,1	0,0
Net cash from operating activities (A)	**-2,8**	**4,7**
Cash flows from investing activities		
Purchase of tangible and intangible assets	-4,0	-5,3
Proceeds from sale of tangible and intangible assets	0,0	0,1
Payment for acquisition of subsidiary deducted by acquisition-related costs	-2,8	
Proceeds from sale of investmetns		0,0
Income taxes paid		0,0
Net cash used in investing activities (B)	**-6,8**	-5,2
Cash flows from financing activities		
Share issue less transaction costs	6,2	
Proceedings from short-term borrowings	8,4	6,1
Repayment of short-term borrowings	-7,7	-7,8
Proceeds from long-term borrowings	1,8	0,9
Repayment of long-term borrowings	0,0	0,0
Financial leasing repayment	0,0	-0,2
Net cash used in financing activities (C)	**8,7**	-1,1
Net increase (+) decrease (-) in cash and cash equivalents (A+B+C)	-0,9	-1,6
Cash and cash equivalents at beginning of period	4,5	6,4
Net increase/decrease in cash and cash equivalents	-0,9	-1,6
Effects of exchange rate fluctuations on cash held	0,0	-0,3
Cash and cash equivalents at end of period	3,7	4,5

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (unaudited)

A Share capital

B Treasury shares

C Unrestricted equity reserve

D Other reserves

E Translation differences

F Retained earnings

G Equity holders of the parent

H Non-controlling interests

I Total

EUR million	A	B	C	D	E	F	G	H	I
EQUITY 1 Jan 2017	**15,0**	**-2,4**	**28,0**	**0,7**	**3,4**	**-37,0**	**7,6**	**0,0**	**7,6**
Profit/loss for the period						-0,6	-0,6		-0,6
Other comprehensive income									
Remeasurements of the net defined benefit liabilty						0,1	0,1		0,1
Translation difference					-0,0		-0,0		-0,0
Total comprehensive income	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**-0,5**	**-0,6**	**0,0**	**-0,6**
Transactions with owners									
Other changes						0,0	0,0		0,0
Transactions with owners Total	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**
EQUITY 31 Dec 2017	**15,0**	**-2,4**	**28,0**	**0,7**	**3,3**	**-37,5**	**7,0**	**0,0**	**7,0**

EUR million	A	B	C	D	E	F	G	H	I
EQUITY 1 Jan 2018	**15,0**	**-2,4**	**28,0**	**0,7**	**3,3**	**-37,5**	**7,0**	**0,0**	**7,0**
Profit/loss for the period						-7,8	-7,8		-7,8
Other comprehensive income									
Remeasurements of the net defined benefit liabilty						0,0	0,0		0,0
Translation difference					0,0	0,0	0,0		0,0
Total comprehensive income	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**-7,8**	**-7,8**	**0,0**	**-7,8**
Rights issue			10,2				10,2		10,2
EQUITY 31 Dec 2018	**15,0**	**-2,4**	**38,2**	**0,7**	**3,3**	**-45,3**	**9,4**	**0,0**	**9,4**

Notes to the Financial Statement Release

Accounting principles

The financial statement release has been drawn up in accordance with IAS 34 Standard on Interim Financial Reporting and the Group's accounting principles presented in the 2017 annual report. In addition, Efore Plc has adopted new and/or amended IFRS-standards. These changes have no material impact on the report. Financial statement release has been prepared on a going concern basis. The information in this release is unaudited.

The preparation of the financial statement release in accordance with the IFRS Standards requires the Group's management to make discretion-based decisions concerning the choice of the accounting principles and their application. Furthermore, the management is required to use such assessments and assumptions that affect the amount of group assets and liabilities as well as income and expenses.

The most significant parts of this report where management has used discretion and the critical assumptions concerning the future and the factors of uncertainty associated with estimates made on the final day of the reporting period which cause a significant risk to the stability of the Group's book value of assets and liabilities during the following financial year are, similarly to those presented in financial statement 2017, capitalized development expenses, deferred tax assets, trade receivables and inventory valuation and the adequacy of financing.

Efore has adopted IFRS 15 'Standard Revenue from Contracts with Customers' from January 1, 2018. Efore's revenue from contracts with customers consists of sale of goods and do not contain any significant sale of services, which means that performance obligations will be recognized, also in accordance with the current standard, at one point time and the change of standard does not change the previous recognition practice.

Efore has adopted IFRS 9 'Financial Instruments' from January 1, 2018. The main impact of IFRS 9 Standard was related to the point in time when the expected credit loss was 15 recognized. The change did not have any material impact on the figures reported.

Efore will adopt IFRS 16 Standard "Leases" at the beginning of the financial year 2019. For lessees, all leases except short-term contracts and contracts with low value will be recognized as a right-of-use assets on the balance sheet. The change will move off-balance sheet liabilities to the balance sheet, and thus increase the amount of lease property and debt as well as leasing payments will move to depreciations and to interest expenses.

The new standard replaces the current IAS 17 –standard and related interpretations. IFRS 16 requires the lessees to recognise the lease contracts on the balance sheet as right-of-use assets and lease liabilities. The accounting model is similar to current finance lease accounting according to IAS 17. There are two exceptions available, which are related to either short term contracts in which the lease term is 12 months or less, or to low value items i.e. assets of value EUR 5 000 or less.

The standard will be adopted from its mandatory adoption date of 1 January 2019 applying the simplified transition approach and not restating comparative amounts for the year prior to first adoption.

The impacts have been assessed as follows:

As at the reporting date, the Group has non-cancellable operating lease commitments of EUR 2.6 million. Of these commitments, in total EUR 0.2 million relate to short-term leases and low value leases which will both be recognised on a straight-line basis as expense in profit or loss. The expectation is to recognise lease liabilities of EUR 2.1 million and corresponding amount as right-of-use assets on 1 January 2019. The impacts in net result are not seen material. Therefore, the lowering impact in solvency ratio is assessed to be less than one percentage unit.

The periods of lease terms are defined on the one hand not later than one year and on the other hand later than one year and not later than five years.

All the figures in the report have been rounded up/down, which is why the sum of individual figures may deviate from the sum presented.

NET SALES BY AREAS, EUR million	7-12/18 6 mo	7-12/17 6 mo	1-12/18 12 mo	1-12/17 12 mo
Americas	6,1	4,3	10,8	10,1
EMEA	16,7	21,4	31,3	49,2
APAC	5,0	4,8	10,3	10,6
Total	**27,8**	**30,5**	**52,4**	**69,9**

NET SALES BY CUSTOMER GROUPS, EUR million	7-12/18 6 mo	7-12/17 6 mo	1-12/18 12 mo	1-12/17 12 mo
Telecom	10,6	13,2	18,7	33,6
Industrial	17,2	17,3	33,7	36,3
Total	**27,8**	**30,5**	**52,4**	**69,9**

GROUP KEY FIGURES	7-12/18 6 mo	7-12/17 6 mo	1-12/18 12 mo	1-12/17 12 mo
Earnings per share, basic, eur	-0,06	-0,01	-0,14	-0,01
Equity per share, eur	0,02	0,13	0,02	0,13
EBITDA, MEUR	-1,2	1,0	-2,9	3,6
Adjusted EBITDA, MEUR	-0,7	1,0	-2,3	3,6
Profit/loss for the period, MEUR	-3,3	-0,9	-7,2	-0,2
Adjusted profit/loss for the period, MEUR	-2,7	-0,9	-6,7	-0,2
Return on equity (ROE), %	-58,3	-8,1	-95,4	-7,9
Return on investment (ROI), %	-16,6	-5,6	-35,4	-2,2
Net interest-bearing liabilities, MEUR	9,4	8,1	9,4	8,1
Solvency ratio, %	20,6	17,9	20,6	17,9
Gearing, %	100,6	115,6	100,6	115,6
Current ratio	0,8	0,7	0,8	0,7
Investments (intangible and tangible assets), MEUR	2,1	3,2	4,0	5,3
% of net sales	7,6	10,5	7,6	7,6
Average personnel	415	428	406	432
Average number of outstanding shares*	60 221	52 271	56 278	52 271
Number of outstanding shares as at end of financial year	418 130	52 271	418 130	52 271

*Day weighted average

Business combination

Efore plc acquired in cash Powernet International Oy's entire share capital on 31 December 2018. The Group consist from two companies, which are the operative company Powernet Oy and its parent Powernet International Oy ('Powernet International'). Powernet International is a Finnish company specialized in development and manufacture of customer specific power supplies and systems.

Powernet International, founded in 1992, develops and manufactures customer specific power supplies and systems, of which examples are customised power supply and power distribution packages as well as turnkey project deliveries, e.g. to the train industry. Powernet International has also been a forerunner in the development of IoT enabled condition monitoring of power supply and power distribution packages, which is utilized in e.g. smart battery chargers. Powernet International is well recognized especially in the North and Central Europe.

The acquisition further shifts Efore’s focus towards higher value-added products and solutions. It also further strengthens Efore’s excellent technical know-how and broadens as well as internationalizes Efore’s customer base.

From the beginning of 2019 current Efore’s Systems business and Powernet International will form a new business line in the Industrial business. It forms a strong platform on which Efore can build new and growing business. Powernet International’s current CEO Heikki Viika has been nominated as the executive vice president of the new business line and as a member of the Efore group management team.

Details of the purchase consideration, the net assets acquired and goodwill:

Purchase consideration	**EUR million**
Cash paid	2,5
Contingent consideration	0,7
Total purchase consideration	3,2

Maximum amount of contingent consideration is EUR 1.5 million and may be paid based on Powernet product sales margin for the fiscal year of 2019. The contingent consideration is measured at fair value based on management's best estimate. The contingent consideration has not been discounted, since the payment term is 15 months from the acquisition date.

The assets and liabilities as well as goodwill recognised in fair values as a result of the acquisition are:

Net assets acquired	**EUR million**
Intangible assets: customer contracts	1,3
Intangible assets: other	0,8
Tangible assets	0,2
Inventories	0,5
Trade receivables and other receivables	1,4
Cash	0,0
Total assets	**4,2**
Deferred tax liability	0,3
Interest-bearing liabilities	1,9
Trade payables and other liabilities	2,1
Total liabilities	**4,2**
Net identifiable assets acquired	0,1
Goodwill	3,2
Net assets acquired	**3,2**

Intangible assets arising from business combinations have been recognized separately form goodwill at fair value at the time of acquisition. The Group has allocated EUR 1.3 million to intangible assets related to customer contracts to be depreciated in five years with EUR 0.2 million deferred tax liabilities. Adjustment in inventory fair value amounts to EUR 0.1 million. Other receivables includes an indemnification asset value of EUR 0.2 million based on the Share Purchase Agreement.

Goodwill from the acquisition amounted to EUR 3.2 million and is primarily attributable to synergies described above arising from the significant economies of scale that Efore Group is expecting to benefit.

The transaction costs related to the acquisition are EUR 0.3 million and costs are included in other operating costs. Cash flows related to acquisition are included in investing activities.

If the acquisition had occurred on 1 January 2018, consolidated revenue and operating loss for the year ended 31 December 2018 would have been EUR 61.4 million and EUR 7.9 million respectively.

Efore Group had no business acquisitions during the financial year of 1.1.2017–31.12.2017.

CHANGES IN INTANGIBLE ASSETS

1.1.2017 - 31.12.2017						
EUR million	Development expenditure	Intangible rights	Other intangible assets	Advance payments for intangible assets	Goodwill	Total
Cost on 1 Jan.2017	15,8	5,1	3,0		1,1	25,0
Translation differences	0,0	0,0	0,0			0,0
Additions	3,5	0,0	0,3	0,3		4,1
Disposals	-0,9	-0,2	0,0			-1,2
Reclassifications	-0,5	0,2	0,2	-0,2		-0,3
Cost on 31 Dec 2017	**17,8**	**5,0**	**3,5**	**0,1**	**1,1**	**27,6**
Cumulative amortisation and impairment on 1 Jan 2017	-8,2	-3,8	-2,8	0,0	0,0	-14,7
Translation differences	0,0	0,0	0,0	0,0	0,0	0,0
Cumulative amortization on disposals and reclassifications	1,4	0,1	0,0			1,5
Amortisation	-2,2	-0,5	-0,2			-3,0
Impairments	-0,1					-0,1
Cumulative amortisation and impairment on 31 Dec 2017	**-9,0**	**-4,2**	**-3,0**	**0,0**	**0,0**	**-16,2**
Carrying amount 31 Dec 2017	**8,8**	**0,8**	**0,5**	**0,1**	**1,1**	**11,4**
1.1.2018 - 31.12.2018						
Cost on 1 Jan.2018	17,8	5,0	3,5	0,1	1,1	27,6
Translation differences	0,0	0,0	0,0			0,0
Acquisition	0,8		1,3		3,2	5,3
Additions	2,9	0,0	0,1	0,0		3,0
Disposals	-0,9		-0,2			-1,1
Cost on 31 Dec 2018	**20,6**	**5,1**	**4,7**	**0,1**	**4,3**	**34,8**
Cumulative amortisation and impairment on 1 Jan 2018	-7,9	-4,2	-3,0		0,0	-15,1
Translation differences	0,0	0,0	0,0			0,0
Cumulative amortization on disposals and reclassifications	-0,1	0,0	0,2			0,0
Amortisation	-2,4	-0,3	-0,1			-2,8
Impairments	-0,8					-0,8
Cumulative amortisation and impairment on 31 Dec 2018	**-11,2**	**-4,6**	**-3,0**	**0,0**	**0,0**	**-18,7**
Carrying amount 31 Dec 2018	**9,4**	**0,5**	**1,7**	**0,1**	**4,3**	**16,0**

CHANGES IN TANGIBLE ASSETS

1.1.2017 - 31.12.2017					
EUR million	Buildings and structure	Machinery and equipment	Tangible, other	Advanced payments and worj in progress	Total
Cost on 1 Jan.2017	0,0	25,4	5,3	0,1	30,7
Translation differences		-0,3	-0,3	0,0	-0,5
Additions	0,0	0,8	0,3	0,2	1,3
Disposals	0,0	-7,4	-0,7	0,0	-8,1
Reclassifications		0,2	0,0	-0,3	0,0
Cost on 31 Dec 2017	**0,0**	**18,7**	**4,7**	**0,0**	**23,4**
Cumulative amortisation and impairment on 1 Jan 2017	0,0	-22,7	-5,1		-27,9
Translation differences		0,2	0,2		0,5
Cumulative amortisation on disposals and reclassifications	0,0	7,1	0,6		7,8
Amortisation	0,0	-0,8	-0,1		-0,9
Impairments			0,0		0,0
Cumulative amortisation and impairment on 31 Dec 2017	**0,0**	**-16,2**	**-4,3**		**-20,6**
Carrying amount 31 Dec 2017	**0,0**	**2,5**	**0,4**	**0,0**	**2,9**
1.1.2018 - 31.12.2018					
Cost on 1 Jan.2018	0,0	18,7	4,7	0,0	23,4
Translation differences		0,0	0,0		-0,1
Acquisition		0,2	0,0		0,2
Additions	0,0	0,9	0,0	0,1	1,0
Disposals		-0,5	0,0	0,0	-0,5
Cost on 31 Dec 2018	**0,0**	**19,3**	**4,7**	**0,1**	**24,0**
Cumulative amortisation and impairment on 1 Jan 2017	0,0	-15,8	-4,3		-20,1
Translation differences		0,0	0,0		0,1
Cumulative amortisation on disposals and reclassifications		0,0	0,0		0,0
Amortisation	0,0	-0,6	-0,1		-0,7
Cumulative amortisation and impairment on 31 Dec 2018	**0,0**	**-16,4**	**-4,4**	**0,0**	**-20,7**
Carrying amount 31 Dec 2018	**0,0**	**2,9**	**0,3**	**0,1**	**3,3**

GROUP CONTINGENT LIABILITIES	31.12.2018	31.12.2017
EUR million		
Contingent liabilities		
Security given on own behalf		
Business mortgages	6,5	5,0
Other contingent liabilities	0,1	0,1
Pledged parent company shares, pcs	3 501 955	3 501 955
Liabilities guaranteed by business mortgages		
Loans from credit institutions *	6,9	6,5
Factoring in use	4,0	4,9
Total	10,9	11,5
*Subsidiary shares with the carrying amount of EUR 3.5 million has been given on behalf of parent company's loans from credit institutions		
Credit insurance liability according to factoring contract. The liability has not been realized	0,2	0,2
Operating lease commitments		
Group as lessee		
Non-cancellable minimum operating lease payment:		
Within 1 year	1,0	0,9
1-5 years	1,6	2,0

Fair values of derivative financial instruments

Efore did not hold any derivative financial instruments in the end of financial periods.

Other

As part of the normal business, Efore is involved in some claims, and the final outcome of these claims cannot be predicted. Based on current information, these claims are not expected to have a material impact on the financial position of the Group.

Other related party transactions

Efore plc has pledged 3 501 995 own shares for the counter guarantee of Jussi Capital Oy's absolute guarantee. There was a weighty financial reason for pledging the shares, and all the shareholders, as the pledge was a prerequisite for the financing arrangement.

Financial position

In 31 May 2018 Efore has raised a long-term credit of EUR 2.0 million in Italy. This credit has covenants regarding net debt/ebitda and net debt/net equity. The covenants were breached at the end of the 2018 financial year. The official credit proposal requires the completed Efore Spa financial statement. The management of the Company believes that the result of the negotiations will be positive with financier.

Efore's interest-bearing liabilities increased EUR 1.9 million as a result of Powernet International acquisition, from these liabilities loans were EUR 0.6 million and other interest-bearing liabilities were EUR 1.2 million. The creditor is Efore's main financier bank. The loan has covenants which were breached on 31 December 2018 and the bank has committed to grant a waiver.

The Company has agreed with its main financier bank on a reorganisation of its loans. A new payment programme for the next five years has been negotiated for the repayment of the EUR 6.0 million in loans from the main financier bank maturing on 31 December 2018. Bank also waived it's right for early expiration of the loans. Efore has amortized loan by EUR 0.2 million in the end of the year and as at 31 December 2018 Efore had loans with its main financier bank totaling to EUR 5.8 million. As a result of succesfully completed rights issue Efore has pledged to set off loans from main financier bank by additional EUR 0.6 million in the beginning of the year 2019.

Efore Plc's rights issue was successfully completed in December 2018 to strengthen capital structure and working capital. As a result of the rights issue the Company raised the targeted gross proceeds of approximately EUR 11 million. The Company paid back EUR 4.6 million short-term loan including interest to main shareholders, completed Powernet International acquisition and financed general net working capital needs.

The Management believes that negotiated solutions in financial position and completed Offering will assure sufficient finance and will assure the going concern as well.

Calculation of key figures

EBITDA	=	Profit/loss for the period + amortisations and depreciations of tangible and intangible assets + impairments
Adjusted EBITDA	=	EBITDA adjusted by items affecting comparability eg. acquisitions
Adjusted operating profit/loss	=	Operating profit/loss adjusted by items affecting comparability
Return on investment (ROI), %	=	$\frac{\text{Profit before taxes + interest and other financing expenses}}{\text{Equity + interest bearing liabilities (average)}} \times 100$
Return on Equity (ROE), %	=	$\frac{\text{Profit/loss for the period}}{\text{Equity (average)}} \times 100$
Current ratio	=	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Solvency ratio, %	=	$\frac{\text{Equity}}{\text{Total assets – advance payments received}} \times 100$
Net interest-bearing liabilities	=	Interest bearing liabilities – financial assets at fair value through profit or loss – cash and cash equivalents
Gearing, %	=	$\frac{\text{Net interest-bearing liabilities}}{\text{Equity}} \times 100$
Earnings per share	=	$\frac{\text{Profit or loss attributable to ordinary equity holders of the parent entity}}{\text{The weighted average number of shares outstanding}}$
Earnings per share (diluted)	=	$\frac{\text{Profit or loss attributable to ordinary equity holders of the parent entity}}{\text{The weighted average number of shares outstanding including dilutive effect}}$
Equity per share	=	$\frac{\text{Equity}}{\text{Number of shares at balance sheet date}}$
Market capitalization	=	Adjusted share price at balance sheet date x outstanding number of shares at balance sheet date
Average personnel	=	The average number of employees at the end of each calendar month during the accounting period

All share-specific figures are based on the outstanding number of shares.
Equity is the equity attributable to the shareholders of the parent company.
Result for the period is the result attributable to the shareholders of the parent company.

EFORE PLC

Board of Directors

For further information please contact Mr. Vesa Leino, CEO, tel. +358 40 759 8956, on 13 February 2019 at 12:00-13:30.

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Efore Group

Efore is an international Group which develops and produces demanding power products. Efore's head office is based in Finland and its sales, marketing and R&D functions are located in Europe and China. The Group also has a sales and marketing unit in the United States. In the financial year ended on December 2018, consolidated net sales totalled EUR 52.4 million and the Group's personnel averaged 406. The parent company's share is quoted on the Nasdaq Helsinki Ltd.

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